REPORT 17

ANNUAL REPORT

31 DECEMBER 2017

BIESSE GROUP

INDEX

THE BIESSE GROUP

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cover:

Rezzonico chandelier
made with Intermac technological solutions
exhibited at the 2018 Milan Design Week
designer: Raffaello Galiotto
producer: Generelli Marmi

THINK FOR WARD

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

LIVE THE EXPERIENCE

GROWTH

LETTER TO SHAREHOLDER

DEAR SHAREHOLDER,

the financial year ending 31 December 2017 represents another record year for Biesse, with the strongest ever results for all key financial components: consolidated revenue, operating profitability and net profit, all of which contributed towards a positive Financial Position of more than € 30 M at the end of the year.
We are proud of these results, which are the fruit of the extraordinary work of the men and women working for the Group, both in Italy and throughout the world, with unequalled dedication and perseverance. These results are based solidly on the three cornerstones of our strategy: innovation, the distribution network, and customer service, with the latter the target of unprecedented investments that will also characterise the next three years.
Growth across all of the Group's Divisions was once again above the average for the respective industries, and resulted in a significant improvement in our market shares at the global level.

From a geographical viewpoint, starting with the domestic market, it is clear that our business segments are finally experiencing a generalised phase of recovery; The Group's consolidated turnover in our country accounts for 16.6% of the total, and is up from previous years thanks also to the enlightened tax incentives that the Government has introduced, specifically with regard to the Industry 4.0. incentives scheme. Internationally, as well as considerable growth in Western Europe (+10.1%), business in the Asia-Pacific area is also up (+18.9%), while recovery in Eastern Europe, although not yet not complete, continues (+18.9%); revenue from the North American market (U.S.A. and Canada) accounts for 16.2% of group turnover.

In terms of the Group's various businesses, the "Wood" Division continues to dominate, with 71% of total sales making it by far the Group's most important business. At the same time, the "Glass&Stone" Division, and in particular the "Mechatronics" Division (the top performer in terms of profitability), are growing at exceptional rates.

Also as a result of the above, we have achieved particularly encouraging results in the financial markets, which over the last 12 months have seen us achieve unprecedented levels of performance. At the official closing on 31 March 2018, the STAR segment of the Italian Stock Exchange (Borsa Italiana) recorded a growth of 89.2% in the price of our shares compared with the same period of 2016, and an increase of 435.6% over the official quotation in June 2001. Total capitalisation of Biesse's shares at the end of March 2018, exceeded € 1.3 billion.

Group turnover was up 11.6% from the previous year, EBITDA was over € 89 million, while EBIT was almost € 67 million, before non-recurrent items.. Net profit was up 44.7% on 2016, reaching € 42.7 million, with a satisfactory, desired reduction in the tax rate compared to Biesse's historical average (tax rate of 29.6% at the end of 2017). This latter figure was positively impacted by the "patent box" effect that the Group achieved in December 2017 solely in regard to the company HSD S.p.A.; we expect the parent company, Biesse S.p.A., to also obtain this tax relief in 2018.

The Financial Position at 31 December 2017 was positive, and equal to € 30.4 million, with net cash flow of over € 36 million resulting from the Group's traditional business. This means that net of the dividends paid in May 2017 (€ 9.8 million) and of the substantial investments made in innovation and the expansion of productive capacity, the Biesse Group generated cash flow of € 26.4 million (a net improvement on December 2016).

During 2017, Biesse continued to implement significant hiring schemes, with the aim of structuring its international organisation to provide support to the Group's business strategies. Despite the fact that this inevitably impacts the structure of costs, the investment in human capital constitutes a vital aid to the growth envisaged by the Group's business plan.

Our proven capacity to create worth, together with the unquestionable validity of the "Biesse" business model, means that at the next Shareholders' Meeting we can propose payment of an ordinary dividend of € 0.48 per share, to be distributed with value date 9 May 2018 (issue of dividend coupon on 7 May 2018).

On 28 February 2018 the new Three-Year Business Plan (2018-2019-2020) was approved, containing clear references to the Group's future development, not only in the traditional business sectors, but also in "adjacent" industries where our technology can be effectively employed, as in the case of recent successes in the sector of machinery for the processing of Advanced Materials (plastics, composites and aluminium).

As announced on 28 February of this year, the is a plan to float Biesse's Mechatronics Division on the stock exchange (STAR segment) with the aim of guaranteeing the subsidiary HSD S.p.A. the financial support it needs for further growth, including that of its external lines. Biesse shall of course maintain control of HSD, thus guaranteeing the business synergies in their respective sectors, while at the same time granting it greater autonomy and means with which to strengthen HSD's leadership in the design, production and marketing of electrospindles, bi-rotary electroheads, smart devices for the processing of wood, metal, alloys and composite materials, aimed at automotive and aerospace companies, and consumer electronic goods, robotic systems and furniture producers.

Thanks to the SOPHIA (IIOT) Platform, in the next three years Biesse will continue to invest in digital technologies, including them systematically in the company's "core" processes in order to synchronise innovation and growth. The related products will permit the company to improve customer-product relations through applications, software and new pay-per-use services, designed to lend support to the process of servitization that Biesse considers of considerable strategic importance. The aim is to offer our customers both a unique experience in terms of the services associated with our products, and the best possible solutions offered by the 4.0 industrial revolution.

Group Managing Director
Stefano Porcellini

THE GROUP

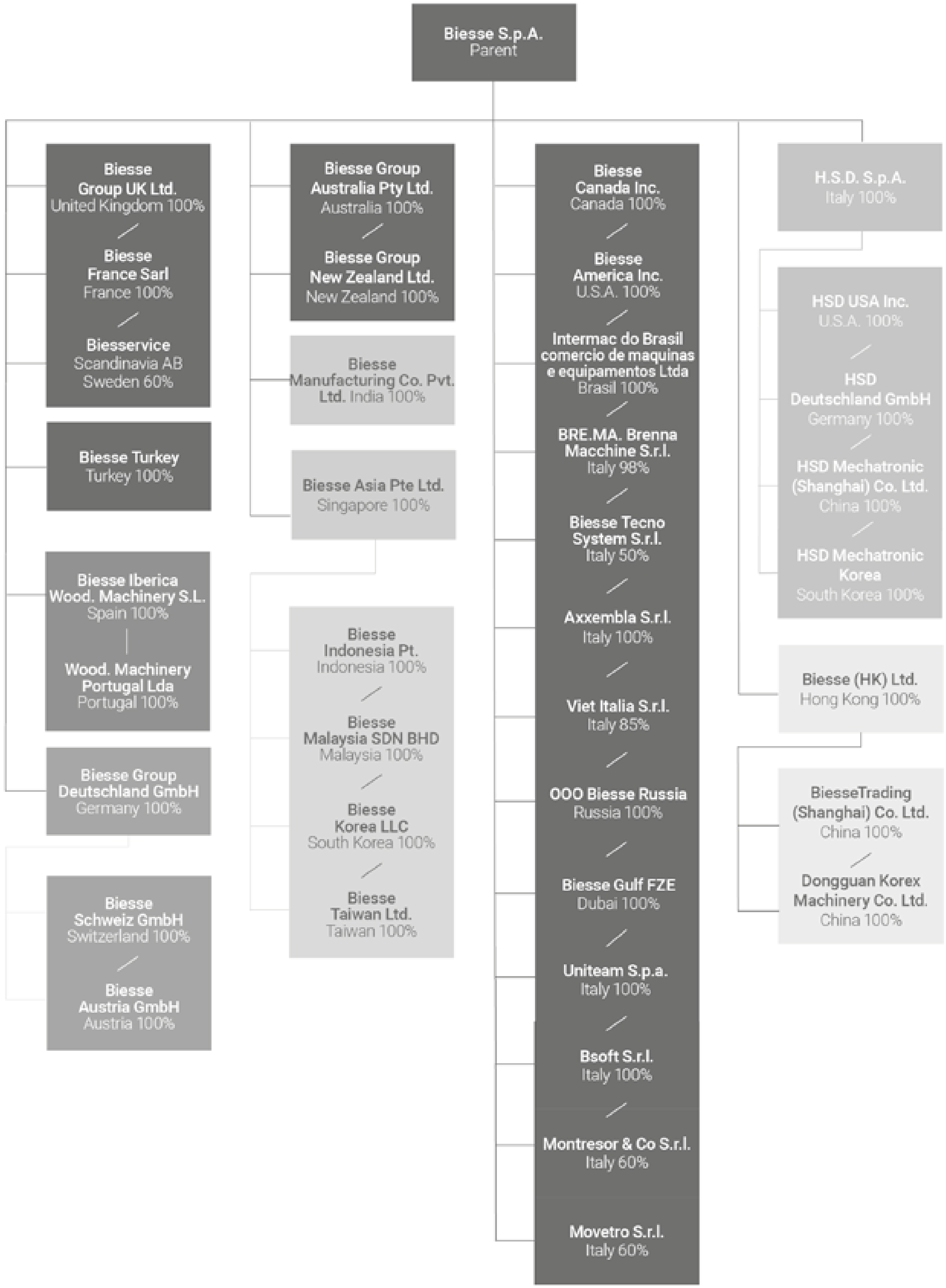
BIESSEGROUP

BIESSE
INTERMAC
DIAMUT
MECHATRONICS

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

GROUP STRUCTURE

The following companies belong to the Biesse Group and are included in the scope of consolidation:



Notes: the different colours represent the subgroups of the control chain

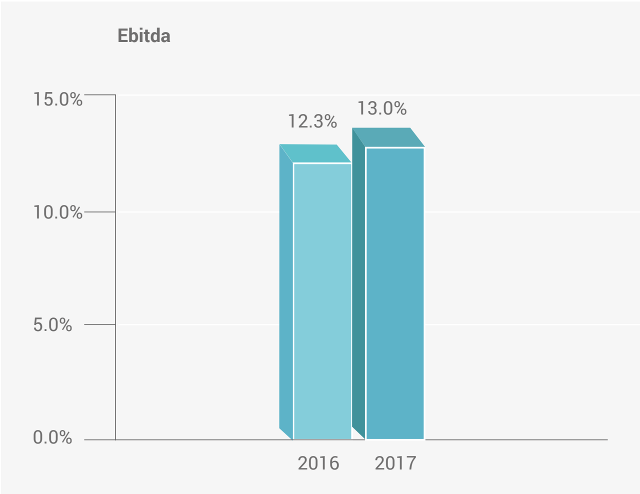
Compared to the consolidated financial statements for as at and the year ended 31 December 2016, the scope of consolidation underwent the following changes:

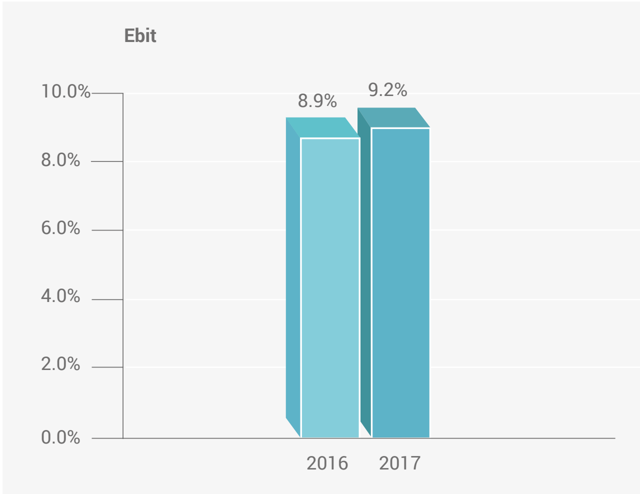
• Acquisition of the company BS SOFT S.r.l. on 10 April 2017. With the aim of strengthening its offer in the system world and being even more autonomous in the development of projects in support of Industry 4.0, Biesse S.p.A., through the newCo. BT SOFT on 10 April 2017 acquired control of the company Avant S.r.l. Software & Engineering, specialised in the development of software for the integration and supervision of working cells and lines. The Avant applications can automatically manage all information of the production process, from cutting to edgebanding, drilling and, in recent years, also sorting, the backbone of every batch-one production. The acquisition price amounted to € 500 thousand. The difference between the acquisition price and the amount of assets and liabilities acquired, amounting to € 494,210, pending the PPA, was provisionally allocated to goodwill in the wood division.
• The liquidation of Intermac Guangzhou Co. Ltd was completed in June 2017.
• On 27 July 2017, a newco was set up called Montresor & Co. S.r.l. (with a 90% stake held by Biesse S.p.A. and 10% by Donatoni Macchine S.r.l.) whose purpose is the acquisition of Montresor & C. S.r.l., which is based in the province of Verona and manufactures edge polishers machinery (glass and marble). The acquisition was completed on 3 August 2017 with the payment of the first tranche of 65% of the agreed price (€ 4.8 million, net of payables due to employees, payments on account and/or guarantee deposits and the estimate of the inventories bought). In the agreements among the members of the newco (Montresor & Co. S.r.l.), the possibility is envisaged for the non-controlling stakeholder Donatoni to undertake a share capital increase for a further 30% to reach a 40% stake. The difference between the acquisition price and the value of assets and liabilities acquired, amounting to € 2,414,071, pending the PPA, was provisionally allocated to goodwill in the glass division. On 21 December 2017, 30% of Biesse S.p.A. shareholdings were transferred to Donatoni Macchine S.r.l. At the same time, the liquidation of Montresor & C. S.r.l. took place.
• On 27 July 2017, Biesse S.p.A. signed an agreement to acquire 60% of the shares of MOVETRO S.r.l., which operates in the production of flat-glass storage and movement systems and is based in the province of Padua. This transaction will enable the Glass & Stone Division to extend the offer of products to high-end customers and to integrate Systems projects. The contract envisages the payment of € 2.7 million (Biesse S.p.A. has already paid a deposit of € 540 thousand). The contract also envisages the granting of a put option in favour of the sellers and a call option in favour of the buyers on the remaining 40% stake. The put option cannot be exercised before 31 July 2022 and after 31 December 2025, while the call option cannot be exercised before 31 July 2025 and after 31 July 2028. The consideration for the two options will be calculated on the basis of the multipliers of some financial statements figures of the company being acquired.
• Furthermore, it should be noted that during 2016 the process was started to shorten the chain of control over the Chinese companies. This project was completed in 2017 and involved the companies Biesse Hong Kong Ltd and Centre Gain Ltd, both resident in Hong Kong. It implied the transfer of all the assets and liabilities from the parent to the subsidiary (the name of which was changed, as part of this transaction, to Biesse Hong Kong Ltd) and the subsequent liquidation of the parent. The liquidation and cancellation of the parent was completed in June 2017. The organizational chart shows the equity investments.

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

EURO 000'S	2017	% OF SALES	2016	% OF SALES	CHANGE %
Revenue from sales and services	**690,120**	**100.0%**	618,489	100.0%	11.6%
Normalised Added value (1)	**288,607**	**41.8%**	252,396	40.8%	14.3%
Normalised EBITDA (Normalised gross operating profit) (1)	**89,452**	**13.0%**	75,845	12.3%	17.9%
Normalised EBIT (Normalised operating profit) (1)	**66,881**	**9.7%**	56,341	9.1%	18.7%
EBIT (Operating profit) (1)	**63,606**	**9.2%**	55,062	8.9%	15.5%
Profit (Loss) for the year	**42,738**	**6.2%**	29,464	4.8%	45.1%

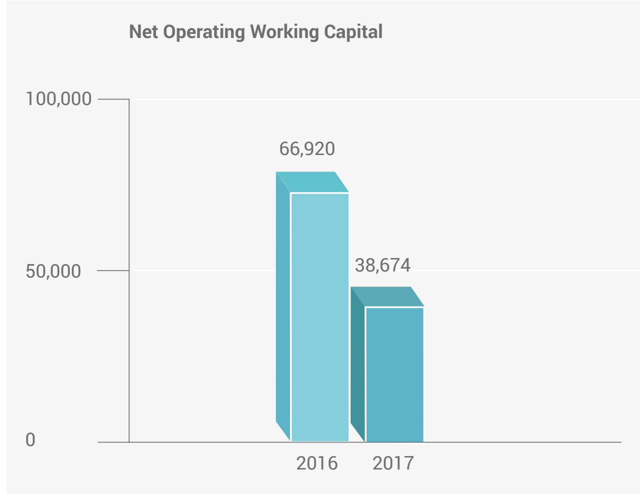




Statement of financial position data and financial ratios

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Net invested capital (1)	**157,966**	156,589
Equity	**188,337**	159,723
Net financial position (1)	**(30,371)**	(3,135)
Net operating working capital (1)	**38,674**	66,920
Gearing (net financial position/equity)	**(0,16)**	(0,02)
Fixed asset/standing capital ratio	**1,14**	1,09
Order intake	**596,776**	507,934

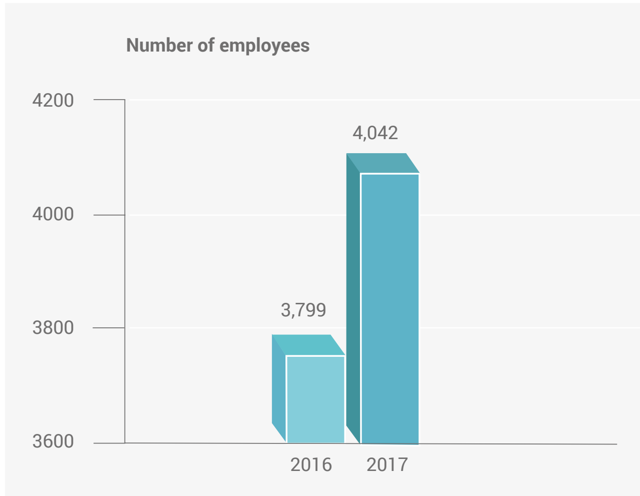
(1) The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report and the Notes to the Consolidated Financial Statements.

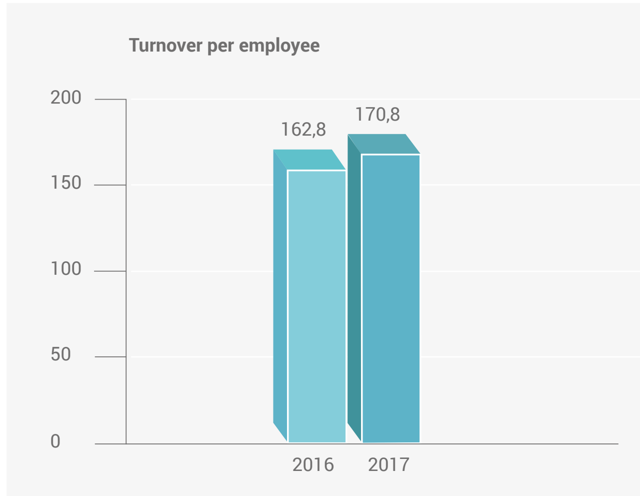


Personnel

	31 DECEMBER 2017	31 DECEMBER 2016
Number of employees at year end	**4,042**	3,799

* the figure includes temporary staff.





CORPORATE BODIES

BOARD OF DIRECTORS

Chairman and Chief Executive Officer	Roberto Selci
Managing Director	Giancarlo Selci
Executive Director	Alessandra Parpajola
Executive Director and Group Managing Director	Stefano Porcellini
Executive Director	Cesare Tinti
Independent Director	Salvatore Giordano
Independent Director	Elisabetta Righini

BOARD OF STATUTORY AUDITORS

Chairman	Giovanni Ciurlo
Standing Statutory Auditor	Cristina Amadori
Standing Statutory Auditor	Riccardo Pierpaoli
Alternate Statutory Auditor	Silvia Cecchini
Alternate Statutory Auditor	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'

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

GLOBAL ECONOMIC TREND

The world economy has continued to strengthen. Following solid growth in world GDP during the third quarter of 2017, survey indicators show a sustained momentum in global expansion over the last months of the year. The Global Composite PMI (Purchasing Managers Index) for production rose to 54.4 in December, up from 54.0 in the previous month. The very positive performance recorded in December reflects the vigorous expansion in advanced economies and a recovery in emerging economies, driven by China and India in particular. The latest figures are consistent with indications of an ongoing, widespread and synchronized global economic recovery.

The survey indicators show that the robust surge in world trade persisted in the last quarter of 2017. On a global level, growth in imports of goods slowed in the early months of the fourth quarter, with a quarter on quarter increase of 0.8% on the volume of import goods in November, after recording +1.6 for the third quarter. The decline was driven by the trend of imports in Asia and several advanced economies. Trade indicators, however, show a greater degree of resilience, suggesting that global imports in the fourth quarter increased at a similar pace to that observed in the previous quarter. The global PMI for new foreign orders rose to 53.8 in December, up from 53.7 in the previous month, standing above the long-term average.

In November, global inflation increased. Consumer price inflation in OECD countries rose from 2.2 % in October to 2.4% in November on an annual basis, reflecting growth in the prices for energy and food supplies. With the exception of these goods, however, inflation remained unchanged at 1.9%.

UNITED STATES

The recovery cycle continued in the United States. After sustained GDP growth at an annualised rate of 3.2% for the third quarter, growth is expected to have remained robust in the last three months of 2017. The activity is propelled by accommodating financial conditions and a sustained climate of trust, as well as a temporary stimulus associated with reconstruction operations on the heels of autumn hurricanes. In line with robust economic activity, the labour market has continued to strengthen. Employment in the non-agricultural sector recorded an increase of 148,000 units in December, while the unemployment rate remained unchanged at 4.1%. Despite stringent conditions in the labour market, annual salary growth continued to be subdued, showing a slight increase to 2.5% in December. In the same month, the total 12-month inflation rate measured by the CPI fell to 2.1% due to price trends in the energy industry. However, excluding food and energy supplies, the rate strengthened reaching 1.8% for December year on year, up from 1.7% in the previous month. The Federal Open Market Committee (FOMC) continued the gradual transition towards a less accommodating approach, raising the target rate range on Federal Funds to 1.25-1.50% in the last month of the year. The US government has also reached an agreement on tax reform. The law on jobs and tax reductions (Tax Cuts and Jobs Act), which entered into force on 1 January 2018, permanently provides for corporate tax reduction, alleviating the burden on small businesses, temporary cut of personal income tax and expansion of the taxable base. The consequent lack of revenue should be partially offset by additional taxation on foreign source income for US multinationals. Overall, it is likely that the fiscal.

JAPAN

In Japan, economic activity remains buoyant and labour market conditions continue to strengthen. In the third quarter of 2017, real GDP was up 0.6% on the previous quarter and recent economic indicators continue to show robust growth for the following quarter. The labour market has continued to strengthen, with the November unemployment rate falling to 2.7%, - a level which is similar to the figures recorded in the early 90s. However, wage pressures remain modest, showing a total nominal wage increase of 0.9% in November over the corresponding period. In the same month, the gross inflation rate measured by CPI for the 12 months rose to 0.6%, but the inflation rate excluding food and energy supplies remained close to zero. Furthermore, the latest Tankan survey on company expectations for inflation suggests that caution regarding further price increases is continuing.

UNITED KINGDOM

In the United Kingdom, economic activity recorded a slight recovery after the marked slowdown in the first half of 2017. According to final estimates, real GDP growth increased slightly in the third quarter, reaching 0.4%. Recent indicators point to continued economic expansion at a similar pace to that which was observed during the transition to the new year. Surveys suggest a favourable trend in exports, with the PMI index for consumer sentiment on exports and figures for new export orders in the manufacturing industry both steady on high levels in the last quarter of 2017. Against this trend, indicators show diminishing growth in the service industry. The 12-month CPI inflation rate has fallen slightly, reducing from 3.1% in November to 3% in December, but it is expected to continue to weigh on disposable income.

EMERGING COUNTRIES

In China, economic activity indicators point to a continued expansionary momentum. In the fourth quarter, GDP was up 6.8% as compared to the same quarter in the previous year. In 2017, production was 6.9% higher overall as compared to the previous year, exceeding the 6.5% target level set by the government. Consumer price inflation recorded a slight increase in December, going from 1.7% in the previous month to 1.8%. A decline in inflation for mining production and raw materials cut to 4.9% the inflation rate on production, which was equal to 5.8% in November. The Central Economic Work Conference of December, an annual meeting held to define the national program for the Chinese economy, confirmed that the authorities saw the main priorities for 2018 being identified as high quality growth, further supply side reforms and financial risk mitigation.

EUROZONE

A solid and general expansion continues in the Eurozone. In the third quarter of 2017, real GDP rose by 0.7% over the previous period, driven by the positive contribution of domestic demand and net exports, after an equal increase in the second quarter. At the same time, GDP growth received no contribution from changes in inventories in the third quarter. The most recent economic indicators, based on both real data and survey results, remain high and confirm the expectations of robust and protracted growth around the turn of the year, at a pace similar to that observed in the previous two quarters.

Consumer spending has increased further, and in this way continues to play an essential role in supporting the current economic expansion. In the third quarter of 2017, consumer spending rose by 0.4% over the previous period, after slightly higher growth in the previous quarter. This slowdown largely reflects a lesser growth in consumption of goods, while the consumption of services seems to have grown substantially in the third quarter, in line with the second quarter. Growth in consumption of durable goods, however, continues to surpass consumption rates in semi-durable and non-durable goods. On a year on year basis, consumption increased by 1.9% in the third quarter of 2017 - a similar rate to that recorded in the second quarter. Faced with this constant trend, the growth rate for the same period in the prior year has increased for real household disposable income, going from 1.3% in the second quarter to 1.6% in the third quarter. In line with an unchanged growth in consumption and a greater increase in income for the third quarter of 2017, the 12-month rate for changes in savings also rose for the same period. Nevertheless, in the third quarter, the savings rate (expressed as a rolling four-quarter average) fell to a new low of 12%.

The Eurozone labour markets continue to improve, and this supports household income and consumer spending. In the third quarter of 2017, employment increased by a further 0.4% compared to the previous period, bringing the annual increase to 1.7%. Employment currently stands around 1.2% higher than the pre-crisis highs in the first quarter of 2008. In November 2017, the unemployment rate in the Eurozone was 8.7%, a fall of 8.8% compared with October, or 3.3 percentage points below the post-crisis peak recorded in April 2013. This decline is broad based, affecting different age groups and genders. Long-term unemployment (meaning the number of people unemployed for at least 12 months, expressed as a percentage of the labour force) continues to decline, though remaining above pre-crisis levels. Survey data points to a persistent growth in employment in the coming period, with increasing signs of labour shortages in some countries and industries.

ITALY

Economic activity accelerated in the third quarter of 2017 thanks to both domestic and foreign demand. The most recent indications compared to the previous period suggest that GDP would continue to expand by around 0.4% in the fourth quarter, supported by an increase in added value in both industry and the service sector.

Over summer, GDP increased by 0.4% in economic terms, a slight increase compared to the previous period. National demand (stimulated by investments in capital goods in particular) contributed to a growth in production, as did foreign trade to an equal extent, with a more marked upturn in exports as compared to imports. The change in inventories instead subtracted half a percentage point from the escalation in production. Added value has risen in industry, thanks to strong growth in manufacturing and a recovery in construction. In the service industry, activity remained stable overall: there was a decrease in the financial and IT sectors, while there was an increase in the trade and real estate sectors. According to estimates, GDP increased in the fourth quarter, as it had also done in the previous period. In December, the Ita-coin indicator developed by the Bank of Italy reached its highest level since the summer of 2010 (up to 0.49 from 0.44 in November). Company surveys confirmed a return in confidence to levels seen prior to the double recession. Consumer surveys indicate a continuation in the current recovery, which began last spring. On this basis, GDP for 2017 overall (calculated on the basis of seasonally adjusted quarterly data, adjusted to the number of working days) is likely to have increased by 1.5% (or 1.4% pre-adjustment).

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 the fourth quarter of 2017, the index increased by 21.5% compared to the same period of the previous financial year. The overall result was partially due to a positive response in foreign orders, but was mainly determined by the excellent results contributed by Italian domestic manufacturing.

In particular, foreign orders increased by 6.2% as compared to the period from October to December 2016. The absolute value of the index was 138.4. On the domestic front, Italian machine tool manufacturers recorded an 86.2% increase in total orders as compared to the fourth quarter of 2016. The absolute value of the index was 285.4. Year on year, the total index recorded an increase of 13.7% compared to 2016. Foreign orders grew by 4.7%, a complete recovery from the downturn recorded last year. Domestic orders showed a 45.9% increase, demonstrating the Italian market's great propensity to investments.

Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated:

"The trend for orders taken in 2017 evidences two decidedly positive phenomena for manufacturing. On one hand, the index shows that cross-border contracts have recovered, whereas the results in 2016 had been disappointing. On the other hand, excellent performance has been recorded for investments in domestic production systems, where users have increasingly acquired the latest technology for their companies throughout 2017".

"With reference to the domestic market," continued Massimo Carboniero, "the impact of measures taken under the Industry 4.0 plan is evident, particularly in regards to Super and Hyper depreciation, where it has affected sales trends and orders received. In the case of the latest survey results (relating to the period October-December 2017), the amount of orders received will have a direct impact on 2018 GDP. Between this and the new measures made available by government authorities, 2018 is set to be a very positive year".

"However, it must be noted that," said Carboniero, "as expected, the Industry 4.0 provision relating to training and continuing professional development for key personnel runs the risk of not being fully effective for two quite different reasons. On one hand, the activation of said provision is dependent on local or national collective bargaining agreements, and this method may hinder those SMEs that do not have union representation within their organisation. On the other hand, the tax credit that is available for expenses incurred by companies investing in training 4.0 is only applicable to hours worked by personnel involved in operations. Therefore, the entire portion relating to the cost of external trainers is excluded. Since this is a clearly significant amount, there is a risk that the choice of trainers may be affected more by the price than the value of the service offered".

"Finally, on the international front," said Massimo Carboniero, "in order to support the recovery of orders which began in 2017, it could be useful to fine-tune the new Law on Cooperation, which allows individuals also to participate in Italian co-operation-related projects, but whose current version makes it difficult for SMEs to apply".

ACIMALL

Woodworking machines and systems used in the furniture industry continue to show good signs of recovery. This is the trend that emerged clearly from the draft report drawn up by the Research Office of Acimall, the Confindustria member association that represents businesses in this industry in Italy. According to data released in the last few days of 2017, the value of production has reached € 2.29 billion, 11.6% higher than the previous year. Exports record an excellent performance, rising 7.1% to € 1.6 billion compared to 2016. Among our best ten customers, the United States is in the lead, having purchased Italian woodworking technology worth € 165.5 million. They are followed by Germany (€ 105.8 million), Poland (€ 102.4 million) and France (€ 92.5 million). The value of imports also increased (€ 199 million, 10% higher than the previous year). The domestic market is also continuing along the road to growth, thanks to the investment support measures launched by the Italian Government in recent years, with clear expectations for further progress in both the short and medium term. In 2016, Italian 'consumers' of woodworking machines invested € 743 million, which became € 894 million (a further € 140 million) in 2017. Everything seems to indicate that 2018 may see a domestic market that is close to one billion euro: a new record after reaching € 900 million in 2001. The data that has emerged from traditional economic status surveys undertaken by the Acimall research office also favours a rosy future, with fourth quarter 2017 closing with an increase in orders of 36.8%, as compared to the same quarter in 2016 (it was 42.9% in the period July-August compared to the same period in the previous year). This figure is the sum-total of the results made on orders from overseas, which grew by 35.2% (51.5% in the previous quarter) and excellent performance in Italian demand, 49.5% higher than the October-December 2016 period (it was +19.7% in the second quarter).

2017 TRENDS

For the third consecutive year, the Biesse Group closed with a record turnover of € 690 million; the fourth quarter strengthened the positive trend already seen during the year, both in terms of turnover (amounting to € 192 million) and economic profitability, and with a strong Net Financial Position (equal to € 30.4 million) resulting from a significant cash flow generation.

As concerns the machine tools order intake, an overall increase of approximately 17.5% was recorded at the end of 2017 (€ 597 million compared to € 508 million of the previous year), with a Group backlog at the end of December 2017 of around € 215 million (approximately +31% over of 2016).

As regards sales volumes, Group revenue amounted to € 690,120 thousand at the end of 2017, reporting an increase of 11.6% compared to the previous year.

Normalised EBITDA totalled € 89,452 thousand, up by € 13,607 thousand compared with the previous year (+17.9%). EBIT improved in the current year as well, rising by € 8,543 thousand (€ 63,606 thousand in 2017 compared to € 55,062 thousand in 2016). As a percentage of revenue, it increased from 8.9% to 9.2%. If we analyse segment reporting, in 2017 the Mechatronics Division recorded an excellent result in percentage terms (+13.7% compared to 2016) due to the increase in sales volumes, 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 Wood Divisions too performed outstandingly in percentage terms, continuing their growth trend in terms of volumes (+12.7% and + 8.6% compared to 2016, respectively) and profits.

The geographical breakdown of sales compared to the previous year period showed a particularly positive performance for East Europe (+18.9%), accounting for a larger share of consolidated turnover (from 12.6% to 13.4%).

The Asia-Pacific area also indicated a good performance (+18.9%), while Western Europe recorded a significant 10.1% increase, confirming its position as the Group's baseline zone. Finally, the Americas show an increase of 1.9 percentage points. It is also noted that the Group results were negatively affected by "non-recurring events and impairment losses" for a total of € 3,275 thousand. This was due to phase-out effects, extraordinary costs incurred in the Australian branch, non-recurring personnel expense incurred in the Chinese and Indian production subsidiaries, and the impairment of development costs relating to projects no longer deemed strategic. The year before, these events had negatively affected the operating profit for a total or € 1,279 thousand. As in the income statement of the previous years, in order to make the impact during the year clearer to understand, these events were reported in a separate line of the reclassified income statement in the Directors' Report.

On the financial position front, net operating working capital recorded a decrease of € 28.2 million, which was attributable to good momentum in collections, leading to a reduction in trade receivables (by around € 9.4 million) and an increase in inventories (equal to roughly € 12.4 million). These movements were partially offset by an increase in trade payables (€ 31.3 million).

As at 31 December 2017, the Group's Net Financial Position amounted to € 30.4 million, up by € 34.4 million compared to 30 June 2017 and € 39.5 million compared to 30 September 2017. 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 € 35.2 million) which at the end of 2017 generated a net financial position, also net of dividends paid (cash-out of over € 9.8 million) and investments made. Compared to last December, the Net Financial Position was up by € 25.4 million overall.

CONSOLIDATED NON-FINANCIAL STATEMENT

The Consolidated Non-Financial Statement (hereinafter referred to as 'NFS') of BIESSE Group (hereinafter also referred to as the 'Group') has been prepared in accordance with Italian Legislative Decree no. 254 dated 30 December 2016. The NFS reports on environmental, social and staff-related issues, as well as the respect for human rights, the fight against active and passive corruption (hereinafter also referred to as the 'Decree scope') and additional issues identified through a materiality analysis process as being material for Biesse.

The NFS is published in a separate and specific document. It refers to the financial year ended 31 December 2017 and includes data from the parent BIESSE S.p.A. and the wholly-owned subsidiaries. In regard to this, reference should be made to the paragraph 'scope of consolidation' in the notes to the Consolidated Financial Statements. The NFS was approved by the BIESSE S.p.A. Board of Directors on 12 March 2018 and is subject to review by the appointed auditors.

MAIN EVENTS

JAN

Intermac America exhibited its hi-tech products at StonExpo Marmomacc Americas, held in Las Vegas from 18 to 20 January. At the Mandalay Bay Convention Center the Intermac stand had working versions of the Master 38 machining centre and the 5-axis JET 625 by Donatoni, an outstanding partner of the group. On 27 January at the Biesse Campus in Pesaro the one2one event Integrated Automation on CNC took place, a meeting dedicated to the manufacturers of furniture and contract manufacturers of shaped panels, as well as to companies looking for innovative solutions for the loading and unloading of heavy panels.
From 23 January to 3 February, the Biesse Campus in Pesaro hosted the Academy weeks, to allow partners and subsidiaries, above all, to discover and experience Biesse innovation. The annual event allows colleagues to take part, through an innovative formula, in continuous training, to receive updates on the innovations in Biesse products and on the last year news, taking part in seminars and discussion panels.

FEB

From 22 to 24 February the Distributor 2.0 dealer meeting was held in Pesaro, an event with a highly innovative formula, which was designed by Biesse in order to listen to its strategic partners and organised to facilitate interaction and the exchange of knowhow and successful experiences among professionals from around the world.
On the same dates, the subsidiary Biesse Iberica exhibited its technologies at the Promat fair in Valencia, dedicated to materials, technologies and solutions for interior design and architecture projects. In the Biesse stand, customers and visitors were able to see the flexible and innovative Made in Biesse technological solutions, with a focus on the residential building and construction sector. On 28 February, the Board of Directors of Biesse S.p.A. approved the updating of the business plan for the three-year period 2017-2019.

MAR

From 1 to 4 March Biesse India took part in Delhiwood at India Expo Center, the main Indian fair dedicated to hi-tech solutions for the woodworking sector, exhibiting machines that meet the requirement for "Affordable High-tech Solutions". The four days of the fair allowed Biesse to show the latest technological innovations for the processing of panels and solid wood, and more besides. One of the main innovations was the presentation of the Cabinet software to manage production, a solution of great interest for customers and visitors 450 square meters in surface area, 10 machines exhibited, including CNC, solutions for sizing, drilling, edgebanding and sanding. Holding centre stage was Skipper V31 for drilling, which will be manufactured in the Biesse Group factory in India. In addition, at the exhibition Biesse announced the forthcoming inauguration of the new factory near Makali, in Bangalore, which will allow to increase the production area to more than 20 thousand square metres.
From 7 to 9 March Biesse took part in the Woodshow trade fair in Dubai with a larger exhibition space and a wider range of technologies compared to previous editions. By way of confirmation of the Group's particular attention to the Middle East, during the fair the ambitious project of the Biesse Group Campus in Dubai was presented, a project aimed at providing all the necessary support to customers in this important geographic area.
From 14 to 16 March Biesse solutions for advanced hi-tech materials were on display at Jec World 2017 in Paris, the international exhibition dedicated to the whole segment of composite materials, from raw materials to machines for the transformation of finished products. This event shows that Biesse renewed its range of technologies for advanced materials, with ad-hoc solutions for a growing sector, offering its customers a complete and integrated range of machining centres, sizing centres, waterjet cutting systems and sanding machines for all the stages of processing. In addition, again with specialist technologies for the processing of advanced materials, Biesse took part in the Mecspe trade fair in Parma from 23 to 25 March.
Diamut and Intermac opened the doors for Inside Intermac "Stone Edition", the event dedicated for the first time exclusively to the working of stone, stone materials and ceramics, once again alongside Donatoni Macchine. From 16 to 18 March the Inside Intermac "Glass edition" event took place for solutions dedicated to the working of glass. In addition, Intermac exhibited its hi-tech innovations at the Intec trade fair in Leipzig in Germany from 7 to 10 March and at the Izmir trade fair in Turkey from 22 to 25 March.
Biesse was present at the Fimma trade fair in Brazil from 28 to 31 March in collaboration with the local dealer. On the same dates, the Group 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.


BIESSE GROUP
BIESSE GULF - FZE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GIANCARLO SELCI,
FOUNDER OF BIESSE GROUP.
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06
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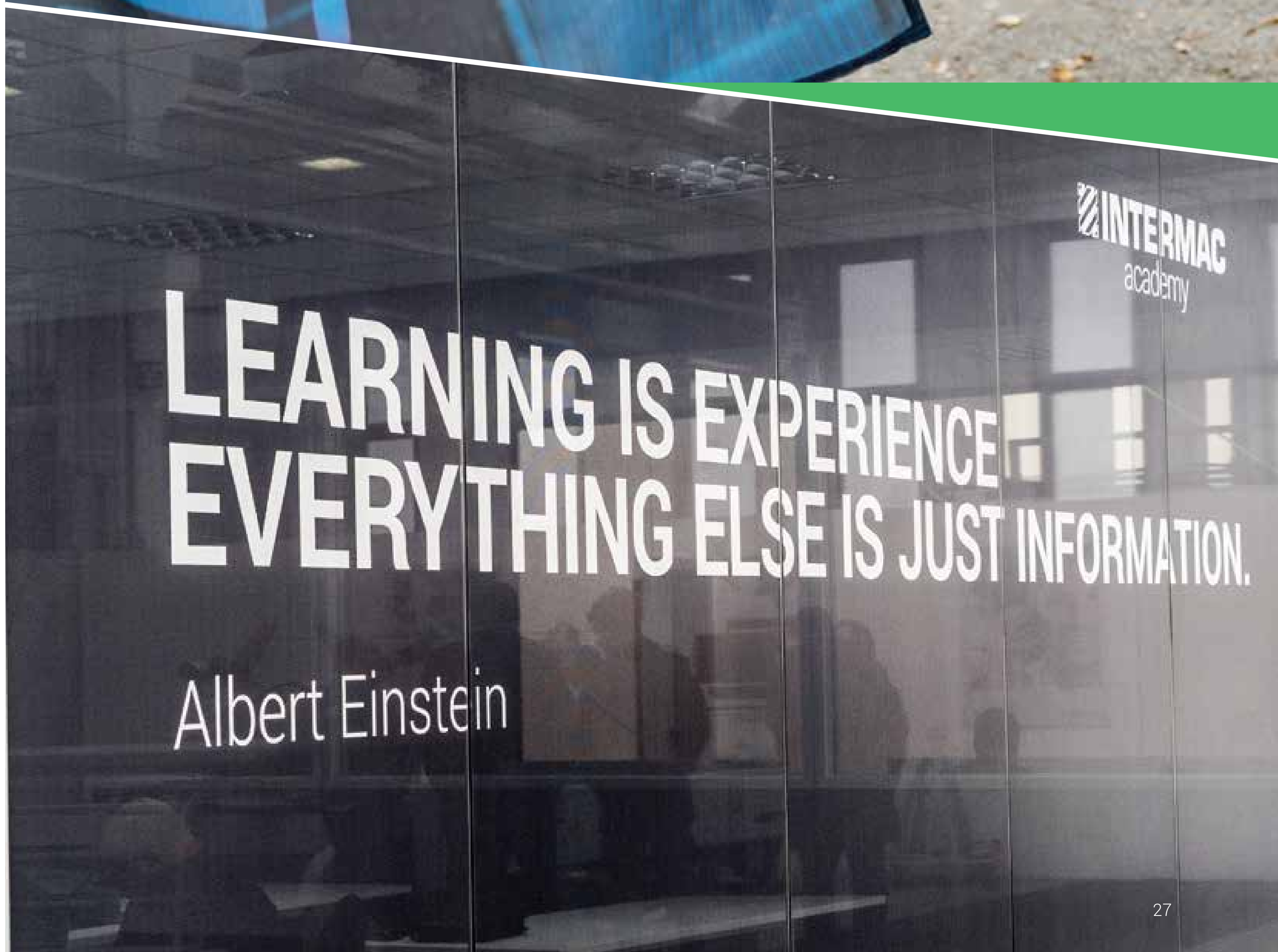
APR

The one2one Advanced Material event held at the Biesse Triveneto branch included three days dedicated to plastic and advanced materials processing, as well as an area entirely given over to Uniteam technologies. From 19 to 21 April, the one2one Solid Wood event was held at the Biesse Campus in Pesaro, dedicated to the world of solid wood in its universal use, which also staged the first ever seminar on Biesse Housing solutions, with special guest Casa Clima. Biesse Schweiz organised an open house, opening up the doors of its office to its current and potential customers from 27 to 29 April.
Thanks to two important collaborations with customers in the world of glass and wood, Biesse Group successfully took part in the 2017 Design Week, which saw Milan become a world capital of furnishing and design from 4 to 9 April. Having teamed up with Fiam, it was present at the Salone del Mobile with its "Ghost 30th Anniversary" project, created to celebrate 30 years of the icon international design armchair, developed thanks to the technological solutions produced by Intermac. It is a matter of great pride that Biesse Group took part in this project, which combines technology, design and social issues. In fact, the mini Ghosts developed as part of the project by internationally famous designers will be put up for auction and the profits allocated to support the populations struck by the earthquake in Central Italy. We would also remind you of the institutional presence of the group at the Fuorisalone, together with Wood-Skin in the location of Ventura Lambrate, a temporary design district given over entirely to Innovation, design and experimentation.
Among the most important participations during this month, from 4 to 7 April Intermac America was present at the Coverings Expo fair in Orlando, the most important stone sector appointment in North America, exhibiting, at centre stage, the Master 38 machining centre. On these same dates, Biesse France showed off its technology for the processing of plastic and composite materials at the Industrie Lyon fair. From 8 to 12 April, it took part in the Izwood fair, one of the most important sector events in Turkey, and from 20 to 22 April in ISA Sign Expo, held in Las Vegas with a focus on technologies used to process plastic and composite materials. Finally, from 25 to 27 April, Intermac UK exhibited at the 25th edition of the Natural Stone Show in London, flaunting its innovative technological solutions for stone processing.
Biesse Group then exhibited for the first time at the Hannover Messe trade fair, the world's most important showcase for innovation, with a technological solution displayed on the Accenture stand from 24 to 28 April. The joint participation in Hannover Messe is the next step in a partnership embarked on with Accenture, for the development of an IoT project, which will allow group customers to generate even more value from industrial machines, offering customers new functions and creating a solid range of evolved digital services. The Milan Technology Hub fair set the stage for the third dimension from 20 to 22 April: Biesse Group teamed up with Indexlab and Wood-Skin to unveil the Arches project, a 3-metre tall structure comprising 202 different two-dimensional elements assembled together.
Biesse Group also had a great many HR appointments: Contamination Lab of the Marche Polytechnic University stopped off at the Pesaro Campus, with students of agriculture, economics, engineering, sciences and medicine. The project stems from the initiative promoted by MIUR (Ministry for Education, University and Research), which envisages a cross-contamination of the academic world and social-economic system, with a view to promoting culture. The Assessment Days continue to run for talented young graduates, meeting the Biesse Group for the very first time. A staff selection technique, focused on assessing potential and personal aptitudes, uses different individual and group tools, such as simulations, tests and drills, through which selectors can record the behaviour of candidates in order to assess their skills, capacities, motivation and attitudes, a real opportunity to test competences and invest in the future.
At their ordinary meeting held on 28 April 2017, the Shareholders of Biesse S.p.A. approved in second call the 2016 Separate and Consolidated Financial Statements, both prepared in accordance with IFRS. The Shareholders also resolved to distribute a € 0.36 dividend per share in light of the positive results achieved in 2016 (ex-dividend date scheduled for 8 May 2017 – record date 9 May 2017), paying a total of € 9,857,895,12 – excluding treasury shares.

MAY

From 22 to 26 May Hannover hosted the Ligna trade fair, the most important biennial appointment in the wood sector. The great flow of visitors to the stand, which covered more than 5,000 square meters, and the satisfaction shown by customers, the press and partners were an important and gratifying response to the investments made by the Group to develop increasingly efficient services, offer increasingly innovative products and strengthen its experience in global markets. "This edition made us particularly proud of the innovations presented by Biesse" said Federico Broccoli, Wood Division Director/Sales and Branch Division Director. "The layout of our stand was entirely based on the 4.0 concept with interconnected technologies that offer customers the significant benefit of reducing production times and creating efficiency". The interest aroused by the Machines Knowledge Center and by the renewed bSuite bears witness to how strongly customers need products and services that can revolutionise traditional production areas. The first is a new platform developed in collaboration with Accenture that guarantees a series of features and services for obtaining more value from the machines; the second is a software suite made in Biesse that makes the most advanced technology accessible to anyone. Over the 5-day trade fair, 4,500 visitors from all around the world visited the Biesse stand, generating € 45 million worth of incoming orders, 35% of which are 4.0 lines. Never before had



the Group achieved such figures at any trade fair.
From 17 to 20 May Intermac took part in Lamiera, the trade fair dedicated to the metalworking industry, and presented a range of 4.0 ready solutions to turn the factories belonging to our customers into true "smart factories". Intermac Commercial Director Franco Angelotti commented: "The participation of the company in the Lamiera trade fair certainly represents a major positive for Intermac, and interest in our company's technologies has been confirmed by a steady influx of visitors, welcomed by a team of staff that has recently been strengthened even further, with new members engaged with a view to responding fully to the growing demands we receive from the market. Intermac solutions for the metal processing industry are extremely versatile, and are therefore widely used across many sectors, and are perfect for both small-scale artisan applications and large industrial companies".
Middle East Stone, which is now in its third edition, took place from 22 to 25 May at the Dubai World Trade Centre, hosting over 300 companies and international brands from the natural stone, marble and ceramics industry. Intermac, by its participation at this event, showed its desire to strengthen its presence in this fast-growing market. From 24 to 27 May Intermac also took part in China Glass in Beijing with specific solutions for the Chinese market, an excellent showcase for presenting solutions tailored to the needs of the Chinese market.

JUN

In June, the Group took part in a number of small events, such as roadshows at resellers, tech tours at the Campuses around the world and collaboration with universities and training institutes, hosting meetings at the Headquarters in Pesaro. On 16 and 17 June, the Biesse and Intermac Inside took place in Dongguan in China. Over 100 visitors from 50 companies visited our showroom to discover the technological innovations for working wood, glass and stone. From 13 to 16 June Biesse France took part in the FIP trade fair in Lyon, the key event in France for the plastic materials sector, showing the Group's strong investment in this growing sector.
An institutional event worth mentioning was the charity dinner "A new school for Cascia" organized in collaboration with Fiam Italia together with Fondazione Mediolanum Onlus in favour of Fondazione Francesca Rava - NPH Italia Onlus to support the school rebuilding program in central Italy following the earthquake, in particular a school for 60 children in Cascia. The event saw the participation of numerous guests and partners, who actively contributed to the fund-raising, thus giving even more value to the solidarity project. Numerous institutions and guests took part, such as Foreign Minister Alfano who opened the evening, followed by speeches by the Chief Executive Officer of Fiam Italia, representatives of the Selci family, Fondazione Mediolanum Onlus and Fondazione Francesca Rava. This project coincided with the 30th anniversary of Fiam's Ghost chair and with the 30th anniversary of Intermac, the Biesse Group division that specialises in technologies for working glass that can assist in the creation of outstanding products, such as the iconic Ghost. This is a bond which goes beyond business, a date on which to meet and promote solidarity, inviting numerous partners from the local area to contribute to the cause.

JUL

On 9 and 10 July, the Inside event of Biesse China took place in Guangzhou dedicated to Biesse and Intermac technological innovations, with a focus on solutions for automation and the opportunities offered by the 4.0 industrial revolution.
In July, the Headquarters hosted the meeting of Assiot and Assofluid, which was designed to examine, through discussion with the main players in the user sectors, the trends that characterise technological development in the sector of mechatronics for power transmission and automation. The Tech Tours from Turkey, Israel and Poland took place in Pesaro and gave visitors insight into the types of technology, the possibility to visit our factories and to see our systems installed at customers' premises. In addition, the Headquarters was the focus of a training trip undertaken by students of the German Berufsakademie Melle university, who visited our company to see and touch at first hand Biesse-branded technologies, enriching their theoretical know-how with a full-immersion experience.
The AWFS trade fair took place from 19 to 22 July, and the Biesse America and Biesse Canada branches enjoyed great success and an excellent level of order intake. The edition was focused on the global launch of Sophia, the Biesse platform, created from an IIoT pilot project, which now enables customers to enjoy a wide range of services in order to optimise their asset management. "We can provide efficient add-ons to give added value to our machines. IoT is a new world for our industry. Our vision for IoT is to become more predictive of our customers' needs and anticipate all requirements for support. We want to deliver the new power to our customers to give them a tangible competitive advantage," said Federico Broccoli, Branch Division Director and Wood Division Director/Sales.
On 27 July 2017 Biesse S.p.A. signed an agreement to acquire 60% of the shares of MOVETRO S.r.l., which operates in the production of flat-glass storage and movement systems and is based in the province of Padua. This transaction will enable the Glass & Stone Division to extend the offer of products to high-end customers and to integrate Systems projects. The contract envisages the payment of € 2.7 million (Biesse S.p.A. has already paid the entire amount). The contract also envisages the granting of a put option in favour of the sellers and a call option in favour of the buyers on the remaining 40% stake. The put option cannot be exercised before 31 July 2022 and after 31 December 2025, while the call option cannot be exercised before 31 July 2025 and after 31 July 2028. The consideration for the two options will be calculated on the basis of the multipliers of some financial statement figures of the company being acquired.
On 27 July 2017, a newco was set up called Montresor & Co. S.r.l. (with a 90% stake held by Biesse S.p.A. and 10 % by Donatoni Macchine S.r.l.) whose purpose is the acquisition of Montresor & C. S.r.l., which is based in the province of Verona and manufactures edge polishers machinery (glass and marble). The acquisition was completed on 3 August 2017 with the payment of the first tranche of 65% of the agreed price (€ 4.8 million, net of payables due to employees, payments on account and/or guarantee deposits and the estimate of the inventories bought). In the agreements among the members of the newco (Montresor & Co. S.r.l.), the possibility is envisaged for the non-controlling stakeholder Donatoni to undertake a share capital increase for a further 30% to reach a 40% stake. The payment of the remaining 35% should take place by the end of 2017.

AUG

Biesse technologies for drilling, edgebanding and nesting were the protagonists at Kofurn, the main South Korean trade fair in the sector that was held from 30 August to 3 September in Seoul. This included the public launch of the new Rover S FT machining centre together with the Stream A edgebanding machine and the Skipper 100 and V31 drilling machines. There was also space for the software modules bSolid and bCabinet.

SEP

Intermac and Diamut were among the companies starring at the fifteenth edition of the Glassbuilt trade fair, which was held from 12 to 14 September in Atlanta, USA. A presence which enabled visitors to see the performance of the best machining centres and the technology of Genius cutting benches, as well as the range of diamond tools for the glass industry, which completed the product offer available to customers.
Intermac took part together with Donatoni and Montresor in the Marmomac trade fair from 27 to 30 September in Verona, with an exhibition area that was among the biggest at the whole event. The realisation of the smart factory, the implementation of automation in delivering a decisive change to optimising processes, a complete customer care offer: these are the ambitious goals with which Intermac and Donatoni Macchine marked out their innovation journey.
Among the events were the open house of Biesse Triveneto, which opened its premises to customers to show the opportunities offered by the Smart 4.0 factory. An event dedicated to solutions integrated with digital technologies.
In order to innovate and grow, it is important to plan. The leaders of Biesse Group from around the world met at the subsidiary in North America for the 2017 edition of the Subsidiaries Meeting. A week focused on assessments, analyses and planning so that every leader of a subsidiary can influence its future development, with a fully customer-focussed vision.

OTT

4.0 ready machines and Digital Manufacturing: Intermac at Vitrum 2017 revealed the factory of the future that everyone can use. The appointment with Vitrum, one of the most important trade fairs for the glassworking sector, happens every two years in Milan. Intermac presented solutions aimed at all manufacturing companies, from big players with high levels of production, to companies that need batch-one production, to small specialist companies. In a surface area of over 800 sq.m. all the Intermac technologies were on display, from new Master machining centres, to solutions for cutting in the Genius range, the waterjets of the Primus range and Vertmax, the vertical machining centres designed for maximum versatility. Integrated machinery that enables the optimisation of the manufacturing process, reducing costs and improving our customers' daily work, taking them into the era of "Digital Manufacturing". Diamut confirmed its technological and innovation leadership with all visitors, highlighting the latest innovations that have been developed. The products were not only on display, but also in operation in the demo area where processing was undertaken by tools under the careful gaze of our experts.
From 11 to 13 October Biesse took part in the Visual Impact trade fair in Sydney, Australia, one of the most important

events in the world of plastic and advanced material working. In addition, again in October it took part in the Wood Processing Machinery trade fair in Tuyap with 26 machines over 1,500 sq.m., with 75 Biesse experts to support customers and visitors.
From 16 to 20 October the Headquarters in Pesaro hosted the second edition of the Finance Meeting aimed at people who work in the finance area of Biesse worldwide. A working week focussed on the issue of "Change" with a rich program of workshops, roundtables and lessons. Two valuable external collaborations enriched everything. On the one hand, the volleyball player Jack Sintini motivated and moved the audience with a speech focussed on the importance of being a team and setting objectives in order to react to change. On the other, during a day spent at the San Patrignano Community, the issues of corporate social responsibility were addressed with the possibility of seeing close up another example of being positive, paying back and changing.
From 19 to 21 October, 4000 customers from all over the world took part in the now well-established annual appointment which is a reference point in the sector for the working of wood and hi-tech materials, Inside Biesse, at the Headquarters in Pesaro. The event was met with great satisfaction from national and international representetives and ended with a +29.2% rise in orders received compared to the previous year. Also, the seminars aroused great interest, in particular the presentation of SOPHIA, the Biesse new service platform developed in collaboration with Accenture, with a speech by Jean Cabanes, Lead Industrial Equipment Global at Accenture and a senior figure in the Industry 4.0 field. There were also numerous demos requested for B_AVANT, the BiesseSystems supervisor for the integrated and efficient management of production plant, based on machining needs.

NOV

Biesse Middle East opened the **new Campus** in Dubai, a leading-edge centre for technology and training which is unique in the region and which immediately lets us provide our customers with excellent service and support, directly on site. A three-day event, from 7 to 9 November, aimed at customers, visitors and partners launched the new structure to show close up the Made in Biesse hi-tech solutions and allow to meet our experts. Following the inaugural event, the showroom dedicated to machines for working wood, glass, stone and hi-tech materials continues to be constantly available for demonstrations of the permanently present technologies. An area of the new premises is completely dedicated to servicing and spares, enabling the hosting of training for staff and customers.
In Stuttgart, Germany, the **Blechexpo** fair was held at which Intermac presented Primus 322, the ideal solution for companies that require maximum productivity to cut any type of material, enabling a high level of flexibility in planning. **Viet** presented SV, a complete solution for deburring, rounding and satin finishing which guarantees an effective result both on external borders of the piece and in bores or pockets, even of small size.
Also important are the investments in the Russian market, with the new premises inaugurated last year and active participation in relevant trade fairs. At Woodex, which took place in Moscow from 14 to 17 November, the company displayed on a stand of 600 square meters 8 machines, including machining centres, edgebanding machines, sanding machines and sizing centres, to show customers how Biesse solutions can increase their competitiveness, reducing costs, improving work and optimising processes.

DIC

The month of December saw completion of the first edition of **Future Lab**, the training project dedicated to the young talents in Biesse Group, which saw around 100 new hires over the recent years, all protagonists of an important opportunity for growth. Discussion and training days were held on the topics of project management and leadership, and these were alternated with time dedicated to hearing the professional expectations, motivations and ambitions of each individual. The project's objective is to design personal plans for development of skills and professional growth within the company.
At the beginning of December, the **Zak Glass Technology Expo** was held. The 15th edition of the trade fair was held in Mumbai, India. Genius CT-A was shown at the fair, presenting the float glass cutting table which guarantees maximum performance, reliability and durability, thanks to quality components and technological solutions: maximum machining precision thanks to cutting-edge software that is easy to use.
In the same period, Intermac technology was shown at **Rocalia** in Lyon, in tandem with partner Donatoni. The Master 33.3 machining centres were shown, with Waterjet technology installed on the Primus range and the Donatoni JET 625. The Donatoni product has become the best seller in this category, thanks to the combination of its state-of-the-art technology and Intermac's extensive distribution network. Diamut was also on the stand, completing the offer available to our customers with its own line of high-tech diamond tools for the stone and synthetic materials industries.
On 21 December 2017, 30% of Biesse S.p.A. shareholdings were transferred to Donatoni Macchine S.r.l. The liquidation of Montresor & C. S.r.l. took place at the same time.

INCOME STATEMENT HIGHLIGHTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 HIGHLIGHTING NON-RECURRING ITEMS

EURO 000'S	2017	% OF SALES	2016	% OF SALES	CHANGE %
Revenue from sales and services	**690,120**	**100.0%**	**618,489**	**100.0%**	**11.6%**
Change in inventories, wip, semi-finished products and finished products	15,387	2.2%	12,649	2.0%	21.6%
Other Revenues	4,669	0.7%	3,548	0.6%	31.6%
Revenue	**710,175**	**102.9%**	**634,686**	**102.6%**	**11.9%**
Raw materials, consumables, supplies and goods	(285,501)	(41.4)%	(257,726)	(41.7)%	10.8%
Other operating costs	(136,067)	(19.7)%	(124,564)	(20.1)%	9.2%
Normalised added value	**288,607**	**41.8%**	**252,396**	**40.8%**	**14.3%**
Personnel expense	(199,155)	(28.9)%	(176,551)	(28.5)%	12.8%
Normalised gross operating profit	**89,452**	**13.0%**	**75,845**	**12.3%**	**17.9%**
Depreciation and amortisation	(19,904)	(2.9)%	(17,858)	(2.9)%	11.5%
Provisions	(2,668)	(0.4)%	(1,645)	(0.3)%	62.2%
Normalised operating profit	**66,881**	**9.7%**	**56,341**	**9.1%**	**18.7%**
Impairment losses and non-recurring items	(3,275)	(0.5)%	(1,279)	(0.2)%	-
Operating profit	**63,606**	**9.2%**	**55,062**	**8.9%**	**15.5%**
Net financial expense	(1,859)	(0.3)%	(1,534)	(0.2)%	**21.2%**
Net exchange rate losses	(1,017)	(0.1)%	(1,144)	(0.2)%	(11.1)%
Pre-tax profit (loss)	**60,730**	**8.8%**	**52,385**	**8.5%**	**15.9%**
Income taxes	(17,992)	(2.6)%	(22,921)	(3.7)%	(21.5)%
Profit (Loss) for the year	**42,738**	**6.2%**	**29,464**	**4.8%**	**45.1%**

In 2017, **Revenue from sales and services** amounted to € 690,120 thousand, compared with € 618,489 thousand in 2016, up by 11.6% over the previous year.

The breakdown of sales by segment shows the significant increase in the Mechatronics Division (13.7% compared to 2016), from € 86,622 thousand to € 98,503 thousand; the division slightly increased its share of Group sales (from 14% to 14.3%). The performances of the other Divisions show in turn significant increases compared to 2016. To be more precise, the Glass & Stone Division recorded the highest increase with +12.7%, whereas the Wood and Tooling Divisions reported +8.6% and +10.4%, respectively.

The geographical breakdown of sales compared to the previous year showed a particularly positive performance for Eastern Europe (+18.9%), accounting for a larger share of consolidated turnover (from 12.6% to 13.4%). The Asia-Pacific area also indicated a good performance (+18.9%), while Western Europe recorded a significant 10.1% increase, confirming its position as the Group's baseline zone. Finally, the Americas show an increase of 1.9 percentage points.

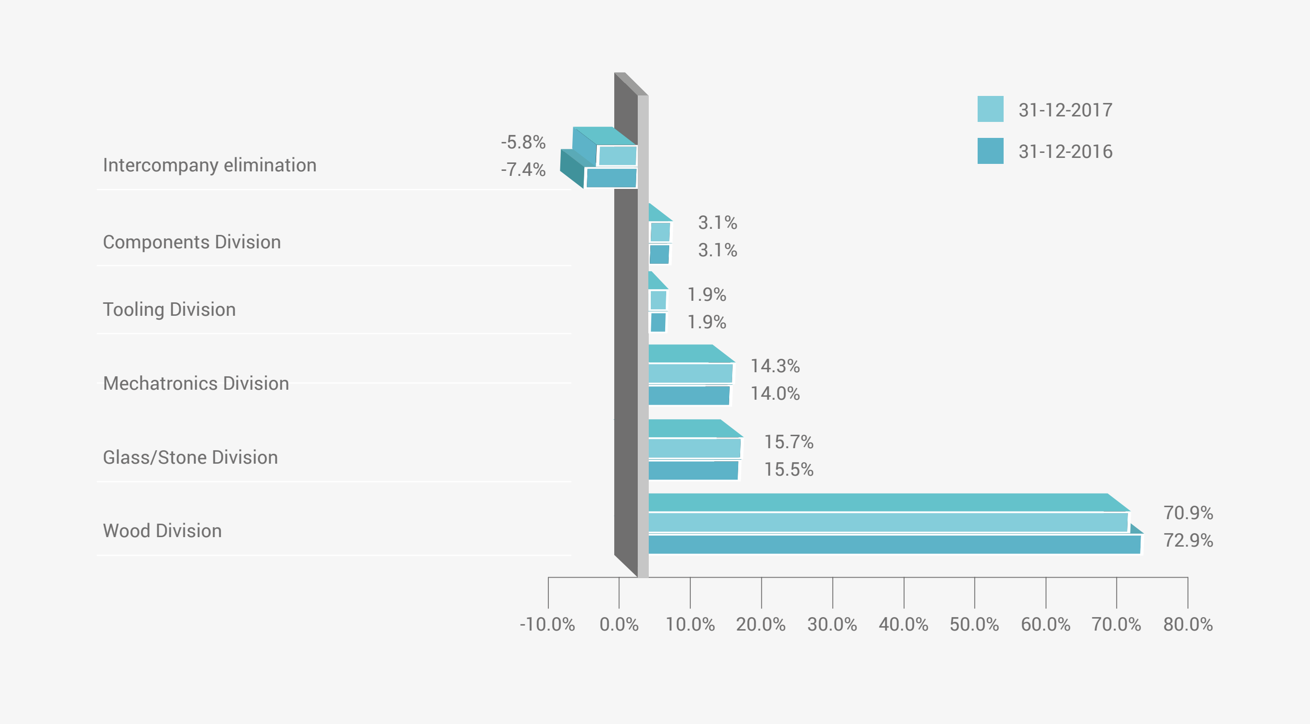
For further details on sales analysis, reference should be made to the following tables in the section concerning Segment Reporting.

INCOME STATEMENT RECLASSIFIED BY NATURE AS AT 31 DECEMBER 2017

EURO 000'S	2017	% OF SALES	2016	% OF SALES	CHANGE %
Revenue from sales and services	**690,120**	**100.0%**	**618,489**	**100.0%**	**11.6%**
Change in inventories, wip, semi-finished products and finished products	15,387	2.2%	12,649	2.0%	21.6%
Other revenue	4,669	0.7%	3,548	0.6%	31.6%
Revenue	**710,175**	**102.9%**	**634,686**	**102.6%**	**11.9%**
Raw materials, consumables, supplies and goods	(287,017)	(41.6)%	(258,979)	(41.9)%	10.8%
Other operating costs	(136,194)	(19.7)%	(124,564)	(20.1)%	9.3%
Added value	**286,964**	**41.6%**	**251,143**	**40.6%**	**14.3%**
Personnel expense	(199,311)	(28.9)%	(176,551)	(28.5)%	12.9%
Gross operating profit	**87,653**	**12.7%**	**74,592**	**12.1%**	**17.5%**
Depreciation and amortisation	(19,904)	(2.9)%	(17,858)	(2.9)%	11.5%
Provisions	(2,652)	(0.4)%	(1,645)	(0.3)%	61.2%
Impairment losses	(1,492)	(0.2)%	(26)	(0.0)%	-
Operating profit	**63,606**	**9.2%**	**55,062**	**8.9%**	**15.5%**
Net financial expense	(1,859)	(0.3)%	(1,534)	(0.2)%	21.2%
Net exchange rate losses	(1,017)	(0.1)%	(1,144)	(0.2)%	(11.1)%
Pre-tax profit (loss)	**60,730**	**8.8%**	**52,385**	**8.5%**	**15.9%**
Income taxes	(17,992)	(2.6)%	(22,921)	(3.7)%	(21.5)%
Profit (Loss) for the year	**42,738**	**6.2%**	**29,464**	**4.8%**	**45.1%**

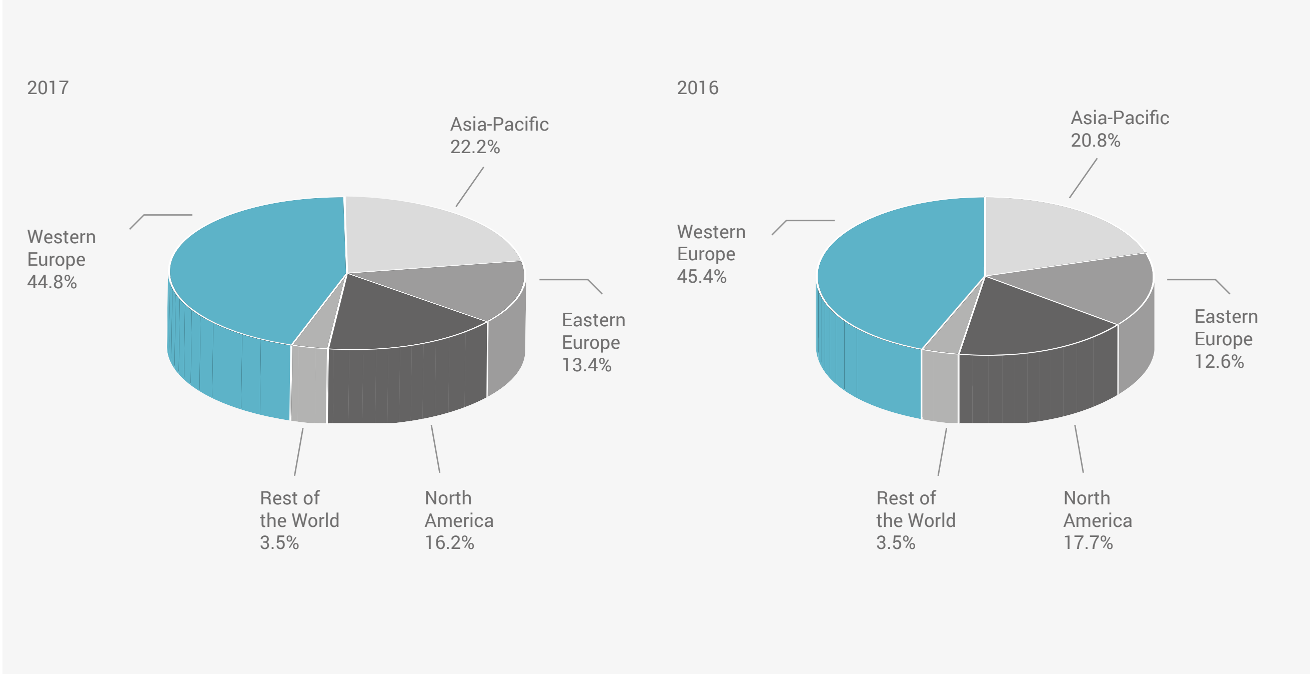
BREAKDOWN OF REVENUE BY OPERATING SEGMENT

EURO 000'S	2017	%	2016	%	CHANGE %
Wood Division	489,189	70.9%	450,605	72.9%	8.6%
Glass/Stone Division	108,241	15.7%	96,040	15.5%	12.7%
Mechatronics Division	98,503	14.3%	86,622	14.0%	13.7%
Tooling Division	13,250	1.9%	12,006	1.9%	10.4%
Components Division	21,218	3.1%	19,139	3.1%	10.9%
Intercompany eliminations	(40,281)	-5.8%	(45,924)	(7.4)%	(12.3)%
Total	**690,120**	**100.0%**	**618,489**	**100.0%**	**11.6%**



BREAKDOWN OF REVENUE BY GEOGRAPHICAL SEGMENT

EURO 000'S	2017	%	2016	%	CHANGE %
Western Europe	309,211	44.8%	280,720	45.4%	10.1%
Asia-Pacific	153,158	22.2%	128,824	20.8%	18.9%
Eastern Europe	92,296	13.4%	77,633	12.6%	18.9%
North America	111,585	16.2%	109,497	17.7%	1.9%
Rest of the World	23,871	3.5%	21,813	3.5%	9.4%
Total	**690,120**	**100.0%**	**618,487**	**100.0%**	**11.6%**



The **Revenues** amounted to € 710,175 thousand, up by 11.9% compared to 2016 (€ 634,686 thousand).

The following table shows a breakdown of costs as a percentage of revenues.

EURO 000'S	2017	%	2016	%
Revenue	**710,175**	**100.0%**	**634,686**	**100.0%**
Raw materials and goods	285,501	40.2%	257,726	40.6%
Other operating costs	136,067	19.2%	124,564	19.6%
Service costs	118,137	16.6%	108,160	17.0%
Use of third party assets	10,745	1.5%	8,814	1.4%
Sundry operating expense	7,184	1.0%	7,590	1.2%
Added value	**288,607**	**40.6%**	**252,396**	**39.8%**

The normalised added value (totalling € 288,607 thousand), calculated as a percentage of the revenues, increased by 0.8% compared to the previous year (40.6% compared to 39.8%). The impact of raw materials and goods decreased (40.6% in the previous year compared to 40.2% in 2017). Other operating expense showed an increase in absolute terms compared to the previous year (€ 11,503 thousand), largely due to the item Service costs (which increased from € 108,160 thousand to € 118,137 thousand, up by 9.2%); their impact on the revenues decreased slightly. 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 2017, the normalised added value totalled € 288,607 thousand, up by 14.3% compared to last year (€ 252,396 thousand) and with an impact on revenue up from 40.8 % to 41.8%.

In 2017, **Personnel expense** amounted to € 199,155 thousand, compared to € 176,551 thousand in 2016, an approximate € 22,604 thousand increase in absolute terms and with an impact on revenue up by 0.4% compared to 2016.

The increase in absolute terms is mainly related to the fixed component of wages, salaries and social security contributions (+ € 19,983 thousand, +12.2% compared to 2016) 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 (+ € 1,395 thousand, +10.7%, on 2016) whereas the R&D capitalisation is up compared to 2016 (+ € 720 thousand, +7.4%)

The normalised gross operating profit was € 89,452 thousand (€ 75,845 thousand in 2016).

Depreciation and amortisation increased by 11.5% (from € 17,858 thousand to € 19,904 thousand) due to the policy to increase investments that has been implemented over the last few years in order to support the growth of operations. These increases involve both property, plant and equipment, the depreciation of which increased by € 1,067 thousand (from € 7,838 thousand to € 8,905 thousand, + 13.6%), and intangible assets, the amortisation of which increased by € 978 thousand (from € 10,020 thousand to € 10,998 thousand, + 9.8%).

Provisions amounted to € 2,652 thousand, increasing compared to the previous year (€ 1,645 thousand loss), largely because of the adjustment of the product warranty provision.

The **normalised operating profit** amounted to € 66,881 thousand, sharply improving on last year (€ 56,341 thousand), with a change in percentage terms of 18.7%.
Impairment losses and non-recurring items were negative to the tune of € 3,275 thousand, which is attributable to product phase outs, extraordinary costs incurred by the Australian branch, non-recurring personnel expense incurred by the subsidiaries in China and India and the write-down of development costs concerning projects no longer considered strategic

Consequently, **operating profit** amounted to € 63,606 thousand, up by 15.3% compared to the previous year (€ 55,062 thousand).
Net financial expense, amounting to € 1,859 thousand, was up by 21.2% compared to the previous year (€ 1,534 thousand).
Net exchange rate losses in 2017 were € 1,017 thousand (compared to € 1,144 thousand in 2016).

Pre-tax profit thus amounted to € 60,730 thousand.
The balance of **income taxes** was negative to the tune of € 17,992 thousand. This is attributable to the following factors: current IRES (Italian corporate income tax) and IRAP (Italian regional business tax) taxes amounting to € 12,986 thousand and € 3,015 thousand, respectively; provisions for income taxes relating to foreign subsidiaries (€ 4,045 thousand), taxes (positive € 1,412 thousand), other taxes (€ 11.3 thousand), and net deferred tax (€ 653 thousand).

The significant reduction in the tax-rate is mainly due to recognizing a tax benefit for the three-year period 2015-2017 in regards to the optional Patent Box scheme. In the month of December, the Group company HSD SPA actually signed a preliminary agreement with the Italian Revenue Agency for access to the subsidy in question, which allows for a share of the income deriving from use of intangible property to be excluded from taxation. The related effect is recognized under both current taxes for the year, and Prior-year taxes relative to previous years.
The Group therefore recorded a **profit for the year** of € 42,738 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Intangible assets	75,107	65,218
Property, plant and equipment	90,515	81,939
Financial assets	2,648	2,346
Non-current assets	**168,270**	**149,503**
Inventories	143,210	130,785
Trade receivables	119,380	128,748
Trade payables	(223,916)	(192,613)
Net operating working capital	**38,674**	**66,920**
Post-employment benefits	(13,456)	(13,746)
Provision for risk and charges	(10,405)	(11,994)
Other net payables	(35,617)	(44,998)
Net deferred tax assets	10,501	10,011
Other net liabilities	**(48,978)**	**(60,727)**
Net invested capital	**157,966**	**155,696**
Share capital	27,393	27,393
Profit for the previous year and other reserves	117,434	102,656
Profit (Loss) for the year	42,558	29,384
Non-controlling interests	952	290
Equity	**188,337**	**159,723**
Bank loans and borrowings and loans and borrowings from other financial backers	49,050	42,354
Other financial assets	(519)	(87)
Cash and cash equivalents	(78,902)	(46,295)
Net financial position (1)	**(30,371)**	**(4,027)**
Total sources of funding	**157,966**	**155,696**

The increase in the item intangible assets (around € 9.9 million) 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 € 14,443 thousand (€ 9,241 thousand in 2016). In addition, around € 1 million investments are recorded for the implementation of the ORACLE software in the Group's subsidiaries.

Compared to 31 December 2016, net property, plant and equipment increased by approximately € 8.6 million. Besides the amounts concerning the regular replacement of work equipment, the Group bolstered the HSD America branch (for the purchase of the new building) by a total € 1.2 million.

On the financial position front, net operating working capital recorded a decrease of € 28.2 million, which was attributable to good momentum in collections, leading to a reduction in trade receivables (by around € 9.4 million) and an increase in inventories (equal to roughly € 12.4 million). These movements were partially offset by an increase in trade payables (€ 31.3 million).

NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2017	30 SEPTEMBER 2017	30 JUNE 2017	31 MARCH 2017	31 DECEMBER 2016
Financial assets:	79,421	60,029	44,099	49,510	46,755
Current financial assets	519	14	15	(587)	461
Cash and cash equivalents	78,902	60,015	44,084	50,097	46,295
Short-term financial lease payables	(199)	(31)	(59)	(111)	(111)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(29,086)	(24,238)	(21,430)	(37,140)	(35,035)
Short-term net financial position	**50,136**	**35,760**	**22,610**	**12,259**	**11,609**
Medium/Long-term financial lease payables	(1,060)	(2,183)	(23)	-	(43)
Medium/Long-term bank loans and borrowings	(18,705)	(24,372)	(26,438)	(7,305)	(7,539)
Medium/Long-term net financial indebtedness	**(19,765)**	**(26,554)**	**(26,460)**	**(7,305)**	**(7,582)**
Total net financial position	**30,371**	**9,205**	**(3,851)**	**4,955**	**4,027**

As at 31 December 2017, the Group's Net Financial Position amounted to € 30.4 million, up by € 34.2 million compared to 30 June 2017 and € 21.1 million compared to 30 September 2017. 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 € 35.2 million) which at the end of 2017 actually generated a positive financial position also net of dividends paid (cash-out of over € 9.8 million) and investments planned. Compared to last December, the Net Financial Position was up by € 26.3 million overall.

MAIN 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, financial position and cash flows are affected by the general conditions and trends 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 of operations and financial position.
All of the Group's revenue 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 products 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 Group'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 SUPPLIERS
The Group purchases raw materials, semi-finished products 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 affect 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 2017, 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 recognized net of impairment losses calculated based on 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. The exposure to currency risk is mainly linked to differing geographical distribution in commercial activities, which leads to having cashflows from exports nominated in currencies different to that of the production region. In particular, the Biesse Group is primarily exposed on net exports going from the Eurozone to other currency areas (mainly US dollar, Australian dollar, British pound, Swiss franc, Indian rupee, Hong Kong dollar and Chinese yuan). In order to keep improving performance in managing currency risk, and to be increasingly consistent in the way it is reported in the accounts, the Biesse Group has adopted a new Currency Risk Management Policy. It is aimed at establishing, among other things, stringent rules for tackling and mitigating risk related to 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 a positive 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 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".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CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. complies with the principles set out in the Code of Conduct for Listed Companies and the international best practices. The Board of Directors approved on 12 March 2018 the Corporate Governance and Ownership Structure Report pursuant to Article 123-bis of the 2017 Consolidated Finance Act.
This Report is published on the Parent's website 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 at 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 Parent's Committees (Control and Risks Committee, Related Party 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.

2017 RESEARCH AND DEVELOPMENT ACTIVITIES

WOOD DIVISION – BIESSE BRAND

TFS SEEDXP
Site for developing and updating the SW platform and libraries.

TFS THMI
Site for developing and updating the interface features installed on the machines.

INSIDER M FTB 1300
In 2017, the Insider M KT technical, mechanical and electrical project was completed.

TECHNO LINE BT FDT MN AND CN
In 2017, the detailed project of the Techno FDT linear drilling machine was changed in order to further improve the control features and provide for the software and hardware platform for the interface and management of the in-line integrated machine and "Industry 4.0". The prototype machine will be built and tested during 2018.

FLEXIBLE DRILLING MACHINE
Development has continued on a machining center for high-productivity drilling with manual or automatic loading.

SKIPPER 100 – RESTYLING 2017
Development has been completed on a machining center dedicated to drilling for the mid-range market with manual or automatic loading to increase performance and productivity.

WINLINE 16.XX
Development has been completed of a high production-machining center to produce fixtures and hardwood components.

SKIPPER 130 – RESTYLING 2017
Development has been completed on a machining center dedicated to drilling for the mid-to-high-end range of the market with manual or automatic loading to increase performance and productivity.

ROVER M5 MACHINING CENTRE
Development has been completed on a 5-axis machining center for processing thick components.

ROVER B FT MACHINING CENTRE (2017)
Development has been completed on a high-range machining center for nesting processing of wood-based materials. The project will enhance both the performance of the operating units and the machine configuration options to meet the different production needs of customers operating in a highly competitive sector.

ROVER K FT MACHINING CENTRE
Development has been completed on an entry-level machining center for nesting processing of wood-based materials.

RFS
Development has continued 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 K 1Y32 G MACHINING CENTRE (2017)
Development has been completed on a gantry 4-axis machining center for the artisan market. New solutions for reducing the overall dimensions of the installation of the machine will be designed.

ROVER A FT MACHINING CENTRE (STEP2)
Development has continued 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 been completed 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.

ROVER C – C3 MACHINING CENTRE
Development has been completed on a 5-axis machining center aimed at providing solutions optimised to reduce the dimensions of installation.

ROVER SLAVE ROBOT
Development began and has been completed on a slave robot for the machining centre.

ROVER K 1Y32 EDGE MACHINING CENTRE
Development has begun on a gantry machining center for both milling and edging shaped panels, in order to meet the needs of manufacturing market.

SAFETY DEVICES
Development has begun on a new safety system using non-contact devices for detecting workers within the danger zone of a machining center.

HFS
Development has been continued of a new edgebanding unit used for different Rover machining centres in order to increase the types of processed edges and boost productivity.

ROVER A FT SMART MACHINING CENTRE
Development has begun on a mid-to-low-end gantry 5-axis machining centre for nesting processing of both wood-based and plastic materials, with particular attention being paid to the ergonomics of use and the minimisation of the overall space requirements.

VEKTOR PROJECTS
This range of machinery has been enriched with the addition of the Vektor 3.0 prototype machine. The refinement phase of this project will be completed at the same time as the pre-series order. Development of the Vektor Smart project has begun, with a goal of completing the range of machinery equipped with haulage systems, which have entry-level configurations.

EKO 2.2
A new machine with a clamp panel transport system for streamlining the range of EKO family product offer. This product is expected to integrate with or replace the EKO 902 model.

EXTRA E - MIX
In 2017, development work began on the E-MIX project, the machining centre for processing cross-laminated timber (CLT) panels used for the walls of pre-fab timber homes. The aim of the project is to unify and rationalize the available offerings that are currently spread over two different types of machinery. This would bring clear advantages in terms of carry over and related costs. The first prototype will be assembled as from May 2018.

ADVANCED MATERIAL – BIESSE BRAND

PLAST RANGE
The EKO 2.1 PLAST is a new piece of machinery with a clamp-panel transport system, which is produced as a carry-over from the EKO 2.1 Wood range. The goal is to satisfy market demand for other materials. Vektor Plast will complete the vertical range of product offerings in this market.

Materia CL
In 2017, development work continued on the Materia CL project - the low band machining center designed for processing composite materials and aluminium.
In particular, design and prototyping of the various list sizes was completed, introducing new solutions for the operating head and workpiece locking system.

Materia CL 2018
In 2017, design work aimed at industrialising the Materia CL product began. To achieve this goal, new structural solutions were identified to improve the machining center's production process, noticeably lowering the final cost. The first prototype including the new solutions will be assembled as from April 2018.

Materia LD
In 2017, development work began on the Materia LD project - the medium band machining center designed for processing composite materials and aluminium. In particular, the design for the first prototype in the development plan was completed.

Materia MR
In 2017, development work began on the Materia MR project - the high band machining centre designed for processing large items made from different materials (timber, composite materials, aluminum). In particular, a structural design for the first prototype in the development plan began. The first prototype will be assembled as from June 2018.

GLASS & STONE DIVISION - INTERMAC BRAND

MASTER ENTRY LEVEL (MASTER 30)
The project 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, was completed.

NEW VERTICAL RANGE (STEP 1)
Design work began on mechanical-cutting machines for manufacturers of industrial glass or plastic products, featuring tools for drilling, milling, grinding and polishing. They will come in a range of sizes to meet the needs of workshops and industrial facilities in the building, furniture and energy sector.

PRIMUS 402
Working tests and trials were undertaken 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 executing complex cuts, combining flexibility and cutting quality for workshops and industrial facilities.

GENIUS CT RED bars and belts (STEP 1)
A project has been developed for a range of machinery designed to cut monolithic sheets for automatic production lines. This machinery can be accessorised with functional groups, which allow it to perform multiple functions, which is mainly necessary in the construction, energy, furniture making, and automotive industries.

GENIUS HP250 (STEP1)
A project related to an up-market, high-performance in-line

machine for cutting laminated sheets, used mainly in the building industry, is under development with the main purpose of increasing productivity.

DOUBLE EDGING GRINDING MACHINE FK
Validation tests have been completed to produce glass products, natural or synthetic stone products on two flat profile-edging machines, which can be adjusted depending on the glass sheet size, with diamond tools, for workshops and industrial.

CONTROL ROUNDING UNIT
Validation tests have been completed on a functional unit 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 facilities operating in the furniture and building sectors.

TOOLING DIVISION - DIAMUT BRAND

ARRIS POLISHING GRINDERS
Research and design of a cup grinding wheel with resinoid bond that is suitable for polishing glass sheets arris. The goal is to replace a product that is currently purchased externally, with one that is manufactured in-house and consequently reducing costs.

POLYURETHANE BODY
Research and design of flash grinding wheel bodies, made with an aluminum core covered in a flexible layer of polyurethane rubber. The goal is to replace a product which is currently purchased externally, with a lower cost product manufactured in-house, potentially attaining a variety of color types.

NEW BUSETTI GRINDERS
Research and design of a new type of cup grinding wheel with a metal bond and a structure which allows internal cooling on the diamond belt. The goal is to introduce an innovative new product to the market.

WATERJET DIAMOND GRINDERS
Research was carried out jointly with the Milan Polytechnic University on WaterJet turning techniques using diamond grinding wheels and a metallic bond.

SEMI-FINISHED PRODUCTS
Research and design of economical bonds for producing semi-finished products for assembly at the Diamut Brazil machining center.

MECHATRONICS DIVISION (HSD)

BI-ROTARY HEADS FOR MACHINE TOOLS
Design of a new range of BI-ROTARY heads with Direct Drive technology designed for processing metal, composite materials, timber and derivatives. These products are characterised by greater dynamic performance, improved processing precision and high-quality surface finishings.
They can be equipped also with high-power electrospindles with different types of tool holder.

ELECTROSPINDLES
Extension of the electrospindles range designed for metal processing, with the production of milling and turning versions: GAMMA ES511 and ES575, in various versions and powers required. Design work began on the (ES334, ES328) range of high-speed electrospindles, dedicated to the "Tapping Centers". These electrospindles are characterized by a speed of 30,000 revolutions per minute (rpm) and air-oil lubrified bearings, which allow acceleration/deceleration times of less than 2 seconds. They are also designed for processing components with high-quality surface finishings (e.g. smartphones, tablets, etc.).

SMARTMOTOR
Design of the new SmartMotor SM137 - a range of servomotors with small dimensions but high performance. The project is also characterized by highly flexible usage, as they can be used on two different types of fieldbus (Enet, Canopen).
A stand-alone version will be also be developed from this, for driving high precision electric motors. The Field Bus industrial communication systems exchange information between devices installed on a machine tool (e.g. between an electrospindle and the numeric control system). Instead of having a pair of wires for each sensor, every device is connected to and transmits data on a single set of wires (similar to the way computers, servers and other devices are connected through a company network).

PRINTED-CIRCUIT BOARDS
With the goal of extending the IoT Ready functionalities (already included in some products since 2011), a multifunction board has been developed which is equipped with electrospindles and bi rotary heads, characteristic of the e-CORE™ brand. To achieve this, specific sensors such as a tri-axial accelerometer have also been developed, in order to allow the monitoring of HSD products and keeping in mind preventive and predictive services.

INDEPENDENT SPINDLE BORING HEADS
Boring head development has been directed at improving functionality and reliability. This will allow more intensive use and products will be distinguished according to the type of end use. The technological solutions that have been developed therefore focus on intensive use (heads with independent short tubes for use on sound absorbent panels and hard plastic materials) and standard processing for wood and wood derivatives (spindles with reduced protrusion).

AGGREGATES
Design work on a 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.

TURNING TABLES
HSD has begun designing turning tables for use with industrial machine tools. This initiative forms part of a strategic project in partnership with OEMs that manufacture five axis machine processing tools. Processing of this type can be done using bi-rotary heads and electrospindles coupled to a turning table.

CNC - WRT
Drivers have been developed to support the new Yaskawa SIGMA7 machines. The features of these new drivers will bring technology advantages to the machinery.
Automated monitoring of the maximum circularity error has been developed, directed at improving processing precision. The concept of having dynamic datasets has also been developed for the same reason, namely to provide an option to change motor control parameters depending on the type of processing. These datasets will allow users to make a real-time decision to prioritize speed at the cost of precision, or, on the contrary, to prioritise precision at the cost of speed. Furthermore, continuous setpoint monitoring has been introduced for the segmented programs, which is capable of preventing imprecisions in the processing.

BH1000
The BH1000 (HSD's PLC controller for micro PCs) has received a hardware update with a new Intel CPU, and an operating system update with Windows 10 IoT. The QUIXP real time extension has also been updated to work with the new operating system.

SM141 AND CP400 DRIVE
Firmware to support Ethercat has been developed.

STEPPER DRIVE CP100
Introduction of drivers to support SSI absolute encoders.

NEW MOTOR SM137D FIRMWARE
Development of firmware to ensure compatibility with SM137C.

BPAD – WIRELESS PALMTOP DEVICE
Creation of compatibility software that is capable of running old applications that were developed for the palmtop RM850, on the new bPad.

SOFTWARE PLATFORMS AND COMPONENTS 2017

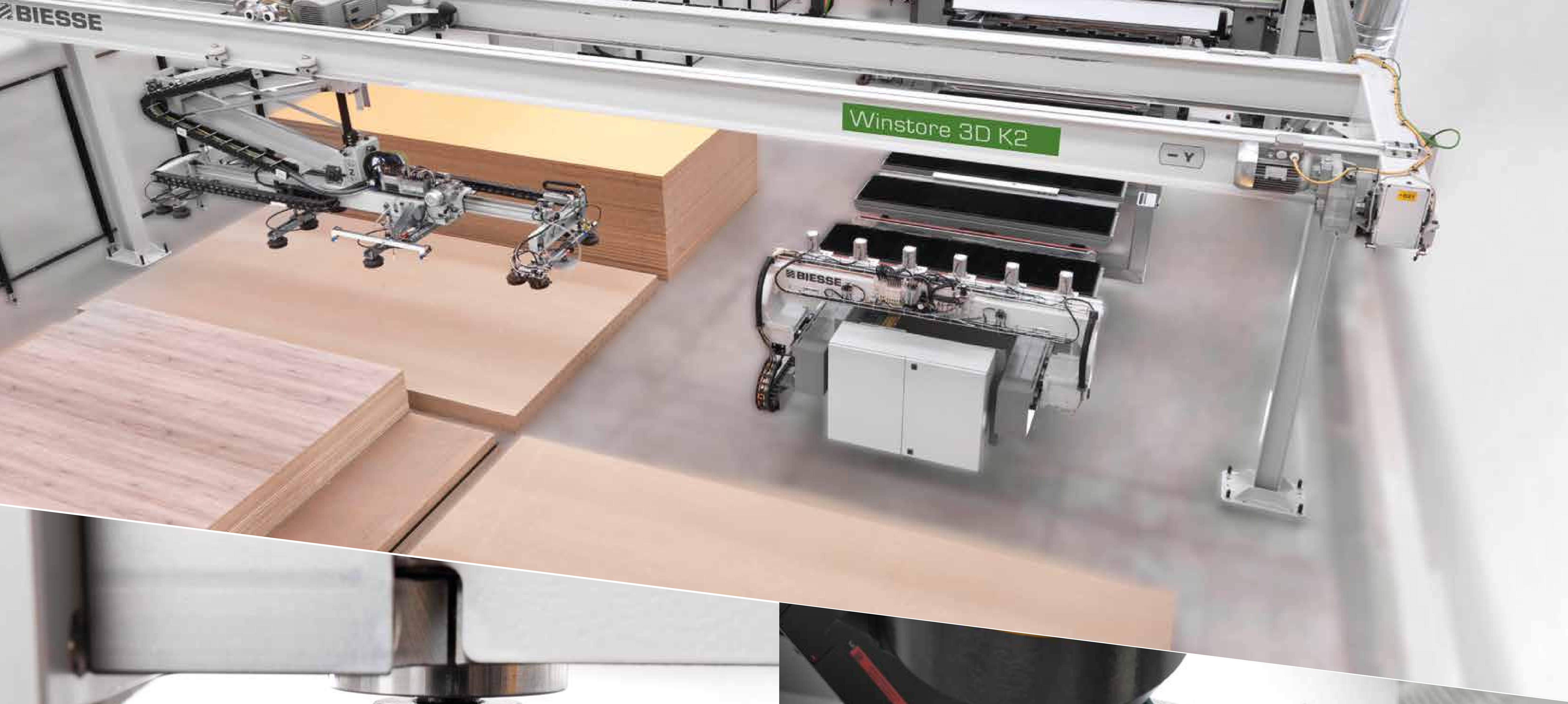
BSOLID 3.0.2 (CAD/CAM)
In 2017, development continued of a new integrated programming system for wood, stone and glass processing. The focus was on the development of new features:
• Improvements to the preventative collision control for piecework production.
• New graphics engine (additional development step).
• Improvements to the barcode functionality (Vertmax).
• Management and testing of new Biesse machines (new Rover K and A FT among others).
The automatic processing allows switching from the drawing to the object to be manufactured by the machine with a click. The unique realistic simulation allows the engineering of a product before manufacturing it and removes many of the uncertainties arising from the use of complex machines such as machining centers.

BPROCESS
In 2017, bProcess completed the contract of the customer "Apollo kitchen", from the order to putting into production to shipping, through the management of warehouses and assembly instructions

BWINDOWS
Add-in for bSolid for designing and manufacturing windows. It allows the design of the most varied forms of windows and increases integration with Biesse machines. It also allows the time needed for configuring windows to be drastically reduced, and offers the option of designing windows in 3D.
bWindows 3.0.2 has been released. It includes a new tool (bDoors) for designing hollow core, glass or moulded doors.

BEDGE
Add-in for bSolid for the management of machining centers for wood edgebanding. The goal of this project is to simplify as much as possible the use of these machines that is very difficult today, through the massive use of simplified interfaces and technologies arising from operational research and artificial intelligence, which allow bEdge to carry out all those edgebanding design phases that are carried out manually today. In 2017, management of edgebanding with a "No Glue" device was introduced.

BNEST
bNest achieves extreme simplicity of use and total integration with bSuite, this allows the customer to work in a more organised and controlled way, thanks to the bSolid simulation. Based on a bProcess platform, it allows a direct connection with the cabinet designing software and integration into the most popular ERP systems.
In 2017, development work continued on this bSuite component, with a revision of various features and improvement of a number of graphics.


BIESSE
Winstore 3D K2
BIESSE

RECONCILIATION BETWEEN THE EQUITY AND RESULTS AND CONSOLIDATED EQUITY AND RESULTS OF THE PARENT

In compliance with Consob Communication No. DEM/6064293 of 28 July 2006, below is a table showing the reconciliation of the equity and results for the year of the parent with the consolidated equity and results for the year.

EURO 000'S	EQUITY 31/12/2017	PROFIT FOR 2017	EQUITY 31/12/2016	PROFIT FOR 2016
Equity and profit for the year of the ultimate	**176,973**	**38,812**	**148,025**	**21,942**
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	23,182		24,539	
Pro-quota results contributed by investees		21,574		16,548
Derecognition of impairment losses/reversal of impairment losses on equity investments		3,999		10,280
Dividends		(22,187)		(16,492)
Elimination of the effects of transactions between consolidated companies:				
Intercompany losses included in closing inventories	(12,206)	360	(12,566)	(2,893)
Intercompany losses on non-current assets	(564)		(564)	
Equity and profit of the year attributable to owners of the ultimate	**187,385**	**42,558**	**159,433**	**29,384**
Non-controlling interests	952	180	290	80
Total equity	188,337	42,738	159,723	29,464

RELATED PARTY TRANSACTIONS

With reference to transactions with the Ultimate Parent Bi.Fin. S.r.l. details are reported below.

EURO 000'S	REVENUE 2017	REVENUE 2016	COSTS 2017	COSTS 2016
Ultimate Parent				
Bi. Fin. S.r.l.	-	-	370	334

EURO 000'S	RECEIVABLES AT 31 DECEMBER 2017	RECEIVABLES AT 31 DECEMBER 2016	PAYABLES AT 31 DECEMBER 2017	PAYABLES AT 31 DECEMBER 2016
Ultimate Parent				
Bi. Fin. S.r.l.	977	977	-	-

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. These conditions prohibit the listing of shares for subsidiaries that are subject to direction and coordination by another company.

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

EURO 000'S	REVENUE 2017	REVENUE 2016	COSTS 2017	COSTS 2016
Other related companies				
Fincobi S.r.l.	1	1	15	15
Se. Mar. S.r.l.	26	4	3,251	3,200
Wirutex S.r.l.		36	26	1,105
Members of the Board of Directors				
Members of the Board of Directors	0	-	1,826	2,649
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	168	155
Total	**27**	**41**	**5,656**	**7,458**

EURO 000'S	RECEIVABLES 2017	RECEIVABLES 2016	PAYABLES 2017	PAYABLES 2016
Other related companies				
Fincobi S.r.l.	-	-	-	-
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	3	4	1,276	1,251
Wirutex S.r.l.	31	47	9	342
Members of the Board of Directors				
Members of the Board of Directors	31	-	34	18
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	168	160
Total	**1,043**	**1,028**	**1,488**	**1,771**

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 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 results of operations, financial position and cash flows required for preparing the Consolidated Financial Statements.

PERSONNEL

The Group's dimensions are constantly growing, with an increase in the number of branches and employees. In such a context, being able to manage HR processes in a way that is uniform and organic using the best performing tools, becomes fundamental. To this end, in 2017 a HR project was launched to integrate at Group level the procedures for storing staff details, also using the support of new software dedicated to this purpose. A further goal is to allow employees to quickly access information and materials that are made available to them by the company, and to give innovative tools to the Group's divisions for optimising the processes for managing teams, increasing efficiency.
Developing and implementing effective staff selection systems is a fundamental strategy for sustainable Group growth and to guarantee transparency and equality, while completely respecting equal opportunity and enhancing individual skills. The Biesse Group strives for continuous improvement in the selection process, directed at identifying not only the skills and capabilities required in the immediate future, but also the opportunities required to grow as a team and take on other roles over time. The goal is to reinforce every area of the Group, trusting in the skills of men and women with greater experience, combined with the enthusiasm of those who are starting their professional development path.

Staff training forms the basis for the continuous innovation, reliability and quality of goods and services offered by the Group to its customers. For this reason, training is structured in such a way as to ensure a differentiated and inclusive offering, which is oriented towards involving professionals at all levels.
It is the Group's belief that the only way growth can remain sound and continuous over time, is through dedicated investment in developing and refining employee skills.
The Biesse Group believes that continuous learning is the key to a successful future. Every year it organises weeks of training at the Headquarters, directed at branch employees and business partners around the world. Full days are dedicated to exploring product innovations and new sales tools. Training for sales staff is regular and ongoing. It tracks technological product developments and innovations being made to services offered by the Group, so that staff are always able to provide added value to customers.
Bearing witness to the attention paid by the Group to ethics and business integrity in every aspect, during 2017, various activities were carried out in relation to engagement, information and training, including remote learning, in relation to Italian Legislative Decree no. 231/2001, the Code of Conduct, anti-corruption and human rights.
Based on the belief that young talent should be developed, the 'Future Lab' project was presented in July 2017 - an initiative dedicated to the young people who have been recruited over the last few years. They were given an opportunity to participate in full days of discussion and training on topics such as project management and leadership, and these were alternated with time dedicated to hearing their professional expectations, motivations and ambitions of each individual. The project's objective was to design personal development plans to expand skills and professional growth within the Group.

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 31/12/2016	NO. OF SHARES SOLD IN 2017	NO. OF SHARES PURCHASED IN 2017	NO. OF SHARES HELD DIRECTLY AND INDIRECTLY AT 31/12/2017	% OF SHARE CAPITAL
Roberto Selci *Chairman*	0			0	0.00%
Giancarlo Selci *Managing Director*	13,970,500			13,970,500	51.00%
Stefano Porcellini *Executive Director and General Manager*	0			0	0.00%
Alessandra Parpajola *Executive Director*	600	600		0	0.00%
Cesare Tinti *Executive Director*	0			0	0.00%
Salvatore Giordano *Independent Director*	200	200		0	0.00%
Elisabetta Righini *Independent Director*	0			0	0.00%
Giovanni Ciurlo *Statutory Auditor*	0			0	0.00%
Cristina Amadori *Statutory Auditor*	0			0	0.00%
Riccardo Pierpaoli *Statutory Auditor*	0			0	0.00%

ATYPICAL AND/OR UNUSUAL TRANSACTIONS OF THE YEAR

In 2017, 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 technological solutions. Every year the Group takes part in over 50 trade fairs worldwide, directly and together with its subsidiaries. It also organises global "Inside" events as well as "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 Group is making significant investments in the world of plastic and compound materials.
The concept that 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 2018

From 15 to 18 January Intermac took part in the Steelfab trade fair, dedicated to the metal industry. The event took place in Sharjah, in the Middle East. The Primus 322 machine was displayed: it is a waterjet cutting machine that ensures high performance, as well as easy programming and versatility. The decision to attend Steelfab confirms Intermac's commitment to the Middle Eastern market, which is further demonstrated by the use of Waterjet technology at the Biesse Group permanent campus that has been inaugurated in the Dubai Silicon Oasis. Among the chief events to start off the year was the Back to business event. It was hosted by the Biesse Campus in Pesaro and customers were invited to discover new business opportunities. This event showcased a return to technology, experimentation, and productivity - an example of the way innovation can transform businesses into being 4.0 ready, ranging from production to product sales. In the same time period as the Back to Business event, the Biesse Group also hosted the Academy weeks at the Headquarters. This three-week event is directed at branch employees and business partners around the world, with full days dedicated to exploring product innovations and new sales tools. This regular and ongoing training tracks technological product developments and innovations being made in the Group's service offering, so that we are always able to provide added value to customers.
Biesse participated in the Megan ExpoMueblera event held in Mexico City - a trade fair for getting close to customers in the region and showing them the group's innovative ability born from its guiding philosophy: Thinkforward. It represents the ability to create innovation through integrated solutions, which are sophisticated but simple in their use, in order to have better and greater production, at a lower cost. Having a presence at Klimahouse in Bolzano, an event dedicated to housing where technology meets sustainability, was also important. Customers and visitors were able to make contact with our specialists, and learn about solutions for building the housing of the future.

FEBRUARY 2018

On 9 February 2018, Biesse S.p.A. announced its intention to move forward with listing the subsidiary HSD S.p.A. on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A., in the STAR segment. Biesse S.p.A., however, will continue to hold a controlling position in HSD S.p.A. The transaction should be completed within the first half of 2018, compatibly with market conditions.
As a result of the listing process, the company HSD S.p.A. has taken steps to adopt, and expects implementation thereof following the successful listing on the Stock Exchange, the following:
• Preparation of Governance regulations (for regulating related party transactions, market abuse, internal dealing, transparency, etc.).
• Finalising contracts with Biesse S.p.A. for business relationships and centralised services.
• Finalising contracts with Directors and key management in relation to regulating base earnings, conditions of service, and long-term incentive schemes.
With regards to the subsidiary HSD S.p.A., the Board of Directors met in a session held on 9 February 2018 and proposed that the date for the Shareholders' Meeting should be set for 22 March 2018, with the following agenda:
1. Consider and approve admission of the Company's ordinary shares to trading on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. and, assuming conditions are met, in the corresponding Star Segment. This should take place through a private placement directed exclusively at qualified Italian investors and foreign institutional investors outside the United States of America (with the exception of Canada, Japan and Australia) in accordance with the Regulation S adopted pursuant to the United States of America Securities Act of 1933. Applicable and consequential resolutions.
2. Changes to articles 4.1, 5.7, 6 and 16 of the company's by-laws.
3. Dematerialisation of shares.
4. Splitting the Company's shares by a ratio of 100 (one hundred) newly issued shares replacing each of the existing ordinary shares. Applicable and consequential resolutions.
5. Statutory changes as necessary in preparation for admission to listing of the company's ordinary shares, pursuant to current legislation and Corporate Governance Code recommendations. Adoption of new company by-laws, effective from when the Company's shares first open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
6. Proposal to introduce shares with increased voting rights along with the related by law amendments, effective from the date when the Company's shares open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. Applicable and consequential resolutions.
7. Pre-emptive offer, in tranches, with option rights excluded pursuant to article 2441, paragraph 5 of the Italian Civil Code, by issuing a maximum number of 30,000,000 (thirty million) ordinary shares of the Company, with no par value, in one or more tranches, to service the Company's public offer under the listing transaction, effective from when Borsa Italiana S.p.A. issues the provision for admitting the shares to trading on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A.; applicable and consequential resolutions.
8. Approval of the shareholders' meeting regulations, effective from when the Company's shares open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
9. Appointment of statutory auditors for 2018-2026 effective from when the Company's shares first open for trade on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A.; applicable and consequential resolutions.
10. Adoption of a number of guidelines regarding medium-long term management incentive schemes, effective from when the Company's shares first open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.. Applicable and consequential resolutions.

On 28 February 2018, the Board of Directors of HSD S.p.A. resolved the following:
• Approval of the 2018-2020 three-year plan.
• Approval of a new dividend policy, in line with that which is already in place for the parent Biesse S.p.A.
Furthermore, the Board of Directors discussed the possibility of taking over from the Ultimate parent, Bi.Fin. S.r.l., the financial lease contract that is currently in place for the Gradara Production Plant, where the company operates at present. Timelines for such a process are not yet certain; however, the transfer should take shape by the end of 2018 and would entail HSD making a financial commitment of approximately € 5 million. With this takeover, HSD would also enter into possession of a portion of adjacent land. This would allow HSD to plan an expansion of the production area, which is necessary to support growth in the years ahead. The cost of this new investment can be quantified as an additional € 8 million.
On the same date, 28 February 2018, the shareholders' meeting of HSD S.p.A. was also held. At this meeting the shareholders resolved the following, effective from the time of listing:
• Approval of the project to admit the Company's shares to trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., and in the Star Segment (if applicable), while conferring on the Board of Directors the power to carry out the necessary actions.
• Approval of a number of amendments to the current company by-laws and adoption of new company by-laws compatible with the current legal provisions as applicable to listed companies.
• Approval for the shares of Monte Titoli S.p.A. to be dematerialised, along with the consequent withdrawal and cancellation of securities representing the Company's shares.
• Approval to split the ordinary shares of the Company, with 100 new shares to be issued in replacement of each of the ordinary shares outstanding.
• Approval to introduce into the by-laws the ability to issue shares with increased voting rights.
• Increase in share capital without option rights, through the issue of a maximum number of 30,000,000 shares.
• Approval of the shareholders' meeting regulation.
• Appointment of KPMG S.p.A. for the legally-required audit for 2018-2026.
• Approval of guidelines regarding medium to long-term management incentive schemes.
On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Region, at the new Dubai Campus that was inaugurated in November 2017. Intermac took part in the thirteenth exhibition of Stona, the Indian trade fair that took place in Bangalore from 7 to 10 February. It was an opportunity to provide information to professionals in the stone industry about the technological synergy between Intermac, Donatoni Macchine and Montresor. Biesse Deutschland reaffirmed its presence by attending the trade fair in Cologne, Germany, from 20 to 23 February. This international rendezvous was dedicated to Housing technologies, and the goal was to demonstrate those of Biesse's solutions that are specific to this industry. The Turkish branch attended the CNR Expo and trade fair in Istanbul, focussing on machines dedicated to manufacturing doors. More than 500 customers have lived the Biesse experience with Biesse Iberica's stand at Fimma 2018 - Spain's most important trade fair for the industry. The exhibition had 11 machines on display, which were directed towards all types of specialists in wood, from large factories with high production volumes, to companies that need to produce thousands of products tailored to customer needs, or small businesses with craft-like features. Biesse France participated in Eurobois with an area of 1000 m2, where visitors could see the innovative technological solutions up close and live the Biesse experience. Star of the event was SOPHIA, the Internet of Things (IoT) platform created in collaboration with Accenture that during the fair won the Innovation Award.
On 28 February, the Board of Directors of Biesse S.p.A. approved the updating of its business plan for the three-year period 2018-2020. Based on the initiatives set out in the above business plan and on the assessment of the international macroeconomic situation, the results expected by the Biesse Group in the period examined are as follows:
• Higher Consolidated Net Revenue at a three-year structural CAGR of 9.5% (revenue above € 906 million expected in 2020)
• Higher Added Value with a three-year CAGR of 10.8% (43.4% record impact in 2020).
• Increase in operating margins:
• EBITDA with a three-year CAGR of 12.7% (14% impact in 2020).
• EBIT with a three-year CAGR of 14.7% (10.6% impact in 2020).
• Positive free cash flow with a total of € 120 million in the three-year period 2018-2020 (free cash flow margin of 5% in 2020) net of planned investments (Capex total of € 142.6 million).
In 2017, consolidated turnover was estimated to grow by 11.6% compared to the previous year, € 690 million, while EBITDA stood at 12.9% of consolidated revenue.

The Board – chaired by Roberto and Giancarlo Selci – approved actions to support the growth plan for 2018-2020, always with a focus on investments in innovation, service, and the marketing/sales area.
"The plan starts from the excellent results for 2017," - commented Group General Manager, Stefano Porcellini - "which closed with growth in consolidated revenue of 11.6%, EBITDA of 12.9%, and significant cash generation that led the Group to achieve a net financial position of over € 30 million."

OUTLOOK

The approved plan provides for an average growth of 9.5 % in the three-year period 2018-2020, more balanced if compared with a positive 2017, supported both by an efficient business strategy and by a particularly favorable 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 € 215 million (+31% compared to 2016) 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 OF BIESSE S.P.A.

INCOME STATEMENT HIGHLIGHTS

Income Statement for the year ended 31 December 2017 highlighting non-recurring items

EURO 000'S	2017	% OF SALES	2016	% OF SALES	CHANGE %
Revenue from sales and services	435,916	100.0%	391,688	100.0%	11.3%
Change in inventories, wip, semi-finished products and finished products	2,603	0.6%	6,107	1.6%	(57.4)%
Other revenue	5,784	1.3%	4,613	1.2%	25.4%
Revenue	**444,304**	**101.9%**	**402,408**	**102.7%**	**10.4%**
Raw materials, consumables, supplies and goods	(234,140)	(53.7)%	(211,858)	(54.1)%	10.5%
Other operating costs	(59,148)	(13.6)%	(52,471)	(13.4)%	12.7%
Normalised added value	**151,016**	**34.6%**	**138,079**	**35.3%**	**9.4%**
Personnel expense	(101,540)	(23.3)%	(94,294)	(24.1)%	7.7%
Normalised gross operating profit	**49,476**	**11.3%**	**43,786**	**11.2%**	**13.0%**
Depreciation and amortisation	(13,427)	(3.1)%	(12,321)	(3.1)%	9.0%
Provisions	(614)	(0.1)%	(761)	(0.2)%	(19.4)%
Normalised operating profit	**35,435**	**8.1%**	**30,704**	**7.8%**	**15.4%**
Impairment losses and non-recurring items	(1,476)	(0.3)%	(3)	(0.0)%	-
Operating profit	**33,959**	**7.8%**	**30,701**	**7.8%**	**10.6%**
Net financial expense	(213)	(0.0)%	(338)	(0.1)%	(36.8)%
Net exchange rate gains (losses)	137	0.0%	(948)	(0.2)%	-
Pre-tax profit (loss)	**50,223**	**11.5%**	**32,852**	**8.4%**	**52.9%**
Income taxes	(11,411)	(2.6)%	(10,910)	(2.8)%	4.6%
Profit (Loss) for the year	**38,812**	**8.9%**	**21,942**	**5.6%**	**76.9%**

In 2017, **Revenue from sales and services** amounted to € 435,916 thousand, compared with € 391,688 thousand in 2016, up by 11.3% 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.

The **Revenue** amounted to € 444,304 thousand, compared with € 402,408 thousand on 31 December 2016, up by 10.4 % from the previous year; in order to better understand margins, costs as a percentage of the revenue are broken down below.

EURO 000'S	2017	%	2016	%
Revenue	**444,304**	**100.0%**	**402,408**	**100.0%**
Raw materials and goods	234,140	52.7%	211,858	52.6%
Other operating costs	59,148	13.3%	52,471	13.0%
Service costs	53,462	12.0%	47,291	11.8%
Use of third party assets	3,340	0.8%	3,081	0.8%
Sundry operating expense	2,346	0.5%	2,099	0.5%
Added value	**151,016**	**34.0%**	**138,079**	**34.3%**

Added value as a percentage of the revenue slightly decreased compared to the previous year (from 34.3% in 2016 to 34% in 2017). This decrease is mainly related to the higher impact of consumption of raw materials and goods on the value of production (from 52.6% to 52.7%); also, other operating costs recorded a higher impact (13.3% compared to 13.0%).

Personnel expense in 2017 was € 101,540 thousand, compared to € 94,294 thousand in 2016, with an increase of € 7,246 thousand in absolute terms, equal to 7.7%. The fixed component of wages and salaries increased by about € 5,950 thousand (+6.6%), especially as a result of the increase in the headcount in accordance with the recruiting policy adopted by the Group. The variable components related to performance bonuses and other bonuses (€ 9,332 thousand compared to € 8,193 thousand in 2016) and the capitalization of wages and salaries for staff employed in R&D activities (€ 9,030 thousand compared to € 8,819 thousand in 2016) rose compared to the figures recorded in the previous year owing respectively to the positive results achieved by the parent and to the continuing innovation in products.

Gross operating profit was € 49,476 thousand, with a 13.0% improvement compared to the previous year in line with the increase in turnover.

Depreciation and amortisation increased by 9.0% (from € 12,321 thousand to € 13,427 thousand): depreciation totalled € 4,021 thousand (up by 8.6%), while amortisation amounted to € 9,407 thousand (up by 9.1%). This increase was mainly due to R&D projects that were capitalized also in previous years, for which during 2017 production and the consequent amortisation started.

Provisions stood at € 614 thousand, down by € 761 thousand compared to the previous year.

Non-recurring items amounted to € 1,476 thousand, which was an increase compared to the previous year and was due to research and development projects that were incomplete and fully depreciated.

The **operating profit** was € 33,959 thousand.

Net financial expenses decreased compared to the previous year (from € 338 thousand to € 213 thousand, 36.8%).
Net exchange rate losses increased compared to the previous year (from € 948 thousand to € 137 thousand).
Net financial expenses included impairment losses on financial assets of € 3,999 thousand; this amount refers both to the impairment loss the equity investment held in Biesse Hong Kong of approximately € 6,999 thousand and to reversal of impairment losses on equity investments in Bre.Ma S.r.l. (€ 3 million).

Net financial expense also includes dividends received by the subsidiaries totalling € 20,349 thousand (€ 13,718 thousand in 2016) as detailed below:

- HSD S.p.A.: € 14,000 thousand.
- Biesservice Scandinavia AB: € 72 thousand.
- Biesse America: € 1,187 thousand.
- Biesse Canada: € 391 thousand.
- Biesse UK: € 1,247 thousand.
- Biesse Deutschland: € 525 thousand.
- Biesse France: € 1,700 thousand.
- Biesse Asia: € 508 thousand.
- Biesse Iberica: € 700 thousand.
- Biesse Tecno System: € 19 thousand.

The **pre-tax profit** therefore was € 50,223 thousand, up compared to € 32,852 thousand in 2016.

The **balance of income taxes** was negative to the tune of € 11,411 thousand.

Current IRES taxes amounted to € 8,753 thousand, deriving for € 8,737 thousand from the calculation of the profit for the year and for € 17 thousand from the reclassification of taxes recognized directly in equity referring to the actuarial income of post-employment benefits. The IRAP current taxes amounted to € 1,803 thousand. Deferred tax expenses of € 64 thousand refer mainly to the change in temporary IRES recoveries.

Consequently, **profit for the year** amounted to € 38,812 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Intangible assets	48,613	45,019
Property, plant and equipment	47,452	38,932
Financial assets	81,999	67,747
Non-current assets	**178,064**	**151,698**
Inventories	54,380	49,946
Trade receivables	121,342	122,059
Trade payables	(146,922)	(134,823)
Net operating working capital	**28,800**	**37,183**
Post-employment benefits	(10,619)	(11,197)
Provision for risk and charges	(4,990)	(4,433)
Other net payables	(16,871)	(28,147)
Net deferred tax assets	2,105	2,169
Other net liabilities	**(30,375)**	**(41,608)**
Net invested capital	**176,489**	**147,273**
Share capital	27,393	27,393
Profit for the previous year and other reserves	110,768	98,690
Profit (Loss) for the year	38,812	21,942
Equity	**176,973**	**148,025**
Bank loans and borrowings and loans and borrowings from other financial backers	72,103	33,725
Other financial assets	(26,571)	(13,313)
Cash and cash equivalents	(46,016)	(21,164)
Net financial position (1)	**(485)**	**(752)**
Total sources of funding	**176,489**	**147,273**

Net intangible assets increased compared to 31 december 2016 (+ € 4 million). This increase is due to higher investments totalling around € 14.5 million, mainly attributable to R&D capitalization of new products (of around € 10.3 million) and new ICT investments (of around € 4.2 million), net of relevant amortization for the year.
Net property, plant and equipment rose by approximately € 8.5 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 increased by approximately € 14.3 million.
During 2017 the Parent moved forward with the acquisition of Movetro S.r.l., Montresor S.r.l. and BSoft S.r.l. for a total value of € 4.1 million (please refer to notes on the change in scope of consolidation for more details) and with the increases in capital for the companies Biesse Gulf, Biesse Hong Kong and Biesse Turkey.
Net working capital decreased as a whole by around € 8.4 million compared to 31 December 2016 due to the increase in trade payables (around € 0.7 million) as a result of the decrease in sales at the end of the year and of the increase in inventories (around € 4.4 million) in light of the strong trend in orders. These changes were partially offset by the increase in trade payables (approximately € 12.1 million).

NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Financial assets:	62,755	34,477
Current financial assets	16,739	13,313
Cash and cash equivalents	46,016	21,164
Short-term financial lease payables	(199)	(111)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(44,318)	(30,874)
Short-term net financial position	**18,238**	**3,491**
Medium/Long-term financial lease payables	(1,060)	(3)
Medium/Long-term bank loans and borrowings	(16,693)	(2,736)
Medium/Long-term net financial indebtedness	**(17,754)**	**(2,739)**
Total net financial position	**485**	**752**

At the end of December 2016, the Parent's net financial position was € 0.5 million, down by € 0.3 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

Finally, 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, note must be taken 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 related Subsidiaries.

PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

You are invited to approve the financial statements for the year ended 31 December 2017, with the present Directors' Report, as they stand.
The Board of Directors, taking into account the positive financial position and results for 2017, proposes to distribute dividends to Shareholders to be taken from the profit for the year at the rate of € 0.48 for each eligible share, totalling € 13,148,660.16, less the dividends on treasury shares held on the ex-dividend date of 8 May 2018. The 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 € 38,811,913.31 as follows:
- Allocation of € 13,148,660.16 to dividends.
- Allocation of € 75,332.65 to the reserve for unrealised exchange gains.
- Allocation of the residual profit of € 25,587,920.50 to the Extraordinary Reserve.

The coupons will be paid in a lump sum starting from 10 May 2018 (with ex-dividend date as from 8 May 2018 and record date on 9 May 2018) by means of qualified financial intermediaries.

Pesaro, 12/03/2018

The Chairman of the Board of Directors

Roberto Selci

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT[1]

EURO 000'S	NOTE	2017	2016
Revenue	5	690,120	618,489
Total other revenue	6	4,669	3,548
Change in inventories of finished goods and work in progress		15,387	12,649
Raw materials, consumables and goods	7	(287,017)	(258,979)
Personnel expense	8	(199,311)	(176,551)
Depreciation, amortisation and impairment losses	9	(24,047)	(19,529)
Other operating costs	10	(136,194)	(124,564)
Operating profit		**63,606**	**55,062**
Financial income	11	9,932	9,533
Financial expense	11	(12,808)	(12,210)
Pre-tax profit (loss)		**60,730**	**52,385**
Income taxes	24	(17,992)	(22,921)
Profit (Loss) for the year		**42,738**	**29,464**
Attributable to:			
Attributable to owners of the ultimate		42,558	29,384
Attributable to non-controlling interests		180	80
Earnings per share	12	1,55	1,07
Diluted (€/cents)	12	1,55	1,07

[1] 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 Annex 1 and in the Directors' Report on Operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURO 000'S	NOTE	2017	2016
Profit (Loss) for the year		42,738	29,464
Translation differences of foreign operations	21	(4,570)	(922)
Net gain/loss on cash flow hedges	21	(0)	(73)
Income taxes on other comprehensive income	21	0	20
Items that may be reclassified to profit or loss		**(4,570)**	**(974)**
Measurement of defined-benefit plans	21	(70)	(316)
Income taxes on items that will not be reclassified to profit or loss		15	6
Items that will not be reclassified to profit or loss		**(55)**	**(311)**
Total comprehensive income for the year		**38,113**	**28,179**
Attributable to:			
Owners of the ultimate		**176**	**74**
Non-controlling interests		**37,937**	**28,105**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[2]

EURO 000'S	NOTE	31 DECEMBER 2017	31 DECEMBER 2016
ASSETS			
Property, plant and equipment	13	90,515	81,939
Goodwill	14	22,660	19,316
Intangible assets	15	52,448	45,901
Deferred tax assets	24	13,121	12,987
Other financial assets and receivables (including derivatives)	16	2,648	2,296
Other assets	19	0	50
Total non-current assets		**181,391**	**162,490**
Inventories	17	143,210	130,785
Trade receivables	18	119,380	128,751
Other assets	19	24,428	17,312
Other financial assets and receivables (including derivatives)	16	519	461
Cash and cash equivalents	20	78,902	46,295
Total current assets		**366,438**	**323,603**
TOTAL ASSETS		**547,830**	**486,093**

EURO 000'S	NOTE	31 DECEMBER 2017	31 DECEMBER 2016
EQUITY AND LIABILITIES			
Share capital		27,393	27,393
Reserves		117,892	102,934
Retained earnings		(458)	(278)
Profit (Loss) for the year		42,558	29,385
Equity attributable to the owners of the ultimate	21	**187,385**	**159,433**
Non-controlling interests		952	290
TOTAL EQUITY		**188,337**	**159,723**
Financial liabilities	22	19,765	7,539
Post-employment benefits	23	13,456	13,746
Deferred tax liabilities	24	2,620	2,976
Provisions for risks and charges	25	1,367	2,377
Other liabilities	27	307	137
Total non-current liabilities		**37,516**	**26,775**
Financial liabilities	22	29,285	35,189
Tax payables	24	3,606	8,982
Provisions for risks and charges	25	9,039	9,617
Trade payables	26	223,916	192,613
Other liabilities	27	56,132	53,191
Total Current liabilities		**321,977**	**299,591**
LIABILITIES		**359,493**	**326,366**
TOTAL EQUITY AND LIABILITIES		**547,830**	**486,090**

[2] In accordance with Consob Resolution No. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Statement of Financial Position are shown in the relevant statement in Annex 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

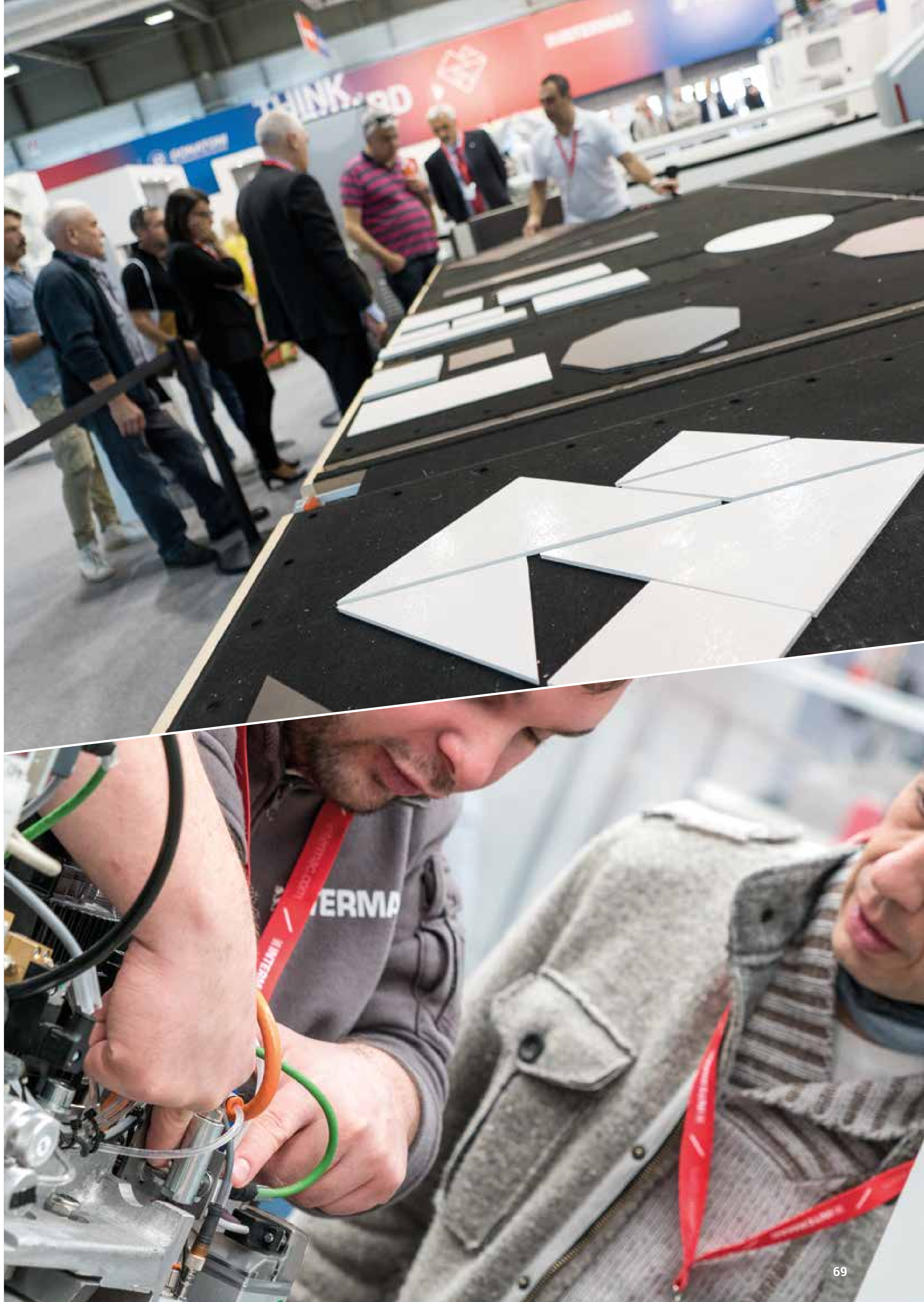
EURO 000'S	2017	2016
OPERATING ACTIVITIES		
Profit for the year	42,738	29,464
Change for:		
Income taxes	17,992	22,921
Depreciation and amortisation of tangible and intangible assets	19,848	17,858
Gains/losses from sales of property, plant and equipment	(371)	0
Impairment losses on intangible assets	1,476	26
Net Financial expense	2,638	1,778
SUBTOTAL OPERATING ACTIVITIES	**84,322**	**72,047**
Change in trade receivable	10,627	(23,872)
Change in inventories	(12,326)	(15,424)
Change in trade payables	27,994	32,888
Other changes in other operating assets and liabilities	(3,676)	3,972
NET CASH FLOWS FROM OPERATING ACTIVITIES	**106,941**	**69,611**
Income tax paid	(22,422)	(19,729)
Interest paid	(1,372)	(1,572)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**83,147**	**48,310**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(21,681)	(18,410)
Proceeds from sale of property, plant and equipment	2,776	182
Acquisition of inangible assets	(14,105)	(12,727)
Proceeds from sale of intangible assets	(40)	116
Acquisitions of equity investments	(1,640)	(536)
Change in other financial assets	410	(1,180)
Interest received	275	456
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(34,004)**	**(32,099)**
FINANCING ACTIVITIES		
Change in financial activites/liabilities (including derivatives)	(18,193)	(17,283)
Finance lease payments	1,104	(1,847)
Other changes	12,502	7,366
Dividends paid	(9,858)	(9,871)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(14,445)**	**(21,635)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,697**	**(5,424)**
OPENING CASH AND CASH EQUIVALENTS	**46,295**	**51,553**
Effect of exchange rate fluctuations on cash held	(2,089)	166
CLOSING CASH AND CASH EQUIVALENTS	**78,902**	**46,295**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURO 000'S	NOTE	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE ULTIMATE	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2016	**21**	**27,393**	**(1,214)**	**36,202**	**57,854**	**(96)**	**20,971**	**141,110**	**275**	**141,385**
Other comprehensive income			(969)		(310)			**(1,279)**	(7)	**(1,286)**
Profit for the year							29,384	**29,384**	80	**29,464**
Total comprehensive income/expense for the year			**(969)**		**(310)**		**29,384**	**28,105**	73	**28,178**
Dividends paid					(9,858)			**(9,858)**	(13)	**(9,871)**
Allocation of profit for the previous year					20,971		(20,971)			-
Other changes					75			**75**	(45)	**30**
Closing balances at 31/12/2016	**21**	**27,393**	**(2,183)**	**36,202**	**68,732**	**(96)**	**29,384**	**159,432**	**290**	**159,722**

EURO 000'S	NOTE	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE ULTIMATE	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2017	**21**	**27,393**	**(2,183)**	**36,202**	**68,732**	**(96)**	**29,384**	**159,432**	**290**	**159,722**
Other comprehensive income			(4,632)		(162)			**(4,793)**	168	**(4,625)**
Profit for the year							42,558	**42,558**	180	**42,738**
Total comprehensive income/expense for the year			**(4,632)**		**(162)**		**42,558**	**37,765**	**348**	**38,113**
Dividends paid					(9,858)			**(9,858)**	(29)	**(9,887)**
Allocation of profit for the previous year					29,384		(29,384)			-
Other changes					47			**47**	342	**389**
Closing balances at 31/12/2017	**21**	**27,393**	**(6,815)**	**36,202**	**88,143**	**(96)**	**42,558**	**187,385**	**952**	**188,337**

(1) Please see the statement of comprehensive income for a detailed itemisation of the changes



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The company preparing the financial statements
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 Consolidate Financial Statements as at and for the year eneded 31 December 2017 incorporate the individual 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 2017 were approved during the meeting of the Board of Directors held today (12 March 2018).

Basis of presentation
The presentation currency of the consolidated Financial Statements is the Euro. Balances are shown in thousands of Euro, unless otherwise indicated. It should also be noted that some differences might be found in tables due to the rounding of amounts shown in thousands of Euro.
These consolidated financial statements were approved during the meeting of the Board of Directors on 12 March 2018.

Consolidation scope
The statement of financial position, income statement and statement of comprehensive income as at and for the year ended 31 December 2017 include the financial statements of subsidiaries in addition to those of the parent. The subsidiaries over which the parent exercises control are listed below.

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
Parent						
Biesse S.p.A.	EUR	27,393,042				
Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	3,340	0.8%	3,081	0.8%		
	151,016	34.0%	138,079	34.3%		
Italian subsidiaries:						
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	EUR	70,000	98%			98%
Biesse Tecno System S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	100,000	50%			50%
Viet Italia S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	10,000	85%			100%
Axxembla S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	10,000	100%			100%
Uniteam S.p.A. Via della Meccanica 12 Thiene (VI)	EUR	390,000	100%			100%
BSoft S.r.l. Via Carlo Cattaneo, 24 Portomaggiore (FE)	EUR	10,000	100%			100%
Montresor & Co. S.r.l. Via Francia, 13 Villafranca (VR)	EUR	1,000,000	60%			60%
Movetro S.r.l. Via Marco Polo, 12 Carmignano di Sant'Urbano (PD)	EUR	51,000	60%			60%

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	BIESSE GROUP
Foreign subsidiaries:						
Biesse America Inc.	USD	11,500,000	100%			100%
4110 Meadow Oak Drive – Charlotte, North Carolina – USA						
Biesse Canada Inc.	CAD	180,000	100%			100%
18005 Rue Lapointe – Mirabel (Quebec) – Canada	EUR	70,000	98%			98%
Biesse Group UK Ltd.	GBP	655,019	100%			100%
Lamport Drive – Daventry Northamptonshire – Gran Bretagna						
Biesse France Sarl	EUR	1,244,000	100%			100%
4, Chemin de Moninsable – Brignais – Francia						
Biesse Group Deutschland GmbH	EUR	1,432,600	100%			100%
Gewerberstrasse, 6 – Elchingen (Ulm) – Germania						
Biesse Schweiz GmbH						
Grabenhofstrasse, 1 – Kriens – Svizzera	CHF	100,000		100%	Biesse G.	100%
	100%					
Biesse Austria GmbH						
Am Messezentrum, 6 Salisburgo – Austria	EUR	390,000	100%			100%
	EUR	35,000		100%	Biesse G. Deutschland GmbH	100%
Biesservice Scandinavia AB	SEK	200,000	60%			60%
Maskinvagen 1 Lindas – Svezia	EUR	10,000	100%			100%
Biesse Iberica Woodworking Machinery s.l.	EUR	699,646	100%			100%
C/De La Imaginaciò, 14 Poligon Ind. La Marina – Gavà Barcellona – Spagna						
WMP- Woodworking Machinery Portugal, Unipessoal Lda	EUR	5,000		100%	Biesse Iberica	100%
Sintra Business Park, 1, São Pedro de Penaferrim, – Sintra – Portogallo					W. M. s.l.	
Biesse Group Australia Pty Ltd.	AUD	15,046,547	100%			100%
3 Widemere Road Wetherill Park – Sydney – Australia						
Biesse Group New Zealand Ltd.	NZD	3,415,665	100%			100%
Unit B, 13 Vogler Drive Manukau – Auckland – New Zealand						
Biesse Manufacturing Co. Pvt. Ltd.	INR	1,224,518,391	100%			100%
Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore –India						
Biesse Asia Pte. Ltd.	EUR	1,548,927	100%			100%
Zagro Global Hub 5 Woodlands Terr. – Singapore						
Biesse Indonesia Pt.						
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
Biesse Malaysia SDN BHD	444,304	100,0%	402,408	100,0%		
Dataran Sunway , Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	5,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse Korea LLC						
Geomdan Industrial Estate, Oryu-Dong, Seo-Gu – Incheon – Corea del Sud	KRW	99,546,612		100%	Biesse Asia Pte. Ltd.	100%
Biesse (HK) Ltd.	USD	11,500,000	100%			100%
Room 1530, 15/F, Langham Place, 8 Argyle Street, Mongkok, Kowloon – Hong Kong	HKD	216,955,160		100%		100%
Dongguan Korex Machinery Co. Ltd						
Dongguan City – Guangdong Province – Cina	RMB	182,338,950,36		100%	Biesse (HK) LTD	100%
Biesse Trading (Shanghai) Co. Ltd.	RMB	45,370,000		100%	Biesse (HK)	100%
Room 301, No.228, Jiang Chang No.3 Road, Zha Bei District,– Shanghai – Cina					LTD	
Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda.	GBP	655,019	100%			100%
Andar Pilotis Sala, 42 Sao Paulo – 2300 Brasil						
	EUR	1,244,000	100%			100%
	BRL					
	12,964,254	100%			100%	100%
Biesse Turkey Makine Ticaret Ve Sanayi A.S.						
Şerifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye,Istanbul –Turchia	TRY					
	20,500,000	100%			100%	100%
OOO Biesse Group Russia	RUB	10,000,000		100%		100%
Ul. Elektrozavodskaya, 27 Moscow, Russian Federation						
Biesse Gulf FZE	AED	6,400,000		100%		100%
Dubai, free Trade Zone						
Biesse Taiwan	TWD	500,000		100%	Biesse Asia	100%
6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)						
HSD S.p.A.	EUR	1,141,490	100%			100%
Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)						
HSD Mechatronic (Shanghai) Co. Ltd.	RMB	2,118,319		100%	Hsd S.p.A.	100%
D2, 1st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone – Shanghai – Cina						
Hsd Usa Inc.	USD	250,000		100%	Hsd S.p.A.	100%
3764 SW 30th Avenue – Hollywood, Florida – USA						
HSD Mechatronic Korea LLC	KWN	101,270,000		100%	HSD S.p.A.	100%
414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan-si 15434, South Korea						
HSD Deutschland GmbH	EUR	25,000		100%	Hsd S.p.A.	100%
Brükenstrasse,2 – Gingen – Germania						

Compared to the consolidated financial statements as at and for the year ended 31 December 2016, the scope of consolidation underwent the following changes:
• Acquisition of the company BS SOFT S.r.l. on 10 April 2017. With the aim of strengthening its offer in the Systems world and being even more autonomous in the development of projects in support of Industry 4.0, Biesse S.p.A., through the newco. BT SOFT on 10 April 2017 acquired control of the company Avant S.r.l. Software & Engineering, specialised in the development of software for the integration and supervision of working cells and lines. The Avant applications can automatically manage all information of the production process, from cutting to edgebanding, drilling and, in recent years, also sorting, the backbone of every batch-one production. The acquisition price amounted to € 500 thousand. The difference between the acquisition price and the value of assets and liabilities acquired, amounting to € 494,210, pending the PPA, was provisionally allocated to goodwill in the wood division.
• The liquidation of Intermac Guangzhou Co. Ltd was completed in June 2017.
• On 27 July 2017, a newco was set up called Montresor & Co. S.r.l. (with a 90% stake held by Biesse S.p.A. and 10 % by Donatoni Macchine S.r.l.) whose purpose is the acquisition of Montresor & C. S.r.l., which is based in the province of Verona and manufactures edge polishers machinery (glass and marble). The acquisition was completed on 3 August 2017 with the payment of the first tranche of 65% of the agreed price (€ 4.8 million, net of payables due to employees, payments on account and/or guarantee deposits and the estimate of the inventories bought). In the agreements among the members of the newco (Montresor & Co. S.r.l.), the possibility is envisaged for the non-controlling stakeholder Donatoni to undertake a share capital increase for a further 30% to reach a 40% stake. The difference between the acquisition price and the value of assets and liabilities acquired, amounting to € 2,414,071, pending the PPA, was provisionally allocated to goodwill in the glass division. On 21 December 2017, 30% of Biesse S.p.A. shareholdings were transferred to Donatoni Macchine S.r.l. The liquidation of Montresor & C. S.r.l. took place at the same time.
• On 27 July 2017, Biesse S.p.A. signed an agreement to acquire 60% of the shares of MOVETRO S.r.l., which operates in the production of flat-glass storage and movement systems and is based in the province of Padua. This transaction will enable the Glass & Stone Division to extend the offer of products to high-end customers and to integrate Systems projects. The contract envisages the payment of € 2.7 million (Biesse S.p.A. has already paid a deposit of € 540 thousand). The contract also envisages the granting of a put option in favour of the sellers and a call option in favour of the buyers on the remaining 40% stake. The put option cannot be exercised before 31 July 2022 and after 31 December 2025, while the call option cannot be exercised before 31 July 2025 and after 31 July 2028. The consideration for the two options will be calculated based on the multipliers of some financial statements figures of the company being acquired.

Furthermore, it should be noted that during 2016 the process was started to shorten the chain of control over the Chinese companies. This project was completed in 2017 and involved the companies Biesse Hong Kong Ltd and Centre Gain Ltd, both resident in Hong Kong. It implied the transfer of all the assets and liabilities from the parent to the subsidiary (the name of which was changed as part of this transaction to Biesse Hong Kong Ltd) and the subsequent liquidation of the parent. The liquidation and cancellation of the parent were completed in June 2017. The organizational chart shows the equity investments.

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of compliance with international financial reporting standards and general standards

The consolidated financial statements at 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS), 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 consolidated 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 consolidated 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. DEM6064293 of 28 July 2006. It should be noted that, with reference to said 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 to improve the readability of the information.
With reference to the statement of cash flows, transactions with related parties refer to trade receivables and payables, other receivables and payables, and the distribution of dividends. As far as the statement of comprehensive income is concerned, no transactions with related parties have been identified. In regards to the statement of changes in equity, transactions with related parties related to the distribution of dividends.

Financial statements

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 CONSOB. The statements adopted are considered fit for fairly presenting the Group's result of operations, financial position 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. The statements composing the Financial Statements are:

Income Statement

Costs 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 costs (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.

Statement of Comprehensive Income

This statements includes the items that make up the profit or loss for the year. For each group of categories, it also shows income and costs that have been recognized directly in equity pursuant to IFRS.

Statement of Financial Position

This statement shows a breakdown of current and non-current assets and liabilities.
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.

Statement of Changes in Equity

The statement shows the changes in the equity items related to:
• The allocation of the parent's and subsidiaries' profit/(loss) for the year to non-controlling interests.
• Amounts relating to transactions with shareholders (purchase and sale of treasury shares).
• Any gains or losses net of any tax effects which, as required by IFRS, are either recognized 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.

Statement of Cash Flows

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 monetary 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.
Income and expense relating to interest, dividends and income taxes are classified as cash flows according to the type of underlying transaction that generated them.
Cash and cash equivalents recognized 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.

3. BASIS OF PREPARATION

Use of estimates and judgements

The preparation of the financial statements and notes thereto pursuant to IFRS 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.
Information on assumptions and uncertainties in estimates that have significant risk of causing material changes in the carrying amount of assets and liabilities during the year ended 31 December 2017 are provided in the following notes:
• Note 14 - Goodwill: primary assumptions for determining recoverable amounts.
• Note 15 - Intangible assets: primary assumptions for determining the likelihood of recovering development costs.
• Note 17 - Inventories: primary assumptions for determining the allowance for inventory write-downs.
• Note 18 - Receivables: primary assumptions for determining the allowance for impairment.
• Note 23 - Employee benefits: primary actuarial assumptions
• Note 24 - Recognition of deferred tax assets: availability of future taxable income for offset against carried forward tax losses.
• Note 25 - Recognition and measurement of provisions for risks and contingent liabilities: primary assumptions regarding the likelihood and measurement of an outflow of resources.
Furthermore, different accounting standards and disclosure requirements for the Group to assess the fair value of financial and non-financial assets and liabilities. In assessing the fair value of an asset or liability, the Group makes use of observable market data where possible. Fair value, in application of IFRS 13 guidance, is categorised in a number of hierarchical levels based on the inputs used in measurement techniques, as shown below:
• Level 1: inputs used in the measurement are represented by the quoted prices in active market for assets or liabilities identical to those being measured.
• Level 2 – input data 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 – input data that are not based on observable market data.

Main accounting policies

The accounting policies adopted in the consolidated financial statements at 31 December 2017 have been consistently applied also to the year included for comparison purposes.
The main accounting policies used to prepare these consolidated financial statements are shown below.

A. BASIS OF CONSOLIDATION

General standards

The consolidated financial statements at 31 December 2017 include the individual financial statements of the parent, Biesse S.p.A., and of the Italian and foreign companies which it controls.
Control exists when the parent is exposed to variable returns deriving from its relationship with the entity, or has rights to such returns, while at the same time having the ability to influence those returns by exercising its power over the entity itself.
The individual financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent begins to exercise control until the date on which such control ceases.
Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement criteria adopted by the parent. 31 December is the reporting date for all the companies in the Group.
The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity of the investees by attributing their fair value at the date of acquisition to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, in the goodwill item; if negative, it is recognized in profit or loss.
The results of subsidiaries acquired or divested during the year are included in the 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 recognized assets, liabilities and contingent liabilities.
Receivables and payables, income and expense, and gains and losses arising from intercompany group transactions are eliminated. Capital gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material. Any shares in equity and profit attributable to third parties are recognized under the corresponding item of the financial statements.

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:
• Assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at the closing exchange rate.
• Income and expense are translated at the average exchange rate for the year, considered a reasonable approximation of the exchange rate at the dates of the transactions.
Exchange rate differences emerging from the conversion process are recorded in other comprehensive income and included under equity in the hedging and translation reserve.
On disposal of the economic entity that gave rise to exchange rate gains/losses, the cumulative amount of exchange differences recognized in a separate component of equity will be reclassified to profit or loss.

SHOWN BELOW ARE THE EXCHANGE RATES USED AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016 FOR TRANSLATION FINANCIAL STATEMENT UTENS IN FOREIGN CURRENCY (SOURCE WWW.BANCADITALIA.IT)

CURRENCY		31 DECEMBER 2017		31 DECEMBER 2016
	Average	Closing	Average	Closing
US Dollar / Euro	1,1297	1,1993	1,1069	1,0541
Brazilian Real / Euro	3,6054	3,9729	3,8561	3,4305
Canadian Dollar / Euro	1,4647	1,5039	1,4659	1,4188
Pound Sterling / Euro	0,8767	0,8872	0,8195	0,8562
Swedish Krone / Euro	9,6351	9,8438	9,4689	9,5525
Australian Dollar / Euro	1,4732	1,5346	1,4883	1,4596
New Zealand Dollar / Euro	1,5897	1,6850	1,5886	1,5158
Indian Rupee / Euro	73,5324	76,6055	74,3717	71,5935
Chinese Renmimbi Yuan / Euro	7,6290	7,8044	7,3522	7,3202
Swiss Franc / Euro	1,1117	1,1702	1,0902	1,0739
Indonesian Rupiah / Euro	15,118,02	16,239,12	14,720,83	14,173,40
Hong Kong Dollar /Euro	8,8045	9,3720	8,5922	8,1751
Malaysian Ringgit /Euro	4,8527	4,8536	4,5835	4,7287
South Korean Won /Euro	1,276,74	1,279,61	1,284,18	1,269,36
Turkish Lira/Euro	4,1206	4,5464	3,34	3,71
Russian Rouble/euro	65,9383	69,3920	74,14	64,30
UAE Dirham/euro	4,1475	4,4044	4,06	3,87
Taiwan Dollar/euro	34,3635	35,6555	35,69	34,00

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 recognized in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized 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 recognized 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 recognized 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 and contingent liabilities assumed, at the date control is obtained.

IFRS 3 also requires:
• Separate recognition in profit or loss of costs related 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 recognize the resulting gain or loss, if any, in profit or loss for the year.
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 measurement 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).
If the initial recognition of a business combination is incomplete by the end of the reporting period in which the business combination occurred, the Group recognizes the provisional amounts for the items for which the recognition 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 recognized as of that date.

B. TREATMENT OF 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 initially translated into the functional currency using the exchange rate at the date of the transaction. Subsequently, monetary assets and liabilities (defined by IAS 21 as assets or liabilities held for collection or payment, where the amount is set in advance or able to be established) are translated using the closing rate; non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are translated using the exchange rate at the date of the transaction; and non-monetary assets and liabilities, which are measured at fair value in a foreign currency, are translated at the effective exchange rate at the date of determination of fair value.
Exchange rate changes arising from translation are charged to the Income Statement for the year.
To hedge its exposure to currency risk, the Group has entered into some forward and option contracts (see below the Group's accounting policies relating to these derivative instruments).

C. REVENUE RECOGNITION
Sales of goods are recognized 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 recognized when the goods are delivered to the carrier under the terms of the relevant contracts, which is the time when the aforementioned risks and rewards are transferred. Revenue is not recognized when there is no certainty that the related consideration is recoverable. Revenue is measured at the fair value of the consideration received, taking account of discounts, rebates, premiums, returns and promotional expenses that substantially fall under commercial discounts; in addition, revenue does not include sales of raw materials and waste.
Revenue arising from the rendering of services is recognized 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.
Dividends are recognized through profit or loss as at the time when shareholders become entitled to receive payment, that is, usually, when the Shareholders resolve to distribute dividends.

D. GOVERNMENT GRANTS
Government grants are recognized 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. Grants are recognized in profit or loss over the period in which the entity recognizes as expense the related costs which the grants are intended to compensate.
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 recognized in profit or loss in accordance with the regulations relating to the recognition of government grants.

E. EMPLOYEE BENEFITS
Short-term employee benefits
Short-term employee benefits are recognized as costs as at the time when the service giving rise to those benefits is provided. The Group recognizes a liability for the amount that is expected to be paid when there is a current, legal or implicit obligation to make such payments due to past events, and it is possible to make a reliable estimate of the obligation.

Post-employment benefits
Provisions for employee benefits on termination of employment are represented by the post-employment benefits of the parent. Post-employment benefits are recognized in accordance with the arrangements of defined benefit plans under IAS 19.
Post employments benefits are recognized at the expected future value of employee benefits as at the time when the employment relationship is terminated. This obligation is determined on the basis of actuarial assumptions. The measurement is carried out at least annually, with the support of an independent actuary, and using the projected unit credit method. 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 rates of future salary increases reflect the long-term expectation of the Group for the reference markets and inflation.
Actuarial gains and losses that emerge following the revaluation of liabilities for defined benefit plans are immediately recognized in other comprehensive income, while net interest and other costs relating to defined benefit plans are recognized in profit or loss.
Contributions payable under defined contribution plans are recognized as a cost in the income statement for the financial year in the period in which the employees provided the service. Contributions paid in advance are recognized as assets, to the extent that the advance payment will result in a reduction in future payments or refund.

Share-based payment agreements
The fair value of the amount payable to employees in relation to share appreciation rights, adjusted for cash, is recognized as a cost with a corresponding increase in liabilities in the period during which the employees accrued the unconditional right to receive payment. The liability is valued at each reporting date, and at the settlement date, on the basis of the fair value for the share appreciation rights. Any changes in the fair value of the liability are recorded in the profit/(loss).

F. COSTS AND CHARGES
The costs relating to the purchase of goods and services are recognized when their amount can be measured reliably. Costs for the purchase of goods are recognized 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 recognized on an accrual basis as the services are rendered.

G. FINANCIAL INCOME AND EXEPENSEI
Interest income and expense are recorded in profit or loss on an accrual basis, using the effective interest method. The effective interest method is a rate that accurately discounts expected future cash flows, based on the expected life of the financial instrument and the carrying amount of the financial asset or liability.

H. INCOME TAXES
Taxes are recognized in profit or loss, with the exception of those relating to transactions recognized directly in equity, in which case the related effect is also recognized in equity. Income taxes include current taxes and deferred tax assets and liabilities.
Current taxes are recognized on the basis of the estimated amount that the Group 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. Income taxes relating to dividend distribution are recognized when a liability to pay the dividend is recognized.
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 recognized on goodwill and on assets and liabilities that do not affect tax base.
Deferred tax assets are recognized only if the taxes are considered recoverable in the light of the expected tax income of future years. The recoverability is assessed at the end of each reporting period, and any amount no longer likely to be recovered is recognized in profit or loss.
The tax rates used in recognizing 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 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 recognized.
As from 2008, the Biesse S.p.A. has participated in the Biesse Group national tax consolidation scheme, along with subsidiaries BRE.MA. Brenna Macchine S.r.l., Viet Italia S.r.l., HSD S.p.A. and Axxembla S.r.l. In this context, pursuant to articles 117 and following of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts for the companies indicated. The financial relationships and the mutual responsibilities and obligations between the companies are defined in the regulation governing participation in the Biesse Group tax consolidation scheme. In the Biesse Group consolidated financial statements, taxes payable that are transferred to the parent are recorded under the item 'Payables to the parent' and receivables deriving from IRES losses that are transferred to the parent are recorded under the item 'Receivables from the parent'.

I. 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.

J. PROPERTY, PLANT AND EQUIPMENT
Recognition and measurement
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.
Any financial charges incurred in the acquisition or construction of capitalised assets - where a certain period of time typically passes in making the asset ready for use or sale - are capitalised and amortised over the life of the class of assets to which they refer. All other financial charges are recognized in profit or loss during the financial year to which they refer.
If an element of property, plant and equipment consists of various items with different useful lives, those items are accounted for separately (if material).
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.
Assets under construction are recorded at cost under 'assets under construction' until their construction is complete. Once they become available for use, the cost is re classified to the corresponding item line and becomes subject to depreciation.
The gain or loss generated by the sale of property, plant, machinery, equipment and other assets is determined as the difference between the net consideration received on disposal and the net residual value of the asset. It is recorded in profit or loss for the year in which the sale takes place.

Subsequent costs
Costs incurred after assets are acquired as well as the costs associated with replacing various parts of assets in this category are added to the carryng amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are expensed in profit or loss when incurred.
When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

Fixed assets under finance leases
Property, plant and equipment owned under finance lease contracts for which the Group has substantially assumed all risks and rewards deriving from ownership, are recognized as fixed assets at the contract start date at either fair value, or at the present value of the contracted lease instalments, whichever is lower. They are amortised over the estimated useful life of the asset and adjusted to any impairment as determined according to the methods indicated below. The amount payable to the lessor is shown under financial liabilities.

Depreciation
Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which the asset is removed from the accounting records, whichever is the later.
Any changes to the depreciation plans only apply prospecti-

vely. The amount to be depreciated represents the original carryng amount less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.
Depreciation amounts are determined by using special financial rates that correspond to the estimated useful life of each individual non-current asset. The annual rates applied by the Group are as follows:

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

K. INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognized 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 an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the reporting date at the consolidated financial statements, in order to verify that there has been no loss in value, unless market or management indicators identified by the Group suggest that the impairment test is necessary also when preparing interim reports.
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 recognized in profit or loss whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment losses.

Development costs and other intangible assets

Intangible assets generated by developing Group products are recognized as assets only when the following requirements are met:

• The cost attributable to the asset during its development can be reliably measured.
• The product or process is feasible in both technical and commercial terms.
• Future economic benefits are likely.
• The Group has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortized on a straight-line basis over their useful lives. Whenever the above criteria are not met, development costs are expensed to the income statement for the year in which they are incurred.
Capitalized development costs are recognized at cost less accumulated amortization and/or any accumulated impairment losses. Research and development costs are recognized in profit or loss as incurred.
Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognized at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Group are as follows:

CATEGORY	RATE
Trademarks	10%
Patents	33,33%
Development costs	10% - 20%
Software and licences	20%

Subsequent costs are only capitalized when the expected future economic benefit that can be attributed to the corresponding asset increases. All other subsequent costs are recognized in profit or loss as incurred.

L. 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.

M. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Non-current assets and discontinued operations consisting of assets and liabilities 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 and liabilities held for sale are reported separately from the other assets and liabilities in the statement of financial position. The corresponding asset amounts of the previous financial year are not reclassified.
Non-current assets and discontinued operations classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

N. FINANCIAL ASSETS AND LIABILITIES

Financial assets 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 recognized 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

Loans and receivables are financial assets which are not considered derivative instruments and which are not listed on an active market. Furthermore, either fixed or determinable payments are expected to occur. These assets are initially recognized at fair value, and subsequently at amortised cost, using the effective interest rate method. The carrying amount of loans and receivables is reduced when there are objective indications that an impairment has occurred. The loss, recorded in profit or loss, is measured as the difference between the carrying amount of the asset, and the present value of future cash flows. If the original grounds for a subsequently reduce in following periods, then the carrying amount will be restored to a point where it matches the amount that it would have been by applying the amortised cost method.
With reference to trade receivables, impairment losses are generally recognized through specific allowances for impairment.
Assets are derecognized off as soon as the right to receive cash flows ceases to exist when all corresponding risks and rewards have been materially transferred, or whenever assets are considered to be totally irrecoverable after all necessary debt collection procedures have been completed. For trade receivables which had already been impaired, the corresponding allowance will also be reduced at the time when the receivable is derecognized.

Held-to-maturity financial assets

Financial assets that the Group intends and is able to hold until maturity are initially measured at fair value. After initial recognition, they are valued 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 to the amount that would have derived from application of the amortized cost.

Financial assets held for trading

Financial assets classified as held for trading are measured at fair value at the end of each reporting period and any changes thereof are recognized in profit or loss.

Available-for-sale financial assets

Financial assets available for sale are measured at fair value. Any subsequent changes in fair value are recorded in other comprehensive income, and are shown in a capital reserve. When a financial asset is derecognized, any accumulated profit or loss is reclassified from other comprehensive income 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 initially recognized at nominal value where this is substantially representative of their fair value and then are measured at amortized cost using the effective interest rate method. Payables are written off when the specific contractual obligation is extinguished.

Financial liabilities
Financial liabilities are initially recognized at the fair value of the amount received, net of transaction costs directly attributable to the liability itself.
After initial recognition, financial liabilities are valued at amortized cost using the effective interest rate method.

Derivative instruments and hedge accounting
Derivative instruments are underwritten for hedging purposes under the scope of the Biesse Group exchange rate risk management policy. As of 2016 since not all requirements to apply hedge accounting procedures have been met, said derivative instruments have been initially recognized at fair value. Any subsequent changes in fair value are recognized in profit or loss.

O. PROVISIONS FOR RISKS AND CHARGES
Provisions for risks and charges are recognized where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.
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 recognized liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognized as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

Contingent liabilities
The Group is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. 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.
In the ordinary course of business, management monitors the progress of disputes also thanks to the support of its own legal advisors as well as legal and tax experts.

Product Warranties
The Group allocates provisions to cover the estimated costs of providing warranty services on products sold. The provisions are determined based on a model that uses available historical information regarding the nature, frequency and average cost of warranty actions, for the purpose of assigning estimated costs against the corresponding sales revenue.

P. INVENTORIES
Inventories are valued at the lower of cost (determined using the weighted average cost method) and the net realizable value, namely, the estimated sale price less all estimated costs related to finalizing the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.
The cost comprises the cost of direct materials and, where appropriate, direct labor, general production overheads and other costs incurred in bringing the inventories to their present location and condition.
Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.
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, and any losses due to specific activities put into place by the Group.

Q. CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on hand, bank deposits and cash equivalents that can be liquidated within three months. Items included in cash and cash equivalents are measured at fair value, and any corresponding changes are recognized in profit or loss.

R. SHARE CAPITAL
Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognized as a decrease in equity. Income tax relating to capital transaction costs are recognized in accordance with IAS 12.
As provided for under IAS 32, any treasury shares are recognized as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then recognized as an increase in equity. Gains and losses from trading, if any, are recognized under equity, net of tax effects.

S. 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.
Goodwill and the other intangible assets with an indefinite useful life are tested for impairment annually and whenever there is any indication of impairment.
The recoverability of the recognized 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.

The Directors determine the recoverable goodwill amount by calculating the value in use for the cash generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the organisational and business structure, the Biesse Group has identified a single Cash Generating Unit (henceforth referred to as the 'CGU'). Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating costs, 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. They 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 while approving the Group's long-term business plan. Expected sales growth is based on management forecasts. The operating costs estimated in the expected cash flows are 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 unit is determined with reference to the statement of financial position by direct, where applicable, or indirect allocation criteria.

If the recoverable amount of a property plant and equipment or intangible asset (including goodwill) is less than the carrying amount, then the carrying amount is reduced and it is adjusted to match the recoverable amount. This reduction reflects a loss in value, which will be recognized in profit or loss.

Where there are indications that a prior year impairment related to property plant and equipment or intangible assets other than goodwill may no longer exist, or may have been reduced, then the recoverable value of the asset is estimated anew. If the revised value is higher than the net book value, the book value will be increased to match the recoverable amount. The reinstated value cannot exceed the book value that would have been determined (net of write downs and depreciation) if no impairment had been recognized in previous years.
The reinstated value of an asset other than goodwill is recognized in profit or loss. Any impairment recorded for goodwill cannot be reinstated in subsequent years.

T. 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. Assets acquired through leases are initially recognized at the fair value of the leased asset, or the present value of the minimum payments due for the lease, whichever is lower. After initial recognition, the asset is measured in accordance with the relevant accounting standard applicable.
Assets held under finance leases are recognized as property, plant and equipment, recognizing 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.
All other leases are considered to be operating leases, and are not recognized in the statement of financial position. Lease payments under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

U. ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE AS FROM 1 JANUARY 2017
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 unrealized losses. Amendments to IAS 12 are effective as from 1 January 2017, with earlier adoption permitted.
In January 2016, the IASB also issued some amendments to IAS 7. The amendments require the party preparing the financial statements to provide, in the statement of cash flows, a reconciliation of the opening and closing amounts of the statement of financial position for each item 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.
The adoption of these amendments had no impact on the consolidated financial statements of the Group.

V. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AS AT 31 DECEMBER 2017
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 recognizing 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 early adoption permitted.
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 will adopt these new standards and amendments, based on the relevant expected effective date; the adoption of the new standards should have no significant impact.
In January 2016, the IASB published a new accounting standard: IFRS 16, which amends the provisions of IAS 17. The new standard aligns the accounting treatment of operating and finance leases for the lessee. IFRS 16 requires the lessee to recognize 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 recognized 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 will adopt this new standard as from the planned application date and it is considered that the adoption will result in an increase in the Net Financial Position (or indebtedness) and an improvement in EBITDA.

W. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION (IFRS 9 AND IFRS 15)
At the reporting date, there are no accounting standards that the Group can apply and for which the endorsement process necessary for their adoption by the competent bodies of the European Union is incomplete.

4. OPERATING SEGMENTS

IFRS 8 - Operating segments - defines an operating segment as an entity:
• That engages in business activities generating both revenue and costs.
• Whose operating results are reviewed regularly by the chief decision maker, and for which separate financial information is available.

The Group is currently organized 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.

Third party customer revenue obtained by the Group are broken down as follows:

EURO 000'S	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	ELIMINATIONS	GROUP TOTAL
2017							
External revenue	489,840	108,113	12,740	71,370	8,057	0	690,120
Intrasegment revenue	699	128	509	27,133	13,161	(41,630)	0
Total revenue	**490,539**	**108,241**	**13,250**	**98,503**	**21,218**	**(41,631)**	**690,120**
Operating profit of segment	**44,539**	**4,490**	**818**	**21,836**	**829**	**(0)**	**72,512**
Unallocated ordinary costs							(8,906)
Operating profit							**63,606**
Unallocated financial expense							(2,876)
Pre-tax profit							**60,730**
Income taxes							(17,992)
Profit for the year							**42,738**
2016							
External revenue	448,977	96,040	11,512	61,961	(4)	2	618,488
Intrasegment revenue	1,629	0	494	24,661	19,142	(45,926)	0
Total revenue	**450,606**	**96,040**	**12,006**	**86,622**	**19,138**	**(45,923)**	**618,488**
Operating profit of segment	**37,498**	**3,189**	**1,064**	**21,055**	**682**	**0**	**63,488**
Unallocated ordinary costs							(8,426)
Operating profit							**55,062**
Unallocated financial expense							(2,677)
Pre-tax profit							**52,385**
Income taxes							(22,921)
Profit for the year							**29,464**

The breakdown of sales by segment shows the significant increase in the Mechatronics Division (13.7% compared to 2016), from € 86,622 thousand to € 98,503 thousand; the division slightly increased its share of Group sales (from 14% to 14.3%). The performances of the other Divisions show in turn significant increases compared to 2016. To be more precise, the Glass & Stone Division recorded the highest increase with +12.7%, whereas the Wood and Tooling Divisions reported +8.6% and +10.4%, respectively.

The following table shows an inventory breakdown by operating segment:

EURO 000'S	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	GROUP TOTAL
2017	104,049	11,309	2,593	22,244	3,016	**143,210**
2016	90,770	17,255	2,906	17,348	2,506	**130,785**

ANALYSIS BY GEOGRAPHICAL SEGMENT TURNOVER

EURO 000'S	2017	%	2016	%
Western Europe	309,211	44.8%	280.720	45,4%
Asia - Pacific	153,158	22.2%	128.824	20,8%
Eastern Europe	92,296	13.4%	77.633	12,6%
North America	111,585	16.2%	109.497	17,7%
Rest of the World	23,871	3.5%	21.813	3,5%
Group Total	**690,120**	**100.0%**	**618.487**	**100,0%**

The geographical breakdown of sales compared to the previous year showed a particularly positive performance for Eastearn Europe (+18.9%), accounting for a larger share of consolidated turnover (from 12.6% to 13.4%). The Asia-Pacific area also indicated a good performance (+18.9%), while Western Europe recorded a significant 10.1% increase, confirming its position as the Group's baseline zone. Finally, the Americas show an increase of 1.9 percentage points.

5. REVENUE

Revenue from the sale of goods and services provided by the Group for the period ended 31 December 2017 are detailed below:

EURO 000'S	2017	2016
Revenue from sales	644,459	580,092
Revenue from services	44,661	37,093
Other revenue	1,000	1,304
Revenues	**690,120**	**618,489**

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. OTHER REVENUE

An analysis of the Group's other revenue for the period ended 31 December 2017 is as follows:

EURO 000'S	2017	2016
Lease and rental income	84	123
Commissions and royalties	487	412
Income-related grants	333	596
Gains on sales of assets	399	71
Other non-recurring income and prior year income	3,366	2,345
Total other revenue	**4,669**	**3,548**

Gains on sales of assets include the € 368 thousand gain realised by HSD USA from the sale of a building owned for € 709 thousand. The item 'Other non-recurring income and prior year income' includes proceeds of € 53 thousand arising from the recognition of research and development tax credits received by the parent on the basis of Italian Legislative Decree no.145 dated 23 December 2013.
The item 'Income-related grants' contains grants receivable for training courses carried out internally.

7. CONSUMPTION OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

For the year ended 31 December 2017, this item amounted to € 287,017 thousand, which was an increase of 10.8% compared to the previous year (€ 258,979 thousand). This item includes all procurement costs related to production, and primarily consists of € 278,465 thousand for the cost of purchasing raw materials, € 11,553 thousand for the cost of purchasing finished goods, and a positive change of € 6,576 thousand for raw material inventories. Calculated as a percentage of revenue, this was a decrease of 0.3% compared to the previous year (from 41.9% to 41.6%). This effect is due to the current strategy for penetrating new markets and sectors, where the necessary economies of scale have not yet been achieved.

8. PERSONNEL EXPENSE

Personnel expense for 2017 amounted to € 199,311 thousand - an increase of € 22,760 thousand as compared to the previous year (which amounted to € 176,551 thousand). The item is detailed as follows:

EURO 000'S	2017	2016
Wages, salaries and social security contributions	184,250	164,267
Productivity bonus, other bonuses and related social security contributions	14,438	13,043
Accruals to pension plans	7,077	6,202
Other personnel expense	3,617	2,757
Capitalization and recovery of personnel expense	(10,071)	(9,718)
Personnel expense	**199,311**	**176,551**

The increase in personnel expense is linked to an increase in the Group's headcount, which rose from 3,799 units as at 31 December 2016 to 4,042 as at 31 December 2017. The expense figure also includes subcontract staff. The increase in personnel concerned mainly production staff.
The item 'Capitalization and recovery of personnel expense' mainly includes capitalized costs for the development of new products.

9. AMORTIZATION, DEPRECIATION

EURO 000'S	2017	2016
Depreciation	8,906	7,838
Amortisation	10,998	10,020
Impairment losses on non-current assets	1,492	26
Provision for risk and allowance for impairment	2,652	1,644
Amortizations, depreciation and impairment losses	**24,047**	**19,529**

This item went from € 11,691 thousand as at 31 December 2016 to € 24,047 thousand as at 31 December 2017 - an increase of € 12,356 thousand as compared to the previous year. The item 'Impairment/losses on non current' as at 31 December 2017 refers solely to the depreciation of development projects which were abandoned the years.

Concerning the item 'Provisions for risk and allowance for impairment,' please see note 25 for provisions for risks, and note 18 for allowance for impairment.

10. OTHER OPERATING COSTS

The item Other operating expense of the Group as at 31 December 2017 is detailed below:

EURO 000'S	2017	2016
Production services	32,191	29,086
Maintenance	4,687	4,129
Sales commissions and transport	23,601	21,282
Consultancy fees	5,648	5,823
Utilities	5,845	5,363
Exhibitions and advertising	10,701	11,900
Insurance	1,912	2,131
Directors, statutory auditors and consultants' remuneration	2,831	2,514
Travel	19,621	16,370
Other	11,162	9,563
Use of third party assets	10,745	8,814
Other operating costs	7,249	7,590
Other operating costs	**136,194**	**124,564**

Other operating expense increased by € 11,630 thousand compared to 2016 (+ 9.3%). This increase is due both to variable cost components (production services up by € 3,105 thousand, sales commissions and transport up by € 2,319 thousand, travel expenses up by € 3,251 thousand) and to fixed components (maintenance up by € 558 thousand). Costs for trade fairs and advertising fell from € 11,900 thousand to € 10,701 thousand.

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 Issuers' Regulations, a list of the services provided by the Independent Auditors and their network is shown below:

SERVICES	SERVICE SUPPLIER	BENEFICIARY	FEES (2017)
Audit	KPMG S.p.A.	Biesse S.p.A.	245
	KPMG Network	Subsidiaries	472
Other services	KPMG Network	Biesse S.p.A.	370
	KPMG S.p.A.	Biesse S.p.A.	59
	KPMG S.p.A.	Subsidiaries	11
Total			**1,158**

11. FINANCIAL INCOME AND EXPENSE

The item Financial income is detailed below:

EURO 000'S	2017	2016
Income from financial receivables	(9)	268
Bank interest	76	38
Interest from customers	26	50
Interest from others	220	99
Financial discounts received	37	62
Other financial income	0	19
Exchange rate gains	9,582	8,997
Total financial income	**9,932**	**9,533**

The item Finance expense is detailed below:

EURO 000'S	2017	2016
Bank, mortgage and financing interest	1.327	1.404
Finance lease interest	2	12
Interest expense to others	51	179
Bills discounted	768	535
Impairment losses on current financial assets	43	2
Other financial expense	18	(63)
Exchange rate losses	10,599	10,140
Financial expense	**12,808**	**12,210**

Exchange rate gains and losses include both realized and unrealized exchange rate differences, deriving from either Euro translation of ordinary operations or from closing exchange rate adjustments for payables and receivables shown in foreign currencies.

For the year ended 31 December 2017, the Group had recorded net exchange rates losses of € 1,017 thousand, of which € 587 thousand were realized exchange losses and € 430 thousand from unrealized exchange losses.

12. BASIC AND DILUTED EARNINGS PER SHARE

The following table shows the calculation of basic net earnings per share (Basic EPS) and diluted net earnings per share (Diluted EPS) as shown in the consolidated income statement schedule:

EURO 000'S	2017	2016
Profit (Loss) for the year	42,558	29,384
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,393
Base and diluted profit for the year (in Euro)	**1,55**	**1,07**

EURO 000'S	2017	2016
Weighted average number of outstanding shares – for the calculation of basic earnings	27,383	27,383
Effect of treasury shares	(10)	(10)
Weighted average number of outstanding shares – for the calculation of basic earnings	27,373	27,373
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	**27,373**	**27,373**

As there were no dilutive effects, the same calculation is also applicable to diluted earnings per share.
Basic earnings per share for 2017 totalled 1.55 Euro/cent and were calculated by dividing the profit attributable to the owners of the parent, amounting to € 42,558 thousand, by the weighted average number of ordinary shares outstanding during the year.

STATEMENT OF FINANCIAL POSITION

13. PROPERTY, PLANT AND EQUIPMENT

EURO 000'S	HISTORICAL COST					
	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2015	**72,364**	**55,979**	**18,685**	**28,613**	**3,129**	**178,769**
Increase	4,256	3,573	2,182	2,102	4,214	16,327
Decrease	(456)	(768)	(33)	(2,305)	-	(3,562)
Exchange rates, reclassifications, other movements	3,692	1,386	546	(975)	775	5,426
Amount at 31/12/2016	**79,856**	**60,170**	**21,380**	**27,436**	**8,118**	**196,959**
Increase	5,162	9,505	2,457	4,361	437	21,921
Decrease	(640)	(402)	(76)	(588)	(2,239)	(3,946)
Exchange rates, reclassifications, other movements	(5,174)	(5,580)	(178)	1,078	1,329	(8,526)
Amount at 31/12/2017	**79,204**	**63,692**	**23,583**	**32,286**	**7,644**	**206,409**

EURO 000'S	ACCUMULATED DEPRECIATION					
	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2015	**24,042**	**44,985**	**15,654**	**24,226**	**-**	**108,908**
Depreciation of the year	2,073	2,739	1,418	1,608	-	7,838
(Decrease)	(18)	(719)	(83)	(2,160)	-	(2,980)
Exchange rates, reclassifications, other movements	3,692	1,386	546	(975)	775	5,426
Amount at 31/12/2016	**26,029**	**49,069**	**15,866**	**24,056**	**-**	**115,020**
Depreciation of the year	2,153	2,953	1,712	2,088	-	8,906
(Decrease)	(203)	(303)	(71)	(537)	-	(1,114)
Exchange rates, reclassifications, other movements	(3,117)	(5,147)	1,988	(641)	-	(6,918)
Amount at 31/12/2017	**24,861**	**46,572**	**19,495**	**24,966**	**-**	**115,893**

EURO 000'S	CARRYING AMOUNT					
	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2016	**53,827**	**11,101**	**5,514**	**3,380**	**8,118**	**81,939**
Amount at 31/12/2017	54,343	17,120	4,088	7,320	7,644	90,515

During 2017, the Group made investments in plant and machinery of € 9,505 thousand. These increases are due to the normal replacement of work tools and the purchase of machinery and equipment.
Investments in buildings mainly consist of the relocation of the subsidiary HSD USA, which involved the purchase of a new property for € 1,209 thousand and the sale of the old company-owned building for a price of € 709 thousand.
Depreciation for 2017 amounted to € 8,906 thousand.
Land and buildings owned by the Group are not subject to mortgages.

14. GOODWILL

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

• 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.

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

EURO 000'S	2017	2016
Wood	8,455	8,117
Glass & Stone	4,666	1,660
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	**22,660**	**19,316**

As required by accounting standards, the Directors determine the recoverable goodwill amount by calculating the value in use at least once a year. By its nature, this method requires the Directors to materially assess the performance of operating cash flows during the period being used for the calculation, as well as assessing the discount rate and growth rate for said cash flows.

Estimates of operating cash flows for future financial years were made on the basis of the business plan for the 2018-2020 period (hereinafter referred to as the 'Plan') as approved by the Board of Directors on 28 February 2018, and based on the estimates of long-term growth in revenue and associated profits.
The recoverable value of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the Discounted cash flow method.

Assumptions underlying Discounted cash flow

The primary assumptions used by the Group to estimate future cash flows for the purposes of the impairment test are as follows:

EURO 000'S	2017	2016
WACC	7.3 %	6.7%
CAGR ricavi prospettici	9.5 %	10.7%
Growth rate terminal value	1.5 %	1.5%

In greater detail, the following factors were considered to determine the discount 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 systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Eurozone).
• As for the specific risk premium (MRP), 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.

Assumptions underlying cash flow estimates
Operating cash flows used to test for impairment in 2017 were based on the business plan for the three-year period 2018-2020, as approved by the Biesse S.p.A. Board of Directors on 28 February 2018. For the remaining periods, cash flows have been extrapolated based on the industry's medium-long term growth rate of 1.5%. The expected future cash flows refer to the CGU in its current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The primary assumptions underlying the determination of future cash flows are as follows:

EURO 000'S	2017	2016
Average impact of COGS revenue	51.3 %	51.4 %
Average impact of personelexpense on revenue	21.6 %	24.0 %
Average impact of opex on revenue	13.1 %	12.0 %

Impairment test results

EURO 000'S (BIESSE GROUP - ALL DIVISIONS)	2017
Carrying Amount	223,297
Recoverable amount	1,047,629
Impairment losses	-

EURO 000'S (WOOD DIVISION)	2017
Carrying Amount	112,335
Recoverable amount	700,557
Impairment losses	-

EURO 000'S (GLASS DIVISION)	2017
Carrying Amount	25,785
Recoverable amount	31,833
Impairment losses	-

EURO 000'S (MECATRONIC DIVISION)	2017
Carrying Amount	29,684
Recoverable amount	190,987
Impairment losses	-

EURO 000'S (TOOLING DIVISION)	2017
Carrying Amount	2,682
Recoverable amount	2,874
Impairment losses	-

EURO 000'S (COMPONENT DIVISION)	2017
Carrying Amount	9,086
Recoverable amount	13,853
Impairment losses	-

Breakeven point

To eliminate the excess at a consolidated level between value in use and carryng amount in regards to the impairment test carried out for the year ended 31 December 2017, the cost of capital (WACC) should increase by 18,200 basis points. Furthermore, growth in 'as is' cash flows as evidenced in the terminal value should be negative and lower than 32,000 basis points, and EBITDA should be less than the 'as is' plan of over € 100 million.

For individual business units, please see the following table:

	WOOD	GLASS	MECATRONICS	COMPONENT	TOOLING
WACC	+ 26,200 b,p,	+ 600 b,p,	+ 23,700 b,p,	+ 200 b,p,	+ 2,700 b,p,
Growth rate terminal value	-50,500 b,p,	-100 b,p,	-36,500 b,p,	-100 b,p,	-300 b,p,
EBITDA	- € 72 mln	- € 0,8 mln	- € 19,5 mln	- € 1 mln	- € 0,5 mln

Sensitivity analysis

A sensitivity analysis of the CGU results in question was also carried out. In every case, the value in use remained higher than the book value, even when assuming deterioration in key parameters such as:

- Half a percentage point increase in the discount rate.
- Half a percentage point reduction in the growth rate.
- Halving the CAGR on sales revenue.

The following shows the recoverable values obtained after modifying the parameters indicated above:

		WOOD	GLASS/STONE	MECATRONICS	COMPONENT	TOOLING
Wacc +0,5%	CGU (VC)	112,335	25,785	29,684	2,682	9,086
	CGU (VR)	641,348	25,789	174,640	3,549	12,545
Growth rate -0,5%	CGU (VC)	112,335	25,785	29,684	2,682	9,086
	CGU (VR)	648,731	26,683	176,136	3,544	12,676
CAGR -50%	CGU (VC)	112,335	25,785	29,684	2,682	9,086
	CGU (VR)	263,221	33,012	116,185	3,596	9,294

The sensitivity analysis was carried out by examining the effects of these changes, considering them both separately and together.
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 the cash-generating unit. 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 continues to monitor the circumstances and events that could require further impairment testing.

15. INTANGIBLE ASSETS

EURO 000'S	HISTORICAL COST			
	Development costs	Patents, trademarks and other intangible assets	Asset under development and payments on account	Total
Amount at 31/12/2015	**55,603**	**32,290**	**11,086**	**98,979**
Increase	130	3,834	10,291	14,255
Decrease	(132)	(91)	(105)	(328)
Exchange rates, reclassifications, other movements	7,649	(794)	(6,434)	422
Amount at 31/12/2016	**63,250**	**35,239**	**14,839**	**113,328**
Increase	9	5,659	10,909	16,577
Decrease	-	(9)	(31)	(39)
Exchange rates, reclassifications, other movements	8,220	2,359	(8,727)	1,852
Amount at 31/12/2017	**71,479**	**43,248**	**16,990**	**131,717**

EURO 000'S	ACCUMULATED AMORTISATION			
	Development costs	Patents, trademarks and other intangible assets	Asset under development and payments on account	Total
Amount at 31/12/2015	**38,795**	**17,231**	**-**	**56,026**
Depreciation of the year	7,330	2,690	-	10,020
(Decrease)	(132)	(85)	-	(217)
Exchange rates, reclassifications, other movements	(48)	(69)	-	(117)
Amount at 31/12/2016	**45,945**	**19,767**	**-**	**65,712**
Depreciation of the year	7,826	3,172	-	10,998
(Decrease)	-	(83)	-	(83)
Exchange rates, reclassifications, other movements	(126)	(335)	-	(462)
Amount at 31/12/2017	**53,644**	**22,520**	**-**	**76,165**

EURO 000'S	IMPAIRMENT LOSSES			
	Development costs	Patents, trademarks and other intangible assets	Asset under development and payments on account	Total
Amount at 31/12/2016	**-**	**1,715**	**-**	**1,715**
Exchange rate gains(losses), reclassifications and other changes	-	(86)	1,476	1,390
Amount at 31/12/2017	**-**	**1,629**	**1,476**	**3,105**

EURO 000'S	CARRYING AMOUT			
	Development costs	Patents, trademarks and other intangible assets	Asset under development and payments on account	Total
Amount at 31/12/2016	**17,305**	**13,757**	**14,839**	**45,901**
Amount at 31/12/2017	**17,835**	**19,099**	**15,514**	**52,448**

The intangible assets shown above have a finite useful life and are amortized accordingly.
Patents, trademarks and other rights are amortized in relation to their useful life, which is estimated to be five years on average.
As at 31 December 2017, the consolidated financial statements include assets that represent new product development costs of € 32 million, of which € 14.2 million appears under assets under development and payments on account.
Capitalizing development costs involves the Directors preparing estimates, since the recoverability of those costs depends on cash flows from the sale of products marketed by the Biesse Group.
These estimates are characterised by both a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.
As at 31 December 2017, no previously capitalized development costs were impaired. Intangible assets are unencumbered.

16. OTHER FINANCIAL ASSETS

Other current and non-current financial assets are detailed as follows:

EURO 000'S	2017	2016
Non-controlling equity investments in other businesses and consortia	-	50
Other receivables / Guarantee deposits - non-current portion	2,648	2,296
Other financial assets	**2,648**	**2,346**

17. INVENTORIES

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Raw materials, consumables and supplies	46,731	40,999
Work in progress and semi-finished products	18,530	17,762
Work in progress	0	746
Finished goods	65,451	56,672
Spare parts	12,498	14,607
Inventories	**143,210**	**130,785**

Inventories equal to € 143,210 thousand are net of the allowances for inventory write-downs, amounting to € 2,269 thousand for raw materials (+€ 213 thousand compared to 2016), € 2,424 thousand for spare parts (+€ 395 thousand compared to 2016) and € 1,838 thousand for finished goods (+€ 591 thousand compared to 2016).
Allowance for inventory write-downs of raw materials as a percentage of the historical cost of the related inventories is equal to 4.6% while that for finished goods is 2.7 %.
The Group's inventories increased compared to the previous year by € 12,425 thousand. This increase is due to the need to facilitate the scheduling of the deliveries planned in the first quarter of 2018 in light of the positive trend in orders. In greater detail, raw material inventories increased by € 5,732 thousand and finished goods inventories increased by € 8,779 thousand. On the other hand, the spare parts inventories decreased by € 2,109 thousand.
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 also due to specific actions put into place by the Group.

18. TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2017 and 31 December 2016 are detailed below:

EURO 000'S	2017	2016
Trade receivables due from third parties	124,425	133,050
Trade receivables due from related parties	190	53
Trade receivables due from the ultimate	4	(0)
Allowance for impairment	(5,238)	(4,353)
Trade receivables	**119,380**	**128,751**

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.
The trade receivables due from third parties of € 124,425 thousand reflects a decrease of around € 8,703 thousand as compared to the previous year (€ 133,128 thousand as at 31 December 2016). Change in allowance are shown below:

EURO 000'S	2017	2016
Opening balance	4,485	5,495
Accrual for the year	1,618	940
Utilised	(494)	(1,959)
Net exchange rate gains (losses)	(371)	9
Closing balance	**5,238**	**4,485**

Accrual to the allowance for impairment are made on the basis of both an assessment of specific loans where specific disputes exist (and are generally supported by an accompanying legal opinion) and general evaluations grounded in historical experience.

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.
In any case, the Directors monitor overdue loans by conducting a periodic analysis of the main accounts. Impairment losses are then recognized for the loans that are objectively partially or totally non-collectable.
The following table shows a breakdown by overdue date:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Not due	73,954	88,246
Overdue by 1 to 30 days	16,731	14,381
Overdue by 30 to 180 days	14,226	15,552
Overdue by 180 to 365 days	6,332	5,274
Overdue more than 365 days	8,137	5,299
Total	**119,380**	**128,751**

For further details on credit management, please see note 29.
For an analysis of trade receivables due from related parties and the ultimate parent, please see note 30.

19. OTHER ASSETS

A breakdown of other current receivables as at 31 December 2017 is as follows:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Consumption tax assets and other tax assets	13,712	9,947
Income tax assets	4,263	744
Other receivables from related parties	977	977
Other receivables from third parties	5,475	5,644
Other receivables	**24,428**	**17,312**

Consumption tax assets and other tax assets of € 13,712 thousand represented an increase of € 3,766 thousand and are mainly in relation to VAT assets.
'Income tax assets mainly consist of corporate income tax (IRES) assets.

The item 'Other receivables from third parties' of € 5,475 thousand decreased by € 169 thousand compared to the previous year. It mainly refers to disputed receivables that are due from trading partners where legal action is underway. These receivables are shown at their expected realisable value.

20. CASH AND CASH EQUIVALENTS

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Bank deposit	77,949	45,791
Cash and cash in hand	953	504
Cash and cash equivalents	**78,902**	**46,295**

Cash and cash equivalents include bank deposits of € 77,949 thousand and cash and cash in hand of € 953 thousand. The carrying amount of these assets is a reasonable approximation of their fair value.
For further details regarding the movements that have influenced the availability of cash and cash equivalents, please see the Group's Statement of Cash Flows. Furthermore, please see Note 22 for additional details on the net financial position.
No term deposits exist as at the reporting date.

21. EQUITY

The statement of changes in consolidated equity as at 31 December 2017 is shown in the accounting schedules section.
Share capital of € 27,393 thousand was unchanged from the previous year, and the number of ordinary shares was 27,393,042 with a nominal value of € 1 each. As at the date on which these consolidated financial statements were approved, there were no treasury shares held.
As at the date these consolidated financial statements were approved, the number of treasury shares held was 10,000 with an average purchase price of € 9.61 each. Based on the resolution of the Shareholders' Meeting 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. At their meeting of 30 April 2016 the Shareholder approved a new buyback plan (18 months duration) and the adoption of a new incentive scheme called "Long-Term Incentive Plan 2015 – 2017" (expiring on 30 June 2018), which involves cash bonuses and stock grants conditional on the achievement of financial targets and the assessment of the beneficiaries' individual performance. Compared to the end of 2016, the number of treasury shares held remained unchanged. The following table summarises the data concerning treasury shares at 31 December 2017.
Number of shares: 10,000
Carrying amount (in Euro): 96,137
Percentage of share capital: 0.04%

Hedging and translation reserve

The translation reserve consists of the following:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Translation reserve	(6,815)	(2,183)
Riserva di copertura e conversione	**(6,815)**	**(2,183)**

The translation reserve includes all exchange rate differences arising from the translation of financial statements in foreign currencies. The movement is due to an appreciation in exchange rates as compared to previous year end.

In particular, the US Dollar exchange rate appreciated by 11.5%, the Chinese Yuan by 5.5%, and the Turkish Lira by 11.9%.

Other reserves

The reserves are as follows:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Legal reserve	5,479	5,479
Extraordinary reserve	70,670	58,586
Reserve for treasury shares	96	96
Retained earnings and other reserves	11,897	4,571
Other reserves	**88,142**	**68,732**

The legal reserve includes the accrual of the parent profit of 5% for each year. During this financial year the reserve was not increased, as it had already reached 20% of the total amount of the share capital (€ 5,479 thousand).
Losses carried forward and other reserves totalling € 11,897 thousand (€ 4,571 thousand at 31 December 2016) increased by € 7,326 thousand. Other reserves in this item include losses carried forward of € 458 thousand, and is made up of actuarial gain/losses reserves of € 4,030 thousand, consolidated undistributed earnings of € 13,976 thousand and other reserves of € 2,410 thousand.

22. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2017 and 31 December 2016.

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Non-current liabilities		
Finance lease liabilities	1,060	0
Other non-current financial liabilities	18,705	7,539
	19,765	7,539
Current liabilities		
Finance lease liabilities	199	115
Bank loans and borrowings	28,691	33,809
Derivatives	396	1,266
	29,285	35,189
Financial liabilities	**49,050**	**42,728**

Finance lease liabilities

Assets subject to finance leases have been accounted for using the methodology provided for by IAS 17.

The following table breaks down the minimum payments and present value of minimum lease payments by due date:

EURO 000'S	MINIMUM LEASE PAYMENTS AS AT 31 DECEMBER		PRESENT VALUE OF MINIMUM PAYMENTS LEASE AT 31 DECEMBER	
	2017	2016	2017	2016
Within the year	344	153	199	111
Between one and five years	2,318	3	1,060	3
Due after the fifth year	361	-	-	-
Total	**3,024**	**156**	**1,259**	**115**

A reconciliation between minimum lease payments due to the finance lease company and their present value is as follows:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Minimum lease payments	3,024	156
Future financial expense	(1,765)	(41)
Total	**1,259**	**115**

Bank overdrafts and other financial liabilities

For 2017, the average loan collection rate was 0.59%, while the cash use rate on current accounts was 0.28%.
As at 31 December 2017, the amount of unused credit lines was about € 125.3 million.
As at 31 December 2017, short-term revolving credit lines represent 72.8% of total financing, whereas the remaining part is represented by unsecured loans and residual portions of capital goods leases.

Derivatives

Liabilities composed of derivative instruments are equal to the fair value of foreign currency hedging transactions (forward contracts) in place as at 31 December 2017, being € 396 thousand. The Group has chosen not to adopt hedge accounting policies for recognizing this type of instrument.

Net financial position

Shown below is a breakdown of net financial debt as at 31 December 2017 and 31 December 2016. Please note, net financial debt is presented in accordance with the provisions set out by CONSOB Communication no.6064293 dated 28 July 2006 as well as with the recommendations of ESMA/2013/319.

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Cash	953	504
Cash equivalents	77,949	45,791
Cash and cash equivalents	**78,902**	**46,295**
Financial assets	519	461
Current bank loans and boorrowings	28,690	33,769
Current portion of non-current indebtness	199	111
Other current financial liabilities	396	1,266
Current financial indebtness	**29,285**	**35,146**
Current net financial indebtness position	**50,136**	**11,609**
Other non-current financial liabilities	19,765	-
Other non-current financial liabilities	**19,765**	**-**
Long-term financial indebtness	**19,765**	**7,582**
Net financial indebtness position	**30,371**	**4,027**

As at 31 December 2017, the net financial position was € 30,371 thousand. As at 31 December 2016, net financial debt was positive at € 4,027 thousand.

23. POST-EMPLOYMENT BENEFITS

This item solely relates to post employments benefits recognized by the parent in compliance with current Italian legislation, which guarantees that employees are paid benefits when the employment relationship ends.

Movement in the item Post-employment is as follows:

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Opening balance	**13,745**	**13,535**
Net financial expenses	(24)	(7)
Benefits paid out	(710)	(430)
Net actuarial gain/(losses)	77	421
Other movements	368	227
Closing balance	**13,456**	**13,745**

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

ECONOMIC ASSUMPTIONS	2017	2016
Year inflation rate	1.50%	1.50%
Year discount rate	from -0.26% to 2018 to 1.48% to 2032	from -0.22% to 2017 to 1.48% to 2031

DEMOGRAPHIC ASSUMPTION	2017	2016
Death	RG48 mortality tables published by the State General Accounting Office	
Disability	INPS tables by age and sex	
Retirement	100% upon achievement AGO requirements	
Probability Advances	1.80%	1.80%

Average number of employees
The average number of employees in 2017 was 3,949 (3,621 in 2016).

24. INCOME TAXES

Income taxes recognized in profit or loss

EURO 000'S	2017	2016
IRES and other deferred taxes	12,345	13,888
Income tax related to foreign subsidiaries	4,046	5,572
IRES and other taxes for the year	**16,391**	**19,460**
IRAP and other current taxes	3,015	3,003
IRAP and other deferred taxes	(12)	(12)
Income taxes related to previous years	(1,413)	553
Other taxes	11	(83)
Income taxes	**17,992**	**22,921**

Income taxes related to foreign subsidiaries are calculated at the tax rates in force in each country.
IRES and other deferred taxes, negative to the tune of €12,345 thousand overall (€ 13,888 thousand in 2016), mainly 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.
On 5 December 2017, HSD S.p.A. signed a preliminary agreement with the Italian Revenue Agency for access to tax relief in relation to the Patent Box. This agreement (which covers the 5 financial years from 2015 to 2019 inclusive) allows the recognition of tax benefits totalling € 3.7 million for IRES and IRAP. This represents € 2.1 million combined for 2015 and 2016 and € 1.6 million for 2017 year.
The provision for taxes for the year can be reconciled with the reported profit or loss for the year as follows:

EURO 000'S	2017		2016	
Pre-tax profit (loss)	60,730	-	52,385	-
National income tax rate 24%	(14,590)	24.02%	(14,406)	27.50%
Other differences	(1,801)	2.97%	(5,054)	9.65%
Income taxes for the year and effective tax rate	**(16,391)**	**26.99%**	**(19,460)**	**32.04%**
IRAP and other current taxes	(3,003)		(2,991)	
Income taxes related to previous years	1,402		(470)	
Income taxes for the year and effective tax rate	**(17,992)**		**(22,921)**	

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

EURO 000'S	2017	2016
Accrual to provisions for risks and charges	10,914	3,314
Intercompany profits included in the amount of closing inventories	(2,138)	5,650
Other	4,345	4,022
Deferred tax assets	**13,121**	**12,986**
Accelerated Amortisation	3,031	1,662
Capitalised costs	177	171
Goods under finance lease	23	31
Other	(611)	1,112
Deferred tax liabilities	2,620	2,976
Net deferred tax assets	**2,620**	**2,976**
Posizione netta	**10,501**	**10,010**

As at 31 December 2017, the Group recorded deferred tax assets of € 10,501 thousand (€ 10,010 thousand at 31 December 2016). Management recognized 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 company on 28 February 2018, and described in the paragraph above concerning the recoverable amount of non-current assets.
Deferred taxation as at 31 December 2017 takes into account the change in IRES rate provided for as from 2017, as introduced by the 2016 Italian Stability Act. It also takes into account any other legislative changes in countries where the companies of the Group operate.

25. PROVISION FOR RISKS AND CHARGES

EURO 000'S	31 DECEMBER 2017				
	Warranty	Retirement of agents	Legal disputes	Tax disputes	Total
Opening balance	8,561	354	2,560	519	11,994
Non current					2,377
Current					9,617
Accruals	681	(0)	357	1,100	2,138
Utilised	(1,543)	(14)	(972)	(623)	(3,152)
Exchange rate gains (losses) and other differences	(1,679)	-	1,111	(6)	(574)
Amount at 31/12/2017	**6,019**	**340**	**3,056**	**990**	**10,406**
Non current					1,367
Current					9,039

The warranty provision 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 provisions for retirement of agents refers to the liabilities related to existing agency agreements.
Movements in the warranty provision relate to the release of a Total Care provision (for the UK) and use of the provision against repairs performed under warranty. Movements in legal disputes relate to legal cases, particularly where the parent has settled with customers for damages. The allocation to the provision for risks of € 1,100 thousand as at 31 December 2017 can mainly be attributed to the parent company Biesse S.p.A. This provision reflects the tax risks associated with the notice of assessment issued to the company in October by the Italian Revenue Agency, in regards to the 2012, 2013 and 2014 tax periods.

26. TRADE PAYABLES

The Group's trade payables as at 31 December 2017 and 31 December 2016 are detailed below:

EURO 000'S	2017	2016
Trade payables to suppliers	221,149	190,843
Trade payables to related parties	2,703	1,770
Trade payables to the ultimate	63	(0)
Trade payables	**223,916**	**192,613**

Trade payables amounting to € 223,916 thousand (€ 192,613 thousand as at 31 December 2016) mainly relate to material supplies delivered in the last 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.
For an analysis of trade payables due to related parties and the ultimate parent, please see note 30.

27. OTHER LIABILITIES

A breakdown of other liabilities as at 31 December 2017 is as follows:

EURO 000'S	2017	2016
Tax liabilities	10,401	13,938
Social security liabilities	12,253	10,991
Other payables to employees	23,928	20,245
Other payables to third parties	9,521	8,018
Other payables to the ultimate	29	(0)
Other liabilities	**56,132**	**53,191**

Other liabilities amounted to € 56,132 thousand, increasing by € 2,941 thousand compared to the previous year.
In more detail, this balance consists of:
• Tax liabilities of € 10,401 thousand, Social security liabilities of € 12,253 thousand and Other payables to employees of € 23,928 thousand. This is an increase over the previous financial year, which is consistent with the increase in the number of staff.
• Other payables to third parties of € 9,521 thousand, mainly consisting of deferred income. This is an increase over the previous year (€ 8,018 thousand at 31 December 2016).

28. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

EURO 000'S	31 DECEMBER 2017		31 DECEMBER 2016	
	Asset	Liability	Asset	Liability
Currency derivatives	505	396	374	(1,266)
Total	**505**	**396**	**374**	**(1,266)**

The amount of open contracts at year end (with a negative balance of € 109 thousand) refers to hedging contracts that are not compatible with the requirements of IAS 39 for the application of hedge accounting. As of 2016, the Group no longer records financial derivatives with the method envisaged for hedge accounting, given the complexity of this accounting method.

29. FINANCIAL RISK MANAGEMENT

The Group is subject to the following 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.
The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed. They also endeavour to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Group activities.
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.
The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

Market risk
Market risk is the risk that the fair value of a financial instrument (or future cash flows from that instrument) will fluctuate as a result of changes in market prices due to changes in exchange rates, interest rates or share prices. The purpose of the market risk management is managing and controlling the group's exposure to that risk within acceptable limits, while at the same time optimising investment returns.

Currency risk
Geographical variety in the distribution of production and commercial activities brings about an exposure to currency risk, in terms of both transactions and translations.

a)Transactional currency risk
This risk comes about due to the individual companies carrying out commercial and financial transactions in currencies other than their normal operating currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.
The Group manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. On 11 March 2016, the Biesse S.p.A. Board of Directors passed a resolution approving a new currency risk management policy for the Biesse Group, and as previously mentioned, this put on hold the Group's use of hedge accounting techniques for recognizing derivative instruments for 2016 and 2017. This was due to the fact that the rules set out in IAS 39 were found to be quite stringent when applied effectively and fully with respect to the business operations.

The following table provides a quantitative summary of the Group's exposure to currency risk:

EURO 000'S	AT 31 DECEMBER 2017			
	2017	2016	2017	2016
Australian Dollar	19,958	19,095	7,836	13,832
Canadian Dollar	6,378	5,855	8,777	7,314
Swiss Franc	3,216	6,144	2,949	1,805
Pound Sterling	10,488	10,256	10,585	13,019
Hong Kong Dollar	4,184	10,415	117	7,702
Indian Rupee	4,242	6,093	7,181	5,475
US Dollar	48,107	31,798	52,078	25,091
New Zealand Dollar	2,068	4,218	2,235	2,331
Chinese Renmimbi Yuan	12,653	18,298	32,075	36,888
Other currencies	14,651	9,835	13,304	8,100
Total	**125,947**	**122,007**	**137,138**	**121,557**

In defining the amount exposed to interest rate risk, the Group also includes foreign currency orders acquired in the period before they become trade receivables (shipping invoicing).
A sensitivity analysis follows illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the Euro.

This analysis assumes that all other variables are held constant, particularly interest rates.

EURO 000'S	IMPACT ON INCOME STATEMENT	
	If exchange rate > 15%	If exchange rate < 15%
Australian Dollar	(1,581)	2,139
Canadian Dollar	313	(423)
Swiss Franc	(35)	47
Pound Sterling	13	(17)
Hong Kong Dollar	(530)	718
Indian Rupee	383	(519)
US Dollar	518	(701)
New Zealand Dollar	22	(30)
Chinese Renmimbi Yuan	2,533	(3,427)
Total	**1,635**	**(2,213)**

The amounts reported above, are shown gross of hedging (which is not material in value)..

b) Currency translation risk

The Group holds a controlling interest in companies that prepare Financial Statements in currencies other than the Euro, which is the currency used for presenting the consolidated financial statements. This therefore exposes the Group to translation risk, which arises from translating assets and liabilities of these subsidiaries into Euro.
The effects of these variations are accounted for directly under equity in the translation reserve.
The main exposures to translation risk are constantly monitored. As at the reporting date, it was decided not to adopt specific hedging policies for this type of exposure.

Interest rate risk

Interest rate risk represents exposure to variations in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.
The Group is exposed to fluctuations in interest rates with reference to financial expense relating to payables due to lease companies for non-current assets acquired under finance leases. Considering that the exposure is currently limited, and there is substantial stability in interest rates (for the Eurozone), the Group has chosen not to undertake hedging against this liability.
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 profit or the equity of the Group.

Credit risk

Credit risk represents the Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.
The main exposure is towards customers. In order to limit this risk, the Group has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities.
These procedures typically provide for sales to be finalized by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.
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 18 on trade receivables.

Liquidity risk

Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.
Negotiation and management of banking relationships are centralized at the Biesse Group level, by virtue of the Cash Pooling agreement signed on 22 December 2011, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimized with centralized management.
The type of prudent risk management described above implies maintaining an adequate level of cash and/or readily convertible short-term securities. The trade receivables portfolio and the conditions by which they are regulated also contribute to maintaining an equilibrium in working capital, particularly in regards to hedging payables due to suppliers.
The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to financial lease liabilities, bank overdrafts and bank loans are expressed at their contractual value without being discounted, including both principal and interest. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revolving credit lines as well as other liabilities whose maturities are not available are considered payable on demand ("worst case scenario").

31/12/2017

EURO 000'S	AT 31 DECEMBER 2017					
	Less than 30 days	30-180 days	180 days-1year	1-5 years	After 5 years	Total
Trade and other payables	133,716	119,855	21,854	4,414	209	280,048
Finance lease liabilities	20	119	103	1,083	-	1,325
Bank loans and borrowings	1,839	4,726	22,264	18,224	658	47,712
Total	**135,575**	**124,700**	**44,221**	**23,721**	**867**	**329,085**

31/12/2016

EURO 000'S	AT 31 DECEMBER 2017					
	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
Financial lease payables	91	29	28	7	-	154
Bank loans and borrowings	5,284	11,639	16,886	6,778	776	41,362
Total	**111,201**	**92,510**	**28,544**	**7,077**	**1,063**	**240,396**

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 attached to them balance the working capital and, in particular, cover trade payables.
As at 31 December 2017, the Group had lines of credit arranged for the entire Group.

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

EURO 000'S	2017	2016
FINANCIAL ASSETS		
Measured at fair value through profit or loss:		
Derivative financial assets	505	374
Measured at amortised cost :		
Trade receivables	119,380	128,748
Other assets	3,626	7,571
- other financial assets and non-current receivables	2,649	2,296
- other current assets	977	5,275
Cash and cash equivalents	78,902	46,295
FINANCIAL LIABILITIES		
Measured at fair value through profit or loss:		
Derivative financial liabilities	396	1,266
Measured at amortised cost :		
Trade payables	223,916	144,973
Bank loans and borrowings	47,395	41,462
Finance lease liabilities	1,259	
Other current liabilities	36,210	31,253

The carrying amount of the above financial assets and liabilities is equal to or is a reasonable approximation of their fair value.
For financial instruments recognized 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. To this end, IFRS 13 identifies the three levels of FV that have already been indicated earlier in these consolidated:
Level 1 – input data used in the measurements are represented by quoted prices in active markets for assets or liabilities identical to those being measured;
Level 2 – input data other than quoted prices included within level 1 that are observable in the market, either directly (i.e. prices) or indirectly (i.e. derived from prices);
Level 3 – input data that are not based on observable market data.
Financial instruments measured at fair value are classified under Level 2 (same as in 2016). During the year there were no transfers between Levels.

30. RELATED PARTY TRANSACTIONS

Biesse S.p.A. is owned by Bi.Fin S.r.l.
Set out below are the Group income statement and statement of financial position balances for related party transactions carried out in 2017 and 2016. Please note that commercial transactions between these entities were conducted under normal market conditions, and all transactions were finalized in the interests of the Group.
It is also noted that companies owned by close relatives of directors on the Board are included among related parties.

EURO 000'S	REVENUE AT 31-12-2017	REVENUE AT 31-12-2016	COSTS AL 31-12-2017	COSTS AL 31-12-2016
Ultimate Parent				
Bi. Fin. S.r.l.	-	-	370	334
Other related companies				
Fincobi S.r.l.	1	1	15	15
Se. Mar. S.r.l.	26	4	3,251	3,200
Wirutex S.r.l.	-	36	26	1,105
Members of the Board of Directors				
Members of the Board of Directors	0	-	1,826	2,649
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	168	155
Total	**27**	**41**	**5,656**	**7,458**

EURO 000'S	RECEIVABLES AT 31-12-2017	RECEIVABLES AT 31-12-2016	PAYABLES AT 31-12-2017	PAYABLES AT 31-12-2016
Other related companies				
Fincobi S.r.l.	-	-	-	-
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	3	4	1,276	1,251
Wirutex S.r.l.	31	47	9	342
Members of the Board of Directors				
Members of the Board of Directors	31	-	34	18
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	168	160
Total	**1,043**	**1,028**	**1,488**	**1,771**

For all the years under consideration, no guarantees have been given or received. The Group has not accounted for any losses on receivables from related parties in the current or previous years.
Fees recognized for Directors are proposed by the Board of Directors and approved at the ordinary shareholders' meeting according to the average market remuneration levels. It must be noted that there is only one director in the Group who has strategic functions and who also performs management and coordination activities, whose remuneration (including fees and bonuses) is included under personnel.
For full details regarding remuneration of Directors and Statutory Auditors, please see the Remuneration Report published on the parent's website www.biesse.com.
Biesse S.p.A. is subject to management and co ordination by the Ultimate Parent Bi.Fin. S.r.l. As the Italian Civil Code requires, below we disclose the key data from the latest consolidated financial statements of Bi.Fin. S.r.l. as lodged with the Chamber of Commerce, highlighting that:
• Reference should be made to the latest approved financial statements, namely the financial statements at 31 December 2016.
• Given that summary information is required, it was considered appropriate to limit this disclosure to indicating totals for the most material items.

EURO 000'S	2017	2016
Revenue	927	876
Production costs	(3,902)	(1,421)
Net Exchange rate gains	93	30,814
Income taxes	-	(61)
Profit (Loss) for the year	**(2,882)**	**30,208**

EURO 000'S	2016	2015
Non current assets	32,741	32,469
Working capital	25,566	43,343
Total assets	**58,307**	**75,812**
Equity		
Quote capital	10,569	10,569
Reserves	49,394	33,786
Profit (loss) for the year	(2,882)	30,208
Payables	1,226	1,249
Total liabilities	**58,307**	**75,812**

31. OPERATING LEASE CONTRACTS

The amount paid by the Group on leases during the year is as follows:

EURO 000'S	2017	2016
Instalments paid during the year	(10,745)	(8,814)
Total	**(10,745)**	**(8,814)**

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

EURO 000'S	2017	2016
Within one year	3,529	6,708
Between one and five years	4,137	11,722
After five years	46	2,596
Total	**7,712**	**21,026**

EURO 000'S	2017	2016
Instalments received during the year	84	123
Total	**84**	**123**

These contracts relate to the lease of buildings (for industrial or commercial use), motor vehicles and office machinery. During the year, the Group did not enter into any contracts as lessor.

32. SHARE-BASED PAYMENT PLANS

In April 2015, the Group established a share-based payment plan. It is aimed to provide – in line with international practices and those of the leading Italian listed companies – an instrument to stimulate and retain management, which is also able to nurture a sense of belonging to the Group and ensure they consistently strive to create value over time, thus aligning the interests of shareholders and management. The plan is available to a limited number of managers, specifically the General Manager and other key management personnel at Biesse and the other Group companies, as 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 (both already in the portfolio and newly acquired) upon the achievement of set financial performance targets for the Group, and is conditional on the managers remaining employed at the Group's 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 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.
There were no significant effects to report in the 2017 financial statements.

33. OTHER INFORMATION

Contingent liabilities
Based on the information that is currently available, the Directors of the Parent believe that, as at the date these consolidated financial statements were approved, the provisions set aside are sufficient to guarantee a correct representation of the financial information.

Guarantees issued and received
The Company has issued guarantees totalling € 29,316 thousand. The most relevant concern: the guarantee issued in favor of Commerzbank (€ 6,407 thousand) for multi-purpose lines of credit extended to Biesse Trading (Shanghai) Co. Ltd.; the guarantee issued in favor of C.R. Parma / Credit Agricole (€ 6,407 thousand) for multi-purpose lines of credit extended to Korex Dongguan Machinery Co. Ltd.; the guarantee issued in favor of BNL/BNP Paribas for lines of credit extended by their Turkish subsidiary T.E.B. Istanbul (€ 3,000 thousand) to the Group subsidiary Biesse Turkey; the guarantee issued in favor of Viet Italia S.r.l. for the payment of debt for the purchase of the company VIET (in liquidation) for € 507 thousand; and the guarantee issued for the MO.TO. credit card project in favor of Banca Popolare dell'Emilia Romagna (€ 9,300 thousand). In addition to the above, there are (bank) guarantees in favor of customers for prepayments made – advance payment bonds (€ 3,180 thousand), in favor of Avant as a guarantee for the payment of debt for the purchase of the company Bsoft S.r.l. (€ 255 thousand) and other minor guarantees (€ 260 thousand) in favor of the consortium Co.Env and the University of Urbino.

Commitments
Repurchase commitments amounting to € 4 thousand were signed in favor of lease companies, should some customers of the Italian market not fulfil their obligations.

Transactions not involving changes in cash flows
There were no significant transactions not involving changes in cash flows.

Atypical and unusual transactions
No transactions of this nature were reported.

34. ACQUISITION OF SUBSIDIARIES

On 10 April 2017, Biesse S.p.A. purchased 100% of the share capital of the company BSOFT S.r.l. for an amount of € 500 thousand.
The Group accounted for the agreement in accordance with the provisions of IFRS 3.

The cost of the acquisition was allocated as follows:

NET ASSETS ACQUIRED	GROSS VALUES	FAIR VALUE ADJ	ADJUSTED VALUES
Tangible and intangible assets temporary allocated	407,931	0	407,931
Inventories			0
Trade Receivables	212,232		212,232
Other Receivables	(48,865)		(48,865)
Cash and cash equivalents	91,932		91,932
Bank loans	-124,93		(125)
Trade Payables	(177,064)		(177,064)
Other Payables	(48,968)		(48,968)
Deferred Tax Liabilities		0	0
	437,072	**0**	**437,072**
Purchase Value	500,000		
Goodwill	62,928		
Total Goodwill	**465,914**		
Composed by:			
Cash	245,000		
Earn out (debt at 31 12 2016)	255,000		
	500,000		

The purchase cost was allocated to goodwill (around € 0.5 million) for the wood division.
On 27 July 2017, Biesse S.p.A. purchased 60% of the share capital of the company Movetro S.r.l. for a value of € 2.7 million.
The Group accounted for the agreement in accordance with the provisions of IFRS 3.

The cost of the acquisition was allocated as follows:

NET ASSETS ACQUIRED	GROSS VALUES	FAIR VALUE ADJ	ADJUSTED VALUES
Tangible and intangible assets temporary allocated	195,278	0	195,278
Inventories	1,760,997		1,760,997
Trade Receivables	380,862		380,862
Other Receivables	182,918		249,887
Cash and cash equivalents	502,320		502,320
Bank loans	(12,835)		(12,835)
Trade Payables	(2,312,099)		(2,312,099)
Other Payables	(472,378)		(472,378)
Deferred Tax Liabilities	**0**	**0**	**0**
	225,064	**0**	**292,033**
% possesion (60%)	175,220		
Purchase Value	2,724,610		
Goodwill	**2,549,390**		

The purchase cost was allocated to goodwill (around € 2.6 million) for the glass division.
On 27 July 2017, a newco was set up called Montresor & Co. S.r.l. (with a 90% stake held by Biesse S.p.A. and 10 % by Donatoni Macchine S.r.l.) whose purpose is the acquisition of Montresor & C. S.r.l., which is based in the province of Verona and manufactures edge polishers machinery (glass and marble). The acquisition was completed on 3 August 2017 with the payment of the first tranche of 65% of the agreed price (€ 4.8 million, net of payables due to employees, payments on account and/or guarantee deposits and the estimate of the inventories bought). In the agreements among the members of the newco (Montresor & Co. S.r.l.), the possibility is envisaged for the non-controlling stakeholder Donatoni to undertake a share capital increase for a further 30% to reach a 40% stake. The difference between the acquisition price and the value of assets and liabilities acquired, amounting to € 634,028, during PPA, was allocated to goodwill in the glass division. On 21 December 2017, 30% of Biesse S.p.A. shareholdings were transferred to Donatoni Macchine S.r.l. The liquidation of Montresor & C. S.r.l. took place at the same time.

35. EVENTS AFTER THE REPORTING DATE

On 9 February 2018, Biesse S.p.A. announced its intention to move forward with listing the subsidiary HSD S.p.A. on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A, in the STAR segment. Biesse S.p.A, however, will continue to hold a controlling position in HSD S.p.A. The transaction should be completed within the first half of 2018, compatibly with market conditions.
As a result of the listing process, the company HSD S.p.A. has taken steps to adopt, and expects implementation thereof following the successful listing on the Stock Exchange, the following:
• Preparation of Governance regulations (for regulating related party transactions, market abuse, internal dealing, transparency, etc.).
• Finalizing contracts with Biesse S.p.A. for business relationships and centralized services.
• Finalizing contracts with Directors and key management in relation to regulating base earnings, conditions of service, and long-term incentive schemes.
With regards to the subsidiary HSD S.p.A., the Board of Directors met in a session held on 9 February 2018 and proposed that the date for the Shareholders' Meeting should be set for 22 March 2018, with the following agenda:
• Consider and approve admission of the Company's ordinary shares to trading on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A. and, assuming conditions are met, in the corresponding Star Segment. This should take place through a private placement directed exclusively at qualified Italian investors and foreign institutional investors outside the United States of America (with the exception of Canada, Japan and Australia) in accordance with the Regulation S adopted pursuant to the United States of America Securities Act of 1933. Applicable and consequential resolutions.
• Changes to articles 4.1, 5.7, 6 and 16 of the company's by-laws.
• Dematerialisation of shares.
• Splitting the Company's shares by a ratio of 100 (one hundred) newly issued shares replacing each of the existing ordinary shares. Applicable and consequential resolutions.
• Statutory changes as necessary in preparation for admission to listing of the company's ordinary shares, pursuant to current legislation and Corporate Governance Code recommendations. Adoption of new company by-laws, effective from when the Company's shares first open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
• Proposal to introduce shares with increased voting rights along with the related by law amendments, effective from the date when the Company's shares open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. Applicable and consequential resolutions.
• Pre-emptive offer, in tranches, with option rights excluded pursuant to article 2441, paragraph 5 of the Italian Civil Code, by issuing a maximum number of 30,000,000 (thirty million) ordinary shares of the Company, with no par value, in one or more tranches, to service the Company's public offer under the listing transaction, effective from when Borsa Italiana S.p.A. issues the provision for admitting the shares to trading on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A; applicable and consequential resolutions.
• Approval of the shareholders' meeting regulations, effective from when the Company's shares open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
• Appointment of statutory auditors for 2018-2026 effective from when the Company's shares first open for trade on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A.; applicable and consequential resolutions.
• Adoption of a number of guidelines regarding medium-long term management incentive schemes, effective from when the Company's shares first open for trade on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A. Applicable and consequential resolutions.

On 28 February 2018, the Board of Directors of HSD S.p.A. resolved the following:
• Approval of the 2018-2020 three-year plan.
• Approval of a new dividend policy, in line with that which is already in place for the parent, Biesse S.p.A.
Furthermore, the Board of Directors discussed the possibility of taking over from the ultimate parent, Bi.Fin. S.r.l., the financial lease contract that is currently in place for the Gradara Production Plant, where the company operates at present. Timelines for such a process are not yet certain; however, the transfer should take shape by the end of 2018 and would entail HSD making a financial commitment of approximately € 5 million. With this takeover, HSD would also enter into possession of a portion of adjacent land. This would allow HSD to plan an expansion of the production area that is necessary to support growth in the years ahead. The cost of this new investment can be quantified as an additional € 8 million.
On the same date, 28 February 2018, the shareholders' meeting of HSD S.p.A. was also held. At this meeting, the shareholders resolved the following, effective from the time of listing:
• Approval of the project to admit the Company's shares to trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., and in the Star Segment (if applicable), while conferring on the Board of Directors the power to carry out the necessary actions.
• Approval of a number of amendments to the current company by-laws and adoption of new company by-laws compatible with the current legal provisions as applicable to listed companies.
• Approval for the shares of Monte Titoli S.p.A. to be dematerialised, along with the consequent withdrawal and cancellation of securities representing the Company's shares.
• Approval to split the ordinary shares of the Company, with 100 new shares to be issued in replacement of each of the ordinary shares outstanding.
• Approval to introduce into the bylaws the ability to issue shares with increased voting rights.
• Increase in share capital without option rights, through the issue of a maximum number of 30,000,000 shares.
• Approval of the shareholders' meeting regulations.
• Appointment of KPMG S.p.A. as the statutory auditors for the 2018-2026 financial years.
• Approval of guidelines regarding medium to long term management incentive schemes.

On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Region, at the new Dubai Campus that was inaugurated in November 2017. Intermac took part in the thirteenth exhibition of Stona, the Indian trade fair that took place in Bangalore from 7 to 10 February. It was an opportunity to provide information to professionals in the stone industry about the technological synergy between Intermac, Donatoni Macchine and Montresor. Biesse Deutschland reaffirmed its presence by attending the trade fair in Cologne, Germany, from 20 to 23 February. This international rendezvous was dedicated to Housing technologies, and the goal was to demonstrate those of Biesse's solutions that are specific to this industry. The Turkish branch attended the CNR Expo and trade fair in Istanbul, focussing on machines dedicated to manufacturing doors. More than 500 customers have lived the Biesse experience with Biesse Iberica's stand at Fimma 2018 - Spain's most important trade fair for the industry. The exhibition had 11 machines on display, which were directed towards all types of specialists in wood, from large factories with high production volumes, to companies that need to produce thousands of products tailored to customer needs, or small businesses with craft-like features. Biesse France participated in Eurobois with an area of 1000 m2, where visitors could see the innovative technological solutions up close and live the Biesse experience. Star of the event was SOPHIA, the Internet of Things (IoT) platform created in collaboration with Accenture that during the fair won the Innovation Award.

On 28 February, the Board of Directors of Biesse S.p.A. approved the updating of its business plan for the three-year period 2018-2020. Based on the initiatives set out in the above business plan and on the assessment of the international macroeconomic situation, the results expected by the Biesse Group in the period examined are as follows:
• Higher consolidated net revenue at a three-year structural CAGR of 9.5% (revenue above € 906 million expected in 2020).
• Higher Added Value with a three-year CAGR of 10.8% (43.4% record impact in 2020).
• Increase in operating margins:
- EBITDA with a three-year CAGR of 12.7% (14% impact in 2020).
- EBIT with a three-year CAGR of 14.7% (10.6% impact in 2020).
• Positive free cash flow with a total of 120 million euro in the three-year period 2018-2020 (free cash flow margin of 5% in 2020) net of planned investments (total capex 142.6 million euro).

In 2017, consolidated turnover was estimated to grow by 11.6% compared to the previous year, € 690 million, while EBITDA stood at 12.9% of consolidated revenues.
"The Board – chaired by Roberto and Giancarlo Selci – approved actions to support the growth plan for 2018-2020, always with a focus on investments in innovation, service, and the marketing/sales area. "The plan starts from the excellent results for 2017," - commented the Group General Manager, Stefano Porcellini - "which closed with growth in consolidated revenue of 11.6%, EBITDA of 12.9%, and a significant cash generation that led the Group to achieve a net financial position of over € 30 million."

The Board of Directors, taking into account the positive financial position as at 31 December 2017 and results of operations for 2017, proposes to distribute dividends to Shareholders to be taken from the profit for the year at the rate of € 0.48 for each eligible share, totalling € 13,148,660.16, less the dividends on treasury shares held on the ex-dividend date of 8 May 2018. The portion of the dividend referring to the latter will be allocated to the Extraordinary Reserve.
Therefore, you are invited to resolve on the allocation of the profit for the year of € 38,811,913.31 as follows:

• Allocation of € 13,148,660.16 to dividends.
• Allocation of € 75,332.65 to the reserve for unrealized exchange gains.
• Allocation of the residual profit of € 25,587,920.50 to the Extraordinary Reserve.
The coupons will be paid in a lump sum starting from 10 May 2018 (with ex-dividend date as from 8 May 2018 and record date on 9 May 2018) by means of qualified financial intermediaries.

Pesaro, 12/03/2018

The Chairman of the Board of Directors

Roberto Selci

ANNEXES

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006[1]

ANNEX 1

EURO 000'S	31 DECEMBER 2017	OF WHICH WITH RELATED PARTIES	%	31 DECEMBER 2016	OF WHICH WITH RELATED PARTIES	%
Revenue	690.120	0	0	618.489	0	0
Total other revenue	4,669	27	0.6%	3,548	41	1.2%
Change in inventories of finished goods and work in progress	15,387	-	0.0%	12,649	-	0.0%
Raw materials, consumables and goods	(287,017)	-	0.0%	(258,979)	-	0.0%
Personnel expense	(199,311)	-	0.0%	(176,551)	-	0.0%
Depreciation, amortisation and impairment losses	(136,194)	(5,656)	4.2%	(124,564)	(7,458)	6.0%
Other operating costs	(24,047)	-	0.0%	(19,529)	-	0.0%
Operating profit	**63,606**	**(5,629)**	**-8.8%**	**55,062**	**(7,416)**	**-13.5%**
Financial income	9,932	-	0.0%	9,533	-	0.0%
Financial expense	(12,808)	-	0.0%	(12,210)	-	0.0%
Pre-tax profit (loss)	**60,730**	**(5,629)**	**-9.3%**	**52,385**	**(7,416)**	**-14.2%**
Income taxes	(17,992)	-	0.0%	(22,921)	-	0.0%
Profit for the year	**42,738**	**(5,629)**	**-13.2%**	**29,464**	**(7,416)**	**-25.2%**

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006[1]

EURO 000'S	31 DECEMBER 2017	OF WHICH WITH RELATED PARTIES	% INCIDENZA	31 DECEMBER 2016	OF WHICH WITH RELATED PARTIES	% INCIDENZA
ASSETS						
Property, plant and equipment	90,515	-	0.0%	81,939	-	0.0%
Goodwill	22,660	-	0.0%	19,316	-	0.0%
Other intangible assets	52,448	-	0.0%	45,901	-	0.0%
Deferred tax assets	13,121	-	0.0%	12,987	-	0.0%
Other financial assets and receivables (inluding derivatives)	2,648	-	0.0%	2,296	-	0.0%
Other revcevables	0	-	0.0%	50	-	0.0%
Total non current assets	**181,391**	**-**	**0.0%**	**162,490**	**-**	**0.0%**
Inventories	143,210	-	0.0%	130,785	-	0.0%
Trade receivables	119,380	-	0.0%	128,751	-	0.0%
Other revcevables	24,428	1,043	4.3%	17,312	1,028	5.9%
Other financial assets and receivables (inluding derivatives)	519	-	0.0%	461	-	0.0%
Cash and cash equivalents	78,902	-	0.0%	46,295	-	0.0%
Total Current Assets	**366,438**	**1,043**	**0.3%**	**323,603**	**1,028**	**0.3%**
TOTAL ASSETS	**547,830**	**1,043**	**0.2%**	**486,093**	**1,028**	**0.2%**

EURO 000'S	31 DECEMBER 2017	OF WHICH WITH RELATED PARTIES	% INCIDENZA	31 DECEMBER 2016	OF WHICH WITH RELATED PARTIES	% INCIDENZA
Share capital	27,393	-	0.0%	27,393	-	0.0%
Reserves	117,434	-	0.0%	102,656	-	0.0%
Profit for the year	42,558	-	0.0%	29,385	-	0.0%
Equity attributable to the owners of the parent	187,385	-	0.0%	159,433	-	0.0%
Non-controlling interests	952	-	NA	290	-	NA
TOTAL EQUITY	**188,337**	**-**	**0.0%**	**159,723**	**-**	**0.0%**
Financial liabilities	19,765	-	0.0%	7,539	-	0.0%
Post-employment benefits	13,456	-	0.0%	13,746	-	0.0%
Deferred tax liabilities	2,620	-	0.0%	2,976	-	0.0%
Provisions for risks and charges	1,367	-	0.0%	2,377	-	0.0%
Provisions for risks and charges	1,367	-	0.0%	-	-	0.0%
Other liabilities	307	-	0.0%	137	-	0.0%
Total non current liabilities	**37,516**	**-**	**0.0%**	**26,775**	**-**	**0.0%**
Financial liabilities	29,285	-	0.0%	35,189	-	0.0%
Tax payables	3,606	-	0.0%	8,982	-	0.0%
Provisions for risks and charges	9,039	-	0.0%	9,617	-	0.0%
Trade payables	223,916	1,488	0.7%	192,613	1,771	0.9%
Other liabilities	56,132	-	0.0%	53,191	-	0.0%
Total Current Liabilities	**321,977**	**1,488**	**0.5%**	**299,591**	**1,771**	**0.6%**
LIABILITIES	**359,493**	**1,488**	**0.4%**	**326,366**	**1,771**	**0.5%**
TOTAL EQUITY AND LIABILITIES	**547,830**	**1,488**	**0.3%**	**486,090**	**1,771**	**0.4%**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO.11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. The undersigned Roberto Selci and Cristian Berardi in their capacities as, respectively, Chairman and Chief Executive Officer and Manager in charge of 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.
• The effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2017.

2. The administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2017 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also state that the consolidated financial statements at 31 December 2017:
a) Are consistent with the entries in accounting ledgers and records.
b) Have been drawn up in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, endorsed by the European Commission with the procedure provided for by art. 6 of Regulation (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 result of operations, financial position and cash flows of the issuer and the group of companies included in the scope of 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 scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 12 March 2018

The Chairman of the Board of Directors
Roberto Selci

The Manager in charge of financial reporting
Cristian Berardi

MADE WITH

CASE HISTORIES

BTM BAGNI

BATHROOM FURNISHINGS, TAILORING MAGIC.

THE TIME FRAME AND PRECISION OF THE MACHINING OPERATION, COMBINED WITH A MORE EFFICIENT ORGANISATION OF WORK IN THE PRODUCTION AREA, ESTABLISH TRUE COMPETITIVE ADVANTAGES WITH RESPECT TO THE COMPETITION. BIESSE PLAYS A FUNDAMENTAL ROLE IN THIS MISSION: IT IS, FOR ALL INTENTS AND PURPOSES, A STRATEGIC PARTNER AND NOT MERELY A SUPPLIER OF MACHINERY.

Marco Merli
Product Manager e R&S

TAV

EVERYTHING IN LINE, WITHOUT EVER TOUCHING THE GLASS.

THE CHALLENGE MET BY INTERMAC IN PROVIDING TECHNOLOGY FOR THE NEW FACTORY WAS THAT OF COMBINING A WIDE RANGE OF CAPABILITIES AND DEVELOPING A HIGH LEVEL OF AUTOMATION SO THAT ALL MACHINES WOULD BE ABLE TO COMMUNICATE WITH EACH OTHER, WORKING IN A COORDINATED MANNER WITHOUT ANY INPUT FROM THE OPERATOR.

Jean-Louis Piscina
Direttore Generale

TECNAVANT

BIESSE TECHNOLOGY FOR AIRCRAFTS.

OUR CLIENTS REQUIRE FLEXIBILITY, ADAPTABILITY, AN EXCELLENT QUALITY/PRICE RELATIONSHIP, AND PUNCTUAL DELIVERY. BIESSE TECHNOLOGY RESPONDS TO OUR MANUFACTURING NEEDS AND THE PERSONNEL HAS ALWAYS SUPPORTED OUR EVERY STEP.

Maurizio Patriarca
Quality Manager

GENERELLI SA

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

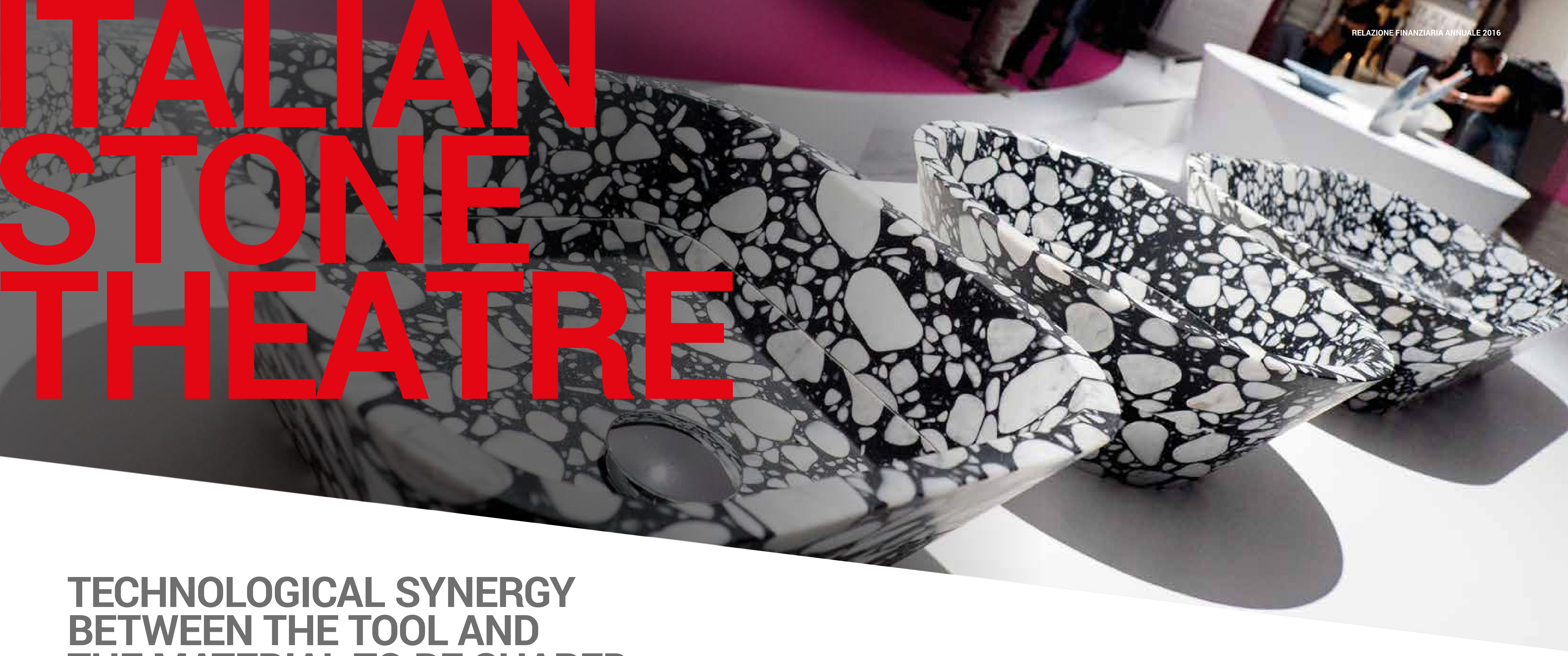
SKY CORPORATION

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

ITALIAN STONE THEATRE



TECHNOLOGICAL SYNERGY BETWEEN THE TOOL AND THE MATERIAL TO BE SHAPED.

DIAMUT TECHNOLOGY HAS PROVEN ITSELF TO BE THE WINNING SOLUTION, MEETING THE STRICT PERFORMANCE NEEDS AND BEST RESPECTING THE FUNDAMENTAL REQUIREMENTS FOR COMPLETION OF THE PROJECT.

Raffaello Galiotto
Designer

INDE PEN DENT

AUDITORS' REPORT

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of BIESSE S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the BIESSE Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the BIESSE Group as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of BIESSE S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: note 3 – Basis of preparation: use of estimates and judgments, goodwill, impairment losses on property, plant and equipment and intangible assets and note 14 – Goodwill

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2017 include goodwill of €22.7 million. At least annually, the directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. The directors have forecast the operating cash flows on the basis of the 2018-2020 business plan approved by the board of directors on 28 February 2018 (the "plan") and the revenue's estimated long-term growth rates and profitability. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures, which also involved our own valuation specialists, included: — gaining an understanding of and analysing the process used to draft the plan; — analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill. Our analyses included comparing the key assumptions used to the Group's historical data and external information, where available; — analysing the valuation models adopted by the Company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the revenue's CAGR, the weighted average cost of capital and the long-term growth rate; — assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment test.

Recoverability of development costs

Notes to the consolidated financial statements: note 3 – Basis of preparation: use of estimates and judgments, development costs, impairment losses on property, plant and equipment and intangible assets and note 15 – Intangible assets

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2017 include costs of €32 thousand incurred to develop new products, comprising €14.2 million recognised as intangible assets under development and payments on account. The capitalisation of development costs requires directors' estimates, as their recoverability depends on the forecast cash flows from the sale of the products sold by the Group.	Our audit procedures included: — understanding the process for the assessment of the recoverability of development costs and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing the trend of the most significant discrepancies in costs capitalised on a regular basis, comparing them with the previous year

These estimates are based on both the complex assumptions underlying the projections of revenue and profitability and the directors' strategic business decisions. Due to the complexity and subjectivity of the above estimates, we believe that the recovery of development costs is a key audit matter.	and discussing the findings with the relevant internal departments; — analysing the recoverability valuation models adopted by the Group for reasonableness and consistency with professional practice and sample-based reasonableness test of the forecast variables; — assessing the appropriateness of the disclosures provided in the notes about development costs.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of BIESSE S.p.A. for the consolidated financial statements

The 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 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit 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 Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 28 April 2010, the shareholders of BIESSE S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2010 to 31 December 2018.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of BIESSE S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific 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 at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of BIESSE S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Ancona, 29 March 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director

BIESSE S.P.A.

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