

## **BIESSE S.P.A.**

**DIRECTORS' REPORT FOR THE ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS OF BIESSE S.P.A. OF THE 20 AND 21 JUNE 2018, PREPARED PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE OF 24 FEBRUARY 1998 No. 58 (CONSOLIDATED FINANCIAL LAW "TUF") AND ARTICLES 72 AND 84-TER OF THE ISSUERS' REGULATIONS ADOPTED BY CONSOB RESOLUTION No. 11971 OF 14 MAY 1999, AND SUBSEQUENT AMENDMENTS (THE "ISSUERS' REGULATION").**

*14 MAY 2018*

Dear Shareholders,

Following publication of the Notice of Meeting in the newspaper, "Il Giornale" of 16 May 2018 and on the website of Biesse S.p.A. (the "**Company**" or "**Biesse**") on the same date, a Meeting of Shareholders has been called, in ordinary sessions, for 20 and 21 June 2018, in first and second convocations respectively, at the registered offices in Pesaro, Via della Meccanica, 16 to discuss and approve the following:

### **Agenda**

#### *Ordinary session*

1. Conferral of a mandate on the independent audit company in accordance with article 159 of Legislative Decree no. 58/98 and approval of the related remuneration.
2. Approval of the reversal of the proportion of the provision made to the foreign currency translation reserve.

\* \* \* \*

Dear Shareholders,

The Meeting of Shareholders convened for 20 and 21 June 2018 is called to approve the proposal of the Board of Directors of Biesse regarding the appointment of the new independent auditors for the period 2019-2027. It should be noted that this decision has been activated a year in advance of the official expiry of the mandate of the current independent auditor (KPMG S.p.A.) as the current regulations relating to public interest entities allow for a cooling off period of 1 year in which the independent audit network to participate in the tender may not provide any service to the potential target client. In order to overcome this restriction, it was decided to activate the tender a year in advance, the implementation of which was regulated by the relevant procedure approved by the Board of Directors which also involved the supervision of the control body. Four audit networks have been asked to participate in the tender (PWC - E&Y-Deloitte-BDO), each of which have been subjected to a careful evaluation in terms of reputation, professionalism and coverage of the countries in which the Group operates. The offers received have been evaluated in accordance with the objective parameters set by the said Board of Statutory Auditors, which on 23 April 2018 issued its reasoned opinion which identified 2 networks, E&Y and Deloitte S.p.A. The aforementioned reasoned opinion is attached. On 14 May 2018, the Board of Directors evaluated the proposals received and the related reasoned opinion of the Board of Statutory auditors and decided to propose the network Deloitte S.p.A. as the next independent auditor of the Biesse Group. The regulations require the Board of Directors to provide adequate justification for any choice different to the indications proposed by the Board of Statutory Auditors. Therefore, the Board of Directors, while it considers the professionalism of both networks to be adequate, evaluated the proposal by Deloitte as the better of the two in terms of the mix of hours of the designated team and signatory partner in addition to the fact that the Board of Directors had ascertained that the tender resulted in a significant reduction in fees in particular by the network E&Y, therefore thanks also to the guarantee of an adequate fees/quality of work relationship it

considered it more suitable to indicate the network Deloitte S.p.A. as the designated network to submit for the approval of the Meeting of Shareholders, for the protection of all shareholders. Consequently the Board of Directors proposes, pursuant to the law, to appoint the company Deloitte S.p.A. as independent auditor for the period 2019 – 2027 and the final ratification of the elimination of the provision for the proportion of profits carried forward to the foreign currency reserve. The Board of Directors therefore submits the following proposal on the Agenda for the approval of the Meeting of Shareholders:

"The Ordinary Meeting of Shareholders of Biesse S.p.A.,

- *taking note of the Report of the Board of Statutory Auditors,*

### **APPROVES**

(a) *conferral of a mandate on the independent audit company, Deloitte in accordance with article 159 of Legislative Decree no. 58/98 establishing its remuneration as Euro 375,500 (comprehensive of the quota of the eventual HSD S.p.A. listing)*

3. *approve the reversal of the proportion of the provision made to the foreign currency translation reserve for Euro 75,332.65*

(b)

*The aforementioned resolution*

*Is hereby submitted to a vote and is declared approved with the votes in favour by the Meeting of Shareholders as detailed in the attachment."*

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Pesaro, 14 May 2018

The Chairman of the Board of Directors