Biesse: approves the Quarterly Report to 30 September 2013

9 month results characterised by:

- ✓ **Growth in operating profitability**
  - o **Value added + 2.1%** compared with 2012/9
  - o **ebitda + 56.8%** compared with 2012/9
  - o **ebit rises by € 11.1 million** compared with 2012/9
- ✓ **Return to Net Profit**
  - o **rises by € 10.6 million** compared with 2012/9
- ✓ **Reduction in Net Debt**
  - o **down by € 21.6 million** compared with 2012/9

(values in €million)	**III Q 2013**	**9 months 2013**
• Consolidated revenues	88.2	268.5
• Value Added	33.6	103.0
As % of revenues	(38.1%)	(38.4%)
• Ebitda	7.6	19.2
As % of revenues	(8.7%)	(7.2%)
• Ebit	3.6	8.8
As % of revenues	(4.1%)	(3.3%)
• Net Debt	50.4	

Pesaro, 14 November 2013 - The Board of Directors Biesse S.p.A. – a **company listed in the STAR segment of the Italian stock exchange** - has today approved the Financial report for the **3rd Quarter of 2013** and examined the results for the nine month period to **30 September 2013.**
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Results
The results for the Biesse Group for the period **1/7/13 – 30/9/13** are as follows:

- Net consolidated revenues of € 88.2 million *(+10.3%* compared with the same period of *2012)*
- Value Added € 33.6 million *(+12.8%* compared with the same period of *2012)* representing a margin on revenues of 38.1% (37.3% in 2012)

- Gross Operating Margin *(EBITDA)* € 7.6 million *(+168.2%* compared with the same period of *2012)* representing a margin on revenues of 8.7% (3.6% in 2012)
- Operating Result *(EBIT)* € 3.6 million *(*compared to a negative figure of *€ 3.2 million in the same period of 2012)* representing a margin on revenues of 4.1%
- Pre-tax profit of € 2.2 million *(*compared to a negative figure of € *4.4 million in the same period of 2012)* representing a margin on revenues of 2.5%
- Net profit of € 0.8 million *(*compared to a negative figure of *€ 5.3 million in the same period of 2012)* representing a margin on revenues of 0.9%

Consequently the results for the nine months to **30 September 2013** are as follows:

- Net consolidated revenues of € 268.5 million *(-1.3%* compared with the same period of *2012)*
- Value Added € 103.0 million *(+2.1%* compared with the same period of *2012)* representing a margin on revenues of 38.4% (37.1% in 2012)
- Gross Operating Margin *(EBITDA)* € 19.2 million *(+56.8%* compared with the same period of *2012)* representing a margin on revenues of 7.2% (4.5% in 2012)
- Operating Result *(EBIT)* € 8.8 million (compared to a negative figure of € *2.3 million in the same period of 2012)* representing a margin on revenues of 3.3%
- Pre-tax profit of € 5.9 million *(*compared to a negative figure of € *5.9 million in the same period of 2012)* representing a margin on revenues of 2.2%
- Net profit of € 2.0 million *(*compared to a negative figure of *€ 8.6 million in the same period of 2012)* representing a margin on revenues of 0.7%

Net Financial Position and Balance sheet Data

Group Net Debt at **30 September 2013** was **€ 50.4 million**, <u>which represents a huge improvement</u> *(€ 21.6 million)* compared with the figure at the same point in 2012. The <u>reduction in Net Debt</u> compared to the position at the start of 2013 amounted to € 5.8 million. The counter-cyclical <u>improvement in the Net Financial Position</u> compared to the position at end-June (*€ 0.9 million)* is particularly notable since the reduction was achieved in spite of Biesse's traditional seasonal pattern.

Total cash flow management in the first 9 months of 2013 –including negative extraordinary items totalling € 1.2 million- resulted in <u>positive cash flow generation</u> due to the improved profitability as well as a significant reduction in Net Operating Working Capital. This was a reversal of the situation in the first 9 months of *2012,* which revealed total cash absorption of € 21.6 million.

Group Gearing at **30 September 2013** was 0.46 compared to 0.51 at December 2012.

Net Invested Capital € 159.7 million – Net Shareholders' Funds € 109.3 million – Net Operating Working Capital € 76.3 million.

Breakdown of revenues

The geographical breakdown of consolidated revenues reveals a continued contraction in sales in Western Europe *(representing 37.4% of the total)* and within that a contribution from the domestic market *(representing 11.7% of the total)* which is substantially stable compared with the recent past. The potential positive effects of the recently approved incentives (*article 2 Decree Law no. 69*) are yet to be evaluated.

Compared to the same period of 2012 the results show growth in the proportion of sales generated both in Asia-Australasia *(representing 21% of the total),* and, even more significantly, in North-America *(representing 13.4% of the total).*

The Biesse Group generated revenues in the B.R.I.C. countries alone *(Brazil-Russia-India-China)* amounting to 20.1% of total consolidated sales, representing an increase compared to to both the 18.3% achieved in September 2012, and the 19.4% achieved in December 2012. Biesse's performance was particularly positive in China which now accounts for 8.4% of sales *(5.5% in 2012 – 4.4% in 2011).*

Order book

At **30 September 2013** the aggregate Group order inflow rose by 4.9% compared to that for the first nine months of the previous year, while in the third quarter of 2013 alone the order intake was 5.8% higher than that reported in the same period of the previous year. Compared with 2011 the aggregate Group order inflow at 30 September was 7.1% higher with a rise of +27.5% in the III Q alone.

The Group backlog at end-**September 2013** amounted to € 81.1 million *(+0.6% compared with the position at June 2013 and substantially unchanged compared with the start of the year).*

Market

UCIMU - the Italian machine tools producers' trade association – reported a net decline in orders of 5.7% in the third quarter alone compared with the same period of the previous year, but noted that prospects are moderately positive for the domestic market despite continuing difficulties faced in finding suitable financial support for investment in capital goods. According to preliminary forecasts prepared by Oxford Economics, machine tool demand in Italy is expected to rise by 4.5% in 2014 and by 7.1% in 2015 which therefore confirms a higher average rate of increase than that expected in Western Europe in general.

The latest press release issued by the Italian woodworking machinery and tools manufacturers' trade association, **ACIMALL** – which Biesse recently rejoined – indicated total growth in orders for III Q 2013 of 3% for which the Italian market component was markedly higher *(14.4%)* than the foreign component *(0.3%)*. This situation – in many ways anomalous – does not for the moment alter what Acimall itself called the structural pessimism in the industry, but gives hope for a natural rebound from levels that had reached an historical minimum. The stall in order inflow does not yet appear to be easy to overcome, at least until the effects of industrial support initiatives to be put in place by the Government become tangible. Forecasts based on a consensus of Italian operators have become more positive both for foreign markets and the domestic market *(in the short and medium term)* although, on a historic basis, current values remain significantly lower than the average reported over the preceding decade.

According to **VDMA** *(the German mechanical engineering trade association)* the aggregate data to **30 September 2013 –**despite a slowdown in the third quarter- imply a total increase in order intake of 9% with improved growth projections in the immediate future. As far as the German trade association is concerned the most significant phenomenon is the more rapid recovery in the domestic market compared to foreign markets.

Events
Corroboration of July's positive result at the AWFS in Las Vegas - *Association of Woodworking & Furnishings Suppliers where Biesse received the Visionary Award 2013 for its Air Force System cutting edge technology-* came from the favourable outcome of the **BiesseInside** *(wood)* and **Vitrum Milano** *(glass)* events/trade fairs during which Biesse Group achieved significant results both from the perspective of participation in the events and orders received.

Forecast
In view of the results achieved to date, taking into account the global macro-economic outlook and the progressive implementation of planned initiatives, expectations for the current year are as follows:

Consolidated revenues: expected range € 365 - 370 million
Ebitda: expected range € 25 - 28 million
Ebit: expected range € 12 - 15 million
Net Debt: expected range € 40-42 million

Following the board meeting, Mr Stefano Porcellini, the Chief Executive Officer of Biesse, stated: "*the figures for these first nine months are decidedly comforting given the actions undertaken; it is now evident that for the current year we have been faithful to the promises made to our shareholders regarding profitability and cash generation. This is a satisfying result because it was achieved in the absence of support from demand in Italian and European markets (which represent more than 50% of our total end market) which have remained weak throughout the 2013 financial year to date. As previously stated, - while keeping costs under close surveillance – now our challenge is to achieve growth and our investments are being directed towards that commercial objective. It should furthermore be noted that more than 2/3 of Biesse's operating result is absorbed by financial charges and taxes. Biesse operates in a competitive arena in which it has to compete against German companies that benefit from a more balanced cost of financing and taxation, which leaves room for investment in innovation and youth employment that would be unsustainable for an Italian company required to support an inefficient domestic economic system."*

BIESSE

"the manager responsible for the preparation of the company accounting records (Dr. Cristian Berardi) declares that the company accounting information contained in the present communication corresponds to the results contained in the group's records, books and accounts In accordance with paragraph 2, clause 154-bis del T.U.F. (Testo Unico Finanziario-Consolidated Financial Law)"

The Biesse Group operates in the market for machinery and systems for working wood, glass, marble and stone. Founded in Pesaro in 1969 by Giancarlo Selci, Biesse S.p.A. has been listed on the STAR sector of Borsa Italiana since June 2001.
The Company offers modular solutions from the design of turnkey plants for large furniture manufacturers to individual automatic machines and work stations for small and medium enterprises and the design and distribution of individual highly technological components.
As a result of its attention to research and innovation, Biesse can develop modular products and solutions capable of responding to a vast range of requirements from clients.
A multinational company, the Biesse Group distributes its products through a network of subsidiaries and associates located in strategic markets.
The 30 directly controlled subsidiaries guarantee specialized after-sales assistance to clients whilst at the same time carrying out market research in order to develop new products. The Biesse Group has almost 2,700 employees in its main production sites in Pesaro, Alzate Brianza, Bangalore, Dongguan and its associates/branch offices in Europe, North America, the Middle East, Asia and Australasia. The Group also has no fewer than 300 resellers and agents enabling it to cover more than 100 countries.

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FINANCIAL STATEMENTS

Income Statement for the quarter ended 30 September 2013

Euro 000's	3Q 2013	% on sales	3Q 2012	% on sales	CHANGE %
Revenue from sales and services	**88,250**	**100.0%**	**79,993**	**100.0%**	**10.3%**
Change in inventories, wip, semi-finished and finished goods	(3,670)	(4.2)%	3,147	3.9%	-
Other revenue	755	0.9%	1,085	1.4%	(30.4)%
Revenue	**85,334**	**96.7%**	**84,225**	**105.3%**	**1.3%**
Consumption of raw materials, consumables, supplies and goods	(32,706)	(37.1)%	(34,328)	(42.9)%	(4.7)%
Other operating expense	(18,979)	(21.5)%	(20,061)	(25.1)%	(5.4)%
Added Value	**33,650**	**38.1%**	**29,835**	**37.3%**	**12.8%**
Personnel expense	(25,999)	(29.5)%	(26,983)	(33.7)%	(3.6)%
Gross Operating profit	**7,650**	**8.7%**	**2,852**	**3.6%**	-
Depreciation and amortisation	(3,484)	(3.9)%	(3,365)	(4.2)%	3.6%
Provisions	(550)	(0.6)%	(798)	(1.0)%	(31.0)%
Normalised Operating profit	**3,616**	**4.1%**	**(1,311)**	**(1.6)%**	-
Impairment losses and non recurring items	20	0.0%	(1,955)	(2.4)%	-
Operating profit	**3,636**	**4.1%**	**(3,266)**	**(4.1)%**	-
Finance income/expense	(855)	(1.0)%	(832)	(1.0)%	2.8%
Net exchange rate losses	(606)	(0.7)%	(323)	(0.4)%	87.5%
Pre-tax profit/loss	**2,175**	**2.5%**	**(4,421)**	**(5.5)%**	-
Income taxes	(1,363)	(1.5)%	(905)	(1.1)%	50.6%
Profit/Loss for the period	**811**	**0.9%**	**(5,326)**	**(6.7)%**	-

Income Statement at 30 September 2013

Euro 000's	September 2013	% on sales	September 2012	% on sales	CHANGE %
Revenue from sales and services	**268,501**	**100.0%**	**272,078**	**100.0%**	**(1.3)%**
Change in inventories, wip, semi-finished and finished goods	3,238	1.2%	11,742	4.3%	(72.4)%
Other revenue	2,130	0.8%	1,831	0.7%	16.4%
Revenue	**273,869**	**102.0%**	**285,651**	**105.0%**	**(4.1)%**
Consumption of raw materials, consumables, supplies and goods	(111,661)	(41.6)%	(122,832)	(45.1)%	(9.1)%
Other operating expense	(59,184)	(22.0)%	(61,963)	(22.8)%	(4.5)%
Added Value	**103,024**	**38.4%**	**100,856**	**37.1%**	**2.1%**
Personnel expense	(83,799)	(31.2)%	(88,594)	(32.6)%	(5.4)%
Gross Operating profit	**19,225**	**7.2%**	**12,262**	**4.5%**	**56.8%**
Depreciation and amortisation	(9,985)	(3.7)%	(10,304)	(3.8)%	(3.1)%
Provisions	(689)	(0.3)%	(1,882)	(0.7)%	(63.4)%
Normalised Operating profit	**8,551**	**3.2%**	**76**	**0.0%**	-
Impairment losses and non recurring items	234	0.1%	(2,421)	(0.9)%	-
Operating profit	**8,784**	**3.3%**	**(2,345)**	**(0.9)%**	-
Finance income/expense	(2,079)	(0.8)%	(2,537)	(0.9)%	(18.1)%
Net exchange rate losses	(747)	(0.3)%	(997)	(0.4)%	(25.1)%
Pre-tax profit/loss	**5,959**	**2.2%**	**(5,880)**	**(2.2)%**	-
Income taxes	(3,986)	(1.5)%	(2,729)	(1.0)%	46.0%
Profit/Loss for the period	**1,973**	**0.7%**	**(8,609)**	**(3.2)%**	-

Net financial position at 30 September 2013

	30 September 2013	30 June 2013	31 March 2013	31 December 2012	30 September 2012
Euro 000's					
Financial assets:	24,605	28,681	22,221	17,004	21,350
Current financial assets	*949*	*890*	*849*	*849*	*714*
Cash and cash equivalents	*23,657*	*27,791*	*21,372*	*16,156*	*20,636*
Short term finance lease payables	(281)	(277)	(273)	(270)	(266)
Short term bank loans and borrowings and loans from other financial backers	(50,226)	(50,624)	(79,182)	(67,055)	(87,356)
Short Term Net Financial Indebtedness	**(25,902)**	**(22,220)**	**(57,235)**	**(50,321)**	**(66,272)**
Medium/Long term finance lease payables	(2,033)	(2,105)	(2,175)	(2,245)	(2,314)
Medium/Long bank loans and borrowings	(22,435)	(26,958)	(2,586)	(3,621)	(3,380)
Medium/Long Term Net Financial Indebtedness	**(24,468)**	**(29,062)**	**(4,762)**	**(5,866)**	**(5,694)**
Total Net Financial Indebtedness	**(50,370)**	**(51,282)**	**(61,996)**	**(56,187)**	**(71,966)**

Summary Statement of Financial Position

Euro 000's	30 September 2013	31 December 2012	30 September 2012
Intangible assets	47,699	47,616	50,191
Property, plant and equipment	57,980	62,102	62,924
Financial assets	946	1,153	1,154
Non current assets	**106,625**	**110,872**	**114,269**
Inventories	93,550	90,321	99,754
Trade receivables	83,859	99,455	96,642
Trade payables	(101,086)	(107,323)	(105,389)
Net Operating Working Capital	**76,323**	**82,452**	**91,006**
Post-employment benefits	(12,928)	(14,329)	(13,773)
Provision for risk and charges	(10,161)	(11,703)	(9,872)
Other net payables	(16,811)	(18,104)	(16,273)
Net deferred tax assets	16,671	17,124	16,488
Other net liabilities	**(23,229)**	**(27,011)**	**(23,428)**
Net Invested Capital	**159,719**	**166,313**	**181,847**
Share capital	27,393	27,393	27,393
Profit/loss for the previous year/period and other reserves	79,768	89,015	90,387
Profit/Loss for the period	1,980	(6,487)	(8,302)
Non-controlling interests	209	206	403
Equity	**109,349**	**110,126**	**109,881**
Bank loans and borrowings and loans from other financial backers	74,975	73,191	93,316
Other financial assets	(949)	(849)	(714)
Cash and cash equivalents	(23,657)	(16,156)	(20,636)
Net financial indebtedness	**50,370**	**56,187**	**71,966**
Total sources of funding	**159,719**	**166,313**	**181,847**