REPORT 18

INTERIM REPORT

AT 30 JUNE 2018

BIESSE GROUP

INDEX

THE BIESSE GROUP

DIRECTORS' REPORT AT 30 JUNE 2018

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2018

Cover:

Design-driven modular kitchen
Design: LAGO design
Company: LAGO SpA

LAGO produces its products using Biesse technological solutions

THINK FOR WARD

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

LIVE THE EXPERIENCE

THE GROUP

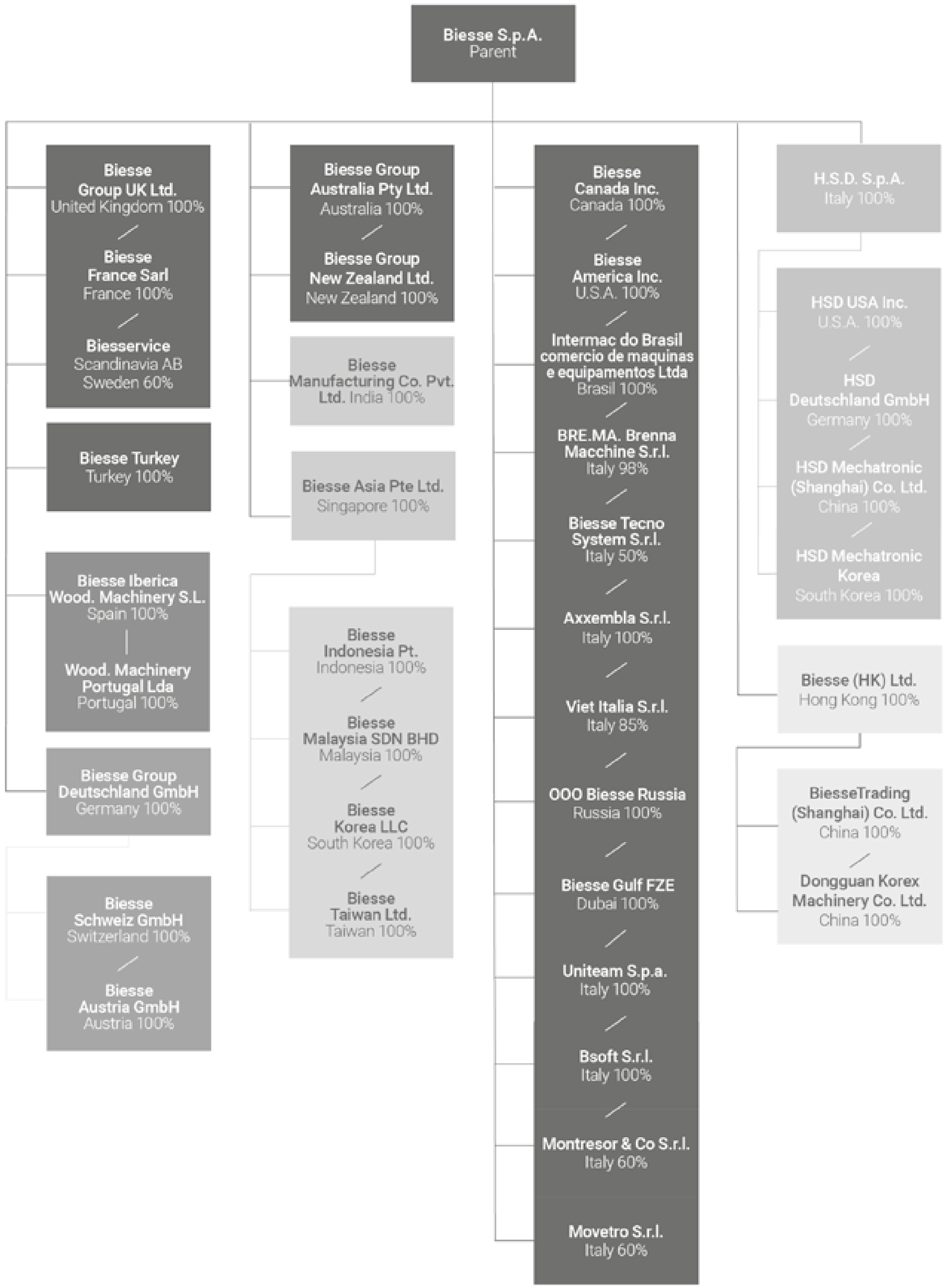
BIESSEGROUP

BIESSE
INTERMAC
DIAMUT
MECHATRONICS

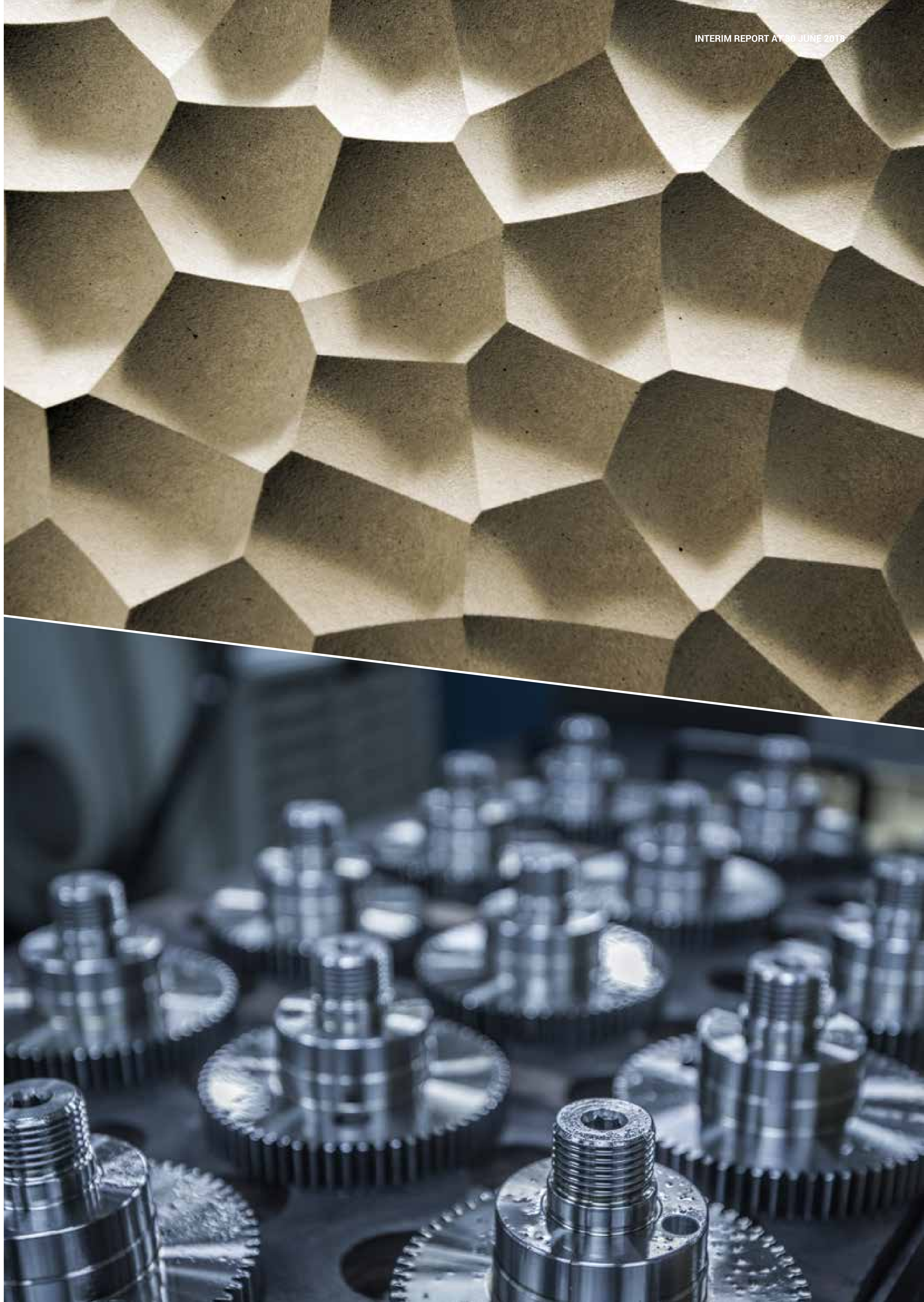
Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index.

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



FINANCIAL HIGHLIGHTS

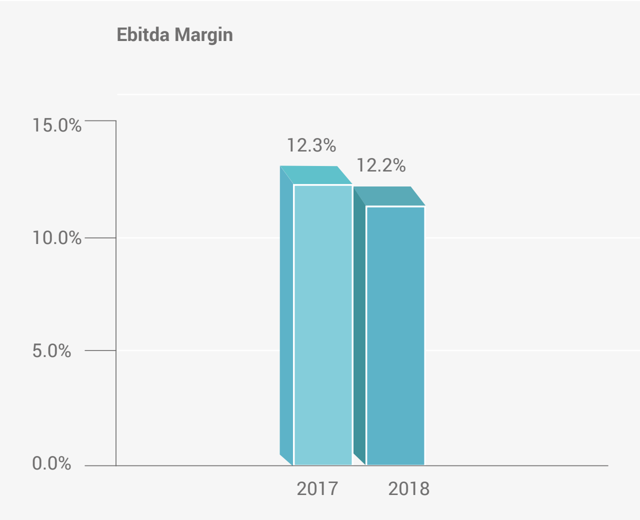
FINANCIAL HIGHLIGHTS

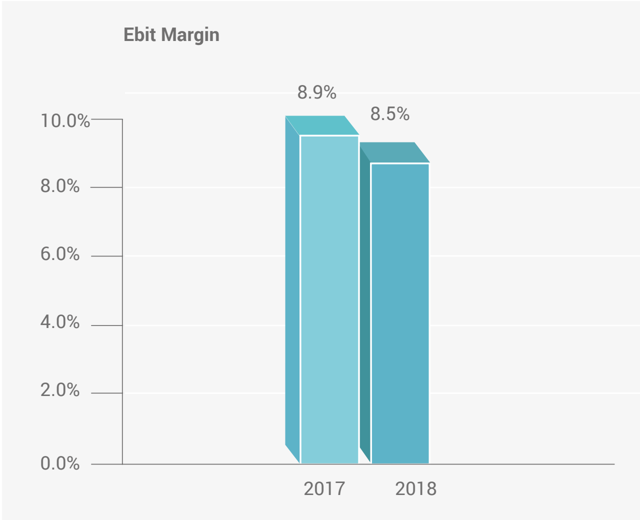
Compared with the financial statements for the year ended 31 December 2017, the consolidation scope underwent no changes:

Income Statements

EURO 000'S	30 JUNE 2018	% OF SALES	30 JUNE 2017	% OF SALES	CHANGE %
Revenue from sales and services	356,008	100.0%	331,232	100.0%	7.5%
Normalised Added value (1)	150,261	42.2%	139,052	42.0%	8.1%
Normalised EBITDA (Normalised gross operating profit) (1)	43,499	12.2%	40,771	12.3%	6.7%
Normalised EBIT (Normalised operating profit) (1)	30,282	8.5%	29,630	8.9%	2.2%
EBIT (Operating profit) (1)	30,151	8.5%	29,630	8.9%	1.8%
Profit for the period	17,233	4.8%	17,467	5.3%	(1.3)%

(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.

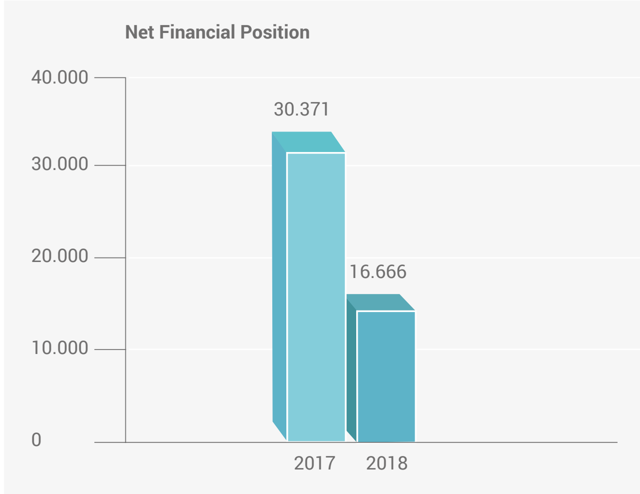




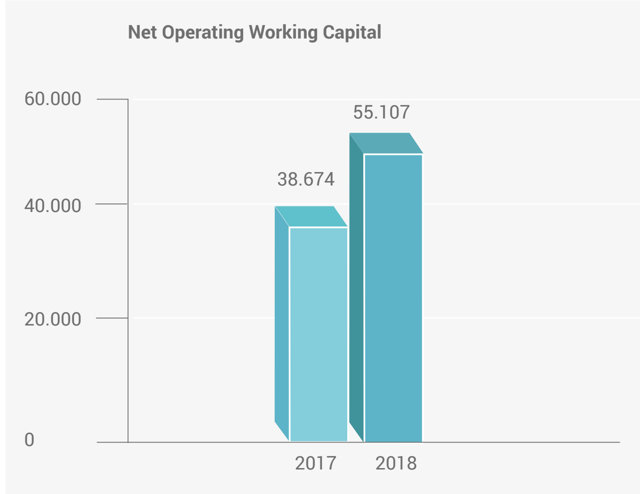
Statement of financial position data and financial ratios

EURO 000'S	30 JUNE 2018	31 DECEMBER 2017
Net invested capital (1)	175,903	157,966
Equity	192,569	188,337
Net financial position (1)	(16,666)	(30,371)
Net operating working capital (1)	55,107	38,674
Gearing (net financial position/equity)	(0.09)	(0.16)
Fixed asset/standing capital ratio	1.11	1.14
Order intake	317,150	596,775

(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.



Euro 000's

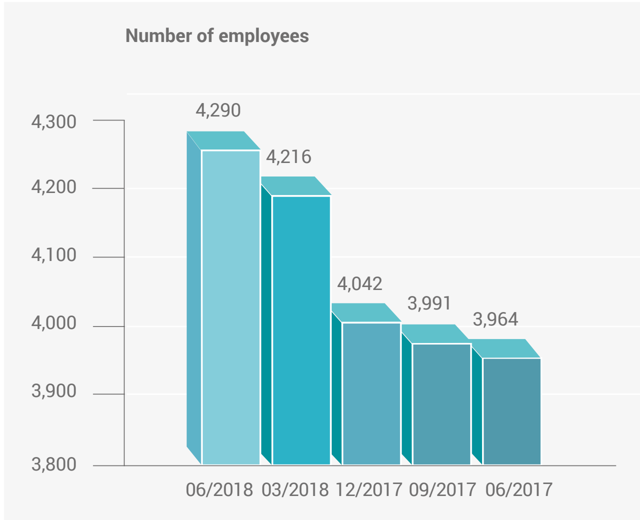


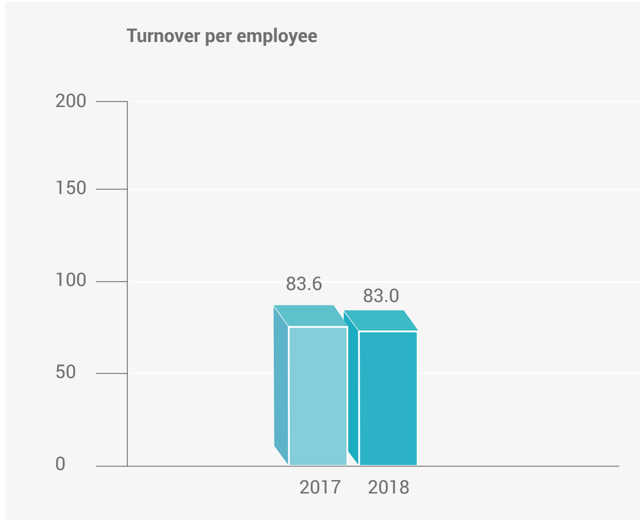
Euro 000's

EURO 000'S	30 JUNE 2018	30 JUNE 2017
Ebitda (Gross operating profit)	43,499	40,771
Change in net working capital	(17,738)	7,204
Change in other operating assets/liabilities	(6,611)	(28,849)
Operating cash flow	**19,150**	**19,128**
Cash flow used in investment activity	(19,973)	(18,013)
Cash flow	**(822)**	**1,114**
Foreign exchange rate differences	267	17
Change in net financial indebtedness	(13,704)	(8,748)

Personnel

	30 JUNE 2018	30 JUNE 2017
Number of employees at period end	4,290	3,964





The figure includes temporary staff.

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	Giancarlo Selci
Managing Director	Roberto Selci
Executive Director	Alessandra Parpajola
Executive Director and Group General Manager	Stefano Porcellini
Lead Independent Director	Elisabetta Righini
Independent Director	Giovanni Chiura
Independent Director	Federica Palazzi

BOARD OF STATUTORY AUDITORS

Chairman	Paolo de Mitri
Standing Statutory Auditor	Claudio Sanchioni
Standing Statutory Auditor	Silvia Cecchini
Alternate Statutory Auditor	Silvia Muzi
Alternate Statutory Auditor	Dario de Rosa

CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Elisabetta Righini (lead indipendent Director)
Federica Palazzi

SUPERVISORY BODY

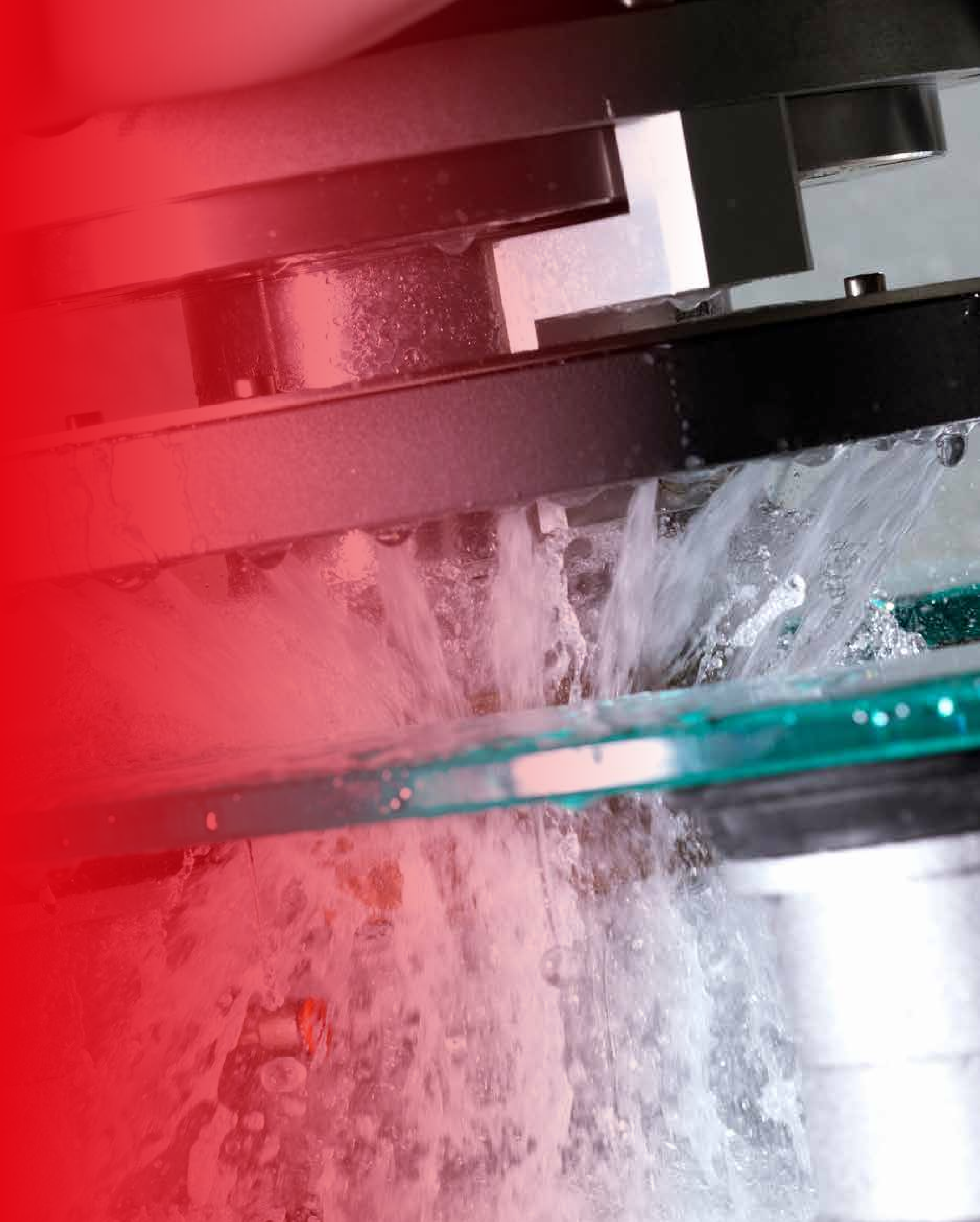
Domenico Ciccopiedi
Elena Grassetti

INDEPENDENT AUDITORS

KPMG S.p.A.

DIREC TORS’

REPORT ON OPERATIONS



GENERAL ECONOMIC OVERVIEW

THE INTERNATIONAL BUSINESS CYCLE

The short-term outlook for the global economy remains favourable overall, but world trade has decelerated. Significant risk factors arise from the escalating commercial tensions due to the protectionist orientation of the US administration. Beyond having a direct effect on trade, these tensions could have repercussions on confidence and on the investment plans of companies active on international markets.
Economic activity in the main advanced economies slowed in the first three months of 2018 (particularly in Japan), but the short-term outlook remains favourable overall. Data on the current status of the second quarter foretells strong growth in the United States, driven by an ongoing increase in employment and household disposable income. Meanwhile the leading indicators for Japan and the United Kingdom remain compatible with GDP growth, albeit at levels below the maximums reached at the end of last year.
From the emerging economies, growth in China and India remained solid for the first quarter of 2018, although more recent data indicates a moderate slowdown for the second quarter. Russia's economic outlook gradually continues to improve, while that of Brazil remains fragile.
World trade has continued to expand at a solid rate over the first three months of the year, albeit slower than the particularly high rates that were observed in the previous period. In the face of accelerating imports in the emerging economies, a marked slowdown in imports was recorded for advanced economies. Preliminary data for the spring months foreshadows a further deceleration in trade.
From 6 July, the US administration added tariffs of 25% to $34 billion dollars' worth of goods imported from China, and the Chinese authorities immediately implemented measures of an equal scale. The United States reacted by announcing plans to impose tariffs of 10% on an additional $200 billion dollars' worth of Chinese imports. New US tariffs on imports of steel and aluminium from the European Union (EU), Canada and Mexico - regions which had previously held temporary exemptions - also entered into force at the start of June. These measures affect around $8.5 billion dollars' worth of European goods (approximately 2% of total EU exports). In its turn, the EU added tariffs on $3.3 billion dollars' worth of goods imported from the United States. In response, the US administration has threatened to retaliate with tariffs on imports of European cars.
According to OECD forecasts released in May, global GDP should expand by 3.8% in 2018 and 3.9% in 2019, just below the expectations made in March with respect to the current year.

EUROZONE

At the start of 2018, growth in the Eurozone slowed in comparison to the pace maintained last year, and remained moderate also in spring. Inflation is on the increase, but the underlying component remains at contained levels. Progress in the adjustment of inflation is considered significant, but uncertainty is still high with the Governing Council of the European Central Bank (ECB) planning to end net securities purchases, though maintaining in the long term an ample degree of monetary easing.
According to the forecasts prepared by the central banks in the Eurosystem, which were released in June, GDP is to grow by 2.1% over the course of 2018, with a slight downward revision compared to March evaluations. According to preliminary estimates, annual inflation strengthened in spring with a rise to 2.0% in June. This increase was sustained by prices for energy and food. Underlying inflation remains contained, standing at 1.0 percent. Based on the Eurosystem projections released in June, inflation will average 1.7% this year (or 1.1% net of the most volatile components), which is an upward revision compared to March projections. Between February and early July, inflation expectations derived on the basis of inflation swap yields increased by around three-tenths over the two-year horizon and by around one-tenth over the five to ten-year horizon, bringing the figures to 1.6% and 1.7% respectively. The likelihood of negative inflation over the next five years (as implied by the price of inflation options) remained nigh on zero.

ITALY

Economic activity continued to increase during the first few months of 2018, albeit at a slower pace than previously. GDP growth was set to continue at around 0.2% in the second quarter, with total risk generally moving in a downward direction with respect to the manufacturing sector performance. In the first three months of the year, GDP rose by 0.3%, reflecting a slight slowdown compared to the final quarter of 2017. This activity was supported by the change in inventories, which became positive following the reduction in inventories registered in the previous two quarters. Net of this component, domestic demand made a null contribution, as the acceleration in household spending was offset by lower levels of capital accumulation. The contraction in investments other than construction may be temporary, following the anticipation of part of the planned expenditure to the last three months of 2017. This occurred because of the uncertainty prevailing at the time in regards to the renewal of tax incentives due to expire at the end of the year, and which were subsequently extended to 2018. Investment in construction has become stagnant. Foreign trade indicated a more marked decline in exports than it did in imports, detracting 0.4 percentage points from GDP growth. Added value continued to increase moderately in the services area (0.3%), while in the industrial and construction sectors it remained virtually unchanged.
On the basis of estimates, growth in the second quarter should have continued at a rate just below that of the previous period.

BUSINESS SECTOR REVIEW

UCIMU – Sistemi per produrre

In the second quarter of 2018, the index of machine tool orders grew by 2.8% compared to the same period the previous year, growing by an absolute value of 140 points (2010 base = 100). After the backwards step recorded in the first quarter, the domestic index returned to being positive at +0.5% (absolute value 181.4). This thereby demonstrated that the slowdown at the beginning of the year was due to uncertainty surrounding whether super-depreciation and hyper-depreciation measures would be confirmed. The foreign index also showed a positive trend, indicating growth of 3.6% for an absolute value of 128.5.
Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "2017 closed truly positively, and 2018 is presenting with a similarly favourable performance. As it emerges from forecasts and the latest indications from the order index, both the foreign and domestic markets are providing satisfactory results for Italian companies in the sector".
"Particularly with regards to the domestic market" - continued Carboniero - "the index returned to a positive value after the backwards step seen in the first quarter, thus confirming the dynamic nature of demand by Italian users. As we had speculated, the decline was mainly due to customers' decision to anticipate purchases to the end of 2017, when it was certain that super- and hyper-depreciation measures would apply. After the initial slowdown, Italian users did not hold back and, after the confirmation that the depreciation measures would continue for the whole of 2018, investment resumed. It is clear that we can no longer expect increases at the levels recorded in 2017, but growth, albeit moderate, indicates that the market is still rising and stabilising at record levels".
"This latest result proves the validity of competitiveness instruments, as well as the Italian manufacturing industry need to invest in new technologies. No-one invests in the latest generation of production systems if they are not necessary, and the FONDAZIONE UCIMU-Eumetra survey results, presented at the end of June, tell us that only half the Italian metalworking firms invested in new machinery in 2017".

"The point is that not all companies are aware that they must modernise their production facilities. Small and medium enterprises need time to evaluate and initiate their investments. This is even more true under Industry 4.0, which brings about real organisational revolutions, which may be even more difficult to imagine and implement".

TREND IN THE FIRST HALF OF 2018 AND MAIN EVENTS

Also at the end of the first half of 2018, the Biesse Group confirms the positive trend both in terms of increase in turnover (7.5% compared to the same period last year), and in terms of order intake (+3.6% compared to 30 June 2017). The Group's order backlog shows an increase of +10.8% equal to approximately € 236 million (€ 212.9 million in the same prior-year period). This confirms the positive short-term forecasts, also taking into account the important trade fairs which are scheduled for the coming months.
Therefore, when compared with 2017 results, the second quarter of the current year shows a good performance in terms of turnover growth (€ 193.7 million, +14.1% compared to the second quarter of 2017), which, in line with budget expectations, evidences an acceleration in revenue growth performance. As far as margins go, EBITDA stands at € 23.7 million, while EBIT is equal to around € 16.2 million (+23.8% and +20% respectively in comparison to the same prior-year period). It is important to keep in mind that higher costs associated with trade fairs are concentrated in the second quarter.
As far as the performance for the period is concerned, the Biesse Group's revenue from sales and services for the first half of 2018 amounted to €356,008 thousand, up 7.5% compared to the same prior-year period (€ 331,232 thousand in revenues).
In the first six months of 2018, added value totalled € 150,261 thousand, thus rising by 8.1% over the same period last year.
EBITDA for the first half of 2018 totalled € 43,499 thousand, up € 2,727 thousand (+6.7%) compared to the same prior-year period. EBIT improved in the same period as well, increasing by € 521 thousand (€ 30,151 thousand in 2018 compared to € 29,630 thousand in the same prior-year period).
As for the financial position, the Net Operating Working Capital increased by around € 16.4 million compared to December 2017. The change is due both to the increase in trade payables (+ € 21.7 million) linked to the need for more supplies to support production, and to the change in inventories (+ € 29.1 million), linked to the positive order intake and to the resulting need to meet the deliveries scheduled for the coming months of 2018, and to the increase in trade receivables (around € 9.1 million).

MAIN EVENTS

JAN

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

FEB

On 9 February 2018, Biesse S.p.A. announced its intention to proceed with the listing of its subsidiary HSD S.p.A. on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., in the STAR segment. Biesse S.p.A., however, will continue to hold a controlling position in HSD S.p.A. The transaction should be completed within the first half of 2018, compatibly with market conditions. As a result of the listing process, the company HSD S.p.A. has taken steps to adopt, and expects implementation thereof following the successful listing on the Stock Exchange, the following:
- Preparation of Governance regulations (for regulating relationships with related parties, market abuse, internal dealing, transparency, etc.).
- Finalising contracts with Biesse S.p.A. for business relationships and centralised services.
- Finalising contracts with Directors and key management in relation to regulating base earnings, conditions of service, and long-term incentive schemes.
With regards to the subsidiary HSD S.p.A., the Board of Directors met in a session held on 9 February 2018 and proposed that the date for the Shareholders' Meeting should be set for March 2018.
On 28 February 2018, the Board of Directors of HSD S.p.A. resolved the following:
- Approval of the 2018-2020 three-year plan.
- Approval of a new dividend policy, in line with that which is already in place for the parent Biesse S.p.A. Furthermore, the Board of Directors discussed the possibility of taking over from the final parent Bi.Fin. S.r.l. the financial lease contract that is currently in place for the Gradara Production Plant, where the company operates at present. Timelines for such a process are not yet certain; however, the transfer should take shape by the end of 2018 and would entail HSD making a financial commitment of approximately € 5 million. With this takeover, HSD would also enter into possession of a portion of adjacent land. This would allow HSD to plan an expansion of the production area that is necessary to support growth in the years ahead. The cost of this new investment can be quantified as an additional € 8 million.
On the same date, 28 February 2018, the shareholders' meeting of HSD S.p.A. was also held. This meeting resolved the following, effective from the time of listing:
- Approval of the project to admit the Company's shares to trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., and in the Star Segment (if applicable), while conferring on the Board of Directors the power to carry out the necessary actions.
- Approval of a number of amendments to the current company by-laws and adoption of new company by-laws in compliance with the current legal provisions as applicable to listed companies.
- Approval 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 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. 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 door manufacturing. More than 500 customers have lived the Biesse experience with Biesse Iberica's stand at Fimma 2018 - Spain's most important trade fair for the industry. The company had 11 machines on display, which were directed towards all types of specialists in wood, from large factories with high production volumes, to companies that need to produce thousands of products tailored to customer needs, or small businesses with craft-like features. Biesse France participated in Eurobois with an area of 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 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 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 revenues of 11.6%, EBITDA of 12.9%, and a significant cash generation that led the Group to achieve a net financial position of over € 30 million."

MAR

Intermac was present from 6 to 9 March at the 18th edition of Xiamen, the stone processing exhibition held in the Chinese city of Xiamen. Also Donatoni Macchine, the company's partner for several years, participated in the event. At the Intermac stand customers could watch a demo of machinery which, together with the know-how of the Intermac technical and commercial staff, were available to visitors to provide practical answers and respond to the needs of players of the stone processing industry. From 22 to 24 March Intermac opened the doors of its Pesaro Campus in order to show its commitment to developing innovative technologies for industrial automation and exploring new horizons for the transformation and processing of glass. Inside Intermac Glass took place at the completely renewed Tech Center which also houses the technologies of Movetro, the main innovation of this edition. "Intermac can now offer a complete range which offers our customers' factories a level of automation which allows the streamlining of processes, the optimisation of manufacturing layouts and the generation of new opportunities for success and growth for our customers," said Intermac Commercial Director, Franco Angelotti. The Biesse Campus in Pesaro hosted the HP event with a day dedicated to additive manufacturing and to its integration with traditional methods. Biesse showed participants how it integrates the Multi Jet Fusion 4200 additive manufacturing system from HP into its manufacturing model. Biesse Portugal was established in order to be closer to customers, in a location which allows its expansion in the country, the strengthening of its technical service and the chance to offer more direct focus on the Portuguese market and to help companies achieve higher profits. On 23 March the Biesse Campus in Pesaro hosted a conference organised by Confindustria Marche Nord "From a bank-centric system to the open capital market". "Inside Intermac Stone è... ALL IN ONE" took place, the event dedicated to specialists in the stone processing sector, and which this year launched the new communication campaign of the three companies, Intermac, Donatoni Macchine and Montresor, "ALL IN ONE" to express a partnership which brings together in a single entity know-how, technological excellence and a widespread distribution network, to support customers in creating smart factories. The flagship of this edition of Inside Intermac Stone was the opening of the Intermac Academy, the new training centre dedicated to our customers, dealers and staff. The structure can rely on a dedicated team which coordinates corporate resources in order to share and spread technological know-how both within the company and to the market.
Biesse Group was among the eleven national winners in Italy of the "The Digital Technology Award" at the European Business Awards 2018, the biggest corporate competition sponsored by RSM. The companies, which were selected as the best in the 11 Award categories by a group of independent 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 trade fairs worldwide for furniture production and the woodworking industry. Over 500 sq.m. exhibition space was available to Biesse, where 11 ma-

chines operated over the 5 days of the event. Biesse Middle East took part in the 13th edition of Dubai Woodshow, the only specific exhibition in the region for the wood and woodworking industry, from 12 to 14 March 2018 at the Dubai World Trade Center. This year's edition of Woodshow was special for Biesse since, besides having almost 200 sq.m. exhibition space with innovative machinery and software, Biesse Middle East at the same time played host to visitors to the new Dubai Campus, located in Dubai Silicon Oasis. Guests were able to take a tour of the biggest structure, unique of its kind, in the Middle East. Biesse took part in HOLZ-HANDWERK 2018, with the same passion as always, showing the technology of the future. SOPHIA was presented to the public for the second time in Germany, at the exhibition HOLZ-HANDWERK 2018, from 21 to 24 March. This was an excellent opportunity to see at first hand the main advantages offered by the new platform of IoT services and to take a close-up look at all the Biesse technologies. "We work together with our customers to transform their manufacturing business into digital factories which can satisfy all the needs of today's market. We offer machinery that can interact thanks to automation systems and software which can design a product and simulate its construction and testing before it is manufactured", said Jacek Pigorsch, CEO of Biesse Deutschland.
On 22 March 2018, the Board of Directors of the subsidiary HSD S.p.A. Discussed and resolved the following:
- Approval of the Prospectus prepared for the listing, of the 2018-2020 Business Plan prepared pursuant to Section IA.1.1 (point 2.00.8) of the instructions of Borsa Italiana S.p.A., the Regulation for related-party transactions, the Regulation on Internal Dealing, the Regulation on the handling of insider information, the opt-out statement regarding the obligation to release documents concerning significant extraordinary transactions, the documents concerning the appointment of Banca IMI as Sponsor and Specialist for the listing, the report comparing the recommendations of the Corporate Governance Code for listed companies and the corporate governance structure adopted by the Company.
- Adoption of the Management Control System and approval of the relevant Memorandum prepared for the purposes of the issue by Borsa Italiana S.p.A. of the statements required by art. 2.3.4.of the Rules of the Markets organised and managed by Borsa Italiana.
- Appointment of Nicola Casati, CFO of HSD S.p.A., as Investor Relator.
- Appointment of the company Computer Share as a specialist operator for the activation of the systems for the disclosure of regulated information (SDIR – Sistemi di Diffusione delle Informazioni Regolamentate) and storage of the same, in accordance with the provisions of the Issuers' Regulations, as well as the activation of services for keeping the Shareholder Register and for the dematerialisation of shares.
- Appointment of the Remuneration Committee (consisting of Alessandro Copparoni, Federico Valentini, Cristina Loccioni, Bruno Baroni) and the Internal Control and Risk Management Committee (consisting of Federico Valentini, Cristina Loccioni, Alessandro Copparoni, Bruno Baroni).
- Appointment of the Board of Statutory Auditors.
- Verification of the existence, at the date when the Company's shares first open for trade on the Electronic Stock Market, of the requirements for admission of the shares of HSD S.p.A. on this market.
- Appointment of Nicola Casati, CFO of HSD S.p.A. as Manager in charge of corporate financial reporting.
- Appointment of Nasrullaev Murod as Internal Audit Manager, effective as from 1 April 2018.
- Proposal for the Company's Shareholders' Meeting of 22 March 2018, to approve an incentive plan for top management, partly based on financial instruments and partly based on payments in cash (the "IPO Plan"), aimed at involving and providing incentives to the recipients and at aligning their conduct to the interests of the Company and its shareholders. The recipients of the IPO Plan are: Fabrizio Pierini (General Manager of HSD S.p.A.), Giuseppe Benelli (Commercial and Branch Manager of HSD S.p.A.), Giuseppe Grosso (Technical Director of HSD S.p.A.) and Stefano Porcellini (Director of HSD S.p.A. and Biesse S.p.A. and General Manager of the Biesse Group). As regards financial instruments, the IPO Plan provides for that each of the recipients receive non-transferable options for free to subscribe a total of around 100,000 newly issued ordinary shares of HSD S.p.A., arising from a share capital increase under art. 2441, paragraph 8 of the Italian Civil Code (on which the Shareholders' Meeting is called to pass a resolution on 23 March 2018 at an extraordinary meeting). Should the option be exercised, the shares will be subscribed at the price of Euro 0.01 each, corresponding to the accounting value of the shares at 22 March 2018. As regards payments in cash, the IPO Plan provides for that the aforementioned recipients receive a cash bonus. The right to exercise the options assigned and to subscribe the relevant shares, as well as the right to receive the cash bonus, depend on the occurrence of the following events:

a) At the date when the Company's shares first open for trade the recipients have an existing employment relationship with the HSD Group or with the Biesse Group.
b) The trading of the shares of HSD S.p.A. on the Electronic Stock Market has effectively started.
The recipients must also accept in regard to the Biesse Group the commitment not to transfer or in any other way dispose of the shares subscribed under the IPO Plan for a period of 18 months from the date of their assignment.
On 22 March 2018 the Shareholders' Meeting of HSD S.p.A. met with the following agenda:
- Acceptance of the resignation of the Board of Directors, effective from the date of the start of trading of HSD shares on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. Renewal of the Board of Directors effective from that date, determining total compensation.
- Approval of a cash- and share-based incentive plan for employees of HSD S.p.A. and Biesse S.p.A.
- Approval of the financial statements at 31 December 2017; consolidated financial statements at 31 December 2015, 2016 and 2017.
- Allocation of the profit for 2017 of HSD S.p.A. for
€ 13,607,234.26 to the extraordinary reserve and € 5,889,300 to pay ordinary dividends.
- Renewal of the Board of Statutory Auditors.

APR

From 9 to 13 April Biesse UK took part in MACH 2018, the international exhibition dedicated to plastics and metal. The stand displayed Biesse technologies, in particular Materia CL, Eko 2.1 Plast and Rover A Plast; SV3, the high-performance Viet machinery for deburring, buffing and brushing metals; and finally Primus, the Intermac technologically advanced waterjet cutting system for metals and plastics. Excellent result for the opening of the new Biesse Group Campus in Istanbul: over 500 visitors attended the opening event. The three-day event showed visitors the exclusive 2,100 square meters. location, which includes a 1,500 square meters showroom with Biesse machinery and innovations, new modern offices, a training centre, a service and parts area. "We are honoured and proud to open the first, unique and largest showroom and training centre in Turkey. Now more than ever, the new showroom will enable us to immediately provide our commercial partners with excellent services and local support. Undeniably we have a great advantage compared to our competitors since it will ensure the best possible Biesse experience. We would be glad to show you the result of our investment, which shows our Group's commitment to our partners and their satisfaction", stated Federico Broccoli, Subsidiary Division Director – Biesse Group.
Intermac took part in China Glass, the exhibition which took place from 19 to 22 April in Shanghai, China. The machining centre Master 23 – the entry-level, easy to use solution – and Genius 38 CT – the CNC cutting bench for straight and shaped cutting of monolithic glass slabs, in large and half slab formats – were on display at the stand.
On 16 April the whole sales team for Italy met at the Biesse Campus in Pesaro. In view of the Xylexpo trade fair, product innovations were studied, as well as news relating to the bSuite software and to Sophia. It was a strategic meeting for the sales force.
The Biesse Group supported the event "Vangi per Pesaro. Quando la cultura d'impresa incontra l'arte" (Vangi for Pesaro. When business culture meets art). On Saturday 21 April the inauguration of the artwork "La scultura della memoria" (The sculpture of memory) by the contemporary artist Giuliano Vangi took place; it was realised thanks to the contribution of the Biesse Group and is dedicated to Anna Gasparucci Selci. The artwork was unveiled, after two years of creative endeavour, in the wonderful setting of Piazza Mosca in Pesaro and explained by the Florentine artist, who has strong connections with the founder of the Biesse Group, Giancarlo Selci, and the town of Pesaro.
The Shareholders' Meeting of Biesse S.p.A. was held on 24 April, at which the following was resolved:
- Approval of Biesse S.p.A.'s Financial Statements as at 31 December 2017, showing a profit of € 38.8 (thirty eight point eight) million.
- Distribution of profits to shareholders in the form of a dividend of € 0.48 per share, and allocation of the residual profit to the Company's Extraordinary Reserve. The dividend will be paid on 9 May 2018, with an ex-dividend date of 7 May 2018 for coupon number 14, and a record date of 8 May 2018.
- Decision on the number of members for the Board of Directors to be 7 (seven), with the duration of the appointment established at three financial years. These appointments will therefore continue until the shareholders' meeting scheduled to approve the financial statements as at 31 December 2020. The members of the Board of Directors are: Roberto Selci, Alessandra Parpajola, Giancarlo Selci, Stefano Porcellini, Elisabetta Righini, Federica Palazzi, Giovanni Chiura.
- Appointment of the Board of Statutory Auditors to hold office for the years 2018, 2019, 2020. The members of the Board of Statutory Auditors are: Paolo De Mitri, Claudio Sanchioni, Silvia Cecchini, Silvia Muzi (alternate), Dario de Rosa (alternate).
- Approval, pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98, of the section of the remuneration report as per article 123-ter, paragraph 3 of Legislative Decree 58/98.

MAY

Biesse confirmed its position as a leader on the international market at Xylexpo 2018, with 3,000 square metres of stand visited by people from all over the world. While the audience was predominantly European, there was also an overseas presence demonstrating the international character of the event, and who were attracted by the Group's strong innovative drive. Biesse registered an important national presence at the stand, which was larger than in the past and carried the weight of 38% of total order intake. "We are very proud of this result which confirms the technological and innovative leadership of Biesse. We are witnessing our customers' desire to evolve towards a more advanced and efficient production and machining methodology, regardless of their size, and with Biesse by their side" said Federico Broccoli, Wood Division Director/Sales and Branch Division Director.
Intermac America took part in Coverings 2018, a four-day trade fair at the World Congress Center in Georgia. This fair gave visitors the opportunity to take part in seminars and live demonstration sessions, along with opportunities to network with thousands of other participants. Intermac also took part in Glass South America in Sao Paulo; during this event the Sao Paulo branch opened its doors to customers, displaying the technologies and solutions directed towards manufacturing companies, confirming the synergy between Diamut, Intermac and the Brazilian branch, aimed at grasping every opportunity offered by the Latin American market.
Biesse Group sponsored FederlegnoArredo's General Meeting that was held at the Rossini Theatre in Pesaro, which represented an opportunity for dialogue, comparison and expansion, and ended in the afternoon with an interesting round table focussing on scenarios for the wooden furniture industry. From 29 May to 1 June Biesse also took part in Milan's Plast 2018 trade fair, dedicated to technological materials. Biesse's complete range of technologies for the entire composite materials manufacturing processes was on show, from machining and sizing centres to the new thermoformer.
On 14 May 2018, Biesse S.p.A.'s Board of Directors met and approved the consolidated quarterly report at 31 March 2018.
On 31 May 2018, HSD S.p.A.'s Board of Directors met, with Chairman Roberto Selci updating attendees on the status of the listing process. He highlighted that the market appears to have entered a volatile phase, which is apparently attributable both to the evolving political context in Italy and to a more general slowdown in the European primary market for SMEs. In this regard, the Company is assessing, together with the global coordinators and the entire workgroup, how to deal with the market turbulence phase, so as to best manage the listing.

JUN

Intermac Deutschland participated in Stone+Tec for the first time, together with partner Donatoni Macchine and Montresor. The triennial Nuremberg exhibition was scheduled for 13 to 16 June. Intermac also exhibited at Vitoria Stone Fair - the Brazilian trade fair held in Espirito Santo. The event is a window on the world, being held in an area which hosts the largest Brazilian industrial park in the country.
At the Campus in Pesaro the 'HR Global Meeting' event was held for the first time, which saw HR Teams from Headquarters and the branch offices gathering together. The meeting centred on the global project 'One Company HR', which was brought into being so as to equip the teams with tools for supporting the main processes and to synchronise activities and procedures between the various companies and branches, aimed at the use of a single model.
At the Biesse Group Campus in Pesaro, the first Open House was held, dedicated to the world of technological, plastic and composite materials. It was an opportunity to take in Biesse's innovation in every area. The partnership with CasaClima also continues, and Biesse was among the companies present at the Pesaro event addressed to architects, engineers and designers mindful of sustainable design.
Glasstec Preview, a meeting with the industry's media, was held in Düsseldorf. It is aimed at previewing the main innovations under the Intermac brand to be shown at the 2018 Glasstec expo. Biesse has been in Triveneto for 25 years, marking an important anniversary, and bearing witness to the bond consolidated between Biesse and an area that has wood in the DNA of its production fabric. The branch has more than 50 people, including back office staff and technicians who are always working on-site, and it is now a landmark for the whole north-eastern region. The Inside Biesse India event took place at the end of June, which saw more than 250 visitors coming from the local Indian area and neighbouring regions. They took part in the traditional two-day event dedicated to technological innovations serving those who work with wood.
On 25 June, in a joint press release, Biesse S.p.A. and HSD S.p.A. made it known that they had withdrawn the application to list HSD S.p.A.'s shares on the MTA Electronic Stock Market, organised and managed by Borsa Italiana S.p.A., that had been lodged on 26 March 2018, thereby postponing to the second half of 2018 any decision regarding the listing.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INCOME STATEMENT HIGHLIGHTS

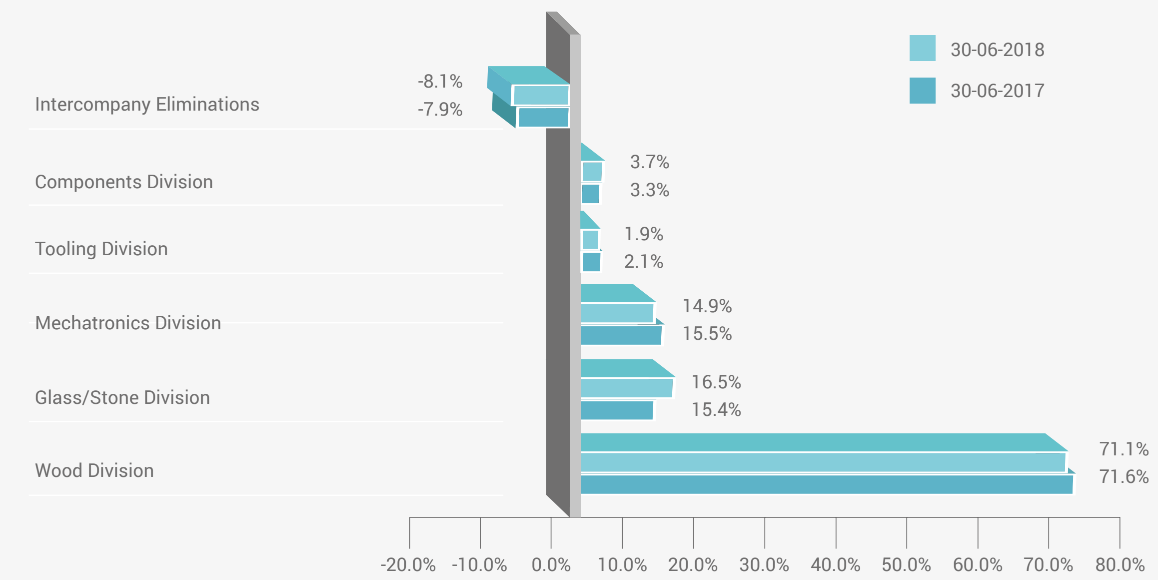
RECLASSIFIED INCOME STATEMENT AT 30 JUNE 2018

EURO 000'S	2018	% OF SALES	2017	% OF SALES	CHANGE %
Revenue from sales and services	**356,008**	**100,0%**	**331,232**	**100,0%**	**7.5%**
Change in inventories, wip, semi-finished products and finished products	17,596	4.9%	19,370	5.8%	(9.2)%
Other Revenues	3,146	0.9%	1,379	0.4%	128.2%
Revenue	**376,749**	**105.8%**	**351,980**	**106.3%**	**7.0%**
Raw materials, consumables, supplies and goods	(154,780)	(43.5)%	(146,236)	(44.1)%	5.8%
Other operating costs	(71,709)	(20.1)%	(66,692)	(20.1)%	7.5%
Normalised added value	**150,261**	**42.2%**	**139,052**	**42.0%**	**8.1%**
Personnel expense	(106,762)	(30.0)%	(98,281)	(29.7)%	8.6%
Normalised gross operating profit	**43,499**	**12.2%**	**40,771**	**12.3%**	**6.7%**
Depreciation and amortisation	(11,228)	(3.2)%	(9,763)	(2.9)%	15.0%
Provisions	(1,989)	(0.6)%	(1,378)	(0.4)%	44.3%
Normalised operating profit	**30,282**	**8.5%**	**29,630**	**8.9%**	**2.2%**
Impairment losses and non recurring-items	(131)	(0.0)%	-	-	-
Operating profit	**30,151**	**8.5%**	**29,630**	**8.9%**	**1.8%**
Net financial expense	(974)	(0.3)%	(1,050)	(0.3)%	(7.3)%
Net exchange rate losses	(2,322)	(0.7)%	(739)	(0.2)%	-
Pre-tax profit	**26,855**	**7.5%**	**27,841**	**8.4%**	**(3.5)%**
Income taxes	(9,622)	(2.7)%	(10,373)	(3.1)%	(7.2)%
Profit for the period	**17,233**	**4.8%**	**17,467**	**5.3%**	**(1.3)%**

Revenue from sales and services in the first half of 2018 showed an increase of 7.5% compared to the same period of 2017, rising from € 331,232 thousand to € 356,008 thousand. The breakdown of sales by segment shows that all divisions, with the exception of the tooling division, grew in the first half. The Wood Division surged from € 237,295 thousand to € 253,207 thousand (+6.7%), confirming its role as the Group's driver in volume terms. Also the Glass/Stone Division made considerable progress, growing by 15% (turnover for the period: € 58,606 thousand). The Mechatronics Division rose from € 51,182 thousand to € 53,154 thousand (3.9%), while the Components Division ended the first half up 19.7 % (turnover for the period: € 13,085 thousand). Finally, as mentioned above, the Tooling Division decreased by 4.2% (turnover of € 6.7 million).
On the other hand, as regards the geographical distribution of sales in the first half of 2018, Western Europe confirmed the positive trend recorded at the start of the year and rose by +11.1%, with turnover going from € 146,089 thousand to € 162,233 thousand, and thus it remains the key market for the Group. Eastern Europe also recorded a positive trend with an increase of 24.1% (turnover of € 54,418 thousand in 2018, € 43,863 thousand in 2017), while the Rest of the World recorded an increase of 37.2% (turnover of € 15,258 thousand in 2018). North America recorded a 2% decrease (turnover of € 57,101 in 2018, € 58,255 in 2017). This figure is not a cause of concern, in light of the good trend of order intake and the postponement of important orders that will be delivered in the coming months. Finally, also in the Asia-Oceania area turnover decreased, going from € 71,899 thousand to € 66,997 thousand (-6.8%). This decrease is partly due to the uncertainties surrounding the "war of duties" supported by the Trump administration in the US, which sees China as one of the main countries involved; this inevitably creates uncertainties with impacts on capital goods investments, which slow down turnover and order intake.

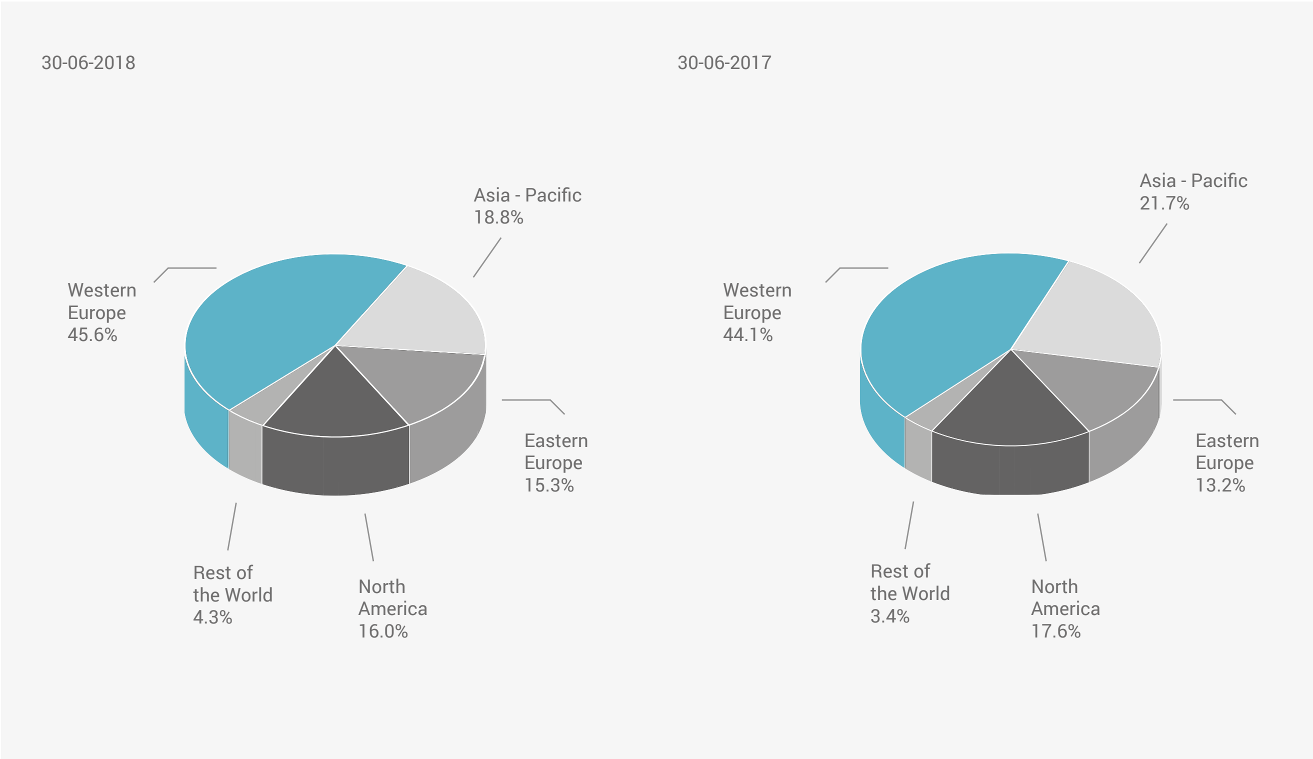
BREAKDOWN OF REVENUE BY OPERATING SEGMENT

EURO 000'S	2018	%	2017	%	CHANGE %
Wood Division	**253,207**	**71.1%**	237,295	71.6%	6.7%
Glass/Stone Division	**58,606**	**16.5%**	50,974	15.4%	15.0%
Mechatronics Division	**53,154**	**14.9%**	51,182	15.5%	3.9%
Tooling Division	**6,685**	**1.9%**	6,979	2.1%	(4.2)%
Components Division	**13,085**	**3.7%**	10,933	3.3%	19.7%
Intercompany eliminations	**(28,729)**	**-8.1%**	(26,131)	(7.9)%	9.9%
Total	**356,008**	**100.0%**	**331,232**	**100.0%**	**7.5%**



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	2018	%	2017	%	CHANGE %
Western Europe	162,233	45.6%	146,089	45.4%	11.1%
Asia-Pacific	66,997	18.8%	71,899	20.8%	(6.8)%
Eastern Europe	54,418	15.3%	43,863	12.6%	24.1%
North America	57,101	16.0%	58,255	17.7%	(2.0)%
Rest of the World	15,258	4.3%	11,125	3.5%	37.2%
Total	**356,008**	**100.0%**	**331,232**	**100.0%**	**7.5%**



The **value of production** in the first half of 2018 was € 376,749 thousand, up 7% compared to June 2017, when it amounted to € 351,980 thousand due to rising volumes.

The impact of consumption and other operating expense as a percentage of the value of production shows a decrease in the weight of raw materials and goods (41.1%, compared to 41.5% in the same prior-year period), while the impact of other operating expenses remained unchanged, rising from 18.9% to 19%. As a result of these changes, added value increased (39.9% of the value of production compared to 39.5% in 2017).

EURO 000'S	2018	%	2017	%
Revenue	**376,749**	**100.0%**	**351,980**	**100.0%**
Raw materials and goods	154,780	41.1%	146,236	41.5%
Other operating costs	71,709	19.0%	66,693	18.9%
Service costs	*62,294*	*16.5%*	*58,105*	*16.5%*
Use of third party assets	*5,702*	*1.5%*	*5,234*	*1.5%*
Sundry operating expense	*3,713*	*1.0%*	*3,354*	*1.0%*
Added value	**150,261**	**39.9%**	**139,051**	**39.5%**

The € 5,016 thousand increase in absolute terms in Other operating expense was largely due to Service costs (+€ 4,189 thousand). Specifically, this change is attributable to both "variable" costs (outsourced processing, third-party technical services, transport costs and commissions) and "fixed" costs (consulting services, travel and lodging expenses, trade fairs, maintenance), both due to rising production volumes and turnover.

In the first six months of 2018, added value totalled € 150,261 thousand, up 8.1% over the same prior-year period (€ 139,052 thousand) and from 42% to 42.2% as a percentage of revenue from sales and services.
In the first six months of 2018, personnel expense amounted to € 106,762 thousand, up € 8,481 thousand (+8.6%) in absolute terms compared to the same prior-year period (€ 98,281 thousand). The change is mainly attributable to wages and salaries (+€ 9,291 thousand, 10.1% over the same prior-year period), due to the increase in the headcount as part of the Group's recruiting policy necessary to support future development plans. It should be mentioned that the change in personnel expense also depends on changes to the consolidation scope, with the entry of two new companies during the second half of 2017. In fact, Movetro S.r.l. and Montresor & Co. S.r.l. contributed around € 1,633 thousand to the total personnel expenses up to June 2018. However, the impact on revenues increased by 0.3%, from 29.7% in 2017 to 30% this year.

Ebitda amounted to € 43,499 thousand at 30 June 2018 (€ 40,771 thousand in the same prior-year period), showing an increase of 6.7%.
Depreciation and amortisation increased by 15% (from € 9,763 thousand in 2017 to € 11,228 thousand in 2018): the trend has been going on for some time and is due to the corporate policy to increase investments.
Provisions totalled € 1,989 thousand, up from € 1,378 thousand in the first half of 2017, mainly because of the adjustment of the product warranty provision and of impairment losses on specific positions.

Impairment losses and non-recurring items, amounting to € 131 thousand, refer to the impact of the cost of moving to the new offices of the Australian branch.

As regards financial operations, financial expense amounted to € 974 thousand, improving compared to the same period in 2017 (€ 1,050 thousand).
Exchange rate risk management in the first six months resulted in a loss of € 2,322 thousand, down compared to the € 739 thousand negative result in the same prior-year period, above all owing to the hedges on the US, Indian, Turkish and Chinese currencies.
Exchange rate losses amounted to some € 1,590 thousand, deteriorating by about € 737 thousand compared to the same prior-year period. Unrealised exchange rate differences amounted to negative € 732 thousand, showing a deterioration compared to the value as at 30 June 2017 (approximately € 845 thousand). Much of this was attributable to orders with longer lead times, which therefore increased the lag between the time when hedging is undertaken and the time of the actual billing and/or deposit. As a final note, please recall that, although the Group does not undertake speculative hedging as per Group policy, it does not apply the Hedge Accounting practices expected under IFRS as well. Therefore, in all transactions, the fair value of hedges are recorded in the income statement among financial components. Pre-tax profit thus amounted to € 26,855 thousand.
The estimated balance of income taxes was negative to the tune of € 9,622 thousand. The impact relating to current taxes was a negative € 10,751 thousand (IRES – corporate income tax: € 6,488 thousand; IRAP – regional business tax: € 1,697 thousand; taxes from foreign jurisdictions: € 2,562 thousand; previous-year taxes and other income taxes: € 3 thousand), deferred taxes were positive to the tune of € 1,130 thousand. The Tax rate slightly decreased compared to the previous year (around 35.8%).
Therefore, the profit for the first six months of 2018 amounted to € 17,233 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

EURO 000'S	30 JUNE 2018	31 DECEMBER 2017
Intangible assets	78,804	75,107
Property, plant and equipment	95,174	90,515
Financial assets	2,500	2,648
Non-current assets	**176,477**	**168,270**
Inventories	172,302	143,210
Trade receivables	128,447	119,380
Trade payables	(245,641)	(223,916)
Net operating working capital	**55,107**	**38,674**
Post-employment benefits	(12,670)	(13,456)
Provision for risk and charges	(12,611)	(10,405)
Other net payables	(41,950)	(35.617)
Net deferred tax assets	11,548	10.501
Other net liabilities	**(55,682)**	**(48.978)**
Net invested capital	**175,903**	**157.966**
Share capital	27,393	27.393
Profit for the previous year and other reserves	147,090	117.434
Profit (Loss) for the period	17,163	42.558
Non-controlling interests	924	952
Equity	**192,569**	**188.337**
Bank loans and borrowings and loans and borrowings from other financial backers	74,658	49.050
Other financial assets	(706)	(519)
Cash and cash equivalents	(90,617)	(78.902)
Net financial position (1)	**(16,666)**	**(30.371)**
Total sources of funding	**175,903**	**157.966**

Compared to December 2017, net intangible assets increased by € 3.7 million on the back of higher investments (mainly attributable to the capitalisation of R&D projects and ICT projects concerning the new Group's Oracle E-BS ERP system and the Sophia solution for the IOT and the new applications for the Service area), net of the relevant amortisation for the period (around € 6.5 million).

As for net property, plant and equipment, they increased by € 4.7 million with respect to 31 December 2017, net of the relevant depreciation for the period (€ 4.4 million). The increase is due to the higher production capacity (in particular in Biesse S.p.A. and HSD S.p.A.) and to investments in new foreign showrooms (Australia, Turkey, Iberica, UK and Dubai).
Inventories increased by € 29,092 thousand overall compared to 31 December 2017. The change compared with year-end figures was due to rising inventories of finished goods (up € 10,250 thousand), semi-finished goods (up € 6,784 thousand), raw materials (up € 8,754 thousand) and spare part inventories (up € 3,303 thousand).
As previously mentioned, the increase in inventories was mainly related to the positive order intake, and therefore it is a necessary factor to support turnover in the last quarters of 2018, which are usually the most important in terms of expected turnover, given the seasonality of the business.
With reference to the other items of Net Operating Working Capital, which increased by € 16,434 thousand overall compared to 31 December 2017, notably both trade payables and trade receivables were up, by € 21,725 thousand and € 9,067 thousand respectively.

NET FINANCIAL POSITION

EURO 000'S	JUNE 2018	MARCH 2018	DECEMBER 2017	SEPTEMBER 2017	JUNE 2017
Financial assets:	91,323	89,853	79,421	60,029	44,099
Current financial assets	*706*	*637*	*519*	*14*	*15*
Cash and cash equivalents	*90,617*	*89,216*	*78,902*	*60,015*	*44,084*
Short-term financial lease payables	(348)	(347)	(199)	(31)	(59)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(42,444)	(35,649)	(29,086)	(24,238)	(21,430)
Short-term net financial position	**48,531**	**53,857**	**50,136**	**35,759**	**22,610**
Medium/Long-term financial lease payables	(1,744)	(1,832)	(1,060)	(2,183)	(23)
Medium/Long-term bank loans and borrowings	(30,121)	(33,077)	(18,705)	(24,372)	(26,438)
Medium/Long-term net financial indebtedness	**(31,866)**	**(34,908)**	**(19,765)**	**(26,554)**	**(26,461)**
Total net financial position	**16,666**	**18,949**	**30,371**	**9,205**	**(3,851)**

The Group's net financial position as at 30 June 2018 remained positive at € 16.7 million, net of payments made last May for ordinary dividends of more than € 13.1 million, and the € 0.9 million PUT/CALL assessment relating to the subsidiary Movetro S.r.l.. A great deal of time yet remains for this option to be exercised and it is currently valued at the floor expected under the agreement with minority shareholders (given that it won't be contractually exercised between the parties any earlier than 2022). On the other hand, it should be pointed out that during the period the net financial position benefited from postponements of tax payments on account equal to approximately € 2.3 million. Therefore, the positive delta totals € 20.6 million compared to the same prior-year period.
Net operating working capital decreased in comparison to the first half of 2017 (down € 2 million) with fairly steady performance on DSO (collections) and DPO (payments).

Net invested capital amounted to € 175.9 million, up compared to € 168.7 million in the same period of 2017.
Equity amounted to € 192.6 million, up compared to € 164.8 million in the same period of 2017.

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

At 30 June 2018, there were no associates.
As regards transactions with the parent Bi.Fin. S.r.l., reference should be made to Note 22 in the Notes.

OTHER RELATED-PARTY TRANSACTIONS

Fincobi S.r.l., Edilriviera S.r.l., SEMAR S.r.l. and Wirutex S.r.l. qualify as related parties.
As for transactions during the first half of the year with these companies, reference should be made to Note 22 in the Notes.

"ATYPICAL AND/OR UNUSUAL" TRANSACTIONS OCCURRED IN THE FIRST HALF OF THE YEAR

In 2018 there were no such transactions.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND FULL-YEAR OUTLOOK

Even if the short-term outlook on the world economy remains favourable for the most part, it must also be noted that some of the signs of 'turbulence' in various markets are mainly the fruit of political uncertainty. In fact, it is without doubt that the so-called 'Tariff War' launched by the US Administration (under President Trump's direction) is creating uncertainty in markets such as the Chinese for example. It is doing the same in Southeast Asia more generally, with everyone waiting by the window to understand the real impact that the tariff war will have in terms of range. In Europe uncertainty is related to the possible effects of the Brexit agreements, while in Italy political uncertainties following the post-election change of government are raising doubts over whether strategies will be continued, such as those launched by the previous centre-left administration to support the industrial fabric. Finally, macro-economic policy factors cannot be forgotten, such as the Euro's exchange rate performance against other major foreign currencies, and the foretold increase in interest rates expected for 2019 once the ECB's expansive monetary policy for repurchasing sovereign debt ends (the so-called Quantitative Easing). However, as explained above, Biesse's ability to maintain positive organic growth should be highlighted, both in terms of revenues (+7.5% year on year, or +14.5% as compared to the weak quarter) and order intake (+3.6% year on year). This is a result of the tireless work undertaken in recent years to strengthen the distribution network and of the growing reputation of our products in terms of technological innovation and reliability. Together it is enough to consolidate the Biesse Group as the Italian industry leader in machinery for processing Wood, Glass and Marble. Biesse is also the world's second largest player in terms of revenues with growth rates at the top of the industry, which have been constant for some time now.

Therefore, in order to reach medium-term targets, Biesse will maintain its strategy of investing in human resources for the Group's main strategic areas (R&D, Sales Force, After Sales). The important financial efforts required in terms of future investments should also be highlighted, aimed at adapting production capacity and at remaining technological leaders in the field of products and after-sales services, along with ready for industry 4.0 solutions, while also keeping a watchful eye on the baseline macro-economic context.

OTHER INFORMATION

At the date on which the Interim report at 30 June 2018 was approved, Biesse S.p.A. held treasury shares. For further details, see Notes 10 and 15 below.
In addition, it should be noted that the parent company Biesse S.p.A. does not own shares in the parent nor did it own or trade them during the first half of 2018. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4 of the Italian Civil Code.

Pesaro, 3 August 2018

The Chairman of the Board of Directors
Giancarlo Selci

CON SOLI DATED

INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2018

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

EURO 000'S	NOTE	30 JUNE 2018	30 JUNE 2017
Receivables	4	356,008	331,232
Other operating income		3,146	1,379
Change in inventories of finished goods and work in progress		17,596	19,370
Purchase of raw materials and consumables	6	(154,911)	(146,236)
Personnel expense	7	*(106,762)*	*(98,281)*
Depreciation, amortisation and impairment		(13,217)	(11,142)
Other operating costs		(71,709)	(66,692)
Operating profit		**30,151**	**29,630**
Financial income		130	74
Financial expense		(1,104)	(1,124)
Net exchange rate losses		(2,322)	(739)
Pre-tax profit		26,855	27,841
Income taxes	8	(9,622)	(10,373)
Profit (Loss) for the period		17,233	17,467
Attributable to:			
Attributable to owners of the parent		17,163	17,363
Attributable to non-controlling interests		70	104
Earnings per share	9	0,63	0,64
Diluted (€/cents)	9	0,63	0,64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

EURO 000'S	NOTE	30 JUNE 2018	30 JUNE 2017
Profit (Loss) for the period		17,233	17,467
Translation differences of foreign operations	16	280	(2,517)
Net gain/loss on cash flow hedges	16	-	(0)
Income taxes on other comprehensive income	16	(8)	(2,517)
Items that may be reclassified to profit or loss		**272**	**(2,517)**
Measurement of defined-benefit plans	16	(157)	32
Income taxes not on other comprehensive income		38	-
Items that will not be reclassified to profit or loss		**(120)**	**32**
Total comprehensive income for the period		**17,385**	**14,982**
Attributable to:			
Owners of the parent		62	102
Non-controlling interests		17,323	14,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

EURO 000'S	NOTE	30 JUNE 2018	31 DECEMBER 2017
ASSETS			
Property, plant and equipment	11	95,174	90,515
Avviamento	12	23,485	22,660
Other intangible assets		55,319	52,448
Deferred tax assets	8	14,307	13,121
Other financial assets and receivables (inluding derivatives)		2,500	2,648
Total non current assets		**190,785**	**181,391**
Inventories	13	172,302	143,210
Trade receivables	14	128,447	119,380
Other revcevables		20,205	24,428
Other financial assets and receivables (inluding derivatives)		706	519
Cash and cash equivalents		90,617	78,902
Total current assets		**412,277**	**366,438**
TOTAL ASSETS		**603,061**	**547,830**

	NOTE	30 JUNE 2018	31 DECEMBER 2017
EQUITY AND LIABILITIES			
Share capital		27,393	27,393
Reserves		147,299	117,892
Retained earnings		(209)	(458)
Profit (Loss) for the period		17,163	42,558
Equity attributable to the owners of the parent	**15**	**191,646**	**187,385**
Non-controlling interests		924	952
TOTAL EQUITY	**15**	**192,569**	**188,337**
Financial liabilities	19	31,866	19,765
Post-employment benefits	18	12,670	13,456
Deferred tax liabilities	8	2,759	2,620
Provisions for risks and charges	17	51	1,367
Other liabilities		222	307
Total non current liabilities		**47,567**	**37,516**
Financial liabilities	19	42,792	29,285
Tax payables	15	8,771	3,606
Provisions for risks and charges	19	12,560	9,039
Trade payables	20	245,641	223,916
Other liabilities		53,161	56,132
Total Current liabilities		**362,926**	**321,977**
LIABILITIES		**410,492**	**359,493**
TOTAL EQUITY AND LIABILITIES		**603,061**	**547,830**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2018

EURO 000'S	30 JUNE 2018	30 JUNE 2017
OPERATING ACTIVITIES		
Profit (Loss) for the period	17,233	17,467
Change for:		
Income taxes	9,622	10,373
Depreciation and amortisation of tangible and intangible assets	11,227	9.,63
Gains/losses from sales of property, plant and equipment	22	(85)
Impairment losses on intangible assets	5	0
Net Financial expense	1,836	1,124
SUBTOTAL OPERATING ACTIVITIES	**39,945**	**38,642**
Change in trade receivable	(9,067)	10,279
Change in inventories	(29,092)	(17,813)
Change in trade payables	21,725	14,738
Other changes in other operating assets and liabilities	(1,242)	(15,355)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**22,269**	**30,491**
Income tax paid	(2,295)	(6,632)
Interest paid	698	(725)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**20,672**	**23,134**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(9,552)	(11,169)
Proceeds from sale of property, plant and equipment	22	2,300
Acquisition of inangible assets	(10,211)	(7,702)
Proceeds from sale of intangible assets	0	249
Acquisitions of equity investments	0	(1,393)
Change in other financial assets	94	(915)
Interest received	441	45
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(19,206)**	**(18,585)**
FINANCING ACTIVITIES		
Change in financial activites/liabilities (including derivatives)	24,525	(984)
Finance lease payments	834	(73)
Other changes	(2,288)	5,068
Dividends paid	(13,43)	(9,879)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**9,928**	**(5,868)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,394**	**(1,319)**
OPENING CASH AND CASH EQUIVALENTS	**78,902**	**46,295**
Effect of exchange rate fluctuations on cash held	322	(894)
CLOSING CASH AND CASH EQUIVALENTS	**90,617**	**44,082**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

ATTRIBUTABLE TO THE OWNERS OF THE PARENT					
EURO 000'S	NOTE	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES
Opening balances at 01/01/2017	**15**	**27,393**	**(2,248)**	**36,202**	**68.,98**
Other comprehensive income			(2,515)		31
Profit for the year					
Total comprehensive income/expense for the year			**(2,515)**		**31**
Dividends paid					(9,858)
Allocation of profit for the previous year					29,384
Other changes					12
Closing balances at 30/06/2017	**15**	**27,393**	**(4,763)**	**36,202**	**88,367**

ATTRIBUTABLE TO THE OWNERS OF THE PARENT					
EURO 000'S	TREASURY SHARES	PROFIT (LOSS) FOR THE PERIOD	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2017	**(96)**	**29,384**	**159,433**	**290**	**159,723**
Other comprehensive income			(2,484)	(1)	(2,485)
Profit for the year		17,363	17,363	104	17,467
Total comprehensive income/expense for the year		**17,363**	**14,879**	**103**	**14,982**
Dividends paid			(9,858)	(41)	(9,899)
Allocation of profit for the previous year		(29,384)			-
Other changes			12		12
Closing balances at 30/06/2017	**(96)**	**17,363**	**164,466**	**352**	**164,818**

ATTRIBUTABLE TO THE OWNERS OF THE PARENT					
EURO 000'S	**NOTE**	**SHARE CAPITAL**	**HEDGING AND TRANSLATION RESERVES**	**EQUITY RESERVES**	**OTHER RESERVES**
Opening balances at 01/01/2018		**27.393**	**(6.815)**	**36.202**	**88.143**
Other comprehensive income			280		(120)
Profit for the year					
Total comprehensive income/expense for the year			**280**		**(120)**
Dividends paid					(13.159)
Allocation of profit for the previous year					42.558
Other changes					
Closing balances at 30/06/2018		**27.393**	**(6.535)**	**36.202**	**117.423**

ATTRIBUTABLE TO THE OWNERS OF THE PARENT					
EURO 000'S	**TREASURY SHARES**	**PROFIT (LOSS) FOR THE PERIOD**	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Opening balances at 01/01/2018	**(96)**	**42,558**	**187,385**	**952**	**188,337**
Other comprehensive income			160	(8)	152
Profit for the year		17,163	17,163	70	17,233
Total comprehensive income/expense for the year		**17,163**	**17,324**	**62**	**17,385**
Dividends paid			(13,159)	(90)	(13,249)
Allocation of profit for the previous year		(42,558)			
Other changes	96		96		
Closing balances at 30/06/2018		**17,163**	**191,646**	**924**	**192,570**

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INTERIM FINANCIAL STATEMENTS

NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

THE COMPANY PREPARING THE FINANCIAL STATEMENTS

Biesse S.p.A. is an Italian company, with registered office in Pesaro, via della Meccanica 16.

The Biesse group (hereinafter referred to as the “Group”) operates in the mechanical tool sector, and is wholly controlled by BI.Fin. S.r.l., a company operating in the production and sale of machinery and systems for processing wood, glass and stone. The Parent is listed on the Milan Stock Exchange in the STAR segment.

BASIS OF PRESENTATION

The presentation currency for the Consolidated Financial Statements is the Euro, and the reported amounts and the amounts in the Notes to the Financial Statements are expressed in thousands of Euro, unless otherwise expressly indicated.
This consolidated half-year report was approved by the Board of Directors on 3 August 2018 and underwent limited auditing.

CONSOLIDATION SCOPE

The consolidated statement of financial position and income statement as at 30 June 2018 include the financial statements of subsidiaries in addition to those of the parent company.

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 COMPANY						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	27,393,042				
ITALIAN SUBSIDIARIES:						
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, without number 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	GRUPPO BIESSE
FOREIGN SUBSIDIARIES:						
Biesse America Inc. 4110 Meadow Oak Drive – Charlotte, North Carolina – USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
Biesse Group UK Ltd. Lamport Drive – Daventry Northamptonshire – Great Britain	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable Brignais – France	EUR	1,244,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%
Biesse Schweiz GmbH Grabenhofstrasse, 1 Kriens – Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Austria GmbH Am Messezentrum, 6 Salisburgo – Austria	EUR	35,000		100%	Biesse G. Deutschland GmbH	Biesse G. Deutschland GmbH
Biesservice Scandinavia AB Maskinvagen 1 – Lindas – Sweden	SEK	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginaciò, 14 Poligon Ind. La Marina – Gavà Barcellona – Spain	EUR	699,646	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferrim, Sintra – Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park – Sydney – Australia	AUD	15,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau – Auckland – New Zealand	NZD	3,415,665	100%			100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore –India	INR	1,224,518,391	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	EUR	1,548,927	100%			100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 – Jakarta – Indonesia	IDR	2,500,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse Malaysia SDN BHD 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 – South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse (HK) Ltd. Room 1530, 15/F, Langham Place, 8 Argyle Street, Mongkok, Kowloon – Hong Kong	HKD	236,955,160		100%		100%
Dongguan Korex Machinery Co. Ltd Dongguan City – Guangdong Province Cina	RMB	182,338,950		100%	Biesse (HK) LTD	100%
Biesse Trading (Shanghai) Co. Ltd. Room 301, No.228, Jiang Chang No.3 Road, Zha Bei District,– Shanghai – China	RMB	47,000,000		100%	Biesse (HK) LTD	100%

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	GRUPPO BIESSE
FOREIGN SUBSIDIARIES:						
Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda. Andar Pilotis Sala, 42 Sao Paulo – 2300, Brazil	BRL	12,964,254	100%			100%
Biesse Turkey Makine Ticaret Ve Sanayi A.S. Şerifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye,Istanbul – Turkey	TRY	20,500,000	100%			100%
OOO Biesse Group Russia Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	39,209,440		100%		100%
Biesse Gulf FZE Dubai, free Trade Zone	AED	6,400,000		100%		100%
Biesse Taiwan 6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000		100%	Biesse Asia	100%
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, 1st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone – Shanghai – China	RMB	2,118,319		100%	Hsd S.p.A.	100%
Hsd Usa Inc. 3764 SW 30th Avenue – Hollywood, Florida – USA	USD	250,000		100%	Hsd S.p.A.	100%
HSD Mechatronic Korea LLC 414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan-si 15434, South Korea	KWN	101,270,000		1000%	HSD S.p.A.	100%
HSD Deutschland GmbH Brükenstrasse,2 – Gingen – Germany	EUR	25,000		100%	Hsd S.p.A.	100%

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

2. DECLARATION OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, BASIS OF PRESENTATION AND CONSOLIDATION AND FOREIGN CURRENCY TRANSLATION PRINCIPLES

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GENERAL STANDARDS

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 and in compliance with the provisions of Article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) as subsequently amended. They do not include all of the information required for the annual report and must be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. In particular, it should be noted that they include a complete set of financial statements consisting of the consolidated income statement, consolidated statement of financial position, and consolidated statement of cash flows, which are the same adopted for the consolidated financial statements for the year ended 31 December 2017. The following notes are instead presented in a condensed format and therefore do not include all the information required for annual reports. In particular, it should be noted that, as provided for by IAS 34, in order to avoid duplicating previously reported information, the notes refer exclusively to those items in the income statement, statement of financial position and statement of cash flows whose composition or changes, due to their size or nature or because they are unusual, are significant to an understanding of the Group's financial position, financial performance and cash flows. The condensed consolidated interim financial statements at 30 June 2018 consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, and these Notes. The Consolidated Income Statement classifies expenses by nature. The Statement of Financial Position presents current and non-current assets and liabilities as separate classifications. The Statement of Cash Flows is presented in accordance with the indirect method and the Statement of Changes in Equity is presented in accordance with the standard format. In addition, a separate statement - the Consolidated Statement of Comprehensive Income - includes the components that make up the result for the period and expense and income recognised directly in equity arising from transactions other than those carried out with shareholders. Transactions carried out with shareholders as well as those relating to the net result are reported in the Statement of Changes in Equity.
The presentation currency for the Consolidated Interim Financial Statements is the Euro and the amounts of items in financial statements are expressed in thousands of Euro (unless otherwise expressly indicated).

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 the CONSOB, and consist of:

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

Statement of Financial Position
This statement shows a breakdown of current and non-current assets and liabilities, with the description in the Notes - for each item of assets and liabilities - of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.
An asset/liability is considered to be current when it satisfies any of the following criteria:
- It is expected to be recovered/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 recovered/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
This statement shows the changes in the equity items related to:
- The allocation of the parent company's and subsidiaries' profit 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 recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or in a separate balancing item under equity (share-based payments for stock option plans).
- Changes in valuation reserves relating to derivative instruments hedging future cash flows, net of any tax effects.

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-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
Income and expense relating to interests, dividends received and income taxes are classified as cash flows according to the type of underlying transaction that generated them.
Cash and cash equivalents recognised in the statement of cash flows include the balance of this item at the reporting date. Foreign currency cash flows have been translated at the average exchange rate for the period.

Finally, it should be noted that, with reference to Consob Resolution no. 15519 of 27 July 2006 on the format of financial statements, specific additional income statement and statement of financial position were included, highlighting significant related-party transactions, so as to improve the readability of the information.

The statements adopted are considered fit for fairly presenting the Group's performance, 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 average and final exchange rates are shown below:

	30 JUNE 2018		31 DECEMBER 2017		30 JUNE 2017		31 DECEMBER 2016	
CURRENCY	AVERAGE	CLOSING	AVERAGE	CLOSING	AVERAGE	CLOSING	AVERAGE	CLOSING
US Dollar / Euro	1.2104	1.1658	1.1297	1.1993	1.0830	1.1412	1.1069	1.1993
Brazilian Real / Euro	4.1415	4.4876	3.6054	3.9729	3.4431	3.7600	3.8561	3.9729
Canadian Dollar / Euro	1.5457	1.5442	1.4647	1.5039	1.4453	1.4785	1.4659	1.5039
Pound Sterling / Euro	0.8798	0.8861	0.8767	0.8872	0.8606	0.8793	0.8195	0.8872
Swedish Krone / Euro	10.508	10.4530	9.6351	9.8438	9.5968	9.6398	9.4689	9.8438
Australian Dollar / Euro	1.5688	1.5787	1.4732	1.5346	1.4364	1.4851	1.4883	1.5346
New Zealand Dollar / Euro	1.6908	1.7247	1.5897	1.6850	1.5297	1.5554	1.5886	1.6850
Indian Rupee / Euro	79.4903	79.8130	73.5324	76.6055	71.1760	73.7445	74.3717	76.6055
Chinese Renmimbi Yuan / Euro	7.7086	7.7170	7.6290	7.8044	7.4448	7.7385	7.3522	7.8044
Swiss Franc / Euro	1.1697	1.1569	1.1117	1.1702	1.0766	1.0930	1.0902	1.1702
Indonesian Rupiah / Euro	16.665.0587	16.654.0400	15.118.0167	16.239.1200	14.434.18	15.209.30	14.720.83	16.239.12
Hong Kong Dollar /Euro	9.4863	9.1468	8.8045	9.3720	8.4199	8.9068	8.5922	9.3720
Malaysian Ringgit /Euro	4.7670	4.7080	4.8527	4.8536	4.7511	4.8986	4.5835	4.8536
South Korean Won /Euro	1.302.3752	1.296.7200	1.276.7381	1.279.6100	1.236.33	1.304.56	1.284.18	1.279.61
Turkish Lira/Euro	4.9566	5.3385	4.1206	4.5464	3.9391	4.0134	3.3433	4.5464
Russian Rouble/euro	71.9828	73.1582	65.9383	69.3920	62.8057	67.5449	74.1446	69.3920
UAE Dirham/euro	4.4450	4.2814	4.1475	4.4044	3.9758	4.1894	4.0634	4.4044
Taiwan Dollar/euro	35.7406	35.5845	34.3635	35.6555	33.2144	34.7118	35.6892	35.6555

3. BASIS OF PREPARATION, USE OF ESTIMATES AND JUDGEMENTS

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

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

ALLOWANCE FOR IMPAIRMENT

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

ALLOWANCE FOR INVENTORY WRITE-DOWNS

The allowance for inventory write-downs reflects management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities put into place by the company.

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS (INCLUDING GOODWILL)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews on an ongoing basis the carrying amount of the non-current assets the Group owns and uses and the assets that are to be divested, whenever events and circumstances require such assessments. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Group's latest plans.

PRODUCT WARRANTIES

When a product is sold, the Group makes a provision for the relevant estimated warranty costs (annual and multi-year). Management establishes the amount of this provision on the basis of historical information regarding the nature, frequency and average cost of repairs under warranty. The Group is working to improve product quality and to minimise the cost of repairs under warranty.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The provisions for employee benefits, the relevant assets, costs and net financial expense are measured with an actuarial method that requires the use of estimates and assumptions for measuring the net value of the liability or asset. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates.
More precisely, the discount rates taken as reference are the rates or rate curves on high-quality corporate bonds (Euro Composite AA interest-rate curve) in the respective reference markets. The expected return on assets is calculated on the basis of the different data provided by experts on long-term expectations of capital market yields, inflation, current yield on bonds, and other variables, and may be adjusted to take account of the asset investment strategies. The rates of future salary increases reflect the long-term expectation of the Group for the reference markets and inflation. Any change in any of these variables may affect future contributions to the provisions.

CONTINGENT LIABILITIES

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

CHANGES IN ACCOUNTING STANDARDS

These condensed consolidated interim financial statements were prepared using the same accounting standards applied by the Group to the consolidated financial statements for the year ended 31 December 2017.
The changes in the main accounting standards will have effects also on the Group's consolidated financial statements for the year ended 31 December 2018.
The Group adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" as from 1 January 2018. The Group did not report significant effects from the application of these new standard.

NEW STANDARDS PUBLISHED BUT NOT YET ADOPTED

IFRS 16 replaces the current provisions in regards to leases, including IAS 17 Leases, IFRIC 4 Determining whether an agreement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.
IFRS 16 applies from financial years beginning on or after 1 January 2019. Early adoption is allowed.
IFRS 16 introduces a single model to account for leases in the financial statements of lessees. Under this standard the lessee recognises both an asset that represents the right to use the underlying asset, and a liability that reflects the obligation to pay the lease instalments. Exemptions from applying IFRS 16 are envisaged for short-term leases and for low-value leases. Accounting methods for the lessor remain similar to those provided for under the standard currently in force, namely, the lessor continues to classify leases as either operating leases or finance leases.
The Group has completed a preliminary assessment of the potential effects on the consolidated financial statements, but has not yet completed a more detailed analysis. The actual

impact of applying IFRS 16 for the first time to the financial statements will depend on future economic conditions, including borrowing rates as at 1 January 2019, the composition of the Group's leases portfolio at that date, the results of a more recent assessment by the Group of whether to exercise or not any options for the renewal of leases, and the extent to which the Group will decide to avail itself of practical expedients and exemptions.
Under the current situation, the most significant effect that has been identified is the Group's recognition of new assets and liabilities in relation to operating leases for facilities which host warehouses and factories. Furthermore, the nature of the costs relating to said leases will change when IFRS 16 will replace the accounting on a straight-line basis of the operating lease costs with the amortisation of the asset that reflects the right of use and the finance charges on lease liabilities. The Group expects that applying this standard will increase financial payables with a corresponding impact on Net Financial Position, which has not yet been precisely calculated.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

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

4. REVENUE AND ANALYSIS BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA

ANALYSIS BY BUSINESS SEGMENT

The Group is currently organised into five operating divisions – Wood, Glass & Stone, Mechatronics, Tooling and Components – for management purposes. These divisions constitute the bases for the Group's reporting of segment information. 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 Diamut-branded grinders and processing tools.

Components – production of mechanical components for wood and glass & stone processing machines.

Below is the information on these operating segments:

€ '000	30 JUNE 2018	%	30 JUNE 2017	%
Wood Division	253,207	71.12%	237,295	71.64%
Glass/Stone Division	58,606	16.46%	50,974	15.39%
Mechatronics Division	53,154	14.93%	51,182	15.45%
Tooling Division	6,685	1.88%	6,979	2.11%
Components Division	*13,085*	*3.68%*	*10,933*	*3.30%*
Intercompany eliminations	(28,729)	-8.07%	(26,131)	-7.89%
Total	**356,008**	**100.00%**	**331,232**	**100.00%**

€ '000	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	ELIMINATIONS	UNALLOCATED CORPORATE COSTS	GROUP TOTAL
2018								
Operating profit of segment	**18,875**	**(362)**	**(205)**	**10,949**	**559**	**(0)**	**335**	**30,150**
2017								
Operating profit of segment	**16.688**	**654**	**516**	**11.593**	**546**	**0**	**(367)**	**29.630**

Net revenue for the first half of 2018 amounted to € 356,008 thousand, compared to € 331,232 thousand at 30 June 2017, up 7.5% compared to the previous year.
As already noted in the Directors' Interim Report on Operations, the breakdown of sales by segment shows that all divisions, with the exception of the tooling division, grew in the first half. The Wood Division surged from € 237,295 thousand to € 253,207 thousand (+6.7%), confirming its role as the Group's driver in volume terms. Also the Glass & Stone Division made considerable progress, growing by 15% (turnover for the period: € 58,606 thousand). The Mechatronics Division rose from € 51,182 thousand to € 53,154 thousand (3.9%), while the Components Division ended the first half up 19.7 % (turnover for the period: € 13,085 thousand). As previously mentioned, the Tooling Division recorded a 4.2% decrease (turnover of € 6.7 million).

ANALYSIS BY GEOGRAPHICAL SEGMENT

Turnover

	30 JUNE 2018	%	30 JUNE 2017	%
Western Europe	162,233	45.6%	146,089	44.1%
Asia - Pacific	66,997	18.8%	71,899	21.7%
Eastern Europe	54,418	15.3%	43,863	13.2%
North America	57,101	16.0%	58,255	17.6%
Rest of the World	*15,258*	*4.3%*	*11,125*	*3.4%*
Group Total	**356,008**	**100%**	**331,231**	**100%**

As regards the geographical distribution of sales in the first half of 2018, Western Europe confirmed the positive trend recorded at the start of the year and rose by +11.1%, with turnover going from € 146,089 thousand to € 162,233 thousand, remaining the key market for the Group. Eastern Europe also recorded a positive trend with an increase of 24.1% (turnover of € 54,418 thousand in 2018, € 43,863 thousand in 2017); the Rest of the World recorded an increase of 37.2% (turnover of € 15,258 thousand in 2018). On the other hand, North America recorded a 2% decrease (turnover of € 57,101 in 2018, € 58,255 in 2017). Finally, also in the Asia-Oceania area turnover decreased, going from € 71,899 thousand to € 66,997 thousand (-6.8%).

5. SEASONALITY

The business segments in which the Biesse Group operates experience significant seasonality, since demand for machine tools is typically concentrated in the second part of the year (and especially in the last quarter). This is because of end customers' purchasing habits, which are significantly affected by expectations concerning investment incentive policies, as well as forecasts for their reference markets.
Another aspect to be taken into account is the Group's structure, as overseas branches (USA, Canada, Oceania, and Far East) generate on average a third of total business volumes. Given the lead time necessary for delivering machine tools to these markets, and that the end market is particularly sensitive to the turnaround between order and delivery, these branches normally replenish their inventories in the first half in order to handle year-end sales.

6. CONSUMPTION OF RAW MATERIALS AND CONSUMABLES

Consumption of raw materials and consumables rose from € 146,236 thousand to € 154,780 thousand, up by 5.8% compared to the previous year. Consumption of raw materials and goods increased on the back of higher sales volumes (+7.5%) compared to the same prior-year period.

7. PERSONNEL EXPENSE

€ '000	30 JUNE 2018	30 JUNE 2017
Wages, salaries and social security contributions	101,385	92,093
Productivity bonus, other bonuses and related social security contributions	5,592	6,290
Accruals to pension plans	3,476	3,103
Other personnel expense	1,725	1,455
Capitalization and recovery of personnel expense	(5,415)	(4,660)
Personnel expense	**106,762**	**98,281**

In the first half of 2018, personnel expense amounted to € 106,762 thousand, up € 8,481 thousand compared to 2017 (€ 98,281 thousand, 8.6%) mainly due to the increase in staff already mentioned in the Directors' Report on Operations. The inclusion of Movetro S.r.l. and Montresor & Co. S.r.l. in the scope of consolidation resulted in an increase in total personnel expense of approximately € 1,633 thousand in June 2018. It should be further noted that the impact on revenues increased by 0.3%, from 29.7% in 2017 to 30% this year.

8. TAXES

The Italian corporate income tax (IRES) rate was 24% (24% in 2017) of the taxable income of the Parent company and the Italian subsidiaries, while income taxes for other jurisdictions are calculated based on the rates in force in the relevant countries. For the purposes of calculating the income tax expense for the period, the Group applied to the interim profit the tax rate applicable to the estimated year-end results.
At 30 June 2018, the Group's deferred tax assets totalled € 14,307 thousand, up compared to 31 December 2017 (+ € 1,186 thousand). Management recognised deferred tax assets to the extent they are likely to be recovered; in doing so, it considered the forecasts for subsequent years consistent with those used for the purposes of year-end impairment tests. Taxes recognised in the income statement amounted to € 9,622 thousand with a tax rate of 35.8%.

9. EARNINGS PER SHARE

Basic earnings per share for the period ended 30 June 2018 totalled 0.63 Euro/cent (0.64 Euro/cent in 2017) and were calculated by dividing the profit attributable to the owners of the Parent, amounting to € 17,163 thousand (17,363 thousand in 2017) by the weighted average number of ordinary shares outstanding during the period, which amounted to 27,393,042 (as in 2017).
At 30 June 2017 the number of shares outstanding was lower than the total number of shares issued due to the buyback of treasury shares on the stock exchange during 2008, as provided for by the Shareholders' Meeting resolution dated 21 January 2008.
At 30 June 2018, the number of treasury shares held was 0.

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

Profit attributable to owners of the Parent

€ '000	30 JUNE 2018	30 JUNE 2017
Profit (Loss) for the period	17,163	17,363
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)	**0.63**	**0.64**

Weighted average number of outstanding ordinary shares

€ '000	30 JUNE 2018	30 JUNE 2017
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Effect of treasury shares	-	(10)
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,383
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	**27,393**	**27,383**

10. DIVIDENDS

During the first half of the year, pursuant to the resolution of the Shareholders' Meeting of the Parent company held on 24 April 2018, shareholders received a dividend totalling around € 13,159 thousand (Euro 0.48 per ordinary share outstanding at the ex-dividend date – excluding treasury shares). The ex-dividend date was 9 May 2018.

11. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

In the reference period, besides the amounts concerning the regular replacement of work equipment, the Group bolstered the Biesse Australia (spending a total € 1.2 million) and Biesse Turkey branches, with the opening of the new showroom (around € 0.5 million).

12. GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

Compared to the end of the previous year, goodwill increased by around € 825 thousand. Changes occurred during 2018 are due to the exchange rate differences undergone by the goodwill of the Australian and American branches and to the amounts referring to the call/put assessment provided by the contract to purchase Movetro S.r.l. We have considered the possibility that the old ownership will exercise the put option for selling the remaining 40% of shares to Biesse (on 31 July 2022). We have valued such a transaction at the minimum price provided in the contract (€ 1 million discounted as at today). The consolidation difference generated by this has been provisionally allocated to goodwill in the Glass segment.

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

€ '000	30JUNE 2018	31 DECEMBER 2017
Wood	8,441	8,455
Glass & Stone	5,505	4,666
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	**23,485**	**22,660**

As for the estimates of the recoverable amount, reference should be made to the note regarding measurement criteria, use of estimates and reclassifications.
Based on currently available information, at 30 June 2018 there were no impairment indicators. Management will continue to constantly monitor events inside and outside the Group, where such events constitute the assumptions underlying trigger events that may affect future business trends. The determination of any impairment loss/reversal of impairment on fixed asset will be carried out in full when preparing the annual financial statements.

13. INVENTORIES

€ '000	30 JUNE 2018	31 DECEMBER 2017
Raw materials, consumables and suppliers	55,485	46,731
Work in progress and semi-finished goods	25,315	18,530
Work in progress	0	0
Finished goods	75,701	65,451
Spare parts	15,801	12,498
Inventories	**172,302**	**143,210**

The carrying amount, equal to € 172,302 thousand, is net of the allowances for inventory write-downs, amounting to € 2,586 thousand for raw materials (€ 2,269 thousand at the end of 2017), € 2,405 thousand for spare parts (€ 2,424 thousand at the end of 2017), € 1,550 thousand for finished goods (€ 1,839 thousand at the end of 2017) and € 135 thousand for semi-finished goods (unchanged with respect to December 2017). The allowance for the write-downs of raw materials amounted to 4.5% as a percentage of the historical cost of the relevant inventories (4.6% at the end of 2017), the one for spare parts was 13.2% (16.2% at the end of 2017), the one for finished goods was 2% (2.7% at the end of 2017) and the one for semi-finished goods was 0.4% (0.6% at the end of 2017).

14. TRADE RECEIVABLES DUE FROM THIRD PARTIES

Trade receivables are recognised net of the allowance for impairment, which is conservatively estimated with reference to both non-performing loans and loans overdue more than 180 days. Trade receivables were down € 9,067 thousand (before the relevant allowance for impairment) compared to December 2017. The allowance for impairment of € 5,495 thousand increased (€ 257 thousand) from December 2017, and it was down from 4.2% to 4.1% as a proportion of par value.

15. SHARE CAPITAL / TREASURY SHARES

The share capital amounts to € 27,393 thousand and consists of 27,393,042 ordinary shares, each with a par value of € 1 and dividend rights.
At the date on which these financial statements were approved, the Group held no treasury shares. The 10,000 treasury shares which were held at the end of 2017 have been sold (for a value of approximately € 96 thousand) and used for payment of the retention plan, as required by the contract in June 2018.

16. HEDGING AND TRANSLATION RESERVES

The carrying amount was broken down as follows:

€ '000	30 JUNE 2018	31 DECEMBER 2017
Translation reserve	(6,535)	(6,815)
Translation and Hedging reserves	**(6,535)**	**(6,815)**

The reserves for the translation of foreign currency financial statements include the differences arising from the translation of the financial statements denominated in foreign currencies of countries that do not belong to the Eurozone (United States, Canada, Singapore, United Kingdom, Sweden, Switzerland, Australia, New Zealand, India, China, Indonesia, Hong Kong, Malaysia, South Korea, Brazil, Russia, Turkey, Taiwan and United Arab Emirates), and was down by € 280 thousand compared to the previous year.

OTHER RESERVES

The carrying amount was broken down as follows:

€ '000	30 JUNE 2018	31 DECEMBER 2017
Legal reserve	5,479	5,479
Extraordinary reserve	96,462	70,670
Reserve for treasury shares	-	96
Retained earnings and other reserves	15,482	11,897
Other reserves	**117,423**	**88,142**

As indicated in the statement of changes in equity, the change in the item Other reserves mainly refers to the allocation of the profit for 2017 (+ € 42,558 thousand) and the dividend distribution (- € 13,159 thousand).

17. PROVISIONS FOR RISKS AND CHARGES

The financial statements include provisions for risks and charges for € 12,610 thousand (€ 10,406 thousand at 31 December 2017) consisting of € 7,483 thousand for product warranty provision, € 422 thousand for provisions for legal risks, € 361 thousand for supplementary customer indemnity provision and € 3,353 thousand for provisions for general risks. The change compared to December 2017 is mainly due to the allocation made to the product warranty provision.

18. EMPLOYEE BENEFITS

The financial statements include employee benefits liability amounting to € 12,670 thousand (€ 13,456 thousand at 31 December 2017). The change is mainly due to the benefits paid during the year amounting to some € 355 thousand.

19. FINANCIAL PAYABLES

Compared to the financial statements for the year ended 31 December 2017, the Group's financial payables increased by € 25,606 thousand. In the first half of the year the Group took out a new 4-year long-term loan of € 20 million with MPS Banca. At the same time, the process of gradual reduction of existing loans continued to optimise the financial resources by lowering the overall funding cost and increasing duration.

20. TRADE PAYABLES

Trade payables to third parties refer primarily to payables to suppliers for the procurement of materials delivered in the closing months of the period.
It should be noted that trade payables are due within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.
Trade payables to suppliers increased by € 21,725 thousand compared to 2017, from € 223,916 thousand to € 245,641 thousand.

21. COMMITMENTS, CONTINGENT LIABILITIES AND RISK MANAGEMENT

COMMITMENTS

At the reporting date, the only commitment concerns the PUT/CALL assessment for Movetro S.r.l., in respect of which goodwill has been recorded, as explained in note 12; a liability payable to minority shareholders has been recorded for the same amount.

CONTINGENT LIABILITIES

The Parent company and some subsidiaries are parties to various lawsuits and disputes. Nevertheless, the Group believes that the settlement of such disputes will not give rise to further liabilities in addition to the amounts already set aside in a specific provision for risks.

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.

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 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.

EXCHANGE RATE RISK
The varied geographical distribution of production and commercial activities brings about an exposure to exchange rate risk, in terms of both transactions and translations.

a) Transaction exchange rate 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. The Group, following Biesse S.p.A. Board of Directors' resolution of 11 March 2016 which approved the new exchange risk management policy for the Biesse Group, put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in IAS 39 were found to be quite stringent to be applied effectively and in full to business operations.

b) Translation exchange rate risk

The Group holds a controlling interest in companies that prepare their 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 converting 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 finance expense relating to payables and lease companies for fixed assets acquired under finance leases. Considering that the exposure is currently limited and that there is substantial stability in interest rates (for the Eurozone), the company has chosen not to hedge its own debt.

In addition to this, it is highlighted that all the company's bank deposits are managed with banks that meet adequate security requirements, in application of Group policies.

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 finalised 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.

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 centralised 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 optimised with centralised management. A prudent risk management as 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 the hedging of payables due to suppliers.

22. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

€ '000	30 JUNE 2018	31 DECEMBER 2017
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
Derivative financial assets	745	505
Measured at amortised cost :		
Trade receivables	128,447	119,380
Other assets	3,477	3,626
- other financial assets and non-current receivables	2,500	2.,49
- other current assets	977	977
Cash and cash equivalents	90,617	78,902
TOTAL FINANCIAL ASSETTS	**222,542**	**202,413**
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
Derivative financial liabilities	1,988	396
Measured at amortised cost :		
Trade payables	245,641	223,916
Bank loans and borrowings	70,577	47,395
Lease liabilities	2,092	1,259
Other current liabilities	36,683	36,210
TOTAL FINANCIAL LIABILITIES	**356,982**	**309,176**

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

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Even if the short-term outlook on the world economy remains favourable for the most part, it must also be noted that some of the signs of 'turbulence' in various markets are mainly the fruit of political uncertainty. In fact, it is without doubt that the so-called 'Tariff War' launched by the US Administration (under President Trump's direction) is creating uncertainty in markets such as China, for example. This situation has left them waiting by the window to understand the real impact that the tariff war will have in terms of range. In Europe uncertainty is related to the possible effects of the Brexit agreements, while in Italy political uncertainties following the post-election change of government are raising doubts over whether strategies to support the industrial fabric will be continued. Finally, sometimes uncertainties are the result of macro-economic policy factors, such as the foretold increase in interest rates once the ECB's expansive monetary policy ends. However, as explained above, Biesse's ability to maintain positive organic growth should be highlighted, both in terms of revenues (+7.5% year on year, or +14.5% as compared to the weak quarter) and order intake (+3.6% year on year). This is the result of the tireless work carried out on the distribution network in recent years and of the growing reputation of our products in terms of innovation and reliability. Together it is enough to consolidate the Biesse Group as the Italian industry leader in machinery for processing Wood, Glass and Marble. Biesse is also the world's second largest player in terms of revenue with growth rates at the top of the industry, which have been constant for some time now.
In order to reach medium-term targets, Biesse will maintain its strategy of investing in human resources for the Group's main strategic areas (R&D, Sales Force, After Sales). The important financial efforts required in terms of future investments should also be highlighted, aimed at adapting production capacity and at remaining technological leaders in the field of products and after-sales services, along with ready for industry 4.0 solutions.

24. RELATED-PARTY TRANSACTIONS

The Group is directly controlled by Bi. Fin. S.r.l. (operating in Italy) and indirectly by Mr Giancarlo Selci (resident in Italy).

Transactions between Biesse S.p.A. and its subsidiaries, which are entities related to the Parent, have been eliminated from the consolidated financial statements and are not included in these notes. The details of transactions between the Group and other related entities are specified below.

EURO 000'S	RECEIVABLES		COSTS	
	2018	2017	2018	2017
Ultimate Parent				
Bi. Fin. S.r.l.	-	-	196	179
Other related companies				
Fincobi S.r.l.	1	1	10	12
Se. Mar. S.r.l.	17	24	1,759	1,691
Wirutex S.r.l.	12	33	800	608
Members of the Board of Directors				
Members of the Board of Directors	1	0	958	914
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	81	81
Total	**30**	**58**	**3,804**	**3,485**

EURO 000'S	RECEIVABLES		PAYABLES	
	30 JUNE 2018	31 DECEMBER 2017	30 JUNE 2018	31 DECEMBER 2017
Ultimate Parent				
Bi. Fin. S.r.l.	977	977	3	-
Other related companies				
Fincobi S.r.l.	-	-	-	-
Se. Mar. S.r.l.	17	-	1,428	1,276
Wirutex S.r.l.	7	12	702	383
Members of the Board of Directors				
Members of the Board of Directors	31	31	797	34
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	0	-	0	168
Total	**1,032**	**1,021**	**2,931**	**1,862**

The terms and conditions agreed with the above related parties do not differ from those that would have been established between parties at arm's length. The amounts payable to related parties are trade payables and refer to transactions undertaken for the sale of goods and/or rendering of services. For full details regarding remuneration of Directors and Statutory Auditors, please see the Remuneration Report published on the company website www.biesse.com.

Pesaro, 3 August 2018

The Chairman of the Board of Directors
Giancarlo Selci

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

The undersigned Giancarlo Selci, as Chairman, and Cristian Berardi, as 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 certify:
- The adequacy in relation to the characteristics of the business.
- The effective implementation of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements during the first half of 2018.

The assessment of the adequacy of administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements at 30 June 2018 is based on a process established by Biesse consistently with the Internal Control – Integrated framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is an internationally accepted reference framework.

We also certify that:
a) The condensed consolidated interim financial statements:
- Have been drawn up in compliance with the applicable international accounting standards endorsed by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council dated 19 July 2002 and, in particular with IAS 34 – Interim Financial Reporting. – As well as the enabling legislation for Article 9 of Italian Legislative Decree no. 38/2005.
- Are consistent with the entries in accounting books and records.
- As far as we know, they provide a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation.

b) The Directors' interim report contains references to significant events occurred during the reporting period and to their impact on the condensed consolidated interim financial statements, together with a brief description of the main risks and uncertainties for the remaining six months of the year as well as information on any material transactions undertaken with related parties.

Pesaro, 03 August 2018

Chairman of the Board of Directors
Giancarlo Selci

Manager in charge of financial reporting
Cristian Berardi

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

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Biesse S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Biesse Group, comprising the income statement and the statements of comprehensive income, financial position, cash flows and changes in equity and notes thereto, as at and for the six months ended 30 June 2018. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Biesse Group as at and for the six months ended 30 June 2018 have not been prepared, in all material

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

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respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Ancona, 3 August 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

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