

Biesse: approves quarterly report to 30 September 2018

highlights **9 months 2018:**

✓ **Order intake - backlog - revenues:**

- order intake (*machinery only*) +5.2% compared to September 2017
- backlog (*machinery only*) +18.5% compared to September 2017
- consolidated revenues Euro 520.8 million +4.5% compared to September 2017

✓ **profitability:**

- value added Euro 217.6 million
- ebitda Euro 60.9 million
- ebit Euro 42.5 million before non-recurring items of € 1.5 million

✓ **net profit:**

- Euro 23.5 million

✓ **net financial position:**

- positive for Euro19.4 million

(values in EURO million)

III quarter 2018

9 months 2018

● Consolidated revenues	164.8	520.8
● Value Added	67.3	217.6
As % of revenues	(40.9%)	(41.8%)
● EBITDA	17.4	60.9
As % of revenues	(10.6%)	(11.7%)
● EBIT*	12.2	42.5
As % of revenues*	(7.4%)	(8.2%)

*before non-recurring items of € 1.5 million

Pesaro, 30 October 2018 - The Board of Directors of Biesse S.p.A. - **a company listed in the STAR segment of the Italian Stock Exchange in the FTSE IT Mid-Cap category**- has today approved the interim financial report for the **3rd Quarter 2018** and examined the results for the nine month period to **30 September 2018**.

Results

The results for the Biesse Group for the period 1/7/18 – 30/9/18, are as follows:

- Net Consolidated Revenues of EURO 164.8 million (-1.4% compared with the same period of 2017)
- Value Added EURO 67.3 million (-4.4% compared with the same period of 2017) representing a margin on revenues of 40.9%
- Gross Operating Profit (EBITDA) EURO 17.4 million (-29.7% compared with the same period of 2017) representing a margin on revenues of 10.6%
- Operating Result (EBIT) EURO 12.2 million (-34.1% compared with the same period of 2017) representing a margin on revenues of 7.4%
- Pre-tax Profit EURO 9.4 million (-43.2% compared with the same period of 2017) representing a margin on revenues of 5.7%
- Net Profit EURO 6.3 million (-41.9% compared with the same period of 2017) representing a margin on revenues of 3.8%

Consequently, the results for the nine months to 30 September 2018 are as follows:

- Net consolidated revenues of EURO 520.8 million (+4.5% compared with the same period of 2017)
- Value Added EURO 217.6 million (+3.9% compared with the same period of 2017) representing a margin on revenues of 41.8%
- Gross Operating Profit (EBITDA) EURO 60.9 million (-7.1% compared with the same period of 2017) representing a margin on revenues of 11.7%
- Operating Result (EBIT) EURO 42.5 million (-11.7% compared with the same period of 2017) representing a margin on revenues of 8.2% before non-recurring items of € 1.5 million
- Pre-tax Profit EURO 36.2 million (-18.3% compared with the same period of 2017) representing a margin on revenues of 7.0%
- Net Profit EURO 23.5 million (-16.8% compared with the same period of 2017) representing a margin on revenues of 4.5% – tax rate 35.1%

Net financial position and balance sheet data

The net financial position of the Group at **30 September 2018** was positive for **EURO 19.4 million, an improvement (EURO 10.2 million)** compared with the same period of 2017. Total cash flow management in the first nine months of the current year – *net of dividend payments to shareholders and non-characteristic*

components and taking into account the normal seasonal pattern of business – **generated net liquidity of EURO 4.3 million** (the change in the Net Financial Position since the start of the year adjusted for extraordinary items).

Net Invested Capital: EURO 176.2 million – Net Equity: EURO 195.6 million – Operating Net Working Capital EURO 53.9 million.

The **Net Operating Working Capital** has declined in absolute terms compared with the same period of 2017 by EURO 4.4 million (to 10.3% as a percentage of revenues compared to 11.7%).

Group Days Sales (DSO) Outstanding were 46 days and Group Days Payable (DPO) Outstanding were 114 days at end- September 2018.

Geographical and divisional breakdown of Consolidated Revenues

The breakdown of Consolidated Revenues by geographical area reveals an increase (+6.7%) in sales in Western Europe (45.3% of total revenue) reflecting an increase in the proportion of domestic revenues (17.4% of total revenue) compared with the same period of the previous year (14.8% of total revenue at September 2017).

The comparison of results with the same period of 2017 shows a stable contribution from the North-American market representing 16% of consolidated revenues.

There was a significant increase (23.5%) in the contribution from Eastern Europe which now represents 15.2% of consolidated revenues and which confirms its potential for recovery.

Of the Group's 3 main business divisions, the Wood sector continues to predominate (71.4% of revenues) compared to the Glass/Stone/Marble division (16.8% of revenues) and Mechatronics (14.2% excluding intra group sales). The contribution of the "advanced materials" segment continues to grow although it does not yet represent a separate business segment for management purposes.

Orders

At **30 September 2018** the aggregate Group order inflow (*machinery only*) revealed an increase of 5.2% compared to the same point of the previous year. The Group's backlog (*machinery only*) at end-**September 2018** amounted to more than EURO 257 million (+18.5% compared to September 2017 and +19.5% compared to end-2017).

The geographical breakdown of order intake – as with the order portfolio - reflects the breakdown of consolidated revenues confirming the improvement in demand in Eastern Europe and in Western Europe (led by Italy).

Events

Having participated in the most important trade fairs at a global level, and having received excellent feedback, Biesse organised its now traditional "Inside" event within its own dedicated concept space (*Pesaro 17-27 October*). Given the constantly increasing demand to attend this event, the most recent edition was extended to a 10 day event, which also allowed greater support for innovation and technological evolution. Software, digital services, robotics, automated lines and the most innovative technological solutions were all made available to visitors, providing a response to any requirement demanded by the sector. Amongst the main attractions at the event were the robotised panel-handling systems. Software driven machinery to manage all requirements, capable of carrying out work in pre-determined time frames with consistent quality levels. All of these features were augmented by the positive impact of SOPHIA, the services platform for the simplification and rationalisation of work management. Finally, the Biesse Service Academy was open during the event to showcase the new Training Centre dedicated to the entire Service network (internal and external) in confirmation of the commitment to support our clients by offering them technological excellence and the best skills.

Forecast

In expectation of the approval of the new rolling Three Year Industrial Plan (*three year period 2019-2021*), and also in view of the results achieved to date and the global macro-economic outlook, the updated forecast for the current year is as follows:

Consolidated revenues: expected range EURO 730- 740 million
ebitda: expected range EURO 92 – 95 million
positive net financial position: expected range EURO 20/25 million

" Mr. Stefano Porcellini, Group General Manager stated that, the results to 30 September are confirmation that Biesse will maintain its virtuous growth trend this year too (estimated revenues of Euro 730-740 million for full year 2018) albeit with a growth rate of about 7%, about 3 percentage points lower than the most recent Plan. The current order intake is further evidence of how global demand is increasingly oriented towards solutions with a high degree of automation, such as cells and integrated production lines. This trend, on the one hand has lifted our backlog to record levels (because of the longer production lead times) but also underlies the more conservative estimates of current revenue (and, consequently, on profitability expectations) for the current year. Although likely to be very positive, it is likely that cash generation will also feel the impact of this trend, as well as the impact of planned investment to upgrade productive capacity to satisfy new trends in demand."

Conference Call

Following dissemination of the results today, Biesse will hold a conference call (30 October at 16.00 hours) to comment on the results achieved in the first nine months of 2018. An audio recording of the full conference call, together with a concise supporting presentation will immediately be made available in the investor relations section of the Company's website www.biessegroup.com.

"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. Established in Pesaro in 1969 by Giancarlo Selci, Biesse SpA has been listed since June 2001 in the STAR segment of the Italian Stock Exchange and is currently listed in FTSE IT Mid Cap index.

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 leading strategic markets.

Its 39 directly controlled subsidiaries guarantee specialised after-sales service to clients while at the same time conducting market research into new product development.

At present Biesse Group has more than 4,300 employees in its main production facilities located in Pesaro, Padova, Villafranca (VR), Thiene (VI), Alzate Brianza (CO), Bangalore, Dongguan and in its subsidiaries/associate offices in Europe, North America, Latin America, the Middle East, Asia and Australasia. The Group also has more than 300 resellers and agents enabling it to cover more than 100 countries.

FINANCIAL STATEMENTS

Income statement for the 3rd quarter 2018

	3Q 2018	% on sales	3Q 2017	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	164,796	100.0%	167,069	100.0%	(1.4)%
Change in inventories, wip, semi-finished products and finished products	6,318	3.8%	(4,325)	(2.6)%	-
Other revenues	2,388	1.4%	1,200	0.7%	99.0%
Revenue	173,502	105.3%	163,943	98.1%	5.8%
Raw materials, consumables, supplies and goods	(71,997)	(43.7)%	(61,416)	(36.8)%	17.2%
Other operating costs	(34,169)	(20.7)%	(32,112)	(19.2)%	6.4%
Added value	67,336	40.9%	70,415	42.1%	(4.4)%
Personnel expense	(49,935)	(30.3)%	(45,645)	(27.3)%	9.4%
Gross operating profit	17,401	10.6%	24,770	14.8%	(29.7)%
Depreciation and amortisation	(5,617)	(3.4)%	(5,059)	(3.0)%	11.0%
Provisions	399	0.2%	(1,245)	(0.7)%	-
Normalised operating profit	12,183	7.4%	18,467	11.1%	(34.0)%
Impairment losses and non recurring-items	(1,362)	(0.8)%	(1,131)	(0.7)%	20.4%
Operating profit	10,821	6.6%	17,335	10.4%	(37.6)%
Net financial expense	(470)	(0.3)%	(370)	(0.2)%	27.0%
Net exchange rate losses	(996)	(0.6)%	(517)	(0.3)%	92.5%
Pre-tax profit	9,354	5.7%	16,448	9.8%	(43.1)%
Income taxes	(3,101)	(1.9)%	(5,682)	(3.4)%	(45.4)%
Profit/Loss for the period	6,253	3.8%	10,766	6.4%	(41.9)%

Income Statement for the period ended 30 September 2017 (9 months)

	2018	% on sales	2017	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	520,804	100.0%	498,301	100.0%	4.5%
Change in inventories, wip, semi-finished products and finished products	23,914	4.6%	15,044	3.0%	59.0%
Other Revenues	5,534	1.1%	2,578	0.5%	114.6%
Revenue	550,252	105.7%	515,923	103.5%	6.7%
Raw materials, consumables, supplies and goods	(226,777)	(43.5)%	(207,652)	(41.7)%	9.2%
Other operating costs	(105,878)	(20.3)%	(98,804)	(19.8)%	7.2%
Normalised added value	217,597	41.8%	209,467	42.0%	3.9%
Personnel expense	(156,697)	(30.1)%	(143,926)	(28.9)%	8.9%
Normalised gross operating profit	60,900	11.7%	65,541	13.2%	(7.1)%
Depreciation and amortisation	(16,845)	(3.2)%	(14,822)	(3.0)%	13.6%
Provisions	(1,590)	(0.3)%	(2,623)	(0.5)%	(39.4)%
Normalised operating profit	42,465	8.2%	48,096	9.7%	(11.7)%
Impairment losses and non recurring-items	(1,493)	(0.3)%	(1,132)	(0.2)%	31.9%
Operating profit	40,972	7.9%	46,965	9.4%	(12.8)%
Net financial expense	(1,444)	(0.3)%	(1,420)	(0.3)%	1.7%
Net exchange rate losses	(3,318)	(0.6)%	(1,257)	(0.3)%	-
Pre-tax profit	36,209	7.0%	44,288	8.9%	(18.2)%
Income taxes	(12,723)	(2.4)%	(16,055)	(3.2)%	(20.8)%
Profit for the year	23,486	4.5%	28,232	5.7%	(16.8)%

Net financial position at 30 September 2018

	30th September 2018	30th June 2018	31st March 2018	31st December 2017	30th September 2017
<i>Euro 000's</i>					
Financial assets:	91,114	91,323	89,853	79,421	60,029
<i>Current financial assets</i>	336	706	637	519	14
<i>Cash and cash equivalents</i>	90,778	90,617	89,216	78,902	60,015
Short-term financial lease payables	(336)	(348)	(347)	(199)	(31)
Short-term bank loans and borrowings and loans from other financial backers	(43,133)	(42,444)	(35,649)	(29,086)	(24,238)
Short-term net financial position	47,645	48,531	53,857	50,136	35,759
Medium/Long-term financial lease payables	(1,662)	(1,744)	(1,832)	(1,060)	(2,183)
Medium/Long-term bank loans and borrowings	(26,579)	(30,121)	(33,077)	(18,705)	(24,372)
Medium/Long-term net financial position	(28,241)	(31,866)	(34,908)	(19,765)	(26,554)
Total net financial position	19,403	16,666	18,949	30,371	9,205

Summary balance sheet data

	30th September	31st December
	2018	2017
<i>Euro 000's</i>		
Intangible assets	79,398	75,107
Property, plant and equipment	95,592	90,515
Financial assets	2,397	2,648
Non-current assets	177,387	168,270
Inventories	177,695	143,210
Trade receivables	117,799	119,380
Trade payables	(241,601)	(223,916)
Net operating working capital	53,893	38,674
Post-employment benefits	(12,634)	(13,456)
Provision for risk and charges	(11,748)	(10,405)
Other net payables	(42,287)	(35,617)
Net deferred tax assets	11,586	10,501
Other net liabilities	(55,083)	(48,978)
Net invested capital	176,197	157,966
Share capital	27,393	27,393
Profit for the previous year and other reserves	143,866	117,434
Profit for the year	23,360	42,558
Non-controlling interests	981	952
Equity	195,601	188,337
Bank loans and borrowings and loans and borrowings from other financial backers	71,711	49,050
Other financial assets	(336)	(519)
Cash and cash equivalents	(90,778)	(78,902)
Net financial position (1)	(19,403)	(30,371)
Total sources of funding	176,197	157,966

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