

Biesse: approves the Quarterly Report to 30 September 2012

<i>(values in € million)</i>	IIIQ 2012	9 months 2012
● Consolidated revenues	80.0 (-14.6% vs 2011)	272.1 (-1.2% vs 2011)
● Value Added <i>As % of revenues</i>	29.8 (37.3%)	100.8 (37.1%)
● EBITDA <i>As % of revenues</i>	2.8 (3.5%)	12.2 (4.5%)
● EBIT <i>(before non-recurring items)</i> <i>As % of revenues</i>	-1.3 (-1.7%)	0.0 (--%)
● EBIT <i>As % of revenues</i>	-3.3 (-4.1%)	-2.4 (-0.9%)
● Net Debt	—————	72.0

Pesaro, 14 November 2012 - The Board of Directors of Biesse S.p.A. –a company listed in the STAR segment of the Italian Stock Exchange – has today approved the Report for the **III Quarter 2012** and examined the results for the nine month period to **30 September 2012**.

Results

The economic and financial results for the Biesse Group in the period **1/7/12 – 30/9/12** are as follows:

- Net Consolidated Revenues € 80.0 million *(-14.6% compared with the same period of 2011)*
 - Value Added € 29.8 million *(-8.1% compared with the same period of 2011)* representing a margin on revenues of 37.3% (34.6% in 2011)
 - Gross Operating Margin (EBITDA) € 2.8 million *(-35.1% compared with the same period of 2011)* representing a margin on revenues of 3.5% (4.7% in 2011)
 - Operating Result before non-recurring items* (EBIT) € -1.3 representing a margin on revenues of -1.7%
- *staff reduction incentives and impairment effects
- Operating Result (EBIT) € -3.3 million *(positive result of € 0.5 million in the same period of 2011)* representing a margin on revenues of -4.1%
 - Pre-tax Result € -4.4 million *(negative result of € 0.5 million in the same period of 2011)*
 - Net Result € -5.3 million *(negative result of € 1.2 million in the same period of 2011)*



Consequently the results for the nine months to **30 September 2012** are as follows:

- Net Consolidated Revenues € 272.1 million (*-1.2% compared with the same period of 2011*)
- Value Added € 100.8 million (*+1.0% compared with the same period of 2011*) representing a margin on revenues of 37.1% (36.3% in 2011)
- Gross Operating Margin (*EBITDA*) € 12.2 million (*+5.2% compared with the same period of 2011*) representing a margin on revenues of 4.5% (4.2% in 2011)
- Operating Result before non-recurring items * (*EBIT*) € 0.0 million
* staff reduction incentives and impairment effects
- Operating Result (*EBIT*) € -2.4 million (*positive result of € 0.7 million in the same period of 2011*) representing a margin on revenues of -0.9%
- Pre-tax Result € -5.9 million (*negative result of € 2.7 million in the same period of 2011*)
- Net Result € -8.6 million (*negative result of € 5.4 million in the same period of 2011*)

Net Financial Position and Balance Sheet Data

Group Net Debt at **30 September 2012** was € 72.0 million, an increase of € 23.2 million compared with the same period of 2011 and € 5.2 million higher than at June 2012.

Total cash flow management in the first 9 months of the 2012 financial year, including extraordinary items totalling € 7 million, absorbed cash of € 21.6 million and was impacted by investments relating to expansion of the production footprint (India-China) and to market penetration in strategic new geographical areas (Indonesia – Malaysia – Korea).

The Group gearing ratio at **30 September 2012** was 0.64 compared to 0.42 at end-2011.

Net Invested Capital was € 184.5 million – Net Equity € 112.5 million – Net Operating Working Capital € 91.0 million.

Breakdown of revenues

The breakdown of consolidated revenues reveals the continuing dominant contribution of the Wood Division (*representing 72.8% of the total*), while the geographical breakdown of revenues, in view of the continued contraction of sales in Western Europe (*representing 40.9% of the total*), reveals an increase – compared with the same period of 2011- both in Asia-Australasia (*representing 19.3% of the total*) and in North-America (*representing 10.7% of the total*). It should also be noted that the domestic market accounted for 10.6% of total consolidated revenues, which is considerably less than the 18.3% proportion of total revenues generated by the Group in the B.R.I.C. countries alone (*Brazil-Russia-India-China*).



Orders book

At **30 September 2012** the aggregate Group orders inflow was 10% down on the figure for the first nine months of the previous year, but was 6% higher than in the same period of 2010 and 49.5% higher than in the same period of 2009. The decline reported in the financial period under review was partly attributable to the absence in 2012 of a single large order – of € 18 million – which was included in the figure for 2011.

Orders intake in the IIIQ 2012 was higher than the intake reported for the same quarter in each of the past three years (+11.4% vs 2011 +7.6% vs 2010 +19.2% vs 2009).

The Group backlog at **September 2012** amounted to € 89 million (-16% compared to 1/1/12 and -17.7% compared to the position at end-September 2011).

Markets

Given the continuing climate of instability and the general decline in business confidence, both in Italy and in other markets around the globe, our core sectors were particularly impacted by the widespread negative sentiment and suffered significant weakness.

UCIMU – the Italian machine tools producers' trade association – reports that, in the IIIQ alone, there was a net decline in orders of 16.8% compared with the same period of the previous year and that the outlook is not particularly comforting above all because of the difficulties faced in finding suitable financial support for investment in capital goods.

The latest press release by *ACIMALL* - the Italian woodworking machinery and tools manufacturers' trade association – not only confirmed the generalised stagnation in order intake during the III Q - but also highlighted the structural dichotomy between domestic and foreign markets. The algebraic sum of markets remains negative (-3.7%) as do short term expectations. Although there has been modest growth in exports, Italy remains structurally weak (-25.2%) because of the evident difficulties in its economic and financial circumstances.

The scenario painted by the *VDMA* (*the German mechanical engineering trade association*) is no different; it reported a comprehensive decline in demand in the period to **30 September 2012** (-11.0%) and noted the greater weakness in its domestic market (*Germany*) compared to foreign markets. On the eve of the *Glasstec* trade fair (*glass-working machinery and tools*) the *VDMA* forecast a slight improvement in the sector with a positive outlook in East European and Asian markets.

Other matters

Today's meeting of the Board of Directors of Biesse also co-opted Dr. Cesare Tinti as a new executive director to return the number of board members to the required level. In accordance with the law, the new director will remain in office until the next Shareholders' Meeting. Dr. Cesare Tinti will also hold the position of Director of the Wood Division within the Biesse Group.

Outlook

As a consequence of the generalized climate of uncertainty and evident economic and financial difficulty which also affects our core operating sectors, although the IV quarter is expected to be in line with the results achieved in 2011, the outlook for the current year has been amended as follows:



Consolidated Revenues: expected range € 380-385 million
EBITDA: expected range € 15-18 million
EBIT (before non-recurring items): expected range € 3.8 – 4.3 million
Net Debt: expected range € 63 – 68 million

“Although the results for the third quarter 2012 were disappointing, the fourth quarter will see significant recovery at the level of Operating Results before extraordinary items relating to the ongoing reorganisation “ – *stated Mr. Stefano Porcellini, Group CEO, following today’s board meeting-* “while it will not allow us to achieve a net profit this year, we are creating the foundations to allow us to do so in 2013.” *He went on to say,* “order intake in the mid-part of the year slowed following a sharp deterioration in the macro-economic scenario which compromised the possibility of achieving targets for 2012. Our confidence for the immediate future is based on the twin tracks of a programme to reduce costs connected to corporate reorganisation and the fact that, over the past 10 weeks, order intake has stabilised thanks to exports outside the EU. Another of our priorities will be the return to cash generation following two years of heavy investment to expand our production (*India and China*) and commercial (*Indonesia, Malaysia and Korea*) footprint in high growth countries, as well as the expansion and integration of our product range (*Viet*), with the aim of competing on equal terms with other sector leaders and growing local competition”.

“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)”



FINANCIAL STATEMENTS

Income Statement for the quarter ended 30 September 2012

	3Q	% on sales	3Q	% on sales	change %
	2012		2011		
<i>Euro 000's</i>					
Net revenue	79,993	100.0%	93,714	100.0%	(14.6)%
Change in inventories, wip, semi-finished and finished goods	3,147	3.9%	(3,748)	(4.0)%	-
Other revenue	1,085	1.4%	(47)	(0.1)%	-
Value of Production	84,225	105.3%	89,919	96.0%	(6.3)%
Consumption of raw materials, consumables, supplies and	(34,328)	(42.9)%	(38,510)	(41.1)%	(10.9)%
Other operating expense	(20,061)	(25.1)%	(18,942)	(20.2)%	5.9%
Added Value	29,835	37.3%	32,466	34.6%	(8.1)%
Personnel expense	(26,997)	(33.7)%	(28,094)	(30.0)%	(3.9)%
Gross Operating profit	2,837	3.5%	4,372	4.7%	(35.1)%
Depreciation and amortisation	(3,365)	(4.2)%	(3,175)	(3.4)%	6.0%
Provisions	(798)	(1.0)%	(648)	(0.7)%	23.1%
Normalised Operating profit	(1,325)	(1.7)%	549	0.6%	-
Impairment losses and non recurring items	(1,955)	(2.4)%	-	-	NA
Operating profit	(3,280)	(4.1)%	549	0.6%	-
Finance income/expense	(832)	(1.0)%	(889)	(0.9)%	(6.4)%
Exchange rate losses	(323)	(0.4)%	(200)	(0.2)%	61.5%
Pre-tax profit(loss)	(4,436)	(5.5)%	(540)	(0.6)%	-
Income taxes	(901)	(1.1)%	(680)	(0.7)%	32.5%
Loss for the year	(5,337)	(6.7)%	(1,220)	(1.3)%	-



Income Statement at 30 September 2012

	30 September	% on sales	30 September	% on sales	change %
	2012		2011		
<i>Euro 000's</i>					
Net revenue	272,078	100.0%	275,279	100.0%	(1.2)%
Change in inventories, wip, semi-finished and finished goods	11,742	4.3%	12,061	4.4%	(2.6)%
Other revenue	1,831	0.7%	1,371	0.5%	33.6%
Value of Production	285,651	105.0%	288,711	104.9%	(1.1)%
Consumption of raw materials, consumables, supplies and	(122,832)	(45.1)%	(130,373)	(47.4)%	(5.8)%
Other operating expense	(61,963)	(22.8)%	(58,435)	(21.2)%	6.0%
Added Value	100,856	37.1%	99,904	36.3%	1.0%
Personnel expense	(88,858)	(32.6)%	(88,291)	(32.1)%	0.4%
Gross Operating profit	12,218	4.5%	11,613	4.2%	5.2%
Depreciation and amortisation	(10,304)	(3.8)%	(9,375)	(3.4)%	9.9%
Provisions	(1,882)	(0.7)%	(1,483)	(0.5)%	26.9%
Normalised Operating profit	32	-	755	0.3%	(95.8)%
Impairment losses and non recurring items	(2,421)	(0.9)%	-	-	NA
Operating profit	(2,389)	(0.9)%	755	0.3%	-
Finance income/expense	(2,537)	(0.9)%	(1,975)	(0.7)%	28.5%
Exchange rate losses	(997)	(0.4)%	(1,508)	(0.5)%	(33.9)%
Pre-tax profit(loss)	(5,924)	(2.2)%	(2,728)	(1.0)%	0.0%
Income taxes	(2,717)	(1.0)%	(2,709)	(1.0)%	0.3%
Loss for the year	(8,641)	(3.2)%	(5,437)	(2.0)%	58.9%



Summary Statement of Financial Position

	September 2012	December 2011	September 2011
Euro 000's			
Intangible assets	50,191	48,027	46,361
Property, plant and equipment	62,924	63,652	54,368
Financial assets	1,154	1,140	738
Non current assets	114,269	112,819	101,467
Inventories	99,754	88,459	94,842
Trade receivables	96,642	112,207	93,506
Trade payables	(105,389)	(113,124)	(105,656)
Net Operating Working Capital	91,006	87,542	82,692
Post-employment benefits	(10,098)	(10,544)	(10,602)
Provision for risk and charges	(9,872)	(9,438)	(8,016)
Other net receivables/payables	(16,273)	(24,778)	(15,659)
Net deferred tax assets/liabilities	15,478	15,437	16,009
Other net assets/liabilities	(20,765)	(29,323)	(18,269)
Net Invested Capital	184,511	171,038	165,890
Share capital	27,393	27,393	27,393
Profit/loss for the previous period and other reserves	93,081	95,028	94,119
Loss for the period	(8,334)	(2,438)	(4,926)
Non controlling interests	404	680	520
Equity	112,545	120,663	117,105
Due to bank and other financial institutions	93,316	73,629	75,365
Other financial assets	(714)	(650)	(2,794)
Cash and cash equivalents	(20,636)	(22,604)	(23,786)
Net financial indebtedness	71,966	50,375	48,785
Total sources of funding	184,511	171,038	165,890



Net financial position at 30 September 2012

	30 September	30 June	31 March	31 December	30 September
	2012	2012	2011	2011	2011
<i>Euro 000's</i>					
Financial assets	21,350	19,659	22,035	23,254	26,580
<i>Current financial assets</i>	714	712	700	650	2,794
<i>Cash and cash equivalents</i>	20,636	18,946	21,335	22,604	23,786
ST finance lease liabilities	(266)	(261)	(444)	(464)	(1,438)
Bank and other ST financial debt	(87,356)	(78,715)	(68,969)	(45,400)	(49,510)
Short Term Net Financial Indebtedness	(66,272)	(59,317)	(47,378)	(22,610)	(24,368)
M/L term finance lease liabilities	(2,314)	(2,381)	(2,447)	(2,519)	(2,565)
M/L term bank debt	(3,380)	(5,082)	(12,040)	(25,245)	(21,852)
M/L Term Net Financial Indebtedness	(5,694)	(7,463)	(14,487)	(27,765)	(24,417)
Total Net Financial Indebtedness	(71,966)	(66,780)	(61,866)	(50,375)	(48,785)

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 2,800 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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