

# RE PORT<sup>16</sup>

ANNUAL REPORT

31 DECEMBER 2016

 **BIESSEGROUP**

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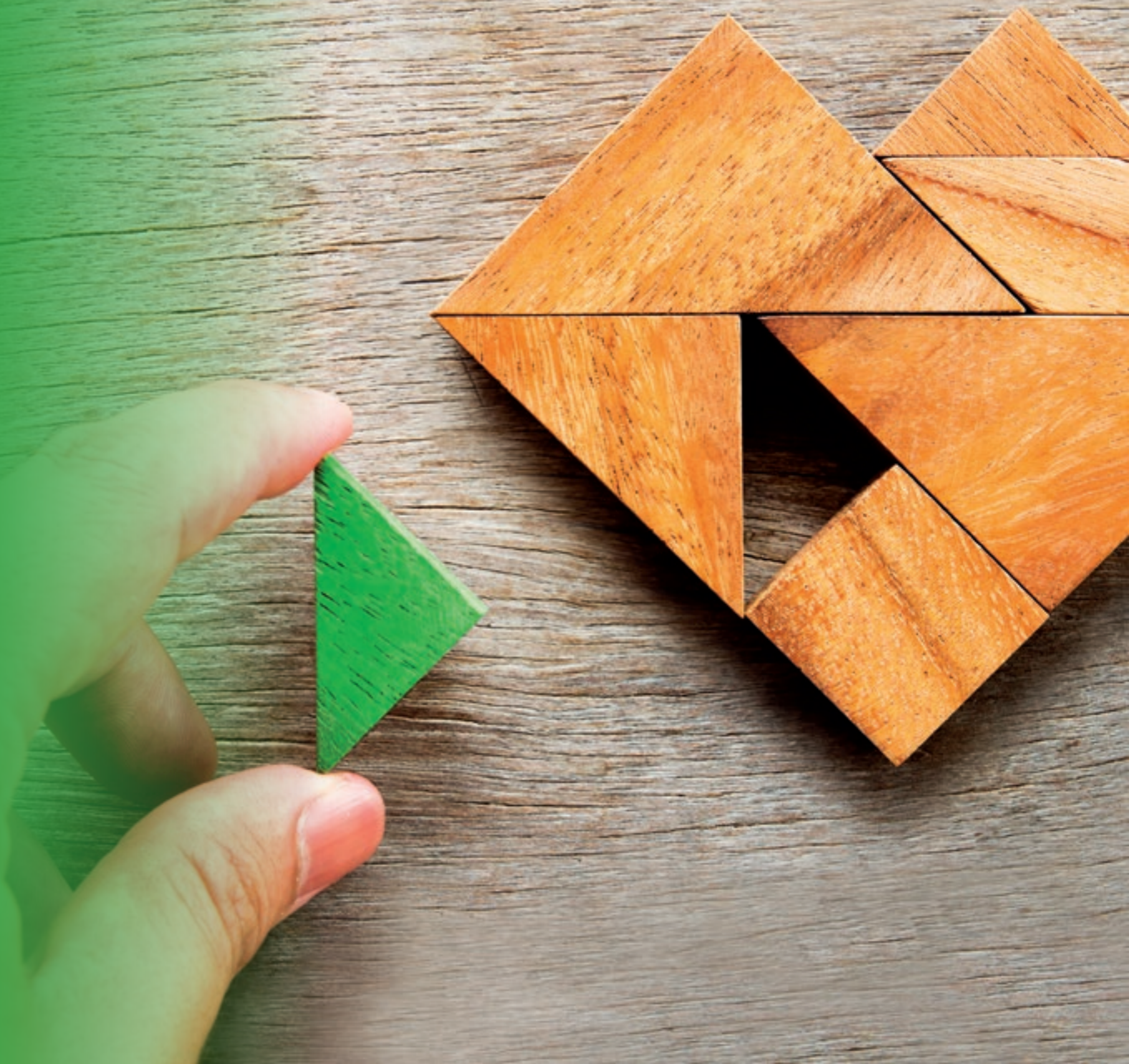
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# THINK FOR WARD

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



# TRU ST

## LETTER TO SHAREHOLDER

### DEAR SHAREHOLDER,

The year which ended on 31 December 2016 represents another record year in Biesse's history, both due to the strong increase in consolidated revenues and net profit and in light of the company's net financial position, which was demonstrated as being very much on positive ground. These results have been achieved thanks to profitable investments in recent years in the three pillars of our strategy: innovation, distribution/ marketing and quality/service. Our growth across the four Group divisions has once again "beat" the average growth rates in the respective industries, with a significant increase in our market share.

From a geographical perspective, and beginning with the domestic market, we are delighted to note that our target market is undergoing a recovery, a fact which is further highlighted by the leading associations in the sector, Acimall and UCIMU. With regard to the Group's consolidated turnover, Italy accounted for 15.5% of the total, a figure which is up on previous years, thanks in part to the fiscal incentives put in place by the government. In 2017, the forecast remains positive.

In an international context, substantial growth has been seen in Western Europe (+ 34.9%), followed by a significant increase in North America too (+ 20.2%), as well as in the Asia-Pacific region (+ 26.1%). Brazil, however, is still in negative territory, and similarly, Turkey's performance has also been poor, while Russia has shown some reassuring signs of recovery, particularly in early 2017.

On the basis of the above, the Group has achieved extremely positive results on the financial markets too, boosting Biesse shares and significantly increasing the stock market value (at the official closure on 11 April 2017, this was up 89% over the same period in 2015).

As regards the Group's financial statements, consolidated turnover increased by 19.5% compared to the previous year, the EBITDA reached more than 76 million euros, while EBIT was just under 55 million euros. Profit was 40% higher compared to 2015, reaching 29.5 million euros, despite the tax rate which remained high (43.8%). Net debt at 31 December 2016 was zero (positive financial position of 4.9 million euros), with net cash flow of 14.6 million euros generated over the course of the year, gross of dividends paid in May 2016 (9.8 million euros) and of the major investments in innovation and expansion of the company's production capacity.

In 2016 and in the first few months of 2017, Biesse implemented extensive recruitment plans, designed to add further structure to the company's international organisation. Despite the unavoidable impact on the cost structure, this move must be seen as supporting the expected growth rates.

This year once again, our ability to create value and the effectiveness and validity of our business model has enabled us to propose an ordinary dividend for all shareholders of 0.36 euros per share, to be distributed with value date of 10 May 2017 (coupon date 8 May 2017).

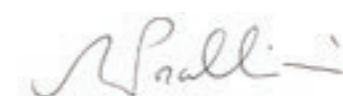
As a company listed in the STAR segment of the Italian Stock Exchange (included in the FTSE Mid-Cap segment), we have disclosed details of the projects contained in the Three-Year Plan more widely, as well as information pertaining to the operational and financial implications of these, stimulating considerable interest during the recent meetings with the Italian and international financial community (Milan - Paris - London - Geneva - New York), in light of our increased market/capitalisation value.

On 28 February 2017, the new Three-Year Business Plan (2017-2018-2019) was approved, with clear references to the Group's development, not only in the classic business sectors but also in "adjoining" industries that could potentially benefit from our technologies, as in the case of our recent achievements in the Advanced Materials machining sector: plastics, composites and aluminium, an area in which our Mechatronics Division (HSD) already represents the most significant expression of cutting-edge technical skill, conquering new customers and new markets year upon year.

In the next three years, further major investment is planned in both individuals and tools, in order to offer our customers the best possible Industrial Revolution 4.0 solutions and to continue on the path towards servitization, an area that Biesse views as strategic.

Last but not least, we would like to express our unconditional appreciation for the great commitment and precious dedication of all our employees. It would not have been possible to achieve previous goals or to plan new ones for the future without their energy and professionalism. We extend our heartfelt thanks to all.

The General Manager  
Stefano Porcellini



# THE GRO UP

 **BIESSE**GROUP

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

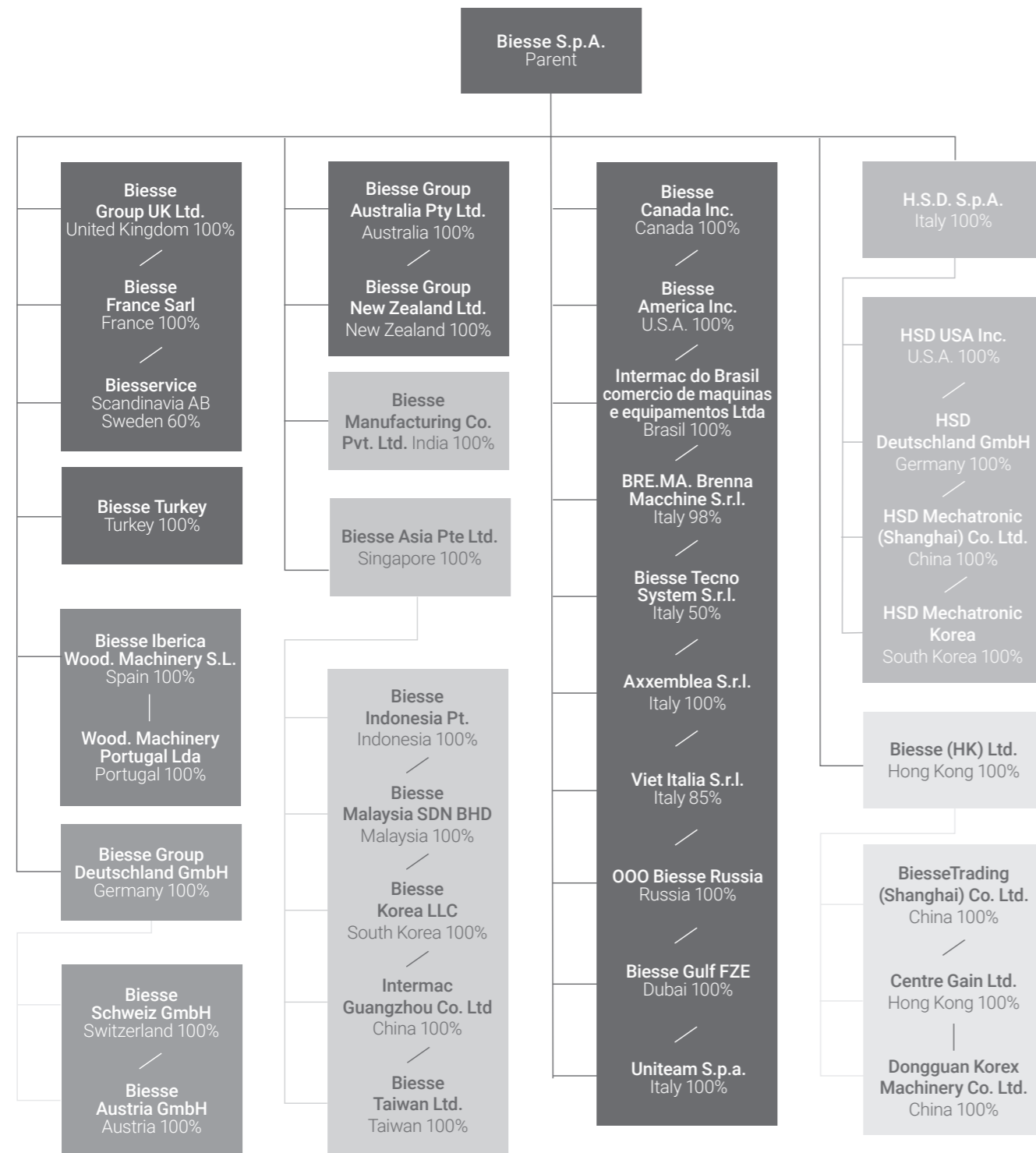
Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index.



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.

Compared to the financial statements as at and for the year ended 31 December 2015, the scope of consolidation underwent the following changes:

- the setting up of OOO Biesse Group Russia, 100% owned by Biesse S.p.A., aimed at developing the marketing of products and services in all Group Divisions on the Russian market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 31 March 2016 and is based in Moscow (share capital of 10 million roubles);
- Uniteam S.p.A. was included in the scope of consolidation on 19 May 2016, as a result of the acquisition of 100% of the shares of the company by Biesse S.p.A. Uniteam S.p.A. is based in Thiene (Vicenza) and produces and sells CNC mechanical-cutting machines for the furniture industry, for the processing of solid wood and laminated beams (beams, panels and big structures) and for the processing of composite materials (plastic and aluminium products, special alloys etc.). The share capital amounts to € 390 thousand;
- the merger of the subsidiaries Viet Italia S.r.l. and Pavit S.r.l. was completed on 24 June 2016. The accounting effects of the merger arose from 1 July 2016, while the tax effects are backdated to 1 January 2016;
- the setting up of Biesse Taiwan Ltd, 100% owned by Biesse S.p.A., aimed at developing the marketing of products and services in all Group Divisions on the Taiwanese market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 15 December 2016 and is based in Taipei (share capital of 500,000 Taiwan dollars);

- the setting up of Biesse Gulf FZE 100% owned by Biesse S.p.A., aimed at developing the marketing of products and services in all Group Divisions on the UAE market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 25 December 2016 and is based in Dubai (share capital of 400,000 UAE dirhams);

- the setting up of HSD Mechatronics Korea 100% owned by Biesse S.p.A., aimed at developing the marketing of electro-spindles on the South Korean market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 25 October 2016 and is based in Ansan (share capital of 101,270,000 South Korean won);

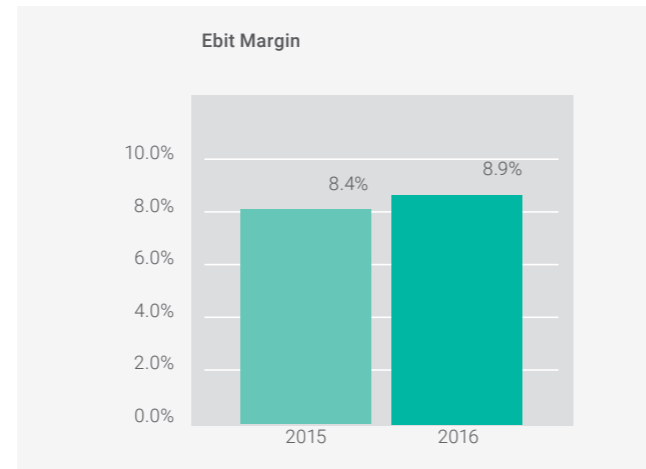
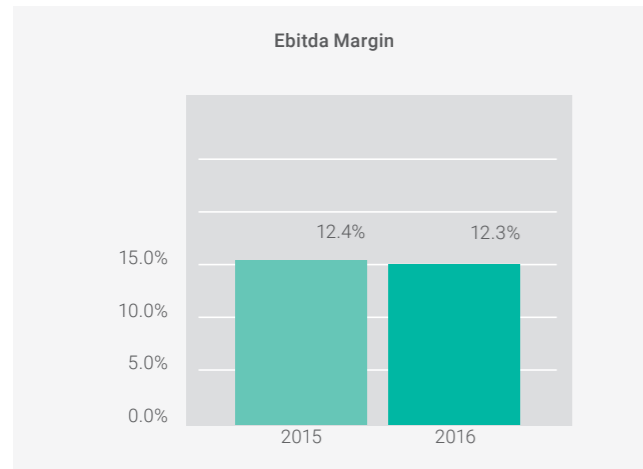
- during 2016 the process was started to shorten the chain of control over the Chinese companies. This project involves Biesse Hong Kong Ltd and Centre Gain Ltd, both resident in Hong Kong. In compliance with local laws, the process will be carried out through the transfer of all the assets and liabilities from the parent to the subsidiary and the subsequent liquidation of the parent. At the end of 2016 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. Therefore, at the end of 2016 both Centre Gain Ltd (the name of which was changed as part of this operation to Biesse Hong Kong Ltd) and Biesse Hong Kong Ltd (the former holding company), which is being liquidated, still existed. With the transfer of the assets and liabilities, Centre Gain Ltd reissued new shares in the name of Biesse S.p.A. as a consequence of the transfer of ownership. The diagram of the Group Structure shows the shareholdings as at 31 December 2016.

# FINANCIAL HIGHLIGHTS



# FINANCIAL HIGHLIGHTS

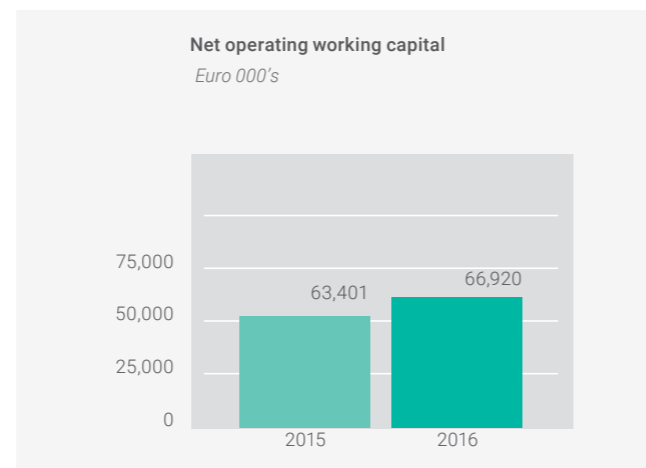
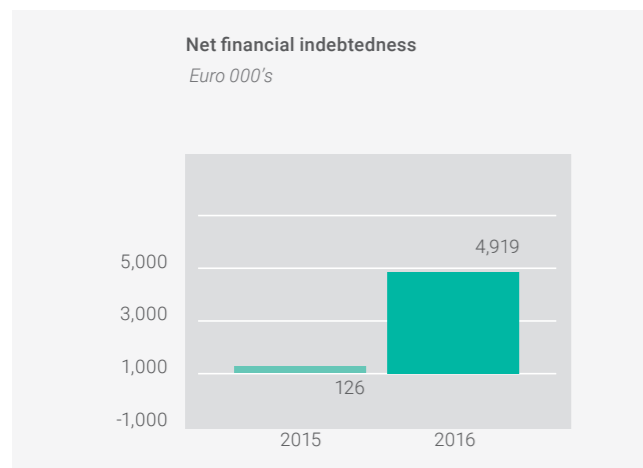
Euro 000's	2016	% on sales	2015	% on sales	Change %
Revenue from sales and services	618,489	100.0%	519,108	100.0%	19.1%
Normalised Added value (1)	252,396	40.8%	212,362	40.9%	18.9%
Normalised EBITDA (Normalised gross operating profit) (1)	75,845	12.3%	64,139	12.4%	18.2%
Normalised EBIT (Normalised operating profit) (1)	56,341	9.1%	43,857	8.4%	28.5%
EBIT (Operating profit) (1)	55,062	8.9%	43,729	8.4%	25.9%
Profit for the year	29,464	4.8%	21,055	4.1%	39.9%



## Statement of financial position data and financial ratios

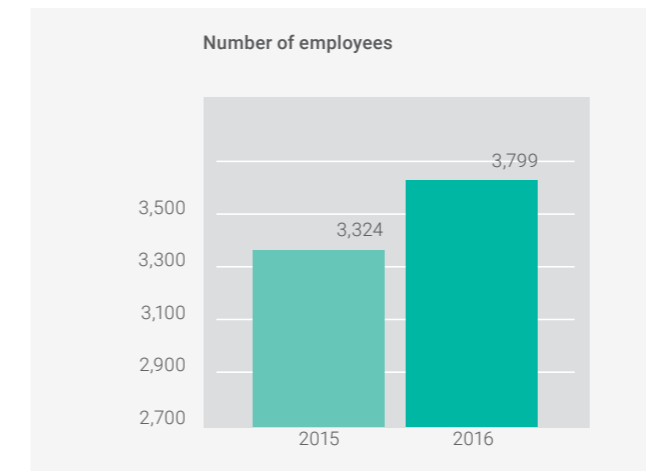
Euro 000's	31 December 2016	31 December 2015
Net invested capital (1)	154,804	141,260
Equity	159,723	141,386
Net financial position (1)	(4,919)	(126)
Net operating working capital (1)	66,920	63,401
Gearing (net financial position/equity)	(0,03)	(0,00)
Fixed asset/standing capital ratio	1,09	1,10
Order intake	493,229	442,650

<sup>(1)</sup> The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report and the Notes to the Financial Statements.

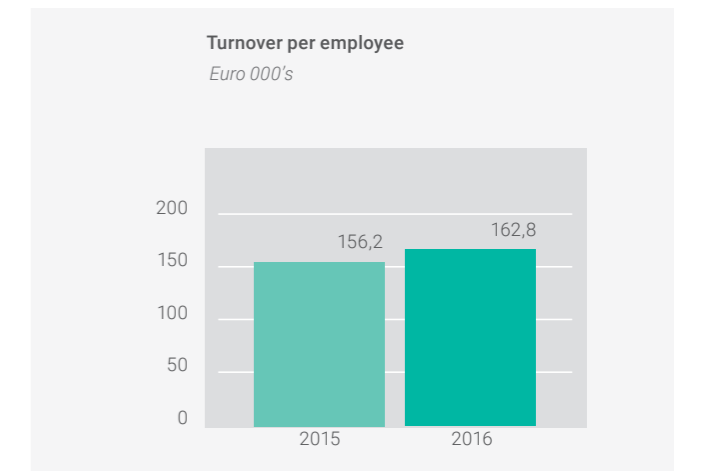


## Personnel

	31 December 2016	31 December 2015
Number of employees at year end	3,799	3,324



\* the figure includes temporary staff.





# 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

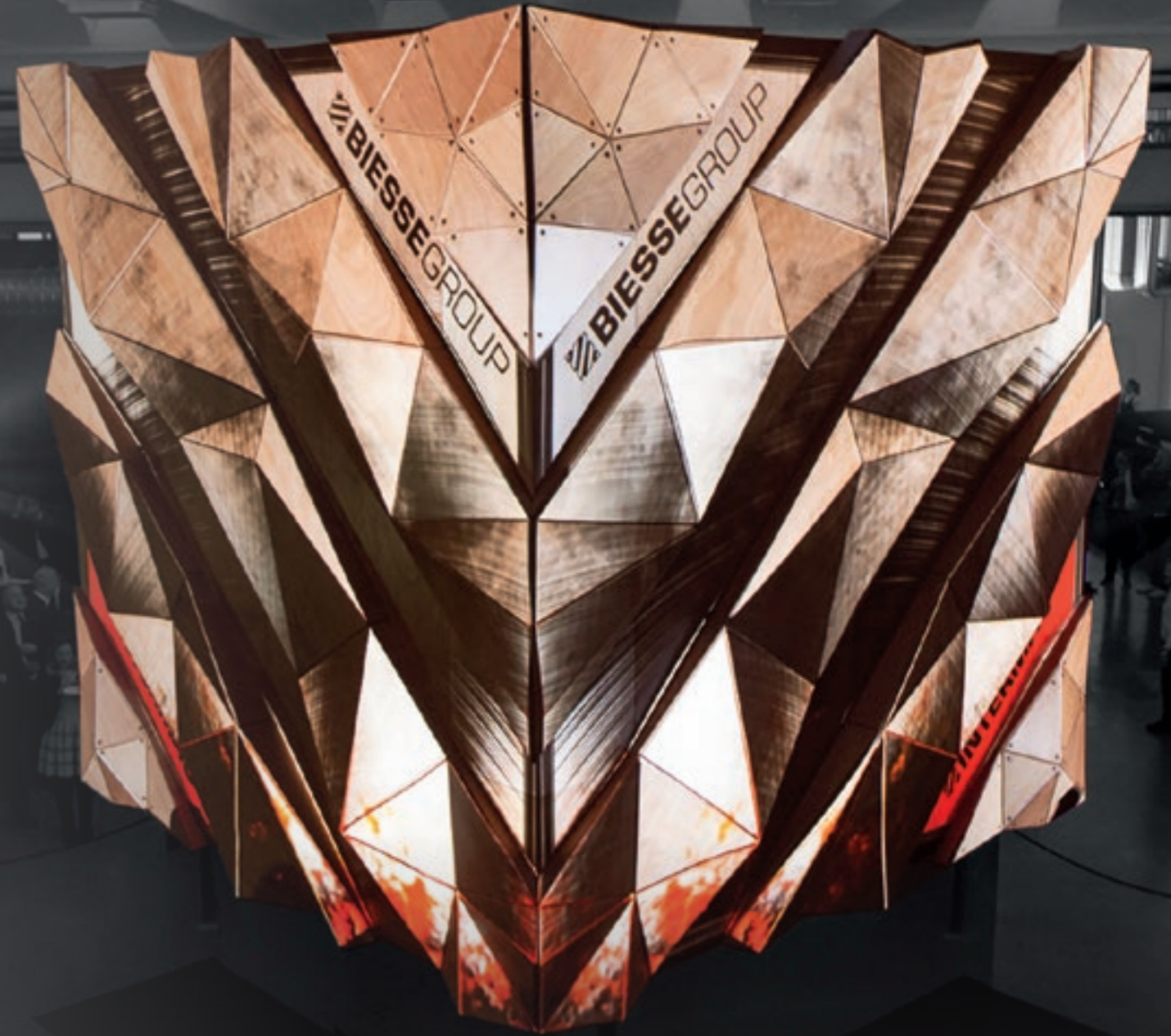
## INDEPENDENT AUDITORS

KPMG S.p.A.



# DIRECTORS' REPORTS

REPORT  
ON OPERATIONS



# GENERAL ECONOMIC OVERVIEW

## GLOBAL ECONOMIC TREND

Global growth gradually strengthened from the summer onwards, but this did not, as had been expected, turn into a solid recovery in global trade. Support for economic activity might come from the implementation of a program of fiscal expansion by the new US administration, the characteristics of which are, however, still unclear. The risk emerged that the recovery in the global economy may be slowed down by the trigger and spread of protectionist trends, as well as by possible turbulence in emerging economies. In the third quarter of 2016 in the United States GDP was stronger than forecast, at 3.5% annually (up from 1.4% in the prior year), thanks above all to the contribution from net exports and the change in stocks; the rise in private consumption was still strong, while investments continued to stagnate. Information on the fourth quarter, especially regarding the labour market and lead indicators, show a still strong trend in economic activity.

In the Eurozone economic growth continued and strengthened, driven mainly by domestic demand. Looking forward this is expected to consolidate further. The effect of the ECB's monetary policies is supporting domestic demand and facilitating the ongoing process of reducing leverage. Financial conditions are very favourable and the improvement in company profits continue to drive the recovery in investment. In addition, the solid increase in employment, which benefits also from previous structural reforms, provide support to private consumption through the increase in real disposable household income. At the same time, there are signs of a slight strengthening of the global recovery. However, economic growth in the Eurozone is held back by the slow implementation of structural reforms and by further budgetary adjustments in various sectors. Downside risks remain for growth prospects in the Eurozone and are connected mainly to global factors.

At the same time, financial conditions have become tighter internationally and emerging market economies have faced capital outflows. Overall inflation has increased globally with the ending of the downward pressure from falling energy prices. Downside risks remain for global growth prospects and are mainly connected to uncertainties about policies and financial imbalances. According to Eurostat, annual inflation in the Eurozone measured on the HICP rose to 1.1% at the end of December 2016, compared to 0.6% in November. This trend reflects above all a strong increase over the twelve months in the energy price component, while there are still no convincing signs of a rising trend in underlying inflation. Looking forward, on the basis of the current prices of oil futures, it is likely that overall inflation will increase further in the short term, largely reflecting movements over the 12 months in energy prices. Nonetheless, the measures of underlying inflation should show a gradual increase in the medium term, supported by the ECB's monetary policy measures, the expected economic recovery and the corresponding gradual reduction in unused manufacturing capacity.

### UNITED STATES

Economic activity in the United States is strong, despite the significant political uncertainty. GDP in the United States grew at an annualised rate of 3.5% in real terms in the third quarter of 2016, mainly supported by spending on consumption, net trade and the reversal of the trend in the contribution from inventories. Recent indicators show the continuation of robust growth in the final quarter of 2016, albeit at lower rates than in the previous period. Despite the political uncertainty, in a situation where only a few details have emerged regarding changes to policies which will be introduced by the new administration, the results of the confidence polls published after the elections in the country indicate favourable short-term prospects. Labour market conditions worsened and the average monthly increase in employment in the non-agricultural sector was 165,000 units in the three months to the end of December. This contributed to a further acceleration in wage rises, with an increase over the 12 months in average hourly pay of 2.9%. In December overall inflation for the 12 months measured on the consumer price index (CPI) rose to 2.1%, mainly on the back of the rise in fuel costs, while the figure net of food and energy items rose to 2.2%.

### JAPAN

In Japan economic growth remained modest. In the third quarter of 2016 Japanese GDP rose 0.3% in real terms on the previous quarter, since both the growth in internal demand and net trade continued to see weak progress. The latest statistics indicate a recovery in exports in real terms and in industrial output towards the end of the year, while the trend in private consumption is still weak and the economic surveys show that companies remain cautious about prospects. Despite the difficult conditions on the labour market, shown by the fact that the unemployment rate remained at 3% in October, in the same month the rate of increase in real wages over the 12 months was unchanged. Overall inflation over the 12 months measured on the CPI rose further in November, to 0.5%. At the same time, the figure calculated excluding fresh food and energy (the preferred measure for underlying inflation used by the Bank of Japan) fell to 0.2%.

### UNITED KINGDOM

In the United Kingdom recent indicators suggest renewed signs of consolidation in the economy given a marked increase in inflation. In the third quarter of 2016, GDP rose by 0.6% in real terms compared to the previous quarter, notwithstanding the expectation of a sharp slowdown in the period immediately after the referendum on the country's membership of the European Union. The available indicators show that economic activity continued to perform solidly in the final quarter of the year. Inflation over the 12 months measured on the CPI rose to 1.6% at the end of December 2016, driven in part by energy prices. The impact of the weakening of the pound sterling is also becoming increasingly visible in the early stages of the chain forming prices, as shown by the marked increases in the prices of imports and of production in recent months.

### EMERGING COUNTRIES

In China and India monetary policy remained expansive: the Chinese central bank continued to pump liquidity into the system through open market transactions; the Indian central bank kept interest rates unchanged at historic lows, after the cut in October. In response to the fall in inflationary pressure, the Brazilian central bank cut official rates three times, albeit the rate remained at historically high levels (13.0%). In Russia the monetary authorities left rates unchanged, after cutting them in September.

## EUROZONE

In the Eurozone GDP growth continues at a moderate but gradually firmer rate, thanks to the boost from the internal components of demand. Uncertainty over the performance of the global economy, partly caused by geopolitical tensions, is the biggest risk factor for economic activity. Inflation rose in December, starting to reflect expansive monetary conditions, but it is still at low values. At the meeting of 8 December 2016 the Governing Council of the European Central Bank (ECB) extended the program to buy assets at least until the end of 2017. In the third quarter of 2016, Eurozone GDP increased by 0.3 percent compared with the previous period, buoyed by domestic demand. There was an increase in the contribution from household spending, consumption by the public administration and a change in inventories; the contribution from investments, however, fell. Foreign trade had a negative impact of 0.1% on GDP growth, due to an increase in imports which was just above that in exports. Among the main countries in the area, GDP rose by 0.2% in Germany and France, and 0.3% in Italy. On the basis of the latest information, economic activity in the Eurozone continued to grow in the autumn at a rate just above that of the previous period. The €-coin indicator prepared by the Bank of Italy, which estimates the underlying GDP trend in the Eurozone, saw a marked increase in the autumn, standing at 0.59 in December (from 0.45 in November). Also the PMI indices reflected the continuation of GDP growth. According to the forecasts prepared by the central banks in the Eurosystem, which were published in December, in 2017 GDP will rise by 1.7% overall (as in 2016). Inflation is gradually rising and the risks of deflation have largely disappeared, but the underlying trend still does not show a stable upward trend. In December consumer price inflation rose to 1.1% (from 0.6% in November), but almost entirely due to the rise in the prices of fresh food (2.1% from 0.7%) and energy prices (2.6% from -1.1%); net of the most volatile components, the CPI rose (0.9%). The percentage of basic items which saw a fall in prices fell (to 20% from 24% in November); among the underlying components, the fall in prices affected 34% of goods and 3% of services, values which in any case are well below the highs recorded in 2015. Among the main countries, harmonised inflation in December was higher in Germany and Spain (1.7% and 1.4%, respectively) and lower in France and Italy (0.8% and 0.5% respectively). In the December forecasts made by the central banks of the Eurosystem, inflation in the area as a whole will increase in 2017 to 1.3% (from 0.2% in 2016), slightly below the expectations of the analysts recorded by Consensus Economics. The short and medium term expectations for inflation taken from the yields on inflation swaps, although they have increased since October for all expiries, are still at historically low levels, with a very slow return towards values which are in line with the definition of price stability (1.2% over the 2-year time horizon, 1.8% looking ahead between five and ten years). At the meeting of 8 December the Governing Council of the ECB extended the duration of the Eurosystem's Expanded Asset Purchase Programme (APP) at least until December 2017 or beyond if necessary, and in any case up to when the trend in inflation has returned to a path in line with the goal of price stability. As from next April the purchases will continue at a rate of € 60 billion per month. However, should the outlook become less favourable or the financial conditions no longer be in line with further progress towards a sustained adjustment in inflation, the Board is ready to expand the volume of purchases or the duration of the program. It also confirmed that the official rates will be kept at current levels, or lower, for a period which goes well beyond the APP's horizon. In order to guarantee the ordered implementation of the programme, the Board has decided to expand the group of public sector securities which can be bought as from January 2017: the required minimum residual duration will be reduced to one year, and also assets with a yield below the interest rate on deposits held at the central bank will be accepted. Purchases of securities by the Eurosystem continued regularly. On 6 January public securities were bought for a total of € 1,266 billion, guaranteed bank bonds for € 204 billion, asset-backed securities for € 23 billion and company bonds for € 52 billion. At the end of December the Eurosystem had bought public Italian securities for around € 210 billion (of which € 189 billion by the Bank of Italy).

### ITALY

After the acceleration in GDP in the summer quarter, according to the available indicators the recovery in the Italian economy would have continued in the autumn – albeit at a rate slightly below that of the previous period – driven by the increase in investments and the growth in household spending. The forward indicators are in line with the continuation of moderate growth in economic activity also in the first quarter of this year. In the third quarter of 2016, GDP increased by 0.3 percent compared with the previous period, as in the Eurozone as a whole. Domestic demand contributed 0.4 percentage points to the growth (including 0.1 due to change in inventories). Investments started to rise again (0.8%), after the stagnation in the second quarter, helped by purchases of machinery and equipment and, above all, transport. Household spending slowed down (0.1%, down from 0.2%), in particular for durable and semi-durable goods. Following a stronger increase in imports than that for exports (0.7% and 0.1%, respectively), foreign trade had a negative impact of 0.1% on GDP growth. Added value increased significantly in the manufacturing sector (1.1%, from -0.7% in the previous quarter) and to a lesser extent in services (0.1%, from 0.2%), where it was particularly affected by the fall in the financial brokerage and insurance segment; it fell slightly in construction. On the basis of the information available, in the final quarter GDP continued to grow at a modest rate, which can be estimated at 0.2%. The Ita-coin indicator drawn up by the Bank of Italy improved in December for the third month running, to 0.06, marking a recovery in the underlying GDP trend. The forward indicators, such as surveys with purchasing managers (PMI), ISTAT surveys into household and business confidence and the quarterly survey conducted by the Bank of Italy in collaboration with Il Sole 24 Ore, are in line with the continuation of moderate growth in economic activity also in the first quarter of this year. The twelve-month inflation measured by the harmonised index of consumer prices (HICP) rose to 0.5 percent in December (from 0.1 in November), the underlying component was 0.7 percent (from 0.4). Upward pressure mainly came from the acceleration in the prices of fresh food and air transport, and from the easing of the fall in energy prices. Overall in 2016 inflation stood at -0.1%; net of the more volatile elements, it rose by 0.5%.

# BUSINESS SECTOR REVIEW

## UCIMU – SISTEMI PER PRODURRE

As is clear from the provisional figures prepared by the Business Culture and Research Centre of UCIMU, in 2016, production was stationary, increasing by 0.3% compared to the same period of the previous financial year. In absolute terms, the index was equal to 133.3, much higher than the average 100 considering 2010 as the reference year. Overall performance was influenced by the positive contribution from orders on foreign markets, which rose by 3.4% compared to the 2015 October-December period. The absolute value of the index was 130.3.

The trend in the index for orders from Italian building firms for the domestic market was different and, after thirteen straight quarters of growth, fell back, recording a fall of 12.1%. The absolute value of 153.3 is still very high.

On an annual basis, the index recorded an average increase, compared to 2015, by 1.6% (130.8 in absolute terms). Given far from brilliant performance in terms of foreign orders, which fell by 2.6% (absolute index at 130.1), domestic orders grew markedly, up by 7.4% (absolute index at 131.6) confirming the lively state of the Italian market.

From the comparison of the absolute indices calculated on an annual basis, it emerges that 2016 was the best year for orders with a figure of 130.8. This data shows that so far not all the ground lost during the crisis has been recovered, but in any case we are very close to the level recorded in 2008, when in absolute terms the figure was 140.

Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "The preliminary results for 2016, which were presented in December, the index of orders for the year just ended and the trend in registrations for LAMIERA, the industry event planned for next May to be held in Milan, shown the liveliness of the Italian market that has returned to investing in manufacturing systems".

"In short, the fall recorded in the last quarter does not worry us at all" Massimo Carboniero went on "since it is clearly due to the effect of the wait for the hyper-amortizations at 250%. The market is strong, as we can already see, after less than a month from the reopening of production. The Government's announcement of the Industria 4.0 National Plan in September, followed by subsequent further details and clarification about the application of the measures, together with uncertainty about the situation due to the outcome of the referendum, drove companies to wait and to put back orders to the new year. The concern was also that the provision for the hyper-amortizations at 250% was applicable only to purchases with orders placed as from 2017".

## ACIMALL

There is a pleasing breeze fanning the market for woodworking technologies. This is the clear sensation which emerges from the analysis of the data of the economic survey undertaken by the Research Office of Acimall for the final quarter of 2016. A clearly significant trend in orders which – pending the coming into force and the impact of the Industria 4.0 Plan – shows that the sector of woodworking technologies is continuing its gradual recovery. The customary survey, conducted on a statistical sample representing the entire sector, shows that the Italian woodworking machinery and tools industry grew by 13.6% over the prior-year period. Foreign orders rose 14.8%, while domestic ones were up 2.9%. The order book was 3 months, while since the start of the current year there has been a 1.3% rise in prices.

The quality survey related to the performance for the period shows, on the basis of the opinions expressed by companies participating in the survey, the following results: 35% of respondents report performance as positive, 65% as stable. Employment is considered unchanged by 71% of the sample, up by 24% of the sample and down by the remaining 5%. Inventories were stable according to 59% of cases, up by 6%, and down by the remaining 35%.

The survey offers some indications on how things will go for the sector in the short term: operators, as we have already noted, show great optimism about what awaits them in 2017, a year which could even prove fundamental for the medium and long term trends. According to 35 percent of those interviewed, foreign orders will increase, whereas according to 65 percent, they will remain unchanged (balance: plus 35). For the domestic market, further progress is expected by fully 47% of entrepreneurs, while 53% favour stability (balance: plus 47).

# 2016 TRENDS

The Biesse Group closed 2016 with a record turnover of € 618 million and, also in the fourth quarter, strengthened the positive trend already seen during the year, both in terms of turnover (amounting to € 182 million) and economic profitability, the Net Financial Position also improved (as a result of significant cash flow generation in the last quarter of the year).

As concerns the machine tools order intake, an overall increase of approximately 11.4% was recorded at the end of 2016 (€ 493 million compared to € 443 million of the previous year), with a Group backlog at the end of December 2016 of around €163.5 million (approximately +15.6% over 2015).

As regards sales volumes, Group revenue amounted to € 618,490 thousand at the end of 2016, reporting a significant increase of 19.1% compared to previous year.

Normalised EBITDA totalled € 75,845 thousand, up by € 11,705 thousand compared with the previous year (+18.2%). EBIT improved in the current year as well, rising by € 11,333 thousand (€ 55,062 thousand in 2016 compared to € 43,729 thousand in 2015). As a percentage of revenue, it increased from 8.4% to 8.9%.

As explained in the paragraphs about segment reporting, in 2016 the Wood Division recorded excellent results due to the increase in sales volumes (+18.5% compared to 2015), the different sales mix by distribution channel (increasing importance of its own sales branches) and by product (luxury items with a high technological content). The Glass/Stone and Mechatronics Divisions too performed outstandingly, continuing their growth trend in terms of volumes (+18.9% and + 17.9% compared to 2015, respectively) and profits.

In addition, it should be pointed out that the Group's result was negatively affected by "non-recurring events and impairment" totalling € 1,279 thousand, attributable to extraordinary product phase outs in application of the agreed upon strategic plan in China and the write-down of development costs concerning projects no longer considered to be strategic. In the previous year these events affected negatively EBIT for a total amount of € 128 thousand.

As in the income statement of the previous years, in order to make the impact during the period clearer to understand, these events were reported in a separate line of the reclassified income statement in the Directors' Report.

As for the financial position, net operating working capital increased by € 3.5 million, mainly due to the increase in trade receivables (around € 23.4 million), related to the increase in sales in the last quarter of the year, and to the increase in inventories (about € 19.4 million), due to the scheduling of the deliveries planned for the first months of 2017; these increases are partially offset by the increase in trade payables (€ 39.3 million).

Group's net financial position at 31 December 2016 amounted to €4.9 million, up compared to € 0.1 million of the previous year. This result is attributable to the positive trend of the economic results and to careful management of the working capital especially in the last quarter of the year. Finally, it should be noted that this strong improvement was achieved despite the non-operating expense incurred by the Group during 2016, such as the distribution of the 2015 dividends (totalling € 9.9 million).

## MAIN EVENTS

### JAN

From 18 to 31 January, Biesse Group organised at its Business Centre in Pesaro the Academy weeks during which the different branches of the Group went to the headquarters for training on the new products and on business strategies.

### FEB

From 2 to 5 February, Biesse Iberica took part in Fimma Valencia with technological solutions developed to meet market demand and marked by the high standards of quality, finish and design that have always characterised Biesse machines.

From 25 to 29 February, Biesse took part in the ninth edition of Indiawood, enjoying great success among visitors. Nearly 50,000 people from all over the world visited the five-day fair. The Biesse stand hosted for the first time in India a 5-axis machining centre, line edge-banding machines and the revolutionary software package CAD/CAM bSuite, confirming Biesse's ability to be close to its customers in the challenge of the fourth industrial revolution.

On 26 February 2016, the Board of Directors of Biesse S.p.A. approved the updating of the business plan for the three-year period 2016-2018.

### MAR

From 2 to 4 March, Biesse organised the first Inside Solid Wood in which Italian and foreign customers took part, event entirely dedicated to solid wood in all its processing: from raw to finish. Thanks to the Biesse machines, the 3, 4, and 5-axis wood processing techniques, as well as Viet most innovative solutions for what concerns high-quality finishing techniques for solid wood products and components for windows and doors through calibration, sanding and brushing, were shown. This event was accompanied by a workshop dedicated to "bSolid 5-axis Evolved Planning" to show the wide potentials of advanced software entirely developed by Biesse, with a special focus on the 5-axis processing.

From 18 to 20 March, the Intermac open house was held, involving customers from all over the world for the glass, stone and metal sectors. This event evolves and grows from year to year, and it is a major investment for the company that thereby confirms its desire to retain a leadership position in the market.

From 28 to 31 March, the Pazhou Complex in Guangzhou, China hosted the CIFM/Interzum Guangzhou 2016, Asia's most important trade fair for the subcontracting and woodworking machinery sector, in which the Group took part. A total of 1,243 companies from across the globe met over a surface area of 140,000 square metres to present their latest innovations, ranging from raw materials, materials and components for furniture, textiles, padded furniture and woodworking machinery and machines for interior decoration works.

Around 67,000 visitors came from over 140 countries and areas to visit the fair.

On 31 March 2016, 000 Biesse Group Russia was established, with registered office in Moscow (share capital of 10 million roubles, 100% owned by Biesse S.p.A.). The company aims to develop the marketing of products from the Glass & Stone and Tooling Divisions on the Russian market, as well as to provide technical assistance with installation and testing and after-sales services. To date, the company is still in a start-up phase and its contribution to the Group's results is minimal.

### APR

From 4 to 6 April, Dubai hosted WoodShow, the Middle East's largest international trade fair for the woodworking technology sector. Specialists and operators flocked to Dubai Woodshow from all over the world, a well-established B2B meeting place for the wood industry. The 11th edition provided a perfect platform for suppliers, manufacturers and companies involved in woodworking, giving them full opportunity to present their products, innovative technologies, production plans and machinery on a large scale. Biesse too showed innovative machines and cutting-edge software solutions at the Dubai World Trade Centre, the futuristic site of the fair.

On 6, 7 and 8 April, the new Charlotte Showroom was opened. With a grand opening celebration, Charlotte welcomed the new "Biesse Group Campus", an area that exceeds 20 thousand square metres, designed to showcase the outstanding Biesse and Intermac technology in North America.

With a surface area that stretches out over 7,000 square metres, the new showroom is fully equipped with machinery for processing wood panels, solid wood, plastic, non-ferrous metals, glass and stone, all in a convenient location.

From 12 to 17 April, the Biesse Group took part in the 2016 Milan Furniture Fair, Salone del Mobile.

Innovation and internationalization were the watchwords for this 55th edition of the international furniture fair, the



most important design and furniture trade fair in the world, held in the Milan metropolitan area town of Rho.

The Biesse Group was amongst the leaders of the stand of Acimall, the Italian woodworking machinery and tools manufacturers' association. The key theme of the Acimall stand was "all this depends on us", showing that behind the scenes of many elements that make Italian design an international hallmark of excellence is a woodworking machine, that can transform brilliant creative ideas into reality on a production level.

Based on the think4ward concept, the company's desire is to support its customers in facing the challenges of the fourth industrial revolution, through an approach that is oriented to innovation and change, simplifying design and production through the use of machines characterised by unmatched speed and ease of use.

At their ordinary meeting held on 29 April 2016, the Shareholders' Meeting of Biesse S.p.A. approved in second call the 2015 Separate and Consolidated Financial Statements, both prepared in accordance with IFRSs, and resolved to distribute a € 0.36 dividend per share in light of the results achieved in 2015 (ex-dividend date scheduled for 9 May 2016 – record date 10 May 2016), paying a total of € 9,857,895.12 – excluding treasury shares.

## MAY

From 24 to 28 May, the 25th edition of Xylexpo 2016 took place in Milan, a biennial trade show for woodworking technologies and components for the furniture industry. In the wake of the outstanding results announced last March at the end of the reporting period, Biesse confirms the stability of its growth with a new record at Xylexpo.

The order commitments recorded by the Group grew by 103% compared to the 2015 edition of the same event – an even more significant figure if translated in € 20.6 million that these sales generated.

During May and June, several one2one events took place in the showroom of Biesse Group at Pesaro: meetings on specific technologies such as edge-banding, nesting, panel sizing and, in particular, an event dedicated to Systems, where it was possible to see the operation of a complete line for the production of furniture.

It should be reported that Uniteam S.p.A. was included in the scope of consolidation on 19 May 2016, as a result of the acquisition of 100% of the shares of the company by Biesse S.p.A. Uniteam S.p.A. is based in Thiene (Vicenza) and produces and sells CNC mechanical-cutting machines for the furniture industry, for the processing of solid wood and laminated beams (beams, panels and big structures) and for the processing of composite materials (plastic and aluminium products, special alloys etc.). The share capital amounts to € 390 thousand.

## JUN

During June, several open house events were held in the foreign branches and, in particular, on 24 and 25 June in Dongguan at Biesse Trading Shanghai and on 30 June and 1 July in Biesse France. During these events, customers were able to visit the showroom and the branch and see how the Made in Biesse technologies are available anywhere near them.

## JUL

From 6 to 9 July, Melbourne hosted Awisa 2016, the Australian trade fair for the cabinet, joinery, furniture, timber and panel industries. Biesse recorded another success, closing with orders amounting to around AUD 10 million. In the 1,200 sq.m of exhibition space at the fair, the Group was able to show to its public 20 innovative machines for processing wood, composite materials and stone, with an increase in visits of around 54% compared to the previous edition.

From 20 to 22 July, one2one Plast Range was held at the Biesse showroom in Pesaro, an event totally focused on the processing of plastic and advanced materials and dedicated to selected customers in order to ensure a deep and direct interaction.

It is worth mentioning that on 24 June 2016 (effective as from 1 July 2016), the deed of merger through incorporation of Pavit S.r.l. into Viet Italia S.r.l. was signed.

## AUG

From 24 to 27 August, the IWF 2016 was held in Atlanta, Georgia. Customers from over 1,000 companies visited Biesse's stand to discover the most innovative technology available in the sector. Taking into account the personal requirements focused on the value of today's market, Biesse showcased over 1,500 sq.m of machinery, focusing on flexibility, productivity and reduction of operating costs, demonstrating how anyone can seize the multitude of opportunities offered by the Fourth Industrial Revolution. "IWF 2016 exceeded expectations and once again revealed itself to be a record event for Biesse America and Biesse Canada", declared Federico Broccoli, Wood Division Director. "18 million dollars of finalised orders over a period of 4 days provide a tangible indication of the strength of the North American market and the trust that our Customers have in Biesse's cutting-edge technologies. Our sales in North America are continuously increasing, with a dou-



ble-digit growth that improves the market share and the satisfaction of our Customers. The important investments, like the extremely modern showroom at the Charlotte Campus, are telltale signs of the trust and hope that we place in the North American market, which now accounts for 20% of global sales. Our vision is to continue to support our two North American branches, without changing our objectives and investments, in order to maintain excellent customer service and increase market share."

## SEP

On 3 September, the 80G Festival took place at the Biesse Group campus in Pesaro: this was an event organised for all Italian employees of the Biesse Group, to which approximately 3,500 people attended. The entire Biesse campus was animated with colours and lights for the entertainment of the guests. It was a special evening to celebrate the Group's successes on the occasion of the 80th birthday of its founder, Giancarlo Selci.

From 4 to 7 September, Biesse took part in Trä & Teknik, the main Swedish event for wood manufacturing technologies, held in Gothenburg. The fair was quite successful, with an 18% increase in visitors compared to the 2015 edition. Biesse was present with a stand of over 1,400 sq.m exhibiting 13 technological solutions for woodworking.

In September, HSD participated in IMTS Chicago and AMB Stuttgart, the two main international fairs for machine tools and components for metal working. HSD presented the innovative HST610 2-axis Head with Direct Drive technology, for extremely high-level performance for 5-axis processing, and the extensive range of Electrospindles, with power ranging from 3kw to 50kw and coupling from 1Nm to 150Nm, and with a wide range of tools and working speeds reaching up to 50,000rpm – specifically for metal alloys.

From 12 to 16 September, the Subsidiaries meeting was hosted at the Biesse Group headquarters: the directors of the Group's branches from around the world met in Pesaro for a week of discussion, training and debate on sales and marketing.

From 20 to 23 September, the Glasstec trade fair was held in Düsseldorf, Germany. Intermac was present, reinforcing its leadership position through the world premiere launch of the new Master Series machining centres. With totally renewed design, performance and software applications (thanks to bSolid), the next-generation CNCs drew the attention of visitors to the almost 1,000 sq.m stand, projecting Intermac into the future and setting new standards for the glass industry for years to come. A total of 8 machines were presented at the stand, including the new Genius floating cutting tables, the Vertmax

vertical solution and the Primus waterjet cutting systems, which revolutionize the application possibilities of technology to glass processing. Furthermore, Diamut presented at wide range of tools and technologies for glass processing, from milling machines to peripheral wheels, perfectly complementing Intermac technologies to reach the best results.

The SWave – the new cup grinding wheel for bilateral and rectilinear machines, equipped with an exclusive internal cooling system – also made its debut at Glasstec.

From 24 to 25 September, Biesse Group was one of the stops on the educational trip led by the University of Rosenheim. The Rosenheim University of Applied Sciences has been one of the major institutions for the education and training of wood engineers throughout the world over the last 80 years. This year it decided to carry out its annual educational trip at the Biesse Group's headquarters in Pesaro.

Company owners, operational managers, production managers, executive consultants and professors of the woods sector, all intent on discovering and learning, attended the presentation of the group by Federico Broccoli, Wood/Sales Division Director and Raphaël Prati, Marketing and Communications Director, and visited the Biesse Group showroom to view the most innovative wood technologies.

On the second day of training, the tour stopped at HSD, the business unit specialised in mechatronics located in Gradara, where the over 50 participants from Germany were able to become acquainted with high-tech components such as electrospindles, 5-axis heads, bevel gearboxes and drilling units for numerical control processing centres.

From 28 September to 1 October, Marmomacc was held in Verona. Intermac and Donatoni, together for the first time in a spectacular 1,300 square-meter stand, rewrote the history of stone processing technology. The synergy developed over the last year made these companies global leaders in the sector. In the stand, 11 machines were present to show one of the most complete and advanced range of solutions on the market. Innovative solutions for productivity, optimization of scrap, management of just-in-time orders and a rich exhibition of samples and tools made by Diamut completed the vast assortment of Intermac solutions satisfying even the most complex requests from the market.

## OCT

From 2 to 5 October, Biesse UK participated in W16 Birmingham, the most successful fair with 46% more space than the previous edition and the exhibition of edging and nesting lines, proving that working smart is possible



and economical for small and medium sized businesses as well as for large businesses. A total of 19 machines were on display at the Biesse stand, including solutions for small edging, sectioning and CNC centres, targeted mainly to small manufacturers who are just initiating their automated production.

Over 3,000 attendees from all over the world came to the Biesse Group Campus in Pesaro to take part in Inside Biesse, the traditional three-day event dedicated to technological innovation at the service of those who work with wood and advanced materials, held from 13 to 15 October. Biesse reported an order intake of approximately €10 million, a significant portion of which from the domestic market, reconfirming the economic recovery of Italy. "We had 165% more orders than in the previous event, and 16% more visitors from 5 continents. Geographically Italy has a 37% share, confirming the international nature of the event. It is with great pleasure that we note that a significant percentage of this order intake is focused on Biesse 4.0 technologies" declared with satisfaction Federico Broccoli, Wood Division Director.

The theme of this event was "Smart 4 all", which provided visitors an overview of the potential of digitalization for the manufacturing sector. "4.0 ready" machines, installations and software signed Biesse were on display for all large and small businesses willing to gain competitiveness while optimizing their design and production processes. It was also possible to delve deeper into 4.0 industry issues through a series of seminars held by Accenture, Biesse Systems and Wood-Skin, attended by over 400 customers. "These testimonials proved in many ways how is it possible and convenient to set up a digitalization process within factories while keeping the value and skills of woodworkers high. This is the era of the digitalization of craftsmanship" explained Raphaël Prati, Marketing and Communications Director of Biesse Group.

From 19 to 26 October, Biesse participated in the K Fair, the world's leading trade fair for plastics and composite materials, showing its own innovations for advance material processing. Two years ago, 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. K visitors were able to see 4 highly performing machines in operation: the Rover Plast B FT machining centre with gantry structure and FT surface, precise and flexible for every type of work, and the extremely performing Selco Plast WN6 panel saw with one cutting line, which has been designed and created for medium sized lots. The new Brema Plast Eko 2.1 system is available for drilling. This is the only vertical machining centre with a patent pending, featuring specific accessories for wor-

king on advanced materials. Compact and versatile, it allows work to be carried out on items of different thicknesses and sizes. Among the new items is the Materia CL machining centre, which is the result of the collaboration with Uniteam, a Vicenza-based company with many years of experience in wood construction, advanced materials and special applications, which was recently acquired by the Group, further strengthening Biesse's potential in the plastic and composite materials sector. The CL Materia can satisfy a broad range of high speed manufacturing requirements, carrying out 5-axis modelling and processing on thermoformed elements and moulds.

From 22 to 26 October, Biesse participated in the Tüyap Wood Processing Machinery exhibition in Istanbul, the major event for woodworking machinery in the area. As, in proof of the Group's continuous commitment to standing by its customers from the initial training phase on, Biesse sponsored the "Adventure of Wood Design Symposium" conference held in Tüyap 2016, during which various sector players presented different aspects of woodworking, from design to industrial planning to new market trends. Mauro Pede, Biesse Systems Manager and Giulio Masotti, CEO of Wood-Skin, both Biesse partners for some time now, were among the speakers.

Biesse took part in the latest Lesdrevmash, an exhibition specialised in woodworking machinery, held in Moscow at Expocenter, from 24 to 27 October. This was the first exhibition in which Biesse took part as OOO Biesse Group, the new local branch. At the 400 sq.m Biesse stand, located at the entrance to the Italian pavilion, all the various technologies were on exhibit: from the Selco SK4 panel saw with Twin Pusher to the Akron 1440 edge-banding machine, the Eko 2.1 boring machine and the new 5-axis Rover A Smart and Rover J with flat table. The exhibition was more successful and achieved a better result than the previous year, in terms of visitors as well as sales.

From 25 to 29 October, Intermac participated in Euroblech, the 24th International Sheet Metal Working Technology Exhibition, which was held in Hanover, Germany. In its stand, Intermac exhibited one of the most advanced ranges for waterjet cutting systems for metal sheets. Primus 324 has a double 3+5-axis cutting head and is a true technological gem. The 5-axis operating unit is equipped with a C-axis with infinite rotation (European patent) which allows for seamless execution of the most complex cuts. To complete the offer, Primus is equipped with ICam software with a highly intuitive and extremely powerful interface, which provides additional satisfaction for the many Intermac Primus users worldwide.

On 25 October 2016, the company HSD Mechatronics Korea LLC 100% owned by Biesse S.p.A. was set up, aimed at developing the marketing of electrospindles on





the South Korean market, as well as providing technical assistance with installation and testing and after-sales services. The company is based in Ansan (share capital of 101,270,000 South Korean won);

## NOV

On 2 and 3 November Biesse participated in the Advanced Engineering exhibition at the NEC in Birmingham, the biggest trade fair in the sector in the UK. From 15 to 18 November it participated in the Eurobois exhibition in Lyon, a particularly successful edition for Biesse France, with a record attendance and a number of signed orders that was clearly up on previous editions. Biesse completed numerous negotiations, many of which became firm orders. Customers confirmed their confidence in the Group, an essential element for Biesse France, which is increasingly focused on expanding its offer and responding to the expectations of customers on the French market.

From 1 to 5 November at the Biesse Group Asia showroom in Malaysia, the Biesse Group Asia Inside event took place to highlight innovative solutions for wood, glass and stone, as well as innovative software, with particular focus on bProcess, the software that can help manage the output of the whole factory. At the heart of the event were the Group's solutions for Industria 4.0.

From 7 to 11 November 2016 the first Finance Meeting of the Biesse Group was held at the premises in Pesaro. For the first time the CFOs and finance managers of the Group companies met to share experiences and analyse accounting, fiscal and operational issues of the Biesse Group.

From 4 to 5 November Biesse China opened its doors for the Inside Biesse China Winter edition, the traditional

seasonal event where you can discover Biesse technologies in live demos in the 800 sq.m. Tech Centre.

Biesse France participated in the Eurobois exhibition in Lyon from 15 to 18 November, a particularly successful edition for Biesse France, with a record attendance and a number of signed orders that was clearly up on previous editions. Customers confirmed their confidence in the Group, an essential element for Biesse France, which is increasingly focused on expanding its offer and responding to the expectations of customers on the French market.

## DEC

Intermac and Diamut took part in ZAK Expo for the glass industry in India, one of the main events in the sector in Asia. InterMac displayed the Genius 37 CT, the cutting table for monolithic glass. The event recorded over 400 exhibitions and conferences, involving 22 different types of industries in particular from India, Singapore, Sri Lanka, UAE, USA, and Bangladesh.

On 15 December 2016, Biesse Taiwan 100% owned by Biesse S.p.A. was set up, aimed at developing the marketing of products and services in all Group Divisions on the Taiwanese market, as well as providing technical assistance with installation and testing and after-sales services. The company is based in Taipei (share capital of 500,000 Taiwan dollars).

On 25 December 2016, Biesse Gulf 100% owned by Biesse S.p.A. was set up, aimed at developing the marketing of products and services in all Group Divisions on the UAE market, as well as providing technical assistance with installation and testing and after-sales services. The company is based in Dubai (share capital of 400,000 UAE dirhams).



# INCOME STATEMENT HIGHLIGHTS

Income Statement for the year ended 31 December 2016 highlighting non recurring items.

Euro 000's	2016	% of sales	2015	% of sales	CHANGE %
<b>Revenue from sales and services</b>	<b>618,489</b>	<b>100.0%</b>	<b>519,108</b>	<b>100.0%</b>	<b>19.1%</b>
Change in inventories, wip, semi-finished products and finished products	12,649	2.0%	6,626	1.3%	90.9%
Other revenue	3,548	0.6%	4,025	0.8%	(11.9)%
<b>Revenue</b>	<b>634,686</b>	<b>102.6%</b>	<b>529,759</b>	<b>102.1%</b>	<b>19.8%</b>
Raw materials, consumables, supplies and goods	(257,726)	(41.7)%	(212,742)	(41.0)%	21.1%
Other operating costs	(124,564)	(20.1)%	(104,655)	(20.2)%	19.0%
<b>Normalised added value</b>	<b>252,396</b>	<b>40.8%</b>	<b>212,362</b>	<b>40.9%</b>	<b>18.9%</b>
Personnel expense	(176,551)	(28.5)%	(148,222)	(28.6)%	19.1%
<b>Normalised gross operating profit</b>	<b>75,845</b>	<b>12.3%</b>	<b>64,139</b>	<b>12.4%</b>	<b>18.2%</b>
Depreciation and amortisation	(17,858)	(2.9)%	(15,460)	(3.0)%	15.5%
Provisions	(1,645)	(0.3)%	(4,823)	(0.9)%	(65.9)%
<b>Normalised operating profit</b>	<b>56,341</b>	<b>9.1%</b>	<b>43,857</b>	<b>8.4%</b>	<b>28.5%</b>
Impairment losses and non recurring items	(1,279)	(0.2)%	(128)	(0.0)%	-
<b>Operating profit</b>	<b>55,062</b>	<b>8.9%</b>	<b>43,729</b>	<b>8.4%</b>	<b>25.9%</b>
Net financial expense	(1,534)	(0.2)%	(3,069)	(0.6)%	(50.0)%
Net exchange rate losses	(1,144)	(0.2)%	(2,193)	(0.4)%	(47.9)%
<b>Pre-tax profit</b>	<b>52,385</b>	<b>8.5%</b>	<b>38,467</b>	<b>7.4%</b>	<b>36.2%</b>
Income taxes	(22,921)	(3.7)%	(17,412)	(3.4)%	31.6%
<b>Profit for the year</b>	<b>29,464</b>	<b>4.8%</b>	<b>21,055</b>	<b>4.1%</b>	<b>39.9%</b>

In 2016 Revenue from sales and services amounted to € 618,489 thousand, compared to € 519,108 thousand in 2015, up by 19.1% over the previous year.

The breakdown of sales by segment shows the significant increase in the Wood Division (18.5% compared to 2015), from € 380,219 thousand to € 450,605 thousand; the division slightly decreased its share of Group sales (from 73.2% to 72.9%).

The performances of the other Divisions show in turn significant increases compared to 2015. To be more precise, the Glass/Stone Division recorded the highest increase with +18.9%, whereas the Mechatronics and Tooling

Divisions reported +17.9% and +17.5%, respectively.

The geographical breakdown of sales compared to the previous period showed a particularly positive performance for Western Europe (+34.9%), accounting for a larger share of consolidated turnover (from 40.1% to 45.4%) confirming its position as the Group's core market. Asia-Oceania area also recorded a good performance (+26.1%). Finally, North America recorded a significant increase of 20.2%.

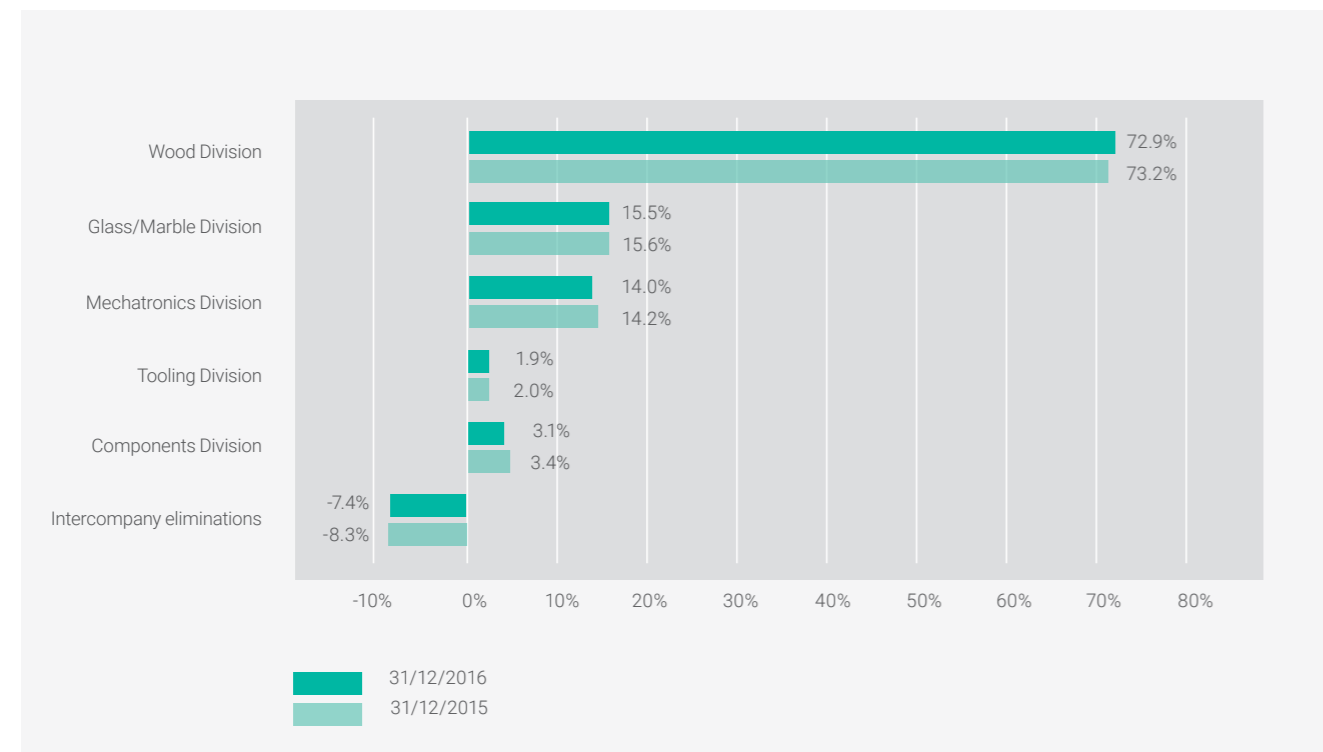
For further details on sales analysis, reference should be made to the following tables in the section concerning Segment Reporting.

Reclassified Income Statement for the year ended 31 December 2016

Euro 000's	2016	% of sales	2015	% of sales	CHANGE %
<b>Revenue from sales and services</b>	<b>618,489</b>	<b>100.0%</b>	<b>519,108</b>	<b>100.0%</b>	<b>19.1%</b>
Change in inventories, wip, semi-finished products and finished products	12,649	2.0%	6,626	1.3%	90.9%
Other revenue	3,548	0.6%	4,025	0.8%	(11.9)%
<b>Revenue</b>	<b>634,686</b>	<b>102.6%</b>	<b>529,759</b>	<b>102.1%</b>	<b>19.8%</b>
Raw materials, consumables, supplies and goods	(258,979)	(41.9)%	(212,742)	(41.0)%	21.7%
Other operating costs	(124,564)	(20.1)%	(104,655)	(20.2)%	19.0%
<b>Added value</b>	<b>251,143</b>	<b>40.6%</b>	<b>212,362</b>	<b>40.9%</b>	<b>18.3%</b>
Personnel expense	(176,551)	(28.5)%	(148,222)	(28.6)%	19.1%
<b>Gross operating profit</b>	<b>74,592</b>	<b>12.1%</b>	<b>64,139</b>	<b>12.4%</b>	<b>16.3%</b>
Depreciation and amortisation	(17,858)	(2.9)%	(15,460)	(3.0)%	15.5%
Provisions	(1,645)	(0.3)%	(4,823)	(0.9)%	(65.9)%
Impairment losses	(26)	(0.0)%	(128)	(0.0)%	(79.3)%
<b>Operating profit</b>	<b>55,062</b>	<b>8.9%</b>	<b>43,729</b>	<b>8.4%</b>	<b>25.9%</b>
Net financial expense	(1,534)	(0.2)%	(3,069)	(0.6)%	(50.0)%
Net exchange rate losses	(1,144)	(0.2)%	(2,193)	(0.4)%	(47.9)%
<b>Pre-tax profit</b>	<b>52,385</b>	<b>8.5%</b>	<b>38,467</b>	<b>7.4%</b>	<b>36.2%</b>
Income taxes	(22,921)	(3.7)%	(17,412)	(3.4)%	31.6%
<b>Profit for the year</b>	<b>29,464</b>	<b>4.8%</b>	<b>21,055</b>	<b>4.1%</b>	<b>39.9%</b>

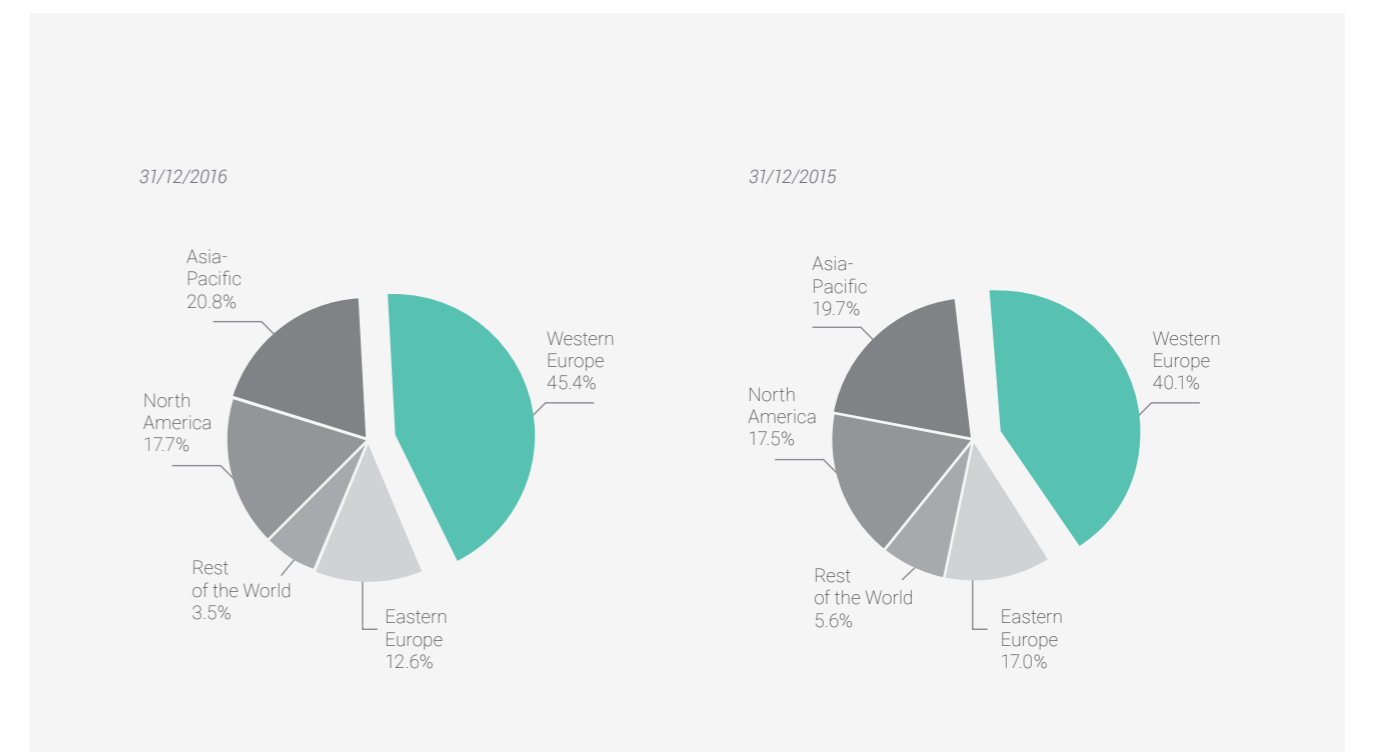
## Breakdown of revenue by operating segment

Euro 000's	2016	%	2015	%	CHANGE %
Wood Division	450,605	72.9%	380,219	73.2%	18.5%
Glass/Marble Division	96,040	15.5%	80,744	15.6%	18.9%
Mechatronics Division	86,622	14.0%	73,497	14.2%	17.9%
Tooling Division	12,006	1.9%	10,218	2.0%	17.5%
Components Division	19,139	3.1%	17,517	3.4%	9.3%
Intercompany eliminations	(45,924)	(7.4)%	(43,087)	(8.3)%	6.6%
<b>Total</b>	<b>618,489</b>	<b>100.0%</b>	<b>519,108</b>	<b>100.0%</b>	<b>19.1%</b>



## Breakdown of revenue by geographical area

Euro 000's	2016	%	2015	%	CHANGE %
Western Europe	280,720	45.4%	208,102	40.1%	34.9%
Asia-Pacific	128,824	20.8%	102,145	19.7%	26.1%
Eastern Europe	77,633	12.6%	88,435	17.0%	(12.2)%
North America	109,497	17.7%	91,099	17.5%	20.2%
Rest of the World	21,813	3.5%	29,328	5.6%	(25.6)%
<b>Total</b>	<b>618,489</b>	<b>100.0%</b>	<b>519,108</b>	<b>100.0%</b>	<b>19.1%</b>



Revenue amounted to € 634,686 thousand, up by 19.6% compared to 31 December 2015 (€ 529,759 thousand).

In order to better understand the data, it should be no-

ted that the rise in inventories of semi-finished products and finished goods (+ €13.0 million) also contributed to this increase; costs as a percentage of revenue are broken down below.

Euro 000's	2016	%	2015	%
<b>Revenue</b>	<b>634,686</b>	<b>100.0%</b>	<b>529,759</b>	<b>100.0%</b>
Raw materials and goods	257,726	40.6%	212,742	40.2%
Other operating costs	124,564	19.6%	104,655	19.8%
Service costs	108,160	17.0%	90,074	17.0%
Use of third party assets	8,814	1.4%	8,399	1.6%
Sundry operating expense	7,590	1.2%	6,182	1.2%
<b>Added value</b>	<b>252,396</b>	<b>39.8%</b>	<b>212,362</b>	<b>40.1%</b>

# STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

## Statement of financial position at 31 December 2016

<i>Euro 000's</i>	31 December 2016	31 December 2015
Intangible assets	65,218	58,943
Property, plant and equipment	81,939	69,861
Financial assets	2,346	1,580
<b>Non-current assets</b>	<b>149,503</b>	<b>130,385</b>
Inventories	130,785	111,374
Trade receivables	128,748	105,371
Trade payables	(192,613)	(153,344)
<b>Net operating working capital</b>	<b>66,920</b>	<b>63,401</b>
Post-employment benefits	(13,746)	(13,536)
Provision for risk and charges	(11,994)	(11,731)
Other net payables	(45,890)	(37,202)
Net deferred tax assets	10,011	9,943
<b>Other net liabilities</b>	<b>(61,618)</b>	<b>(52,526)</b>
<b>Net invested capital</b>	<b>154,804</b>	<b>141,260</b>
Share capital	27,393	27,393
Profit for the previous year and other reserves	102,656	92,746
Profit for the year	29,384	20,971
Non-controlling interests	290	275
<b>Equity</b>	<b>159,723</b>	<b>141,386</b>
Bank loans and borrowings and loans and borrowings from other financial backers	41,462	51,445
Other financial assets	(87)	(17)
Cash and cash equivalents	(46,295)	(51,553)
<b>Net financial position</b>	<b>(4,919)</b>	<b>(126)</b>
<b>Total sources of funding</b>	<b>154,804</b>	<b>141,260</b>

The normalised added value (totalling € 252,396 thousand), calculated as a percentage of revenue, decreased slightly by 0.3% compared to the previous year (39.8% compared to 40.1%). The impact of raw materials and goods was unchanged (40.2% in the previous year compared to 40.6% in 2016). Other operating expense showed an increase in absolute terms compared to the previous year (€ 19,909 thousand), largely due item Service costs (which increased from € 90,074 thousand to € 108,160 thousand, up by 20.1%); their impact on revenue was almost unchanged. In detail, this change is attributable to both "variable" cost items (for example: outsourced processing, third-party technical services, sales commissions and transport fees) and to other "fixed" components (travel and lodging expenses, trade fairs and maintenance).

In 2016 the normalised added value totalled € 252,396 thousand, up by 18.9% compared to last year (€ 212,362 thousand) and with an impact on revenue down from 40.9% to 40.8%.

In 2016, personnel expense amounted to € 176,551 thousand, (compared to € 148,222 thousand as at 31 December 2015), an approximate € 28,329 thousand increase in absolute terms. The impact on revenue was almost unchanged compared to 2015.

The increase in absolute terms is mainly related to the fixed component of wages, salaries and social security contributions (+ €25,760 thousand, +18.6% compared to the prior-year period) mainly due to the increase in the headcount in accordance with the recruiting policy adopted by the Group to support the medium-term business strategies. Finally, the increase in personnel expense was also due to the increase in the bonus remuneration variable component (+ € 2,628 thousand, +25.2%, on the prior-year period) whereas the R&D capitalisation is up compared to 2015 (+ € 1,236 thousand, +14.6%)

The normalised gross operating profit was € 75,845 thousand (€ 64,139 thousand at the end of 2015).

Depreciation and amortisation increased by 15.5% (from €15,460 thousand to €17,858 thousand) due to the increase in investments in progress over the last few years to support operations. These increases invol-

ve both property, plant and equipment, the depreciation of which increased by € 1,259 thousand (from € 6,580 thousand to € 7,838 thousand, + 19.1%), and intangible assets the amortisation of which increased by € 1,140 thousand (from € 8,880 thousand to € 10,020 thousand, + 12.8%).

Provisions amounted to € 1,645 thousand, decreasing compared to the previous year (€ 3,178 thousand loss), largely because of the adjustment of the product warranty provision:

The normalised operating profit amounted to € 56,341 thousand, sharply improving on last year (€ 43,857 thousand), with an impact of 9.1%.

Impairment losses and non-recurring items were negative to the tune of € 1,279 thousand, almost exclusively attributable to extraordinary product phase outs in application of the agreed upon strategic plan in China and the write-down of development costs concerning projects no longer considered to be strategic

Consequently, operating profit amounted to € 55,062 thousand, up by 25.9% compared to the previous year (€43,729 thousand).

Net financial expense, amounting to € 1,534 thousand, was down by 50% compared to the previous year (€3,069 thousand).

Net exchange rate losses in 2016 were € 1,144 thousand (compared to € 2,193 thousand in 2015).

Pre-tax profit amounted to € 52,385 thousand.

The balance of income taxes was negative to the tune of € 22,921 thousand. This is attributable to the following factors: current IRES (Italian corporate income tax) and IRAP (Italian regional business tax) taxes amounting to € 14,187 thousand and € 3,003 thousand, respectively; provisions for income taxes relating to foreign subsidiaries (€ 5,572 thousand), previous-year taxes (€ 553 thousand), other taxes (€ 83 thousand), net deferred taxes (€ 311 thousand).

The Group therefore recorded a profit for the year of € 29,464 thousand.

The increase in assets under construction and prepayments is largely due to the capitalisation of costs for the development of products that are nearly completed and expected to generate an economic return in the coming years. In the reference period, design activities required new investments amounting to € 9,241 thousand (€ 8,900 thousand in 2015). Furthermore, the Group invested € 921 thousand in implementing the new Oracle ERP system.

Compared to December 2015, net property, plant and equipment increased by approximately € 12.1 million. Besides the amounts concerning the regular replacement of work equipment, the Group bolstered the Biesse America branch (for the opening of the new showroom in Charlotte, North Carolina) and the HSD branches (€ 1.5 million).

Compared to December 2015, financial assets increased by € 0.8 million mainly due to higher guarantee deposits.

As for the financial position, net operating working capital increased by € 3.5 million, mainly due to the increase in trade receivables (around € 23.4 million), related to the increase in sales in the last quarter of the year, and to the increase in inventories (about € 19.4 million), due to the scheduling of the deliveries planned for the first months of 2017; these increases are partially offset by the increase in trade payables (€ 39.3 million).

## Net financial position

Euro 000's	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015
Financial assets:	46,381	33,432	41,132	35,599	51,571
Current financial assets	87	17	30	16	17
Cash and cash equivalents	46,295	33,414	41,102	35,582	51,553
Short-term finance lease payables	(111)	(137)	(137)	(457)	(489)
Short-term bank loans and borrowings and loans from other financial backers	(33,769)	(40,331)	(26,773)	(27,069)	(28,209)
<b>Short-term net financial position</b>	<b>12,501</b>	<b>(7,037)</b>	<b>14,223</b>	<b>8,072</b>	<b>22,873</b>
Medium/Long-term finance lease payables	(43)	(54)	(92)	(1,236)	(1,514)
Medium/Long-term bank loans and borrowings	(7,539)	(9,594)	(14,770)	(18,621)	(21,234)
<b>Medium/Long-term net financial indebtedness</b>	<b>(7,582)</b>	<b>(9,648)</b>	<b>(14,863)</b>	<b>(19,857)</b>	<b>(22,748)</b>
<b>Total net financial position</b>	<b>4,919</b>	<b>(16,685)</b>	<b>(640)</b>	<b>(11,784)</b>	<b>126</b>

As at 31 December 2016, the Group's net financial position amounted to €4.9 million, up by € 5.5 million compared to June 2016 and € 21.6 million compared to September 2016. The increase in profits and the constant attention to the trend in net operating working capital once again underpin the generation of cash (free cash flow of € 14.6 million) and the consequent total reduction in debt applied net of dividends paid (cash-out

of over € 9.8 million) and planned investments. Compared to last December, the net financial position was up by € 4.8 million overall.

At 31 December 2016, the Group's equity amounted to € 159.7 million (€ 141.4 million in December 2015).

At the end of 2016, the net invested capital amounted to € 154.8 million (€141.3 million in December 2015).

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

## OPERATING RISKS

### Risks relating to general economic conditions

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

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

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and any government stimulus measures. A negative trend in demand, or the Group's inability to adapt effectively to external market conditions, could have a significant negative impact on the Group's business prospects as well as on its results and financial position. All of the Group's revenues substantially come from the mechanical tool sector, which is a competitive industry. The Group competes in Europe, North America and in the Asia Pacific region with other major international players. These markets are all highly competitive in terms of product quality, innovation, price and customer service.

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

A significant part of the Group's production and sales is carried out in countries outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political conditions and to the potential implementation of policies restricting imports and/or exports. In addition, being exposed to compliance with several tax regimes, the Biesse Group is therefore subject to transfer pricing risks. In particular, the Biesse Group operates in several emerging markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased; therefore any adverse political or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results.

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

The Group's exposure to increases in the prices of raw materials mainly derives from the purchase of components and semi-finished goods given that the direct purchase of raw materials for production is not significant. The Group, therefore, does not hedge those risks, but rather tends to transfer their management and economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that ensure stability for periods of at least one quarter. The high level of competition and fragmentation of the sector in which Biesse operates often makes it difficult to transfer sudden and/or significant increases in purchase prices entirely on to sales prices.

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

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

### Risks relating to management

The success of the Group depends in large part on the ability of its executive directors and other management members to effectively manage the Group and its individual business divisions. The loss of an executive director, senior manager or other key personnel as a result of organisational changes and/or the company's restructuring, with no timely and adequate replacement and reorganisation, as well as the inability to attract and retain new and qualified staff, could therefore have a negative impact on the Group's business prospects as well as on its results and/or its financial position.

### Risks relating to relations with employees

In several countries in which the Group operates, its employees are protected by various laws and/or collective labour contracts that guarantee them, through local and national representation, the right to be consulted on specific issues, including downsizing

or closure of departments and staff cuts. The laws and/or collective labour contracts applicable to the Group could affect its flexibility in redefining and/or strategically repositioning its operations. Biesse's ability to reduce the number of employees or either terminate or temporarily suspend employment contracts is influenced by government authorisations and trade union approval.

### Risks relating to relations with suppliers

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

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

### Risks related to offshoring

The Group has been relocating its manufacturing operations for a few years now. This process involved China and India, both by opening new production plants and acquiring existing ones. As a result, the Group's exposure to the performance of these countries has increased in recent years. Political and economic developments in these emerging markets, including any situation of crisis or instability, could significantly affect negatively the Group's business prospects in the future.

## FINANCIAL RISKS

### Risks relating to financial requirements

The liquidity risk is normally defined as the risk that the company might be unable to meet its payment obligations due to the difficulty in raising funds (funding liquidity risk) or sell assets on the market (asset liquidity risk). The result is a negative impact on profit or loss should the company be forced to bear additional costs to meet its obligations or, in the worst case scenario, a situation of insolvency threatening its viability as a going concern. Among the lines considered "medium term", the Biesse Group used the opportunity of a "subsidised and dedicated" funding by supranational entities (EIB) since a specific five-year loan was granted in 2015 through Unicredit Banca. Given that cash flow generation was concentrated especially at the end of 2016, the Group has a high availability of credit lines – higher than actual needs – hence debt consists almost entirely of residual amounts relating to previous unsecured/mortgage loans.

### Credit risk

The Group is exposed to various concentrations of credit risk in the various markets in which it operates, although credit exposure is divided across a large number of counterparties and customers. Financial assets are recognised net of impairment losses calculated on the basis of counterparty default risk, taking into account available information on the customer's solvency as well as historical-statistical data.

### Risks relating to exchange rate fluctuations

The Biesse Group, as it operates in several markets around the

world, is naturally exposed to market risks relating to the fluctuation in interest and exchange rates. Its exposure to exchange rate risk is related primarily to the geographical diversification of its commercial operations, which leads to revenue from exports being denominated in currencies other than that of the country of production; in particular, the Biesse Group is mainly exposed to net exports from the Eurozone to other currency areas (mainly US dollar, Australian dollar, Pound sterling, Swiss franc, Indian rupee, Hong Kong dollar and Chinese renminbi). In order to be more powerful in the management of exchange rate risks and to give a more and more consistent accounting representation, the Biesse Group adopted a new Management Policy of the Exchange Risk aimed at establishing, among other things, tight rules to deal with and mitigate the risks concerning exchange rate fluctuations. In the Policy at issue, the instruments through which to hedge against this risk – be it centralised or decentralised – are also determined. Nevertheless, sudden fluctuations in exchange rates could have a negative impact on the Group's results.

### Risks relating to interest rate fluctuations

The Group, even if it has an almost neutral net financial position, is in any case exposed to an interest rate fluctuation risk. The Group's exposure to interest rate risk mainly arises from the volatility of financial expense related to floating-rate debt partially offset by the remuneration rates (which are also variable) of available assets. The Group's operating and financial policies are aimed at minimising the impact of such risks on the Group's performance by improving its results and net financial position.

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

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

#### Risks connected to the United Kingdom leaving the European Union (so-called "Brexit")

The Group analysed the potential impacts that the United Kingdom leaving the European Union could have. There are no potential financial, operating and strategic risks connected to Brexit.

## CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. complies with the principles set out in the Corporate Governance Code for Listed Companies and the international best practices. The Board of Directors approved on 14 March 2017 the Corporate Governance and Ownership Structure Report pursuant to Article 123-bis of the 2016 Consolidated Finance Act.

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

Biesse S.p.A. has adopted a traditional governance and

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

## 2016 RESEARCH AND DEVELOPMENT ACTIVITIES

The following list details research and development activities undertaken in 2016:

### WOOD DIVISION – BIESSE Brand

#### Rover C Edge machining centre (step2)

Development was completed on a gantry machining centre both for processing thick work-pieces and edgebanding of shaped panels. The objective to have a highly flexible m/c, which covers all milling and edgebanding operations, was achieved.

#### Rover B G EDGE machining centre (step5)

Development was completed on a gantry machining centre for edgebanding shaped panels.

The gantry structure allows for higher acceleration and a wider variability of the operating units, increasing productivity.

#### Rover A16 EDGE machining centre (step3)

Development was completed on a cantilever machining centre for edgebanding shaped panels to meet the needs of the mid-range market.

#### Edgebanding Unit

Development has begun to optimise the performance of the edgebanding unit used for different Rover machining centres in order to increase the types of processed edges and boost productivity.

#### Rover A 16 Smart machining centre

Development was completed on an economical 5-axis machining centre for the artisan market. New solutions for reducing the overall dimensions of installation of the machine will be designed as well.

#### K3 (Rover A-B FT)

Development was completed for inserting a "K3" panel loader on the nesting cell. This device will allow to manage a storage system of different panels and to load the panel to be processed on the entry bench of the nesting cell. The flexibility of the cell is increased because it is possible to process 1 panel other than the other one ensuring automatic loading.

#### Rover J FT machining centre

Development has begun on an entry-level machining centre for nesting processing of wood-based materials.

#### Rover B FT machining centre (step2)

Development has begun on a high-level machining centre for nesting processing of both wood-based and plastic materials. The project will enhance both the performance of the operating units and the machine configuration op-

tions to meet the different production needs of customers operating in a highly competitive sector.

#### Flexible drilling machine

Development has continued on a machining centre for high-productivity drilling with manual or automatic loading.

#### Skipper 100

Development has continued on a machining centre dedicated to drilling for the mid-range market with manual or automatic loading to increase performance and productivity.

#### Skipper 130

Development has continued on a machining centre dedicated to drilling for the mid-to-high-end range of the market with manual or automatic loading to increase performance and productivity.

#### Synchro – Rover feeder

Development was completed on panel loading and unloading device for machining centres with bar tables. This interlocking will allow to increase the ergonomic use of the machining and reduce management costs.

#### Rover B machining centre (step4)

Development was launched and completed on a gantry machining centre for edgebanding shaped panels, aimed at increasing the maximum Z size of the pieces up to 290 mm.

#### Rover K machining centre

Development has begun on a gantry 4-axis machining centre for the artisan market. New solutions for reducing the overall dimensions of the installation of the machine will be designed.

#### Rover C High passage machining centre

Development has begun on a gantry 5-axis machining centre on a gantry 5-axis machining centre components.

#### Rover C – C3 machining centre

Development has begun on a 5-axis machining centre aimed at providing solutions optimised to reduce the dimensions of installation.

#### Rover M5 machining centre

Development has begun on a 5-axis machining centre for processing thick components.

#### Rover A FT machining centre (step2)

Development has begun on a mid-to-low-end gantry 5-axis machining centre for nesting processing of both wood-based and plastic materials.

#### Excel P&R (step2)

Development has begun on a pantograph with bar tables for high productivity, characterised by the significant rigidity of the structures and very high modularity of the operating groups.

#### Electronic Copier

Development has begun and been completed on a milling drum equipped with a touch probing and copying device in the vertical direction with the aim of allowing milling at a

constant depth from the upper surface of the piece being processed.

#### Rover N Edge machining centre

Development has begun on a machining centre for nesting and subsequent edgebanding processing aimed at high productivity in a batch-one process.

#### Double-head Nesting Sect.

In 2016 the design for the machine was completed by revisiting some functional groups, thus increasing their efficiency (handling and referencing of the panel and aspiration of dust). The work to improve the optimisation functions was completed. The validation of the project will take place in the first half of 2017.

#### Winner W4

The machine belongs to the product plan concerning the flexible edgebanding process, which envisages the automatic return of the operator side panels. At the end of 2016 the project was validated, during the first half of 2017 it is expected to expand the range for the interlocking of the sizing process.

#### Turner PT 1 2

The prototype project has been completed and is being validated; currently it is installed with a beta-test customer. The validation will be completed during 2017.

#### Insider range

In 2016 the development of the INSIDER M range for drilling and milling was concluded, thus completing the project for the work field Y=800 and Y=1300. Development continued of the insertion range, developing insertion solutions with the KT model. Other machine models for insertion will be developed in 2017.

#### Techno Line BT FDT

In 2016, the detailed project of the Techno FDT, linear drilling machine, was completed in order to increase the features available today and renew the interface and machine management software and hardware platform. The prototype machine will be built and tested during 2017.

#### Range of transverse milling machines – Techno Milling - Easy Assembly

In 2016 the project started to develop the range of transverse milling machines. The range of models being designed is divided into vertical, horizontal and inserting milling machines. The aim of the machines range is to handle milling processes with high productivity as required by new assembly solutions for furniture.

The goal is the realisation of a prototype line of machines for the end of 2017.

#### Insider FT 1300

In 2016 the restyling project of the Biesse longitudinal drilling machine with a work field Y=1300 was completed. The project reviewed the components with a view to unification and efficiency, in particular by improving the functions for transfer of the panel.

## SINGLE LINE PANEL-SIZING MACHINES AND PANEL-SIZING CENTRES

### X Feeder (Feeding system with integrated labelling)

Design work continues on the feeding system with integrated labelling. SW functions were implemented and new sizes developed.

### Selco WNA Series 7 and WN Series 7 panel-sizing centres

Design work continues on the new mid-market range of angular panel-sizing centres (WNA 7), characterised by the high compatibility of its modules with the corresponding single line panel-sizing machine range (WN 7). SW functions were implemented and new sizes developed.

### Selco WNA Series 8 panel-sizing centres

Design work continues on the new high-market range of angular panel-sizing centres (WNA 8). SW functions were implemented and new sizes developed.

### Selco WNA Series 2 panel-sizing centres

Design work continues on a new low-market range of single line panel-sizing machines. Development of missing and optional sizes.

### OSI interface, PLC and Optiplanning optimiser and LPRINT 1.XX

SW developments of the PLC and OSI interface and of the Optiplanning optimiser continue with new implementations to speed up, optimise, simplify the use of the machines and manage new machine models.

## GLASS/STONE DIVISION - Intermac Brand

### New Machining Centre Range (Step 1)

Tests and trials were undertaken to validate machinery, necessary for mechanical-cutting, with diamond tools, of glass, natural or synthetic stone products, for the furniture and building industries, on prototypes of the Step 1 range.

### New Machining Centre Range (Step 2)

The assembly of the prototypes regarding the Step 2 range was completed, as well as working tests and trials on prototypes of the Step 2 range for mechanical-cutting, with diamond tools, of glass, natural or synthetic stone products, for the furniture and building industries.

### Motorized Workbench (CNC)

Analysis is underway for automation development, for the management of the prototype relating to a CNC machining centre with a workbench that facilitates the positioning of part blocking systems – to be used for processing flat glass sheets, natural or synthetic stone products through

mechanical cutting, with diamond tools, for the furniture and building industries.

### Master Saw DT

Validation tests are underway for processing natural or synthetic stone products through mechanical cutting, with diamond tools on CNC machines for processing slabs and blocks for the furniture, building and funeral industries.

### Cutting Benches (Genius CT Red)

The range of machines for cutting monolithic sheets was developed. The machining tests were carried out for the validation of optional features intended for these machines also included in automated production lines, mainly used in the building, energy, furniture and automotive sectors.

### Low-End Vertmax (Step1)

Development is in progress on a mechanical-cutting machine for manufacturers of industrial glass or plastic products, with diamond tools, for workshops and industrial facilities operating in the furniture and building sectors.

### Vertmax Cup Wheel Grinding

Development is underway of functional groups for the undertaking of straight grinding with diamond cup wheels, for workshops and industrial facilities operating in the furniture and building sectors.

### Primus 402

Development of a range of high-pressure water cutters for materials such as glass, stone, steel, aluminium and plastics, which, if necessary can use sand for cutting extremely hard materials. Waterjet cutters allow to execute complex cuts, combining flexibility and cutting quality for workshops and industrial facilities.

### Master Entry Level (Master 23 New)

Research began for the development of a range of CNC mechanical-cutting machines, for glass products, natural or synthetic stone products, with diamond tools for processing for furniture and building industries.

### Double Edging Grinding Machine FK

Implementation of two flat profile edging machines, which can be adjusted depending on the glass sheet size, with diamond tools, for workshops and industrial facilities operating in the furniture and building sectors.

### Electric Corner Rounding Unit

A functional group has been developed for the execution of joints that can be applied on machines for straight grinding, using diamond tools, for workshops and industrial facilities operating in the furniture and building sectors.

## MECHATRONICS DIVISION - HSD Brand

### 2-axis heads

Design work started on the new HST 610 and 310 range of heads. The new models are targeted at the market for machining centres for processing ferrous materials, light alloys and composite materials. The range will be equipped with low-/medium-power electrospindles with different types of tool holder.

### High-Frequency Motors

Completion work continues on a new range of electrospindles called ES 575. The range consists in electrospindles suitable for milling and turning by blocking the spindle. Design work began on the ES 950 range of high-speed electrospindles for processing wood, plastic and aluminium.

### Smart Motor

Design work continues on the new Sm 137 servomotor, which will support two fieldbuses (Enet, Canopen); based on this design, a drive version for remote applications will be created, fit for brushless and stepper motors.

### Printed-circuit boards

Development continues on a new “e-core” multi-function board to be used for new electrospindles and 2-axis heads.

### Independent spindle boring heads

Design work began on a new independent spindle boring head, characterised by a reduced pitch between the vertical spindles.

### Aggregates

Design work continues on a new multifunctional group with integrated direct motor, suitable for horizontal drilling and blade cutting. The system is equipped with a 180mm blade unit, four independent horizontal units. The component is designed for a 0-360° working area.

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

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

Euro 000's	Equity 31/12/2016	Profit for 2016	Equity 31/12/2015	Profit for 2015
<b>Equity and profit for the year of the parent</b>	<b>148,025</b>	<b>21,942</b>	<b>136,188</b>	<b>13,978</b>
<b>Elimination of carrying amount of consolidated equity investments:</b>				
Difference between carrying amount and amount of equity held	24,539		15,160	
Pro-quota results contributed by investees		16,548		10,105
Derecognition of impairment losses/reversal of impairment losses on equity investments		10,280		8,553
Dividends		(16,492)		(9,019)
<b>Elimination of the effects of transactions between consolidated companies:</b>				
Intercompany losses included in closing inventories	(12,566)	(2,893)	(9,673)	(2,644)
Intercompany losses on non-current assets	(564)		(564)	
<b>Equity and profit of the year attributable to owners of the parent</b>	<b>159,433</b>	<b>29,384</b>	<b>141,111</b>	<b>20,971</b>
Non-controlling interests	290	80	275	83
<b>Total equity</b>	<b>159,723</b>	<b>29,464</b>	<b>141,386</b>	<b>21,055</b>

## TRANSACTIONS WITH ASSOCIATES, PARENT COMPANIES AND THESE LATTER SUBSIDIARIES

As regards transactions with the parent Bi.Fin. S.r.l., details are reported below.

Euro 000's	Receivables	Payables	Revenue	Expense
Bi. Fin. S.r.l.	977	-	-	334

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

## OTHER RELATED PARTY TRANSACTIONS

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

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

Euro 000's	Receivables	Payables	Revenue	Expense
Fincobi S.r.l.	-	-	1	15
Wirutex S.r.l.	47	343	36	1,105
Se. Mar. S.r.l.	4	1,251	4	3,200
Members of the Board of Directors	-	18	0	2,649
Members of the Board of Statutory Auditors	-	160	-	155
<b>Total</b>	<b>51</b>	<b>1,772</b>	<b>42</b>	<b>7,123</b>

We can confirm that the transactions disclosed above, which are mainly of a financial nature, were carried out under terms and conditions that were not different from those arm's length parties would have agreed.

## INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

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

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

- all the Significant Companies outside the EU draw up a reporting package for the purposes of preparing the Consolidated Financial Statements; their statement of financial position and income statement are made available to the shareholders of Biesse S.p.A. within the terms and timeframes provided for by the relevant regulations;

- Biesse S.p.A. obtained the articles of association as well as the composition and powers of the corporate bodies of the Significant Companies outside the EU;

- the Significant Companies outside the EU:

- provide the independent auditors of the parent company with the information required for auditing the annual and interim financial statements of the parent itself;
- have an administrative and accounting system fit for submitting on a regular basis to the management and the independent auditors of Biesse S.p.A. the data related to financial position, results of operations and cash flows required for preparing the Consolidated Financial Statements.

## PERSONNEL

### Staff

In 2016, the Group continued to pursue its strategy, giving a further boost to investments to fully grasp each growth opportunity.

All Human Resource initiatives implemented to develop the Group resulted in the following figures: 3,799 Group employees, increasing by 475 compared to 2015.

Therefore, 2016 was characterised by a series of specific initiatives to support the important recruiting programmes, evaluating the potential of incoming resources and planning their proper insertion and initial training, with a special reference to young newly qualified students and recent university graduates.

### Collaborations with Universities and Schools

Students and teachers visit programmes to the company were expanded, corporate representatives in university courses, vocational meetings with students, internships for degree thesis.

### Assessment programme

#### for selecting recent university graduates

Started in 2015, the programme was finalised and implemented continuously during 2016, investing both on specific recruiting instruments and creating situations for enhancing the opportunities offered by Biesse Group to young people through the visibility on social media.

Thanks to these initiatives, in 2016 about 200 among recently graduated engineers and young newly qualified students were able to meet the company during the assessment sessions, during which they listened to testimonials of managers, visited the premises and attended individual and group selection tests, aimed at identifying the best talents for the company.

Among selected young talents, the most motivated were directed to an international development projects and after-sales training programmes.

These projects provide an initial period of technical training at the Headquarters, and a subsequent placement in the Sales and Service areas at the foreign premises of the Biesse Group.

### Initial Technical Training – Manufacturing Lab

This programme has been experimentally started in 2015 by setting up a special facility in with dedicated areas and equipment, where training courses and practical workshops are held on an ongoing basis for young new recruits, with the aim of ensuring a proper and thorough training to the new technical personnel.

During 2016 the programme was enhanced with new modules and the group of in-house teachers was expanded. The courses combine theory and practical experimentation in the "model factory" on quality, mechanical processing, lean organisation, safety. The teachers of the facility are company engineers experienced in planning, quality, time and methods.

Overall, 27 editions of the training courses were held, involving a total of 225 new recruits.

### Training for Leadership Programme for middle managers

during 2016 the first edition was designed and launched of a development program dedicated to middle managers, aimed at enhancing role awareness and the ability to lead staff, through communication, involvement and assessment. The programme involved 35 middle managers in a mix of classroom and practical training.



# SHARES

Shares in biesse and/or its subsidiaries, held directly or indirectly by members of the board of directors, the board of statutory auditors and the general manager, as well as by their respective spouses where not legally separated and by their children.

	No. of shares held directly and indirectly at 31/12/2015	No. of shares sold in 2016	No. of shares purchased in 2016	No. of shares held directly and indirectly at 31/12/2016	% of share capital
<b>Roberto Selci</b> Chairman	31,944	31,944		0	0.00%
<b>Giancarlo Selci</b> Managing Director	13,970,500			13,970,500	51.00%
<b>Stefano Porcellini</b> Executive Director and General Manager	0			0	0.00%
<b>Alessandra Parpajola</b> Executive Director	600			600	0.00%
<b>Cesare Tinti</b> Executive Director	0			0	0.00%
<b>Salvatore Giordano</b> Independent Director	200			200	0.00%
<b>Elisabetta Righini</b> Independent Director	0			0	0.00%
<b>Giovanni Ciurlo</b> Member of the Board of Statutory Auditors	0			0	0.00%
<b>Cristina Amadori</b> Member of the Board of Statutory Auditors	0			0	0.00%
<b>Riccardo Pierpaoli</b> Member of the Board of Statutory Auditors	0			0	0.00%

## “ATYPICAL AND/OR UNUSUAL” TRANSACTIONS OCCURRED DURING THE YEAR

In 2016 there were no such transactions.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

Trade fairs and events have always been an essential opportunity for the Biesse Group to meet customers and are an important opportunity to set out innovative hi-tech solutions. Every year the Group takes part in over 50 trade fairs worldwide directly and together with its subsidiaries, organises global “Inside” events and “one2one” and “Tech-tour” events, focused on specific technological solutions or aimed at a particular target. Besides the now consolidated presence at trade fairs and events for the working of wood, glass and stone, the company is making significant investments in the world of plastic and compound materials.

The concept which guides the Group is “Thinkforward”, i.e. the ability to create innovation through integrated solutions which are sophisticated but simple in their use, to produce more, better and at lower cost. It is an incentive to look forward, to understand how the digital factory can change the way in which we conceive of and produce things. Here below is a brief description of the main events and trade fairs.

### January 2017

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.

### February 2017

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 solutions, 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.

Based on the initiatives set out in the above business plan and on the assessment of the international macroeconomic situation, the results expected by the Biesse Group in the next three years are as follows:

- higher consolidated revenue at a CAGR of 10.1% (revenue above € 825 million expected in 2019)
- higher Added Value with a three-year CAGR of 11.3% (42.1% record percentage in 2019)
- increase in operating margins:
  - EBITDA with a three-year CAGR of 11.6%
  - EBIT with a three-year CAGR of 12.5%
- positive free cash flow totalling € 69 million in the 2017-2019 period (free cash flow margin 4.5% in 2018).

“The plan is based on the excellent result of the 2016 financial year” – commented the Group General Manager Stefano Porcellini – “a financial year that ends with a record growth in revenue, strongly growing profitability and net financial position amounting to € 4.9 million (subject to the approval of the next BoD meeting on 14 March).” In 2016 consolidated turnover was estimated to grow by 19.1% compared to the previous year, and stood at € 618.1 million, while EBITDA stood at 12.3% of consolidated revenues. “The Board – chaired by Roberto and Giancarlo Selci – approved actions to support the growth plan for 2017-2019, with an even greater focus on investments in innovation, service, and the marketing/sales area. Particular attention and targeted investments are also dedicated to the development of the concepts of think4ward, internet of things and Industry 4.0 (Digital Factory)”.

### March 2017

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.

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 geographical segment.

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 goods. 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” 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 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.

### Outlook

The approved plan provides for an average growth of 10.1 % in the three-year period 2017-2019, more balanced if compared with a particularly positive 2016, supported both by an efficient business strategy and by a particularly favourable trend in key markets driven by the increasing demand for technology due to the 4.0 industrial revolution. The growth projection for the next three years remains positive, also supported by the backlog of € 164 million (+16% compared to 2015) and by the confirmation of the positive trend of order intakes in the first months of the current year, encouraging signs of maintaining the upswing.

In any case, the new business plan must be seen in continuity with the previous plans; Biesse wishes to maintain the current investment growth strategy with the aim of stabilising the results achieved in recent years.

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

## INCOME STATEMENT HIGHLIGHTS

Income Statement for the year ended 31 December 2016 highlighting non recurring items.

Euro 000's	2016	% of sales	2015	% of sales	CHANGE %
<b>Revenue from sales and services</b>	<b>391,688</b>	<b>100.0%</b>	<b>342,863</b>	<b>100.0%</b>	<b>14.2%</b>
Change in inventories, wip, semi-finished products and finished goods products	6,107	1.6%	1,712	0.5%	-
Other revenue	4,613	1.2%	4,319	1.3%	6.8%
<b>Revenue</b>	<b>402,408</b>	<b>102.7%</b>	<b>348,894</b>	<b>101.8%</b>	<b>15.3%</b>
Raw materials, consumables, supplies and goods	(211,858)	(54.1)%	(180,931)	(52.8)%	17.1%
Other operating costs	(52,471)	(13.4)%	(46,245)	(13.5)%	13.5%
<b>Added value</b>	<b>138,079</b>	<b>35.3%</b>	<b>121,718</b>	<b>35.5%</b>	<b>13.4%</b>
Personnel expense	(94,294)	(24.1)%	(83,259)	(24.3)%	13.3%
<b>Gross operating profit</b>	<b>43,786</b>	<b>11.2%</b>	<b>38,459</b>	<b>11.2%</b>	<b>13.8%</b>
Depreciation and amortisation	(12,321)	(3.1)%	(11,217)	(3.3)%	9.8%
Provisions	(761)	(0.2)%	(920)	(0.3)%	(17.3)%
<b>Normalised operating profit</b>	<b>30,705</b>	<b>7.8%</b>	<b>26,322</b>	<b>7.7%</b>	<b>16.6%</b>
Impairment losses and non-recurring items	(4)	-	(109)	(0.0)%	(100.0)%
<b>Operating profit</b>	<b>30,701</b>	<b>7.8%</b>	<b>26,213</b>	<b>7.6%</b>	<b>17.1%</b>
Net financial expense	(338)	(0.1)%	(2,246)	(0.7)%	(84.9)%
Net exchange rate losses	(948)	(0.2)%	(1,658)	(0.5)%	(42.8)%
Impairment losses on financial assets	(10,280)	(2.6)%	(8,553)	(2.5)%	20.2%
Dividends	13,718	3.5%	9,019	2.6%	52.1%
<b>Pre-tax profit</b>	<b>32,852</b>	<b>8.4%</b>	<b>22,776</b>	<b>6.6%</b>	<b>44.2%</b>
Income taxes	(10,910)	(2.8)%	(8,798)	(2.6)%	24.0%
<b>Profit/Loss for the year</b>	<b>21,942</b>	<b>5.6%</b>	<b>13,978</b>	<b>4.1%</b>	<b>57.0%</b>

In 2016 Revenue from sales and services amounted to €391,688 thousand, compared to €342,683 thousand of 31 December 2015, up by 14.2% over the previous year. As already shown in the Group's sales analysis, it should be noted

the good performance of the Wood and Glass/Stone Divisions. Reference should be made to what has already been said on the Group's sales analysis.

Added Value amounted to € 402,408 thousand, compared with € 348,894 thousand in 2015, up by 15.3% from the

previous year; costs as a percentage of revenue are broken down below.

Euro 000's	2016	%	2015	%
<b>Revenue</b>	<b>402,408</b>	<b>100.0%</b>	<b>348,894</b>	<b>100.0%</b>
Raw materials and goods	211,858	52.6%	180,931	51.9%
Other operating expense	52,471	13.0%	46,245	13.3%
Service costs	47,291	11.8%	40,991	11.7%
Use of third party assets	3,081	0.8%	3,054	0.9%
Sundry operating expense	2,099	0.5%	2,200	0.6%
<b>Added value</b>	<b>138,079</b>	<b>34.3%</b>	<b>121,718</b>	<b>34.9%</b>

Added value as a percentage of revenue slightly decreased compared to the previous year (from 34.9% in 2015 to 34.3% in 2016). This decrease is mainly related to the higher impact of consumption of raw materials and goods on the value of production (from 51.9% to 52.6%), while other operating expense recorded a lower impact (13.0% compared to 13.3%) In absolute terms they increased by approximately € 30,926 thousand).

Personnel expense in 2016 was € 94,294 thousand, compared to € 83,259 thousand in 2015, with an increase of € 11,034 thousand in absolute terms, equal to 13.3%. The fixed component of wages and salaries increased by about € 10,527 thousand (+13.1%), especially as a result of the increase in the headcount in accordance with the recruiting policy adopted by the Group. The variable components, relating to performance bonuses and other bonuses (€ 8,193 thousand compared to € 6,723 thousand in 2015) and the capitalizations of wages and salaries for staff employed in R&D activities (€ 8,819 thousand compared to € 8,402 thousand in 2015), rose compared to the figures recorded in the previous year owing respectively to the positive results achieved by the company and to the continuing innovation in products.

Gross operating profit was € 43,786 thousand, with a 13.8% improvement compared to the previous year in line with the increase in turnover.

Depreciation and amortisation increased by 9.8% (from € 11,217 thousand to € 12,321 thousand): depreciation totalled € 3,702 thousand (up by 2%), while amortisation amounted to € 8,619 thousand (up by 13.6%). This increase was mainly due to R&D projects which were capitalized also in previous years, for which during 2016 production and the consequent amortisation started.

Provisions stood at € 761 thousand, down by €159 thousand compared to the previous year.

The operating profit was € 30,701 thousand.

Net financial expense decreased compared to the previous year (from € 2,246 thousand to € 338 thousand, -84.9%). Net exchange rate losses decreased compared to the previous year (from € 1,658 thousand to € 948 thousand). Net financial expense included impairment losses on financial assets of € 10,280 thousand; this amount refers both to the impairment of the equity investment held in Centre Gain of approximately € 14,553 and to reversal of impairment losses on equity investments in Bre.Ma S.r.l. (€ 1 million), Biesse Iberica Corporate (€ 1 million), Biesse Australia Corporate (€ 900 thousand), Biesse New Zealand (€ 1,373 thousand).

Net finance expense also includes dividends received by the subsidiaries totalling € 13,718 thousand (€ 9,019 thousand in 2015) as detailed below:

- HSD S.p.A.: € 9,900 thousand;
- Biesservice Scandinavia AB: € 19 thousand;
- Biesse America: € 1,054 thousand;
- Biesse Canada: € 1,010 thousand;
- Biesse UK: € 832 thousand;
- Biesse Deutschland: € 902 thousand.

The pre-tax profit therefore was € 32,852 thousand, up compared to € 22,776 thousand in 2015.

The balance of income taxes was negative to the tune of € 10,910 thousand.

Current IRES taxes amounted to € 8,135 thousand, deriving from the calculation of the profit for the year (€ 8,040 thousand) and from the reclassification of taxes recognised directly in equity referring to the actuarial income of post-employment benefits (€ 96 thousand). The IRAP current taxes amounted to € 1,867 thousand. Negative deferred taxes of € 911 thousand refer mainly to the change in temporary IRES recoveries. The impact on deferred taxes of the use of past tax losses was cancelled in 2015.

Consequently, the Company recognised a profit for the year of €21,942 thousand.

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Euro 000's	31 December 2016	31 December 2015
Intangible assets	45,019	40,810
Property, plant and equipment	38,932	35,959
Financial assets	67,747	68,870
<b>Non-current assets</b>	<b>151,698</b>	<b>145,639</b>
Inventories	49,946	42,579
Trade receivables	58,534	50,585
Intercompany trade receivables	63,525	37,594
Trade payables	(112,559)	(86,746)
Intercompany trade payables	(22,264)	(19,744)
<b>Net operating working capital</b>	<b>37,183</b>	<b>24,269</b>
Post-employment benefits	(11,197)	(11,384)
Provision for risk and charges	(4,433)	(5,051)
Other net payables	(28,146)	(20,542)
Net deferred tax assets	2,169	3,066
<b>Other net liabilities</b>	<b>(41,608)</b>	<b>(33,911)</b>
<b>Net invested capital</b>	<b>147,274</b>	<b>135,997</b>
Share capital	27,393	27,393
Profit for the previous year and other reserves	98,690	94,816
Profit for the year	21,942	13,978
<b>Equity</b>	<b>148,025</b>	<b>136,188</b>
Bank loans and borrowings and loans and borrowings from other financial backers	19,339	34,360
Intercompany financial liabilities to group	14,386	9,154
Other financial assets	(13,313)	(17,496)
Cash and cash equivalents	(21,164)	(26,208)
<b>Net financial position</b>	<b>(752)</b>	<b>(190)</b>
<b>Total sources of funding</b>	<b>147,274</b>	<b>135,997</b>

Net intangible assets increased compared to 2015 (+ € 4.2 million). This increase is due to higher investments totalling around € 12.8 million, mainly attributable to R&D capitalisation of new products (of around € 9.2 million) and new ICT investments (of around € 3.6 million), net of relevant amortisation for the year (around € 8.6 million).

As for property, plant and equipment, the carrying amount rose by approximately € 2.9 million. This increase confirms a trend already observed in previous years, with the expansion of manufacturing facilities and consequent investments, aimed at improving the use of manufacturing space.

Financial assets decreased by approximately € 1.1 million. During 2016 the company Uniteam Spa was acquired for a total of € 3.9 million and new subsidiaries in Russia, the Middle East and Indonesia were set up. The total decrease was caused by the impairment loss on the equity investment in Biesse Hong Kong.

Net working capital decreased as a whole by around € 12.9 million compared to 31 December 2015 due to the increase in trade payables (around € 33.9 million) as a result of the increase in sales at the end of the year and of the increase in inventories (around € 7.4 million) in light of the strong trend in orders. These increases were partially offset by the increase in trade payables (approximately € 28.3 million).

## NET FINANCIAL POSITION

Euro 000's	31 December 2016	31 December 2015
Financial assets:	34,477	43,705
<i>Other current financial assets due from related parties</i>	9,645	10,896
<i>Dividends</i>	3,668	660
<i>Cash and cash equivalents</i>	21,164	26,208
Short-term finance lease payables	(111)	(109)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(16,488)	(16,472)
Other current financial liabilities due to related parties	(14,386)	(9,154)
<b>Short-term net financial position</b>	<b>3,491</b>	<b>17,969</b>
Medium/Long-term finance lease payables	(3)	(115)
Medium/Long-term bank loans and borrowings	(2,736)	(17,664)
<b>Medium/Long-term net financial indebtedness</b>	<b>(2,739)</b>	<b>(17,779)</b>
<b>Total net financial position</b>	<b>752</b>	<b>190</b>

At the end of December 2016, the Company's net financial position was € 0.8 million, up by € 0.6 million compared to the previous year.

For further details, reference should be made to what has already been said about the Group's net financial position.

## OTHER INFORMATION

In addition, it should be noted that the Parent does not own shares/stakes of ultimate parents nor did it own or trade them during 2016. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4 of the Italian Civil Code.

Pursuant to Article 2497-bis paragraph 4 of the Italian Civil Code, it is noted that Bi.Fin. S.r.l., based in Pesaro, via della Meccanica No. 16, manages and coordinates Biesse S.p.A. and indirectly, through the latter, the relevant Subsidiaries.

## PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

You are invited to approve the financial statements for the year ended 31 December 2016, with this Directors' Report, as they stand. The Board of Directors, taking into account the positive financial position and results for 2016 proposes to distribute dividends to Shareholders to be taken from the profit for the year at the rate of € 0.36 for each eligible share, totalling € 9,861,495.12, less the dividends on treasury shares held on the ex-dividend date of 8 May 2017.

Portion of the dividend referring to these latter will be allocated to the Extraordinary Reserve.

Therefore, you are invited to resolve on the allocation of the profit for the year of €21,942,025.20 as follows:

- allocation of € 9,861,495.12 to dividends;
- allocation of the residual profit of €12,080,530.08 to the Extraordinary Reserve;

The coupons will be paid in a lump sum starting from 10 May 2017 (with ex-dividend date as from 8 May 2017 and record date on 9 May 2017) by means of qualified financial intermediaries.

Pesaro, 14/03/2017

The Chairman of the Board of Directors  
Roberto Selci

# CONSOLIDATED



FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

## INCOME STATEMENT FOR THE YEAR ENDED 31/12/2016<sup>1</sup>

Euro 000's	Note	2016	2015
Revenue	5	618,489	519,108
Other operating income	5	3,548	4,025
Change in inventories of finished goods and work in progress		12,649	6,626
Purchase of raw materials and consumables	7	(258,979)	(212,742)
Personnel expense	8	(176,551)	(148,222)
Other operating costs	9	(124,564)	(104,655)
Depreciation and amortisation		(17,858)	(15,460)
Provisions		(1,645)	(4,823)
Impairment losses	14	(26)	(128)
<b>Operating profit</b>		<b>55,062</b>	<b>43,729</b>
Financial income	10	536	2,815
Financial expense	11	(2,070)	(5,884)
Net exchange rate losses	12	(1,144)	(2,193)
<b>Pre-tax profit</b>		<b>52,385</b>	<b>38,467</b>
Income taxes	13	(22,921)	(17,412)
<b>Profit for the year</b>		<b>29,464</b>	<b>21,055</b>
<b>Profit for the year</b>		<b>29,464</b>	<b>21,055</b>
Attributable to:			
Owners of the parent		29,384	20,971
Non-controlling interests	27	80	83
<b>Earnings per share</b>			
Basic (€/cents)	15	107.31	76.94
Diluted (€/cents)	15	107.31	76.94

<sup>1</sup> In accordance with CONSOB Resolution No. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Income Statement are shown in the relevant statement in Appendix 1 and, respectively, in notes 46 and 15.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31/12/2016

Euro 000's	Note	2016	2015
<b>Profit for the year</b>		<b>29,464</b>	<b>21,055</b>
Translation differences of foreign operations	26	(922)	1,282
Net gain/loss on cash flow hedges	26	(73)	98
Income taxes on other comprehensive income		20	(27)
<b>Items that may be reclassified to profit or loss</b>		<b>(974)</b>	<b>1,353</b>
Measurement of defined-benefit plans		(311)	1,052
<b>Items that will not be reclassified to profit or loss</b>		<b>(311)</b>	<b>1,052</b>
<b>Total comprehensive income for the year</b>		<b>28,179</b>	<b>23,459</b>
Attributable to:			
Owners of the parent		28,105	23,374
Non-controlling interests		74	85
<b>Total comprehensive income for the year</b>		<b>28,179</b>	<b>23,459</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31/12/2016<sup>2</sup>

Euro 000's	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	64,926	59,315
Equipment and other items of property, plant and equipment	16	17,014	10,547
Goodwill	17	19,316	17,683
Other intangible assets	18	45,901	41,260
Deferred tax assets	33	12,987	12,673
Other non-current financial assets and receivables	19	2,346	1,580
		<b>162,490</b>	<b>143,057</b>
<b>Current assets</b>			
Inventories	20	130,785	111,374
Trade receivables due from third parties	21	128,697	105,350
Trade receivables due from related parties	45	51	22
Other current assets	22	16,338	15,133
Other current assets due from related parties	22	977	1,006
Derivatives	37	374	333
Current financial assets		87	17
Cash and cash equivalents	23	46,295	51,553
		<b>323,603</b>	<b>284,788</b>
<b>TOTAL ASSETS</b>		<b>486,093</b>	<b>427,846</b>

<sup>2</sup> In accordance with CONSOB Resolution No. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Income Statement are shown in the relevant statement in Appendix 1 and, respectively, in notes 46 and 15.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

Euro 000's	Note	31 December 2016	31 December 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	24	27,393	27,393
(Treasury shares)	24	(96)	(96)
Equity reserves	26	36,202	36,202
Hedging and translation reserves	26	(2,183)	(1,214)
Other reserves	27	68,732	57,854
Profit for the year		29,384	20,971
Equity attributable to the owners of the parent		159,433	141,111
Non-controlling interests	27	290	275
<b>TOTAL EQUITY</b>		<b>159,723</b>	<b>141,386</b>
<b>Non-current liabilities</b>			
Post-employment benefits	32	13,746	13,536
Deferred tax liabilities	33	2,976	2,730
Medium and long-term bank loans and borrowings and other financial liabilities	29	7,539	21,220
Finance lease liabilities	31	43	1,514
Provisions for risks and charges	34	2,377	2,622
Other non-current liabilities		137	137
Derivatives	37	-	15
		<b>26,818</b>	<b>41,773</b>
<b>Current liabilities</b>			
Trade payables	35	190,843	152,043
Trade payables due to related parties	45	1,770	1,301
Other current liabilities	36	53,176	41,259
Other current liabilities due to related parties	45	18	2
Tax payables		8,982	11,786
Finance lease liabilities	31	111	489
Bank overdrafts and loans	29	33,769	28,209
Provisions for risks and charges	34	9,617	9,109
Derivatives	37	1,266	490
		<b>299,551</b>	<b>244,687</b>
<b>LIABILITIES</b>		<b>326,369</b>	<b>286,460</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>486,093</b>	<b>427,846</b>

Euro 000's	Note	FY 2016	FY 2015
<b>OPERATING ACTIVITIES</b>			
+/- Profit for the year		29,464	21,055
<b>+ Depreciation and amortisation:</b>			
of property, plant and equipment		7,838	6,580
of intangible assets		10,020	8,880
<b>+ Provisions :</b>			
Increase/decrease in provisions for post-employment benefits		(3)	227
Increase/decrease in allowance for impairment		682	1,288
Increase/decrease in allowance for inventory write-down		4,252	(108)
Increase/decrease in provisions for risk and charges		963	3,535
Gains/losses from sales of property, plant and equipment		0	(61)
Impairment losses on other intangible assets		26	128
Impairment losses on current assets		0	
Income from investing activities		(536)	(450)
Unrealised exchange rate gains		(292)	(683)
Income taxes		22,921	17,412
Financial expense		2,070	3,518
<b>SUBTOTAL OPERATING ACTIVITIES</b>		<b>77,405</b>	<b>61,321</b>
Post-employment benefits paid		(559)	(748)
Risk provisions utilised		(1,535)	(3,898)
Change in trade receivables		(23,872)	(25,135)
Change in inventories		(15,424)	(7,269)
Change in trade payables		32,888	27,135
Change in other receivables and payables		230	3,094
Income tax paid		(19,729)	(7,001)
Interest paid		(1,572)	(2,556)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>48,505</b>	<b>44,944</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(18,410)	(13,062)
Proceeds from sale of property, plant and equipment and other items of property, plant and equipment		182	687
Acquisition of patents, trademarks and other intangible assets. Capitalisation of development costs		(12,727)	(11,926)
Proceeds from sale of intangible assets		116	0
Acquisitions of equity investments		(1,180)	(1,751)
Change in other financial assets		(730)	(986)
Interest received		456	565
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(32,294)</b>	<b>(26,474)</b>

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Euro 000's	Note	FY 2016	FY 2015
<b>FINANCING ACTIVITIES</b>			
Loans repaid/New bank loans		(17,221)	(21,694)
Finance lease payments		(1,847)	42
Change in bank overdraft		7,366	9,852
Gains (losses) on current derivatives		(62)	(3,944)
Dividends paid		0	3
Sale of treasury shares		(9,871)	(9,824)
Acquisto/cessione azioni proprie		0	4,498
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(21,635)</b>	<b>(21,067)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (5,424) (2,596)</b>			
<b>OPENING CASH AND CASH EQUIVALENTS 51,553 53,310</b>			
Effect of exchange rate fluctuations on cash held		166	839
<b>CLOSING CASH AND CASH EQUIVALENTS 46,295 51,553</b>			

Note	Opening balances at 01/01/2016	Other gains/losses	Profit for the year	Total comprehensive income for the year	Change in treasury shares	Dividends paid	Other changes	Allocation of profit for the previous year	Total effects of transactions with shareholders	Closing balances at 31/12/2016
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Euro 000's

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2016										
Share capital		27,393								27,393
- Treasury shares	24	(96)								(96)
Equity reserves	25	36,202								36,202
Hedging and translation reserve	26	(1,214)	(969)	(969)						(2,183)
Other reserves	27	57,854	(310)	(310)		(9,858)	75	20,971	11,189	68,732
Profit for the year		20,971		29,384	29,384			(20,971)	(20,971)	29,384
<b>Equity attributable to the owners of the parent</b>		<b>141,111</b>	<b>(1,279)</b>	<b>29,384</b>	<b>28,105</b>	<b>(9,858)</b>	<b>75</b>		<b>(9,783)</b>	<b>159,433</b>
Non-controlling interests		275	(7)	80	73	(13)	(45)		(58)	290
<b>TOTAL EQUITY</b>		<b>141,386</b>	<b>(1,286)</b>	<b>29,464</b>	<b>28,178</b>	<b>(9,871)</b>	<b>30</b>		<b>(9,841)</b>	<b>159,723</b>

Note	Saldo iniziali al 01/01/2015	Altri utili/perdite del periodo	Risultato netto del periodo	Totale utile/perdita complessivo del periodo	Variazione quote di possesso	Distribuzione dividendi	Altri movimenti	Destinazione del risultato dell'esercizio precedente	Totale effetti derivanti da operazioni con gli azionisti	Saldo finali al 31/12/2015
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Euro 000's

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2015										
Share capital		27,393								27,393
- Treasury shares	24	(3,750)				3,654			3,654	(96)
Equity reserves	25	36,202								36,202
Hedging and translation reserve	26	(2,564)	1,350	1,350						(1,214)
Other reserves	27	51,946	1,052	1,052	1,012	(9,811)	(111)	13,766	4,856	57,854
Profit for the year		13,766		20,971	20,971			(13,766)	(13,766)	20,971
<b>Equity attributable to the owners of the parent</b>		<b>122,993</b>	<b>2,402</b>	<b>20,971</b>	<b>23,374</b>	<b>4,666</b>	<b>(9,811)</b>	<b>(111)</b>	<b>(5,256)</b>	<b>141,111</b>
Non-controlling interests		200	2	83	85	(13)	3		(10)	275
<b>TOTAL EQUITY</b>		<b>123,192</b>	<b>2,404</b>	<b>21,055</b>	<b>23,459</b>	<b>4,666</b>	<b>(9,824)</b>	<b>(108)</b>	<b>(5,266)</b>	<b>141,386</b>

# CONSOLIDATED



NOTES



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES

### 1. OVERVIEW

Biesse S.p.A. is an Italian company with registered office in Pesaro. It is the parent of the Biesse Group and operates in the market for machinery and systems for processing wood, glass and stone. The company is listed on the STAR segment of the Milan Stock Exchange. The financial position and results of operations as at and for the year ended at 31 December 2016 incorporate the financial statements of Biesse S.p.A. and subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investments, in proportion to the percentage held, in associates. The consolidated financial statements at 31 December 2016 were approved during the meeting of the Board of Directors held today (14 March 2017). The consolidated financial statements of the Group are prepared in Euro and presented in thousands of Euro except where otherwise indicated.

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

Name and registered office	Currency	Share capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<i>Parent</i>						
<b>Biesse S.p.A.</b> Via della Meccanica, 16 - Loc. Chiusa di Ginestreto (PU)	EUR	27,393,042				
<i>Italian subsidiaries:</i>						
<b>HSD S.p.A.</b> Via della Meccanica, 16 - Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
<b>Bre.Ma. Brenna Macchine S.r.l.</b> Via Manzoni, without number - Alzate Brianza (CO)	EUR	70,000	98%			98%
<b>Biesse Tecno System S.r.l.</b> Via della Meccanica, 16 - Loc. Chiusa di Ginestreto (PU)	EUR	100,000	50%			50%
<b>Viet Italia S.r.l.</b> Via della Meccanica, 16 - Loc. Chiusa di Ginestreto (PU)	EUR	10,000	85%			100%
<b>Axxembla S.r.l.</b> Via della Meccanica, 16 - Loc. Chiusa di Ginestreto (PU)	EUR	10,000	100%			100%
<b>Uniteam S.p.A.</b> Via della Meccanica 12 - Thiene (VI)	EUR	390,000	100%			100%

Name and registered office	Currency	Share capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<i>Foreign subsidiaries:</i>						
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive, Charlotte, North Carolina - USA	USD	11.500.000	100%			100%
<b>Biesse Canada Inc.</b> 18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	180.000	100%			100%
<b>Biesse Group UK Ltd.</b> Lampport Drive - Daventry Northamptonshire Great Britain	GBP	655.019	100%			100%
<b>Biesse France Sarl</b> 4, Chemin de Moninsable - Brignais - France	EUR	1.244.000	100%			100%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6 - Elchingen (Ulm) - Germany	EUR	1.432.600	100%			100%
<b>Biesse Schweiz GmbH</b> Grabenhofstrasse, 1 - Kriens - Switzerland	EUR	100.000		100%	Biesse Group Deutschland GmbH	100%
<b>Biesse Austria GmbH</b> Am Messezentrum, 6 - Salzburg - Austria	EUR	35.000		100%	Biesse Group Deutschland GmbH	100%
<b>Biesservice Scandinavia AB</b> Maskinvagen 1 - Lindsa - Sweden	SEK	200.000	60%			60%
<b>Biesse Iberica Woodworking Machinery s.l.</b> C/De La Imaginació, 14 Poligon Ind. La Marina Gavà Barcellona - Spain	EUR	699.646	100%			100%
<b>WMP- Woodworking Machinery Portugal, Unipessoal Lda</b> Sintra Business Park, 1, São Pedro de Penaferrim - Sintra - Portugal	EUR	5.000		100%	Biesse Iberica W. M. s.l.	100%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road Wetherill Park Sydney - Australia	AUD	15.046.547	100%			100%
<b>Biesse Group New Zealand Ltd.</b> Unit B, 13 Vogler Drive Manukau - Auckland - New Zealand	NZD	3.415.665	100%			100%
<b>Biesse Manufacturing Co. Pvt. Ltd.</b> Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk - Bangalore - India	INR	1.224.518.391	100%			100%
<b>Biesse Asia Pte. Ltd.</b> Zagro Global Hub 5 Woodlands Terr. - Singapore	EUR	1.548.927	100%			100%
<b>Biesse Indonesia Pt.</b> Jl. Kh.Mas Mansyur 121 - Jakarta - Indonesia	IDR	2.500.000.000		100%	Biesse Asia Pte. Ltd.	100%

Name and registered office	Currency	Share capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<b>Biesse Malaysia SDN BHD</b> Dataran Sunway, Kota Damansara Petaling Jaya, Selangor Darul Ehsan - Malaysia	MYR	5.000.000		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse Korea LLC</b> Geomdan Industrial Estate, Oryu-Dong, Seo-Gu Incheon South Korea	KRW	100.000.000		100%	Biesse Asia Pte. Ltd.	100%
<b>Intermac Guangzhou Co. Ltd.</b> Guangzhou Free Trade Area-GuangBao street No. 241-243 China	USD	916.050		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse (HK) LTD</b> Unit 1105, 11 floor, Regent Centre, N0.88 Queen's Road Central, Central - Hong Kong	HKD	0	100%			100%
<b>Biesse (HK) LTD ex Centre Gain LTD</b> Room 1530, 15/F, Langham Place, 8 Argyle Street, Mongkok, Kowloon - Hong Kong	HKD	154.000.000		100%	Biesse (HK) LTD	100%
<b>Dongguan Korex Machinery Co. Ltd</b> Dongguan City - Guangdong Province - China	RMB	128.435.5136		100%	Centre Gain LTD	100%
<b>Biesse Trading (Shanghai) Co. Ltd.</b> Room 301, No.228, Jiang Chang No.3 Road, Zha Bei District - Shanghai - China	RMB	7.870.000		100%	Biesse Asia Pte. Ltd.	100%
<b>Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda.</b> Andar Pilotis Sala, 42 - Sao Paulo - 2300 Brazil	BRL	9.478.339	100%			100%
<b>Biesse Turkey Makine Ticaret Ve Sanayi A.S.</b> Serifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye, Istanbul - Turkey	TRY	2.500.000	100%			100%
<b>OOO Biesse Group Russia</b> Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	10.000.000		100%		100%
<b>Biesse Gulf FZE</b> Dubai, free Trade Zone	AED	400.000		100%		100%
<b>Biesse Taiwan</b> 6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500.000		100%	Biesse Asia	100%
<b>HSD Mechatronic (Shanghai) Co. Ltd.</b> D2, 1st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone - Shanghai - China	RMB	2.118.319		100%	Hsd S.p.A.	100%
<b>Hsd Usa Inc.</b> 3764 SW 30th Avenue - Hollywood, Florida USA	USD	250.000		100%	Hsd S.p.A	100%
<b>HSD Mechatronic Korea LLC</b> 414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan-si 15434, South Korea	KWN	101.270.000		1000%	Hsd S.p.A	100%
<b>HSD Deutschland GmbH</b> Brükenstrasse,2 - Gingen - Germany	EUR	25.000		100%	Hsd S.p.A	100%

Compared to the Consolidated financial statements as at and for the year ended 31 December 2015, the scope of consolidation underwent the following changes:

- the setting up of the company OOO Biesse Group Russia 100% owned by Biesse S.p.A., aimed at developing the marketing of products and services in all Group Divisions on the Russian market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 31 March 2016 and is based in Moscow (share capital of 10 million roubles);

- Uniteam S.p.A. was included in the scope of consolidation on 19 May 2016, as a result of the acquisition of 100% of the shares of the company by Biesse S.p.A. Uniteam S.p.A. is based in Thiene (Vicenza) and produces and sells CNC mechanical-cutting machines for the furniture industry, for the processing of solid wood and laminated beams (beams, pa-

nels and big structures) and for the processing of composite materials (plastic and aluminium products, special alloys etc.). The share capital amounts to € 390 thousand;

- the merger of the subsidiaries Viet Italia S.r.l. and Pavit S.r.l. was completed on 24 June 2016. The accounting effects of the merger arose from 1 July 2016, while the tax effects are backdated to 1 January 2016;

- the setting up of Biesse Taiwan 100% owned by Biesse S.p.A., aimed at developing the marketing of products and services in all Group Divisions on the Taiwanese market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 15 December 2016 and is based in Taipei (share capital of 500,000 Taiwan dollars);

- the setting up of Biesse Gulf 100% owned by Biesse S.p.A.,

aimed at developing the marketing of products and services in all Group Divisions on the UAE market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 25 December 2016 and is based in Dubai (share capital of 400,000 UAE dirhams);

- the setting up of HSD Mechatronics Korea LLC 100% owned by Biesse S.p.A., aimed at developing the marketing of electrospindles on the South Korean market, as well as providing technical assistance with installation and testing and after-sales services. The company was set up on 25 October 2016 and is based in Ansan (share capital of 101,270,000 South Korean wons);

- during 2016 the process was started to shorten the chain of control over the Chinese companies. This project involves

Biesse Hong Kong Ltd and Centre Gain Ltd, both resident in Hong Kong. In compliance with local laws, the process will be carried out through the transfer of all the assets and liabilities from the parent to the subsidiary and the subsequent liquidation of the parent. At the end of 2016 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. Therefore, at the end of 2016 both Centre Gain Ltd (the name of which was changed as part of this operation to Biesse Hong Kong Ltd) and Biesse Hong Kong Ltd (the former holding company), which is being liquidated, still existed. With the transfer of the assets and liabilities, Centre Gain Ltd reissued new shares in the name of Biesse Spa as a consequence of the transfer of ownership. The diagram of the Group Structure shows the shareholdings as at 31 December 2016.

## 2. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

For further details, please refer to the Directors' report.

### STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CONSOLIDATION CRITERIA

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

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

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

This disclosure was prepared in accordance with the provisions of CONSOB (Commissione Nazionale per le Società e la Borsa – the regulatory authority for the Italian securities'

market), with particular reference to resolutions No. 15519 and 15520 of 27 July 2006 and to communication No. 6064293 of 28 July 2006.

#### Consolidation criteria

The consolidated financial statements as at 31 December 2016 include the financial statements of the Parent Biesse S.p.A. and of the Italian and foreign companies which it controls directly or indirectly. For the definition of control, reference should be made to the IAS/IFRS (in particular IFRS 10 and IAS 27).

Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement bases adopted by the parent. All the companies of the Group end the year as at 31 December (except for Biesse Manufacturing Co. Pvt. Ltd. that ends the financial year on 31 March but prepares annual financial statements for the purposes of the consolidated financial statements).

In the preparation of the consolidated financial statements, intra-group balances, income and expenses are all eliminated in full.

The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity in them. The fair value of each equity investment at the date of acquisition is attributed to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, in goodwill; if negative, it is recognised in profit or loss.

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

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

Receivables and payables, income and expenses, and gains and losses arising from intra-group transactions are elimina-

ted. Capital gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material.

The amount of the share capital and reserves of subsidiaries attributable to non-controlling interests is recognised in equity under "Non-controlling interests"; the portion of consolidated profit/(loss) for the year attributable to non-controlling interests is shown separately under "Profit/(loss) for the year attributable to non-controlling interests".

For the purposes of presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated at the exchange rate on the reporting date. Income and expense are translated at the average exchange rate for the year. The resulting exchange rate gains or losses are recognised in equity under "Hedging and translation reserve". This reserve is recognised in profit or loss as income or expense in the year in which the relevant subsidiary is sold.

The average and final exchange rates are shown below:

Currency	31 December 2016		31 December 2015	
	Closing	Final	Closing	Final
US Dollar / Euro	1.1069	1.0541	1.1095	1.0887
Brazilian Real / Euro	3.8561	3.4305	3.7004	4.3117
Canadian Dollar / Euro	1.4659	1.4188	1.4186	1.5116
Pound Sterling / Euro	0.8195	0.8562	0.7259	0.7340
Swedish Krone / Euro	9.4689	9.5525	9.3535	9.1895
Australian Dollar / Euro	1.4883	1.4596	1.4777	1.4897
New Zealand Dollar / Euro	1.5886	1.5158	1.5930	1.5923
Indian Rupee / Euro	74.3717	71.5935	71.1956	72.0215
Chinese Renmimbi Yuan / Euro	7.3522	7.3202	6.9733	7.0608
Swiss Franc / Euro	1.0902	1.0739	1.0679	1.0835
Indonesian Rupiah / Euro	14,720,8298	14,173.4000	14,870.3892	15,039.9900
Hong Kong Dollar / Euro	8.5922	8.1751	8.6014	8.4376
Malaysian Ringgit / Euro	4.5835	4.7287	4.3373	4.6959
South Korean Won / Euro	1,284.1811	1,269.3600	1,256.5444	1,280.7800
Turkish Lira/Euro	3.3433	3.7072	3.0255	3.1765
Russian Rouble/euro	74.1446	64.3000	NA	NA
UAE Dirham/euro	4.0634	3.8696	NA	NA
Taiwan Dollar/euro	35.6892	33.9995	NA	NA

### Equity investments in associates

An associate is an entity in which the Group has significant influence, that is power to participate in its financial and operating policy decisions, but has not control or joint control over those policies.

The results and the assets and liabilities of associates are accounted for using the equity method.

### Equity investments in other companies

Equity investments in other companies constituting available-for-sale financial assets are measured at fair value, where it can be determined, and gains and losses arising from changes in fair value are recognised directly in Other comprehensive income/(expense) until they are sold or impaired; then, the Other comprehensive income/(expense) previously recognised in equity is recognised in profit or loss for the year.

Equity investments in other minor companies whose fair value cannot be determined are measured at cost less any impairment losses.

### Basis of presentation

In accordance with IAS 1, the management of the Group has made the following choices with regard to the basis of presentation of the consolidated financial statements.

In the statement of financial position, current and non-current assets and liabilities are presented as separate classifications. An asset/liability is considered to be current when it satisfies any of the following criteria:

- it is expected to be realised/settled, or intended for sale or consumption, in the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised/settled within 12 months after the reporting date;
- in the absence of all three conditions, the assets/liabilities are classified as non-current.

In the income statement, expenses are classified based on their nature, highlighting interim results with respect to operating and pre-tax profit/(loss). **Operating profit/(loss)** is calculated as the difference between net revenue and operating expense (including non-monetary costs relating to depreciation, amortisation and impairment losses on current and non-current assets, net of any reversal of impairment losses) and including capital gains and losses on the sale of non-current assets. In order to make actual performance more measurable, details of the costs and revenue arising from events or transactions to be considered as non-recurring due to their nature and materiality are given in the directors' report

and in the notes.

The Statement of Comprehensive Income includes the components that make up the result for the year and the items of income and expense recognised directly in Equity arising from transactions other than those carried out with owners.

The statement of changes in equity shows the changes in the equity items related to:

- the allocation of the parent's and subsidiaries' profit for the year to non-controlling interests;
- amounts relating to transactions with owners (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or in a separate balancing item under equity (share-based payments for stock option plans);
- changes in valuation reserves relating to derivative instruments hedging future cash flows, net of any tax effects.

The statement of cash flows is prepared using the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents recognised in the statement of cash flows include the balance of this item at the reporting date. Foreign currency cash flows have been translated at the average exchange rate for the year. Income and expense relating to interests, dividends received and income taxes are classified as cash flows according to the type of underlying transaction that generated them.

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable provisions laid down by national legislation and the CONSOB.

Finally, it should be noted that, with reference to CONSOB resolution No. 15519 of 27 July 2006 on the format of financial statements, specific additional income statement and statement of financial position were included, highlighting significant related-party transactions, so as not to compromise the overall readability of the financial statements.

The statements adopted are considered fit for fairly presenting the Group's financial position, results and cash flows; in particular, we believe that the financial statements reclassified by nature provide reliable and material information for the purposes of correctly representing the Group's performance.

## 3. MEASUREMENT CRITERIA

The most significant measurement criteria used in preparing the consolidated financial statements as at 31 December 2016 are shown below. The accounting standards adopted in the consolidated financial statements at 31 December 2016 have been consistently applied to all periods included for comparison purposes.

### Revenue recognition

Sales of goods are recognised when goods are shipped and the company has transferred to the buyer all significant risks and rewards of ownership of the goods. Generally, revenue from the sale of goods is recognised when the goods are delivered to the carrier under the terms of the relevant contracts, that is the time when the aforementioned risks and rewards are transferred. Revenue is not recognised when there is no certainty that the related consideration is recoverable. Revenue is stated net of discounts, rebates, premiums, returns and promotional expenses that substantially fall under commercial discounts, and does not include sales of raw materials and waste. Revenue arising from the rendering of services is recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date, determined either on the basis of work already carried out or, alternatively, in relation to the percentage of completion of total services.

Interest income is recognised on an accrual basis, according to the amount of the loan and the effective interest rate, which represents the rate used to discount estimated future cash receipts over the expected life of the financial asset to the carrying amount of the asset itself.

Dividends are recognised when the right of shareholders to receive payment is established.

### Foreign currency transactions

All transactions are accounted for in the functional currency of the primary economic environment in which each company of the Group operates. Transactions denominated in currencies other than the functional currency of the Group's companies are translated into the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities (defined as assets and liabilities to be received or paid in a fixed or determinable amount – IAS 21) are translated using the exchange rate at the reporting date; exchange rate gains/losses are recognised in profit or loss. Non-monetary assets and liabilities, that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities, that are measured at fair value in a foreign currency, are translated using the exchange rate at the date when the fair value was determined.

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

### Translation of financial statements of foreign operations

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

- a) assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at the closing rates;
- b) income and expense are translated at the average exchange rate for the year, considered as a reasonable approximation of the exchange rate at the dates of the transactions;
- c) all resulting exchange rate gains/losses are recognised in a separate component of equity.

On disposal of the economic entity that gave rise to exchange rate gains/losses, the cumulative amount of exchange differences recognised in a separate component of equity is reclassified to profit or loss.

### Net investments in foreign operations

The exchange rate gains/losses arising from the translation of net investments in a functional currency other than the Euro, generally represented by intra-group loans, are recognised in the translation reserve. These exchange rate gains/losses are recognised in profit or loss on settlement (repayment/disposal) of the net investment.

### Finance and operating lease contracts

Lease contracts are classified as finance leases whenever the terms of the contract substantially transfer all the risks and rewards incidental to ownership to the lessee. All other leases are considered as operating leases.

Assets held under finance leases are recognised as property, plant and equipment of the Group, recognising a financial liability of equal amount. The liability is gradually reduced on the basis of the principal repayment plan included in the contractual lease terms, while the carrying amount of the asset is systematically depreciated on the basis of its useful life.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with all the conditions attaching to the grant and that the grant will be received.

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

### Costs and charges

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

### Income taxes

Taxes are recognised in profit or loss, with the exception of those relating to transactions recognised directly in equity, in which case the related effect is also recognised in equity. Income taxes include current taxes and deferred tax assets and liabilities. Current taxes are recognised on the basis of the estimated amount that Biesse expects to have to pay, calculated by applying to the tax base of each company in the Group the applicable tax rate at the reporting date in force in the respective countries.

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

The recoverability of deferred tax assets is assessed at the end of each reporting period, and any amount no longer likely to be recovered is recognised in profit or loss.

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

Deferred tax assets are recognised if the taxes are considered to be recoverable in the light of the expected tax base of future years. The carrying amount of deferred tax assets is assessed at the end of the year and reduced where necessary.

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

As from 2008, Biesse SpA participates in the national tax consolidation scheme as the parent, in accordance with article 117 et seq. of Italian Presidential Decree 917/86. Currently, the existing option concerns the 2015-2018 three-year period and includes, in addition to Biesse S.p.A., the subsidiaries Hsd S.p.A., Bre.Ma. Brenna Macchine S.r.l., Viet Italia S.r.l. and Axxembla S.r.l.

Consequently, Biesse S.p.A. will determine the Group's IRES (corporate income tax) in accordance with the aforementioned law, offsetting its own profit/loss for the year with the positive or negative taxable amounts of the companies involved. The financial relationships and the mutual responsibilities and obligations between the aforementioned companies are defined in the "Regulation" governing participation in the tax consolidation scheme.

The tax balance for the Group is recognised under "tax payables" or "tax receivables" in the Financial Statements of the parent company, net of payments on account. In the financial statements of the subsidiaries, the specific tax payable transferred to the parent company is recognised un-

der "Payables due to the Parent". Receivables deriving from the transfer of IRES losses are classified under "Receivables due from the Parent".

### Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing profit or loss attributable to the owners of the parent by the weighted average number of shares outstanding, taking into account the effects of all potential dilutive ordinary shares.

### Business combinations

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

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

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

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

a) the aggregate of:

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

b) the fair value of the identifiable assets acquired, net of the identifiable liabilities assumed, at the date control is obtained.

IFRS 3 also requires:

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

Any considerations subject to conditions set out in the business combination contract are measured at the acquisition-date fair value and included in the consideration paid during the business combination in order to determine goodwill. Any subsequent changes in this fair value, classifiable as me-

asurement period adjustments, are included retrospectively in goodwill. Changes in fair value, classifiable as measurement period adjustments, are those deriving from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which shall not exceed one year from the date of the business combination).

In business combinations achieved in stages, the Group's previously held equity investment in the acquiree is re-measured at the acquisition-date fair value, and any resulting gain or loss is recognised in profit or loss. Any amounts deriving from the previously held equity investment and recognised in Other comprehensive income/(expense) are reclassified to profit or loss as though the equity investment had been disposed of.

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

### Property, plant, equipment and other items of property, plant and equipment

An item of property, plant and equipment is measured at acquisition or production cost, including ancillary charges, less any subsequent accumulated depreciation and any impairment losses.

Ordinary maintenance costs are recognised in full in profit or loss. Incremental maintenance expenses are attributed to the relevant asset and depreciated at the depreciation rate applicable to the asset.

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

An item of property, plant and equipment – with the exception of land, which is not depreciated – is depreciated on a straight-line basis over its estimated useful life as from the date on which the asset became available for use or could potentially provide the related economic benefits, by applying the following depreciation rates:

Buildings	2% - 3%
Plants and machinery	10% - 20%
Equipment	12% - 25%
Furniture and fittings	12%
Office machinery	20%
Motor vehicles	25%

This item also includes assets held under finance leases, which are accounted for as property, plant and equipment according to the previously described method.

### Investment property

Investment property, represented by property held to earn rentals and/or for capital appreciation, is measured at cost, including ancillary charges, less any accumulated depreciation and any impairment losses. Investment property is depreciated on a straight-line basis over its useful life at a 3% rate for buildings and a 10% rate for plant.

### Goodwill and other intangible assets

#### Goodwill

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

Goodwill is not subject to amortisation, but it is measured at least once a year, usually at the reporting date, to ensure it is not impaired. Any impairment losses are immediately recognised in profit or loss and are not reversed in a subsequent period.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit. Impairment losses are recognised whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount, and they are recognised primarily under goodwill. On disposal of a subsidiary or a jointly-controlled entity, the residual amount of goodwill attributable to it is included in the calculation of the capital gain or loss on disposal.

#### Internally-generated assets – Research and development costs

Research and development costs are recognised in profit or loss as incurred.

Internally-generated intangible assets arising from development of the Group's products (machine tools for processing wood, glass and stone) are recognised as assets only if all the following conditions are met:

- the asset is identifiable (for example, software or new processes);
- the asset is likely to generate future economic benefits;
- the development costs of the asset can be reliably measured.

These intangible assets are amortised on a straight-line basis over their useful lives.

When internally-generated assets cannot be recognised, development costs are recognised in profit or loss in the reporting period in which they are incurred.

**Trademarks, licences and patents**

Trademarks, licences and patents are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not longer than that established by the underlying licence or purchase contract.

**Impairment losses on property, plant and equipment and intangible assets**

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

In accordance with the relevant accounting standards, impairment tests are carried out with reference to the individual asset, where possible, or to a group of assets (the so-called CGU). The CGUs have been identified consistently with the business and organisational structure of the Group as a group of similar assets that generate independent cash flows through continuing use of the assets attributable to it.

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

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

If any impairment exists, the assets are impaired accordingly, while the impairment loss is reversed (with the exception of goodwill) if in subsequent years the reasons for impairment no longer exist.

**Non-current assets classified as held for sale**

Non-current assets and discontinued operations classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets and discontinued operations are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their use in company operations. This condition is met only when the sale is highly probable, the assets are available for immediate sale in their present condition, and Management has committed to sell it within twelve months of the date of classification. Assets held for sale are reported separately from the other assets of the statement of financial position. The corresponding asset values of the previous financial year are not reclassified.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated on a weighted average cost basis. The net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**Financial assets and liabilities**

Financial assets and liabilities include available-for-sale equity investments in other companies, non-current receivables and loans, trade receivables, as well as other receivables and financial assets such as cash and cash equivalents. Financial liabilities include financial payables, payables to suppliers, other payables and financial liabilities. Derivative instruments are also included amongst financial assets and liabilities. Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument. Their initial recognition takes into account directly attributable transaction and issue costs. Subsequent measurement depends on the type of financial instrument and is subject to the categories of financial assets and liabilities listed below:

*Loans and receivables*

They include trade receivables, financial receivables and other receivables that qualify as financial assets. These are recognised at nominal value where this is substantially representative of their fair value; otherwise, they are measured at amortised cost using the effective interest rate method. Loans and receivables are written down in profit or loss to account for expected impairment losses. The impairment losses are calculated on the basis of the difference between the carrying amount of receivables and the present value of estimated future cash flows. Impairment losses on trade receivables are generally recognised through specific allowances for impairment.

*Held-to-maturity financial assets*

The financial assets that the Group is willing and able to hold to maturity (held-to-maturity securities) are recognised at amortised cost using the effective interest rate method less any impairment losses. If in subsequent reporting periods the indications that led to the impairment loss no longer exist, the impairment loss is reversed.

*Financial assets held for trading*

Financial assets classified as held for trading are measured at fair value at the end of each reporting period; gains and losses from changes in fair value are recognised in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are measured at fair value; gains and losses from changes in fair value are recognised directly in equity until disposal; at that time, the cumulative gain or loss is reclassified from equity to profit or loss. Unlisted equity investments whose fair value cannot be reliably measured are measured at cost less any impairment losses. This category mainly includes non-controlling interests.

*Trade payables*

Trade payables are recognised at nominal value where this is substantially representative of their fair value; otherwise, they are measured at amortised cost using the effective interest rate method.

*Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements that generated them and the definitions of financial liability and equity instrument. The latter is defined as any contract that evidences a residual interest

in the assets of an entity after deducting all of its liabilities. The accounting standards adopted for specific financial liabilities and equity instruments are described below.

*Bank loans and borrowings and loans and borrowings from other financial backers*

Bank loans and borrowings, consisting of long-term bank loans and other bank overdrafts, as well as loans and borrowings from other financial backers, including payables for assets acquired through finance lease contracts, are measured on the basis of consideration received less any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

*Equity instruments*

Issued equity instruments are reported on the basis of consideration received, less any direct issue costs.

*Derivative instruments and hedge accounting*

Derivative instruments are initially measured at fair value at the date they are entered into and are re-measured at fair value at subsequent reporting dates. Changes in fair value are recognised in full in profit or loss.

As from 2016, derivatives, although entered into for hedging purposes and as part of the exchange rate risk management policy, are recorded in accordance with the general rules envisaged by IAS39, since not all the requirements envisaged for the application of the hedge accounting model have been satisfied, which, in consideration of the specific business and operations, would require a significant effort in particular to formalise the hedging relationships, including the handling of the effectiveness tests. This choice causes greater volatility on the income statement that however is not significant overall.

**Treasury shares**

Treasury shares are recognised at acquisition cost and are deducted from consolidated equity. Gains and losses from trading treasury shares, net of tax effects, are recognised under equity.

**Stock options**

Any remuneration granted to employees and directors in the form of stock options is recognised in profit or loss by recognising the expense as a deduction from equity and measured on the basis of the fair value of the options at grant date. This amount is determined at the time the stock options are granted and is recognised over their vesting period. The fair value of the option at grant date is measured using mathematical financial models, taking into account the terms and conditions upon which the options were granted.

#### Post-employment benefits

For defined-benefit plans, the cost related to benefits paid is determined using the Projected Unit Credit Method, in accordance with paragraphs 67-69 of IAS 19, making actuarial valuations at the end of each reporting period.

The Euro Composite AA interest-rate curve was used for the actuarial calculation.

Recognised post-employment benefit obligations represent the present value of defined-benefit obligations.

Obligations towards employees for pensions and other similar defined-contribution plans are recognised in profit or loss on an accrual basis.

With reference to Italian companies' post-employment benefits, pursuant to the Italian supplementary pension reform, post-employment benefits earned after 1 January 2007 are considered elements of a defined-contribution plan, while post-employment benefits earned prior to 31 December 2006 continue to be considered as elements of a defined-benefit plan.

#### Provisions for risks and charges

Provisions for risks and charges are recognised for the Group's obligations, whether legal or implied (contractual or of any other kind), as a result of a past event. Provisions for risks and charges are recognised if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise. Where discounting is used, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognised as a financial expense.

Provisions for risks and charges include, amongst other things, the product warranty provision, which is recognised to allow to anticipate the economic impact of annual and multi-year warranty costs, so as to match them with sales revenue.

#### Accounting standards, amendments and IFRS interpretations effective as from 1 January 2016

In September 2015, the IASB published some amendments to "IFRS 10 – Consolidated Financial Statements" and to "IAS 28 – Investments in Associates and Joint Ventures (2011)". The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves assets that do constitute a business, even if these assets are housed in a subsidiary. The partial gain or loss method applies when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Amendments apply beginning on 1 January 2016.

In May 2015, the IASB issued some amendments to IFRS 11 – Joint Arrangements addressing the accounting for acquisitions of interests in joint operations that constitute a business, as defined in IFRS 3. These amendments require the application of the standards on business combinations' accounting outlined in IFRS 3. Amendments apply beginning on 1 January 2016.

In December 2015, the IASB published some amendments to IAS 1 – Presentation of Financial Statements as part of the wider project aimed at defining a standard on the structure and presentation of financial statements. The amendments clarify that the materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Amendments apply beginning on 1 January 2016.

In May 2015 the IASB issued some amendments to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets*. Amendments to IAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. Amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset for the same reasons as in amendments to IAS 16. Amendments apply beginning on 1 January 2016.

In September 2015, the IASB issued a set of amendments to IFRSs (*Annual Improvements to IFRSs – 2012-2015 Cycle*). The most important issues addressed include: the amendments to the method of sale in IFRS 5 – Non-current assets held for sale and discontinued operations, IFRS 7 – Financial Instruments: Disclosures on the servicing contracts and determining discount rates in IAS 19 – Employee Benefits. Amendments apply beginning on 1 January 2016.

In December 2015, the IASB issued a set of amendments to IFRS 10, IFRS 12 and IAS 28. In particular, these amendments clarify which subsidiaries must be consolidated according to para. 32 of IFRS 10 ("investment entities"). The amendments apply beginning on 1 January 2016.

The adoption of these amendments had no impact on the consolidated financial statements of the Group.

#### Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Group at 31 December 2016

In January 2016, the IASB published an amendment to IAS 12. This amendment concerns the recognition of deferred tax assets referring in particular to debt instruments measured at fair value. Moreover, the amendment clarifies the requirements for recognition of deferred tax assets on unrealised losses. Amendments to IAS 12 are effective as from 1 January 2017, with earlier adoption permitted.

In January 2016, the IASB published a new accounting standard, IFRS 16, amending the regulations envisaged by IAS 17. The new accounting standard standardises the lessee's accounting treatment of operating and financial leases. IFRS 16 requires the lessee to recognise in the statement of financial position the assets and liabilities concerning the transaction both for operating and finance lease contracts. Lease contracts with a term equal or less than 12 months and those covering assets of very low value are excluded from the financial method. With IFRS 16, the issue of distinguishing between operating and finance lease does no longer exist, since each lease contract must be recognised with the financial method, with the exception of short-term contracts and those for assets with a non-significant value. The standard is applicable beginning on 1 January 2019, with early adoption permitted. The Group expects the application of this standard to increase financial payables with an impact on the Net Financial Position that has not yet been precisely calculated. In May 2014 the IASB issued "IFRS 15 – Revenue from Contracts with Customers", which will replace IAS 18 – Revenue and IAS 11 – Construction Contracts as well as some IFRIC interpretations. This standard sets out the requirements for recognising revenue pursuant to the new framework. Initially, it was expected to become effective as from 1 January 2016. In September 2015, the IASB decided to postpone this date to 1 January 2018, with earlier adoption permitted. The Group does not expect significant effects from application of this standard.

In July 2014, the IASB published "IFRS 9 – Financial instruments". The amendments introduced by the new standard include a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which the asset is held, an expected loss impairment model for financial assets and a substantially-reformed measurement approach to hedge accounting. The standard is applicable retrospectively, with limited exceptions, beginning on 1 January 2018, with early adoption permitted. The Group does not expect significant effects from application of this standard.

In January 2016, the IASB issued some amendments to IAS 7. The amendments require the subject preparing the financial statements to provide, of cash flow statement, a reconciliation of the opening and closing amounts of the statement of financial position for each element for which the cash flows were or could be reclassified in the financial assets. Moreover, the amendment requires the obligation to disclose important issues for understanding corporate liquidity. Amendments apply beginning on 1 January 2017 but early adoption is allowed.

#### Principi contabili, emendamenti ed interpretazioni non ancora omologati dalla Unione Europea

Alla data del presente Bilancio, non ci sono principi contabili per i quali non sia ancora concluso il processo di omologazio-

ne necessario per l'adozione da parte degli organi competenti dell'Unione Europea.

#### Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date, there are no accounting standards for which the endorsement process necessary for their adoption by the competent bodies of the European Union is incomplete.

#### 4. MEASUREMENT CRITERIA AND USE OF ESTIMATES

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and the effect of any resulting changes is reflected in profit or loss in the reporting period in which the estimates are reviewed if the review affects only that reporting period, or also in subsequent reporting periods if the review affects both the current year and future years.

A summary follows of the critical judgements and the key assumptions made by management in applying the accounting standards regarding the future. They could have a significant impact on the amounts recognised in the consolidated financial statements or have the risk of resulting in material adjustments within the next year of the carrying amount of assets and liabilities.

##### Allowance for impairment

The allowance for impairment reflects management's estimates of impairment losses on the portfolio of receivables due from end customers and the sales network. The estimate of the allowance for impairment is based on losses expected by the Group, calculated on the basis of past experience for similar receivables, current and historical past dues, losses and payments received, the careful monitoring of credit quality, and projections of economic and market conditions.

##### Allowance for inventory write-downs

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

##### Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews on an ongoing basis the carrying amount of the non-current assets the Group owns and uses and the assets that are to be divested, whenever events and circumstances require such assessments. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appro-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### INCOME STATEMENT

ropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Group's latest plans.

With regard to the calculation of the expected cash flows, we estimated in detail the cash flows for a set period of five years (i.e. 2017 – 2021), where the figures concerning the first three years are extrapolated from the most recent three-year plan approved on 28 February 2017 by the Board of Directors of the Parent, whereas those referring to the last two-year period are projected, by using a flat growth rate of 1.5%, and we added the terminal value at that future time. For the sake of completeness it should be noted that the first year of the three-year plan corresponds to the Group's 2017 budget, prepared in the September-December period, so that the forecast and reporting periods are closer. In fact, the Group operates in a niche segment (almost totally penetrated by major players), for which it is difficult to find sector surveys and estimates.

Projections were discounted at a pre-tax Weighted Average Cost of Capital (WACC) rate of 6.70%. A sensitivity analysis was also carried out by taking into account unfavourable assumptions in calculating terminal value, both in terms of long-term growth rate, discount rate and industry variables. As concerns changes in the discount rate, an increase of half a percentage point was considered (6.70% + 0.5% = 7.20%). As far as changes in the growth rate are concerned, a decrease of half a percentage point was considered (1.5% - 0.5% = 1.0%). As for the changes to industry variables, the case of a halving of the CAGR of sales revenues has been considered (with an absolute value of € 788 million in 2019). For the sensitivity analysis, the effects of these changes were analysed, considering them both separately and together. The analysis carried out in this way did not show any critical issue of the Value in Use compared to Net Invested Capital for the different divisions. Finally, an analysis was carried out on specific asset classes, which resulted in the recognition of impairment losses amounting to € 27 thousand in 2016, mainly related to Development Costs. In 2015, the analysis resulted in the recognition of impairment losses amounting to €128 thousand.

The estimates and the assumptions used for this analysis reflect what the Group knows about the business trend in the different sectors and in the different areas, and take into account assumptions considered reasonable about future market trends. Although the Group's current estimates do not indicate other impairment losses on non-current assets in other business areas, any different development in this economic scenario or any different performance of the Group may lead to results different from the original estimates and, where necessary, require adjustments to the carrying amount of some non-current assets.

#### Product Warranties

When a product is sold, the Group makes a provision for the relevant estimated warranty costs (annual and multi-year).

Management establishes the amount of this provision on the basis of historical information regarding the nature, frequency and average cost of repairs under warranty. The Group is working to improve product quality and to minimise the cost of repairs under warranty.

#### Pension plans and other post-employment benefits

The provisions for employee benefits, the relevant assets, costs and net financial expense are measured with an actuarial method that requires the use of estimates and assumptions for measuring the carrying amount of the liability or asset. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates.

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

#### Contingent liabilities

The Group is subject to legal and tax claims regarding a wide range of issues that are within the jurisdiction of various countries. Owing to the uncertainties inherent to these issues, it is hard to make a reliable estimate of the outflow of resources that could arise from said disputes. The claims and disputes against the Group frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and the different laws applicable to each case. In the ordinary course of business, management consults with its own legal advisors as well as legal and tax experts. The Group recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required to settle the obligation and the relevant amount can be measured reliably. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the consolidated financial statements.

#### Recoverability of deferred tax assets

As at December 2016, the Group recorded deferred tax assets of € 12,987 thousand (€12,673 thousand in 2015). Management recognised such deferred tax assets to the extent they are likely to be recovered. The calculation of the various items took into consideration budget results and forecasts for the subsequent years consistent with those used for the purposes of impairment testing, approved by the Board of Directors of the Parent on 28 February 2017, and described in the paragraph above concerning the recoverable amount of non-current assets.

### 5. REVENUE AND OTHER OPERATING INCOME

The breakdown of Group revenue is as follows:

Euro 000's	2016	2015
Revenue from sales of goods	580,092	487,344
Revenue from services	37,093	30,822
Other revenue	1,304	942
<b>Total revenue</b>	<b>618,489</b>	<b>519,108</b>
Lease and rental income	123	280
Commissions and royalties	412	171
Income-related grants	596	509
Gains on sales of assets	71	103
Other non-recurring income and prior year income	2,345	2,962
<b>Total other operating income</b>	<b>3,548</b>	<b>4,025</b>

For further details on the trend in revenue reference should be made to the Directors' Report. As no operations were discontinued, the data above relates exclusively to continuing operations.

### 6. ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL SEGMENT

#### Analysis by operating segment

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

Wood – production, distribution, installation and after-sales service of panel processing machines and systems;  
Glass & Stone – production, distribution, installation and after-sales service of glass and stone processing machines;

Mechatronics – production and distribution of industrial mechanical and electronic components;

Tooling – production and distribution of glass and stone processing tools for all the machines on the market;  
Components – production and distribution of other components related to additional precision processing.

Below is the information on these operating segments:

#### Income Statement

2016 Euro 000's	Wood	Glass & Marble	Tooling	Mechatronics	Components	Eliminations	Group Total
External revenue	448,977	96,040	11,512	61,961	(4)	0	618,487
Intrasegment revenue	1,629	0	494	24,661	19,142	(45,926)	0
Total revenue	450,605	96,040	12,006	86,622	19,139	(45,924)	618,489
<b>Operating profit of segment</b>	<b>37,498</b>	<b>3,189</b>	<b>1,064</b>	<b>21,055</b>	<b>682</b>	<b>0</b>	<b>63,488</b>
Unallocated ordinary costs							(8,426)
<b>Operating profit</b>							<b>55,062</b>
Unallocated finance expense							(2,677)
<b>Pre-tax profit</b>							<b>52,385</b>
Income taxes							(22,921)
<b>Profit for the year</b>							<b>29,464</b>

2015 Euro 000's	Wood	Glass & Marble	Tooling	Mechatronics	Components	Eliminations	Group Total
External revenue	376,110	80,499	9,799	52,700	0	0	519,108
Intrasegment revenue	4,109	245	419	20,797	17,517	(43,087)	0
Total revenue	380,219	80,744	10,218	73,497	17,517	(43,087)	519,108
<b>Operating profit of segment</b>	<b>29,678</b>	<b>5,437</b>	<b>561</b>	<b>15,003</b>	<b>182</b>	<b>0</b>	<b>50,861</b>
Unallocated ordinary costs							(7,131)
<b>Operating profit</b>							<b>43,729</b>
Unallocated finance expense							(5,262)
<b>Pre-tax profit</b>							<b>38,467</b>
Income taxes							(17,412)
<b>Profit for the year</b>							<b>21,055</b>

Net external revenue for 2016 amounted to € 618,489 thousand, compared to € 519,108 thousand for 2015, up by 19.1 % compared to the previous year.

The Wood Division confirmed its position as the Group's main segment, contributing 72.9% to consolidated revenues (73.2% in 2015); sales increased from € 380,219 thousand to € 450,605 thousand (+18.5%). The segment's operating profit rose considerably from € 29,678 thousand to € 37,498 thousand (the relevant impact on sales increased from 7.8% to 8.3%).

The Glass & Stone segment reported a 18.9% increase in sales (€ 96,040 thousand compared to € 80,744 thousand), with its impact on consolidated revenues of 15.5%, unchanged compared to the previous year (15.6%). The segment's operating profit fell from € 5,437 thousand to € 3,189 thousand (impact on sales from 6.7% to 3.3%).

The Mechatronics segment reported, in terms of revenue, an increase (17.9% compared to 2015), reducing by 0.2% its con-

tribution to consolidated revenue (14.0% compared to 14.2% at the end of 2015). The segment's operating profit increased from € 15,003 thousand to € 21,055 thousand (impact on revenues from 20.4% to 24.3%).

The Tooling segment recorded an increase of 17.5% and its impact on consolidated turnover increased by 1.9%. Operating profit decreased from € 561 thousand to € 1,064 thousand.

Finally, the Components segment registered stability in terms of turnover compared to 2015 (€19,139 thousand compared to €17,517 thousand), and operating profit increased from € 182 thousand to € 682 thousand.

#### Statement of financial position – Inventories

With the exception of inventories and goodwill, the assets, liabilities and investments are not allocated to operating segments and are examined by the top management at Group level. The following table shows the breakdown of inventories by operating segment.

Euro 000's	Wood	Glass & Marble	Tooling	Mechatronics	Components	Group Total
2016	90,770	17,255	2,906	17,348	2,506	130,785
2015	81,529	10,410	2,659	14,271	2,505	111,374

The analysis of inventories by segment shows that the increase (€ 19,411 thousand) mainly refers to the Wood division (€ 9,241 thousand compared to 2015); increases are reported in the Mechatronics (€ 3,077 thousand), Tooling (€ 247 thousand) and Glass & Stone (€ 6,844 thousand) divisions.

The disclosure of the allocation of goodwill by operating segment is set out in note 17.

#### Analysis by geographical segment

##### Turnover

Euro 000's	Revenue			
	2016	%	2015	%
Western Europe	280,720	45.4%	208,102	40.1%
Asia - Pacific	128,824	20.8%	102,145	19.7%
Eastern Europe	77,633	12.6%	88,435	17.0%
North America	109,497	17.7%	91,099	17.5%
Rest of the World	21,813	3.5%	29,328	5.6%
<b>Group Total</b>	<b>618,489</b>	<b>100.0%</b>	<b>519,108</b>	<b>100.0%</b>

#### 7. PURCHASE OF RAW MATERIALS AND CONSUMABLES

Purchase of raw materials and consumables rose from € 212,742 thousand to € 258,979 thousand, up by 21.2% compared to the previous year. This increase is mainly due to the volume effect that more than offsets the positive effect

due to the efficiency in consumption and the better pricing performance (phenomena shown by the negative trend of the impact of consumption on revenue that increased from 40.2% to 40.6%).

#### 8. PERSONNEL EXPENSE

Euro 000's	2016	2015
Wages, salaries and social security contributions	164,267	138,506
Productivity bonus, other bonuses and related social security contributions	13,043	10,414
Accruals to pension plans	6,202	5,561
Other personnel expense	2,757	2,223
Capitalization and recovery of personnel expense	(9,718)	(8,482)
<b>Personnel expense</b>	<b>176,551</b>	<b>148,222</b>

In 2016, personnel expense amounted to € 176,551 thousand, compared to € 148,222 thousand in 2015, up by € 28,329 thousand in absolute terms and 19.1% in percentage terms.

The increase in absolute terms is mainly related to the fixed component of wages, salaries and social security contributions (+ € 25,760 thousand, +18.6% compared to the prior year) particularly due to the increase in the headcount in ac-

cordance with the recruiting policy adopted by the Group to support the medium-term business strategies.

Finally, the increase in personnel expense was also due to the increase in the bonus remuneration variable component (+ € 2,628 thousand, + 25.2%, on the prior year) whereas the R&D capitalisation is up compared to 2015 (+ € 1,236 thousand, +14.6%)

#### 9. OTHER OPERATING EXPENSES

Euro 000's	2016	2015
Production services	29,086	23,262
Maintenance	4,129	3,723
Sales commissions and transport	21,282	19,329
Consultancy fees	5,823	4,647
Utilities	5,363	4,779
Exhibitions and advertising	11,900	8,276
Insurance	2,131	2,100
Directors, statutory auditors and consultants' remuneration	2,514	2,621
Travel	16,370	13,393
Other	9,563	7,945
Use of third party assets	8,814	8,399
Other operating costs	7,590	6,182
<b>Other operating expense</b>	<b>124,564</b>	<b>104,655</b>

Other operating expenses increased by €19,909 thousand compared to 2015 (+ 19.0%). This increase is due both to variable cost components (production services up by € 5,824 thousand, sales commissions and transport up by € 1,954 thousand, travel expenses up by € 2,977 thousand) and to fixed components (consultancy fees up by € 1,176 thousand, maintenance up by € 407 thousand). Costs for exhibitions and advertising increased from € 8,276 thousand to € 11,900 thousand due to the boost given by the Group to promotio-

nal activities, which are considered strategic for the achievement of business objectives.

Remuneration paid to Directors, Statutory Auditors and Independent Auditors is included in the item Other operating expense.

As required by article 149-duodecies of the CONSOB Issuer Regulation, a list of the services provided by the Independent Auditors is shown below:

Services	Provider	Beneficiary	Fees (€'000)
Audit	KPMG S.p.A.	Biesse S.p.A.	185
	KPMG network	Subsidiaries	401
Other services	KPMG network	Biesse S.p.A.	199
	KPMG S.p.A.	Biesse S.p.A.	45
	KPMG S.p.A.	Subsidiaries	11
<b>Total</b>			<b>841</b>



## 10. FINANCE INCOME

The breakdown of financial income is as follows:

<i>Euro 000's</i>	2016	2015
Income from financial receivables	268	21
Bank interest	38	196
Interest from customers	50	62
Interest from others	99	79
Financial discounts received	62	41
Other finance income	19	50
Finance income for export transactions	(0)	2,366
<b>Total finance income</b>	<b>536</b>	<b>2,815</b>

The figure for 2015 was influenced by the accounting effects from the export operations through Simest, which since 2016 are no longer undertaken.

## 11. FINANCE EXPENSE

Finance expense is detailed below:

<i>Euro 000's</i>	2016	2015
Bank, mortgage and financing interest	1,380	1,429
Finance lease interest	12	20
Interest expense to others	179	436
Bills discounted	535	532
Finance expense for export transactions	-	2,894
Other interest	24	29
Impairment losses on current financial assets	2	480
Other finance expense	(63)	65
<b>Total finance expense</b>	<b>2,070</b>	<b>5,884</b>

Total finance expense decreased by € 3,814 thousand compared to last year. The figure for 2015 was influenced by the

accounting effects from the export operations through Simest, which since 2016 are no longer undertaken.

## 12. EXCHANGE RATE GAINS AND LOSSES

In 2016, the Group recognised net exchange rate losses amounting to € 1,144 thousand (compared € 2,193 thousand). Finally, it should be noted that the item "Exchange rate gains and losses" includes the amount relating to the balance of

unrealised gains and losses arising from the translation of foreign currency assets and liabilities at the year-end exchange rate (€ 292 thousand gain). Net realised exchange rate losses were € 1,435 thousand.

## 13. INCOME TAXES

<i>Euro 000's</i>	2016	2015
IRES and other deferred taxes	13,888	10,010
Income tax related to foreign subsidiaries	5,572	3,938
<b>IRES and other taxes for the year</b>	<b>19,460</b>	<b>13,949</b>
IRAP and other current taxes	3,003	2,261
IRAP and other deferred taxes	(12)	(23)
Income taxes relating to previous years	553	1,095
Other taxes	(83)	130
<b>Total income taxes for the year</b>	<b>22,921</b>	<b>17,412</b>

Income tax related to foreign subsidiaries is calculated at the tax rates in force in each country.

IRES and other deferred taxes, negative to the tune of € 13,888 thousand overall, include the IRES tax expense for the year (determined by the national tax consolidation scheme) and the use of deferred tax assets set aside in previous years.

IRAP and other minor taxes, applied in other jurisdictions and

calculated on tax bases other than pre-tax profit, are stated separately.

Income taxes relating to previous years (€ 553 thousand) is mainly due to the provision for taxation to cover the risk of tax litigations.

The provision for taxation for the year can be reconciled with the reported profit or loss for the year as follows:

<i>Euro 000's</i>	2016	2015
Pre-tax profit	52,385	38,467
National income tax rate 27.5%	(14,406) 27.50%	(10,578) 27.50%
Tax effect of non-deductible expense/exempt profit in determining income	(1,348) 2.57%	(809) 2.10%
Tax effect of the use of previously unrecognised losses	1,230 (2.35)%	128 (0.33)%
Tax effect on losses unrecognised	(3,519) 6.72%	(2,413) 6.27%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(967) 1.85%	(196) 0.51%
Other differences	(450) 0.86%	(81) 0.21%
<b>Income taxes for the year and effective tax rate</b>	<b>(19,460) 37.15%</b>	<b>(13,949) 36.26%</b>

## 14. IMPAIRMENT LOSSES

In 2016, the item amounted to € 26 thousand relating to the impairment loss on of development costs concerning projects no longer considered to be strategic.

## 15. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2016 totalled 107.31 euro/cent (76.94 euro/cent in 2015) and were calculated by dividing the profit attributable to the owners of the Parent, amounting to € 29,384 thousand (€ 20,971 thousand in 2015) by the weighted average number of ordinary shares outstanding during the period, which amounted to 27,383,042 (27,256,817 in 2015).

The number of shares outstanding was lower than the total number of shares issued due to the buyback of treasury shares on the stock exchange during 2008, as provided for by the

Shareholders' Meeting resolution dated 21 January 2008.

Compared to the end of 2015, the number of treasury shares held remained unchanged.

At 31 December 2016, the number of treasury shares held was 10,000 (0.04% of the share capital).

The 2015-2018 Long Term Incentive Plan does not have any diluting effects since the Vesting Period will start as from 2018.

As there were no dilutive effects, the same calculation is also applicable to diluted earnings per share. The calculations are shown in the following tables:

## Profit attributable to owners of the Parent

Euro 000's	2016		2015	
Basic profit for the year		29,384		20,971
Dilutive effect on profit for the year		0		0
Diluted profit for the year		29,384		20,971

## Media ponderata delle azioni ordinarie in circolazione

in thousands of shares	2016		2015	
Weighted average number of ordinary shares used to calculate basic earnings per share		27,393		27,393
Effect of treasury shares		(10)		(136)
Weighted average number of outstanding shares – for the calculation of basic earnings		27,383		27,257
Dilutive effects		0		0
Weighted average number of outstanding shares – for the calculation of diluted earnings		27,383		27,257

As no operations were discontinued during the year, the earnings per share is entirely attributable to continuing operations. As previously mentioned, there are no dilutive effects.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 16. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

Euro 000's	Property, plant and equipment	Equipment and other items of property, plant and equipment		Total
		Equipment and other items of property, plant and equipment	Assets under construction and prepayments	
<b>Historical cost</b>				
<b>Amount at 01/01/2015</b>	<b>119,155</b>	<b>44,415</b>	<b>44</b>	<b>163,614</b>
Increase	5,094	4,477	2,594	12,166
Disposals	(652)	(935)	-	(1,587)
Change in consolidation scope	2,117	532	-	2,649
Exchange rate gains(losses), reclassifications and other changes	2,628	(1,193)	492	1,927
<b>Amount at 31/12/2015</b>	<b>128,343</b>	<b>47,297</b>	<b>3,129</b>	<b>178,769</b>
Increase	7,829	4,284	4,214	16,327
Disposals	(1,224)	(2,338)	-	(3,562)
Change in consolidation scope	5,810	-	-	5,810
Exchange rate gains(losses), reclassifications and other changes	(732)	(428)	775	(385)
<b>Amount at 31/12/2016</b>	<b>140,025</b>	<b>48,815</b>	<b>8,118</b>	<b>196,958</b>

Euro 000's	Property, plant and equipment	Equipment and other items of property, plant and equipment		Total
		Equipment and other items of property, plant and equipment	Assets under construction and prepayments	
<b>Accumulated depreciation</b>				
<b>Amount at 01/01/2015</b>	<b>63,807</b>	<b>37,942</b>	<b>-</b>	<b>101,749</b>
Depreciation of the year	4,110	2,320	-	6,430
Release on disposal	(186)	(839)	-	(1,025)
Change in consolidation scope	564	235	-	799
Exchange rate gains(losses), reclassifications and other changes	733	222	-	955
<b>Amount at 31/12/2015</b>	<b>69,028</b>	<b>39,880</b>	<b>-</b>	<b>108,908</b>
Depreciation of the year	4,817	3,026	-	7,843
Release on disposal	(737)	(2,243)	-	(2,980)
Change in consolidation scope	2,203	-	-	2,203
Exchange rate gains(losses), reclassifications and other changes	(212)	(742)	-	(954)
<b>Amount at 31/12/2016</b>	<b>75,099</b>	<b>39,920</b>	<b>-</b>	<b>115,019</b>
<b>Carrying Amount</b>				
<b>Amount at 31/12/2015</b>	<b>59,315</b>	<b>7,417</b>	<b>3,129</b>	<b>69,861</b>
<b>Amount at 31/12/2016</b>	<b>64,926</b>	<b>8,895</b>	<b>8,118</b>	<b>81,940</b>

Investments in the reporting period amounted to approximately € 16.3 million. These increases, besides the amounts concerning the regular replacement of work equipment, were also due to the bolstering of the Biesse America branches (spending a total € 1.5 million), with the opening in the United States of the new showroom in Charlotte (North Carolina) and of the Service Centre in Anaheim (California). In addition, investments were made, again to strengthen the Biesse Manufacturing branches and the HSD branches. Investments in Biesse SpA amounted to € 7,239 thousand. Investments also concern the expansion and renovation of existing buildings for € 3,746 thousand and the purchase of new machinery for € 373 thousand, while the remaining amount refers to normal replacement of work tools, necessary for ordinary manufacturing activity. As for the change in the consolidation scope, it should be no-

ted that the amount of property, plant and equipments was € 3,606 thousand (historical cost of € 5,809 thousand net of accumulated depreciation of € 2,206 thousand). This amount mainly consists of the acquisition amounts of Uniteam S.p.A. It should be noted that the reported amounts include assets acquired under finance leases for a net carrying amount of € 264 thousand (€ 297 thousand in 2015), depreciated during the year for € 33 thousand (€ 33 thousand in 2015). In particular, the net carrying amount refers to a machine tool for the mechanical shop.

The item Property, plant and equipment includes land, which is not depreciated, amounting to € 14,429 thousand (€ 12,601 thousand at the end of the previous year).

There were no outstanding commitments to acquire property, plant and equipment at 31 December 2016.

## 17. GOODWILL

Goodwill is allocated to the cash-generating units (CGU) identified on the basis of the Group's operating segments. Management, in line with the provisions of IFRS 8, identified the following operating segments:

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

The following table shows the allocation of goodwill by operating segment:

Euro 000's	31 December 2016	31 December 2015
Wood	8,117	6,525
Glass & Marble	1,660	1,619
Mechatronics	5,599	5,599
Tooling	3,940	3,940
<b>Total</b>	<b>19,316</b>	<b>17,683</b>

The main changes during 2016 are due to the exchange rate differences the goodwill affecting of the Australian and American branches and to the amounts referring to the purchase of the company Uniteam S.p.A. by Biesse S.p.A. (€ 1,551 thousand). The amount was calculated after carrying out the fair value measurement of the acquired company and the consequent allocation of the goodwill to the Wood CGU, as better described in note 40.

In accordance with accounting standards, the Group tests the recoverability of goodwill at least once a year or more frequently if there is any indication of impairment. The recoverable amount of the CGUs is tested by calculating the value in use. In the discounted model for future cash flows, a terminal value is recognised at the end of the cash flow projections for the period to reflect the residual value each CGU is expected to generate. The terminal value represents the present value, for the last forecast year, of all subsequent cash flows in perpetuity. The growth rate of the terminal value is a key variable in determining the terminal value itself, as it represents the annual growth rate of all future cash flows in perpetuity. It is calculated based on the cash flow for the last forecast year, provided no measures to normalise cash flows are taken, by discounting that cash flow using the discount rate. In calculating the terminal value, it is assumed that the growth rate is equal to the inflation rate.

The main assumptions used relate to the discount rate, the growth rate, and the expected changes in selling prices and direct costs during the measurement period. The Group's management has therefore adopted a discount rate (WACC) including tax that reflects the current market assessment of the time value of money and the specific risk. The growth rates adopted are based on growth forecasts for the relevant industrial sector. Changes in selling prices and direct costs are based on past experience and future market expectations.

The operating cash flows derive from the business plan approved on 28 February 2017 by the Board of Directors for the three-year period 2017-2019; the cash flows for the residual period are extrapolated on the basis of the medium/long-term industry growth rate, equal to 1.5%. The expected future cash flows refer to the CGUs in their current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The discount rate used to discount cash flows is 6.70% (in the 2015 annual report it was 7.50%). The discount rate is the same for all CGUs, as all refer to the Equipment sector – Euro area. In detail, in order to determine the rate:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period); the Free Risk rate used was 1.41%;
- the systematic risk coefficient ( $\beta$ ) considered was that of Biesse (compared to that of comparable businesses in the Equipment sector – Euro Area); the Factor used was 0.94;
- as for the specific risk premium (SRP), it was assumed to be 5.5%;
- finally, the rate of the gross cost of debt was assumed to be 2%, determined on the basis of the average cost of the Group's debt and takes into account a Biesse spread applied to the Risk-free Rate.

Based on the projects and initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 10.1%);
- higher added value with a three-year CAGR of 11.3% (42.1% as a percentage of revenue in 2019);
- increase in operating margins;
- EBITDA with a three-year CAGR of 11.6%;
- EBIT with a three-year CAGR of 12.5%;
- positive free cash flow totalling € 69 million in the 2017-2019 period (free cash flow margin of 4.5% in 2018).

Management paid special attention in assessing the results of the analysis, taking also into account the outcome of sensitivity analyses. In this regard, the sensitivity analysis of impairment tests was carried out considering unfavourable assumptions in calculating the terminal value, in terms of long-term growth rate, discount rate and industry variables.

As concerns changes in the discount rate, an increase of half a percentage point was considered (6.7% + 0.5% = 7.20%). As far as changes in the growth rate are concerned, a decrease of half a percentage point was considered (1.5% - 0.5% = 1.0%). As for the changes to industry variables, the case of a halving of the CAGR of sales revenues has been considered (with an absolute value of € 788 million in 2019). For the sensitivity analysis, the effects of these changes were analysed, considering them both separately and together.

The analysis carried out in this way did not show any impairment losses on the different CGUs.

Finally, it should be noted that the estimates and budget figures to which the aforementioned variables were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which the Group operates. Therefore, the management makes judgements and estimates in calculating the recoverable amount of cash-generating units. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the challenging market conditions could result in adjustments to goodwill. The Group will continue to monitor the circumstances and events that could require further impairment testing.

It should be noted that the relevant impairment tests were specifically approved by the Group's Board of Directors during the meeting on 28 February 2017.

## 18. OTHER INTANGIBLE ASSETS

Euro 000's	Development costs	Patents, trademarks and other intangible assets	Assets under development and prepayments	Total
<b>Historical cost</b>				
<b>Amount at 01/01/2015</b>	<b>48,430</b>	<b>26,498</b>	<b>9,339</b>	<b>84,266</b>
Increase	589	2,901	8,431	11,921
Change in consolidation scope	179	2,604	-	2,783
Exchange rate gains(losses), reclassifications and other changes	6,406	319	(6,683)	42
<b>Amount at 31/12/2015</b>	<b>55,603</b>	<b>32,290</b>	<b>11,086</b>	<b>98,980</b>
Increase	130	3,834	10,291	14,256
Disposals	(132)	(91)	(105)	(328)
Change in consolidation scope	294	118	84	496
Exchange rate gains(losses), reclassifications and other changes	7,354	(912)	(6,518)	(76)
<b>Amount at 31/12/2016</b>	<b>63,250</b>	<b>35,239</b>	<b>14,839</b>	<b>113,328</b>
<b>Accumulated amortisation</b>				
<b>Amount at 01/01/2015</b>	<b>32,442</b>	<b>14,688</b>	-	<b>47,129</b>
Amortisation of the year	6,422	2,469	-	8,892
<b>Amount at 31/12/2015</b>	<b>38,795</b>	<b>17,231</b>	-	<b>56,026</b>
Amortisation of the year	7,330	2,690	-	10,020
Release on disposal	(132)	(85)	-	(217)
Exchange rate gains(losses), reclassifications and other changes	(48)	(69)	-	(117)
<b>Amount at 31/12/2016</b>	<b>45,945</b>	<b>19,767</b>	-	<b>65,712</b>
<b>Impairment losses</b>				
<b>Amount at 31/12/2015</b>	-	<b>1,692</b>	-	<b>1,692</b>
Exchange rate gains(losses), reclassifications and other changes	-	22	-	22
<b>Amount at 31/12/2016</b>	-	<b>1,715</b>	-	<b>1,715</b>
<b>Carrying Amount</b>				
<b>Amount at 31/12/2015</b>	<b>16,808</b>	<b>13,366</b>	<b>11,086</b>	<b>41,261</b>
<b>Amount at 31/12/2016</b>	<b>17,305</b>	<b>13,757</b>	<b>14,839</b>	<b>45,901</b>

The intangible assets shown above have a finite useful life and are amortised accordingly.

Development costs refer to products for which economic returns on investments are expected over an average period of five years.

Patents, trademarks and other rights are amortised in relation to their useful life, which is estimated to be five years on average.

The increase in assets under development and prepayments on account is largely due to the capitalisation of costs for

the development of products that are nearly completed and expected to generate an economic return in the coming years. In the reference period, design activities required new investments amounting to € 9,241 thousand (€ 8,900 thousand in 2015). Furthermore, the Group invested € 921 thousand on implementing the new Oracle ERP system.

As for the change in consolidation scope, it should be noted that the amount of intangible assets was €496 thousand. This amount mainly consists of the amount of the trademark, patents and development costs acquired following the purchase of the company Uniteam S.p.A.

## 19. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

This item is broken down as follows:

Euro 000's	31 December 2016	31 December 2015
Non-controlling equity investments in other businesses and consortia	50	47
Other receivables / Guarantee deposits - non-current portion	2,296	1,533
<b>Total</b>	<b>2,346</b>	<b>1,580</b>

## 20. INVENTORIES

Euro 000's	31 December 2016	31 December 2015
Raw materials, consumables and suppliers	40,999	35,979
Work in progress and semi-finished goods	17,762	15,187
Finished goods	56,672	45,010
Spare parts	14,607	15,198
<b>Inventories</b>	<b>130,785</b>	<b>111,374</b>

The carrying amount, equal to € 130,785 thousand, is net of the allowances for inventory write-downs, amounting to € 7,808 thousand for raw materials (€ 2,147 thousand at the end of 2015), € 3,141 thousand for spare parts (€ 2,426 thousand at the end of 2015) and € 1,481 thousand for finished goods (€ 1,837 thousand at the end of 2015). The allowance for the write-downs of raw materials amounted to 16% as a percentage of the historical cost of the relevant inventories (5.6% at the end of 2015), the one for spare parts was 17.7% (13.8 % at the end of 2015), and the one for finished goods 2.5 % (3.9% at the end of 2015). The significant increase in the percentage of the

allowance for raw materials against the historic cost reflects the write-downs made by the Chinese subsidiary Korex following a precise analysis of inventories.

The Group's inventories increased compared to the previous financial year (+ € 19,411 thousand). This increase is due to the need to facilitate the scheduling of the deliveries planned in the first quarter of 2017 in light of the positive trend in orders. More specifically, inventories of raw materials (+ €5,020 thousand), inventories of semi-finished product (+ € 2,575 thousand) and inventories of finished goods (+ €11,662 thousand) increased. Spare parts inventories decreased (- €591 thousand).

## 21. TRADE RECEIVABLES DUE FROM THIRD PARTIES

Euro 000's	31 December 2016	31 December 2015
Trade receivables due within 12 months	130,031	105,994
Trade receivables due after 12 months	3,151	4,850
Allowance for impairment	(4,485)	(5,495)
<b>Trade receivables from third parties</b>	<b>128,697</b>	<b>105,350</b>

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value. The increase in trade receivables due from third parties is due to the increase in sales.

Trade receivables are recognised net of the allowance for im-

pairment, which is conservatively estimated with reference to both non-performing loans and loans overdue more than 180 days.

The changes in the allowance are summarised in the following table:

Euro 000's	31 December 2016	31 December 2015
Opening balance	5,495	6,489
Accrual for the year	940	1,288
Utilised	(1,959)	(2,308)
Derecognition of excess allowance	(8)	-
Net exchange rate losses	17	25
Discounting	-	2
<b>Closing balance</b>	<b>4,485</b>	<b>5,495</b>

The accruals to the allowance for impairment are made on the basis of impairment losses on individual overdue loans and impairment losses on groups of loans (general) calculated in statistical terms based on historical data. The amount of the accruals is calculated on the basis of the present value of estimated recoverable amounts, accounting for the related recovery expenses, if any, and the fair value of the collateral given to the Group, if any.

Recognised trade receivables include receivables specifically impaired as individual assets whose net amount is € 1,008 thousand, following impairment losses of € 4,255 thousand

(net receivables of € 1,528 thousand following specific impairment losses of € 5,331 thousand at 31 December 2015). Impairment losses recognised in profit or loss are mainly recognised indirectly through accruals to the allowance for impairment.

Specific impairment losses arise mainly from the measurement of receivables subject to specific legal disputes, and the relevant legal opinion is usually provided.

It should be noted that other trade receivables exist for which a general impairment loss was recognised of € 230 thousand.

Euro 000's	31 December 2016	31 December 2015
Overdue by 1 to 30 days	14,372	17,975
Overdue by 30 to 180 days	15,418	9,453
<b>Total</b>	<b>29,790</b>	<b>27,428</b>

At 31 December 2016, there were no receivables given as collateral in favour of third parties and financial institutions.

## 22. OTHER CURRENT ASSETS

Other current assets are detailed as follows:

Euro 000's	31 December 2016	31 December 2015
Consumption tax receivables and other tax receivables	9,947	7,377
Income tax assets	744	824
Other receivables from related parties	977	1,006
Other receivables from third parties	5,646	6,932
<b>Total</b>	<b>17,315</b>	<b>16,139</b>

The item "Other receivables from related parties" consists of the IRES refund claims made by the parent Bi.Fin. S.r.l. following the tax consolidation scheme for the three-year period 2005-2007, the decrease from the previous year is due to a partial refund received in the year.

The item "Other receivables from third parties" consists of deferred income and prepayments amounting to € 1,349 thousand and other receivables amounting to €4,298 thousand.

## 23. CASH AND CASH EQUIVALENTS

This item includes the cash held by the Group and bank deposits with maturities of less than three months. The carrying amount of these assets is a reasonable approximation of their fair value.

## 24. SHARE CAPITAL / TREASURY SHARES

Share capital amounts to € 27,393 thousand and consists of 27,393,042 ordinary shares, each with a par value of € 1 and dividend rights.

At the date on which the financial statements were approved, the Group held 10,000 treasury shares with an average carrying amount of € 9.61 per share.

Based on of the Shareholders' Resolution of 19 October 2010, treasury shares may be used for the purposes of stock option plans, including stock grants or incentive, loyalty and/or retention plans, reserved for the management, employees or consultants of the Group. The shareholders' meeting of 30 April 2015 approved a new buyback plan (duration 18 months) and the adoption of a new incentive scheme called "Long-Term Incen-

tive Plan 2015 – 2017", which involves cash bonuses and stock grants conditional on the achievement of financial and economic targets and the assessment of the beneficiaries' individual performance.

Compared to the end of 2015, the number of treasury shares held remained unchanged.

The following table summarises the data concerning treasury shares at 31/12/2016.

Number of shares:	10,000
Carrying amount (in Euro):	96,137
Percentage of share capital:	0.04%

## 25. EQUITY RESERVES

The carrying amount, equal to € 36,202 thousand (unchanged from 2015), refers to the share premium reserve.

## 26. HEDGING AND TRANSLATION RESERVES

The carrying amount was broken down as follows:

Euro 000's	31 December 2016	31 December 2015
Translation reserve	(2,183)	(1,267)
Hedging reserve	(0)	53
<b>Total</b>	<b>(2,183)</b>	<b>(1,214)</b>

The hedging and translation reserves, negative by € 2,183 thousand, include the differences arising from the translation of the financial statements denominated in foreign currencies of countries that do not belong to the Eurozone (United States, Canada, Singapore, United Kingdom, Sweden,

Switzerland, Australia, New Zealand, India, China, Indonesia, Hong Kong, Malaysia, South Korea, Brazil, Turkey, United Arab Emirates and Taiwan), and was down by € 969 thousand from the previous year.

## 27. OTHER RESERVES AND NON-CONTROLLING INTERESTS

### Retained earnings

The carrying amount was broken down as follows:

Euro 000's	31 December 2016	31 December 2015
Legal reserve	5,479	5,479
Extraordinary reserve	58,586	53,870
Reserve for treasury shares	96	96
Retained earnings and other reserves	4,571	(1,591)
<b>Other reserves</b>	<b>68,732</b>	<b>57,854</b>

As indicated in the statement of changes in equity, the change in Other reserves mainly refers to the allocation of the profit for 2015 (+ € 20,971 thousand) and the dividend distribution (- € 9,857 thousand). It should be noted that the item changed also due to the impact of the actuarial valuation of defined benefit plans (€ 310 thousand)

### Non-controlling interests

As for the changes in the equity attributable to non-controlling interests, we highlight the changes relating to dividend distribution and to the Translation reserve.

## 28. DIVIDENDS

Dividends of € 9,858 thousand were paid in 2016.

## 29. BANK OVERDRAFTS AND LOANS

The table below provides the breakdown of payables relating to bank overdrafts and loans.

Euro 000's	31 December 2016	31 December 2015
Bank loans and borrowings	20,085	12,049
Secured mortgages	-	-
Unsecured mortgages	13,684	15,259
Current liabilities	-	-
<b>Loans</b>	<b>33,769</b>	<b>28,209</b>
Secured mortgages	2,964	3,556
Unsecured mortgages	-	-
Non-current liabilities	4,575	17,664
Total	-	-
<b>Passività non correnti</b>	<b>7,539</b>	<b>21,220</b>
<b>Totale</b>	<b>41,308</b>	<b>49,428</b>

These liabilities are payable as follows:

Euro 000's	31 December 2016	31 December 2015
On demand or within one year	33,769	28,194
Within two years	5,889	9,528
Within three years	190	10,943
Within four years	191	763
Within five years	1,270	-
<b>Total</b>	<b>41,308</b>	<b>49,428</b>

## ANALYSIS OF BANK LOANS AND BORROWING BY CURRENCY

Euro 000's	31 December 2016	31 December 2015
Euro	18,788	29,602
US Dollar	-	58
Canadian Dollar	3,083	4,699
Australian Dollar	301	3
Swiss Franc	-	480
Chinese Renminbi Yuan	15,617	11,037
Hong Kong Dollar	3,519	3,549
<b>Total</b>	<b>41,308</b>	<b>49,428</b>

At 31 December 2016, the average rate on outstanding loans is 0.95%, the amount of granted cash credit lines was € 94 million.

Compared with the consolidated financial statements for the year ended 31 December 2015, the Group's financial liabilities decreased by € 8,121 thousand; the amount due within 12 months is € 33,769 thousand, up by € 5,560 thousand; the amount due after 12 months is € 7,539 thousand, down by

€ 13,681 thousand. Medium/long-term debt as a percentage of total debt decreased from 43% to 18%.

There are no secured mortgages or loans. Financial payables are secured by covenants.

Please refer to the Directors' Report for more details regarding the trend in the net financial position and the analysis of the statement of cash flows, in addition to what is mentioned in the paragraph on financial risks.

## 30. NET FINANCIAL POSITION

Euro 000's	31 December 2016	31 December 2015
Financial assets:	46,381	51,571
<i>Current financial assets</i>	87	17
<i>Cash and cash equivalents</i>	46,295	51,553
Short-term finance lease payables	(111)	(489)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(33,769)	(28,209)
<b>Short-term net financial indebtedness</b>	<b>12,501</b>	<b>22,873</b>
Medium/Long-term finance lease payables	(43)	(1,514)
Medium/Long-term bank loans and borrowings	(7,539)	(21,234)
<b>Medium/Long-term net financial indebtedness</b>	<b>(7,582)</b>	<b>(22,748)</b>
<b>Total net financial indebtedness</b>	<b>4,919</b>	<b>126</b>

As at 31 December 2016, the Group's net financial position amounted to € 4.9 million, up by € 4.7 million compared to December 2015 and € 21.6 million compared to September 2016. The increase in profits and the constant attention to the performance of net operating working capital once again underpin the generation of cash (free cashflow of € 14.6 million) and the consequent total reduction in indebtedness achieved net of dividends paid (cash-out of over € 9.8 million) and planned investments. Compared to last December, the net financial position was up by € 4.8 million overall.

At 31 December 2016, the Group's equity amounted to € 159.7 million (€ 141.4 million December 2015).

At the end of 2016, the net invested capital amounted to € 154.8 million (€ 141.3 million December 2015).

As at 31 December 2016, short-term revocable credit lines represent 93.2% of total financing, whereas the remaining part is represented by the residual portions of unsecured loans and capital goods leases.

Given that cash flow generation was concentrated especially at the end of 2016, the Group has a high availability of cash credit lines; hence debt consists almost entirely of residual amounts relating to previous unsecured/mortgage loans, whereas, to optimise treasury management, special conditions were agreed in order to use any liquidity "sessions" (eonia - T/N).

### 31. FINANCE LEASE LIABILITIES

Euro 000's	31 December 2016	31 December 2015
	<b>Present value of minimum lease payments</b>	
Due within one year	111	489
Due after one year but within five years	43	1,514
	154	2,002
Charges deducted for future financial expense	N/A	N/A
	154	2,002
Less: amount due within one year	111	489
<b>Amount of debt due after 12 months</b>	<b>43</b>	<b>1,514</b>

Finance lease liabilities mainly relate to buildings (and related plant and equipment) with minimum lease payments outstanding at 31/12/2016 equal to € 154 thousand at present value (of which €111 thousand due within 12 months).

The reported figure refers mainly to a contract relating to the purchase of a building with original term of twelve years, signed by MC S.r.l. (later merged in Hsd S.p.A.), with maturity in December 2019 and an average effective rate of 5.5%.

The interest rates are set at the date the contracts are entered into and are subject to fluctuation, as they are tied to the trend in the time value of money. All existing leases are repayable through a constant payment plan with increasing principal and decreasing interest repayments. Their terms and conditions do not provide for any changes to the original plan.

All contracts are denominated in Euro.

The rights on the leased goods are given to the lessor as collateral for finance lease liabilities.

### 32. POST-EMPLOYMENT BENEFITS

#### Defined-contribution plans

As a result of the supplementary pension reform, benefits earned as from 1 January 2007, at the discretion of employees, will be paid into supplementary pension schemes or transferred by the company to the public treasury fund managed by INPS (the Italian Social Security Institute) and will qualify as a defined-contribution plan (and therefore will no longer be subject to actuarial valuation) from the time the employees formally make their choice. Defined-contribution liabilities at year-end amounted to €6,202 thousand.

Euro 000's	31 December 2016	31 December 2015
Current service cost	-	-
Financial expense	(7)	19
<b>Total</b>	<b>(7)</b>	<b>19</b>

The component relating to financial expense is recognised in financing activities.

The change for the year relating to the present value of obligations for post-employment benefits is as follows:

Euro 000's	31 December 2016	31 December 2015
Opening liabilities	13,535	14,484
Current services	-	-
Financial expense	(7)	19
Benefits paid out	(430)	(300)
Actuarial gains/losses	421	(668)
<b>Closing liabilities</b>	<b>13,745</b>	<b>13,535</b>

The changes in the scope of consolidation concern the purchase of Uniteam S.p.A.

The assumptions used for measuring the obligation of post-employment benefits are set below:

- annual rate of inflation: 1.50%;
- annual discount rate: determined by reference to market

#### Defined-benefit plans

In the consolidated financial statements the Biesse Group allocated the amount of € 13,535 thousand, this being the present value of post-employment benefits accrued at the end of the year by the employees of the Italian companies of the Group. Said liability is represented by the provision for post-employment benefits.

yields of bonds by leading companies on the measurement date. In this regard, the Euro Composite AA interest-rate curve was used for the actuarial calculation.

#### Average number of employees

The average number of employees in 2016 (including temporary staff) was 3,621 (3,108 in 2015).

### 33. DEFERRED TAX ASSETS AND LIABILITIES

Euro 000's	31 December 2016	31 December 2015
Deferred tax assets	12,987	12,673
Deferred tax liabilities	(2,976)	(2,730)
<b>Net deferred tax assets</b>	<b>10,011</b>	<b>9,943</b>

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

Euro 000's	31 December 2016	31 December 2015
Accrual to provisions for risks and charges	3,314	4,458
Intercompany profits included in the amount of closing inventories	5,650	4,373
Recoverable tax losses	-	-
Other	4,022	3,841
<b>Deferred tax assets</b>	<b>12,987</b>	<b>12,673</b>
Accelerated Amortisation	1,662	1,539
Capitalised costs	171	170
Goods under finance lease	31	34
Other	1,112	988
<b>Deferred tax liabilities</b>	<b>2,976</b>	<b>2,730</b>
<b>Net deferred tax assets</b>	<b>10,011</b>	<b>9,943</b>

At the reporting date, the Group had prior-year tax losses amounting to approximately € 13.1 million (€ 12 million at the end of the previous year) for which no deferred tax assets have been recognised. These losses relate to subsidiaries and there are no reasonable grounds to expect that they will be recovered in the short term.

The deferred taxation as at 31 December 2016 takes into account the change in the IRES rate as from 2017 and introduced by the 2016 Budget Law (Article 1, para. 61-68). This change was recognised pursuant to IAS 12.

### 34. PROVISIONS FOR RISKS AND CHARGES

Euro 000's	Guarantees	Retirement of agents	Other	Total
<b>Amount at 31/12/2015</b>	<b>7,757</b>	<b>340</b>	<b>3,634</b>	<b>11,731</b>
Accruals	1,155	4	731	1,890
Derecognition of excess provisions	(40)	-	(162)	(202)
Utilised	(348)	(1)	(1,186)	(1,535)
Exchange rate gains and other differences	37	11	62	110
<b>Amount at 31/12/2016</b>	<b>8,561</b>	<b>354</b>	<b>3,079</b>	<b>11,994</b>

The provision for guarantees represents the Group management's best estimate of the obligations deriving from the warranty on products sold by the Group. The provision derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products.

The provision for retirement of agents refers to the liabilities related to existing agency agreements.

Other provision for risks and charges is broken down as follows:

Euro 000's	Legal disputes	Tax disputes	Total
<b>Amount at 31/12/2015</b>	<b>2,479</b>	<b>1,155</b>	<b>3,634</b>
Accruals	571	161	731
Derecognition of excess provisions	(162)	-	(162)
Utilised	(400)	(786)	(1,186)
Exchange rate gains and other differences	72	(10)	62
<b>Amount at 31/12/2016</b>	<b>2,560</b>	<b>519</b>	<b>3,079</b>

These provision are split between:

<i>Euro 000's</i>	31 December 2016	31 December 2015
Current liabilities	9,617	9,109
Non-current liabilities	2,377	2,622
<b>Total</b>	<b>11,994</b>	<b>11,731</b>

The provision for tax disputes relates to the amount regarding taxes and penalties, for which the risk of losing the dispute is probable, due to local taxation authorities. The provisions for legal risks relate to positions which are considered difficult to resolve in reference to legal disputes, mainly with customers.

### 35. TRADE PAYABLES TO THIRD PARTIES

The details of trade payables are as follows:

<i>Euro 000's</i>	31 December 2016	31 December 2015
Trade payables to suppliers	144,223	107,716
Deposits/prepayments for installation and testing costs	46,620	44,328
<b>Total</b>	<b>190,843</b>	<b>152,043</b>

Trade payables to third parties refer primarily to payables to suppliers for the supply of materials delivered in the closing months of the year.

It should be noted that trade payables are due within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.

Trade payables to suppliers increased by € 36,507 thousand compared to 2015, from € 107,716 thousand to € 144,223 thousand.

Trade payables to customers (for advances received against

orders collected during the last months of the year and/or for installations invoiced but not yet completed) increased by € 2,292 thousand.

With regard to prepayments received from customers, it should be noted that in relation to specific cases the Group has issued guarantees in favour of the customers themselves: their duration is directly related to the time between the receipt of the prepayment and the shipping of the machinery. For further details, please refer to note 38.

### 36. OTHER CURRENT LIABILITIES

The details of other current liabilities are as follows:

<i>Euro 000's</i>	31 December 2016	31 December 2015
Tax liabilities	13,923	9,152
Social security liabilities	10,991	9,343
Other payables to employees	20,245	15,576
Other current liabilities	8,018	7,188
<b>Total</b>	<b>53,176</b>	<b>41,259</b>

### 37. FINANCIAL INSTRUMENTS – EXCHANGE RATE DERIVATIVES

A part of exchange rate derivatives is related to orders received and therefore qualify as hedging instruments; the value of contracts outstanding at year-end is recognised as an asset for € 374 thousand and as a liability for € 1,266 thousand.

As from 2016 the Group no longer records financial derivatives with the method envisaged for hedge accounting, given the complexity of this accounting method.

<i>Euro 000's</i>	31 December 2016		31 December 2015	
	Asset	Liability	Asset	Liability
Currency derivatives	374	(1,266)	333	(504)
<b>Total</b>	<b>374</b>	<b>(1,266)</b>	<b>333</b>	<b>(504)</b>

### Derivative financial instruments and forward contracts outstanding at year-end

<i>Euro 000's</i>	Nature of risk hedged	Notional amount		Fair value of derivatives	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Cash flow hedges</b>					
Forward contracts (Australian Dollar)	Currency		5,879		(224)
Forward contracts (US Dollar)	Currency		19,284		(180)
Forward contracts (Pound Sterling)	Currency		5,610		134
Forward contracts (Swiss Franc)	Currency		1,523		(53)
Forward contracts (Canadian Dollar)	Currency		2,765		56
Forward contracts (Chinese Reminbi)	Currency		7,556		81
Forward contracts (New Zealand Dollar)	Currency		917		(38)
<b>Total</b>			<b>43,534</b>		<b>(224)</b>
<b>Other hedges</b>					
Forward contracts (Australian Dollar)	Currency	14,146	2,536	(173)	(38)
Forward contracts (US Dollar)	Currency	22,661	3,032	(698)	33
Forward contracts (Pound Sterling)	Currency	6,801	(312)	14	18
Forward contracts (Swiss Franc)	Currency	1,434	92	0	(9)
Forward contracts (Canadian Dollar)	Currency	3,736	701	(76)	35
Forward contracts (Chinese Reminbi)	Currency	12,912	304	(211)	17
Forward contracts (New Zealand Dollar)	Currency	1,657	57	(26)	(3)
Forward contracts (Hong Kong Dollar)	Currency	(4,159)	0	269	0
Forward contracts (Russian Ruble)	Currency	449	0	(6)	
Forward contracts (Turkish Lira)	Currency	1,060	0	16	
<b>Total</b>		<b>60,696</b>	<b>6,410</b>	<b>(892)</b>	<b>53</b>
<b>Grand total</b>		<b>60,696</b>	<b>49,944</b>	<b>(892)</b>	<b>(171)</b>

### 38. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND RISK MANAGEMENT

#### Commitments

Repurchase commitments amounting to approximately €33 thousand were signed in favour of lease companies, should the Group's customers not fulfil their obligations.

#### Contingent Liabilities

The Parent and some subsidiaries are parties to various lawsuits and disputes. Nevertheless, the Group believes that the settlement of such disputes will not give rise to further liabilities in addition to the amounts already set aside in a specific provision for risks. Please refer to note 34 above for details on contingent liabilities relating to tax risks.

#### Guarantees Issued And Received

The Company has issued sureties totalling € 28,654 thousand. The most important components relate to: the guarantee issued to Commerzbank (€ 6,830 thousand) for multi-purpose credit lines granted to Biesse Trading (Shanghai) Co. Ltd.; the guarantee issued to C.R. Parma/Credit Agricole (€ 6,830 thousand) for multi-purpose credit lines granted to Korex Dongguan Machinery Co. Ltd.; the guarantee issued to BNL/BNP Paribas for credit lines granted by their Turkish subsidiary T.E.B. Istanbul (€ 2,000 thousand) to Biesse Turkey; the guarantee issued to Viet Italia S.r.l. in relation to the payment of its debt for the purchase of the company VIET in liquidation of € 1,165 thousand; the guarantee issued in connection with the MO.TO project (credit cards) in favour of Banca Popolare dell'Emilia Romagna (€ 9,300 thousand). In addition to the above, there are (bank) guarantees in favour of customers for prepayments made – advance payment bonds (€ 2,267 thousand)

and other minor guarantees (€ 262 thousand) in favour of the consortium Co.Env e Università degli Studi di Urbino.

#### Risk Management

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

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

With regard to the risk connected with the fluctuation in raw material prices, the Group tends to transfer their management and economic impact to its own suppliers by agreeing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of the Group's products is marginal compared to the final production cost.

#### Currency Risk

The risk related to exchange rate fluctuations is represented by the potential fluctuation in the amount in Euro of the foreign currency position (or net foreign currency exposure), i.e. the algebraic result of sales invoices issued, outstanding orders, purchasing invoices received, the balance of foreign currency loans, and cash held in foreign currency. The risk management policy approved by the Board of Directors of the Parent provides that forward contracts (outright/currency swap) or also derivatives (currency option) can be used for currency risk hedging.

Currency risk is expressed mainly in the following currencies:

Euro 000's	Financial assets		Financial liabilities	
	31/12/16	31/12/15	31/12/16	31/12/15
US Dollar	31,798	20,544	25,091	3,877
Canadian Dollar	5,855	1,796	7,314	1,923
Pound Sterling	10,256	9,223	13,019	5,640
Australian Dollar	19,095	8,344	13,832	4,973
Swiss Franc	6,144	1,376	1,805	903
New Zealand Dollar	4,218	60	2,331	39
Indian Rupee	6,093	3,139	5,475	3,650
Hong Kong Dollar	10,415	634	7,702	7,960
Chinese Renmimbi	18,298	14,107	36,888	1,050
Other currencies	9,835	3,319	8,100	5,403
<b>Total</b>	<b>122,007</b>	<b>62,543</b>	<b>121,557</b>	<b>35,419</b>

A sensitivity analysis follows illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the Euro for single currency crosses. It should be noted that the impact on other equity reserves is not calculated, considering the nature of the assets and liabilities subject to interest rate risk.

Euro 000's	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	(875)	1,183
Canadian Dollar	190	(257)
Pound Sterling	360	(488)
Australian Dollar	(686)	929
Swiss Franc	(566)	766
New Zealand Dollar	(246)	333
Indian Rupee	(81)	109
Hong Kong Dollar	(354)	479
Chinese Renmimbi	2,425	(3,281)
<b>Total</b>	<b>168</b>	<b>(227)</b>

The Biesse Group uses only forward contracts and cross currency swaps as hedging instruments. In considering the amount exposed to interest rate risk, the Group includes also foreign currency orders acquired in the period before they become trade receivables (hopping-invoicing).

#### Outright contracts outstanding at 31/12/2016

Euro 000's	Nominal value local currency'000	Average forward rate	Maximum duration
US Dollar	23,887	1.2032	August 2017
Canadian Dollar	5,301	1.3944	June 2017
Pound Sterling	5,823	0.8666	May 2017
Australian Dollar	20,647	1.4293	July 2017
Swiss Franc	(1,540)	1.1580	May 2017
New Zealand Dollar	2,511	1.4262	April 2017
Chinese Renmimbi	94,520	7.1276	June 2017
Turkish Lira	3,930	3.7053	February 2017
Russian Ruble	28,900	65.9135	January 2017
Hong Kong Dollar	34,000	8.7667	February 2017

#### Outright contracts outstanding at 31/12/2015

Euro 000's	Nominal value local currency'000	Average forward rate	Maximum duration
US Dollar	24,295	1.1011	May 2016
Canadian Dollar	5,239	1.4721	May 2016
Pound Sterling	3,889	0.7139	April 2016
Australian Dollar	12,537	1.5388	May 2016
Swiss Franc	1,750	1.1285	April 2016
New Zealand Dollar	1,551	1.6797	May 2016
Hong Kong Dollar	55,500	7.1276	June 2016

A sensitivity analysis follows illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the Euro for single currency crosses:

Euro 000's	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	148	(6,807)
Canadian Dollar	553	(594)
Pound Sterling	805	(1,282)
Australian Dollar	2,145	(2,197)
Swiss Franc	(83)	357
New Zealand Dollar	320	(188)
Chinese Renmimbi	2,033	(1,930)
Turkish Lira	139	(187)
Russian Ruble	48	(90)
Hong Kong Dollar	262	(1,015)
<b>Total</b>	<b>6,369</b>	<b>(13,931)</b>

#### Interest Rate Risk

The Group is subject to fluctuations in interest rates since all its exposures are expressed at a floating rate. Given the current trend in interest rates, the company confirms its decision not to hedge its own debt any further, as the level of interest rates (Eurozone) is expected to remain substantially stable. The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Group.

#### Credit Risk

Credit risk refers to the Biesse Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations. The principal exposure is towards customers. The management of credit risk is constantly monitored with reference both to the reliability of customers and to the control of cash receipts and debt collection management, if required. In the case of customers considered to be strategic by the Management, the credit limits attributed to them are defined and monitored. In other cases, the sale involves advance payments,

lease-type payments and, in the case of foreign customers, letters of credit. In contracts relating to some sales without adequate guarantees, the Group reserves property rights on the goods being sold until the purchase price is paid in full. With reference to trade receivables, there are no identifiable concentration risks, as no single customer accounts for more than 5% of sales. The carrying amount of financial assets, less any impairment for expected losses, represents the maximum exposure to credit risk. For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to Note 21 above on trade receivables.

#### Liquidity Risk

Liquidity risk is the Group's risk connected with the difficulty in fulfilling its obligations related to financial liabilities. The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. The flows are stated at non-discounted contract value, including therefore both principal and interest amounts. Loans and other financial liabilities are included on the basis of the earliest maturity date, and revocable financial liabilities were considered payable on demand ("worst case scenario").

31/12/2016 (Euro 000's)	Less than 30 days	30-180 days	180 days -1year	1-5 years	After 5 years	Total
Trade and other payables	105,826	80,843	11,630	292	288	198,879
Finance lease payables	91	29	28	7	-	154
Bank loans and borrowings	5,284	11,639	16,886	6,778	776	41,362
<b>Total</b>	<b>111,201</b>	<b>92,510</b>	<b>28,544</b>	<b>7,077</b>	<b>1,063</b>	<b>240,396</b>

31/12/2015 (Euro 000's)	Less than 30 days	30-180 days	180 days -1year	1-5 years	After 5 years	Total
Trade and other payables	88,186	82,534	10,062	3,211	49	184,043
Finance lease payables	9	92	477	1,659	-	2,237
Bank loans and borrowings	479	14,620	13,358	21,443	-	49,901
<b>Total</b>	<b>88,675</b>	<b>97,246</b>	<b>23,897</b>	<b>26,313</b>	<b>49</b>	<b>236,180</b>

The Group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources are managed efficiently. The amount of trade receivables and the conditions attaching

to them allow to balance the working capital and, in particular, cover trade payables. At 31 December 2016, the Group has cash credit lines outstanding totalling € 94 million.



## CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

Euro 000's	31 December 2016	31 December 2015
<b>FINANCIAL ASSETS</b>		
Designated at fair value through profit or loss:		
Derivative financial assets	374	333
Loans and receivables measured at amortised cost:		
Trade receivables	128,748	105,371
Other assets	7,571	8,543
- other financial assets and non-current receivables	2,296	1,533
- other current assets	5,275	7,010
Cash and cash equivalents	46,295	51,553
<b>FINANCIAL LIABILITIES</b>		
Designated at fair value through profit or loss:		
Derivative financial liabilities	1,266	490
Measured at amortised cost :		
Trade payables	144,973	108,695
Bank loans and borrowing, finance leases and other financial liabilities	41,462	51,445
Other current liabilities	31,253	24,921

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

For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

**Level 1** – quoted prices in an active market for assets or liabilities subject to measurement;

**Level 2** – inputs other than quoted prices included within level

1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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

With reference to derivative instruments outstanding as at 31 December 2016:

- all derivative instruments measured at fair value are included in Level 2 (same as in 2015);
- during 2016, there were no transfers from Level 1 to Level 2 and vice versa;
- during 2016, there were no transfers from Level 3 to other levels and vice versa.

## 39. OPERATING LEASE CONTRACTS

Leases to which the Group is party as lessee

Euro 000's	31 December 2016	31 December 2015
Instalments paid during the year	(8,814)	(8,399)
<b>Total</b>	<b>(8,814)</b>	<b>(8,399)</b>

At the reporting date, the amount of lease payments still owed by the Group for operating leases is as follows:

Euro 000's	31 December 2016	31 December 2015
Within one year	6,708	6,391
Between one and five years	11,722	13,599
After five years	2,596	4,426
<b>Total</b>	<b>21,026</b>	<b>24,416</b>

These contracts relate to the lease of buildings (for industrial or commercial use), motor vehicles and office equipment. The leases have an average term of three years and the instalments are constant over this term.

Leases to which the Group is party as lessor

Euro 000's	31 December 2016	31 December 2015
Instalments received during the year	123	280
<b>Total</b>	<b>123</b>	<b>280</b>

## 40. ACQUISITION OF SUBSIDIARIES

On 19 May 2016, Biesse S.p.A. purchased the company Uniteam S.p.A. for a value of € 2,100 thousand for 100% of the share capital (the amount was fully paid). At the same time, an agreement was signed that bound Biesse S.p.A. to pay the previous shareholder a variable amount, estimated in € 600 thousand, provided that

certain criteria are met referring to the margin of a contract already in progress. The Group recognised the agreement in accordance with IFRS 3, by recording a debt of € 600 thousand as at 31 December 2016. This amount was paid on 17 January 2017. The cost of the acquisition was allocated as follows:

Net assets acquired	Gross Values	Fair Value Adj	Adjusted Values
<b>Euro 000's</b>			
Tangible and intangible assets temporary allocated	1,645	2,464	4,109
Inventories	3,796		3,796
Trade Receivables	1,169		1,169
Other Receivables	1,047		1,047
Cash and cash equivalents	1,528		1,528
Bank loans	(1,915)		(1,915)
Trade Payables	(6,968)		(6,968)
Other Payables	(1,254)		(1,254)
Deferred Tax Liabilities		(334)	(334)
<b>Total</b>	<b>(951)</b>	<b>2,129</b>	<b>1,178</b>
Purchase Value	2,700		
Goodwill	1,522		
<b>Composed by:</b>			
Cash	2,100		
Earn out (debt at 31 12 2016)	600		
<b>Total</b>	<b>2,700</b>		
<b>Net cash outflow for the purchase:</b>			
Cash payments	2,100		
Cash and cash equivalents	(1,528)		
<b>Total</b>	<b>572</b>		

The cost of the acquisition was allocated partly to land and buildings (based on an independent third party appraisal) in the amount of € 2.5 million and for the remaining part to goodwill (approximately € 1.5 million).

The change recognised in the statement of cash flows of € 1,180 thousand relates to the change in cash flow following the purchase of Uniteam S.p.A., while the remainder is due to the cash flow from the merger of Viet S.r.l. – Pavit S.r.l..

## 41. TRANSACTIONS NOT INVOLVING CHANGES IN CASH FLOWS

In 2016, there were no significant transactions not involving changes in cash flows.

## 42. ATYPICAL AND UNUSUAL TRANSACTIONS

In 2016 there were no such transactions.

## 43. SHARE-BASED PAYMENT PLANS

In April 2015, the Biesse Group established a share-based payment plan intended – in line with international practices and those at the leading Italian listed companies – as an instrument to provide incentives and retain management as well as nurture a sense of belonging to the Company among in key employees, ensuring they consistently strive to create value over time and thus aligning the interests of shareholders and managers. The plan is available to a limited number of managers, specifically the General Manager of Biesse S.p.A. and some key management personnel at Biesse S.p.A. and the other Group companies identified at the Shareholders' Meeting of 30 April 2015.

The plan provides for the payment of a cash bonus and the free grant of Biesse treasury shares (already in the portfolio and newly acquired) upon the achievement of set economic

and financial performance targets for the Biesse Group, and is conditional on the managers remaining employed at the Group companies. The targets are calculated on a consolidated three-year basis (2015-2017) and refer to cash flows and EBITDA. The plan became effective in May 2015 and will end on 30 June 2018.

Once the achievement of the economic and financial targets has been verified, within 15 days of the date of approval of the 2017 consolidated financial statements, the pay-out proposal is sent to the beneficiaries. The options granted can be exercised within 10 days of the pay-out proposal. The strike price was originally set at € 16.0225, equal to the average price of Biesse shares in the 30 days prior to the date of the proposal to join the Plan.

The plan has no diluting effects on the profit for the year.

#### 44. EVENTS AFTER THE REPORTING DATE

Please refer to the note in the Directors' Report for the details of events after the reporting date.

#### 45. RELATED PARTY TRANSACTIONS

The Group is directly controlled by Bi. Fin. S.r.l. (operating in Italy) and indirectly by Mr. Giancarlo Selci (resident in Italy). Transactions between Biesse S.p.A. and its subsidiaries, which are companies related to the Parent, have been eliminated from the consolidated financial statements and are not included in the-

se notes. Fincobi S.r.l., Wirutex S.r.l., Se. Mar. S.r.l., are related parties since the first two are subsidiaries of Bi. Fin. S.r.l., the parent company of the Parent, and the third owing to family relationships with the owner. The details of transactions between the Group and other related entities are specified below.

Euro 000's	Revenue		Expense	
	2016	2015	2016	2015
<b>Ultimate parent</b>				
Bi. Fin. S.r.l.	-	-	334	334
<b>Other related companies</b>				
Fincobi S.r.l.	1	1	15	15
Wirutex S.r.l.	36	16	1,105	1,105
Se. Mar. S.r.l.	4	3	3,200	3,200
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	0	0	2,649	2,649
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	155	155
<b>Total</b>	<b>42</b>	<b>20</b>	<b>7,458</b>	<b>6,115</b>

Euro 000's	Receivables		Payables	
	2016	2015	2016	2015
<b>Ultimate parent</b>				
Bi. Fin. S.r.l.	977	977	-	-
<b>Other related companies</b>				
Fincobi S.r.l.	-	-	-	-
Wirutex S.r.l.	47	47	343	306
Se. Mar. S.r.l.	4	4	1,251	844
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	-	-	18	2
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	160	150
<b>Total</b>	<b>1,028</b>	<b>1,028</b>	<b>1,772</b>	<b>1,303</b>

The terms and conditions agreed with the above related parties do not differ from those that would have been established between parties at arm's length.

The amounts payable to related parties are trade payables and refer to transactions undertaken for the sale of goods and/or rendering of services.

Other transactions with related parties have also been conducted under terms and conditions that are no different from

those that would have been established between arm's-length parties.

No guarantee was granted or received.

The remuneration paid to Directors is set by the Remuneration Committee on the basis of average market rates; please refer to the table "Remuneration of directors, general managers, managers with strategic responsibilities and members of the Board of Statutory Auditors" for more details.

#### REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS

Name	Position	Term of mandate	Remuneration			
			Fees	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Selci Roberto	Chairman of the Board of Directors	29/04/18	695	13		
Selci Giancarlo	Managing Director	29/04/18	722	4		
Parpajola Alessandra	Director	29/04/18	252	12		
Porcellini Stefano	Director and General Manager	29/04/18	80	5	173	359
Tinti Cesare	Director	29/04/18	20	4	116	172
Giordano Salvatore	Director	29/04/18	20			7
Righini Elisabetta	Director	29/04/18	20			6
<b>Total</b>			<b>1.809</b>	<b>38</b>	<b>289</b>	<b>544</b>
<b>Managers with strategic responsibilities</b>				7	132	246
Ciurlo Giovanni	Statutory Auditor	29/04/18				
Pierpaoli Riccardo	Statutory Auditor	29/04/18				
Amadori Cristina	Statutory Auditor	29/04/18				
<b>Total</b>						

\* Independent directors.

The managers of the main segments of the Group, i.e. Wood, Glass & Stone and Mechatronics, managed respectively by Cesare Tinti, Rodolfo Scatigna (until 3 August 2016) and Fabrizio Pierini, have been identified as Key Management personnel. The remuneration received by the managers with strategic responsibilities other than directors, including salaries, non-ca-

sh benefits, bonuses and other remuneration amounts to € 695 thousand.

The Ordinary Shareholders' Meeting of 30 April 2015 appointed the Board of Directors and the Board of Statutory Auditors for the 2015-2017 financial years.

Pesaro, 14/03/2017

*The Chairman of the Board of Directors*  
Roberto Selci

# CONSOLIDATED



# CONSOLIDATED FINANCIAL STATEMENTS ATTACHMENTS

## APPENDIX 1

### INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Euro 000's	31 December 2016	of which with related parties	%	31 December 2015	of which with related parties	%
Revenue	618,489	40	0.0%	519,108	19	0.0%
Other revenue	3,548	1	0.0%	4,025	1	0.0%
Change in inventories of finished goods and work in progress	12,649	-	0.0%	6,626	-	0.0%
Purchase of raw materials and consumables	(258,979)	(4,151)	1.6%	(212,742)	(2,946)	1.4%
Personnel expense	(176,551)	(666)	0.4%	(148,222)	(666)	0.4%
Other operating costs	(124,564)	(2,682)	2.2%	(104,655)	(2,523)	2.4%
Depreciation and amortisation	(17,858)	-	0.0%	(15,460)	-	0.0%
Provisions	(1,645)	-	0.0%	(4,823)	-	0.0%
Impairment losses	(26)	-	0.0%	(128)	-	0.0%
<b>Operating profit</b>	<b>55,062</b>	<b>(7,458)</b>		<b>43,729</b>	<b>(6,115)</b>	
Financial income	536	-	0.0%	2,815	-	0.0%
Financial expense	(2,070)	-	0.0%	(5,884)	-	0.0%
Net exchange rate losses	(1,144)	-	0.0%	(2,193)	-	0.0%
<b>Pre-tax profit</b>	<b>52,385</b>	<b>(7,458)</b>		<b>38,467</b>	<b>(6,115)</b>	
Income taxes	(22,921)	-	0.0%	(17,412)	-	0.0%
<b>Profit for the year</b>	<b>29,464</b>	<b>(7,458)</b>		<b>21,055</b>	<b>(6,115)</b>	

### STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Euro 000's	31 December 2016	of which with related parties	%	31 December 2015	of which with related parties	%
<b>ASSETS</b>						
Non-current assets						
Property, plant and equipment	64,926	-	0,0%	59,315	-	0,0%
Equipment and other items of property, plant and equipment	17,014	-	0,0%	10,547	-	0,0%
Goodwill	19,316	-	0,0%	17,683	-	0,0%
Other intangible assets	45,901	-	0,0%	41,260	-	0,0%
Deferred tax assets	12,987	-	0,0%	12,673	-	0,0%
Other financial assets and non current receivables	2,346	-	0,0%	1,580	-	0,0%
	<b>162.490</b>	<b>-</b>	<b>0,0%</b>	<b>143.057</b>	<b>-</b>	<b>0,0%</b>
<b>Current assets</b>						
Inventories	130,785	-	0,0%	111,374	-	0,0%
Trade receivables	128,748	51	0,0%	105,371	22	0,0%
Other current assets	17,315	977	5,6%	16,139	1.006	6,2%
Derivatives	374	-	0,0%	333	-	0,0%
Cash and cash equivalents	46,295	-	0,0%	51,554	-	0,0%
	<b>323.603</b>	<b>1.028</b>	<b>0,3%</b>	<b>284.788</b>	<b>1.028</b>	<b>0,4%</b>
<b>TOTAL ASSETS</b>	<b>486.093</b>	<b>1.028</b>	<b>0,2%</b>	<b>427.846</b>	<b>1.028</b>	<b>0,2%</b>

### STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Euro 000's	31 December 2016	of which with related parties	%	31 December 2015	of which with related parties	%
<b>EQUITY AND LIABILITIES</b>						
<b>Share capital and reserves</b>						
Share capital	27,393	-	0.0%	27,393	-	0.0%
(Treasury shares)	(96)	-	0.0%	(96)	-	0.0%
Equity reserves	36,202	-	0.0%	36,202	-	0.0%
Hedging and translation reserves	(2,183)	-	0.0%	(1,214)	-	0.0%
Other reserves	68,732	-	0.0%	57,854	-	0.0%
Profit for the year	29,384	-	0.0%	20,971	-	0.0%
Equity attributable to the owners of the parent	159,433	-	0.0%	141,111	-	0.0%
Non-controlling interests	290	-	0.0%	275	-	0.0%
<b>TOTAL EQUITY</b>	<b>159,723</b>	<b>-</b>	<b>0.0%</b>	<b>141,386</b>	<b>-</b>	<b>0.0%</b>
<b>Non-current liabilities</b>						
Post-employment benefits	13,746	-	0.0%	13,536	-	0.0%
Deferred tax liabilities	2,976	-	0.0%	2,730	-	0.0%
Medium and long-term bank loans and borrowings and other financial liabilities	7,539	-	0.0%	21,220	-	0.0%
Finance lease liabilities	43	-	0.0%	1,514	-	0.0%
Provisions for risks and charges	2,377	-	0.0%	2,622	-	0.0%
Other non-current liabilities	137	-	0.0%	137	-	0.0%
Derivatives	-	-	#DIV/0!	15	-	0.0%
	<b>26,818</b>	<b>-</b>	<b>0.0%</b>	<b>41,773</b>	<b>-</b>	<b>0.0%</b>
<b>Current liabilities</b>						
Trade payables	192,613	1,754	0.9%	153,344	1,301	0.8%
Other current liabilities	53,194	18	0.0%	41,261	2	0.0%
Tax payables	8,982	-	0.0%	11,786	-	0.0%
Finance lease liabilities	111	-	0.0%	489	-	0.0%
Bank overdraft and loans	33,769	-	0.0%	28,209	-	0.0%
Provisions for risks and charges	9,617	-	0.0%	9,109	-	0.0%
Derivatives	1,266	-	0.0%	490	-	0.0%
	<b>299,551</b>	<b>1,772</b>	<b>0.6%</b>	<b>244,687</b>	<b>1,303</b>	<b>0.5%</b>
<b>LIABILITIES</b>	<b>326,369</b>	<b>1,772</b>	<b>0.5%</b>	<b>286,460</b>	<b>1,303</b>	<b>0.5%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>486,093</b>	<b>1,772</b>	<b>0.4%</b>	<b>427,846</b>	<b>1,303</b>	<b>0.3%</b>

# STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

**1.** The undersigned Roberto Selci and Cristian Berardi in their capacities as, respectively, Chairman and Chief Executive Officer and Manager in charge of the financial reporting of Biesse S.p.A., having also taken into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby state:

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2016.

**2.** The administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2016 were defined, and their adequacy was assessed, on the basis of rules and methods defined by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for internationally accepted internal control systems.

**3.** In addition, they also state that the consolidated financial statements as at 31 December 2016:

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

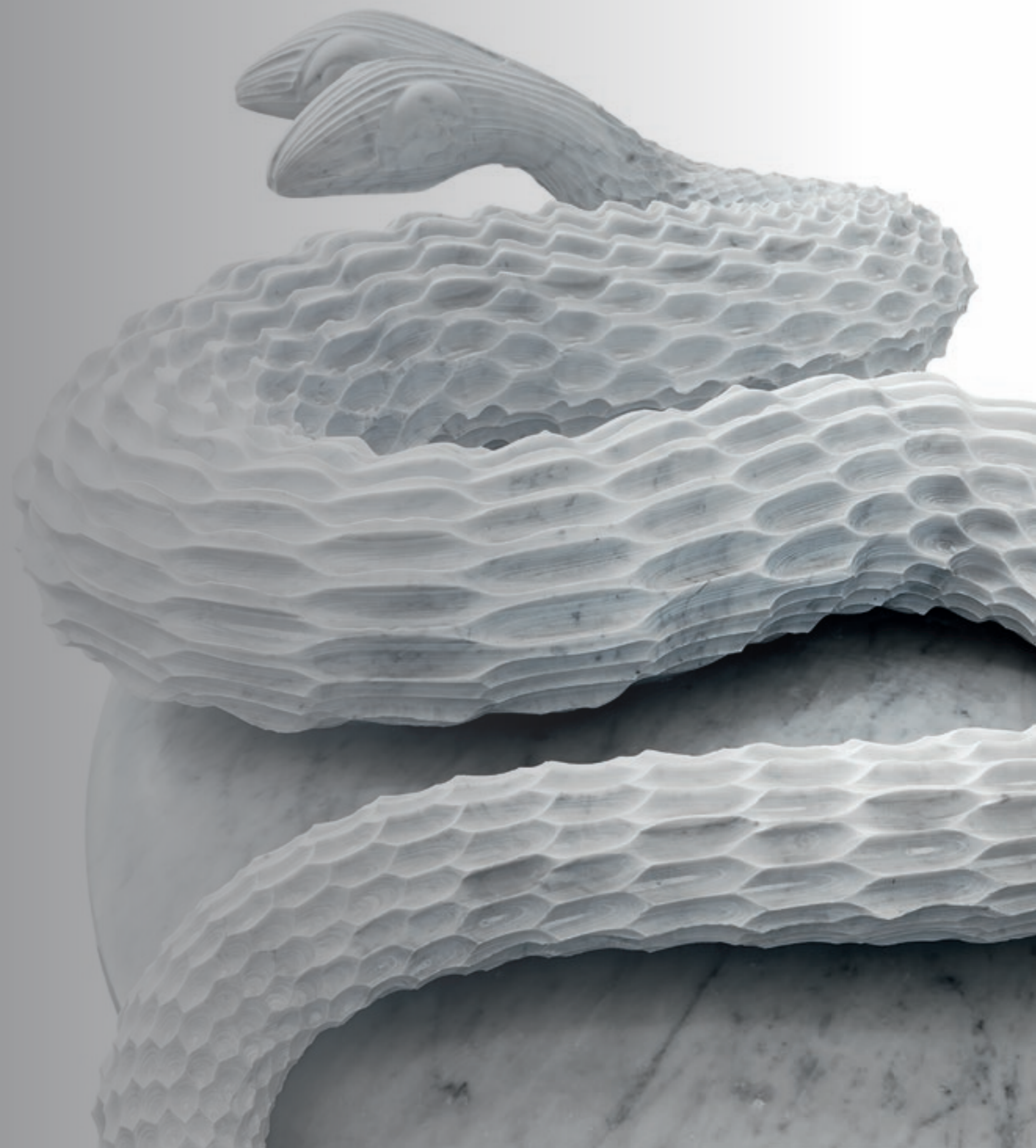
The Directors' Report includes a reliable analysis of the performance and the results of operations, and the overall position of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 14 March 2017

*The Chairman of the Board of Directors*  
Roberto Selci

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

**MADE  
WITH**



**CASE HISTORIES**

# FENSTERBAU LEOPOLD

GERMANY

## DESIGN AND PRODUCTIVITY. THE EVOLUTION OF DOORS AND WINDOWS.

EVERY SPECIALIST KNOWS HOW CHALLENGING  
ROUNDED SHAPES ARE. WHICH IS WHY  
WITH THE NEW BIESSE MULTICENTRE FOR DOORS  
AND WINDOWS WE ARE PERFECTLY EQUIPPED FOR  
THE FUTURE.



**Michael Leopold**  
*Manager Fensterbau Leopold*

# CERVIGLASS

SPAIN

## GLASS, DESIGN AND SUSTAINABILITY

INTERMAC IS CONSTANTLY INNOVATING AND EVOLVING AND THE MACHINES KEEP GETTING BETTER. COMPETITORS MAY BUILD MACHINES THAT ARE SIMILAR, BUT NOT BETTER.



**Vicente Cervera**

*Founder and General Manager Cerviglass*





## TECHNOLOGY AND PERFORMANCE

TO DATE WE HAVE ALWAYS USED MACHINES THAT COULD BE DEFINED AS BELONGING TO A NICHE MARKET. WE DECIDED TO EQUIP OURSELVES WITH A MORE POWERFUL, TECHNOLOGICALLY ADVANCED MACHINE. ALL THIS WAS AVAILABLE IN THE SOLUTION PROPOSED BY BIESSE.



**Matteo Gualdi**  
CEO UPM

# GENERELLI SA

SWITZERLAND



## NATURE CALLS, TECHNOLOGY ANSWERS

THANKS TO INTERMAC TECHNOLOGY WE ARE ABLE  
TO CREATE OBJECTS WITH COMPLEX SHAPES,  
INCREASING PRODUCTIVITY AND AUTONOMOUS WORK.



**Matteo Generelli**  
*Owner Generelli Sa*

# SKY CORPORATION

JAPAN

## BIESSE INNOVATION TO SERVE HOUSING

THE UNITEAM MACHINING CENTRE HAS SIGNIFICANTLY REDUCED PRODUCTION COSTS AND OPTIMISED COMPANY LOGISTICS. HAVING THIS TECHNOLOGY HAS HELPED US ACCEPT A CONSTANTLY INCREASING NUMBER OF REQUESTS FROM CUSTOMERS ENGAGED IN THE CONSTRUCTION OF HOUSES AND OTHER BUILDINGS.



**Yukitsugu Takahashi**  
*President Sky Corporation*

# TENARIS

ITALY



## THE APPLICATION OF INTERMAC'S WATERJET TECHNOLOGY AT TENARIS

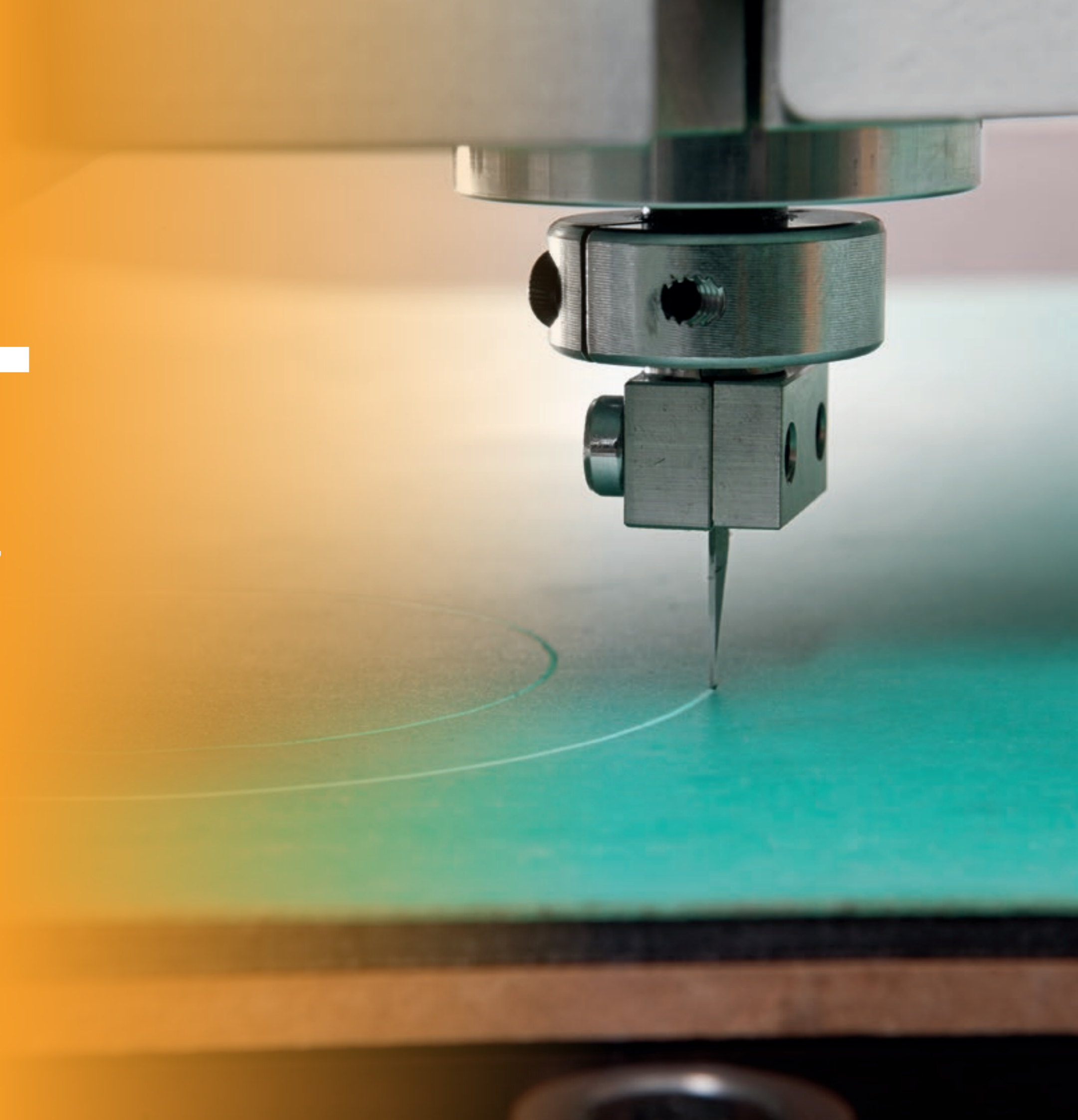
THREE YEARS AFTER THE INTRODUCTION OF THE PRIMUS 202 INTO OUR LABORATORY, WE CAN'T HELP BEING PLEASED WITH THE INVESTMENT GIVEN THAT WE HAVE OBTAINED. IMPORTANT PRODUCTIVE AND ECONOMIC ADVANTAGES.



**Daniele Persiani**  
*Laboratory Director Tenaris*

# INDEPENDENT

AUDITORS'  
REPORT





KPMG S.p.A.  
 Revisione e organizzazione contabile  
 Via 1° Maggio, 150/A  
 60131 ANCONA AN  
 Telefono +39 071 2901140  
 Email it-fmauditaly@kpmg.it  
 PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

**Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the shareholders of  
 Biesse S.p.A.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of the Biesse Group (the "group"), which comprise the statement of financial position as at 31 December 2016, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the consolidated financial statements**

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Amatori Anzio Bari Bergamo  
 Bologna Bolzano Brescia  
 Catania Cosenza Firenze Genova  
 Livorno Milano Napoli Novara  
 Padova Palermo Parma Perugia  
 Pescara Roma Torino Treviso  
 Trieste Venezia Verona

Società per azioni  
 Capitale sociale  
 Euro 9.525.600,00 i.v.  
 Registro Imprese Milano e  
 Codice Fiscale 03070600158  
 R.E.A. Milano N. 512052  
 Partita IVA 03070600158  
 NIT number IT0070600158  
 Sede legale: Via Vitor Pisani, 25  
 20124 Milano MI (ITALIA)



**Biesse Group**  
 Independent auditors' report  
 31 December 2016

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

**Report on other legal and regulatory requirements**

**Opinion on the consistency of the directors' report on operations and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements**

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2016.

Ancona, 31 March 2017

KPMG S.p.A.

(signed on the original)

Luca Ferranti  
 Director

# THANK YOU

## SIAMO 3800

con il cuore a forma di truciolo.

Questa passione si chiama Biesse!

**BIESSE S.P.A.**

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[biessegroup.com](http://biessegroup.com)

