

Innovation is our
driving force

 **BIESSE**GROUP

Quarterly report
at 31 March 2016

Innovation is our driving force



Innovation is the driving force for the way we do business, continuously striving for excellence to support our customers' competitiveness.

We innovate to produce the most widely-sold processing centres at a global level.

We innovate to introduce new technology standards to the market.

We innovate to design production lines and systems for large enterprises.

We innovate to develop solutions and software programs to facilitate our customers' day-to-day work.

Innovation is hard-wired in our DNA. Past, present and future.



Contents

The Biesse Group

- Group Structure
- Notes to the Financial Statements
- Company Office holder
- Financial Highlights

page 6
page 7
page 8
page 10

Directors' report on operations

- Directors' report on operations
- General Economic Overview
- Main events of the period
- Financial Statements
- Annex

page 14
page 15
page 18
page 30
page 34

Biesse Group

BIESSEGROUP

BIESSE / **INTERMAC** / **DIAMUT** / MECHATRONICS

In / 1 industrial group, 4 divisions and 8 production sites

How / € 14 million p/a in R&D and 200 patents registered

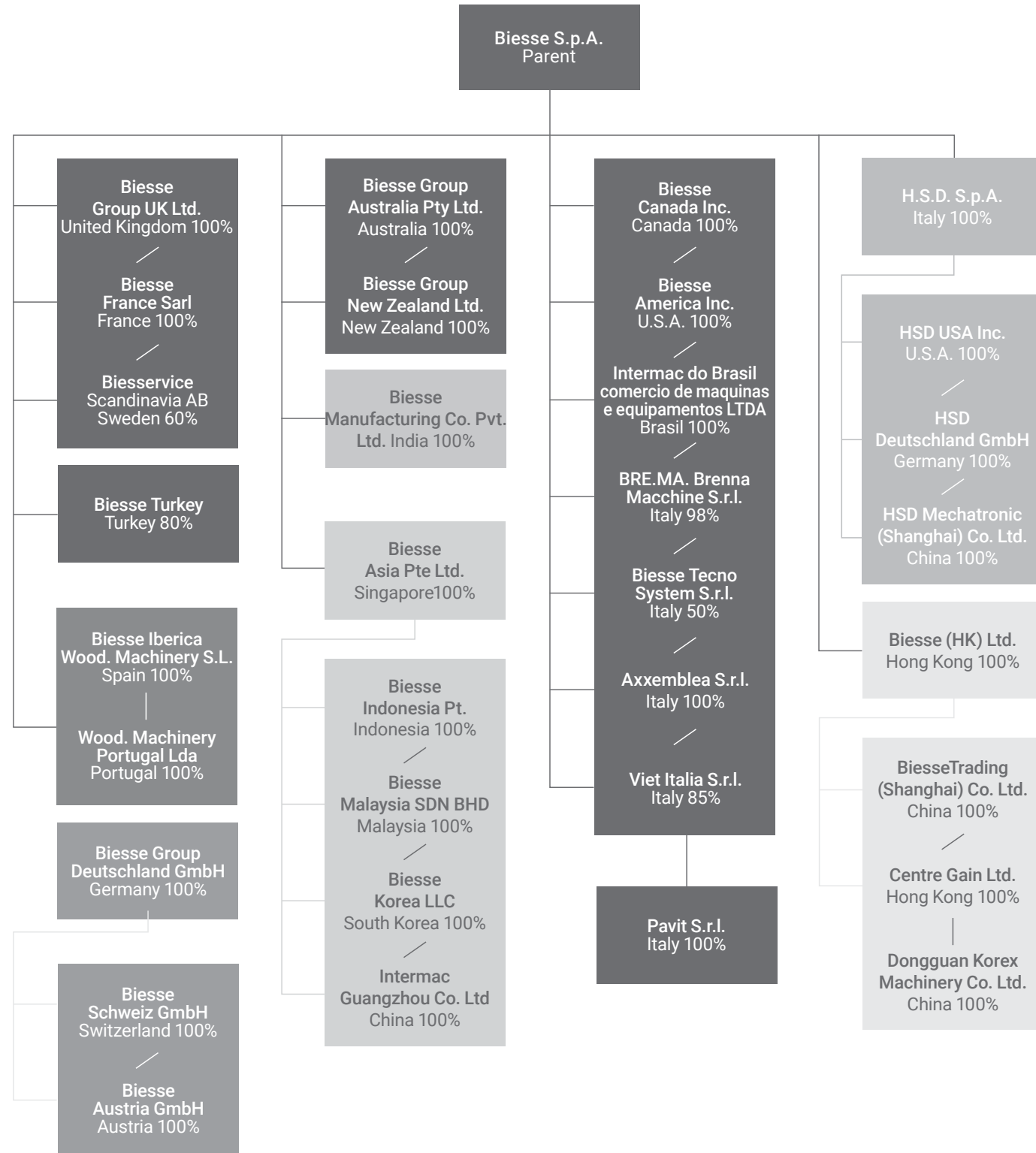
Where / 34 branches and 300 agents/certified dealer

With / customers in 120 countries: manufacturers of furniture, design items and door/window frames, producers of elements for the building, nautical and aerospace industries

We / 3,200 employees throughout the world

Group structure

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



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

Notes to the consolidated financial statements

The Biesse Group's consolidated quarterly report at 31 March 2016, unaudited, has been prepared pursuant to Article 154-ter, paragraph 2 of the Consolidated Law on Finance and in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS).

Accounting standards and measurement criteria are consistent with those of the 2015 Annual Report, to which reference should be made. Furthermore, it should be noted that:

- the quarterly financial statements have been prepared under the discrete method, taking the reference period as a separate period. In this respect, the quarterly income statement reflects the period's income statement components on an accruals basis;
- the financial statements underlying the consolidation process are those prepared by subsidiaries with reference to the period ended 31 March 2016, adjusted, where necessary, to align them with the Group's accounting policies;
- some of the economic information contained in this report presents interim profitability indicators such as gross

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

Compared with the financial statements for the year ended 31 December 2015, the consolidation scope underwent no changes.

Company office holders

Board of Directors

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

Roberto Selci
Giancarlo Selci
Alessandra Parpajola
Stefano Porcellini
Cesare Tinti
Salvatore Giordano
Elisabetta Righini

Board of Statutory Auditors

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

Giovanni Ciurlo
Cristina Amadori
Riccardo Pierpaoli
Silvia Cecchini
Nicole Magnifico

Control and Risk Committee – Remuneration Committee – Related-Party Transactions Committee

Salvatore Giordano
Elisabetta Righini

Supervisory Body

Salvatore Giordano
Domenico Ciccopiedi
Elena Grassetti
Elisabetta Righini

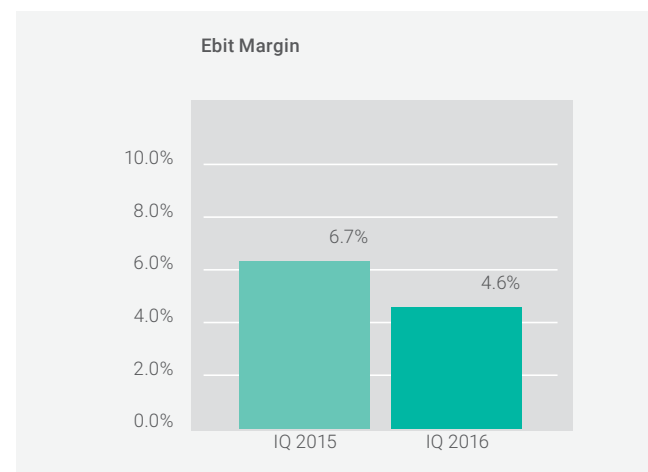
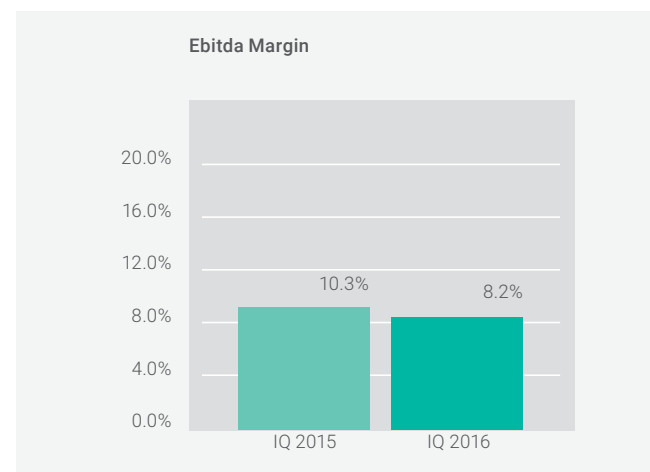
Independent Auditors

KPMG S.p.A.



Financial highlights

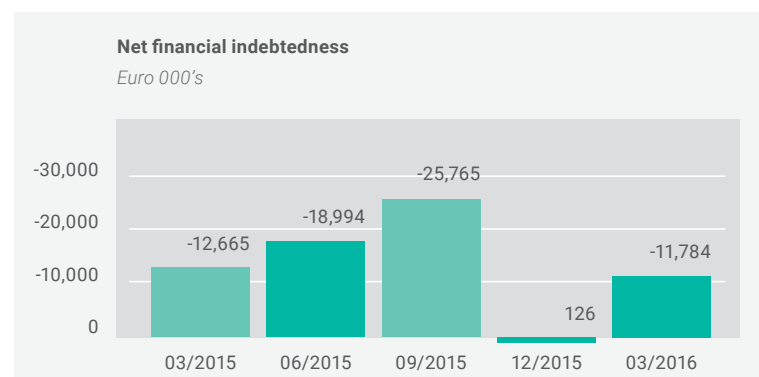
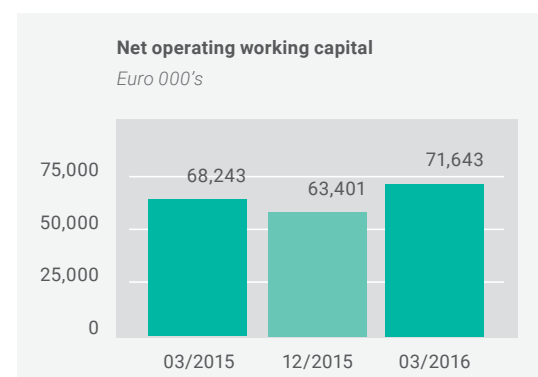
	1Q 2016	% on sales	1Q 2015	% on sales	change %
€ 000					
Revenue from sales and services	117,593	100.0%	112,794	100.0%	4.3%
Added value (1)	50,904	43.3%	47,623	42.2%	6.9%
EBITDA	9,651	8.2%	11,637	10.3%	(17.1)%
Ebit (Operating profit) (1)	5,365	4.6%	7,613	6.7%	(29.5)%
Profit/Loss for the period	3,132	2.7%	3,867	3.4%	(19.0)%



Statement of Financial Position

	31 March 2016	31 December 2015	31 March 2015
€ 000			
Net Invested Capital (1)	154,296	141,260	147,002
Equity	142,512	141,386	134,337
Net financial indebtedness (1)	11,784	(126)	12,665
Net operating working capital (1)	71,643	63,401	68,243
Gearing (net financial position/equity)	0.08	(0.00)	0.09
Fixed asset/standing capital ratio	1.11	1.10	1.12

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

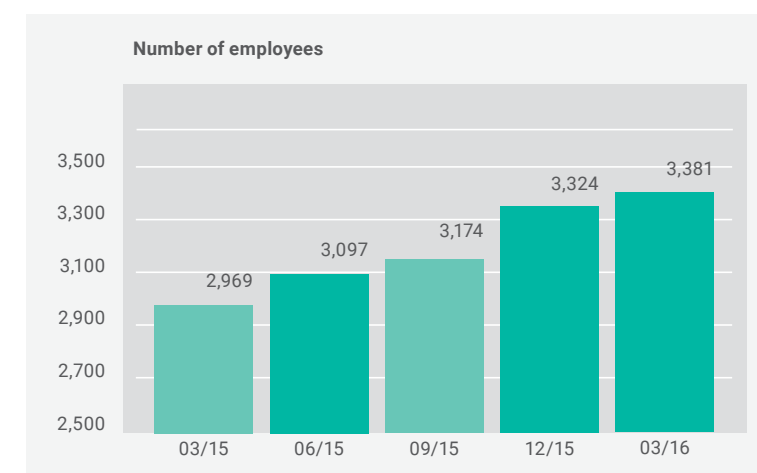


Cash flow

	31 March 2016	31 March 2015
€ 000		
Ebitda (Gross operating profit)	9,651	11,637
Change in net working capital	(9,085)	(9,762)
Change in other operating assets/liabilities	(7,772)	(1,198)
Operating cash flow	(7,207)	677
Cash flow used in investment activity	(4,585)	(3,614)
Cash flow	(11,792)	(2,937)
Sale of treasury shares	-	3,304
Foreign exchange rate differences	(118)	(1,760)
Change in net financial indebtedness	(11,910)	(1,393)

Personnel

	31 March 2016	31 March 2015
Number of employees at period end	3,381	2,969



The figures include temporary staff.

Directors' report
on operations

MESSE GROUP

bLab

bSuite

bS bSolid

bN bNet

bE bEdge

bC bCabinet

bW bWindow

bP bPower



Directors' report on operations

At 31 March 2016, the Biesse Group recorded an increase in revenue of 4.3%, whilst profitability was affected by past investments and the seasonality of the business, with the first quarter being always the weakest. As far as the statement of financial position is concerned, despite the slight worsening compared with 31 December 2015, this should be considered as a result of the seasonal nature of the business and in any case, it must be stressed that the results improved compared to the same period last year.

At 31 March 2016, the order intake increased by 6% overall compared to the same period in 2015. This trend is positive for the short-term performance of sales and explains the increase in inventories of finished and semi-finished products.

As far as the performance for the period is concerned, the Biesse Group revenue for the first three months of 2016 amounted to €117,593 thousand, up by 4.3% compared to the prior-year period (€112,794 thousand in revenue), in line with forecasts.

In the first three months of 2016 added value totalled €50,904 thousand, up 6.9% compared to the same period last year, confirming EBITDA strength.

In the first quarter of 2016, EBITDA amounted to €9,651 thousand, down by €1,986 thousand (-17.1%) compared to the same period of 2015. This is mainly due to the increase in personnel expense, up by €5.2 million in the period,

mainly as a result of investments made in 2015. Therefore, EBIT decreased as well, down by €2,248 thousand (€5,365 thousand in 2016 compared to €7,613 thousand for the same period last year).

As far as the statement of financial position is concerned, net operating working capital increased by around €8.2 million compared to 31 December 2015. The increase is mainly due to inventory trends (+ €17.9 million), attributable to the positive order intake and the resulting need to meet the deliveries scheduled for the rest of 2016, which are necessary in order to achieve the targets set. Trade receivables fell by around € 4.4 million. Trade payables increased by around €5.4 million. It should also be pointed out that net operating working capital increased by approximately €3.4 million compared with the same period last year, with the percentage impact on expected sales remaining unchanged.

Finally, the Group's net indebtedness at 31 March 2016 amounts to approximately €11.8 million, thereby worsening compared to 31 December 2015 (€11.9 million) as a result of the trend of net operating working capital; net indebtedness decreased slightly (-€0.9 million compared to the same period last year), showing that cash flow continues to be positive.

General economic overview

Global economic trend

The global economy and world trade show increasing weakness, although with significant differences from area to area: in the United States the expansion continues, albeit with some uncertainty, while in the emerging economies the prospects remain fragile and represent the main risk factor for growth and world financial markets.

The slowdown in China is expected to continue, with a negative impact on the other emerging economies, in particular, the Asian ones, whilst exporters of raw materials must adapt to the decline in the relevant prices. In this scenario, the effective exchange rate of the euro has considerably appreciated in recent months.

In the Eurozone, the economic recovery can be expected to continue at a moderate rate. Domestic demand should be further driven by the monetary policy measures implemented by the ECB and their favourable impact on financial conditions, as well as by the constant increase in employment as a result of past structural reforms. Low oil prices should also provide further support to the effective disposable income of households and to private consumption, as well as to the profitability of businesses and investments. However, the economic recovery in the Eurozone is still curbed by limited growth prospects in emerging countries, by the volatility in financial markets, by the required adjustments in the financial statements in several areas and by the slow implementation of structural reforms.

According to the macroeconomic forecasts for the Eurozone – prepared in March 2016 by ECB experts – annual GDP in real terms is expected to increase by 1.4% in 2016, 1.7% in 2017 and 1.8% in 2018.

The world Manufacturing Purchasing Managers' Index (PMI) (excluding the Eurozone) dropped sharply in February, to levels just above the growth threshold. The decline – affecting both the advanced and emerging economies – has been determined not only by the as yet modest trends in manufacturing on an international level, but also by a significant downturn in the service sector. This may suggest that the continuing weakness in the manufacturing sector worldwide is spilling over into the service sector, which had thus far held out better. At the same time, the OECD composite leading indicators record a slowdown in economic growth throughout the OECD area.

Some market trends

United States

In the United States of America, following the interest rate hike in December 2015, the curve of federal funds rate futures recorded a sharp decline, suggesting expectations of a delay in the adoption of tighter monetary measures. Growth is expected to strengthen gradually, as the recovery in the labour market leads to a gradual increase in nominal wages that, together with low oil prices, helps support real disposable income and consumption. A further recovery of the housing market and slightly expansionary fiscal measures should also help support domestic demand, which is expected to remain the key driver of US growth. At the same time, lending conditions have become

slightly tighter, despite low interest rates, whilst lower oil prices lead to a slight reduction in private investments. Net exports look set to continue to slow down activities in the wake of the US dollar appreciation and the weak trend in export demand.

Japan

Japan continued to face weak economic recovery. After a slight improvement during the third quarter of 2015, the economy contracted again in the fourth quarter, due to the reduction in world demand and the weak trend of private consumption. Prospectively, growth should return to positive levels in 2016, as recovery in private consumption is expected to go hand-in-hand with the rise in real income deriving from wage increases and the decline in oil prices. Exports should also strengthen as part of the gradual recovery in export demand.

United Kingdom

Growth is mainly driven by consumption, as the low prices of energy products continue to cause real disposable income to rise. The trend in investments remains positive, albeit slightly lower than in previous years, supported by more favourable lending conditions. The economic trend may, however, be affected by uncertainty surrounding the June 2016 referendum on the United Kingdom's membership of the European Union. Net exports acted as a brake on growth in the last two quarters of 2015.

China

Growth in China continues to slow down, with a negative impact on other emerging countries, in particular in Asia. The worsening of financial conditions in emerging countries is clearly confirmed by the increased return on government bonds, the downward trend in the stock markets and the net capital outflows from these countries, with high levels of volatility on the world markets. This volatility is in part attributable to the growing uncertainty surrounding China's economic prospects. Finally, the persistently low prices of raw materials and oil in particular, have been increasingly considered as a sign of underlying weakness of the global economy.

Russia

In Russia, where a major recession continues, borrowing costs remain high, despite the financial easing of 2015. The further decline in oil prices has increased the downward pressure on the rouble, possibly resulting in an increase in inflation. Uncertainty remains high and the level of business confidence continues to be low, whilst the lower income from oil continues to put a brake on public spending.

Eurozone

Economic recovery is continuing in the Eurozone, despite signs of a slowdown at the start of the year, due to a weak international framework. GDP growth in real terms amounted to 0.3 percent in the fourth quarter of 2015, with no changes compared to the previous quarter. The latest economic indicators show that in the first part of the year, growth was weaker than expected. The economic recovery is expected to continue at a moderate rate. Domestic demand should be further supported by the ECB monetary policy measures and their favourable impact on financial conditions, by the slightly expansionary approach in regard to budget policies and by the positive impact on employment expected from the structural reforms that have already been implemented. Low oil prices should further support the real disposable income of households and the profitability of companies, thus enhancing private consumption and investments. However, the economic recovery was still affected by the limited growth prospects in emerging markets, by the volatility in financial markets, by the required adjustments in the financial statements in several areas and by the slow implementation of structural reforms. According to the macroeconomic forecasts prepared by ECB experts (dated March 2016), GDP in real terms is expected to grow in the Eurozone at a slightly lower rate, equal to 1.4 percent in 2016 (reduced from 1.7 percent) 1.7 percent in 2017 (reduced from 1.9 percent) and 1.8 percent in 2018.

Italy

The recovery of the Italian economy is continuing at a modest pace. In the final part of last year, GDP growth was sustained by consumption and investment, but was held back by the stalling of inventory replenishment. Looking ahead, the expansion of the manufacturing cycle could be affected by uncertainty in foreign demand, while there are prospects of a gradual firming of the recovery in the service sector and especially in construction.

In the fourth quarter of 2015 GDP increased by 0.1 percent compared with the summer months, slowing by comparison with the previous quarters. Growth was sustained by another increase in household spending (0.3 percent, against 0.5 in the

previous quarter) and by the acceleration in investment (to 0.8 from 0.2 percent) which involved all the components except machinery and equipment purchases, which were probably postponed until 2016 in order to benefit from the tax reliefs introduced by the Stability Law approved at the end of last year. After the temporary decline in the third quarter, exports returned to growth (1.3 percent) at a slightly higher pace than imports (1.0 percent). By contrast, GDP growth was curbed by 0.4 percentage points by the negative change in stocks, partly reflecting the more uncertain outlook for demand and the consequent caution of firms in restocking their inventories.

Based on the most recent information, the increase in GDP in the first quarter of 2016 was barely greater than that for the previous three months. Alongside the revival of manufacturing, support also appears to have come from the recovery in services and construction. In March the Bank of Italy's Ita-coin indicator, which provides real-time estimates of the underlying trend in GDP, slipped to 0.10, from 0.20 in February, reflecting a modest decline in household confidence and uncertainty about foreign trade; however, it remains consistent with the continuation of the modest recovery on average for the quarter. In March, inflation, as measured by the twelve-month change in the harmonized index of consumer prices (HICP), was negative for the second consecutive month (-0.2 percent over twelve months, as in February). The prices of energy products slumped again; core inflation remains extremely low, though it picked up slightly to 0.8 percent. Based on the performances observed in the last quarter of 2015, which were less favourable than predicted, the main international institutions and private analysts have made marginal downward corrections to their estimates of growth for Italy for 2016, which the majority of forecasters now put at between 1.0 and 1.2 percent. The forecasts for 2017 have remained essentially unchanged.

Business sector review

UCIMU – SISTEMI PER PRODURRE

In the first quarter of 2016, the machine tools order index, prepared by the Business Culture and Research Centre of UCIMU-SISTEMI PER PRODURRE, recorded a 14.3% increase on the prior-year period.

The overall result is mainly attributable to the excellent achievements on the Italian market; foreign markets recorded a good performance as well.

More specifically, the indicator of orders received from foreign markets grew by 1.7% compared to January-March 2015.

The increase in orders received from the domestic market is far more considerable: they increased by 31.8% compared to the same period last year. Therefore, the positive trend recorded by constructors on the Italian market has been extended to eleven consecutive quarters.

Luigi Galdabini, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "during these first few months of the year, the demand for machine tools is significantly recovering, after the slight slowdown in the final period of 2015. All this confirms the willingness of users, and above all Italian users, to invest. In this sense, the weakness recorded at the end of last year can reasonably be attributed to the users' intention to take time to decide what investments to make with respect to the products seen at EMO MILANO 2015, the world trade fair held in October".

"As a matter of fact" – Luigi Galdabini continued – "the measures implemented by the government authorities to support this "new real economy trend" have certainly helped to consolidate what at first sight looked to be a weak trend reversal".

ACIMALL

According to Acimall (Association of Italian manufacturers of woodworking machines and accessories), order trends for the first quarter of 2016 have shown the usual breakdown between the domestic and the foreign market.

The customary survey, performed based on a statistical sample representing the entire sector, shows, for the Italian woodworking machinery and machine tools industry, an increase of 37.1% over the same period in the previous year.

Foreign orders grew by 20%.

According to the survey on the short-term business outlook, the sentiment for the second quarter is substantially positive.

Main
events



Exhibitions & Events

Jan

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



Exhibitions & Events

Feb

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

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

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

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

- higher consolidated revenue at a CAGR of 10.7% (revenue expected in 2018 above € 704 million)
- higher Added Value with a three-year CAGR of 11.9% (42.4% record percentage)
- increase in operating margins:
 - EBITDA with a three-year CAGR of 14.3% (EBITDA margin 13.6% in 2018)
 - EBIT with a three-year CAGR of 17.9% (EBIT margin 10.2% in 2018)
- positive free cash flow totalling €82 million in the 2016-2018 three-year period (free cash flow margin 5.6% in 2018)

“The plan is based on the excellent result of the 2015 financial year” - commented the Group General Manager Stefano Porcellini – “a financial year that ends with a record growth in revenue, strongly growing profitability and the zeroing of the debt.



Exhibitions & Events

Mar

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

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

From 28 to 31 March the Pazhou Complex in Guangzhou, China hosted the CIFM/Interzum Guangzhou 2016, Asia’s most important trade fair for subcontracting and wood-working machinery. A total of 1,243 companies from across the globe met over a surface area of 140,000 square metres to present their latest innovations, ranging from the raw materials, materials and components for furniture, textiles, padded furniture and wood-working machinery and machines for interior decoration works. Around 67,000 visitors came from over 140 countries and areas to visit the fair.

On 31 March 2016, the company OOO Biesse Group Russia was established, with registered office in Moscow (share capital of 10 million roubles, 100% owned by Biesse S.p.A.). The company aims to develop the marketing of products from the Glass/Stone and Tooling Divisions on the Russian market, as well as to provide technical assistance with installation and testing and after-sales services. To date, the company is still in a start-up phase and its contribution to the Group’s results is minimal. The company will be included in the consolidation scope for the first time in its half-year report at 30 June 2016.



INTERMAC

Exhibitions & Events

Apr

From 4 to 6 April, Dubai hosted the WoodShow, the Middle East's largest international fair for the sector dedicated to wood-working technologies. Specialists and operators flocked to the Dubai Woodshow from all over the world, making it a well-established B2B meeting place for the wood industry. The 11th edition made for the perfect launchpad for suppliers, manufacturers and companies involved in wood-working, giving them full opportunity to show off their products, innovative technologies, production plans and machinery on a large scale. Biesse also chose to present innovative machines and cutting-edge software solutions at the Dubai World Trade Center, the futuristic site of the fair.

On 6, 7 and 8 April, the new Charlotte showroom was opened. With a special celebration, Charlotte chose to welcome the new "Biesse Group Campus", an area that exceeds 20 thousand square metres, to present the outstanding Biesse and Intermac technology in North America. With a surface area that stretches out over 7,000 square metres, the new showroom is fully equipped with all the machinery necessary to work with panels, solid wood, plastic, non-ferrous metals, glass and stone, all in a convenient location.

Exhibitions & Events



Apr

From 12 to 17 April, the Biesse Group took part in the 2016 Milan furniture fair, Salone del Mobile

Innovation and globalisation were the watchwords for this 55th edition of the international furniture fair, the world's most important design and furnishings fair held in Milan Rho.

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

Based on the think4ward concept, the company's desire is to support its clients in facing the challenges of the fourth industrial revolution, taking an approach that is oriented to novelties and change, simplifying design and production through unparalleled machines that are easy and convenient to use.

On 30 April 2016, the Ordinary Shareholders' Meeting of Biesse S.p.A. approved in second call the 2015 Separate and Consolidated Financial Statements, both prepared in accordance with IASs/IFRSs, and resolved to distribute a € 0.36 dividend per share in light of the results achieved in 2015 (ex-dividend date scheduled for 9 May 2016 – record date 10 May 2016), paying a total of € 9,861,495.12 – excluding treasury shares.



Exhibitions & Events



Financial statements

Income Statement at 31 March 2016

	31 March 2016	% on sales	31 March 2015	% on sales	DELTA %
<i>Euro 000's</i>					
Revenue from sales and services	117,593	100.0%	112,794	100.0%	4.3%
Change in inventories, wip, semi-finished and finished goods	9,488	8.1%	7,246	6.4%	30.9%
Other revenue	988	0.8%	466	0.4%	111.9%
Revenue	128,068	108.9%	120,506	106.8%	6.3%
Consumption of raw materials, consumables, supplies and goods	(51,521)	(43.8)%	(48,943)	(43.4)%	5.3%
Other operating expense	(25,643)	(21.8)%	(23,940)	(21.2)%	7.1%
Added Value	50,904	43.3%	47,623	42.2%	6.9%
Personnel expense	(41,254)	(35.1)%	(35,986)	(31.9)%	14.6%
Gross Operating profit	9,651	8.2%	11,637	10.3%	(17.1)%
Depreciation and amortisation	(4,326)	(3.7)%	(3,795)	(3.4)%	14.0%
Provisions	63	0.1%	(229)	(0.2)%	-
Normalised Operating profit	5,388	4.6%	7,613	6.7%	(29.2)%
Impairment losses and non recurring items	(23)	(0.0)%	-	-	-
Operating profit	5,365	4.6%	7,613	6.7%	(29.5)%
Finance income/expense	(335)	(0.3)%	(81)	(0.1)%	-
Net exchange rate losses	887	0.8%	(1,083)	(1.0)%	-
Pre-tax profit/loss	5,917	5.0%	6,448	5.7%	(8.2)%
Income taxes	(2,785)	(2.4)%	(2,581)	(2.3)%	7.9%
Profit/Loss for the period	3,132	2.7%	3,867	3.4%	(19.0)%

Revenue from sales and services in the first quarter of 2016 showed an increase of 4.3% compared with the same period of 2015, rising from €112,794 thousand to €117,593 thousand.

As regards the analysis of sales by segment compared with the first quarter of 2016, it should be noted that the results of the Tooling Division, which recorded the greatest increase (+27.2%), with revenue going from €2,492 thousand to €3,170 thousand, as well as those of the Glass/Stone Division and Mechatronic Division (+17.7% and +8.1% respectively). On the contrary, the Wood Division, the Group's main segment in terms of volumes (€79,178 thousand), recorded a slight reduction of 1.0%.

As regards the geographic distribution of sales in the first three months of 2015, significant increases were recorded in North America (+28.7%) and Western Europe (+12.3%) compared to the first quarter 2015. Western Europe continues to be the Biesse Group's core market, accounting for 42.9% of revenue.

For further details on the analysis of sales, reference should be made to the tables given below in the segment information tables (page 33).

Inventories increased by €18 million compared to 31 December 2015: the change is due to the increase in finished products (€7.2 million), raw materials (€7.8 million) and semi-finished products (€3.6 million). The increase is due to the need to cope with deliveries forecast for the next few months of 2016, in light of the significant increase in the order intake.

The value of production in the first three months of 2016 was €128,068 thousand, up by 6.3% compared to the first quarter of 2015, when it amounted to €120,506 thousand.

The impact of the consumption of raw materials and other operating expense as a percentage of the value of production shows a slight improvement in the impact of raw materials (40.2%, compared to 40.6% in the prior-year period), mainly due to greater efficiency and a different sales mix while other operating expenses remained substantially unchanged.

	1Q 2016	%	1Q 2015	%
<i>Euro 000's</i>				
Revenue	128,068	100.0%	120,506	100.0%
Consumption of raw materials and goods	51,521	40.2%	48,943	40.6%
Other operating expense	25,643	20.0%	23,940	19.9%
Service costs	21,994	17.2%	20,628	17.1%
Use of third party assets	2,149	1.7%	2,014	1.7%
Sundry operating expense	1,500	1.2%	1,298	1.1%
Added Value	50,904	39.7%	47,623	39.5%

The €1,703 thousand increase in Other operating expense was largely due to Service costs (+€1,366 thousand). In detail, this change is attributable to both "variable" cost items (for example: outsourced processing, third party technical services, sales commissions and transport fees) and to "fixed" cost items (for example: consultancy fees, travel and lodging expenses and trade fairs).

In the first three months of 2016, added value totalled €50,904 thousand, up 6.9% over the same period last year (€47,623 thousand) and from 42.2% to 43.3% as a percentage of revenue.

In the first three months of 2016 personnel expense amounted to €41,254 thousand, up by €5,267 thousand compared to the figure for 2015 (€35,986 thousand, +14.6%). The change is mainly attributable to wages and salaries (€+4,596 thousand, +13.4% on the same period of 2015) and is primarily due to the increase in the headcount as part of the Group's recruiting policy.

EBITDA amounted to €9,651 thousand at 31 March 2016 (€11,637 thousand in the prior-year period), down by €1,986 thousand (- 17.1%).

Depreciation and amortisation increased by 14.0% (from €3,795 thousand in the first quarter 2015 to €4,326 thousand in this period): the change is due to the corporate policy to increase investments, which has been implemented in recent years.

Provisions have been made for €63 thousand (- €229 thousand in the first quarter of 2015), and are to a large extent due to the adjustment of the provision for product guarantees and the provisions for risks and charges.

As regards financial operations, charges are recorded for €335 thousand, deteriorating compared with the 2015 figure (€81 thousand), as a result of the cancellation of subsidies to exports due to changes in regulations and interpretations by the competent authorities.

Exchange risk management in the first three months resulted in gains of €887 thousand, improving compared to the same period last year (€1,083 thousand loss).

Pre-tax profit amounted to €5,917 thousand (-8.2% compared to the same period last year).

The estimated balance of tax items was negative to the tune of €2,785 thousand. The impact relating to current taxes was a negative €3,941 thousand (IRAP – regional business tax: €492 thousand; IRES – corporate income tax: €2,119 thousand; taxes from foreign jurisdictions: €1,265 thousand; prior years' taxes: €64 thousand) while deferred taxes were positive to the tune of €1,156 thousand.

Therefore, the profit for the first quarter of 2016 amounted to €3,132 thousand.

Net financial position at 31 March 2016

	31 March 2016	31 December 2015	30 September 2015	30 June 2015	31 March 2015
<i>Euro 000's</i>					
Financial assets:	35,599	51,571	44,525	47,189	60,297
Current financial assets	16	17	16	17	26
Cash and cash equivalents	35,582	51,553	44,508	47,172	60,271
Short term finance lease payables	(457)	(489)	(422)	(408)	(412)
Short term bank loans and borrowings and loans from other financial backers	(27,069)	(28,209)	(36,503)	(31,640)	(29,402)
Short Term Net Financial Indebtedness	8,072	22,873	7,600	15,141	30,484
Medium/Long term finance lease payables	(1,236)	(1,514)	(1,555)	(1,672)	(1,769)
Medium/Long bank loans and borrowings	(18,621)	(21,234)	(31,810)	(32,463)	(41,380)
Medium/Long Term Net Financial Indebtedness	(19,857)	(22,748)	(33,365)	(34,135)	(43,149)
Total Net Financial Indebtedness	(11,784)	126	(25,765)	(18,994)	(12,665)

The Group's total net financial indebtedness at 31 March 2016 was €11.8 million (gearing 0.08), up by €11.9 million compared to 31 December 2015, also as a result of the cyclical nature of the business. On the other hand, the net financial position improved compared with the same period last year (- €0.9 million).

Total cash absorption in the first 3 months of 2016 is mainly due to the negative change in net operating working capital (€ +8.2 million compared with 31 December 2015). The impact of net operating working capital on consolidated

Group revenue is, however, mostly unchanged (March 2016 vs March 2015). The days sales outstanding (DSO) value remains unchanged as does the days payable outstanding (DPO). Net invested capital amounted to €154.3 million, up compared to the same period of 2015.

At the same date, shareholders' equity amounted to €142.5 million (€134.3 million at 31 March 2015).

Summary Statement of Financial Position at 31 March 2016

	31 March 2016	31 December 2015	31 March 2015
<i>Euro 000's</i>			
Intangible assets	60,089	58,943	54,837
Property, plant and equipment	68,092	69,861	65,574
Financial assets	1,897	1,580	1,733
Non current assets	130,079	130,385	122,144
Inventories	129,341	111,374	117,680
Trade receivables	101,004	105,371	84,937
Trade payables	(158,702)	(153,344)	(134,374)
Net Operating Working Capital	71,643	63,401	68,243
Post-employment benefits	(13,319)	(13,536)	(14,407)
Provision for risk and charges	(10,721)	(11,731)	(9,614)
Other net payables	(34,442)	(37,202)	(30,505)
Net deferred tax assets	11,057	9,943	11,142
Other net liabilities	(47,425)	(52,526)	(43,385)
Net Invested Capital	154,296	141,260	147,002
Share capital	27,393	27,393	27,393
Profit/loss for the previous year/period and other reserves	111,753	92,746	102,874
Profit/Loss for the period	3,130	20,971	3,874
Non-controlling interests	236	275	196
Equity	142,512	141,386	134,337
Bank loans and borrowings and loans from other financial backers	47,383	51,445	72,962
Other financial assets	(16)	(17)	(26)
Cash and cash equivalents	(35,582)	(51,553)	(60,271)
Net financial indebtedness	11,784	(126)	12,665
Total sources of funding	154,296	141,260	147,002

Compared to 31 December 2015, net intangible assets increased by approximately €1.1 million due to increasing investments (mainly attributable to R&D capitalisations), net of relevant amortisation for the period (around €2.5 million).

As for net property, plant and equipment, they decreased by €1.8 million compared with 31 December 2015, net of the relevant depreciation for the period (€1.9 million).

Inventories increased by €17,968 thousand overall compared to 31 December 2015. The change is due to the

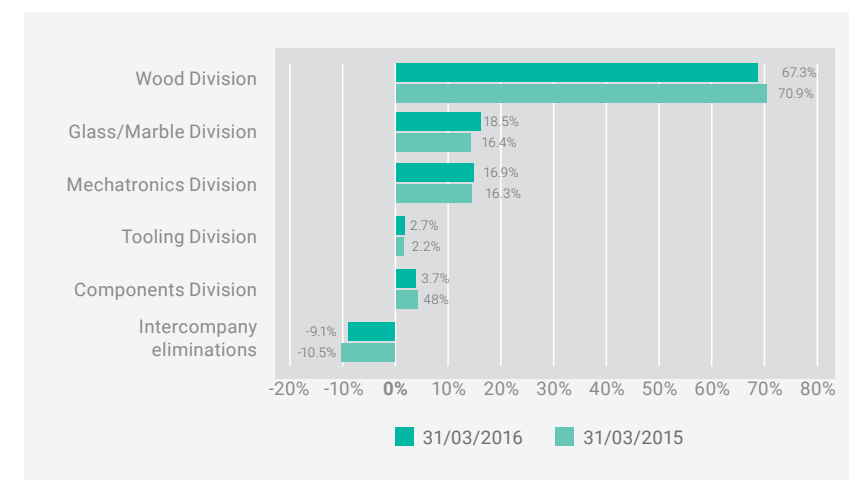
€7.2 million increase in finished products, to the €7.8 million increase in raw materials, and to the €3.6 million increase in semi-finished goods.

As previously mentioned, the trend in inventories was related to the positive order intake.

With reference to the other items of net operating working capital, which increased by €8,242 thousand overall compared to 31 December 2015, notably trade payables increased by €5,358 thousand and trade receivables decreased by €4,368 thousand.

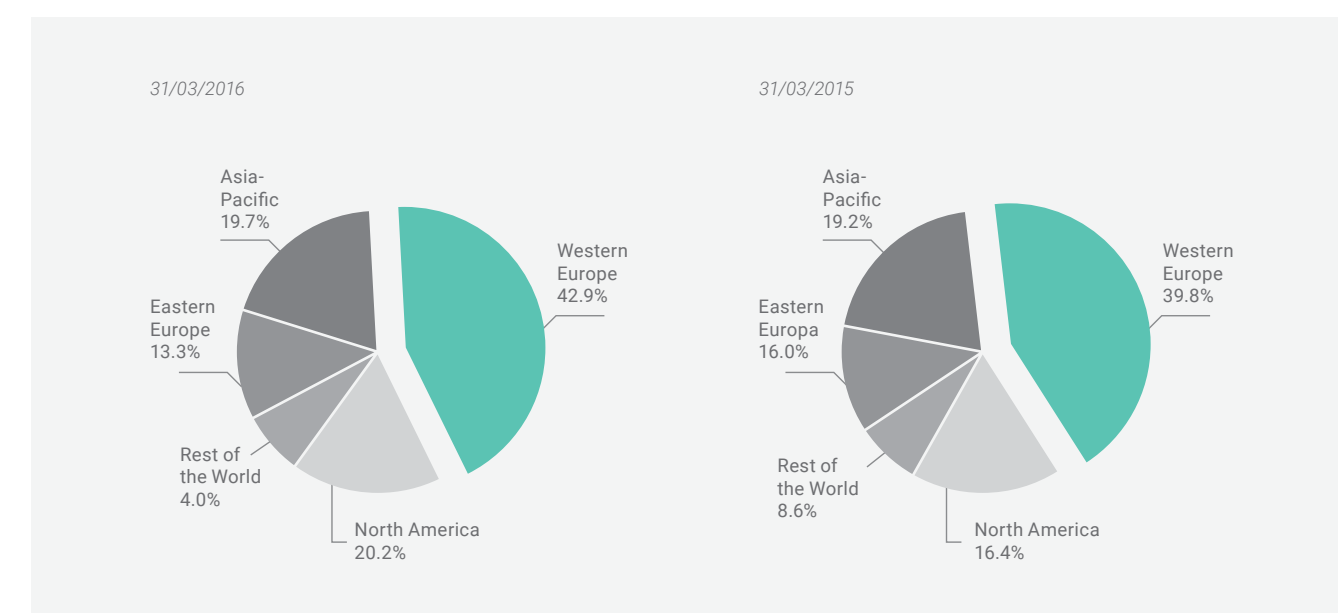
Segment reporting – Revenue breakdown by division

	1Q 2016	% on sales	1Q 2015	% on sales	Change %
<i>€ 000</i>					
Wood Division	79,178	67.3%	79,946	70.9%	(1.0)%
Glass/Marble Division	21,747	18.5%	18,483	16.4%	17.7%
Mechatronics Division	19,830	16.9%	18,345	16.3%	8.1%
Tooling Division	3,170	2.7%	2,492	2.2%	27.2%
Components Division	4,358	3.7%	5,359	4.8%	(18.7)%
Intercompany eliminations	(10,691)	(9.1)%	(11,831)	(10.5)%	(9.6)%
Total	117,593	100.0%	112,794	100.0%	4.3%



Segment reporting – Revenue breakdown by geographical area

	1Q 2016	%	1Q 2015	%	Change %
<i>€ 000</i>					
Western Europe	50,453	42.9%	44,929	39.8%	12.3%
Asia-Pacific	23,120	19.7%	21,709	19.2%	6.5%
Eastern Europe	15,590	13.3%	18,036	16.0%	(13.6)%
North America	23,750	20.2%	18,451	16.4%	28.7%
Rest of the World	4,680	4.0%	9,668	8.6%	(51.6)%
Total	117,593	100.0%	112,794	100.0%	4.3%



Pesaro, 6 May 2016

The Chairman of the Board of Directors
Roberto Selci

	1Q 2016	% on sales	1Q 2015	% on sales	Change %
€ 000					
Revenue from sales and services	117,593	100.0%	112,794	100.0%	4.3%
Other revenues	988	0.8%	466	0.4%	111.9%
Net Revenues	118,580	100.8%	113,260	100.4%	4.7%
COGS	(52,551)	(44.7)%	(52,650)	(46.7)%	(0.2)%
Gross Profit	66,029	56.2%	60,610	53.7%	8.9%
Overhead	(15,124)	(12.9)%	(12,987)	(11.5)%	16.5%
Added Value	50,905	43.3%	47,623	42.2%	6.9%
Personnel expense	(41,254)	(35.1)%	(35,986)	(31.9)%	14.6%
Gross Operating Income (EBITDA)	9,651	8.2%	11,637	10.3%	(17.1)%
Depreciation and amortisation	(4,326)	(3.7)%	(3,795)	(3.4)%	14.0%
Provisions	63	0.1%	(229)	(0.2)%	-
Normalised Operating profit	5,388	4.6%	7,613	6.7%	(29.2)%
Impairment losses and non recurring items	(23)	(0.0)%	-	-	-
Net Operating Income (EBIT)	5,365	4.6%	7,613	6.7%	(29.5)%
Financial revenues and expenses	(335)	(0.3)%	(81)	(0.1)%	-
Net exchange rate losses	887	0.8%	(1,083)	(1.0)%	-
Pre-tax profit/loss	5,917	5.0%	6,448	5.7%	(8.2)%
Taxes	(2,785)	(2.4)%	(2,581)	(2.3)%	7.9%
Profit/Loss for the period	3,132	2.7%	3,867	3.4%	(19.0)%

Certification pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance

The Manager charged with preparing the company's financial reports declares that, pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance, the accounting information contained herein corresponds to the results contained in the documentary evidence and accounting books and records.

Manager charged with preparing
the company's financial reports
Cristian Berardi

Biesse S.p.A.
Headquarters
Via della Meccanica, 16
61122 Pesaro - Italy
www.biessegroupp.com

