

RE PORT¹⁸

QUARTERLY REPORT

AT 31 MARCH 2018

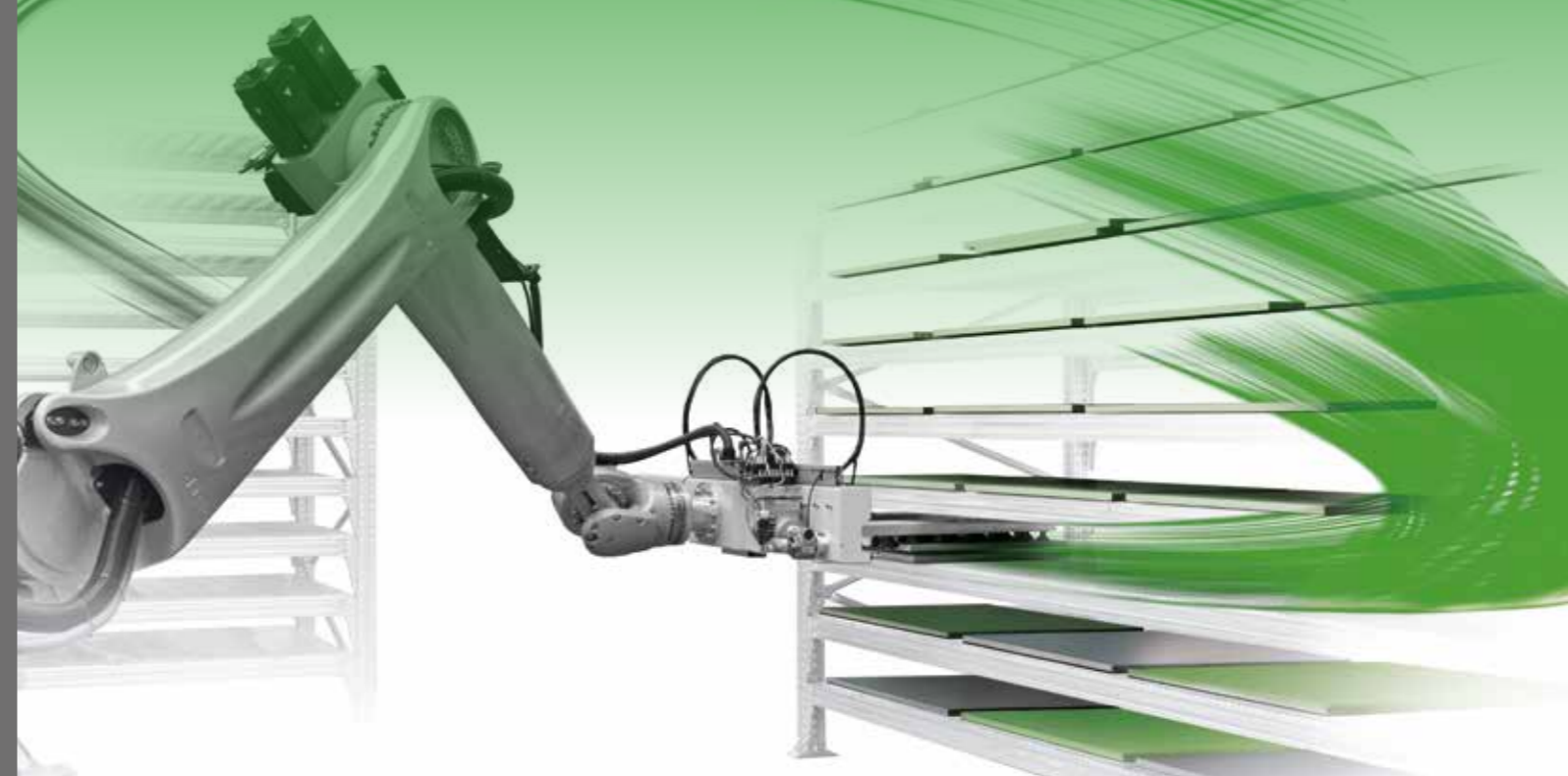
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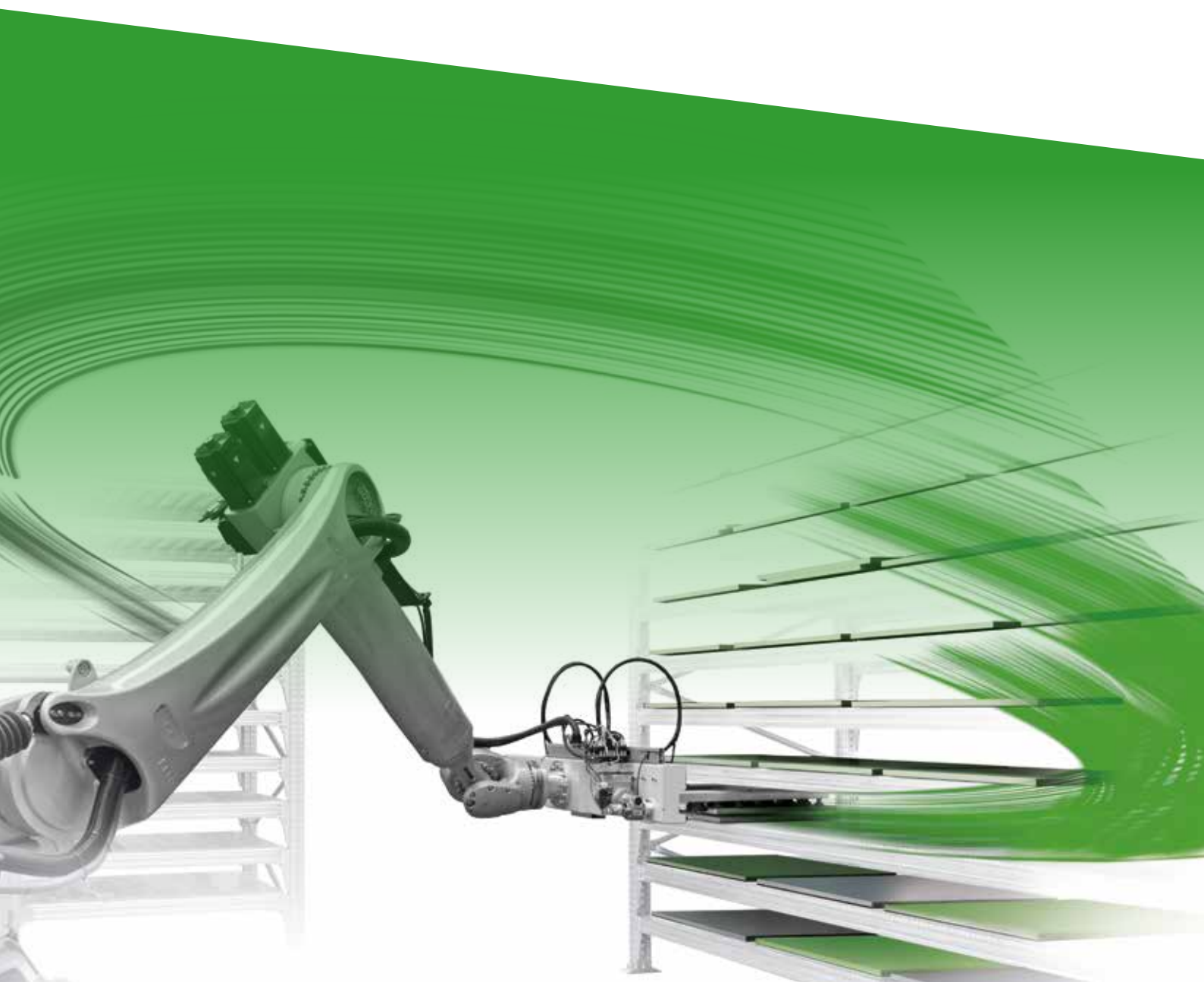
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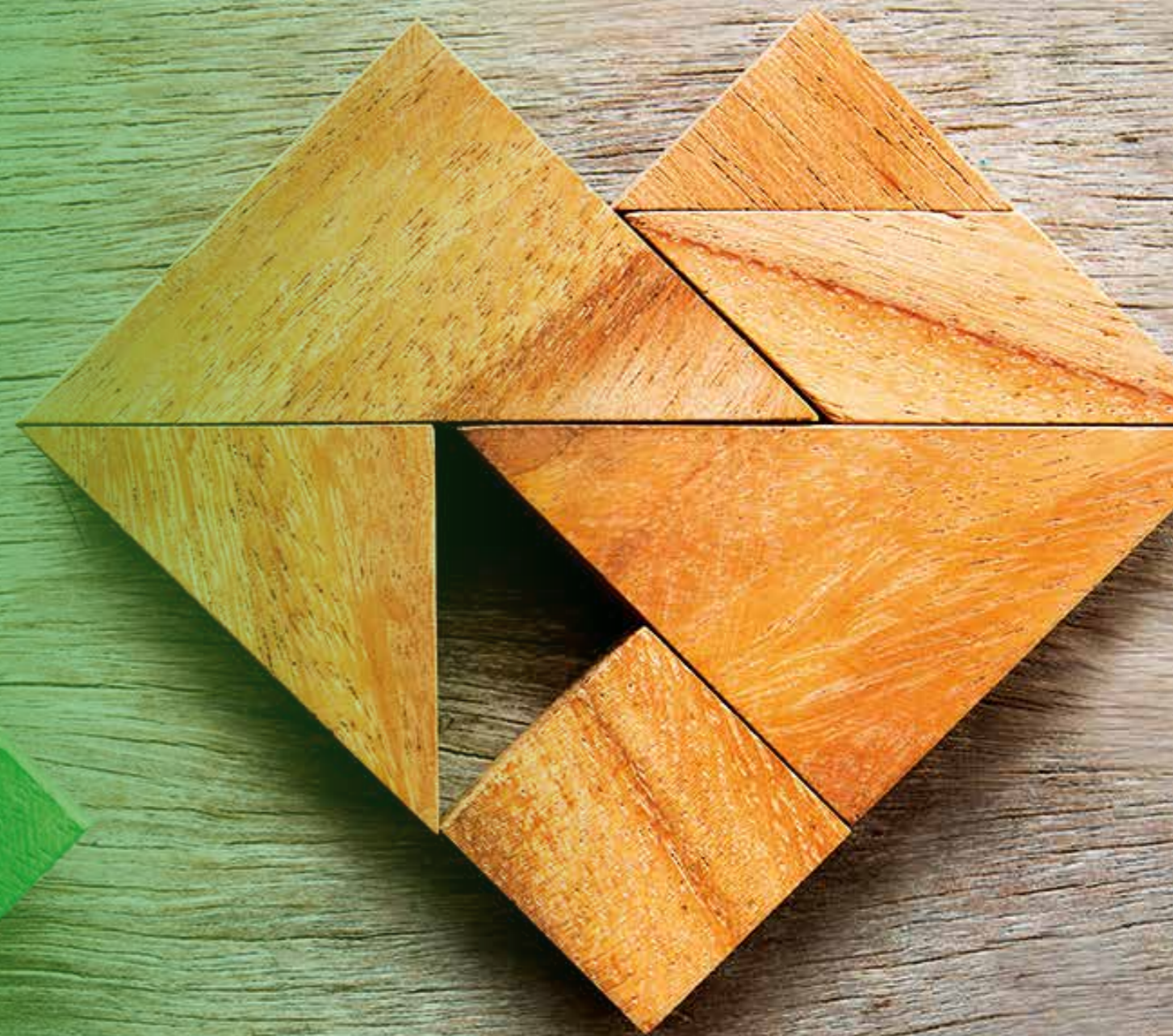
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THINK FOR WARD

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



IL GRUPPO PO

 **BIESSEGROUP**

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

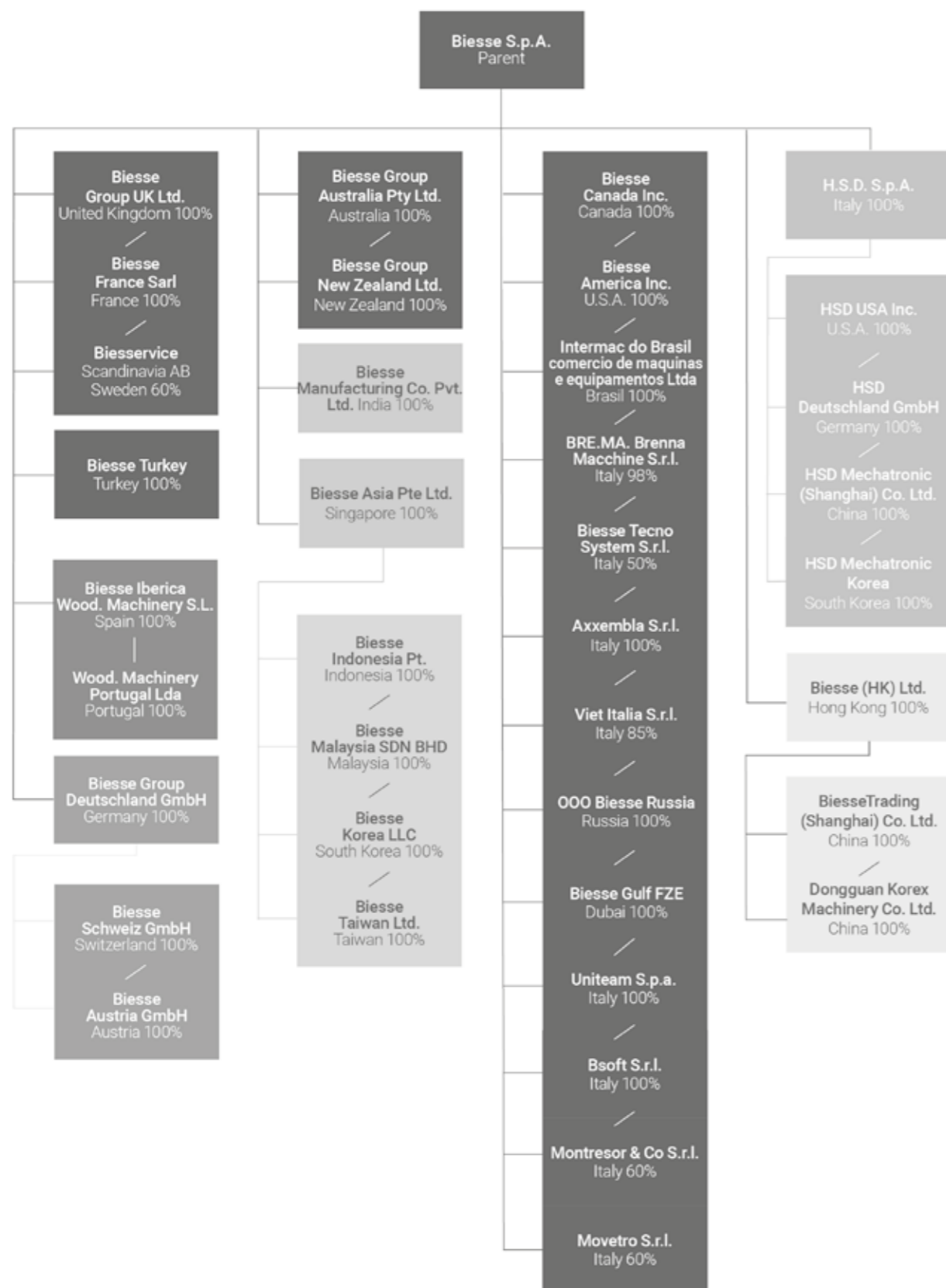
Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index.



ROVER

GROUP STRUCTURE

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



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

NOTES TO THE FINANCIAL STATEMENTS

The Biesse Group's consolidated quarterly report at 31 March 2018, unaudited, has been prepared pursuant to Article 154-ter, paragraph 2 of the Consolidated Law on Finance and in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS).

Accounting standards and recognition criteria are consistent with those of the 2017 Annual Report, to which reference should be made. Furthermore, it should be noted that:

- The quarterly financial statements have been prepared using the discrete approach, according to which the reference period is considered to be a discrete accounting period. In this respect, the income statement items for the period are recognised in the quarterly income statement on an accruals basis.
- The financial statements underlying the consolidation process are those prepared by subsidiaries with reference to the period ended 31/03/2018, adjusted, where necessary, to align them with the Group's accounting policies.

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

Compared with the financial statements for the year ended 31 December 2017, the consolidation scope underwent no changes.

PARENT COMPANY CORPORATE BODIES

BOARD OF DIRECTORS

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

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

BOARD OF STATUTORY AUDITORS

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

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

CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Elisabetta Righini (lead independent Director)
Federica Palazzi

SUPERVISORY BODY

Domenico Ciccopiedi
Elena Grassetti

INDEPENDENT AUDITORS

KPMG S.p.A.



FINAN CIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

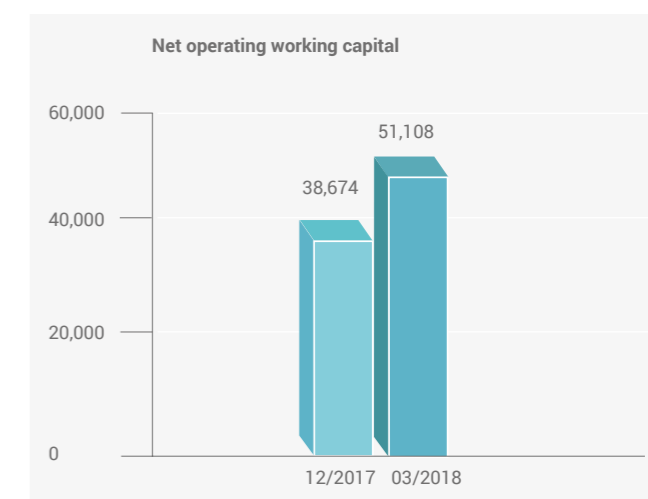
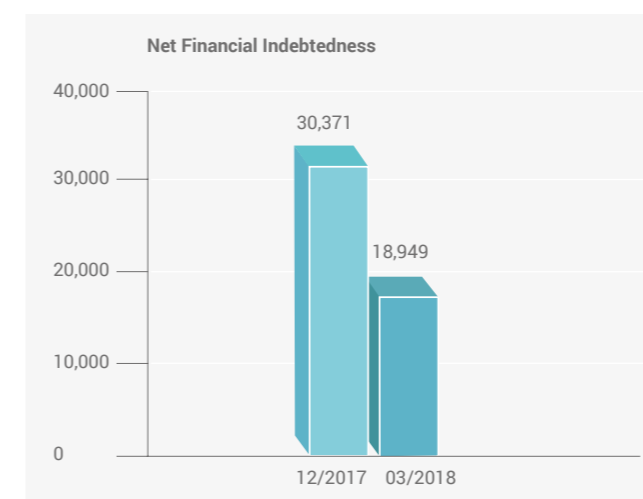
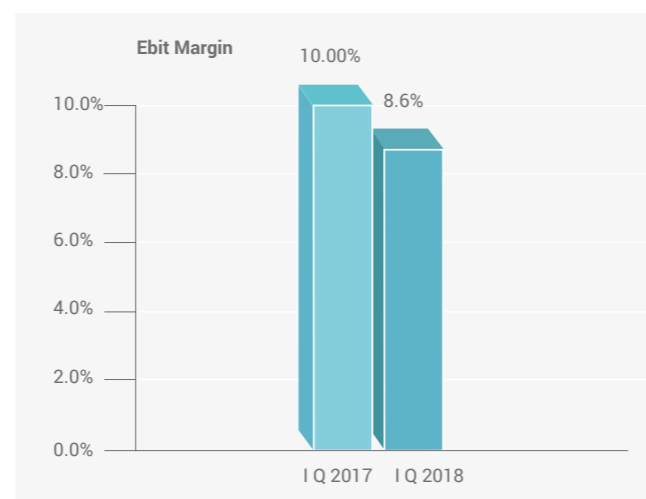
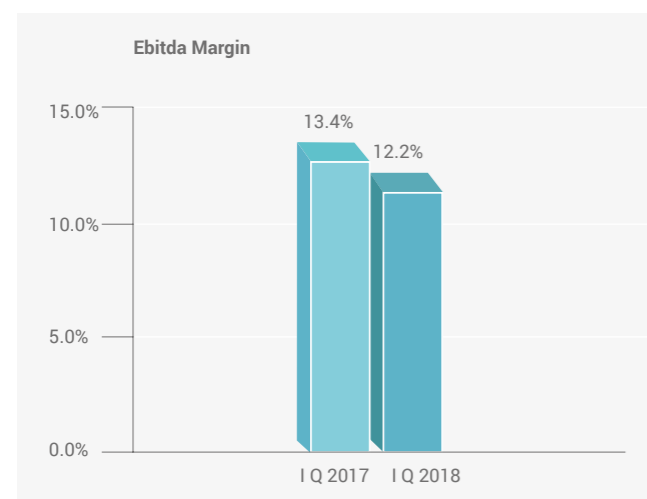
Income Statement

EURO 000'S	31 MARCH 2018	% ON SALES	31 MARCH 2017	% ON SALES	CHANGE %
Revenue from sales and services	162,327	100.0%	161,449	100.0%	0.5%
Normalised Added value (1)	69,756	43.0%	69,760	43.2%	(0.0)%
Normalised EBITDA (Normalised gross operating profit) (1)	19,762	12.2%	21,597	13.4%	(8.5)%
Normalised EBIT (Normalised operating profit) (1)	13,944	8.6%	16,123	10.0%	(13.5)%
EBIT (Operating profit) (1)	13,939	8.6%	16,123	10.0%	(13.5)%
Profit for the year	8,063	5.0%	9,378	5.8%	(14.0)%

Statement of Financial Position

EURO 000'S	31 MARCH 2018	31 DECEMBER 2017
Net invested capital (1)	176,466	157,966
Equity	195,415	188,337
Net financial position (1)	(18,949)	(30,371)
Net operating working capital (1)	51,08	38,674
Gearing (net financial position/equity)	(0,10)	(0,16)
Fixed asset/standing capital ratio	1,16	1,14

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



Euro 000's

Euro 000's

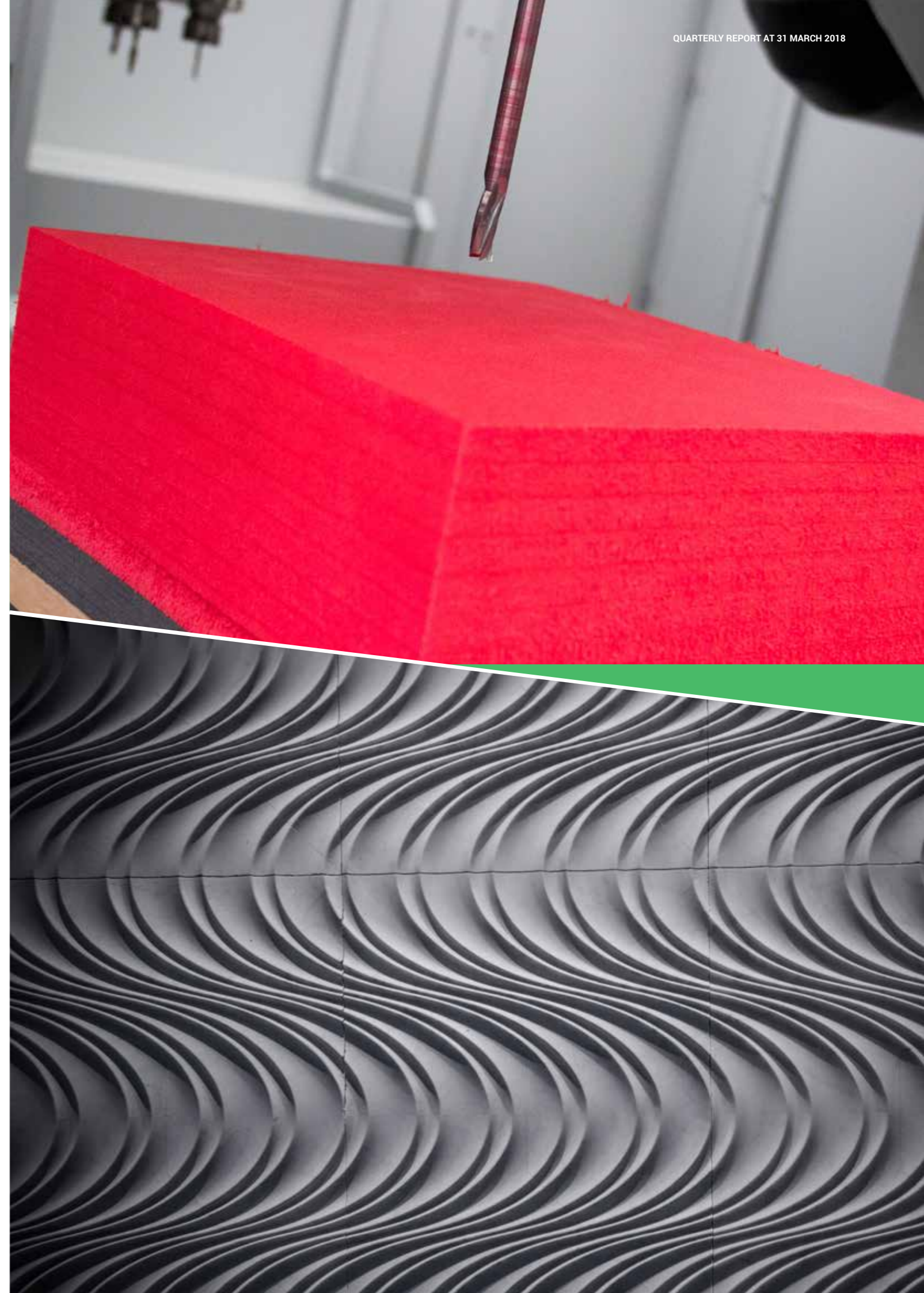
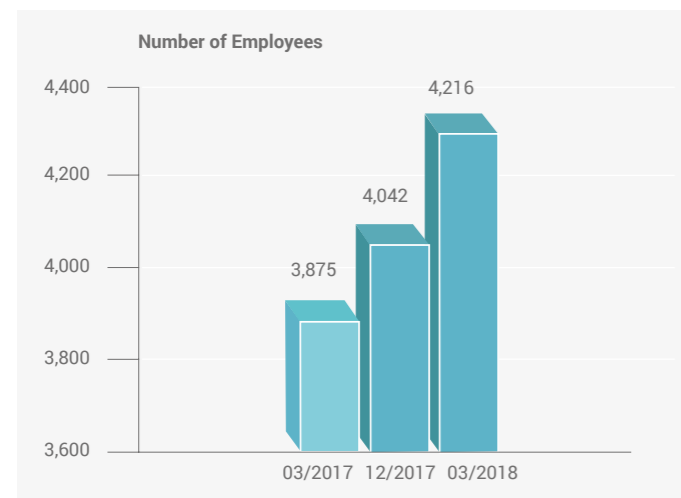
Cash flow

EURO 000'S	31 MARCH 2018	31 MARCH 2017
Ebitda (Gross operating profit)	19,761	21,597
Change in net working capital	(12,967)	(6,249)
Change in other operating assets/liabilities	(8,306)	(8,322)
Operating cash flow	(1,512)	7,026
Cash flow used in investment activity	(9,037)	(7,004)
Cash flow	(10,549)	22
Foreign exchange rate differences	(874)	16
Change in net financial indebtedness	(11,422)	40

Personnel

	31 MARCH 2018	31 DECEMBER 2017	31 MARCH 2017
	4.216	4.042	3.875

The figures include temporary staff



DIRECTORS'

REPORT
ON OPERATIONS



DIRECTORS' REPORT ON OPERATIONS

At the end of the first quarter of 2018 the Biesse Group's revenue were in line with the previous year; this is a good result considering that the first quarter of 2017 recorded the best performance in the Group's history. Profitability, on the contrary, fell slightly mainly due to the current investment policy aimed at supporting and ensuring future growth and achievement of year-end targets, also considering the positive trend expected in the short term and order intake, which in the first quarter rose by 10.5%. In addition, the order book rose by 24.2% reaching € 234 million.

Therefore, as regards the performance for the first three months of 2018, the Group's revenue amounted to € 162,327 thousand, up compared to the same prior-year period (+0.5%).

In the first three months of 2018 added value totalled € 69,756 thousand, unchanged compared to the same period last year.

EBITDA for the first three months of 2018 totalled € 19,762 thousand, down € 1,835 thousand. As a percentage of revenue, it decreased from 13.4% to 12.2%. EBIT decreased in the same period as well, down by € 2,178 thousand (€ 13,939 thousand in 2018 compared to € 16,123 thousand for the same period in 2017). As a percentage of revenue, it decreased from 10% to 8.6%.

The comparison with the previous year is negative since it is important to recall that performance was particularly positive in March 2017; therefore, the achievement of the same revenue levels must be considered a good result. On the other hand, profitability in the first quarter was negatively affected by the current investment policy needed to achieve annual targets.

As for the breakdown of revenue by segment, the turnover of the Wood Division was largely unchanged, while the Glass & Stone Division saw it rise by 6.6%. The Tooling Division recor-

ded a fall (-10.4%), as did the Mechatronics Division (-1.8%). As regards geographical breakdown, a good performance was recorded by Eastern Countries (+14.1%) and the Rest of the World (+141%), while Europe and North America recorded a decrease (-6.5% and -13.5%, respectively).

As for the financial position, the Net Operating Working Capital increased by around € 12,434 million compared to 31 December 2017, mainly due to the approximately €16.5 million increase in inventories. It should be noted that this increase is in line with forecasts since it ensues from the need to facilitate the scheduling of the deliveries planned for the coming months. In terms of overall working capital, the impact was partially offset by the nearly € 4.4 million decrease in trade receivables, while trade payables remained broadly unchanged.

Finally, as at 31 March 2018 the Group's Net Financial Position totalled approximately € 18.9 million, down compared to 31 December 2017 (€ 30.4 million) but improving by € 16.8 million compared to 31 March 2017, largely as a result of the cash flows resulting from the considerable improvement in operating performance.

During the quarter, the company entered into a series of contracts for professional services connected to the IPO process for a total amount of around € 4.5 million, which at 31 March 2018 were only partially completed.

The services completed at 31 March 2018 were recognised in the financial statements, while the services which will be provided during the IPO process will be recognised in accordance with IFRS 2.

GENERAL ECONOMIC OVERVIEW

Global growth has strengthened and the trend in international trade remains lively. However, global economic prospects are negatively affected by the risk that the imposition of tariffs on imports of some products by the US administration may lead to trade restrictions on a broader scale and by the risk that uncertainties over the increase in monetary policy measures and their development in some advanced economies may give rise to sharp movements on the financial markets, as seen at the beginning of the current year.

EUROZONE

In the Eurozone growth continued; however, a stable trend of underlying inflation to levels around 2 percent is yet to be seen. The ECB's Governing Council considers it necessary to maintain broad monetary accommodation which is provided by its asset purchase program which will continue at least until September 2018, by the stock of financial assets held

in the portfolios of central banks and by their short-term reinvestment, as well as by prospects for interest rates.

ITALY

In Italy, in the first quarter of the year GDP grew by 0.2 percent, a slowdown compared to the prior period. The slowdown in industrial production was accompanied by a rise in services, despite the less favourable signs for this segment too in March.

Economic surveys show that household and business confidence continue to be at cyclically high levels and are consistent with GDP growth prospects; companies note their intention to increase investment in production compared to 2017.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the third quarter of 2018, the index of machine tool orders, prepared by the Centre for Enterprise Studies & Culture of UCIMU-SISTEMI PER PRODURRE, recorded a 4.3% decrease on the prior-year period.

More specifically, the indicator of orders received from foreign markets increased (+7.6%) compared to January-March 2017.

The orders received from the domestic market decreased instead by 25.8% compared to the same prior-year period.

Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "The slowdown in orders on the domestic market is not a matter of concern to us for two reasons. First of all because the result of these first three months is clearly the reaction to the extraordinary performance recorded at the end of 2017 when customers, who were worried that the super- and hyper-amortisation provisions might not be reconfirmed, sped up their orders. Secondly because the result is being compared with a truly amazing first quarter of 2017.

In January orders received in Italy – Massimo Carboniero added – were weak, but the situation has improved in the following months. However, the expected recovery could be negatively affected by the political uncertainty the country is going through.

The uncertainty which followed the election results of last March certainly does not provide support to the business community and above all those who must decide whether to make large investments. This is why we hope for a govern-

ment program that is focussed on supporting competitiveness in the manufacturing sector and that does not put aside all the positive reforms and legal provisions that have been implemented in recent years.

Moreover, UCIMU-SISTEMI PER PRODURRE has also been active in terms of internationalisation with the organisation of various initiatives aimed at supporting the presence of Italian products on traditional and emerging foreign markets.

That is the case of the mission concerning ASEAN countries which took place a few days ago in Singapore and in which UCIMU took part with the aim of building and consolidating commercial relations and partnerships with local players.

Manufacturing in ASEAN countries – stated Chairman Carboniero – is currently involved in a major process of economic growth and social progress. Italian machinery manufacturers can be not only providers of the solutions and technology for customers in this area, which have been buying Italian technology for many years, but also partners of local manufacturers which are attracted by a very high-quality product range that can complement their own production. This is a model which, having been established a few months ago for the Chinese market, we intend to offer in countries with very dynamic growth rates; we are only at the beginning, but the initial reaction and welcome given to this proposal seem favourable".

MAIN EVENTS OF THE PERIOD

JAN

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

Among the chief events to start off the year was the Back to business event. It was hosted by the Biesse Campus in Pesaro and customers were invited to discover new business opportunities. This event showcased a return to technology, experimentation, and productivity – an example of the way innovation can transform businesses into being 4.0 ready, ranging from production to product sales. In the same time period as the Back to Business event, the Biesse Group also hosted the Academy weeks at the Headquarters. This three-week event is directed at branch employees and business partners around the world, with full days dedicated to exploring product innovations and new sales tools. This regular and ongoing training tracks technological product deve-

lopments and innovations being made in the Group's service offering, so that we are always able to provide added value to customers. Biesse participated in the Megan ExpoMueblera event held in Mexico City – a trade fair for getting close to customers in the region and showing them the group's innovative ability born from its guiding philosophy: 'Thinkforward'. It represents the ability to create innovation through integrated solutions, which are sophisticated but simple in their use, in order to have better and greater production, at a lower cost. Having a presence at Klimahouse in Bolzano, an event dedicated to housing where technology meets sustainability, was also important. Customers and visitors were able to make contact with our specialists, and learn about solutions for building the housing of the future.

FEB

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

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

With regards to the subsidiary HSD S.p.A., the Board of Directors met in a session held on 9 February 2018 and proposed that the date for the Shareholders' Meeting should be set for 22/03/2018, 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 excep-

tion 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 bylaw 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 organised 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 first open for trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
- 9) Appointment of statutory auditors for the 2018-2026 financial years 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.
- 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 final parent Bi.Fin. S.r.l. the financial lease contract that is currently in place for the Gradara Production Plant, where the company operates at present. Timelines for such a process are not yet certain; however, the transfer should take shape by the end of 2018 and would entail HSD making a financial commitment of approximately € 5 million. With this takeover, HSD would also acquire 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' me-



eting of HSD S.p.A. was also held. This meeting resolved the following, effective from the time of listing:

- Approval of the project to admit the Company's shares to trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., and in the Star Segment (if applicable), while conferring on the Board of Directors the power to carry out the necessary actions.
- Approval of a number of amendments to the current company by-laws and adoption of new company by-laws in compliance with the current legal provisions as applicable to listed companies.
- Approval 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 regulations.
- Appointment of KPMG S.p.A. as the independent auditors for the 2018-2026 financial years.
- Approval of guidelines regarding medium- to long-term management incentive schemes. On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Region, at the new Dubai Campus that was inaugurated in November 2017.

On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire 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 macro-economic situation, the results expected by the Biesse Group in the period examined are as follows:

- Higher consolidated net revenue at a three-year structural CAGR of 9.5% (revenue above € 906 million expected in 2020).
- Higher Added Value with a three-year CAGR of 10.8% (43.4%

record percentage in 2020).

- Increase in operating margins: - EBITDA with a three-year CAGR of 12.7% (14% impact in 2020); - EBIT with a three-year CAGR of 14.7% (10.6% impact in 2020).

- Positive free cash flow with a total of 120 million euro in the three-year period 2018-2020 (free cash flow margin of 5% in 2020) net of planned investments (total capex 142.6 million 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 revenue.

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

MAR

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



a partnership which brings together in a single entity know-how, technological excellence and a widespread distribution network, to support customers in creating smart factories. The highlight of this edition of Inside Intermac Stone was the opening of the Intermac Academy, the new training centre dedicated to our customers, dealers and staff. The structure can rely on a dedicated team which coordinates corporate resources in order to share and spread technological know-how both within the company and to the market.

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

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

- Approval of the Prospectus prepared for the listing, of the 2018-2020 Business Plan prepared pursuant to Section IA.1.1 (point 2.00.8) of the instructions of Borsa Italiana S.p.A., the Regulation for related-party transactions, the Regulation on Internal Dealing, the Regulation on the handling of insider information, the opt-out statement regarding the obligation to release documents concerning significant extraordinary transactions, the documents concerning the appointment of Banca IMI as Sponsor and Specialist for the listing, the report comparing the recommendations of the Corporate Governance Code for listed companies and the corporate governance structure adopted by the Company.

- Adoption of the Management Control System and approval of the relevant Memorandum prepared for the purposes of the issue by Borsa Italiana S.p.A. of the statements required by art. 2.3.4. of the Rules of the Markets organised and managed by Borsa Italiana.

- Appointment of Nicola Casati, CFO of HSD S.p.A., as Investor Relator.

- Appointment of the company Computer Share as a specialist operator for the activation of the systems for the disclosure of regulated information (SDIR – Sistemi di Diffusione delle Informazioni Regolamentate) and storage of the same, in accordance with the provisions of the Issuers' Regulations, as well as the activation of services for keeping the Shareholder Register and for the dematerialisation of shares.

- Appointment of the Remuneration Committee (consisting of Alessandro Copparoni, Federico Valentini, Cristina Loccioni, Bruno Baroni) and the Internal Control and Risk Management Committee (consisting of Federico Valentini, Cristina Loccioni, Alessandro Copparoni, Bruno Baroni).

- Appointment of the Board of Statutory Auditors.

- Verification of the existence, at the date when the Company's shares first open for trade on the Electronic Stock Market, of the requirements for admission of the shares of HSD S.p.A. on this market.

- Appointment of Nicola Casati, CFO of HSD S.p.A. as Manager in charge of corporate financial reporting.

- Appointment of Nasrullaev Murod as Internal Audit Manager, effective as from 1 April 2018.

- Proposal for the Company's Shareholders' Meeting of 22 March 2018, to approve an incentive plan for top management, partly based on financial instruments and partly based on payments in cash (the "IPO Plan"), aimed at involving and providing incentives to the recipients and at aligning their conduct to the interests of the Company and its shareholders. The recipients of the IPO Plan are: Fabrizio Pierini (General Manager of HSD S.p.A.), Giuseppe Benelli (Commercial and Branch Manager of HSD S.p.A.), Giuseppe Grosso (Technical Director of HSD S.p.A.) and Stefano Porcellini (Director of HSD S.p.A. and Biesse S.p.A. and General Manager of the Biesse Group). As regards financial instruments, the IPO Plan provides for that each of the recipients receive non-transferable options for free to subscribe a total of around 100,000 newly issued ordinary shares of HSD S.p.A., arising from a share capital increase under art. 2441, paragraph 8 of the Italian Civil Code (on which the Shareholders' Meeting is called to pass a resolution on 23 March 2018 at an extraordinary meeting). Should the option be exercised, the shares will be subscribed at the price of Euro 0.01 each, corresponding to the accounting value of the shares at 22 March 2018. As regards payments in cash, the IPO Plan provides for that the aforementioned recipients receive a cash bonus. The right to exercise the options assigned and to subscribe the relevant shares, as well as the right to receive the cash bonus, depend on the occurrence of the following events:

- a) At the date when the Company's shares first open for trade the recipients have an existing employment relationship with the HSD Group or with the Biesse Group;

- b) The trading of the shares of HSD S.p.A. on the Electronic Stock Market has effectively started.

The recipients must also accept in regard to the Biesse Group the commitment not to transfer or in any other way dispose of the shares subscribed under the IPO Plan for a period of 18 months from the date of their assignment.

On 22 March 2018 the Shareholders' Meeting of HSD S.p.A. met with the following agenda:

- Acceptance of the resignation of the Board of Directors, effective from the date of the start of trading of HSD shares on the Electronic Stock Market organised and managed by Bor-

sa Italiana S.p.A. Renewal of the Board of Directors effective from that date, determining total compensation.

- Approval of a cash- and share-based incentive plan for employees of HSD S.p.A. and Biesse S.p.A.

- Approval of the financial statements at 31 December 2017; the consolidated financial statements at 31 December 2015, 2016 and 2017.

- Allocation of the profit for 2017 of HSD S.p.A. for € 13,607,234.26 to the extraordinary reserve and € 5,889,300 to pay ordinary dividends.

- Renewal of the Board of Statutory Auditors.



From 9 to 13 April Biesse UK took part in MACH 2018, the international exhibition dedicated to plastics and metal. The stand displayed Biesse technologies, in particular Materia CL, Eko 2.1 Plast and Rover A Plast; SV3, the high-performance Viet machinery for deburring, satinising and brushing metals; and finally Primus, the Intermac technologically advanced waterjet cutting system for metals and plastics. Excellent result for the opening of the new Biesse Group Campus in Istanbul: over 500 visitors took part in the event to inaugurate the new Biesse Group Campus in Istanbul. The three-day event showed visitors the exclusive 2,100 sq.m. location, which includes a 1,500 sq.m. showroom with Biesse machinery and innovations, new modern offices, a training centre, a service and parts area. "We are honoured and proud to open the first,

unique and largest showroom and training centre in Turkey. Now more than ever, the new showroom will enable us to immediately provide our commercial partners with excellent services and local support. Undeniably we have a great advantage compared to our competitors since it will ensure the best possible Biesse experience. We would be glad to show you the result of our investment, which shows our Group's commitment to our partners and their satisfaction", stated Federico Broccoli, Subsidiary Division Director – Biesse Group. Intermac took part in China Glass, the exhibition which took place from 19 to 22 April in Shanghai, China. The work centre Master 23 – the entry-level, easy to use solution – and Genius 38 CT – the CNC cutting bench for straight and shaped cutting of single glass sheets, in large and half sheet formats – were on display at the stand.

On 16 April the whole sales team for Italy met at the Biesse Campus in Pesaro. In view of the Xylexpo exhibition, product innovations were studied, as well as news relating to the bSuite software and to Sophia. It was a strategic meeting for the sales force.

The Biesse Group supported the event "Vangi per Pesaro. Quando la cultura d'impresa incontra l'arte". Saturday 21 April saw the inauguration of the artwork "La scultura della memoria" of the contemporary artist Giuliano Vangi, made possible by the contribution of the Biesse Group and dedicated to Anna Gasparucci Selci. A work that was unveiled after two years of creative endeavour in the wonderful setting of Piazza Mosca in Pesaro and explained by the Florentine artist who has strong connections with the founder of the Biesse Group, Giancarlo Selci, and the town of Pesaro.

FINANCIAL STATEMENTS

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Rover B

FINANCIAL STATEMENTS

INCOME STATEMENT AT 31 MARCH 2018

EURO 000'S	2018	% ON SALES	2017	% ON SALES	CHANGE %
Revenue from sales and services	162,327	100.0%	161,449	100.0%	0.5%
Change in inventories, wip, semi-finished products and finished products	9,418	5.8%	11,059	6.8%	(14.8)%
Other Revenues	1,615	1.0%	771	0.5%	109.4%
Revenue	173,361	106.8%	173,279	107.3%	0.0%
Raw materials, consumables, supplies and goods	(70,608)	(43.5)%	(71,586)	(44.3)%	(1.4)%
Other operating costs	(32,997)	(20.3)%	(31,932)	(19.8)%	3.3%
Normalised added value	69,756	43.0%	69,760	43.2%	(0.0)%
Personnel expense	(49,994)	(30.8)%	(48,163)	(29.8)%	3.8%
Normalised gross operating profit	19,762	12.2%	21,597	13.4%	(8.5)%
Depreciation and amortisation	(5,458)	(3.4)%	(4,814)	(3.0)%	13.4%
Provisions	(361)	(0.2)%	(661)	(0.4)%	(45.4)%
Normalised operating profit	13,944	8.6%	16,123	10.0%	(13.5)%
Impairment losses and non recurring-items	(5)	(0.0)%	-	-	-
Operating profit	13,939	8.6%	16,123	10.0%	(13.5)%
Net financial expense	(594)	(0.4)%	(455)	(0.3)%	30.5%
Net exchange rate losses	(497)	(0.3)%	(831)	(0.5)%	(40.2)%
Pre-tax profit	12,848	7.9%	14,837	9.2%	(13.4)%
Income taxes	(4,786)	(2.9)%	(5,458)	(3.4)%	(12.3)%
Profit for the year	8,063	5.0%	9,378	5.8%	(14.0)%

In the financial statements at 31 March 2017 € 156 thousand has been reclassified from financial items to net exchange rate gains and losses.

Revenue from sales and services for the first three months of 2018 was equal to € 162,327 thousand, up +0.5% compared to 31 March 2017 (€ 161,449 thousand).

As regards the breakdown of sales by segment, the Wood Division recorded a decrease of 0.3% (revenue stood at € 114,215 thousand in March 2018 compared to € 114,577 thousand in the prior-year period) while the Glass & Stone Division improved by +6.6% (with revenue increasing from € 25,020 thousand to € 26,681 thousand). The Mechatronics Division decreased by 1.8% (revenue was down from € 25,669 thousand to € 25,218 thousand) and the Tooling Division decreased by 10.4%.

The geographical breakdown of sales compared to the same prior-year period showed a positive performance for Eastern Europe (+14.1%), accounting for a larger share of consolidated turnover (from 13.1% to 14.8%) whereas Western Europe fell to 41.5%. This result is the result of a different product mix which is more focussed on lines and which can lead to a more variable trend in revenue due to a greater diversification in projects. The area of Asia-Oceania also posted a good performance (+2.5%), and its impact slightly increased from 20.1% to 20.5%. North America decreased by 13.5%, with its impact on turnover decreasing from 19.4% to 16.7%. On the other hand, worthy of mention is the significant increase in the Rest of the World, thanks to the recovery in sales in South America.

Inventories increased by € 16.5 million overall compared to 31 December 2017: the change is due to the € 2.1 million increase in finished goods, to the € 6.7 million increase in raw materials, and to the € 5.3 million increase in inventories of semi-finished goods. The increase is in line with forecasts and aimed at meeting the need to cope with deliveries forecast for the next few months in order to accomplish the year-end targets.

Revenue for the first three months of 2018 amounted to € 173,361 thousand, unchanged compared to 31 March 2017, when it amounted to € 173,279 thousand.

The analysis of consumption and other operating expense as a proportion of revenue, rather than of revenue from sales and services, shows a lower absorption of raw materials (40.7% compared to 41.3% at 31 March 2017), due to the different product mix which has a higher impact on other operating expense and services.

Indeed, other operating expenses were up in absolute terms and increased on a percentage basis (from 18.4% to 19%). This item is mainly attributable to Service costs (+€ 954 thousand), which consists of both "variable" cost items (i.e. outsourced processing, third party technical services, transport fees and sales commissions) and "fixed" cost items (i.e. travel and lodging expenses, trade fairs and maintenance).

EURO 000'S	2018	%	2017	%
Revenue	173.361	100,0%	173.279	100,0%
Raw materials and goods	70.608	40,7%	71.586	41,3%
Other operating costs	32.997	19,0%	31.932	18,4%
Service costs	28.630	16,5%	27.676	16,0%
Use of third party assets	2.556	1,5%	2.607	1,5%
Sundry operating expense	1.811	1,0%	1.650	1,0%
Added value	69.756	40,2%	69.760	40,3%

Finally, it should be noted that added value in the first three months of 2018 was € 69,756 thousand, unchanged compared to same period in 2017.

In the first three months of 2018, personnel expense amounted to € 49,994 thousand, up € 1,831 thousand (+3.8%) compared to the same prior-year period (€ 48,163 thousand). The increase was largely attributable to the fixed component represented by wages and salaries (+€ 2,952 thousand, +6.5% compared to the same prior-year period). These increases in personnel expense are mainly due to the planned increase in staff in order to support future growth.

EBITDA at 31 March 2018 was € 19,762 thousand (€ 21,597 thousand at 31 March 2017).

Depreciation and amortisation grew overall by 13.4%, from € 4,814 thousand in 2017 to € 5,458 thousand: the change is mainly attributable to the € 113 thousand increase in property, plant and equipment (up 5.2% from € 2,176 thousand to € 2,288 thousand). The share related to intangible assets increased by € 531 thousand (up 20.1% from € 2,639 thousand to € 3,169 thousand).

Provisions amounted to € 361 thousand, down compared to the first three months of 2017 (-€ 300 thousand).

As regards financing activities, finance expense amounted to € 594 thousand, up 40.2% compared to the same period in 2017 (€ 455 thousand).

Exchange rate risk management in this first three months of 2017 resulted in a loss of € 497 thousand, improving compared to the same prior-year period (negative to the tune of € 831 thousand).

Pre-tax profit thus amounted to € 12,848 thousand.

The estimated balance of income taxes was negative to the tune of € 4,785 thousand. Current taxes were negative to the tune of € 5,429 thousand (IRAP – regional business tax: € 753 thousand; IRES – corporate income tax: € 3,433 thousand; taxes from foreign jurisdictions: € 795 thousand; previous-years taxes: € 466 thousand; other taxes: -€ 17 thousand), while deferred taxes were positive at € 644 thousand.

Therefore, profit for the first three months of 2018 amounted to € 8,063 thousand.

NET FINANCIAL POSITION AT 31 MARCH 2018

EURO 000'S	31 MARCH 2018	31 DECEMBER 2017	30 SEPTEMBER 2017	30 JUNE 2017	31 MARCH 2017
Financial assets:	89,853	79,421	60,029	44,099	49,510
Current financial assets	637	519	14	15	(587)
Cash and cash equivalents	89,216	78,902	60,015	44,084	50,097
Short-term financial lease payables	(347)	(199)	(31)	(59)	(111)
Short-term bank loans and borrowings and loans from other financial backers	(35,649)	(29,086)	(24,238)	(21,430)	(37,140)
Short-term net financial position	53,858	50,136	35,760	22,610	12,259
Medium/Long-term financial lease payables	(1,832)	(1,060)	(2,183)	(23)	-
Medium/Long-term bank loans and borrowings	(33,077)	(18,705)	(24,372)	(26,438)	(7,305)
Medium/Long-term net financial position	(34,908)	(19,765)	(26,554)	(26,461)	(7,305)
Total net financial position	18,949	30,371	9,205	(3,851)	4,955

At 31 March 2018 the Group's Net Financial Position was positive for €18.9 million, significantly improving compared to 31 March 2017 (+€ 14 million). Despite the cyclical/seasonal nature of Biesse's business that is a feature of the first quarter, the Group's net financial position worsened by only € 11.5 million compared to 31 December 2017.

Net operating working capital (+€ 12.4 million in absolute value with respect to 31 December 2017) has a percentage

incidence on consolidated revenue of 31.5% (45% at 31 March 2017), which, although not indicative on an annual basis, shows the expected improvement arising from the constant attention paid to controlling its components.

Net invested capital amounted to € 176.5 million, up compared to 31 December 2017.

Equity amounted to € 195.4 million (€ 170 million at 31 March 2017 and € 188 million at 31 December 2017).

SUMMARY STATEMENT OF FINANCIAL POSITION

EURO 000'S	31 MARZO 2018	31 DICEMBRE 2017
Intangible assets	76,321	75,107
Property, plant and equipment	91,982	90,515
Real estate investments	-	-
Financial assets	2,262	2,648
Non-current assets	170,566	168,270
Inventories	159,721	143,210
Trade receivables	114,975	119,380
Trade payables	(223,588)	(223,916)
Net operating working capital	51,108	38,674
Post-employment benefits	(13,186)	(13,456)
Provision for risk and charges	(10,527)	(10,405)
Other net payables	(32,614)	(35,617)
Net deferred tax assets	11,119	10,501
Other net liabilities	(45,208)	(48,978)
Net invested capital	176,466	157,966
Share capital	27,393	27,393
Profit for the previous year and other reserves	159,013	117,434
Profit for the year	8,215	42,558
Non-controlling interests	794	952
Equity	195,415	188,337
Bank loans and borrowings and loans and borrowings from other financial backers	70,904	49,050
Other financial assets	(637)	(519)
Cash and cash equivalents	(89,216)	(78,902)
Net financial position (1)	(18,949)	(30,371)
Total sources of funding	176,466	157,966

Compared to 31 December 2017, net intangible assets increased by € 1.2 million. This was mainly attributable to R&D capitalisation of new products and new ICT investments.

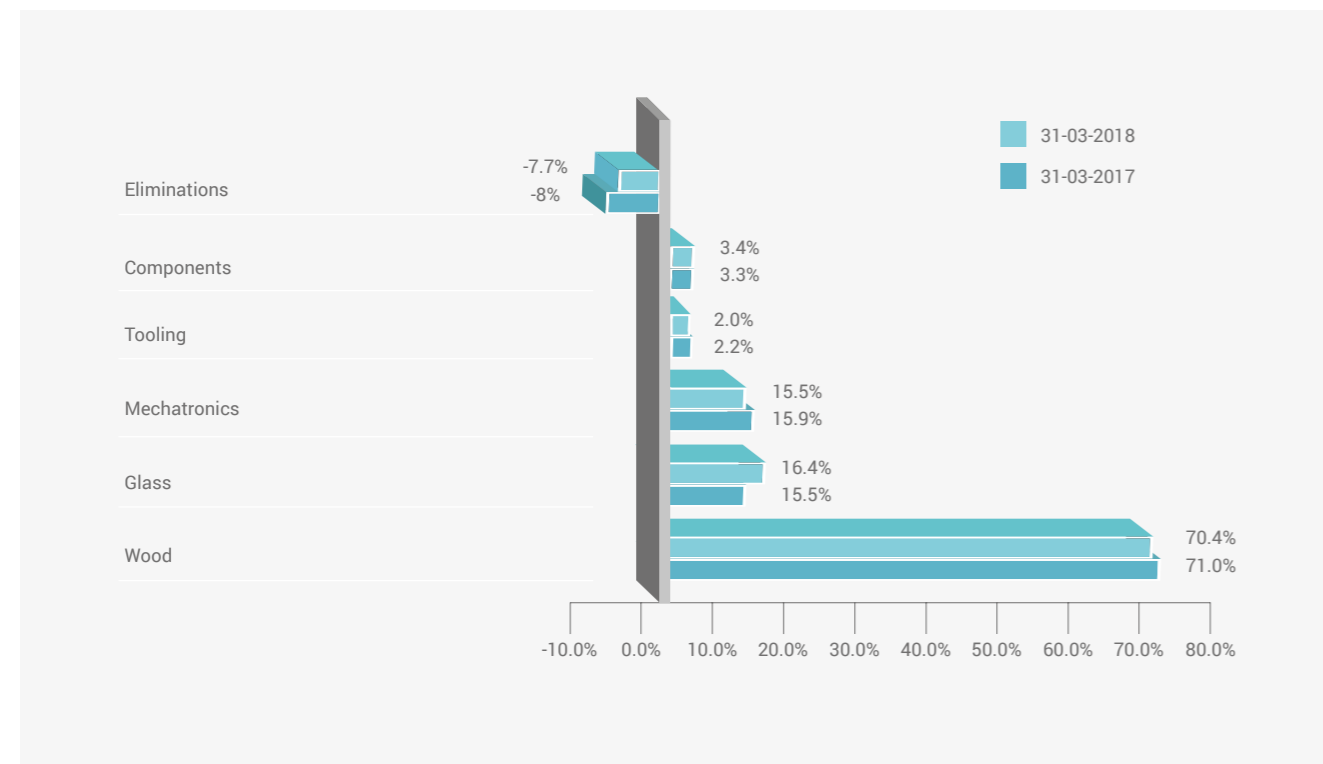
Compared to 31 December 2017, net property, plant and equipment increased by € 1.5 million. Besides the amounts concerning the regular replacement of work equipment, works concerning the expansion and renovation of Buildings.

In addition, as already pointed out, inventories increased by € 16,511 thousand overall compared to 31 December 2017.

With reference to the other items of Net Operating Working Capital, which was up nearly € 12,434 thousand compared to 31 December 2017, trade receivables decreased by € 4,405 thousand while trade payables remained broadly unchanged (+€ 328 thousand).

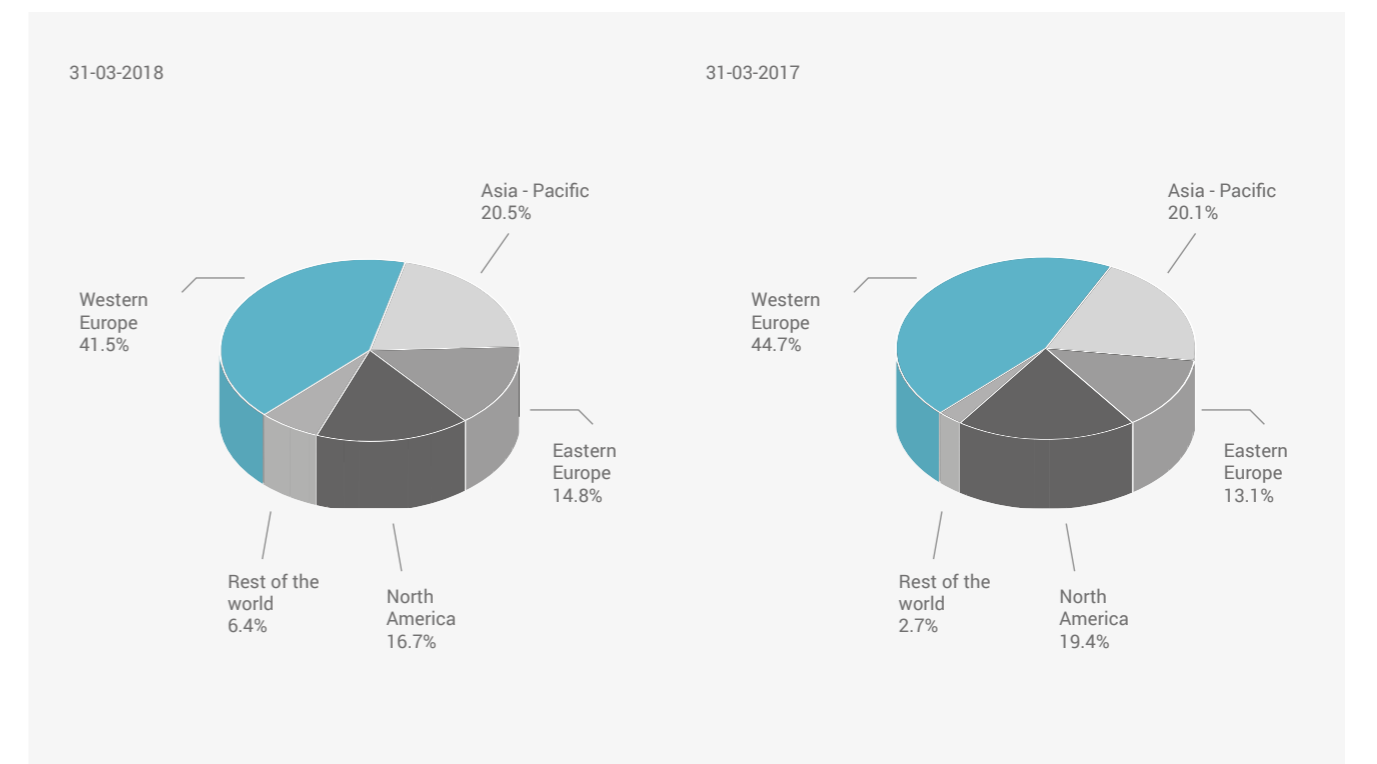
SEGMENT REPORTING - BREAKDOWN OF REVENUE BY DIVISION

EURO 000'S	2018	%	2017	%	CHANGE
Wood	114,215	70.4%	114,577	71.0%	(0.3)%
Glass	26,681	16.4%	25,020	15.5%	6.6%
Mechatronics	25,218	15.5%	25,669	15.9%	(1.8)%
Tooling	3,253	2.0%	3,629	0	(10.4)%
Components	5,511	3.4%	5,394	0	2.2%
Eliminations	(12,550)	(7.7)%	(12,840)	(0)	(2.3)%
Total	162,327	100.0%	161,449	100.0%	0.5%



SEGMENT REPORTING - BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	2018	%	2017	%	CHANGE
Western Europe	67,425	41.5%	72,144	44.7%	(6.5)%
Asia-Pacific	33,297	20.5%	32,492	20.1%	2.5%
Eastern Europe	24,096	14.8%	21,118	13.1%	14.1%
North America	27,151	16.7%	31,398	19.4%	(13.5)%
Rest of the World	10,359	6.4%	4,297	2.7%	141.1%
Total	162,327	100.0%	161,449	100.0%	0.5%



Pesaro, 14 May 2018

The Chairman of the Board of Directors
Roberto Selci

ANNEX

EURO 000'S	2018	% ON SALES	2017	% ON SALES	CHANGE %
Revenue from sales and services	162.327	100,0%	161.449	100,0%	0,5%
Change in inventories, wip, semi-finished products and finished products	9.418	5,8%	11.059	6,8%	(14,8)%
Other revenues	1.615	1,0%	771	0,5%	109,4%
Revenue	173.361	106,8%	173.279	107,3%	0,0%
Raw materials, consumables, supplies and goods	(70.608)	(43,5)%	(71.586)	(44,3)%	(1,4)%
Other operating costs	(32.997)	(20,3)%	(31.932)	(19,8)%	3,3%
Added value	69.756	43,0%	69.760	43,2%	(0,0)%
Personnel expense	(49.994)	(30,8)%	(48.163)	(29,8)%	3,8%
Gross operating profit	19.762	12,2%	21.597	13,4%	(8,5)%
Depreciation and amortisation	(5.458)	(3,4)%	(4.814)	(3,0)%	13,4%
Provisions	(361)	(0,2)%	(661)	(0,4)%	(45,4)%
Normalised operating profit	13.939	8,6%	16.123	10,0%	(13,5)%
Impairment losses	(5)	(0,0)%	-	-	-
Operating profit	13.939	8,6%	16.123	10,0%	(13,5)%
Net financial expense	(594)	(0,4)%	(455)	(0,3)%	30,5%
Net exchange rate losses	(497)	(0,3)%	(831)	(0,5)%	(40,2)%
Pre-tax profit	12.848	7,9%	14.837	9,2%	(13,4)%
Income taxes	(4.786)	(2,9)%	(5.458)	(3,4)%	(12,3)%
Profit for the year	8.063	5,0%	9.378	5,8%	(14,0)%

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

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

Manager in charge of corporate financial reporting
Cristian Berardi



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