

Annual Report

31st December 2013

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Biesse Group



BIESSE GROUP

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

HSDMECHATRONICS

Biesse Group is a multinational leader in the technology for processing wood, glass, stone, plastic and metal.

Founded in Pesaro in 1969, by Giancarlo Selci, the company has been listed on the Stock Exchange (STAR segment) since June 2001.

In

1 industrial group, 4 business areas and 8 production sites.

How

€ 14 million p/y (real) in R&D and 200 patentes registered.

Where

30 branches and 300 agents/selected dealers.

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

2,700 employees throughout the world.



Shareholders,

The year 2013 closed for Biesse with revenue basically in line with the previous year, but with incoming orders up 7.8% over 2012, despite an economic context which continues to be penalised by stagnation, credit crunch and increasing risks on the economies of emerging countries.

Biesse also achieved a strong recovery of profit in 2013 (with the return of a robust net profit), and more importantly a significant reduction of its net debt (NFP at € 23.9 million, with a recovery of € 32.3 million over the December 2012 figure), even if investments progressively increased in the sales, marketing and product/innovation areas.

The achievement of a positive net result, - obtained with a great deal of organisational rationalisation work and focus on product profit - made it possible for us to propose, starting as of this year, payment of dividends which we trust will become a constant for the near future as well.

North America and Asia were the areas which witnessed the greatest growth in 2013. Eastern Europe improved slightly, while revenue obtained in Western Europe dropped; the aforesaid increase in incoming orders compared to 2012 constitutes a positive sign for the positioning of our new products, which allows us to look at 2014 with renewed faith, in part based on the expected recovery of demand in the main markets.

After having put into place various actions to improve internal efficiency in 2013, the challenge for the near future will be completely focussed on growth, through a further drive towards internationalisation of the Group and marketing. Based on this premise we have approved projects to guarantee the development of Biesse during the 2014-2016 three year period, pursuing more than ever technological innovation, relaunch of the Group's image and communication and increase in sales coverage. The approved plan forecasts an average growth of 7% (CAGR) for the period, more prudent for 2014 (especially the first six months), - where risks are still expected to increase in so-called emerging economies-, and with greater confidence for 2015-2016 which we feel may benefit from an expected expansive economic cycle. In order to pursue improvement of all our financial ratios we will continue to pay close attention to the trend of working capital; investments in the sales area cannot be postponed in order to increase our market positions around the world.

The launch of bSolid was one of the most significant events of 2013: a revolutionary cad cam for maximum simplification in managing numerically controlled machines, an ambitious project which the company has been developing for years and which it was very proud to present in an international framework at the 2013 edition of the Ligna fair of Hanover.

Lastly, at the end of 2013 a re-branding process was approved, aimed at distinguishing the Group brand from division brands, to strengthen the Biesse and Intermac brand emphasising the capacity to diversify technological applications, and to enhance the market value of the product name, which will become synonymous with the technology itself, similar to what happened for Rover over the years.

The General Manager

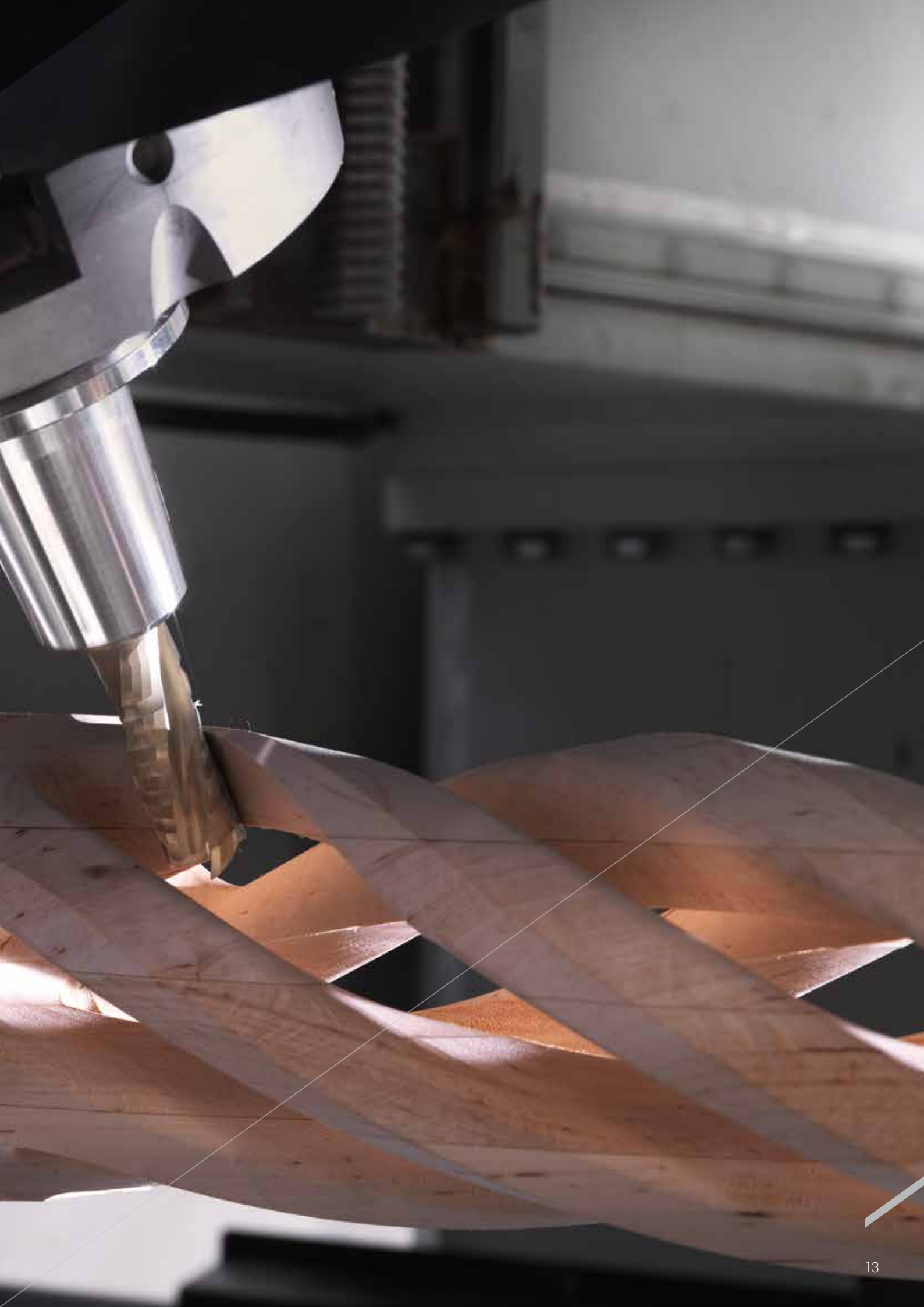
Stefano Porcellini



User-friendly technology

The 5-axis operating section, equipped with 13 kW HSD electrospindle and horizontal axes, enables the machining of complex-shaped pieces ensuring quality, precision and absolute reliability over time.

The high technological content of the machining centres most widely sold in the world meets the requirements of wood industry professionals. It is the perfect combination of Biesse innovation and Italian genius.



 **BIESSE**

CNC solutions
for wood





INTERMAC

CNC solutions
for glass &
stone





 **DIAMUT**

Tooling
for glass & stone



HSDMECHATRONICS



Trade shows



BIESSE

17

direct exhibitions
Biesse Pesaro &
subsidiaries

INTERMAC

12

exhibitions
& open houses
dealer

HSDMECHATRONICS

13

exhibitions

Events



BIESSE

15
exhibitions
& open houses
dealer

9
open houses &
internal events in
Pesaro &
subsidiaries

INTERMAC

6
exhibitions
& open houses
dealer

R & D

14 milion yearly “real” investments

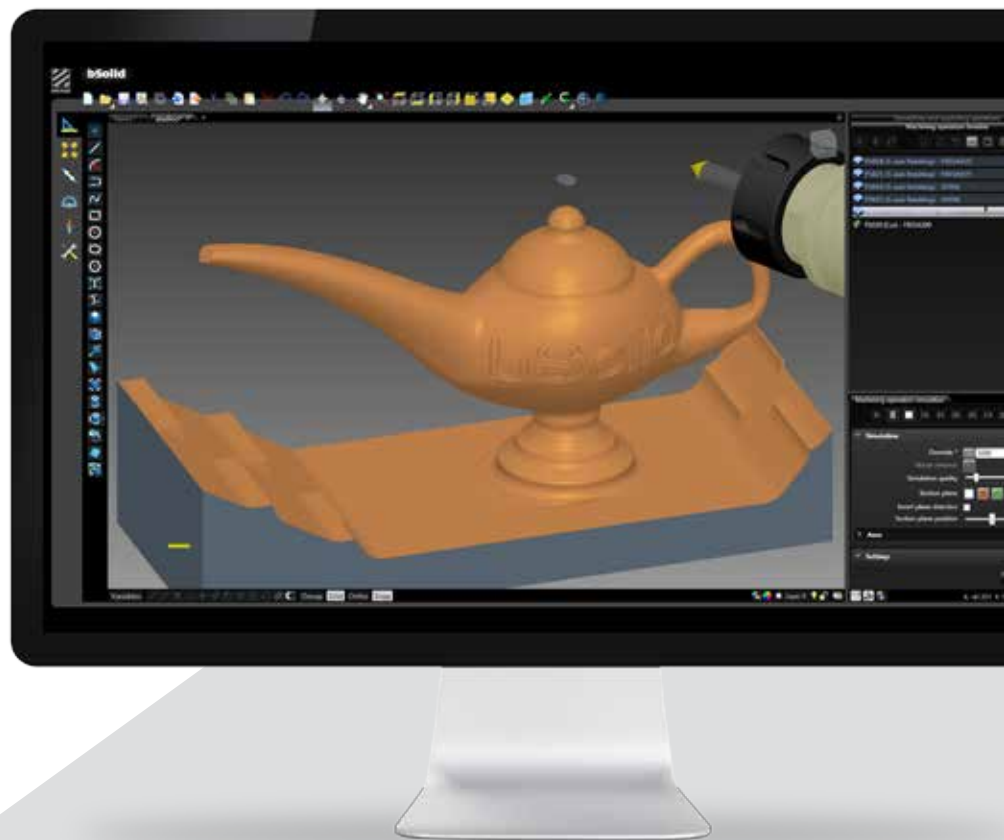
Biesse Group’s growth and positive expectations go along with its year-by-year commitment in R&D to support customers’ ability to compete on the market. Real investments, amounting to 14 million€ p/y, are primarily focused on:

- **machines software**
making high-tech solutions accessible and intuitive
- **cutting-edge mechatronics**
to achieve optimal machine performance level
- **integrated production line development**
tailored to match specific manufacturing needs.

Product innovation for Biesse Group means granting its worldwide customers the possibility to secure and fulfill every order, assuring the highest manufacturing quality with rapid and certain delivery time.

R & D 2014

Product innovation for customers' competitiveness



bSolid 2.0 and bSuite

a further step in easing the use of CNC machines and enabling manufacturers to meet any requirement of the most creative and demanding designers and architects.

R & D 2014

Product innovation for customers' competitiveness

AirForce System

a forefront solution to obtain high quality panels by applying co-extruded edge-bands on board sides with no glue line, ensuring water and heat-resistance over time.



R & D 2014

Product innovation for customers' competitiveness

Integrated manufacturing lines

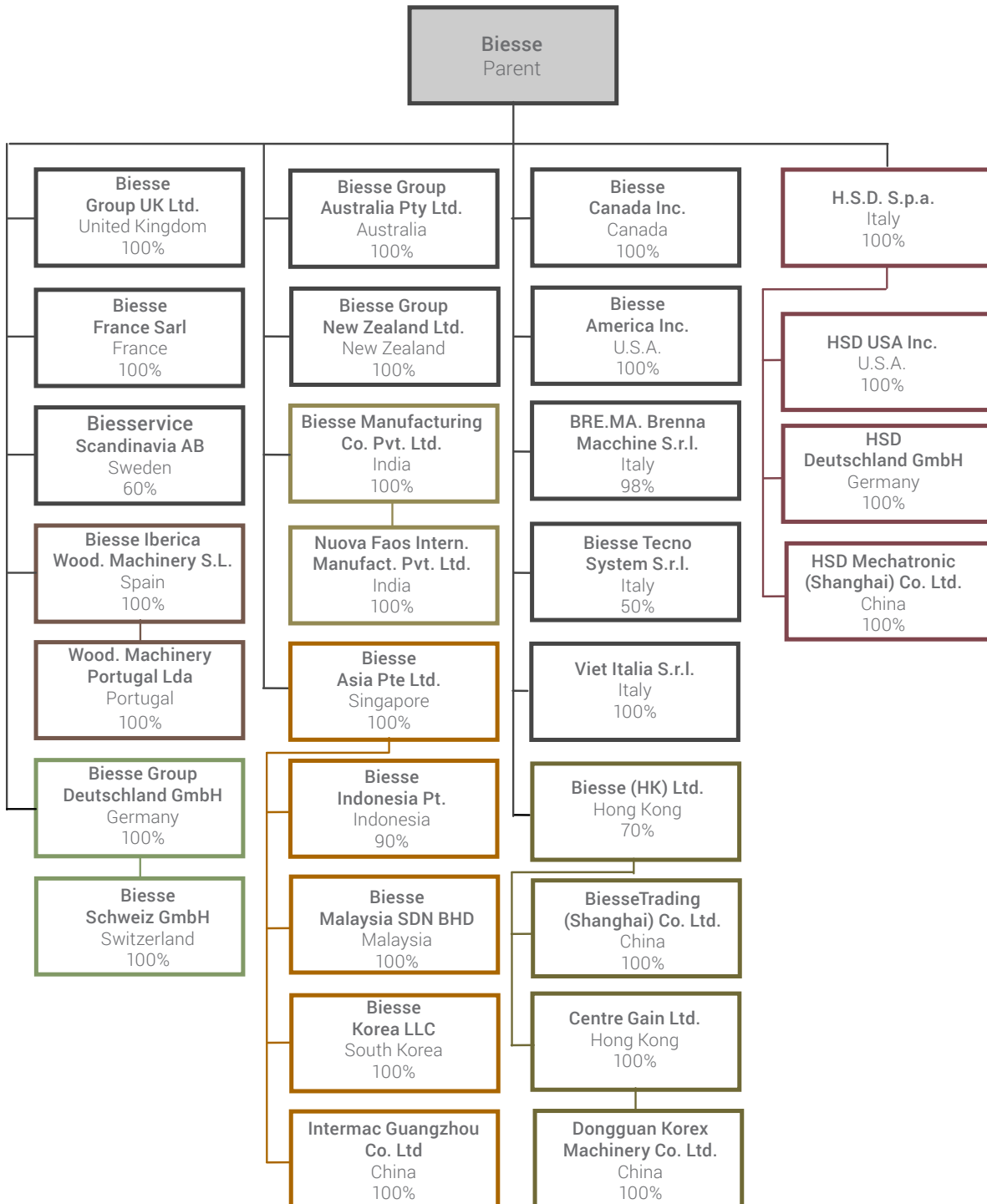
for mass production, all the same allowing a high level of final product customization



Biesse Group

GROUP STRUCTURE

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



Note: the different colours represent the subgroups of the control chain



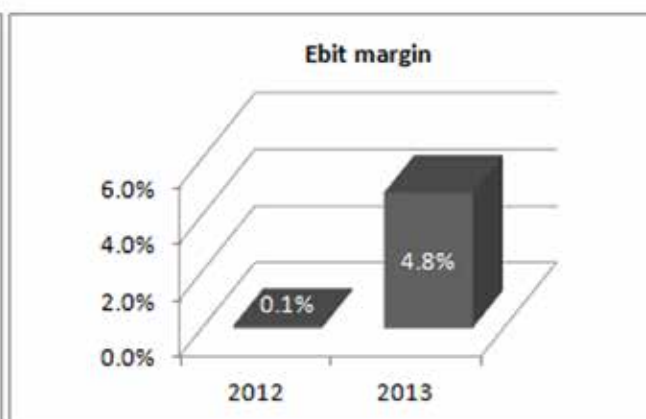
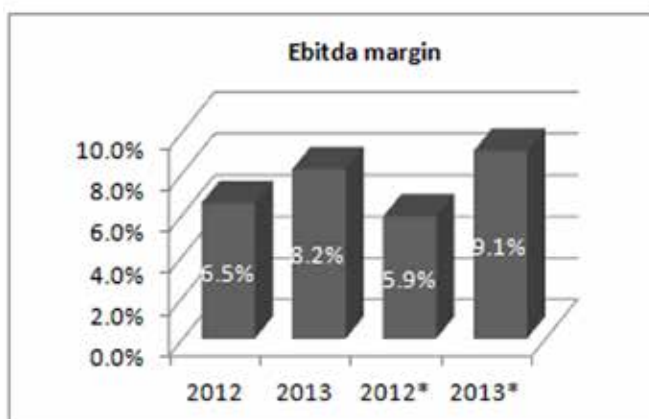
Unlike in the annual report for the year ended 31 December 2012, INTERMAC GUANGZHOU COMPANY LIMITED is now included in the scope of consolidation. The company was established on 17 July 2013 with the purpose of developing trading of products of the Glass/Marble Division within the Chinese market.

It should also be taken into account that Viet Italia S.r.l. is a special purpose entity set up to rent and subsequently acquire the business unit of the Pesaro-based brand under the same name (Viet), market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. On 17 June 2013, an irrevocable purchase offer was submitted to the relevant stakeholders albeit subject to suspensive condition should the transfer of the company to the Biesse Group not occur within 90 days from the admission to the arrangement with creditors. The arrangement with creditors was authorised by the competent Court on 20 December 2013. However, we are still waiting to know whether the proposal will be accepted or not by the Court within the indicated time period.

The irrevocable offer also includes the equity investment in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). The company will be consolidated on a line-by-line basis once the above conditions are met.

FINANCIAL HIGHLIGHTS

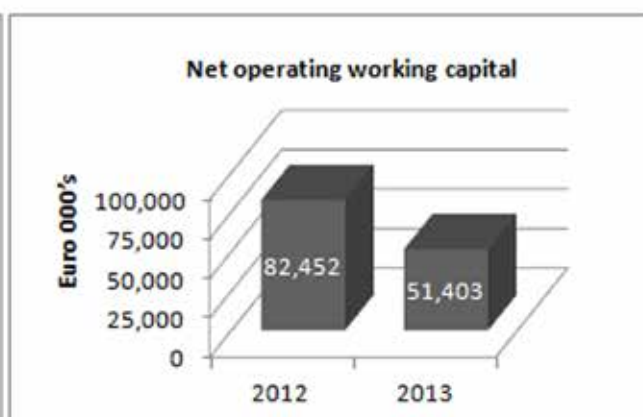
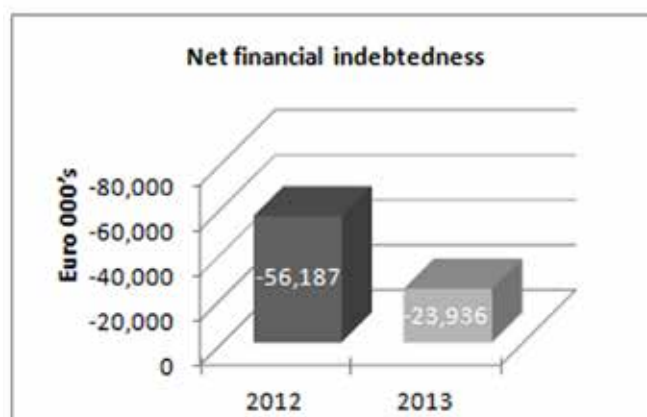
	31 December 2013	% on sales	31 December 2012	% on sales	Change %
<i>'Euro 000's</i>					
Revenue from sales and services	378,417	100.0%	383,061	100.0%	(1.2)%
Added value (1)	143,586	37.9%	141,353	36.9%	1.6%
Normalised Ebitda (Normalised net operating profit) (1)	34,283	9.1%	22,574	5.9%	51.9%
Ebitda (Gross operating profit) (1)	30,946	8.2%	25,085	6.5%	23.4%
Normalised Ebit (Normalised gross operating profit) (1)	15,074	4.0%	7,062	1.8%	113.4%
Ebit (Operating profit) (1)	18,146	4.8%	328	0.1%	-
Profit/Loss for the year	6,412	1.7%	(6,520)	(1.7)%	-



* normalised

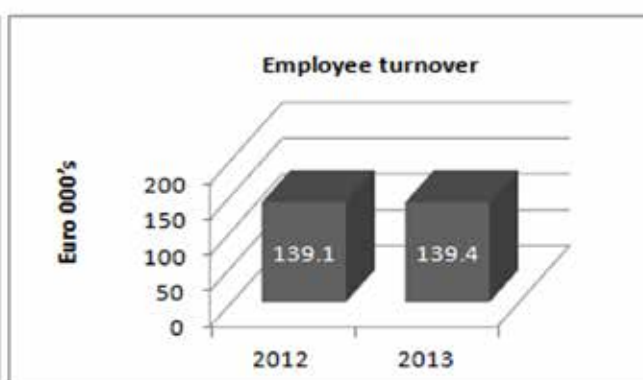
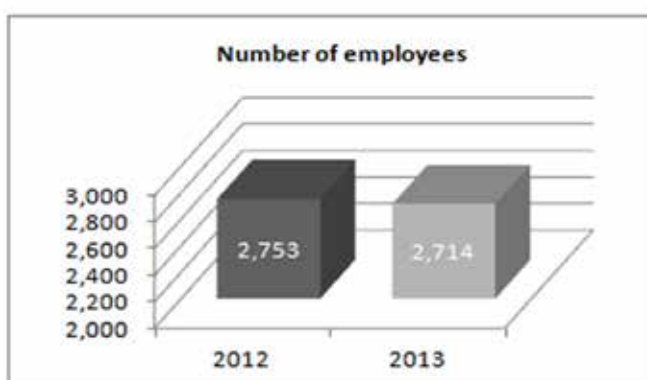
Statement of financial position

	31 December 2013	31 December 2012
<i>Euro 000's</i>		
Net Invested Capital (1)	137,030	166,313
Equity	113,094	110,126
Net financial indebtedness (1)	23,936	56,187
Net operating working capital (1)	51,403	82,452
Gearing (net financial position/equity)	0.21	0.51
Fixed asset/standing capital ratio	0.96	1.00
Order intake	312,687	290,338



Personnel

	31 December 2013	31 December 2012
Number of employees at period end	2,714	2,753



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

COMPANY OFFICERS

Board of Directors

Chairman and Chief Executive Officer	Roberto Selci
Chief Executive Officer	Giancarlo Selci
Executive Director	Alessandra Parpajola
Executive Director and Group General Manager	Stefano Porcellini
Executive Director	Cesare Tinti
Independent Director	Leone Sibani
Independent Director	Giampaolo Garattoni
Independent Director	Salvatore Giordano

Board of Statutory Auditors

Chairman	Giovanni Ciurlo
Standing Statutory Auditor	Claudio Sanchioni
Standing Statutory Auditor	Riccardo Pierpaoli

Internal Control Committee – Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

Supervisory Body

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Demetrio Pensabene
Elena Grassetto

Independent Auditors

KPMG S.p.A.







Directors' report

DIRECTORS' REPORT

GENERAL ECONOMIC OVERVIEW

WORLD ECONOMIC TREND

Although the global recovery is continuing, it remains moderate and uneven across different regions. The last few months have shown signs of a gradual strengthening of business activity in the advanced economies. In the United States, the automatic spending cuts that came into force in March weighed on 2013 growth; however, private demand shows a relative stability thanks to the progressive improvement in household budgets that has driven investment in residential construction and private consumption. In Japan, despite the decline in growth in the third quarter, the underlying business activity remains strong, supported by expansionary monetary and budgetary policies. Moreover, the economy is recovering sharply in the United Kingdom since the beginning of the year.

On the other hand, business activity is weaker in most of the emerging economies, although in China the expansionary trend is slightly improving. In some of the major emerging economies, the lower domestic demand affected the momentum of growth and supply-side obstacles are apparently limiting business activity.

The exporters of raw materials were affected by the relative weakness in global demand for raw materials. The tightening of financial conditions on an international scale in the middle of the year helped to curb the growth in some emerging economies.

The indicators of the most recent economic surveys continued to show strong economic conditions in the fourth quarter of 2013, all remaining firmly expansionary. In particular, in the last quarter of the year, the overall Purchasing Managers' Index (PMI) remained essentially unchanged at 53.4, compared to the previous quarter. The performance shown by the overall global PMI in December, with a value (of 54.0) close to historical averages, is attributable to the quite vigorous performance of the manufacturing sector component, whereas the services PMI slightly decreased. If the Eurozone is excluded, the overall PMI remained almost unchanged at 53.8 also in the fourth quarter of 2013.

UNITED STATES

In the United States, economic growth was quite strong in the second and third quarter of 2013 and remained high in the fourth quarter, despite the fiscal drag due to higher rates and the reductions in public spending under the sequester implemented in the previous months of the year. The first estimate of the Bureau of Economic Analysis is 3.2 per cent year-on-year compared to the same period last year (0.8 per cent compared to the previous period), compared to 4.1% (1.0 per cent compared to the previous period) of the third quarter. The expansion was supported by continued improvements in the housing and labour markets, as well as by favourable financial conditions attributable to the continuation of an accommodating monetary policy and to the positive wealth effects related to increases in the price of shares and residential properties.

The growth in the last quarter of 2013 was slightly weaker due to the adverse consequences arising from temporary paralysis of the public administration as well as from the calculated political risk related to the shift in the debt threshold in October.

Recent indicators indicate that economic recovery is likely to continue, even if growth could slow down in the first quarter of 2014 compared to the robust growth rates seen in the second half of 2013. Most of the high-frequency data until December and some statistics of economic surveys for January slightly weakened, which is partly due to the adverse weather conditions. Moreover, the strong contribution of inventories to GDP growth over the last four quarters suggests the possibility of a slowdown in the first quarter. As regards the labour market, the pace of job creation slowed in December, partly as a result of the unusually cold weather. Meanwhile, the unemployment rate declined further, with more workers dropping out of the labour force. Overall, survey indicators are consistent with a continued gradual upturn in the labour market.

JAPAN

In Japan, the economy continued to expand at a rapid pace driven by monetary and budgetary policy measures. The statements of the Government starting from the beginning of this year, aimed at boosting business activity with significant measures in terms of monetary and fiscal stimulus and structural reforms, increased confidence while share prices showed a sharp increase, with the Nikkei index on average more than 60 percent higher in November compared to last years' value. The yen depreciated by about 20 percent in nominal terms over the same period, providing some support to exports. As a result, there has been a sharp increase in growth in the first half of the year.

In Japan, the second preliminary forecast of the Cabinet Office concerning GDP growth in the third quarter provided further indications of a slowdown in business activity, compared to very high growth rates observed in the first half of the year. The figure was revised downward from 0.5 per cent in the previous quarter to 0.3 per cent, mainly due to lower contributions of inventories. The most recent sample surveys show a recovery in the economic activity in the fourth quarter. Looking ahead, economic activity is expected to strengthen in the first quarter of 2014, supported by an increase in private consumption in response to increased taxes on the latter scheduled for April 2014.

UNITED KINGDOM

The United Kingdom has shown a strong growth over the last quarters. GDP in real terms increased by 0.8 per cent in the third

quarter of 2013, driven by domestic demand. Despite the slight decline registered in December by some of the main indicators of business and household economic surveys, the relatively high level of indexes suggests the continuation of a strong trend in the fourth quarter. However, in the medium term, the growth rate is likely to be moderate.

The relatively weak development of household real income and the persistent need for private and public sector balance sheet adjustment will continue to constrain domestic demand for some time, whereas import prospects remain modest. At the same time, the labour market continued to improve, with full-time private sector employment growth in particular picking up in recent months. The unemployment rate fell by 0.2 percentage points to 7.4 per cent, in the three months until October. In the housing market, the indicators of activity and prices further improved, driven by recent measures in terms of policies, whereas the trend of lending showed signs of recovery.

CHINA

In China, the latest indexes continue to indicate a steady but slightly slower growth. Industrial production, fixed investments and imports marked a moderate slowdown, whereas retail sales and exports recorded a slight recovery. As a whole, this development suggests that the upswing is decreasing marginally as the effects of the small stimulus package implemented last summer fade away. However, growth was strong overall: it stood at 7.7% in 2013 as a whole, slightly above the 7.5% target set by the government.

The loss of momentum of economic growth in the fourth quarter is confirmed by the weakening of industrial production and fixed investments, and it apparently continues in 2014: in January, the PMI indexes for the manufacturing and non-manufacturing sector dropped, although remaining above 50. However, the statistics for January and February must be carefully interpreted due to the variable start date of the Chinese new year that in 2014 was 31 January.

EUROZONE

In the Eurozone, GDP recorded in the third quarter of 2013 a slight increase, albeit lower than in the previous period. The recovery in business activity continued in the fourth quarter while low growth levels are expected in the next few months. Inflation reached the minimum values of the past four years. In November, the ECB Governing Council reduced the interest rate on the main refinancing operations and in January it resolutely confirmed that it plans to keep the official rates at levels equal to or lower than the current levels for a prolonged period of time.

In the third quarter of 2013, Eurozone GDP increased by 0.1 per cent compared to the second quarter, supported by the increase in consumption (0.1 per cent), by stockpiling and the increase in gross fixed investments (0.5 per cent). The still strong performance of imports (1.2 per cent) was accompanied by a slowdown in exports (0.3 per cent). Among the major economies of the area, Germany's GDP rose by 0.3 per cent, driven by investments in construction; in France, it decreased by 0.1 per cent, reflecting the negative contribution of net foreign demand and the decrease in investments. In Italy, GDP remained unchanged, interrupting the prolonged recession.

However, the industrial activity still shows signs of weakness: in the October-November period, production was at a standstill in the area, in Germany and in France, whereas it increased by about half a percentage point in Italy. Business surveys suggest a moderate expansion in December and in the following months. The composite purchasing managers' index (PMI) rose in December, confirming its position above the threshold compatible with the expansion of business activity for the sixth consecutive month.

The prospects continue to be uneven among the major economies: the progress of the German index contrasted with the decline of the French index, which is below the threshold of expansion both in the service and manufacturing segment.

Household demand shows weak signs of recovery, despite some improvement, whereas the most recent data confirm the positive trend of sales abroad. According to the forecasts of those interviewed by Consensus Economics in December, Eurozone GDP dropped by 0.4 per cent in 2013 and is expected to grow by 1.0 this year. These forecasts are in line with Eurosystem's staff projections published in the same month (-0.4 in 2013 and 1.1 in 2014).

In the Eurozone, progress has been made in countries most affected by tensions on sovereign debt markets. The program of international financial aid to Ireland came to an end. Moody's rating agency revised upward the creditworthiness of Greece, Standard & Poor's that of Cyprus.

ITALY

The prolonged decline in Italian GDP as from summer 2011 came to a halt in the third quarter of 2013. In recent months, there were consistent signs of moderate growth in the economic activity. Industrial production increased in the fourth quarter, mainly driven by foreign demand. Despite the improvement in business confidence, the recovery continues to be affected by the fragility of the labour market that curbs the expansion of disposable income and credit developments.

According to economic indicators, it is likely that GDP has increased modestly in the last quarter of 2013. The continued weakness of domestic demand, which is affected by the fragility of the labour market and the weak performance of disposable income, contrasted with a more positive industrial activity. In December, business confidence rose again, albeit to a limited extent; the purchasing managers' index (PMI) of the manufacturing sector also increased remaining above the threshold compatible with the expansion of activity for the sixth consecutive month. According to estimates of the Bank of Italy, industrial production increased in the fourth quarter.

According to the Centro Studi of Confindustria (the Italian association of manufacturing and service companies), the recovery of the Italian economy is on track and is spreading gradually across sectors and areas but the obstacles of the credit crunch, lower competitiveness and loss of employment will continue to slow it down. Key economic indicators, from industrial pro-

duction to confidence and the PMI index, registered further improvement. Orders, foreign or otherwise, increase. World trade started to move forward and the recovery in the Eurozone, albeit slowly, expands the potential markets for Italian products. The main obstacles to the recovery in demand and activity in Italy are: the delay in the adjustment of cost competitiveness; the credit squeeze (due to higher-risk loans and low profitability of banks); the weakness of the labour market, with employment still falling sharply. The still very expansionary monetary policy (the ECB repeated with more emphasis that it was ready to act again), the decrease in long-term rates and the improvement in the Italian economic scenario can lubricate the credit mechanism, but the actual payment of PA trade payables and the evaluation of the soundness of the financial statements of banks that will be carried out by the ECB are fundamental.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the fourth quarter of 2013, the machine tools order index, prepared by the Business Culture and Research Centre of UCIMU-SISTEMI PER PRODURRE, recorded a 4.1% increase on the prior-year period, 100.6 in absolute terms. However, the annual average index remains negative (-3.2%).

In particular, the foreign order index grew by 6%, compared to the 2012 September-December period. The absolute index, at 108.7, is still above the average but this is not enough to reassure Italian manufacturers witnessing, in 2013, the ups and downs in orders, with a negative first and third quarter and a positive second and fourth quarter.

As far as domestic orders are concerned, the index is broadly stable (+0.2%), compared to the fourth quarter of 2012, for an absolute value of 86.1, still low compared to the base year, confirming the weakness of the domestic market. On an annual basis, the index fell by 3.2% compared to the 2012 year average. The figure is mainly affected by the negative result of domestic demand, down by 15.8%. On the other hand, the performance obtained on the foreign market (-0.7%) - which remained at level of the previous year - was not brilliant either.

Luigi Galdabini, chairman of UCIMU stated: "The lack of liquidity of Italian companies and at the same time waiting for the coming into force of the "Nuova Sabatini" law continue to affect the choices of the users of production systems that have difficulty in investing in new machinery. In fact, apart from the increase, the last quarterly report shows once again the very low propensity to invest in the Italian market. The liquidity issue and waiting for the coming into force of the New Sabatini law made things even more complicated", added Galdabini. "Finally – the chairman of UCIMU concluded – if foreign demand still ensures the turnover of Italian companies in the sector, there should be an increase in initiatives promoting Italian products that, thanks to the collaboration among sector associations and the Italian Trade Agency (ICE Agenzia), allow to show the industrial sectors in which Italy has a leading position".

ACIMALL

The fourth quarter of 2013

According to the economic survey carried out by the research department of ACIMALL (Associazione dei costruttori italiani di macchine e accessori per la lavorazione del legno, the association for Italian manufacturers of wood processing machines and accessories), the fourth quarter of 2013 confirms the improving trend already seen in previous quarters. Once again, the different performance of foreign markets (increasing) compared to the domestic context (decreasing) must be reported.

According to the research department, a positive element must be emphasised: business confidence improved, a fact that suggests that 2014 may be a better year than the many years marked by a contraction. However, it remains clear that a significant structural growth must necessarily be based on an increase in domestic consumption.

In the last three months of 2013, the Italian sector industry increased by 4.8 per cent compared to the same period last year. Foreign orders increased by 7.3 per cent, whereas the domestic market decreased by 5.7 per cent. The order book was 2.2 months; from the beginning of the year, the increase in prices is valued at 1.0 per cent. In the 2013 October-December period, turnover increased (+ 0.4 per cent compared to the same period of 2012).

The surveys outline the sector's short-term trends: moderate optimism for foreign markets, confirmed by the figures related to the orders; wait and see attitude for Italian customers: according to 36 per cent of those interviewed, foreign orders will increase in the next period, whereas according to 59 per cent, they will remain unchanged. The remaining 5 percent anticipates a drop (resulting in a positive balance of 31).

The survey for the domestic market shows a decline according to 13 per cent of the sample. Whereas, according to 73 per cent, domestic sales will remain unchanged. 14 per cent of the companies forecast growth in the short term (the balance is 1).
VDMA

The German association of engineering VDMA (Verband Deutscher Maschinen- und Anlagenbau e.V.) announced that the German turnover of the woodworking machinery sector decreased by 5% in 2013. The export of fixed plants also decreased by 5 % in 2013.

Expectations are high for this year: the order intake in machinery and equipment for the industry in Germany was, in January 2014, +0.6% in real terms compared to the same period of 2013. "The domestic business grew by two per cent whereas the foreign trade increased by seven per cent year-on-year", said the VDMA German association.

"In short-term fluctuations – comparing the three months from November 2013 to January 2014 – incoming orders increased year-on-year by 2%. Domestic orders amounted to less than 3%, foreign orders to more than 5%. The engineering sector in 2014 still needs development. A positive impact comes from the significantly improved economic climate in the Eurozone and from strong demand from non-Euro countries. For uncertainty, bad news comes from some emerging countries and from

the current crisis in Crimea. A political solution to the conflict is even more desirable in view of the sustainability of the global economic recovery", stated Ralph Wiechers, chief economist of VDMA.

2013 TRENDS

The Biesse Group, during the fourth quarter of 2013, reinforced the positive trend already registered during the year, both in terms of economic profitability and reduction in the net financial indebtedness as a result of significant cash flows in the last quarter of the year.

For what concerns the order intake at the end of 2013, an overall increase of approximately 7.8% was recorded (€ 313 million compared to € 290 million of the same period last year), confirming the positive trend already achieved in the first nine months of the year (approximately +5% over the same period of 2012).

For what concerns the performance of the period, at the end of 2013, Group revenue amounted to € 378,417 thousand, -1.2% compared to the prior-year period.

EBITDA totalled € 30,946 thousand, up by € 5,861 thousand (+23.4%) compared with the same period last year and note should also be taken of the improvement in EBIT in the current period, amounting to € 17,818 thousand (€ 18,146 thousand in 2013 vs. € 328 thousand in 2012). It should be pointed out that this positive result also consists of "non-recurring events and impairment" totalling € 3,072 thousand, whereas last year they affected negatively EBIT totalling € 6,735 thousand.

For the year 2013, these "non-recurring events" are summarised as follows: € 3,338 thousand related to the gain recorded by the Parent Biesse S.p.A. as a result of an exchange transaction carried out by the parent Bi.Fin S.r.l. of the ownership of a portion of land of the parcelling in Chiusa di Ginestreto (adjacent to the main manufacturing hub of Pesaro), with an industrial building owned by Biesse S.p.A located in Pesaro in via Toscana no longer in operational use; € 296 thousand relating to the effect of the release of the excess restructuring provision created by the parent Biesse SpA in the previous financial year. These positive factors were partially offset, for about € 561 thousand, by impairment and write-downs on assets no longer considered strategic.

As in the income statement of the previous years, in order to make the impact during the period clearer to understand, these "non-recurring events" were reported in a separate line of the reclassified income statement in the Directors' report.

As for the financial position, net operating working capital decreased considerably (by around € 31.1 million). This reduction is mainly attributable to the successful collection of trade receivables (€ 23.2 million), and is strengthened both by the reduction in inventories (€ 4.1 million) and by the increase in trade payables (€ 3.8 million).

Group net financial indebtedness at 31 December 2013 amounted to € 23.9 million, considerably up (around € 32.2 million) compared to 31 December 2012. This result is attributable to the positive development of the net operating working capital and to the improvement in operating performance.

MAIN EVENTS

January 2013

In January 2013, the Manufacturing model of ERP, Oracle's E-Business Suite, went live. The operation involved the Mechatronics division and specifically the HSD S.p.A. company. This is the last model required for the full implementation of the ERP. The operation is the pilot project for the implementation of the model in the other companies of the group.

March 2013

Further integrating and improving the use of the ERP - Oracle's E-Business Suite - to its full potential, a reporting project was started, aimed at creating a Business Intelligence tool and supporting ERP data processing and analysis.

May 2013

From 6-10 May, Biesse took part in the Hannover (Germany) International Fair for the wood and furniture industry "LIGNA 2013" – the most important event in the world for the wood and furniture industry and for woodworking – where all the most important suppliers of technologies in the sector are represented.

The event saw a good turnout of visitors: about 90 thousand people from over 100 countries, with increasing arrivals from North America and Northern Europe. There was also a good turnout of visitors at the Biesse stand where several innovations were presented, including bSolid – the software launched in preview in Hannover that was particularly successful. This state-of-the-art software allows simulation and design in a simple and intuitive manner, even by inexperienced users, and therefore the possibility to go directly and in a very simple way from the idea to the visual design of the "part".

June 2013

On 17 June 2013, an irrevocable purchase offer for the business unit of the Viet brand – market leader in the wood calibrating and sanding sector – was re-presented to the relevant authorities. This offer is subject to suspensive condition should the transfer of the company not occur within 90 days from the admission to the arrangement with creditors.

The Biesse Group and Howdens Joinery Co. celebrated the successful conclusion of the contract (€ 12.2 million) concerning two plants for the production of 220 cabinets/h.

The supplied plants, related to the production of kitchens, consist of:

- 2 automatic panel sizing lines
- 4 automatic square-edgebanding and boring lines
- 2 automatic storing systems with shuttles for storing and sorting the panels.

Delivered in line with the forecasts, the installation and final testing emphasised the importance to cooperate in the search for increasingly sophisticated technological progresses.

For the Biesse group, in particular, having obtained a formal recognition by an extremely important, demanding and qualified customer such as Howdens Joinery Co. represents a further incentive to focus on its own Division of Systems for the development of innovative products and ideas by offering itself as a business-partner of leading companies in the furniture/wood sector.

July 2013

On 17 July 2013, INTERMAC GUANGZHOU COMPANY LIMITED was established with the aim of fostering and developing, through a dedicated company, trading of products of the Glass/Marble Division within the Chinese market. The company is expected to start gradually operations as from the last months of 2013.

The important exhibition AWFS Fair was held in Las Vegas, USA in July: it achieved excellent results and visibility confirming the growth trend in the North American market, becoming strategic again in the Group's business development. During this event, the Biesse Group presented its main technological innovations, including the innovative edgebanding system AirForce for which it was also selected for the Visionary New Product innovation Award AWFS 2013.

Following the conclusion of the special redundancy plan (CIGS) in July 2013, an agreement was reached with Trade Unions to enter into a so-called "defensive" work-sharing agreement, effective as from 2 September 2013, for a period of 12 months.

The work-sharing agreement may involve a total of 1,000 employees, 863 of whom are in the Wood and Components Divisions and Centralised Departments and 137 in the Glass & Marble Division, for a maximum reduction in the average workload of 40%, calculated over a 4-week timeframe.

September 2013

On 18 September 2013, the Biesse Group took part in the Italian Stock Market Opportunities, the event organised in Milan by Banca IMI.

October 2013

On 1 October 2013, the Biesse Group took part in the STAR Conference, the event organised by Borsa Italiana in order to meet the national and international community.

The new edition of Biesse Inside took place on 17-19 October 2013 at the Headquarters in Pesaro: 3,000 sqm of exhibition space open to all wood industry operators.

During this event Biesse opened its doors to present a number of innovative solutions, and encountered considerable approval and interest from its own clients: the first one is "Winstore", the automatic storing system that offers a practical solution to increasingly complex demand and the revolutionary "bSolid" software that allows a machine to be operated in a simple and intuitive manner. Two other technological innovations that received special attention should be noted: on one hand, the innovative work centre for nesting applications, for which Biesse has developed new solutions; on the other hand there is an innovative edgebanding system that earned the "Visionary" award in the most recent Awfs fair held in Las Vegas.

Biesse Inside exceeded expectations: participating companies increased by 35% compared with the previous year, totalling 2,200 visitors during the three open days.

From 23 to 26 October 2013, the Glass & Marble Division participated in VITRUM, the important fair in Milan dedicated to the glass processing machinery sector, where the most recent product innovations (for example the new vertical cutting machine Vertmax) were presented, recording positive results both in terms of customer attendance and orders received.

In October, the governing board of Acimall (the association for Italian manufacturers of wood processing machines and accessories), announced it had unanimously approved Biesse S.p.A.'s request to join the association.

December 2013

On 20 December 2013, Biesse S.p.A. prepared adequate information to the market on the conclusion of a transaction with the related party Bi.Fin S.r.l. (its parent) concerning the exchange of its own industrial building no longer in operational use, located in Pesaro in via Toscana, with a portion of land in Chiusa di Ginestreto (owned by the parent) adjacent to the main manufacturing hub of the Group and therefore considered strategic for future expansion needs/rationalisation of its production capacity, in order to acquire a building area for industrial purposes such as to achieve an expansion of its factories of about 30,000 sqm of covered area. For the purposes of the exchange, the land of Via Chiusa di Ginestreto was assigned a value of € 4,209,840 plus VAT, whereas the industrial building was assigned a value of € 3,500,000, VAT excluded. These values were assigned following appraisals by independent third parties Praxi S.p.A and Amercia Appraisal S.p.A. The transaction resulted in the payment by the Biesse Group of a cash adjustment of € 1,636,004 made on 10 January 2014 and the recognition of a capital gain of € 3,338 thousand.

he transaction was concluded under the hand and seal of Luisa Rossi, Notary Public in Pesaro, as a result of the mandate to negotiate given by the Board of Directors of Biesse S.p.A. on 14 November 2013 to the director Stefano Porcellini, subject to the positive opinion expressed by the Related Parties Committee on 29 October 2013.

The Company is currently involved in approval of the detailed plan and the works will start only after the completion of the bureaucratic procedure.

January 2014

On 17 January 2014, INTERMAC DO BRASIL SERVICOS E NEGOCIOS LTDA was established with the aim of fostering and developing, through a dedicated company, trading of products of the Glass/Marble and Tooling Divisions within the Brazilian market. The company should be operational by April 2014.

February 2014

On 7 February 2014, Biesse S.p.A. met in Paris some important investors in collaboration with its specialist Banca IMI. On that occasion, in addition to describing its activities and industrial projects underway, the top management of Biesse updated its indications concerning the financial year 2013.

March 2014

The Board of Directors of Biesse S.p.A. approved on 3 March 2014 the updating of the business plan for the 2014-2016 period. Based on the initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 7.0%);
- higher added value (41.5% as a percentage of revenue in 2016);
- recovering operating profits:
- EBITDA target: 13.8% as a percentage of revenue in 2016;
- EBIT target: 10.1% as a percentage of revenue in 2016.

"The plan starts from the solid foundations laid in financial year 2013" – explained the General Manager, Stefano Porcellini – "which ended for Biesse with revenues substantially in line with those of the previous year, but with an order intake 7.8% higher than in 2012, despite an economic framework still adversely affected by stagnation, credit crunch and increasing risks on the emerging countries' economies.

Still in 2013 – continued the General Manager – Biesse recovered operating profits (with a return to a strong net profit) and it especially recorded a significant reduction of net debt (net financial indebtedness at € 23.9 million, improving by € 32.3 million on December 2012), even though commercial and product investments gradually increased. Drawing on these elements, today we approved the projects required to ensure Biesse's growth during the 2014-2016 period, focusing more than ever on technological innovation and expansion of the commercial network. The approved plan provides for an average growth of 7% in the three-year period: a more conservative forecast for 2014 (notably, in the first half-year) when risks in emerging countries are expected to increase and a more confident outlook for the 2015-16 period which should best benefit from the expected upward economic cycle".

INCOME STATEMENT HIGHLIGHTS

Income Statement for the year ended 31 December 2013

	31 December 2013	% on sales	31 December 2012	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	378,417	100.0%	383,061	100.0%	(1.2)%
Change in inventories, wip, semi-finished and finished goods	(72)	(0.0)%	6,623	1.7%	-
Other revenue	3,008	0.8%	3,648	1.0%	(17.5)%
Revenue	381,354	100.8%	393,333	102.7%	(3.0)%
Consumption of raw materials, consumables, supplies and goods	(155,903)	(41.2)%	(167,255)	(43.7)%	(6.8)%
Other operating expense	(81,865)	(21.6)%	(84,725)	(22.1)%	(3.4)%
Added Value	143,586	37.9%	141,353	36.9%	1.6%
Personnel expense	(112,640)	(29.8)%	(116,268)	(30.4)%	(3.1)%
Gross Operating profit	30,946	8.2%	25,085	6.5%	23.4%
Depreciation and amortisation	(13,836)	(3.7)%	(15,107)	(3.9)%	(8.4)%
Provisions	(2,035)	(0.5)%	(2,916)	(0.8)%	(30.2)%
Normalised Operating profit	15,074	4.0%	7,062	1.8%	113.4%
Impairment losses and non recurring items	3,072	0.8%	(6,735)	(1.8)%	-
Operating profit	18,146	4.8%	328	0.1%	-
Net finance expense	(2,533)	(0.7)%	(3,666)	(1.0)%	(30.9)%
Net exchange rate losses	(993)	(0.3)%	(1,722)	(0.4)%	(42.3)%
Pre-tax profit/loss	14,619	3.9%	(5,060)	(1.3)%	-
Income taxes	(8,207)	(2.2)%	(1,461)	(0.4)%	-
Profit/Loss for the year	6,412	1.7%	(6,520)	(1.7)%	-

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Net revenue for 2013 amounted to € 378,417 thousand, compared with € 383,061 thousand in 2012, down 1.2% from the previous year. It should be noted, however, that due to the strong impact of foreign sales on Group revenue, this result was negatively affected by the poor performance of exchange rates during the financial period, as a result of the strengthening of the Euro against major foreign currencies.

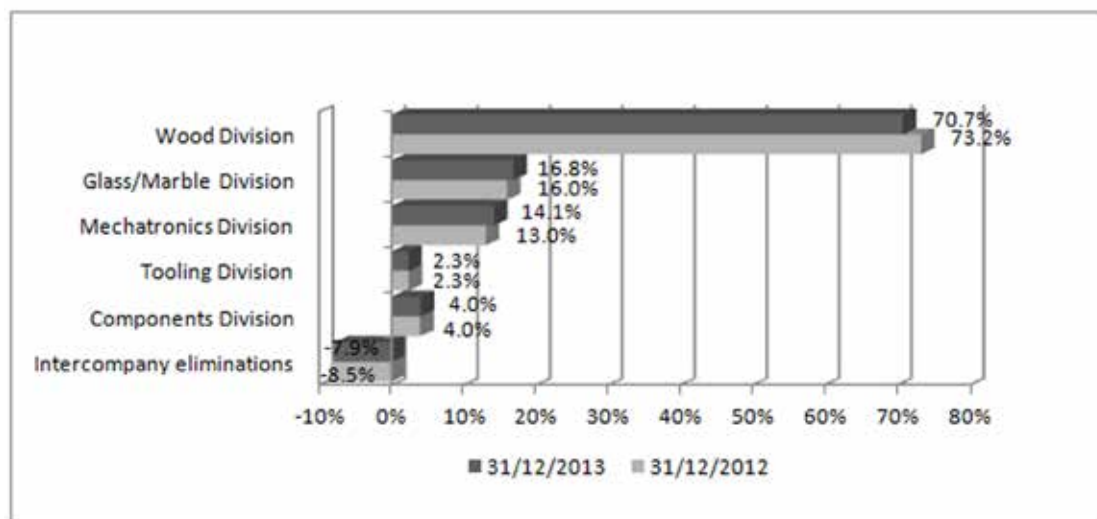
The breakdown of revenue by segment shows a -4.6% decrease in the Wood Division compared to 2012, with a consequent reduction in its share of Group revenue (from 73.2% to 70.7%). Vice versa, performances of other main Divisions (Mechatronics and Glass & Marble) increased (+7.2% and + 4.1%, respectively), while the Tooling Division slightly decreased (-2.3%) and the Components Division remained substantially unchanged (-0.1%).

Reclassified Income Statement for the year ended 31 December 2013

	31 December 2013	% on sales	31 December 2012	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	378,417	100.0%	383,061	100.0%	(1.2)%
Change in inventories, wip, semi-finished and finished goods	(72)	(0.0)%	6,623	1.7%	-
Other revenue	6,346	1.7%	3,648	1.0%	73.9%
Revenue	384,692	101.7%	393,333	102.7%	(2.2)%
Consumption of raw materials, consumables, supplies and goods	(155,903)	(41.2)%	(167,255)	(43.7)%	(6.8)%
Other operating expense	(81,865)	(21.6)%	(85,080)	(22.2)%	(3.8)%
Added Value	146,924	38.8%	140,998	36.8%	4.2%
Personnel expense	(112,640)	(29.8)%	(118,425)	(30.9)%	(4.9)%
Normalised Gross Operating profit	34,283	9.1%	22,574	5.9%	51.9%
Depreciation and amortisation	(13,836)	(3.7)%	(15,107)	(3.9)%	(8.4)%
Provisions	(1,739)	(0.5)%	(5,236)	(1.4)%	(66.8)%
Impairment	(562)	(0.1)%	(1,903)	(0.5)%	(70.5)%
Operating profit	18,146	4.8%	328	0.1%	-
Net finance expense	(2,533)	(0.7)%	(3,666)	(1.0)%	(30.9)%
Net exchange rate losses	(993)	(0.3)%	(1,722)	(0.4)%	(42.3)%
Pre-tax profit/loss	14,619	3.9%	(5,060)	(1.3)%	-
Income taxes	(8,207)	(2.2)%	(1,461)	(0.4)%	-
Profit/Loss for the year	6,412	1.7%	(6,520)	(1.7)%	-

Breakdown of revenue by operating segment

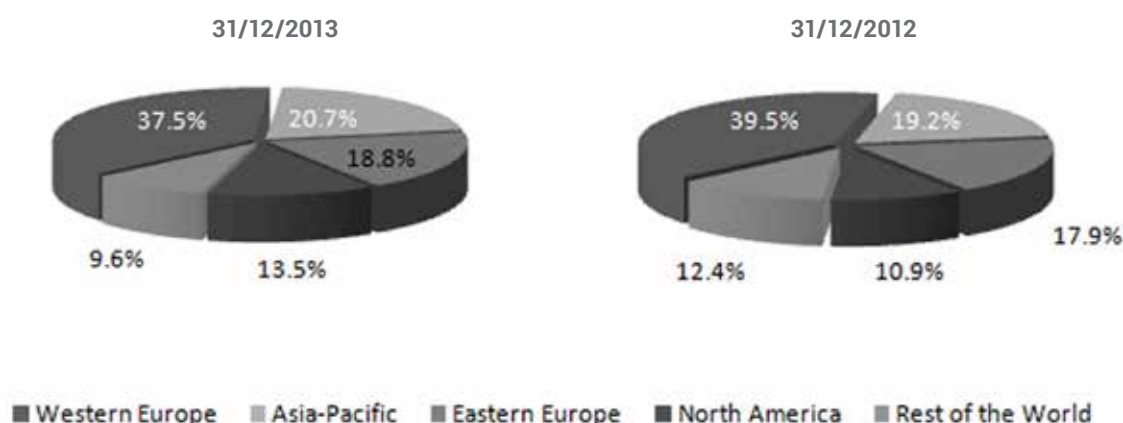
	31 December 2013	%	31 December 2012	%	CHANGE %
<i>Euro 000's</i>					
Wood Division	267,417	70.7%	280,424	73.2%	(4.6)%
Glass/Marble Division	63,668	16.8%	61,154	16.0%	4.1%
Mechatronics Division	53,452	14.1%	49,867	13.0%	7.2%
Tooling Division	8,748	2.3%	8,955	2.3%	(2.3)%
Components Division	15,118	4.0%	15,136	4.0%	(0.1)%
Intercompany eliminations	(29,985)	(7.9)%	(32,476)	(8.5)%	(7.7)%
Total	378,417	100.0%	383,061	100.0%	(1.2)%



Breakdown of revenue by geographical segment

The breakdown of revenue by geographical segment shows that compared to 2012, Western Europe's performance was particularly negative (-6.4%); although it remains the Group's reference market, it saw its share of total revenue decline from 39.5% to 37.5%. On the contrary, the major development areas are North America (+22.9%), Asia – Pacific (+ 6.3%) and Eastern Europe (+ 3.4%). Finally, the reduction of the Rest of the World (- 24.1%) is mainly attributable to important markets, such as Brazil.

	31 December 2013	%	31 December 2012	%	CHANGE %
<i>Euro 000's</i>					
Western Europe	141,763	37.5%	151,448	39.5%	(6.4)%
Asia-Pacific	78,239	20.7%	73,589	19.2%	6.3%
Eastern Europe	71,044	18.8%	68,706	17.9%	3.4%
North America	51,191	13.5%	41,661	10.9%	22.9%
Rest of the World	36,181	9.6%	47,657	12.4%	(24.1)%
Total	378,417	100.0%	383,061	100.0%	(1.2)%



Revenue amounted to € 381,354 thousand, down from 2012 (€ 393,333 thousand).

For a better understanding of the figure, it must be considered that due to the lower production absorption related to sales (- € 4.6 million), also the lower portion related to the inventory supply of semi-finished and finished products (- € 6.7 million) should be taken into account; costs as a percentage of revenue are broken down below.

	31 December 2013	%	31 December 2012	%
<i>Euro 000's</i>				
Revenue	381,354	100.0%	393,333	100.0%
Consumption of raw materials and goods	155,903	40.9%	167,255	42.5%
Other operating expense	81,865	21.5%	84,725	21.5%
<i>Service costs</i>	70,241	18.4%	72,211	18.4%
<i>Use of third party assets</i>	7,200	1.9%	7,542	1.9%
<i>Sundry operating expense</i>	4,424	1.2%	4,972	1.3%
Added Value	143,586	37.7%	141,353	35.9%

Added value as a percentage of revenue increased by 1.8% compared with the previous year (37.7% compared to 35.9%). This increase is the effect of lower consumption of raw materials and goods (40.9% compared to 42.5%), due to a different sales mix more focused on single machines than on lines, to the improvement in consumption efficiency, and to better pricing performance. Vice versa, the percentage impact of other operating expense is unchanged (21.5%), while it decreased in absolute terms compared to the previous financial year (€ 2,860 thousand) to a significant extent due to the item Services (which dropped from € 72,211 thousand to € 70,241 thousand, down by - 2.8%).

In 2013, added value totalled € 143,586 thousand, increasing by 1.6% on net revenue compared to the prior-year period (€ 141,353 thousand) and from 36.9% to 37.9% as a percentage of sales.

Personnel expense in 2013 was € 112,640 thousand, compared to € 116,268 thousand in the year to 31 December 2012, representing 29.8% of net revenue, down from 30.4% in the previous year, and an approximately € 3,628 thousand decrease in absolute terms.

This decrease is attributable to the reduction of the fixed component of € 4.7 million (-4.2%), as a result of actions taken during the period aimed to the implementation of the restructuring plan agreed with the social partners and the use of welfare support provisions such as the special redundancy plan (CIGS) and work-sharing agreements (CDS).

The above effects were partially offset by the increase achieved in the variable component related to performance bonuses, and other bonuses increasing by approximately € 1.4 million (+32.5%), both due to the achievement of 2013 budget targets, and due to the strong reduction recorded in 2012 in the variable components due to missed targets. Finally, there is a slight increase in capitalised costs in 2013 compared to 2012 (€ 151 thousand, +2.2%); however, this figure is an important sign of the company's desire not to affect product development and new technologies.

Gross Operating Profit was € 30,946 thousand (in 2012 it was € 25,085 thousand).

Depreciation and amortisation fell by 8.4% (from € 15,107 thousand to € 13,836 thousand) as a result of particularly careful management of investments in recent years. Depreciation totalled € 5,951 thousand (down by 6.8%), while amortisation amounted to € 7,885 thousand (down by 9.6%).

Provisions amounted to € 2,035 thousand, decreasing compared to the previous financial year (- € 881 thousand) due to increased control over risks and any future charge, confirming the good operating performance. The reported amount is mainly composed of accruals of € 1,365 thousand to the allowance for impairment (€ 1,966 thousand in 2012) and provisions for risks and charges of € 441 thousand (€ 510 thousand in 2012).

The resulting normalised operating profit amounted to € 15,074 thousand, sharply improving on the same period of last year (€ 7,062 thousand).

Impairment losses and non-recurring items amounted to € 3,072 thousand, due to the recognition of the capital gain of € 3,338 thousand in the financial statements of the parent Biesse S.p.A (as a result of the exchange transaction of a portion of land owned by the parent Bi.Fin S.r.l. with an industrial building owned by Biesse S.p.A.) and of the excess restructuring provision created by the parent Biesse SpA, in December 2012, of € 296 thousand. These positive factors were partially offset, for about € 561 thousand, by impairment and write-downs.

Consequently, operating profit amounted to € 18,146 thousand.

Net finance expense amounted to € 2,533 thousand, decreasing by 30.9% compared to the previous year (€ 3,666 thousand) as a result of average debt exposure and lower interest rates. The main components are represented by bank interest, which, net of interest income, amounted to € 2,081 thousand (€ 2,974 thousand at the end of 2012).

Net exchange rate losses in 2013 were € 993 thousand (net loss of € 1,722 thousand in 2012).

Therefore, pre-tax profit amounted to € 14,619 thousand.

The net balance of income taxes was negative to the tune of € 8,207 thousand. This is attributable to the following factors: current IRES and IRAP taxes (€ 212 thousand and € 3,027 thousand, respectively); provisions for income tax related to foreign subsidiaries (€ 1,209 thousand), previous-year taxes (€ 893 thousand), other taxes (€ 81 thousand), deferred taxes (€ 2,785 thousand).

The Group therefore recognised a **profit for the year** of € 6,412 thousand.

SUMMARY STATEMENT OF FINANCIAL POSITION

Summary statement of financial position at 31 December 2013

	31 December 2013	31 December 2012
<i>Euro 000's</i>		
Intangible assets	47,899	47,616
Property, plant and equipment	61,086	62,102
Financial assets	973	1,153
Non current assets	109,958	110,872
Inventories	86,273	90,321
Trade receivables	76,231	99,455
Trade payables	(111,102)	(107,323)
Net Operating Working Capital	51,403	82,452
Post-employment benefits	(12,795)	(14,329)
Provision for risk and charges	(8,975)	(11,703)
Other net payables	(16,547)	(18,104)
Net deferred tax assets	13,987	17,124
Other net liabilities	(24,331)	(27,011)
Net Invested Capital	137,030	166,313
Share capital	27,393	27,393
Profit/loss for the previous year/period and other reserves	79,077	89,015
Profit/Loss for the year	6,435	(6,487)
Non-controlling interests	190	206
Equity	113,094	110,126
Bank loans and borrowings and loans from other financial backers	60,035	73,191
Other financial assets	(949)	(849)
Cash and cash equivalents	(35,151)	(16,156)
Net financial indebtedness	23,936	56,187
Total sources of funding	137,030	166,313

By analysing the trend of the statement of financial position compared with the figures at 31 December 2012, as far as intangible assets are concerned, investments amounted to around € 9.2 million (mainly attributable to R&D capitalisations of new products of around € 7.3 million and to costs incurred for the purchase of licences and concessions of around € 2 million (relating to the additional model of the "Oracle Flow Manufacturing" ERP system of around € 1.2 million). Net value remains substantially unchanged from 2012 (€ 47.9 million compared to € 47.6 million) as a result of amortisation for the period.

As for property, plant and equipment, investments mainly refer to the recognition of the value of land in the financial statements of the parent Biesse S.p.A of € 4.2 million – as per the appraisal carried out by an independent expert – as a result of the exchange transaction with the related party Bi.Fin. S.r.l., described above. On the contrary, the net value of other components included in property, plant and equipment decreased as a whole by approximately € 1 million as a result of depreciation for the period (€ 5.9 million) and due to exchange rate differences on the historical cost (- € 2.3 million).

As for the current components, Net Operating Working Capital recorded a total decrease of € 31,049 thousand compared to 31 December 2012, mainly due to the drop in trade receivables of approximately € 23,224 thousand, but also due to the good control of inventories at the end of the reporting period (around - € 4,048 thousand) and the increase in trade payables of € 3,779 thousand. The overall change in Net Operating Working Capital was positively affected by exchange rate differences to the tune of € 3,189 thousand.

Net financial position

	31 December 2013	30 September 2013	30 June 2013	31 March 2013	31 December 2012
<i>Euro 000's</i>					
Financial assets:	36,099	24,605	28,681	22,221	17,004
<i>Current financial assets</i>	949	949	890	849	849
<i>Cash and cash equivalents</i>	35,151	23,657	27,791	21,372	16,156
Short term finance lease payables	(285)	(281)	(277)	(273)	(270)
Short term bank loans and borrowings and loans from other financial backers	(44,599)	(50,226)	(50,624)	(79,182)	(67,055)
Short Term Net Financial Indebtedness	(8,785)	(25,902)	(22,220)	(57,235)	(50,321)
Medium/Long term finance lease payables	(1,960)	(2,033)	(2,105)	(2,175)	(2,245)
Medium/Long bank loans and borrowings	(13,191)	(22,435)	(26,958)	(2,586)	(3,621)
Medium/Long Term Net Financial Indebtedness	(15,151)	(24,468)	(29,062)	(4,762)	(5,866)
Total Net Financial Indebtedness	(23,936)	(50,370)	(51,282)	(61,996)	(56,187)

At the end of December 2013, Group's net financial indebtedness amounted to € 23.9 million (gearing = 0.21), a considerable

improvement compared to the values recorded during the year and at 31 December 2012:

- -€ 26.4 million compared to 30 September 2013 (-52.5%);
- -€ 27.3 million compared to 30 June 2013 (- 53.3%);
- -€ 38.1 million compared to 31 March 2013 (- 61.4%);
- -€ 32.3 million compared to 31 December 2012 (-57.4%).

The strong reduction is attributable to improved working capital, which made it possible to reduce debt.

At December 2012, the item was affected by some extraordinary cash absorption components such as: the settlements of the third and fourth payments on account relating to the acquisition of the Centre Gain Group of approximately € 4.8 million, the payment of € 1.2 million in voluntary termination benefits and the € 0.9 million outlay to purchase the new sales premises of Biesse Triveneto.

Note should be taken of the payment made in September 2013 of the fifth and second-last instalment of HKD 12.3 million (approximately € 1.2 million) relating to the acquisition of the Chinese group Centre Gain.

Finally, 2013 saw the launch of the new daily I/C cashpooling system called "Target balance" (currently adopted only by the European branches, but which will subsequently be extended to the North American branches) which will allow better and more efficient operations.

Ligna, Hannover May 2013



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PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH BIESSE S.P.A. AND THE GROUP ARE EXPOSED

OPERATING RISKS

Risks relating to general economic conditions

The Group's financial position, results and cash flows are influenced by several macro-economic factors – including the trend of global and domestic GDP, the level of business and consumer confidence, the trend in interest rates for consumer and business credit, prices of energy or other raw materials, and the unemployment rate – in the various countries in which the Group operates.

For example, the global economic recession had a negative impact on the Group's operating result starting from the first half of 2009.

Although the global recovery is currently continuing, it remains moderate and uneven across the regions. In Europe, despite the measures taken by many governments and the monetary authorities to provide financial support to Eurozone member states in difficulty and avoid the default of some countries' sovereign debt, there are still concerns about the debt burden of some countries.

These elements, together with significant tax measures introduced in some countries in order to manage the actual or perceived risk on sovereign debt, led to further pressure on economic growth. These uncertainties could affect negatively the recovery of the global economy, as well as the financial situation of certain European institutions, and could lead to greater volatility, lower liquidity, growth in differentials between interest rates (spread) and loss of transparency of prices on the credit market.

Moreover, widespread austerity measures implemented in Europe and other areas in which the Group operates could continue to adversely affect consumers' confidence, purchasing power and spending capacity. This could have a significant negative impact on the Group's business prospects, as well as on its results and financial position.

In addition, low growth rates have recently characterised not only the most developed economies, but also major emerging markets such as China, Brazil and India, where also the weakness in exports and domestic demand caused the economy to slow down. These potential developments could have a negative impact on the Group's business.

Risks relating to Group results

The Biesse Group operates primarily in a highly cyclical sector, i.e. mechanical goods.

It should be noted that it is difficult to predict the extent and duration of economic cycles; furthermore, the cyclical nature of the sector in which the Biesse Group operates tends to mirror the general economic trend, in some cases even amplifying its impact.

Therefore, each macro-economic event, such as a significant fall in one of the main markets, the volatility of financial markets and the consequent deterioration of capital markets, a spike in energy prices, fluctuations in the prices of commodities and other raw materials, adverse fluctuations in specific factors such as interest rates, exchange rates etc. that could negatively impact the sectors in which the Group operates may have a significantly negative effect on the prospects and the operations of the Group, as well as on its results and financial position. Furthermore, the Group's profitability is subject to risks related to the fluctuation in interest and inflation rates, the solvency of counterparties, and the general economic situation of the countries in which it operates.

Risks related to the level of competitiveness and cyclicity in the industry

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and public stimulus measures. A negative trend in demand, or the Group's inability to adapt effectively to external market conditions, could have a significant negative impact on the Group's business prospects as well as on its results and financial position.

All of the Group's revenues substantially come from the mechanical goods sector, which is a competitive industry. The Group competes in Europe, North America and in the Asia Pacific region with other major international players. These markets are all highly competitive in terms of product quality, innovation, price and customer service.

Risks relating to sales in international markets and exposure to shifting local conditions

A significant part of the Group's production and sales are carried out in countries outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political conditions and to the potential implementation of policies restricting imports and/or exports.

The Biesse Group is also exposed to compliance with several tax regimes, in particular with reference to transfer pricing.

The Biesse Group operates in several emerging markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased; therefore any adverse political – such as the recent crisis between Russia and Ukraine – or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results. The Russian-Ukrainian market currently represents about 5% of the total turnover of the Group and about 2% of credit exposure as at 31 December 2013.

Risks relating to fluctuations in the prices of raw materials and components

The Group's exposure to increases in the prices of raw materials mainly derives from the purchase of components and semi-finished goods, as direct purchasing of raw materials for production is not significant.

The Group, therefore, does not hedge those risks, but rather tends to transfer their management and economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that guarantee stability for periods of at least one quarter.

The high level of competition and fragmentation of the sector in which Biesse operates often makes it difficult to transfer sudden and/or significant increases in raw material prices entirely on to sales prices.

Risks relating to the ability to offer innovative products

The success of the Group's operations depends on its ability to maintain or increase its share of the markets in which it currently operates and/or to expand in new markets by offering innovative, high-quality products that guarantee adequate levels of profitability. Should the Group fail to develop and offer innovative and competitive products compared to those of its main competitors in terms of, amongst other things, price, quality and functionality, or should there be any delay in launching new models that are strategic to the Group's business, the Group's market share may decline, negatively affecting its business prospects as well as its results and/or financial position.

Risks relating to management

The success of the Group depends in large part on the ability of its executives and other managers to effectively manage the Group and its individual business divisions. The loss of an executive director, senior manager or other key personnel as a result of organisational changes and/or the company's restructuring, with no timely and adequate replacement and reorganisation, as well as the inability to attract and retain new and qualified staff, could therefore have a negative impact on the Group's business prospects as well as on its results and/or its financial position.

Risks relating to relations with employees

In several countries in which the Group operates, its employees are protected by various laws and/or collective labour contracts that guarantee them, through local and national representation, the right to be consulted on specific questions, including restructuring or closure of departments and staff cuts. The laws and/or collective labour contracts applicable to the Group could affect its flexibility in redefining and/or strategically repositioning its operations. Biesse's ability to reduce the number of employees or either terminate or temporarily suspend employment contracts is influenced by government authorisations and trade unions approval. Industrial actions by unionised employees could have a negative impact on the company's business.

Risks relating to relations with suppliers

The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group.

Close collaboration between manufacturers and suppliers is customary in the sectors in which Biesse operates: on the one hand, it can result in economic benefits in terms of cost reduction; on the other, the Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively impact the Group.

Risks related to the delocalisation of manufacturing

The Group has been delocalising its manufacturing operations for a few years now to China and India, both by starting new production plants and acquiring existing ones. These emerging countries contribute more and more significantly to the Group's results in terms of revenue and profitability. As a result, the Group's exposure to the performance of these countries has increased in recent years. Political and economic developments in these emerging markets, including any situation of crisis or instability, could significantly affect the Group's business prospects as well as its results and financial position in the future.

FINANCIAL RISKS

Liquidity risk relating to financial requirements

The liquidity risk is normally defined as the risk that the company might be unable to meet its payment obligations due to the difficulty in raising funds (funding liquidity risk) or to sell assets on the market (asset liquidity risk). The result is a negative impact on profit or loss should the company be forced to bear additional costs to meet its obligations or, in the worst case scenario, a situation of insolvency threatening its viability as a going concern.

The evolution of the financial position of the Biesse Group depends on several conditions, including, in particular, the ability to achieve its objectives, as well as the general trend in the economy, the financial markets and the sectors in which the Group operates. Moreover, the current critical conditions of financial counterparties inevitably affect financing activities.

The Biesse Group is implementing measures to ensure adequate financing of net working capital and, more in general, to

secure its current assets. The Biesse Group uses short-term uncommitted credit lines accounting for 68.4% of total financing, whereas the remaining part is represented by the residual portions of unsecured loans (18 months minus one business day), mortgage loans, residual real estate leases and medium-term committed credit lines.

In 2013, the most important credit lines were renewed with a special commitment on extending the duration of unsecured loans (18 months minus one business day and medium-term mortgage loans). Most of the operations were concentrated in Italy and subordinately in China even through Italian counterparties. The feedbacks received from banks to date are all extremely positive both from lending banks already working with the Group and from others recently acquired as counterparty. In addition to the above, negotiations are still underway to increase the capacity of credit lines with funding by supranational entities (EIB) and duration of more than 36 months.

It is also clear that, even though the Group has put in place measures to ensure that adequate levels of working capital and liquidity are maintained, any significant reduction in sales volumes could have a negative impact on the ability of the Group's operations to generate a positive cashflow.

Credit risk

The Group is exposed to various concentrations of credit risk on the various markets on which it operates, mitigated by the fact that credit exposure is divided across a large number of counterparties and customers.

Financial assets are recognised net of impairment losses calculated on the basis of counterparty default risk, taking into account available information on the customer's solvency as well as historical-statistical data.

Risks relating to exchange rate fluctuations

The Biesse Group, since it operates in several markets around the world, is naturally exposed to market risks relating to the fluctuation in interest and exchange rates. Its exposure to currency risk is related primarily to the geographical diversification of its commercial operations, with cash flows from exports denominated in currencies other than that of the country of production; in particular, the Biesse Group is mainly exposed to net exports from the Euro area to other currency areas (mainly US Dollar, Australian Dollar, Pound Sterling, Indian Rupee and Chinese Renmimbi). Consistently with its risk management policy, the Biesse Group seeks to hedge its exposure to currency risk through financial hedging instruments. Nevertheless, sudden fluctuations in exchange rates could have a negative impact on the Group's results.

Risks relating to interest rate fluctuations

The Biesse Group uses various types of financing in order to fund its industrial activities; in the current macroeconomic scenario, especially in Europe, financial institutions can show operating problems that have a negative impact on the levels of interest rates.

Risks related to the availability of funding for customers

The Biesse Group, since it operates in the sector of long-term capital goods, is subject to the negative impact of potential tightening of credit standards by financial institutions for customers intending to buy goods using financing (e.g. operating leases, secured credit, etc.). The current economic scenario, with financial institutions reducing access to credit and loans, especially in Europe as a result of the sovereign debt crisis, represents an obstacle to the conclusion of trade negotiations.

CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. substantially complies with the principles set out in the Corporate Governance Code for Listed Companies and international best practices. The Board of Directors approved on 12 March 2014 the Report on Corporate Governance and Ownership Structure pursuant to Article 123-bis of the Consolidated Law on Finance related to financial year 2013.

This Report is published on the Company's website www.biesse.com in the "Investor Relations"¹ section and constitutes a reference for legal purposes.

Biesse S.p.A.'s management and control model is the traditional model envisaged by Italian Law, with a Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The corporate bodies are appointed by the Shareholders' Meeting and hold office for three years. The representation of Independent Directors, as defined in the Code, and their role in both the Board and the Company's Committees (Internal Control Committee, Related-Party Transactions Committee, Remuneration Committee), are fit for ensuring the interests of all shareholders are balanced and all sides of a discussion are freely aired in the meetings of the Board of Directors.

1. [At <http://www.biesse.com/en/corporate/investor-relations/biesse-profile/corporate-governance>](http://www.biesse.com/en/corporate/investor-relations/biesse-profile/corporate-governance)

2013 RESEARCH AND DEVELOPMENT ACTIVITIES

The following list details research and development activities undertaken in 2013:

WOOD DIVISION

BIESSE BRAND

ROVER B 16XX 19XX G EDGE MACHINING CENTRE

Development was completed on the gantry machining centre for edgebanding shaped panels. The gantry structure allows for higher acceleration of the operating units, increasing productivity.

ROVER B YYXX G STEP 4 MACHINING CENTRE

Development began on the gantry machining centre for high productivity and flexibility for machining panels and solid wood. The gantry structure allows to manage configurations with many operating units to reduce cycle times.

ROVER A G FT MACHINING CENTRE PRODUCT LIST REV.

Development continued on enhancing processing performance of upmarket machining centres for nesting. Both the productivity achieved through higher performance and the configuration options of this product range, with a larger number of options for the operating units to meet all needs, were enhanced. The flexibility of the automatic panel loading and unloading systems of this product range was improved.

ROVER A 16XX MACHINING CENTRE

Development began on the cantilever machining centre for typical processing of the craftsman on panels and solid wood. This machining centre also includes edgebanding of shaped panels. The cantilever structure allows to minimise the overall dimensions of the installation and to work panels with a width greater than the working area of the machine.

ROVER K 1Y32 G – STEP1 AND ROVER K 1Y32 G STEP 2 MACHINING CENTRE

Development was completed on an entry-level gantry machining centre for processing panels and bar tables.

ROVER C G MACHINING CENTRE

Development continued on the gantry machining centre for processing thick work-pieces.

ROVER K G FT MACHINING CENTRE

Development was started on a mid-to-low-end gantry machining centre for processing panels fixed with phenolic work surface and optional inexpensive automatic loading and unloading systems.

COMIL/RBO BRAND

RBO - WINSTORE 3D K2 HANDLING

During 2013, the RBO brand carried out the development program of the Winstore 3D range as outlined in the three-year plan anticipated in last year's report.

The prototype of the K2 model was completed and all the functional tests required by the product plan were carried out; moreover, it was submitted to endurance test to simulate the working life with the customer and point out any critical issue on the used components.

The design of the last model of the range – Winstore 3D K3 – began in the last months of the year and it will be completed in 2014.

NESTING PANEL-SIZING MACHINE

In 2013 progress was made on the development project of the range of Nesting flexible panel-sizing machines.

The machine belongs to the "Smart Flow" product plan for the management of the Batch One production processes, to which the warehouses of the Winstore 3D range and the MDS edgebanding also belong.

Over the last few months of 2013, the design of a new machine configuration was started in order to increase productivity to 1400 pcs/shift. The development will be completed in the first months of 2015.

INSIDER RANGE

In 2013, a new product plan was presented for the range of Insider drilling machines in order to review the whole range and add some functions.

In particular, the development of a lower drilling module was requested to complete processing of the Insider machine. On the basis of these purposes, the range of Insider and Matrix machines was revised in order to unify them in a single product that allows to industrialise the components used and standardise the software solutions used.

The first prototype will be assembled during 2014.

SELCO BRAND

WNA SERIES 6 AND WN SERIES 6 PANEL SIZING CENTRES

Design work continues on the new mid-market range of angular panel-sizing centres (WNA Series 6), characterised by the high compatibility of its modules with the corresponding single cutting line range (WN Series 6).

New operating units whose function is to further improve the efficiency of the suction and of precision machining are introduced.

WN SERIES 7(WN 710-730) PANEL SIZING CENTRES

Design work continues on a new mid-market range of single line panel-sizing machines.

New operating units whose function is to further improve the efficiency of dust suction and of precision machining are introduced.

WN SERIES 6-7 VACUUM PANEL SIZING CENTRES

Design work continues on a new mid-market range of panel-sizing machines, introducing vacuum loading systems suitable to handle delicate and fine materials.

SEKTOR PANEL-SIZING MACHINES RESTYLING

Design work continues on a new range of low-end panel-sizing machines. The range is expected to feature devices and functions normally available only on higher-end machines.

WNA SERIES 7 PANEL-SIZING CENTRES

Design work of new mid-to-high-end angular panel-sizing centres has been started. New ideas for the suction of wood chips optimised for dust cut will be tested.

OSI INTERFACE AND OPTIPLANNING OPTIMISER

SW developments of the OSI interface and of the Optiplanning optimiser continue with new implementations to speed up, optimise, simplify the use of the machines.

BIESSEEDGE BRAND

AIR FORCE SYSTEM

Innovative system for applying edges to the panel, based on the concept of melting the functional layer of the edge thus avoiding the use of glues. The innovation is based on the use of the technology of air under pressure at high temperatures thanks to which the melting process of the edge's functional layer is applicable to all the edgebanding machines with very low economic investments compared to the first generation of similar devices that were based on the use of expensive and complex laser systems. Some process optimisation concepts are patented.

STREAM LEAN MDS

Launch of the second prototype of this machine range with an innovative automatic squaring module for automated lines that maximises performance in terms of accuracy and productivity. The new module is based on a portal-based structure fully integrated with the base machine to maximise the squaring accuracy at levels higher than the current standard available on the market. Some aspects of the process are patented.

AKRON 1400

It is the overhaul of the Akron 400 range, from which it inherits the basic structure, improving performance by increasing CNC setup functions to optimise time and increase flexibility during size change. It includes some state-of-the-art operating units already in production with the Akron1300 range, completing an important product industrialisation. The overhaul has been achieved also through a more ergonomic use and maintenance as well as a larger and more functional casing.

CBS 1 AND BL HANDLING

It is a unique project divided into two macro-activities: conceptual exploration and project finalisation. This project implements a flexible production cell for small furniture manufacturers. It consists of a set of machines that include a mid-to-low-end edgebanding machine in order to have a cell that ensures the squaring and edgebanding of the panel, equipped with an automatic work-piece feeding system. The construction of the first prototype is planned for 2014.

REAL TIME RANGE CHANGE

Operating unit with innovative patented concepts to optimise production in single-batch processing with a processing setup carried out in real time in the gap between panels in a normal production flow. Mass production is planned for 2014.

BREMA BRAND

VEKTOR PROJECTS

The range of machines was enriched with the introduction of new features that were well-received by the market, as the product's growth volumes exceeded the expected budget.

SKIPPER V31 PROJECTS

Early in 2012 this machine entered mass production: during this stage, the product continued to be improved on through project engineering.

A study is being implemented for improving the product in order to reposition on the market and increase market share and volumes over competitors.

GLASS & MARBLE DIVISION

INTERMAC BRAND

CDL RANGE (MACHINING CENTRES)

Design work began for the development of a range of CNC mechanical-cutting machines, for glass products, natural or synthetic marble products, with diamond tools for processing for furniture and building industries.

WORKBENCH FOR CDL (MACHINING CENTRES)

Design work began on a workbench in order to facilitate the positioning of part blocking systems (for CNC mechanical-cutting machines), necessary for processing flat glass sheets, natural or synthetic marble products, for the furniture and building industries.

MASTER SAW

Design work of the second step began on a range of CNC mechanical-cutting machines for cutting and processing natural or synthetic marble products, with diamond tools, including two working environments, for processing slabs and blocks for furniture and building industries.

RANGE OF CUTTING BENCHES (Genius CT 2013)

Design work began for the development of a range of machines for cutting monolithic sheets, mainly used in the building, energy, furniture, automotive sector.

GENIUS COMBY J-HP60

Design work ended and assembly work began on an up-market high-performance line for cutting laminated sheets, used mainly in the building industry, with the main purpose of increasing productivity.

VERTICAL RANGE (2.6)

Development was completed on mechanical-cutting machines for manufacturers of industrial glass or plastic products, with diamond tools, for processing meeting the needs of craftsmen and industries in the furniture and building sector.

VERTICAL RANGE (2.2)

Design work for the development of mechanical-cutting machines for manufacturers of industrial glass or plastic products, with diamond tools, for processing meeting the needs of craftsmen and industries in the furniture and building sector.

MECHATRONICS DIVISION

HSD BRAND

2-AXIS HEADS.

Design work began on the new HS 353 range of heads. The new model is targeted at the market for machining centres dedicated to wood processing for routing on panels.

HIGH FREQUENCY MOTORS

Design work continued on the new range of electrospindles known as ES 510. This new range was conceived to meet demand for performance and size with reference to metal-processing machining centres. They are designed for use in medium milling operations. The range has been extended with models that differ in the tool holder and in different ranges of speed and power.

SMART MOTOR

Design work continued on the new Sm 137 servomotor, which will support three fieldbuses (Enet, Canopen); based on this design a drive version for remote applications will be created.

PRINTED-CIRCUIT BOARDS

Design work continued on a new electronic control board for the electrospindle functions. It will be equipped with digital line-outs and fieldbus.

INDEPENDENT SPINDLE BORING HEADS

Design work continued on a new independent spindle boring head characterised by a new generation of gears fit for rotating at high speed. A new sleeve is being studied with the aim of increasing the high-speed drilling performance in terms of rigidity and quality.

AGGREGATES

Re-design work continues on the aggregates dedicated to wood processing with the aim of streamlining the range and simplifying design work, optimising costs. Design work began on a multifunctional group with gearless traction for drilling-milling

AWFS, Las Vegas July 2013



equipment .tbl

ESTER
9700
9800

ESTER
9500
9600
CAMP

9300
9400

SER
ESSORS
KAESER
COMPRESSOR

PALLMANN

LEGACY



Legacy



of solid wood.

SOFTWARE PLATFORMS AND COMPONENTS

BSOLID (CAD/CAM)

This is a new integrated programming system for wood, marble and glass processing. The main focus was on the development of 3 features:

- New 3D operator interface (currently being finished)
- New 5-axis processing
- Realistic machine simulation

The "renewed interface" project draws on the Family Feeling project.

5-axis processing allows to use the most innovative Biesse machines to their full potential.

Realistic machine simulation allows the user to test thoroughly the user experience of the machine before actually using it, preventing problems that could arise in real-world use. It also allows to intuitively set up the machine's tables and tools, identifying potential anomalies.

bSolid was presented in 2013 at the Ligna fair of Hannover enjoying a great success and enhancing the technological innovation image of Biesse.

BCONTROL

The new HMI touch interface for all the machines of the Biesse Group will be completed in accordance with Biesse's Family Feeling project. The development will focus on a new set of graphic components designed specifically for touch screens. Moreover, in-depth ergonomic studies will be carried out to ensure utmost usability, the main requirement of the machine. The objective is to allow the use of machines, complex or otherwise, to all.

BPROCESS (FORMER BIESSELINK) (PRODUCTION MONITORING AND MANAGEMENT SOFTWARE)

BiesseLink becomes bProcess, after a year of development that enabled us to increase product functions through various orders. As we know, bProcess originated from the need for a proprietary solution to monitor and control wood, glass and marble manufacturing plants, and its evolution towards plant manufacturing control was reached.

To date, bProcess is ready to adapt to a variety of production environments, from the small cell to the whole factory. The major features are:

- Connection with external design applications as cabinet designers and windows designer and related splitting of the processing in different cell/factory production stages.
- Flexible definition of the customer's production process.
- Integration and traceability of all customers' processing phases, manual or otherwise.
- Traceability of events (such as breakage of a part) and reintegration into production.
- Reports and advanced statistics of machine and production.

BFASTER

Optimisation framework of the bPlatform platform that permeates all the 2013/2014 developments with the aim of optimising the performance of the machines both in terms of speed on each part and on daily/weekly production, through innovative optimisation engines borrowed from the latest discoveries in the field of operational research and artificial intelligence.

BWINDOWS

Add-in for bSolid for designing and manufacturing windows.

It allows to design the most common forms of windows and is perfectly compatible with Biesse machines. It drastically reduces window-designing time, offering 3d design features.

BEDGE

Add-in for bSolid for the management of machining centres for edgebanding.

The goal of this project is to simplify to the nth degree the use of these machines that is very difficult today, through the massive use of simplified interfaces and technologies related to operational research and artificial intelligence, which allow bEdge to carry out all those edgebanding design phases that are carried out manually today.

IDOORS

Add-on of bSolid that consists in the new man/machine interface for all Intermac-branded VertMax machines. It will feature highly innovative usability criteria, with emphasis on ease of use in the planning of doors and windows for architectural use. Fully integrated into the bSolid platform, it allows for high processing customisation.

BIESSEWORKS

CAD/CAM application for Biesse machining centres. In 2013, minimum adjustments to market requirements for machining centres were implemented.

ICAM

CAD/CAM application for Intermac machines. In 2013, minimum adjustments to market requirements for Waterjet Primus machines were implemented.

BH1000

This is a development to introduce the CNC WRT on a new hardware supporting the BUS ENET and a PC micro in Q7 format

(side 7 cm). The BH1000 will allow a substantial cost reduction for low-end machines given its compactness and inexpensiveness. The project requires developments in terms of firmware and WRT.

WRT SIMULATION

It is a WRT calculation system integrated in bSolid able to provide an accurate simulation of the machine. The processing result provides the information for animating the 3D representation of the machine in a very accurate way both in real and accelerated time.

“SET POINT” ALIGNMENT ON DIFFERENT TYPES OF FIELDBUSES

Today, the machine can have different types of fieldbuses on which motors can be interpolated. For example, this is the case of torque motors with C axes that can be controlled by drives other than the main axes of the machine. In these cases, to have precise interpolation processes, it is necessary for the implementation of the set points to be synchronised between the various buses. The development is precisely intended to ensure the interpolation quality regardless of the communication with the drives. This is not a common service in terms of control.

DRIVE SM141D AND CPH400 (FIRMWARE)

Updating of the drive firmware to support the sharing function of braking energy with the current drives. The main advantages will be lower energy dissipation and an increase in power output in S1. Other features were implemented to support the engine torques.

RECONCILIATION BETWEEN THE EQUITY AND RESULTS OF THE PARENT AND CONSOLIDATED EQUITY AND RESULTS

In compliance with Consob Communication no. DEM/6064293 of 28 July 2006 the following schedule shows the reconciliation of the equity and results for the year of the parent with the consolidated equity and results for the year.

	Equity 31/12/2013 0,0%	Profit for 2013 0,0%	Equity 31/12/2013 0,0%	Loss for 2012 0,0%
<i>Euro 000's</i>				
Equity and loss for the year of the parent	117,985	8,242	109,664	(1,091)
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	800		6,349	
Pro-quota results contributed by investees		6,452		2,162
Derecognition of impairment losses/reversal of impairment losses on equity investments		2,800		1,976
Dividends		(11,270)		(8,200)
Elimination of the effects of transactions between subsidiaries:				
Intercompany losses included in closing inventories	(5,317)	211	(5,528)	(1,335)
Intercompany losses on non current assets	(564)		(564)	
Equity and loss of the year attributable to owners of the parent	112,905	6,435	109,920	(6,487)
Non-controlling interests	190	(23)	206	(33)
Total equity	113,094	6,412	110,126	(6,520)

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

Details on transactions with the parent Bi.Fin. S.r.l. are reported below:

	Receivables	Payables	Revenue	Expense
<i>Euro 000's</i>				
Bi. Fin. S.r.l.	1,564	-	3,338	-

As already pointed out, during 2013 a building located in Pesaro was sold to the parent Bi.Fin. S.r.l. by means of a notarial deed dated 20 December 2013 at a realisable value of € 3,500 thousand, whereas, by means of the same deed, land was purchased for a total value of € 4,210 thousand, resulting in gain for the Group of € 3,338 thousand.

OTHER RELATED-PARTY TRANSACTIONS

The following have been identified as related parties: the Board of Directors, the Board of Statutory Auditors, SEMAR S.r.l. and Fincobi S.r.l.

During the year, transactions with the aforementioned parties were as follows:

	Receivables	Payables	Revenue	Expense
<i>Euro 000's</i>				
Fincobi S.r.l.	-	23	1	5
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	2	747	2	2,008
Members of the Board of Directors	2	24	-	2,010
Members of the Board of Statutory Auditors	-	171	-	166
Total	4	964	3	4,189

We can confirm that the transactions disclosed above were carried out under terms and conditions that were not different from those arm's length parties would have agreed.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Biesse S.p.A. controls directly or indirectly some companies established and regulated by the law of States outside the European Union ("Significant Companies outside the EU" as defined by Consob resolution no. 16191 of 29 October 2007 as amended, concerning the listing of companies controlling non-EU entities).

With reference to these companies, it should be noted that:

- all the Significant Companies outside the EU draw up a reporting package for the purposes of preparing the consolidated financial statements; their statement of financial position and income statement are made available to the shareholders of Biesse S.p.A. within the terms provided for by the relevant regulations;
- Biesse S.p.A. obtained the articles of association as well as the composition and powers of the corporate bodies of the Significant Companies outside the EU;
- the Significant Companies outside the EU:

- provide the independent auditor of the parent with the information required for auditing the annual and interim financial statements of the parent;

- have an administrative and accounting system fit for submitting on a regular basis to the management and the independent auditor of Biesse S.p.A. the data on the financial position, results of operating and cash flows required for preparing the consolidated financial statements.

The supervisory body of Biesse S.p.A., in order to fulfil its regulatory obligations, checked the adequacy of the administrative and accounting system for submitting on a regular basis to the management and the independent auditor of Biesse S.p.A. the economic and financial data required for preparing the consolidated financial statements, as well as the effectiveness of the information flow through meetings both with the manager and the independent auditors of the Significant Companies outside the EU.

PERSONNEL

Staff

In 2013, the Group continued to pursue its restructuring and relaunch strategy, with a special focus on streamlining, recovery of production efficiency and review of the main business processes, as part of the investment and restructuring plan started in 2011.

All human resources initiatives to relaunch the Group resulted in the following figures: 2,695 Group employees (+ 19 temporary staff members) decreasing by 58 compared to 2012, but still taking advantage of highly professional skills in order to achieve set objectives.

Relations with the trade unions

Overall, 2013 featured intense dialogue and negotiation among Company Management, Trade Unions and Employees' representatives at corporate level, thanks to which it was possible to fully implement the Company's restructuring plan and obtain, for the Biesse S.p.A. unit of Pesaro, an extension of the special redundancy plan until 10 August 2013. Moreover, with a view to maintaining the level of employment reached thanks to the restructuring plan, in compliance with the resolutions of the Board of Directors of 18 July 2013, a statement of agreement to use the so-called "defensive" work-sharing agreements was signed effective from 2 September 2013 to 1 September 2014.

The work-sharing agreement may involve a total of 1,000 employees, 863 of whom are in the Wood and Components Divisions and Centralised Departments and 137 in the Glass & Marble Division, for a maximum reduction in the average workload of 40%, calculated over a 4-week timeframe.

As part of and within the limits of the provisions included in the signed statement of agreement, the Work-sharing Agreement,

in the period from September to December 2013, involved 531 staff members totalling 39,946.00 hours, with an average reduction of working hours on a 4-week period of approximately 15%.

More specifically, the reduction of working hours for work-sharing agreements concerned:

Wood division
435 staff members
for a total of 33,512 hours

Components Division
28 staff members
for a total of 912 hours

Centralised Departments
68 staff members
for a total of 5,522 hours

For what concerns work organisation, dialogue with Trade Unions and Employees' representatives at a company level allowed to extend to 2013 as a whole the implementation of the agreements on flexible working hours, introduced as an experiment in 2012 in 5 Italian business areas of the Group (Biesse S.p.A. Glass & Marble division, Biesse S.p.A. Tooling division, HSD S.p.A. and Bre.Ma S.r.l.), considering the good results obtained on the one hand with an increased company responsiveness to market fluctuations and, on the other hand, greater economic stability of the employees involved.

Training

The training programmes activated during 2013 focused on two main areas:

- Strengthening of specific skills aimed at certain professional categories
- Training on tools to support the improvement of business processes

Moreover, the Safety programme, already started in 2012, continued.

The most significant programmes are set below.

TRAINING OF RESEARCH AND DEVELOPMENT ENGINEERS

The programme was addressed to the all staff including the Group's mechanical design and Research and Development teams. The measures focused both on design "best practices" and on the recent investment in the upgrading of the solid modelling tools, aimed at ensuring high-performance services and supporting more advanced methods.

Following a thorough analysis and critical review of the methods used, training modules of common interest were designed as well as specific interventions and workshops for different product lines and different design teams. A specific module was dedicated to the possible development of 3D design system.

QUALITY MANAGER TRAINING

The purpose of the training was to enhance the skills of the Team, both in terms of professional training related to the spirit and specific contents of recent regulations, and in terms of enhancement of the role of Quality Manager in the changed corporate organisational and management framework.

As part of the training programme, a specific course was dedicated to the second-level certification of business professionals with regard to the performance of internal audits and to the support in the audits carried out by external partners.

PROGRAMME FOR SPECIALISTS OF LEAN PRODUCTION AND TIMES AND METHODS

For the business team dedicated to Process Engineering and to Times and Methods, two workshops were organised based on the intervention of external professionals and on case studies of good practices prepared by the Company's Kaizen Team. Each workshop was carried out in two sessions. The first session was dedicated to the Team's professional identity and to the leading role of the specialists of Times and Methods in the organisation of production processes aimed at customer satisfaction through the lean methods.

The second part concerned presentation and discussion of good practice cases in the introduction of lean production concepts with suppliers, started by the Team with the same approach presented in the classroom, as pilot experiences to be standardised in a consistent and shared company approach.

TRAINING ON ERP SYSTEMS

Training to support the implementation of the new ERP system continued, with a special reference to manufacturing and supply-chain modules being issued in the different Organisational Units of the Group.

COMMERCIAL AND AFTER-SALES TRAINING

In order to support the launch on the market of the new Bsolid Software, entirely designed in Biesse, an extensive educational programme was launched dedicated to the Group's sales and technical support personnel. The programme was based on the training of internal trainers whose mission, in a cascading process, is to provide specialised training sessions to the Italian personnel and to the staff of the Group's international premises.

TECHNICAL TRAINING FOR AFTER-SALES OPERATORS

Following a careful mapping of skills of the Italian and foreign personnel, training interventions were planned and started focused on training with regard to new solutions and components and on the methods of diagnosis and intervention at the customer's premises.

SAFETY COURSE

The training programme started in 2012 for all the personnel, according to the specifications of the State Region Agreement,

continued. In 2013 priority was given to the completion of training on specific risks for workers belonging to high-risk categories.

SHARES IN BIESSE AND/OR ITS SUBSIDIARIES, HELD DIRECTLY OR INDIRECTLY BY MEMBERS OF THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS AND THE GENERAL MANAGER, AS WELL AS BY THEIR RESPECTIVE SPOUSES WHERE NOT LEGALLY SEPARATED AND BY THEIR MINOR CHILDREN

	No. of shares held directly and indirectly at 31/12/2012	No. of shares sold in 2013	No. of shares purchased in 2013	No. of shares held directly and indirectly at 31/12/2013	% of share capital
Roberto Selci Chairman	31,944			31,944	0.12%
Giancarlo Selci Managing Director	16,015,000			16,015,000	58.46%
Stefano Porcellini Executive Director and General Manager	0			0	0.00%
Alessandra Parpajola Executive Director	600			600	0.00%
Cesare Tinti Executive Director	0			0	0.00%
Leone Sibani Independent Director	6,000			6,000	0.02%
Giampaolo Garattoni Independent Director	40,000			40,000	0.15%
Salvatore Giordano Independent Director	200			200	0.00%
Giovanni Ciurlo Member of the Board of Statutory Auditors	0			0	0.00%
Claudio Sanchioni Member of the Board of Statutory Auditors	200			200	0.00%
Riccardo Pierpaoli Member of the Board of Statutory Auditors	0			0	0.00%

ATYPICAL AND/OR UNUSUAL TRANSACTIONS OF THE YEAR

No transactions of this nature were reported in 2013.

SIGNIFICANT SUBSEQUENT EVENTS AND OUTLOOK

January 2014

On 17 January 2014, INTERMAC DO BRASIL SERVICOS E NEGOCIOS LTDA was established with the aim of fostering and developing, through a dedicated company, trading of products of the Glass/Marble and Tooling Divisions within the Brazilian market. The company should be operational by April 2014.

February 2014

On 7 February 2014, Biesse S.p.A. met in Paris some important investors in collaboration with its specialist Banca IMI. On that occasion, in addition to describing its activities and industrial projects underway, the top management of Biesse updated its indications concerning the financial year 2013.

March 2014

The Board of Directors of Biesse S.p.A. approved on 3 March 2014 the updating of the business plan for the 2014-2016 period. Based on the initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 7.0%);
- higher added value (41.5% as a percentage of revenue in 2016);
- recovering operating profits:
- EBITDA target: 13.8% as a percentage of revenue in 2016;
- EBIT target: 10.1% as a percentage of revenue in 2016.

"The plan starts from the solid foundations laid in financial year 2013" – explained the General Manager, Stefano Porcellini –

“which ended for Biesse with revenues substantially in line with those of the previous year, but with an order intake 7.8% higher than in 2012, despite an economic framework still adversely affected by stagnation, credit crunch and increasing risks on the emerging countries’ economies.

Still in 2013 – continued the General Manager – Biesse recovered operating profits (with a return to a strong profit) and it especially recorded a significant reduction of net debt (net financial indebtedness at € 23.9 million, improving by € 32.3 million on December 2012), even though commercial and product investments gradually increased. Drawing on these elements, today we approved the projects required to ensure Biesse’s growth during the 2014-2016 period, focusing more than ever on technological innovation and expansion of the commercial network. The approved plan provides for an average growth of 7% in the three-year period: a more conservative forecast for 2014 (notably, in the first half-year) when risks in emerging countries are expected to increase and a more confident outlook for the 2015-16 period which should best benefit from the expected upward economic cycle”.

The analysis of the first two months of the current year shows positive results for order intake both for achieving the budget targets (+9.3%) and for the increase compared to the same period of 2013 (+20.7%). Sales are not in line with budget targets (-13.6%) but they however increased compared to the same period last year (+8.9%).

Vitrum, Milan October 2013



INTERMAC

INTERMAC

EDGING MACHINES & SYSTEMS
CNC & LAMINATE GLASS CUTTING

CNC - VERTICAL MACHINING
WATERJET SYSTEMS



DIRECTORS' REPORT ON THE PERFORMANCE OF BIESSE S.P.A.

Income statement highlights

Income Statement for the year ended 31 December 2013

	31 December 2013	% on sales	31 December 2012	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	254,592	100.0%	267,807	100.0%	(4.9)%
Change in inventories, wip, semi-finished and finished goods	(824)	(0.3)%	1,324	0.5%	-
Other revenue	4,386	1.7%	3,719	1.4%	17.9%
Revenue	258,154	101.4%	272,851	101.9%	(5.4)%
Consumption of raw materials, consumables, supplies and goods	(133,638)	(52.5)%	(145,666)	(54.4)%	(8.3)%
Other operating expense	(41,551)	(16.3)%	(45,197)	(16.9)%	(8.1)%
Added Value	82,965	32.6%	81,987	30.6%	1.2%
Personnel expense	(67,723)	(26.6)%	(71,551)	(26.7)%	(5.3)%
Gross Operating profit	15,242	6.0%	10,437	3.9%	46.0%
Depreciation and amortisation	(10,260)	(4.0)%	(11,320)	(4.2)%	(9.4)%
Provisions	(1,009)	(0.4)%	(1,687)	(0.6)%	(40.2)%
Normalised Operating profit/loss	3,973	1.6%	(2,570)	(1.0)%	-
Impairment losses and non recurring items	3,142	1.2%	(4,366)	(1.6)%	-
Operating profit/loss	7,115	2.8%	(6,936)	(2.6)%	-
Net finance expense	(2,124)	(0.8)%	(2,143)	(0.8)%	(0.9)%
Net exchange rate losses	(499)	(0.2)%	(1,388)	(0.5)%	(64.0)%
Impairment losses on financial assets	(2,800)	(1.1)%	(1,976)	(0.7)%	41.7%
Dividends	11,270	4.4%	8,200	3.1%	37.4%
Pre-tax profit/loss	12,962	5.1%	(4,243)	(1.6)%	-
Income taxes	(4,720)	(1.9)%	3,153	1.2%	-
Profit/Loss for the year	8,242	3.2%	(1,091)	(0.4)%	-

Net revenue for 2013 amounted to € 254,592 thousand, compared with € 267,807 thousand in the year to 31 December 2012, down 4.9% from the previous year, mainly due to a different product mix and the persistence of the crisis of the domestic market. It should also be noted that this result was negatively affected by exchange rates trends in the year, as a result of the strengthening of the Euro against major foreign currencies.

Revenue amounted to € 258,154 thousand, compared with € 272,851 thousand in the year to 31 December 2012, down 5.4% from the previous year; costs as a percentage of revenue are presented so as to give a clearer indication of profitability.

	31 December 2013	%	31 December 2012	%
<i>Euro 000's</i>				
Revenue	258,154	100.0%	272,851	100.0%
Consumption of raw materials and goods	133,638	51.8%	145,666	53.4%
Other operating expense	41,551	16.1%	45,197	16.6%
<i>Service costs</i>	36,459	14.1%	39,620	14.5%
<i>Use of third party assets</i>	3,352	1.3%	3,646	1.3%
<i>Sundry operating expense</i>	1,740	0.7%	1,931	0.7%
Added Value	82,965	32.1%	81,987	30.0%

Added value as a percentage of revenue increased compared to the previous year (up 2.1%). This increase is mainly related to lower consumption of raw materials and goods (51.8% compared to 53.4%), attributable to the different sales mix more focused on the sale of single machines than on lines, improved efficiency in consumption, and a better pricing performance. Other operating expense also recorded a lower impact on revenue both in percentage terms (from 16.6% to 16.1%) and in absolute terms (from € 45,197 thousand to € 41,551 thousand). In particular, service costs recorded the main decrease (- € 3,161 thousand, - 8%).

Personnel expense in 2013 was € 67,723 thousand, compared with € 71,551 thousand in the year to 31 December 2012, with a € 3,828 thousand decrease in absolute terms. This decrease is attributable to the fixed component (€ 4,520 thousand, -6.3%), as a result of actions taken during the period in order to implement the restructuring plan agreed with the social partners and use welfare support provisions, i.e. special redundancy plan (CIGS) and work-sharing agreements (CDS).

The above effects were partially offset by the increase achieved in the variable components related to performance bonuses and other bonuses increasing by approximately € 831 thousand (+28.5%) due to the greater achievement of budget targets compared to the previous year, and due to the strong reduction recorded in 2012 in the variable components due to missed

targets. Capitalisation of R&D expenditure for employees' wages and salaries decreased by € 148 thousand (€ 6,699 thousand compared to € 6,847 thousand in 2012).

Gross Operating Profit was € 15,242 thousand, up compared with the previous financial year as a percentage of revenue (6% compared to 3.9 of 2012).

Depreciation and amortisation decreased by 9.4% (from € 11,320 thousand to € 10,260 thousand): depreciation totalled € 3,064 thousand (down by 13.2%), while amortisation amounted to € 7,196 thousand (down by 7.6%). Depreciation confirms a trend observed in previous years, with the streamlining of manufacturing facilities and investments and improving the use of manufacturing space.

Provisions stood at € 1,009 thousand, down € 678 thousand from the previous financial year. The reported amount is mainly composed of provisions amounting to € 1,009 thousand to the allowance for impairment (€ 1,192 thousand in 2012).

The resulting **normalised operating profit** amounted to € 3,973 thousand.

During 2013, the company recognised impairment losses and non-recurring items totalling € 3,142 thousand compared to € - 4,366 thousand in the prior year.

The figure for 2013 is attributable to the following factors: recognition of the capital gain of € 3,338 thousand (as a result of the exchange transaction of a land located in Pesaro owned by the parent Bi.Fin S.r.l. with an industrial building owned by Biesse S.p.A.) and of the reversal of the unused excess of the restructuring provision created in December 2012, (€ 296 thousand). These positive factors were partially offset by impairment of about € 492 thousand.

Consequently, the **operating profit** totalled € 7,115 thousand.

Net finance expense was broadly unchanged on the previous year (from € 2,143 thousand to € 2,124 thousand). Net exchange rate losses decreased substantially compared to the previous year (from € 1,388 thousand to € 499 thousand).

Finance expense also includes net impairment losses on financial assets amounting to € 2,800 thousand; the reported amount refers to impairment losses on the equity investments in Bre.Ma. Brenna Macchine S.r.l. of € 682 thousand and in Viet Italia S.r.l. of € 1,194 thousand; to the provision for offsetting the net deficit of Biesse Iberica Woodworking Machinery s.l. of € 189 thousand and in Bre.ma. Brenna macchina S.r.l. of € 735 thousand.

Finance expense also includes € 11,270 thousand (€ 8,200 thousand in 2012) concerning dividends distributed by the following subsidiaries

- HSD S.p.A.: € 6,500 thousand;
- Biesse France Sarl: € 2,000 thousand;
- Biesse Group Deutschland GmbH: € 1,500 thousand;
- Biesse Canada Inc.: € 890 thousand;
- Biesse Group UK Ltd: € 380 thousand;

The **pre-tax profit** therefore amounted to € 12,962 thousand, compared to a pre-tax loss for 2012 of € 4,243 thousand.

The **net balance of income taxes** was negative to the tune of € 4,720 thousand.

The balance of IRES taxes was negative to the tune of € 1,381 thousand due to the positive effect arising from the use of losses during tax consolidation (€ 1,573 thousand) and the negative effect arising from recognition of deferred IRES taxes for the period (€ 2,954) attributable to the decrease in the balance of tax losses and the recognition of deferred tax liabilities on the division into instalments of the capital gains on the sale of the building located in Pesaro.

Income tax relating to previous years, negative to the tune of € 982 thousand, is mainly due to the provision for taxes to cover the risk of tax litigations.

Consequently, the Company recognised a profit for the year of € 8,242 thousand.

Statement of financial position highlights as at 31 December 2013

	31 December 2013	31 December 2012
<i>Euro 000's</i>		
Intangible assets	33,403	32,768
Property, plant and equipment	36,040	34,015
Financial assets	57,620	49,300
Non current assets	127,063	116,082
Inventories	37,987	40,592
Trade receivables	45,574	58,829
Intercompany trade receivables	27,243	39,732
Trade payables	(72,682)	(73,658)
Intercompany trade payables	(12,750)	(12,543)
Net Operating Working Capital	25,372	52,952
Post-employment benefits	(11,273)	(12,671)
Provision for risk and charges	(9,679)	(9,994)
Other net payables	(11,061)	(10,006)
Net deferred tax assets	9,335	12,378
Other net liabilities	(22,677)	(20,293)
Net Invested Capital	129,758	148,742
Share capital	27,393	27,393
Profit for the previous year and other reserves	82,350	83,361
Profit/Loss for the year	8,242	(1,091)
Equity	117,985	109,664
Bank loans and borrowings and loans from other financial backers	51,623	64,661
Financial liabilities to group	8,193	8,234
Other financial assets	(32,018)	(30,543)
Cash and cash equivalents	(16,024)	(3,274)
Net financial indebtedness	11,773	39,078
Total sources of funding	129,758	148,742

Among non-current assets, the value of net intangible assets slightly increased compared to 31 December 2012, (+ € 0.6 million) whereas property, plant and equipment increased by approximately € 2 million. This increase is mainly attributable to the recognition of the value of land in the financial statements of approximately € 4.2 million – as per specific appraisal – as a result of the exchange transaction with the parent Bi. Fin S.r.l. For further details on the exchange transaction, reference should be made to information provided above.

Financial assets increased by approximately € 8.3 million. This increase was due to the increases in the carrying amount of equity investments held in subsidiaries as a result of share capital increases. These transactions mainly concerned the subsidiaries Biesse Manufacturing CO PVT (approximately € 7 million) and Biesse Hong Kong LTD (approximately € 1.5 million).

Net working capital strongly increased by € 27.6 million compared with 31 December 2012; this is almost entirely due to the decrease in trade receivables (€ 25.7 million). For what concerns the other items, note should also be taken of the decrease in inventories (€ 2.6 million) and trade payables (€ 0.7 million).

Net financial position

	31 December 2013	31 December 2012
<i>Euro 000's</i>		
Financial assets:	48,043	33,817
<i>Other current financial assets due from related parties</i>	22,018	22,343
<i>Dividends</i>	10,000	8,200
<i>Cash and cash equivalents</i>	16,024	3,274
Short term finance lease payables	-	-
Short term bank loans and borrowings and loans from other financial backers	(38,432)	(62,118)
Other current financial liabilities due to related parties	(8,193)	(8,234)
Short Term Net Financial Indebtedness	1,417	(36,535)
Medium/Long term finance lease payables	-	-
Medium/Long bank loans and borrowings	(13,191)	(2,543)
Medium/Long Term Net Financial Indebtedness	(13,191)	(2,543)
Total Net Financial Indebtedness	(11,773)	(39,078)

At the end of December 2013, the Company's net financial indebtedness was € 11.8 million, sharply improved (- € 27.3 million) compared with the end of December 2012, thanks to improved working capital.

For further details, please refer to what was already mentioned on the Group's net financial position.

OTHER INFORMATION

Finally, it should be noted that the Company does not own shares or quotas in parents, nor has it owned or traded any such shares or quotas during 2013. There is, therefore, nothing to disclose in relation to Article 2428 paragraph 2 sections 3 and 4 of the Italian Civil Code.

Pursuant to Article 2497-bis paragraph 4 of the Italian Civil Code, we point out that Bi.fin. S.r.l., based in Pesaro, via della Meccanica no. 16, exercises management and coordination over Biesse S.p.A. and indirectly, through the latter, over the significant Subsidiaries.

PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

You are invited to approve the financial statements as at and for the year ended 31 December 2013, with the present Directors' Report, as they stand.

The Board of Directors, taking into account the net financial position and results for 2013, proposes to distribute dividends to Shareholders to be taken from net profit at the rate of € 0.18 for each eligible share, totalling € 4,930,747.56, less the dividends on treasury shares held on the ex-dividend date of 19 May 2014. Portion of the dividend referring to the latter will be allocated to the Extraordinary reserve.

Therefore, you are invited to resolve on the allocation of the profit for the year of € 8,242,020.87 as follows:

- allocation of € 4,930,747.56 to dividends;
- allocation of € 30,580.66 to the reserve for unrealised exchange rate gains;
- allocation of the residual profit of € 3,280,692.65 to the Extraordinary Reserve;

The coupons will be paid in a lump sum starting from 22 May 2014 (with ex-dividend date as from 19 May 2014 and record date on 21 May 2014) by means of qualified financial intermediaries.

Pesaro, 12 March 2014

The Chairman of the Board of Directors
Roberto Selci





Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31/12/2013³

	Note	31 December 2013	31 December 2012 (restated)
<i>Euro 000's</i>			
Revenue	5	378,417	383,061
Other operating income	5	6,346	3,648
Change in the inventories of finished goods and work in progress		(72)	6,623
Purchase of raw materials and consumables	7	(155,903)	(167,255)
Personnel expense	8	(112,640)	(118,425)
Other operating expense	9	(81,865)	(85,080)
Depreciation and amortisation		(13,836)	(15,107)
Provisions		(1,739)	(5,236)
Impairment losses	15	(562)	(1,903)
Operating profit		18,146	328
Finance income	10	5,397	323
Finance expense	11	(7,930)	(3,988)
Net exchange rate losses	12	(993)	(1,722)
Pre-tax profit/loss		14,619	(5,060)
Taxes	13	(8,207)	(1,461)
Profit/Loss for the year		6,412	(6,520)
Profit/Loss for the year		6,412	(6,520)
Attributable to:			
Owners of the parent		6,435	(6,487)
Non-controlling interests	28	(23)	(33)
Earnings per share			
Basic (€/cents)	16	23.92	(24.11)
Diluted (€/cents)	16	23.92	(24.11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31/12/2013

	Note	31 December 2013	31 December 2012 (restated)
<i>Euro 000's</i>			
Profit/Loss for the year		6,412	(6,520)
Translation differences of foreign operations	27	(3,553)	(354)
Net gain on cash flow hedges	27	11	94
Income taxes on other comprehensive income	13	(3)	(26)
Effects with possible future impact on the income statement		(3,545)	(286)
Measurement of defined-benefit plans		89	(1,709)
Effects with no future impact on the income statement		89	(1,709)
Total comprehensive income/expense for the year		2,957	(8,515)
Attributable to:			
Owners of the parent		2,984	(8,486)
Non-controlling interests		(27)	(29)
Total comprehensive income/expense for the year		2,957	(8,515)

³ In accordance with Consob Resolution no. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Income Statement are shown in the relevant statement in Appendix 1 and, respectively, in notes 45 and 15.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31/12/2013³

	Note	31 December 2013	31 December 2012 (restated)
<i>Euro 000's</i>			
ASSETS			
Non current assets			
Property, plant and equipment	17	54,955	55,615
Equipment and other property, plant and equipment	17	6,131	6,487
Goodwill	18	16,852	17,252
Other intangible assets	19	31,048	30,365
Deferred tax assets	34	16,995	19,537
Other non-current financial assets and receivables	20	973	1,153
		126,953	130,409
Current assets			
Inventories	21	86,273	90,321
Trade receivables due from third parties	22	76,217	99,435
Trade receivables due from related parties	44	14	19
Other current assets	23	11,799	11,646
Other current assets due from related parties	23	1,554	1,569
Derivatives	38	340	614
Current financial assets		949	849
Cash and cash equivalents	24	35,151	16,156
		212,297	220,608
TOTAL ASSETS		339,250	351,017
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	25	27,393	27,393
(Treasury shares)	25	(4,676)	(4,676)
Equity reserves	26	36,202	36,202
Hedging and translation reserve	27	(5,067)	(1,527)
Other reserves	28	52,617	59,015
Profit/loss for the year		6,435	(6,487)
Equity attributable to the owners of the parent		112,905	109,920
Non-controlling interests	28	190	206
TOTAL EQUITY		113,094	110,126
Non-current liabilities			
Post-employment benefits	33	12,795	14,329
Deferred tax liabilities	34	3,008	2,412
Medium and long-term bank loans and borrowings and other financial payables	30	13,191	3,621
Finance lease liabilities	32	1,960	2,245
Provisions for risks and charges	35	3,213	2,187
Other non-current liabilities	37	1,187	1,466
Passività finanziarie da strumenti derivati			26,
		35,354	26,260
Current liabilities			
Trade payables	36	108,502	106,391
Trade payables due to related parties		2,600	932
Other current liabilities	37	28,115	29,309
Other current liabilities due to related parties		0	13
Tax payables		933	1,121
Finance lease liabilities	32	285	270
Bank overdrafts and loans	30	44,599	67,055
Provisions for risks and charges	35	5,763	9,516
Derivatives	38	6	24
		190,802	214,631
LIABILITIES		226,156	240,891
TOTAL EQUITY AND LIABILITIES		339,250	351,017

³ In accordance with Consob Resolution no. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Income Statement are shown in the relevant statement in Appendix 1 and, respectively, in notes 45 and 15.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 (restated)
<i>Euro 000's</i>			
OPERATING ACTIVITIES			
+/- Profit (loss) for the period		6,412	(6,520)
+ Depreciation and amortisation:			
of property, plant and equipment		5,951	6,386
of intangible assets		7,885	8,721
+ Provisions :			
Increase/decrease in provisions for post-employment benefits		358	739
Increase/decrease in allowance for impairment		1,365	2,110
Increase/decrease allowance for inventory write-down		(1,862)	2,342
Increase/decrease in provisions for risk and charges		338	2,933
Other non-financial changes in provisions		0	10
Gains/losses from sales of property, plant and equipment		(3,350)	(3)
Income/expense on intangible assets		0	(215)
Impairment losses on other intangible assets		550	892
Income from investing activities		(5,397)	(323)
Unrealised exchange rate gains		627	389
Income taxes		8,207	1,461
Finance expense		7,930	3,988
SUBTOTAL OPERATING ACTIVITIES		29,015	22,912
Post-employment benefits paid		(1,657)	(1,346)
Risk provisions utilised		(2,173)	(1,144)
Change in trade receivables		21,930	10,810
Change in inventories		1,666	(4,306)
Change in trade payables		4,871	(6,408)
Change in other payables		(28)	(2,343)
Income tax paid		(4,610)	(4,507)
Interest paid		(7,374)	(3,291)
NET CASH FLOWS FROM OPERATING ACTIVITIES		41,640	10,377
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2,726)	(2,814)
Proceeds from sale of property, plant and equipment and other items of property, plant and equipment		227	123
Acquisition of patents, trademarks and other intangible assets. Capitalisation of development costs		(9,244)	(9,986)
Proceeds from sale of intangible assets		0	290
Acquisitions of equity investments		0	(4,378)
Acquisitions of/increases in other financial assets		403	(199)
Interest received		1,736	286
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(9,604)	(16,678)
FINANCING ACTIVITIES			
Loans repaid/New banker's advance		12,615	22,097
Finance lease payments		(270)	(468)
Change in bank loans and borrowings		(25,139)	(21,447)
Change in current derivative instrument financial assets/liabilities		402	(256)
Capital injections - non-controlling interests		17	15
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(12,375)	(58)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		19,661	(6,359)
OPENING CASH AND CASH EQUIVALENTS		16,156	22,604
Effect of exchange rate fluctuations on cash held		(666)	(90)
CLOSING CASH AND CASH EQUIVALENTS		35,151	16,156

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

Euro 000's	Note	Opening balances restated as at 01/01/2013	Other gains/losses, net of taxation	Profit for the year	Total comprehensive income for the year	Increase in the reserve for share-based payments	Other changes	Allocation of loss for the previous year	Total effects of transactions with shareholders	Closing balances as at 31/12/2013
Statement of changes in consolidated equity at 31 December 2013										
Share capital		27,393			-				-	27,393
- Treasury shares	25	(4,676)			-				-	(4,676)
Equity reserves	26	36,202			-				-	36,202
Hedging and translation reserve	27	(1,527)	(3,540)		(3,540)				-	(5,067)
Other reserves	28	59,015	89		89		(6,487)		(6,487)	52,617
Profit/loss for the year		(6,487)		6,435	6,435			6,487	6,487	6,435
Equity attributable to the owners of the parent		109,920	(3,451)	6,435	2,984	0	0	-	0	112,905
Non-controlling interests		206	(5)	(23)	(27)		11		11	190
TOTAL EQUITY		110,126	(3,455)	6,412	2,957	0	11	-	11	113,094

Euro 000's	Note	Opening balances as at 01/01/2012	IAS19 revised	Opening balances restated as at 01/01/2012	Other gains/losses, net of taxation	Loss for the year	Total comprehensive expense for the year	Increase in the reserve for share-based payments	Other changes	Allocation of loss for the previous year	Total effects of transactions with shareholders	Closing balances restated as at 31/12/2012
Statement of changes in consolidated equity at 31 December 2012												
Share capital		27.393		27,393			-				-	27,393
- Treasury shares	25	(4.676)		(4,676)			-				-	(4,676)
Equity reserves	26	36.202		36,202			-				-	36,202
Hedging and translation reserve	27	(1.241)		(1,241)	(285)		(285)				-	(1,527)
Other reserves	28	64.744	(1,502)	63,241	(1,714)		(1,714)	(115)		(2,397)	(2,512)	59,015
Profit/loss for the year		(2.438)	40	(2,397)		(6,487)	(6,487)			2,397	2,397	(6,487)
Equity attributable to the owners of the parent		119.983	(1,462)	118,522	(1,999)	(6,487)	(8,486)	(115)	0	-	(115)	109,920
Non-controlling interests		680	(1)	679	5	(33)	(28)		(445)		(445)	206
TOTAL EQUITY		120.663	(1,462)	119,201	(1,994)	(6,520)	(8,515)	(115)	(445)	-	(560)	110,126





Consolidated Financial Statements

Notes to the consolidated
financial statements

1. GENERAL

Biesse S.p.A. is an Italian company, with registered office in Pesaro. It is the parent of the Biesse Group and operates in the market for machinery and systems for processing wood, glass and marble. The company is listed on the STAR segment of the Milan Stock Exchange.

The consolidated financial statements as at and for the year ended 31 December 2013 comprise the financial statements of Biesse S.p.A. and its subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investment in associates.

The consolidated financial statements as at and for the year ended 31 December 2013 were approved during the meeting of the Board of Directors held today (12 March 2014).

The consolidated financial statements of the Group are prepared in Euro and presented in thousands of Euro except where otherwise indicated

List of companies consolidated on a line-by-line basis

Name and registered office	Currency	Share/capital quota	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Parent						
Biesse S.p.A. Via della Meccanica 16 Loc. Chiusa di Ginestreto (PU)	EUR	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	EUR	70,000	98%			98%
Biesse Tecno System S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	100,000	50%			50%
Viet Italia S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU).	EUR	10,000	100%			100%
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte, North Carolina – USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	SGD	2,655,000	100%			100%
Biesse Group UK Ltd. Lampert Drive – Daventry Northamptonshire United Kingdom	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable – Brignais France	EUR	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 – Elchingen (Ulm) Germany	EUR	1,432,600	100%			100%
Biesservice Scandinavia AB Maskinvagen 1 - Lindas Sweden	SEK	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginació, 14 Poligon Ind. La Marina Gavà Barcellona – Spain	EUR	1,233,290	100%			100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park – Sydney Australia	AUD	15,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau – Auckland New Zealand	NZD	3,415,665	100%			100%
Hsd Usa Inc. 3764 SW 30th Avenue – Hollywood, Florida USA	USD	10,000		100%	Hsd S.p.A.	100%

Name and registered office	Currency	Share/capital quota	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Foreign subsidiaries:						
HSD Deutschland GmbH Brükenstrasse,2 – Gingen Germany	EUR	25,000		100%	Hsd S.p.A.	100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore –India	INR	674,518,392	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferrim, – Sintra – Portugal	EUR	5,000		100%	Biesse Iberica	100%
Biesse Trading (Shanghai) Co. Ltd. Room 301, No.228, Jiang Chang No.3 Road, Zha Bei District,– Shanghai – China	RMB	7,870,000		100%	Biesse Asia Pte. Ltd.	100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, first floor, 207 Taiguroad, Waigaoqiao free trade zone – Shanghai – China	RMB	2,118,319		100%	Hsd S.p.A.	100%
Biesse Schweiz GmbH Grabenhofstrasse, 1 – Kriens Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 Jakarta – Indonesia	IDR	1,250,000,000		90%	Biesse Asia Pte. Ltd.	90%
Biesse (HK) LTD Unit 1105. 11 floor, Regent Centre, N0.88 Queen's Road Central, Central – Hong Kong	HKD	15,000,000	100%*			100%*
Centre Gain LTD Room 703, 7/F,Cheong Tai Comm, Bldg., 60 Wing Lok Street, Sheung Wan – Hong Kong	HKD	110,000,000		100%	Biesse (HK) LTD	70%
Dongguan Korex Machinery Co. Ltd Dongguan City – Guangdong Province – China	RMB	128,435,513		100%	Biesse (HK) LTD	70%
Nuova Faos International Manufacturing Pvt. Ltd. Peenya 1st Stage, Peenya Industrial Area – Bangalore – India	INR	23,158,450		100%	Biesse Manufacturing Co. Pvt. Ltd.	100%
Biesse Malaysia SDN BHD Dataran Sunway , Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	1,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse Korea LLC Geomdan Industrial Estate, Oryu-Dong, Seo- Gu – Incheon – South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%
Intermac Guangzhou Co. Ltd. Guangzhou Free Trade Area-GuangBao street No. 241-243 – China	USD	150,000		100%	Biesse Asia Pte. Ltd.	100%

*The Biesse group directly owns 70% of Biesse (HK) LTD; non-controlling owners were granted a put option for selling the remaining 30% to the Biesse Group..

In comparison with financial statements as at and for the year ended 31 December 2012, INTERMAC GUANGZHOU COMPANY LIMITED is now included in the scope of consolidation. The company was established on 17 July 2013 with the purpose of developing trading of products of the Glass/Marble Division within the Chinese market.

It should also be noted that Viet Italia S.r.l. is a special purpose entity set up to rent and subsequently acquire the business unit of the Pesaro-based brand under the same name (Viet), market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. On 17 June 2013, an irrevocable purchase offer was submitted to the relevant stakeholders albeit subject to suspensive condition should the transfer of the company to the Biesse Group not occur within 90 days from entitlement to the arrangement with creditors. The arrangement with creditors was authorised by the competent Court on 20 December 2013. However, we are still waiting to know whether the proposal will be accepted or not by the Court within the indicated time period.

The irrevocable offer also includes the equity investment in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). The company will be consolidated on a line-by-line basis once the above conditions are met.

2. EVENTS AFTER THE REPORTING PERIOD

January 2014

On 17 July 2014, the new company INTERMAC DO BRASIL SERVICOS E NEGOCIOS LTDA was established with the aim of fostering and developing the trading of products of the Glass/Marble and Tooling Divisions within the Brazilian market. The company should be operational by April 2014.

February 2014

On 7 February 2014, Biesse met in Paris some important investors in collaboration with its specialist Banca IMI. On that occasion, in addition to describing its activities and industrial projects underway, the top management of Biesse updated its indications concerning the financial year 2013.

March 2014

The Board of Directors of Biesse S.p.A. approved on 3 March 2014 the updating of the business plan for the 2014-2016 period. Based on the initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 7.0%);
- higher added value (41.5% as a percentage of revenues in 2016);
- recovering operating profits:
- EBITDA target: 13.8% as a percentage of revenues in 2016;
- EBIT target: 10.1% as a percentage of revenues in 2016.

"The plan starts from the solid foundations laid in the financial year 2013" - explained the General Manager, Stefano Porcellini - "which ended for the Biesse Group with revenues substantially in line with those of the previous year, but with an order intake 7.8% higher than in 2012, despite an economic framework still adversely affected by stagnation, credit crunch and increasing risks on the emerging countries' economies.

Still in 2013 – continued the General Manager – the Biesse Group recovered operating profits (with a return to a strong net profit) and it especially recorded a significant reduction of net debt (NFP at € 23.9 million, improving by € 32.3 million on December 2012), even though commercial and product investments gradually increased. Drawing on these elements, today we approved the projects required to ensure Biesse's growth during the 2014-2016 period, focusing more than ever on technological innovation and expansion of the commercial network. The approved plan provides for an average growth of 7% in the three-year period: a more conservative forecast for 2014 (notably, in the first half-year) when risks in emerging countries are expected to increase and a more confident outlook for the 2015-16 period which should best benefit from the expected upward economic cycle".

The analysis of the first two months of the current year shows positive results for order intake both for achieving the budget targets (+9.3%) and for the increase compared to the same period of 2013 (+20.7%). Sales are not in line with budget targets (-13.6%) but they however increased compared to the same period last year (+8.9%).

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CONSOLIDATION CRITERIA)

Statement of compliance with international financial reporting standards and general policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the provisions issued pursuant to article 9 of Decree Law 38/2005 and the CONSOB regulations and recommendations regarding financial statements.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments, held-for-sale financial assets and financial instruments classified as available for sale, which are measured at fair value; the financial statements have been prepared also on a going concern basis.

This disclosure was prepared in accordance with the provisions of CONSOB (the regulatory authority for the Italian securities markets), with particular reference to resolutions no. 15519 and 15520 of 27/07/2006 and to communication no. 6064293 of 28/07/2006.

Consolidation criteria

The consolidated financial statements as at and for the year ended 31 December 2013 include the financial statements of the Parent Biesse and of the Italian and foreign companies which it controls directly and indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement bases adopted by the Parent. 31 December is the year end for all the companies in the

Group.

In the preparation of the consolidated financial statements, intra-group balances, transactions, income and expenses are all eliminated in full.

The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity in them. The fair value of each equity investment at the date of acquisition is attributed to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, goodwill; if negative, it is recognised in profit or loss.

The results of subsidiaries acquired or divested during the period are included in the consolidated Income Statement from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the acquiree are initially measured at their proportionate interest in the fair value of reported assets, liabilities and contingent liabilities.

Receivables and payables, income and expenses, and gains and losses arising from intra-group transactions are eliminated. In addition, all transactions between the companies of the Biesse Group and an independent financial services company, which operates as an intermediary for most of the commercial transactions between the parent and some consolidated companies, are eliminated.

Gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material.

The amount of the share capital and reserves of subsidiaries attributable to non-controlling interests is recognised in equity under "Non-controlling interests"; the portion of profit (loss) for the year attributable to non-controlling interests is shown separately under "Net profit (loss) for the year attributable to non-controlling interests".

For the purposes of presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated at the exchange rate at the end of the reporting period. Income and expense are translated at the average exchange rate for the period. The resulting exchange rate gains or losses are recognised in equity under "Hedging and Translation Reserve". This reserve is recognised in profit or loss as income or expense in the period in which the relevant subsidiary is sold.

Average and closing exchange rates are as follows:

Currency	31 December 2013		31 December 2012	
	Average	Final	Average	Final
US Dollar / Euro	1.3281	1.3791	1.2848	1.3194
Singapore Dollar / Euro	1.6619	1.7414	1.6055	1.6111
Canadian Dollar / Euro	1.3684	1.4671	1.2842	1.3137
Pound Sterling / Euro	0.8493	0.8337	0.8109	0.8161
Swedish Krone / Euro	8.6515	8.8591	8.7041	8.5820
Australian Dollar / Euro	1.3777	1.5423	1.2407	1.2712
New Zealand Dollar / Euro	1.6206	1.6762	1.5867	1.6045
Indian Rupee / Euro	77.9300	85.3660	68.5973	72.5600
Chinese Renmimbi Yuan / Euro	8.1646	8.3491	8.1052	8.2207
Swiss Franc / Euro	1.2311	1.2276	1.2053	1.2072
Indonesian Rupiah / Euro	13,857.50	16,764.78	12,045.73	12,713.97
Hong Kong Dollar /Euro	10.3016	10.6933	9.9663	10.2260
Malaysian Ringgit /Euro	4.1855	4.5221	3.9672	4.0347
South Korean Won /Euro	1,453.91	1,450.93	1,447.69	1,406.23

Equity investments in Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

The results and the assets and liabilities of associates are accounted for using the equity method.

Equity investments in other companies

Equity investments in other companies constituting available-for-sale financial assets are measured at fair value, where it can be determined, and gains and losses arising from changes in fair value are recognised directly in Other comprehensive income/(expense) until they are sold or impaired; then, the Other comprehensive income/(expense) previously recognised in equity is recognised in profit or loss for the period.

Equity investments in other minor companies whose fair value cannot be determined are measured at cost less any impairment losses.

Basis of presentation

In accordance with IAS 1, the management of the Group has made the following choices with regard to the presentation of the consolidated financial statements.

In the statement of financial position, current and non-current assets and liabilities are presented as separate classifications. An asset/liability is considered to be current when it satisfies any of the following criteria:

- it is expected to be realised/settled, or intended for sale or consumption, in the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised/settled within 12 months after the reporting date;
- in the absence of all three conditions, the assets/liabilities are classified as non-current.

In the income statement, expenses are classified based on their nature, highlighting operating and pre-tax profit (loss). Operating profit/(loss) is calculated as the difference between Net Revenue and Operating Expense (including non-monetary costs relating to depreciation, amortisation and impairment losses on current and non-current assets, net of any reversal of impairment losses) and including gains and losses on the sale of non-current assets. In order to make actual performance more measurable, details of the costs and revenue arising from events and operations to be considered as non-recurring due to their nature and materiality are given in the Directors' report.

The statement of comprehensive income includes the components that make up the result for the period and the items of income and expense recognised directly in equity arising from transactions other than those carried out with owners.

The statement of changes in equity illustrates the changes in the components of equity related to:

- the allocation of the company's and subsidiaries' profit for the period to non-controlling interests;
- amounts relating to transactions with owners (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or in a separate component of equity (share-based payments for stock option plans);
- changes in revaluation reserves relating to derivative instruments hedging future cash flows net of any tax effects.

The statement of cash flows is prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents recognised in the statement of cash flows include the balance of this item at the reporting date. Foreign currency cash flows have been translated at the average exchange rate for the year. Income and expense relating to interests, dividends received and income taxes are classified as cash flows from operating activities.

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable rules laid down by national legislation and Consob.

Finally, it should be noted that, with reference to Consob resolution no. 15519 of 27 July 2006 on the format of financial statements, specific additional income statement and statement of financial position were included, highlighting significant related-party transactions, so as not to compromise the overall readability of the financial statements.

The statements adopted are considered fit for fairly presenting the Group's financial position, financial performance and cash flows; in particular, we believe that the financial statements reclassified by nature provide reliable and material information for the purposes of correctly representing the Group's performance.

3. MEASUREMENT CRITERIA

The most significant measurement criteria used in preparing the financial statements as at and for the year ended 31 December 2013 are illustrated below. The accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2013 have also been applied consistently to all periods presented for comparative purposes; in this regard, reference is made to what is indicated in the section "IAS 19 Employee benefits (2011) (IAS 19R)".

Revenue recognition

Sales of goods are recognised when goods are shipped and the Group has transferred to the buyer all significant risks and rewards of ownership of the goods. Generally, revenue from the sale of goods is recognised when the goods are delivered to the carrier: under the terms of the relevant contracts, that is the time when the aforementioned risks and rewards are transferred. Revenue is not recognised when there is no certainty that the related consideration is recoverable. Revenue is stated net of discounts, rebates, premiums, returns and promotional expenses that substantially fall under commercial discounts, and does not include sales of raw materials and waste. Revenue arising from the rendering of services is recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date, determined either on the basis of work already carried out or in relation to the percentage of completion of total services.

Interest income is recognised on an accruals basis, according to the amount of the loan and the effective interest rate, which represents the rate used to discount estimated future cash receipts over the expected life of the financial asset to the carrying amount.

Dividends are recognised when the right of shareholders to receive payment is established.

Construction contracts

The Group applies the accounting treatment provided for by IAS 11 to sales contracts for contract plants. Those plants include drilling and dowel insertion lines and the lines that involve several operating machines interconnected via software and/or hardware within the same order, where the amount of the plant is considerable. On the contrary, packages of stand-alone machines as well as all work cells consisting of one operating machine and the relevant handling (loading/unloading) system shall not be considered as contract lines and plants.

When the outcome of a construction contract can be reliably estimated, revenue and costs associated with the contract are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed up to end of the reporting period relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, price revisions and incentive payments are included to the extent that they have been agreed upon with the customer.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Foreign currency transactions

All transactions are accounted for in the functional currency of the primary economic environment in which each company of the Group operates. Transactions denominated in currencies other than the functional currency of the Group's companies are translated into the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities (defined as assets and liabilities to be received or paid in a fixed or determinable amount – IAS 21) are translated using the exchange rate at the reporting date; exchange rate gains/losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

To hedge its exposure to currency risk, the Group has entered into some forward and option contracts (see below the Group's accounting policies relating to these derivative instruments).

Translation of financial statements of foreign operations

The financial statements of companies whose functional currency is different from the presentation currency of the consolidated financial statements (Euro) and that do not operate in countries with hyperinflationary economies, are translated as follows:

- a) assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at the closing rates;
- b) income and expenses are translated at the average exchange rate for the period, considered as a reasonable approximation of the exchange rate at the dates of the transactions;
- c) all resulting exchange rate gains and losses are recognised in a separate component of equity.

On disposal of the economic entity that gave rise to exchange rate gains and losses, the cumulative amount of exchange differences recognised in a separate component of equity are reclassified to profit or loss. On first-time adoption of IFRSs, the cumulative exchange differences were reclassified to other reserves, therefore gains and losses arising from the future disposal will include only the exchange rate gains and losses that arose as from 1 January 2004.

Net investments in foreign operations

The exchange rate gains and losses arising from the translation of net investments in a functional currency other than the Euro, generally represented by intra-group loans, are recognised in the translation reserve. These exchange rate gains and losses are recognised in profit or loss on settlement (repayment/disposal) of the net investment.

Finance and operating lease contracts

Lease contracts are classified as finance leases whenever the terms of the contract substantially transfer all the risks and rewards incidental to ownership to the lessee. All other leases are considered as operating leases.

Assets held under finance leases are recognised as property, plant and equipment of the Group, recognising a financial liability of equal amount. The liability is progressively reduced on the basis of the principal repayment plan included in the contractual lease terms, while the carrying amount of the asset is systematically depreciated on the basis of its useful life.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and that the grant will be received. Grants are recognised in profit or loss over the period in which the entity recognises as expenses the related costs which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. This benefit is measured at the inception of the loan as the difference between the initial carrying amount of the loan (fair value plus any costs directly attributable to obtaining it) and the proceeds received, and it is subsequently recognised in profit or loss in accordance with the regulations relating to the recognition of government grants.

Costs and charges

The costs relating to the purchase of goods and services are recognised when their amount can be measured reliably. Costs for the purchase of goods are recognised at the time of delivery, which, on the basis of the existing contracts, is the time when all related risks and rewards are transferred. Service costs are recognised on an accrual basis as the services are rendered.

Income taxes

Taxes are recognised in profit or loss, with the exception of those relating to transactions recognised directly in equity, in which case the related effect is also recognised in equity. Income taxes include current taxes and deferred tax assets and liabilities. Current taxes are recognised on the basis of the estimated amount that Biesse expects to have to pay, calculated by applying to the taxable profit (tax loss) of each company in the Group the applicable tax rate at the reporting date in force in the respective countries.

Deferred tax assets and liabilities are stated using the liability method, i.e. they are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are not recognised on goodwill and on assets and liabilities that do not affect taxable profit (tax loss). Income taxes relating to dividend distribution are recognised when a liability to pay the dividend is recognised.

The recoverability of deferred tax assets is assessed at the end of each reporting period, and any amount no longer likely to be recovered is recognised in profit or loss.

The tax rates used in recognising deferred tax assets and liabilities are those expected to be in force in the relevant country in the tax period in which the temporary differences will be realised or settled.

Deferred tax assets are recognised if the taxes are considered to be recoverable in the light of the expected taxable profits (tax losses) of future periods. The carrying amount of deferred tax assets is assessed at the end of the financial year and reduced where necessary.

Deferred tax assets and liabilities are offset only for similar positions and if there is a legally enforceable right to offset them; otherwise, the related payables and receivables are recognised.

As from 2008, Biesse S.p.A. participates in the national consolidated tax scheme as the parent in accordance with article 117 et seq. of Italian Presidential Decree 917/86 together with its subsidiaries Hsd S.p.A and Bre.ma. Brenna Macchine S.r.l.

Consequently, Biesse S.P.A. will determine the Group's IRES (corporate) tax in accordance with the aforementioned law, offsetting its own profit/loss for the year with the taxable profits (tax losses) of the companies involved. The financial relationships and the mutual responsibilities and obligations between the aforementioned companies are defined in the "Regulation" governing participation in the consolidated tax scheme.

The tax balance for the Group is recognised under "Tax payables" or "Tax receivables" in the financial statements of the parent net of payments on account. In the financial statements of the subsidiaries, the specific tax payable transferred to the parent is recognised under "Payables due to related parties". Receivables deriving from the transfer of IRES losses are classified under "Receivables due from related parties".

Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of shares outstanding, taking into account the effects of all potential dilutive ordinary shares.

Business combinations

Business combinations are accounted for using the acquisition method. This method requires that the consideration transferred in a business combination be measured at fair value, calculated as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Transaction-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair value, except for the following items which are measured instead in accordance with the relevant standards:

- Deferred tax assets and liabilities;

- Employee benefit assets and liabilities;
- Liabilities or equity instruments relating to share-based payment transaction of the acquiree or Group-related share-based payments issued in exchange for contracts of the acquiree;
- Assets held for sale and Discontinued Operations.

In accordance with IFRS 3 (Business Combinations), goodwill is recognised at the date the Group obtains control of a business, and is measured as the excess of (a) over (b) in the following way:

- a) the aggregate of:
- the consideration transferred (measured in accordance with IFRS 3, i.e. generally determined on the basis of the acquisition-date fair value);
 - the amount of any non-controlling interest in the acquiree measured in proportion to the non-controlling interest's share in the recognised amounts of the acquiree's identifiable net assets measured at their fair value;
 - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree;
- b) the acquisition-date fair value of the identifiable assets acquired, net of the liabilities assumed at the date control is obtained, measured at fair value.

IFRS 3 also requires:

- separate recognition in profit or loss of costs relating to the business combination;
- in a business combination achieved in stages, the acquirer shall re-measure its previously held equity interest in the acquiree at the acquisition-date fair value, and separately recognise the resulting gain or loss, if any, in profit or loss.

Any considerations subject to conditions set out in the business combination contract are measured at the acquisition-date fair value and included in the consideration paid during the business combination in order to determine goodwill. Any subsequent changes in this fair value classifiable as measurement period adjustments are included retrospectively in goodwill. Changes in fair value classifiable as measurement period adjustments are those deriving from new information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which shall not exceed one year from the date of the business combination).

In business combinations achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and any resulting gain or loss is recognised in profit or loss. Any amounts deriving from the previously held equity investment and recognised in Other comprehensive income/(expense) are reclassified to profit or loss as though the equity investment had been disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurred, the Group recognises the provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the amounts of the assets and liabilities recognised as of that date.

Business combinations that occurred prior to 1 January 2010 have been recognised in accordance with the previous version of IFRS 3.

Property, plant, equipment and other items of property, plant and equipment

An item of property, plant and equipment is measured at acquisition or production cost including related expense less any subsequent accumulated depreciation and any accumulated impairment losses.

Ordinary maintenance costs are recognised in full in profit or loss. Incremental maintenance expenses are attributed to the relevant asset and depreciated at the depreciation rate applicable to the asset.

Leasehold improvements are classified under property, plant and equipment in accordance with the nature of the cost incurred. The depreciation period is the shorter of the asset's residual useful life and the residual lease term.

An item of property, plant and equipment - with the exception of land, which is not depreciated - is depreciated on a straight-line basis over its estimated useful life as from the date on which the asset became available for use or could potentially provide the related economic benefits, by applying the following depreciation rates:

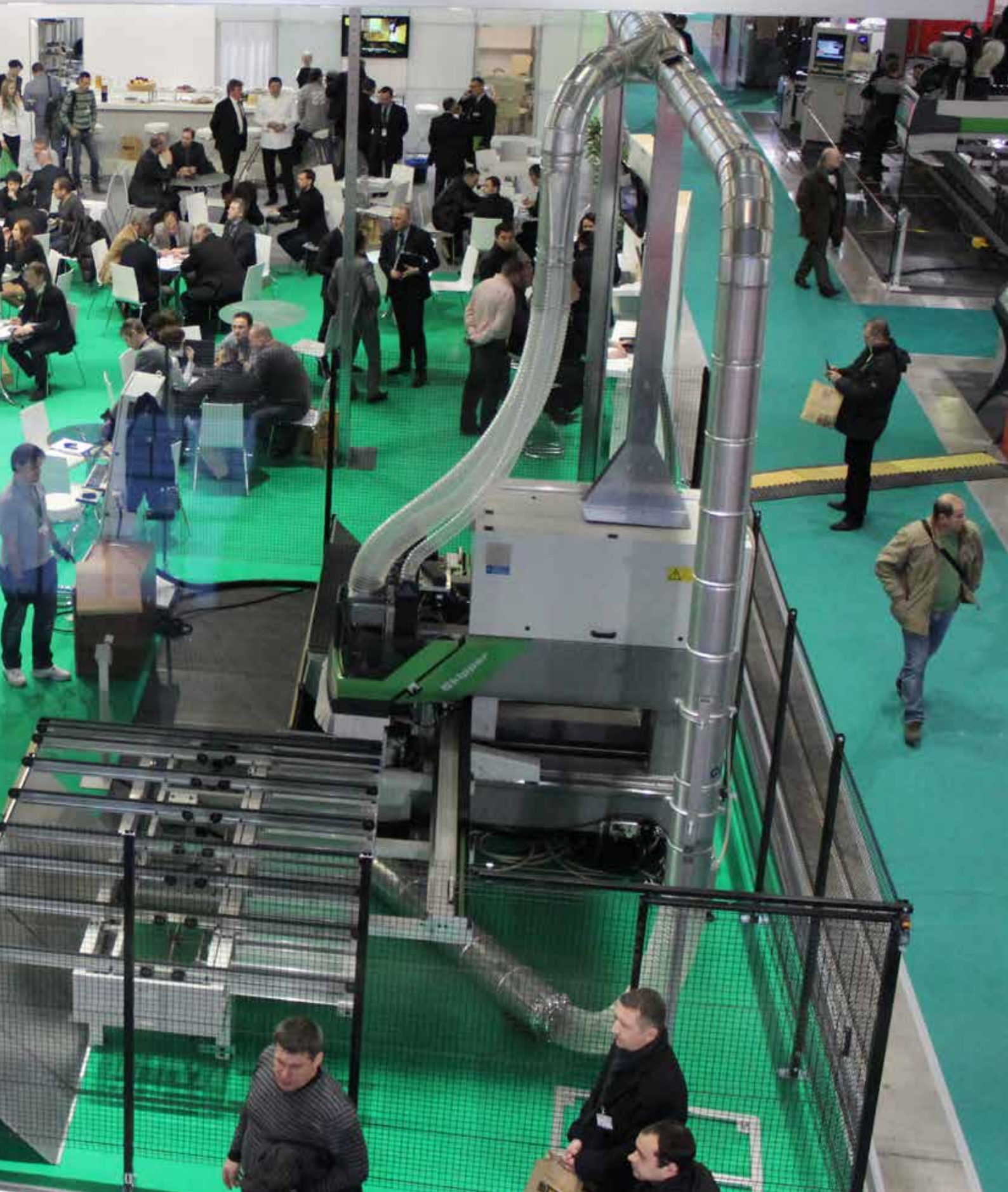
Buildings	2% - 3%
Plant and machinery	10% - 20%
Equipment	12% - 25%
Furniture and fittings	12%
Motor vehicles	25%

This item also includes assets held under finance leases, which are accounted for as property, plant and equipment according to the previously described method.

Woodex, Mosca November 2013



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Investment property

Investment property, represented by property held to earn rentals and/or for capital appreciation, is measured at cost including transaction costs less any accumulated depreciation and any accumulated impairment losses. Investment property is depreciated on a straight-line basis over its useful life at a 3% rate for buildings and a 10% rate for plants.

Goodwill and other intangible assets

Intangible assets with a finite useful life are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Group and non-controlling interests (full fair value method) at the acquisition date.

Goodwill is not subject to amortisation, but it is measured at least once a year, usually at the reporting date, to ensure it is not impaired. Any impairment losses are immediately recognised in profit or loss and are not reversed in a subsequent period.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit. Impairment losses are recognised whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount, and they are recognised primarily under goodwill. On disposal of a subsidiary or a jointly-controlled entity, the residual amount of goodwill attributable to it is included in the calculation of the gain or loss on disposal.

Goodwill arising from acquisitions made prior to the transition to IFRS is maintained at the amounts arising from the application of Italian GAAP at that date and is allocated to CGUs in order to test it for impairment.

Internally-generated intangible assets – Research and development costs

Research costs are recognised in profit or loss as incurred.

Internally-generated intangible assets arising from development of the Group's products (machine tools for processing wood, glass and marble) are recognised as assets only if all the following conditions are met:

- the asset is identifiable (for example, software or new processes)
- the asset is likely to generate future economic benefits; and
- the development costs of the asset can be reliably measured.

These intangible assets are amortised on a straight-line basis over their useful lives.

When internally-generated intangible assets cannot be recognised, development costs are recognised in profit or loss in the reporting period in which they are incurred.

Trademarks, licences and patents

Trademarks, licences and patents are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not longer than that established by the underlying licence or purchase contract.

Impairment losses on property, plant and equipment and intangible assets

At each reporting date, the Group assesses whether any events occurred or circumstances changed that may impair the recoverable amount of property, plant and equipment and intangible assets with a finite useful life, and, if an indication of impairment exists, it estimates the recoverable amount of the assets in order to determine whether they are impaired.

Intangible assets with an indefinite useful life, including goodwill, are tested for impairment annually and whenever there is any indication of impairment.

In accordance with the relevant accounting standards, impairment tests are carried out with reference to the individual asset, where possible, or to a group of assets (the so-called CGU). The CGUs have been identified consistently with the business and organisational structure of the Group as a group of similar assets that generates independent cash inflows through continuing use of the assets attributable to it.

The recoverability of the recognised amount is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.

Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in wor-

king capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash generating unit. The expected cash flows used in the model are calculated during the Group's budgeting and planning process and represent the best estimate of the amounts and timing of future cash flows based on the Group's long-term plan, which is updated annually, reviewed by the strategic management and approved by the Parent's Board of Directors. Expected sales growth is based on management forecasts. The operating expense estimated in the cash flow model is also determined on the basis of management estimates for the next three years and are supported by the Group's product development and production plans. The amounts of investments and working capital estimated in the cash flow model are determined on the basis of several factors, including the information necessary to support expected future growth rates and the product development plan. The carrying amount attributed to the cash-generating units is determined with reference to the consolidated statement of financial position by direct, where applicable, or indirect allocation criteria.

If any impairment exists, the assets are impaired accordingly, while the impairment loss is reversed (with the exception of goodwill) if in the subsequent financial years the reasons for impairment no longer exist.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their use in the operating activities of the company. This condition is met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management has committed to sell it within twelve months of the date of classification.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated on a weighted average cost basis. The net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

Financial assets and liabilities

Financial assets and liabilities include available-for-sale equity investments in other companies, non-current receivables and loans, trade receivables, as well as other receivables and financial assets such as cash and cash equivalents. Financial liabilities include financial payables, trade payables, other payables and financial liabilities. Derivative instruments are also included amongst financial assets and liabilities.

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Their initial recognition takes into account directly attributable transaction and issue costs. Subsequent measurement depends on the type of financial instrument and is subject to the categories of financial assets and liabilities listed below:

Loans and receivables

They include trade receivables, financial receivables and other receivables that qualify as financial assets. These are recognised at nominal value where this is substantially representative of their fair value; otherwise, they are measured at amortised cost using the effective interest method. Loans and receivables are written down in profit or loss to account for expected impairment losses. The impairment losses are calculated on the basis of the difference between the carrying amount of receivables and the present value of estimated future cash flows. Impairment losses on trade receivables are generally recognised through specific allowances for impairment.

Held-to-maturity financial assets

The financial assets that the Group is willing and able to hold to maturity (held-to-maturity securities) are recognised at amortised cost using the effective interest method less any impairment losses. If in subsequent reporting periods the indications that led to the impairment loss no longer exist, the impairment loss is reversed.

Financial assets held for trading

Financial assets classified as held for trading are measured at fair value at the end of each reporting period; gains and losses from changes in fair value are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value; gains and losses from changes in fair value are recognised directly in equity until disposal; at that time, the cumulative gain or loss is reclassified from equity to profit or loss. Unquoted equity investments whose fair value cannot be reliably measured are measured at cost less any impairment losses. This category mainly includes non-controlling interests.

Trade payables

Trade payables are recognised at nominal value where this is substantially representative of their fair value; otherwise, they are measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements that generated them and the definitions of financial liability and equity instrument. The latter is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The accounting policies adopted for specific financial liabilities and equity instruments are described below.

Bank loans and borrowings and loans and borrowings from other financial backers

Bank loans, consisting of long-term bank loans and other bank overdrafts, as well as loans and borrowings from other financial backers, including payables for assets acquired through finance lease contracts, are measured on the basis of consideration received less any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Issued equity instruments are reported on the basis of consideration received less any direct issue costs.

Derivative instruments and hedge accounting

Derivative instruments are initially measured at fair value at the date they are entered into and are remeasured at fair value at subsequent reporting dates.

Where applicable, the hedge accounting method is adopted. Under this method, derivatives are recognised in the statement of financial position at their fair value. Changes in the fair value of derivative instruments are treated differently according to the type of hedging relationship at the measurement date:

- For those derivatives hedging forecast transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are recognised in equity for the portion determined to be an effective hedge, while the ineffective portion is recognised in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the cash-flow hedging reserve is eliminated from equity to offset the initial cost of the non-financial asset or liability. Whenever a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the cash flow hedging reserve is reclassified to profit or loss in the period in which the asset acquired or liability assumed affect profit or loss. In any other case, the cash flow hedging reserve is reclassified to profit or loss consistently with the hedged transaction or when its economic effects materialise.
- For those derivatives hedging recognised receivables and payables (i.e. fair value hedges), changes in fair value are recognised in full in profit or loss. In addition, the amount of the hedged item (receivable/payable) is adjusted in profit or loss for any changes in the amount attributable to the hedged risk.

Fair value gains and losses on derivative instruments that do not qualify as hedging instruments are recognised in profit or loss in the period in which they arise.

Derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the latter are not measured at fair value, recognising the related gains and losses in profit or loss.

Treasury shares

Treasury shares are recognised at acquisition cost and are deducted from consolidated equity. Gains and losses from trading treasury shares net of tax effects are recognised in equity reserves.

Stock options

Remuneration granted to employees and directors in the form of stock options is recognised in profit or loss by recognising the expense as a deduction from equity and measured on the basis of the fair value of the options at grant date. This amount is determined at the time the stock options are granted and is recognised over their vesting period. The fair value of the option at grant date is measured using mathematical financial models, taking into account the terms and conditions upon which the options were granted.

Post-employment benefits

For defined-benefit plans, the cost related to benefits paid is determined using the Projected Unit Credit Method, making actuarial valuations at the end of each reporting period.

The Euro Composite AA interest-rate curve was used for the actuarial calculation.

Recognised post-employment benefit obligations represent the present value of defined-benefit obligations.

Obligations towards employees for pensions and other similar defined-contribution plans are recognised in profit or loss on an accrual basis.

With reference to Italian companies' post-employment benefits, pursuant to the Italian supplementary pension reform, post-employment benefits earned after 1 January 2007 are considered elements of a defined-contribution plan, while post-employment benefits earned prior to 31 December 2006 continue to be considered as elements of a defined-benefit plan.

Provisions for risks and charges

Provisions for risks and charges are recognised for the Group's obligations, whether legal or constructive (contractual or of any other kind), as a result of a past event. Provisions for risks and charges are recognised if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the liability. Any change in the estimate of provisions is reflected in profit or loss in the period in which they arise. Where discounting is used, the increase in the provision due to the passage of time and any changes arising from a change in the discount rate is recognised as a borrowing cost.

Provisions for risks and charges include, amongst other things, the provision for product guarantees, which is recognised to allow to anticipate the economic impact of guarantee costs, so as to match them with sales revenue.

Accounting standards, amendments and interpretations effective since 1 January 2013

The accounting standards and amendments that were adopted by the Group as from 1 January 2013, the nature and effects of these changes are shown below.

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendment to IAS 1 introduces the grouping of items of other comprehensive income items. Items that could be subsequently reclassified to profit or loss (for example, currency translation differences for foreign operations, net profit on cash flow hedges and net gains/losses on available-for-sale financial assets) now must be presented separately from the items that will never be reclassified (for example, actuarial gains/losses on defined benefit plans and revaluation of land and buildings). The amendment only concerned the method of presentation and did not have any impact on the Company's financial position or performance.

IAS 19 Employee Benefits (2011) (IAS 19R)

The new standard, endorsed by the European Union and applicable as from 1 January 2013, eliminates the option to defer the recognition of actuarial gains and losses using the corridor approach. It requires full recognition of the provision deficit or surplus in the statement of financial position, and separate recognition of service cost components and net financial charges in profit or loss, as well as the recognition of actuarial gains and losses resulting from remeasurement of liabilities and assets at the end of each reporting period in "Other comprehensive income/(expense)". Furthermore, the return on assets included in net financial charges shall be calculated on the basis of the discount rate of the liability and no longer on their expected return. These amendments also introduce additional disclosures to be made in the notes. Specifically:

- Recognition of the deficit or surplus in the plan: these amendments eliminate the option to defer unrecognised actuarial gains and losses using the corridor approach and requires their recognition in other comprehensive income/(expense); immediate recognition in profit or loss of past service cost.

- Net interest: the replacement of the concepts of interest cost and expected return on defined-benefit plans assets with the concept of net interest on defined-benefit plans, which consists of:
 - o interest cost on the present value of the defined-benefit liability,
 - o interest income arising from the measurement of plan assets, and
 - o interest on the effect of the asset ceiling.

Net interest is determined using for all the components the discount rate used for measuring the defined-benefit liability at the beginning of the period. In accordance with the current version of IAS 19, the expected return on assets is calculated on the basis of the expected long-term rate of return.

- Classification of net interest: in accordance with the new definition of net interest outlined by the standard, all net interest on defined-benefit plans is recognised as finance income (expense) in profit or loss.

Therefore, in compliance with the transitional provisions of IAS 19R provided for by the same accounting standard, the carrying amount of some items recognised in the income statement and of the statement of financial position at 31 December 2012 has been changed compared with the previously published reports. The main changes affecting the financial statements are shown in the tables below.

€ '000	Personnel expense	Operating profit	Pre-tax loss	Income taxes	Loss for the year
Income statement					
FY 2012	(118,483)	269	(5,119)	(1,444)	(6,563)
IAS 19R effect	58	59	59	(17)	43
FY 2012 restated	(118,425)	328	(5,060)	(1,461)	(6,520)

€ '000	Equity	Deferred tax liabilities	Deferred tax assets	Post-employment benefits
Statement of financial position				
At 31 December 2012	(113,260)	(2,447)	18,383	(10,007)
IAS 19R effect	3,134	35	1,154	(4,322)
At 31 December 2012 restated	(110,126)	(2,412)	19,537	(14,329)

Accounting standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2013 and not relevant to the Group

IFRS 13 – Fair value Measurement

This standard explains how the fair value should be calculated in financial reporting and provides a single framework for fair value measurements. The standard applies to all fair value measurements, when fair value is required or permitted by IFRS; it also applies to measurements based on fair value. The standard is effective for annual periods beginning on or after 1 January 2013 and applies prospectively. The adoption of the new standard should have no significant impact on the Group's financial statements.

IAS 12 - Deferred Tax: Recovery of Underlying Assets

These amendments clarify the measurement of deferred taxes on investment properties at fair value. This standard introduces a rebuttable presumption that the carrying value of an investment property, measured using the fair value model of IAS 40, is recovered entirely through sale and that, consequently, the relevant deferred tax is measured on a sale basis). The presumption is rebutted if the investment property is depreciated and is held within a business model whose objective is to consume the investment property's economic benefits over time, rather than through sale. The adoption of the new standard should have no significant effect on the Group's financial statements.

IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities

These amendments require the entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements). These disclosures will provide the readers with useful information to evaluate the effect of the offsetting arrangements on the entity's financial position. The new disclosure is required for all the financial instruments whose amounts are offset in accordance with the criteria in IAS 32 Financial Instruments: Presentation. The disclosure is also required for financial instruments under an enforceable master netting agreement or similar arrangement, regardless of them being offset pursuant to IAS 32. The adoption of the new standard should have no significant effect on the Group's financial statements.

Accounting standards, amendments and interpretations not yet effective and not adopted early by the company

In May 2011, IASB issued three standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. Consequently, IAS 27 – Consolidated and Separate Financial Statements (renamed IAS 27 – Separate Financial Statements) and IAS 28 – Investments in Associates (renamed IAS 28 – Investments in Associates and Joint Ventures) were amended. These standards were subsequently amended to clarify the transitional provisions to be applied in the case of first-time adoption. The new standards are effective for annual periods beginning on or after 1 January 2013 and apply retrospectively. The relevant bodies of the European Union completed the endorsement process of these standards by postponing their adoption to 1 January 2014, with early adoption allowed as from 1 January 2013. The Group will adopt the new standards as from 1 January 2014, in particular:

IFRS 10 – Consolidated Financial Statements

This standard supersedes SIC-12 - Consolidation: Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements, renamed Separate Financial Statements and regulating the accounting treatment of interests in separate financial statements. The standard shall apply retrospectively, at the latest, for annual periods beginning on or after 1 January 2014. Based on ongoing analyses, no significant impact on the measurement of the company's interests is expected following the adoption of revised IAS 27.

IFRS 11 – Joint Arrangements

This standard supersedes IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities: Non-Monetary Contributions by Venturers. The standard shall apply retrospectively, at the latest, for annual periods beginning on or after 1 January 2014. Subsequent to the issue of this standard, IAS 28 – Investments in Associates was amended to include also interests in jointly-controlled entities within its scope starting from the standard's effective date.

IFRS 12 - Disclosure of Interests in Other Entities

This is a new and comprehensive standard on extensive disclosure required for each type of interest, including interests in subsidiaries, joint arrangements, associates, structured entities, and other unconsolidated structured entities. The standard shall apply retrospectively, at the latest, for annual periods beginning on or after 1 January 2014.

On 16 December 2011, the IASB issued amendments to IAS 32 – Financial Instruments: Presentation, to clarify the application of offsetting criteria for financial assets and liabilities in IAS 32. These amendments shall apply retrospectively for annual periods beginning on or after 1 January 2014. No significant impact is expected from first-time adoption.

On 29 May 2013, the IASB issued amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets requiring to disclose the recoverable amount of impaired assets, if such amount is based on fair value less costs to sell. These amendments shall apply retrospectively for annual periods beginning on 1 January 2014. Early adoption is allowed for the periods in which the entity has already adopted IFRS 13. In the case under review, application of these amendments will result in extensive disclosure in the Notes to the consolidated financial statements.

On 27 June 2013, the IASB issued some minor amendments to IAS 39 – Financial Instruments: Recognition and Measurement, named “Novation of Derivatives and Continuation of Hedge Accounting”. Under these amendments, an entity is allowed to not discontinue hedge accounting if a derivative hedging instrument is novated as a consequence of laws or regulations in order to replace the original counterparty for the obligation to be effective and provided certain conditions are met. These amendments will also be included in IFRS 9 - Financial Instruments. They shall apply retrospectively for annual periods beginning on 1 January 2014. No significant impact is expected from their adoption.

Moreover, as at the date of these financial statements, the relevant bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments:

On 12 November 2009, the IASB published IFRS 9 – Financial Instruments. That same standard was reissued in October 2010 and amended in November 2013. It concerns the classification, recognition and measurement of assets and liabilities as well as hedge accounting and is intended to replace, for these issues, IAS 39 - Financial Instruments: Recognition and Measurement. With the amendments of November 2013, in addition to other changes, the IASB eliminated the mandatory first-time adoption date of the standard, previously fixed on 1 January 2015. That date will be reintroduced with the publication of a comprehensive standard, at the end of the IFRS 9 project.

On 20 May 2013, the IASB issued IFRIC 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation clarifies the recognition of liabilities for the payment of levies other than income taxes. IFRIC 21 shall apply for annual periods beginning on 1 January 2014, with early adoption allowed.

On 21 November 2013, the IASB published some minor amendments to IAS 19 – Employee Benefits named “Defined Benefit Plans: Employee Contributions”. These amendments simplify the accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases. The amendments apply retrospectively for annual periods beginning on 1 July 2014, with early adoption allowed.

On 12 December 2013, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). The most important issues addressed include: the definition of vesting conditions in IFRS 2 – Share-based Payment, the aggregation of operating segments in IFRS 8 – Operating Segments and the definition of key management personnel in IAS 24 – Related Party Disclosures the exclusion from the scope of IFRS 3 – Business Combinations of all types of joint arrangements (as defined in IFRS 11 – Joint Arrangements), and some clarifications on exceptions to the application of IFRS 13 – Fair Value Measurement.

The Group will adopt these new standards and amendments, based on the relevant expected effective date, and will assess its potential impacts on the consolidated financial statements, when they will be endorsed by the European Union.

4. MEASUREMENT CRITERIA AND USE OF ESTIMATES

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and the effect of any resulting changes is reflected in profit or loss in the period in which the estimates are revised if the revision affects only that period, or also in subsequent periods if the revision affects both the current year and future years.

In the current scenario, it should be noted that the economic and financial crisis has led to the necessity of making significantly uncertain assumptions about future trends: therefore, it cannot be ruled out that actual results for the coming year may differ from those estimates, and the carrying amount of the relevant items may need to be adjusted to an extent that could be significant and cannot be estimated nor foreseen today. The main items in the financial statements affected by this uncertainty are the allowance for impairment, the allowance for inventory write-downs, non-current assets (property, plant and equipment and intangible assets), the provision for product guarantees and contingent liabilities.

There follows a summary of the critical judgements and the key assumptions made by management in applying the ac-

counting policies regarding the future. They could have a significant impact on the amounts recognised in the consolidated financial statements or have the risk of resulting in material adjustments within the next financial year of the carrying amount of assets and liabilities.

Allowance for impairment

The allowance for impairment reflects the management's estimates of impairment losses on the portfolio of receivables due from end customers and the sales network. The estimate of the allowance for impairment is based on losses expected by the Group, calculated on the basis of past experience for similar receivables, current and historical past dues, losses and payments received, the careful monitoring of credit quality, and projections of economic and market conditions. The persistence and potential worsening of the current economic and financial crisis could further compromise the financial position of the Group's debtors compared to the deterioration already accounted for in quantifying the recognised allowance.

Allowance for inventory write-downs

The allowance for inventory write-downs reflects the management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts. The persistence and potential worsening of the current financial and economic crisis could further compromise market conditions compared with the deterioration already accounted for in quantifying the recognised allowance.

Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews on an ongoing basis the carrying amount of the non-current assets the Group owns and uses and the assets that are to be divested, whenever events and circumstances require such assessments. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Group's latest plans.

With regard to the calculation of the expected cash flows, we estimated in detail the cash flows for a set period of 5 years (i.e. 2014 – 2018), where the figures concerning the first three years are extrapolated from the most recent three-year plan approved on 3 March 2014 by the Board of Directors of the Parent, whereas those referring to the last two-year period are projected, by using a flat growth rate of 1.5%, and we added the terminal value at that future moment. For the sake of completeness it should be noted that the first year of the three-year plan corresponds to the Group's 2014 budget, prepared in the September – December period, so that the forecast and reporting periods are closer. In fact, the Group operates in a niche segment (almost totally penetrated by major players), for which it is difficult to find sector surveys and estimates.

Projections were discounted at a pre-tax Weighted Average Cost of Capital (WACC) rate of 8.40%. A sensitivity analysis was also carried out by taking into account unfavourable assumptions in calculating terminal value, both in terms of long-term growth rate and discount rate.

As for changes in the discount rate, an increase of half a percentage point was considered ($8.40\% + 0.5\% = 8.90\%$), while as for changes in the growth rate, a decrease of half a percentage point was considered ($1.5\% - 0.5\% = 1.0\%$). For the sensitivity analysis we analysed the effects of these changes, considered both separately and together.

Such analysis did not show any critical issue relating to Value in Use compared to Net Invested Capital on the different divisions.

Finally, an analysis was carried out on specific asset classes, which resulted in the recognition of impairment losses amounting to € 562 thousand in 2013, mainly related to Development Costs and Intangible Assets. In 2012, impairment losses amounted to € 892 thousand and related to Development Costs and Property, Plant and Equipment.

The estimates and the assumptions used for this analysis reflect what the Group knows about the business trend in the different sectors and in the different areas, and take into account assumptions considered reasonable about future market trends that remain highly uncertain due to the persistence of the current financial and economic crisis and its effects on the real-estate industry. Although the Group's current estimates do not indicate other impairment losses on non-current assets in other business areas, any different development in this economic scenario or any different performance of the Group may lead to results different from the original estimates and, where necessary, require adjustments to the carrying amount of some non-current assets.

Product Warranties

When a product is sold, the Group makes a provision for the relevant estimated warranty costs. Management establishes the amount of this provision on the basis of historical information regarding the nature, frequency and average cost of repairs under warranty. The Group is working to improve product quality and to minimise the cost of repairs under warranty.

Pension plans and other post-employment benefits

The provisions for employee benefits, the relevant assets, costs and net interest costs are measured with an actuarial method that requires the use of estimates and assumptions for measuring the net value of the liability or asset. The actuarial method considers financial variables such as, for instance, the discount rate or the expected long-term rate of return on plan assets

and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates.

More precisely, the discount rates taken as reference are the yields or yield curves on high quality corporate bonds (Euro Composite AA yield curves) in the respective reference markets. The expected return on assets is calculated on the basis of the different data provided by experts on long-term expectations of market yields, inflation, current yield on bonds, and other variables, and may be adjusted to take account of the asset investment strategies. The rates of future salary increases reflect the long-term expectation of the Group for the reference markets and inflation. Any change in any of these variables may affect future contributions to the provisions.

Full application of IAS 19 revised required the Group to determine the change of the liability on the measurement date compared to the IAS accounting opening of the provision. The actuarial valuation of benefits required the calculation of the following economic components: current service cost, interest cost and actuarial (gains)/losses.

Contingent liabilities

The Group is subject to legal and tax claims regarding a wide range of issues that are within the jurisdiction of various countries. Owing to the uncertainties inherent to these issues, it is hard to make a reliable estimate of the outflow of resources that could arise from said disputes. The claims and disputes against the Group frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and the different laws applicable to each case. In the ordinary course of business, management consults with its own legal advisors as well as legal and tax experts. The Group recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required to settle the obligation and the relevant amount can be measured reliably. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

Recoverability of deferred tax assets

At 31 December 2013, the Group had deferred tax assets amounting to € 16,995 thousand (€ 19,537 thousand in 2012). Management has recognised such deferred tax assets up to the amount it considers likely to be recoverable. The calculation of the various items took into consideration budget results and forecasts for the subsequent years consistent with those used for the purposes of impairment testing, approved by the Board of Directors of the Parent on 3 March 2014, and described in the paragraph above concerning the recoverable amount of non-current assets.

Treatment of the Centre Gain put option

As for the contract to purchase the controlling interest in the Centre Gain Ltd group, it should be noted that the non-controlling owner was granted a put option to sell all of its shares to the Group at the option exercise date. The put option can be exercised as of the end of the fifth year of the date the contract was signed. Pursuant to IAS/IFRS, the put option was measured at the end of the reporting period and the relevant liability was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

5. REVENUE AND OTHER OPERATING INCOME

The breakdown of Group revenue is as follows:

€ '000	31 December 2013	31 December 2012
Revenue from sales of goods	352,794	359,573
Revenue from services	24,162	22,413
Other revenue	1,461	1,075
Total revenue	378,417	383,061
Lease and rental income	282	214
Commissions and royalties	188	117
Income-related grants	44	144
Gains on sales of assets	3,369	229
Other non-recurring income and prior year income	2,464	2,945
Total other operating income	6,346	3,648

Please refer to the Directors' Report for more details on the trend in revenue.

The most significant components of other operating income refer to gains on sales of assets of approximate's recognition € 3,369 thousand, attributable to Parent Biesse S.p.A. of a gain of approximately € 3,338 thousand as a result of the trade with the ultimate parent Bi.Fin S.r.l. For further information, reference should be made to the Directors' report and to note 44 concerning related-party transactions.

As no operations were discontinued, the data above relates exclusively to continuing operations.

BiesselInside
Elchingen,
Germany
November
2013





6. ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL SEGMENT

ANALYSIS BY OPERATING SEGMENT

The Group is currently organised into five operating divisions – Wood, Glass & Marble, Mechatronics, Tooling and Components – for management purposes. These divisions constitute the basis for the Group's segment reporting. The principal operating segments are as follows:

Wood – production, distribution, installation and after-sales service of panel processing machines and systems,
 Glass & Marble – production, distribution, installation and after-sales service of glass and marble processing machines,
 Mechatronics – production and distribution of industrial mechanical and electronic components,
 Tooling – production and distribution of Diamut-branded grinders and tools,
 Components – production of mechanical components for wood and glass & marble processing machines.

The information relating to these operating segments is as follows:

Income statement by operating segment

2013	Wood	Glass & Marble	Tooling	Mechatronics	Components	Eliminations	Group Total
€ '000							
External revenue	266,637	63,668	8,444	37,158	2,511	0	378,417
Intrasegment revenue	780	0	304	16,294	12,608	(29,985)	0
Total revenue	267,417	63,668	8,748	53,452	15,118	(29,985)	378,417
Operating profit of segment	6,620	3,391	708	9,643	314	0	20,676
Unallocated non-recurring revenue							3,338
Unallocated ordinary costs							(5,868)
Operating profit							18,146
Unallocated finance expense							(3,527)
Pre-tax profit							14,619
Income taxes							(8,207)
Profit for the year							6,412

2012	Wood	Glass & Marble	Tooling	Mechatronics	Components	Eliminations	Group Total
€ '000							
External revenue	280,086	61,143	8,688	32,624	521	0	383,061
Intrasegment revenue	338	11	267	17,244	14,615	(32,476)	0
Total revenue	280,424	61,154	8,955	49,868	15,136	(32,476)	383,061
Operating profit(loss) of segment	(1,558)	1,662	371	8,217	(709)	0	7,982
Unallocated ordinary costs							(7,654)
Operating profit							328
Unallocated finance expense							(5,388)
Pre-tax loss							(5,060)
Income taxes							(1,461)
Loss for the year							(6,520)

Net revenue for 2013 was € 378,417 thousand, compared with € 383,061 thousand in the year to 31 December 2012, representing a slight decrease of 1.2 % compared with the previous year.

The Wood segment confirmed its position as the Group's main segment but decreased as a percentage of consolidated revenue (from 73.2% in 2012 to 70.7% in 2013). The segment's operating profit rose considerably (from a loss of € 1,558 thousand to a profit of € 6,620 thousand).

The Glass & Marble segment reported a 4.1% increase in sales, with its proportion of consolidated sales increasing from 16.0% to 16.8%. The segment's operating profit rose from € 1,662 thousand to € 3,391 thousand.

The Mechatronics segment grew by 7.2%, increasing its contribution to consolidated revenue by approximately one percentage point (14.1% compared with 13% at the end of 2012). Operating profit increased from € 8,217 thousand to € 9,643 thousand. The Tooling segment decreased by 2.3%, and its proportion of consolidated sales remained substantially unchanged. Operating profit increased from € 371 thousand to € 708 thousand.

Finally, the Components segment confirms the figure of 2012 for what concerns revenue and an increase in operating profit (from - € 709 to + € 314 thousand).

It should be noted that this year non-recurring revenue not attributable to operating segments relating to the recognition of the gain as a result of the trade contributed to the improvement in the operating profit (reference should be made to information already provided in the Directors' report).

Statement of financial position – Inventories

With the exception of inventories and goodwill, the assets, liabilities and investments are not allocated to operating segments and are examined by the top management at Group level. The following table shows the breakdown of inventories by operating segment.

	Wood	Glass & Marble	Tooling	Mechatronics	Components	Group Total
€ '000						
31/12/2013	60,935	9,568	2,291	10,213	3,266	86,273
31/12/2012	67,085	8,596	1,786	9,438	3,416	90,321

The inventory analysis by segment shows that the decrease (€ 4,048 thousand) mainly refers to the Wood division (- € 6,150 thousand compared to the end of 2012), partially offset by the increases in the Glass&Marble (€ 972 thousand), Tooling (€ 505 thousand) and Mechatronics (€ 775 thousand) divisions.

ANALYSIS BY GEOGRAPHICAL SEGMENT

Revenue

€ '000	Revenue			
	2013	%	2012	%
Western Europe	141,763	37.5%	151,448	39.5%
Asia - Pacific	78,239	20.7%	73,589	19.2%
Eastern Europe	71,044	18.8%	68,706	17.9%
North America	51,191	13.5%	41,661	10.9%
Rest of the World	36,181	9.6%	47,657	12.4%
Group Total	378,417	100.0%	383,061	100.0%

The disclosure of the allocation of goodwill by operating segment is set out in note 18.

7. RAW MATERIALS AND CONSUMABLES

Consumption of raw materials and consumables dropped from € 167,225 thousand to € 155,903 thousand, down by 6.8% compared to the previous year. This decrease is the effect of lower consumption of raw materials and goods (impact on revenue amounting to 40.9% compared to 42.5% in 2012), due to a different sales mix more focused on single machines than on lines, to the improvement in consumption efficiency, and to better pricing performance.

8. PERSONNEL EXPENSE

€ '000	31 December 2013	31 December 2012
Wages, salaries and social security contributions	107,796	114,454
Productivity bonus, other bonuses and related social security contributions	5,820	4,397
Accruals to pension plans	4,535	4,778
Other personnel expense	1,390	1,546
Capitalization and recovery of personnel expense	(6,900)	(6,749)
Personnel expense	112,640	118,425

Personnel expense in 2013 was € 112,640 thousand, compared with € 118,425 thousand at 31 December 2012, down € 5,785 million in absolute terms and 4.9% in percentage terms.

The cumulative decrease is attributable (€ 6.7 million) to the fixed component (wages, salaries and social security contributions), as a result of actions taken during the period aimed at the implementation of the restructuring plan agreed with the social partners and use of welfare support provisions, i.e. special redundancy plan (CIGS) and work-sharing agreements (CDS). On the contrary, variable costs (performance bonuses, other bonuses and related social security contributions) resulted in higher expense amounting to € 1.4 million, both due to the achievement of 2013 budget targets, and due to the strong reduction recorded in 2012 in the variable components due to missed targets.

We point out that the figure of the previous year was burdened by voluntary termination incentives (approximately € 2.2 million) following the restructuring which mainly concerned Biesse S.p.A. and the Spanish branch.

There is a slight increase in the amount of capitalised costs in 2013 compared to 2012 (+ € 151 thousand, equal to 2.2%).

9. OTHER OPERATING EXPENSE

€ '000	31 December 2013	31 December 2012
Production services	19,130	20,197
Maintenance	2,600	2,980
Sales commissions and transport	16,025	16,702
Consultancy fees	2,800	3,263
Utilities	4,551	4,781
Exhibitions and advertising	5,236	4,963
Insurance	1,492	1,403
Directors, statutory auditors and consultants' remuneration	2,617	2,869
Travel	10,229	9,980
Other	5,561	5,073
Use of third party assets	7,200	7,542
Other operating costs	4,424	5,326
Other operating expense	81,865	85,080

Other operating expense decreased by € 3,215 thousand compared to 2012, (- 3.8%). This decrease is due both to variable cost components (Production services of - € 1,067 thousand, sales commissions and transport of - € 677 thousand) and to fixed components (maintenance of - € 380 thousand, other operating costs of - € 902 thousand and consultancy fees of - € 463 thousand).

Remuneration paid to Directors, Statutory Auditors and Independent Auditors is included in the item Other operating expense. As required by article 149-duodecies of the Consob Issuers' Regulations, a list of the services provided by the independent auditors is shown below:

Services	Provider	Beneficiary	Fees (€'000)
Audit	KPMG S.p.A.	Biesse S.p.A.	174
	Rete KPMG	Subsidiaries	275
Other services	KPMG network	Biesse S.p.A.	0
	KPMG S.p.A.	Biesse S.p.A.	13
	KPMG S.p.A.	Subsidiaries	23
Total			485

10. FINANCE INCOME

Details of finance income are reported below:

€ '000	31 December 2013	31 December 2012
Income from financial receivables	23	15
Bank interest	31	41
Interest from customers	152	118
Interest from others	70	118
Received financial discounts	35	31
Other finance income	601	-
Finance income for export transactions	4,484	-
Total financial income	5,397	323

The item "Other finance income" mainly consists of income deriving from the discounting of trade receivables with maturities greater than 12 months totalling € 526 thousand; the positive effect is due both to an improvement in the rate and to the decrease in receivables with maturities greater than 12 months compared to the previous period. With reference to the increase compared to the previous year, reference should be made to the following note on Finance Expense.

11. FINANCE EXPENSE

Details of finance expense are reported below:

€ '000	31 December 2013	31 December 2012
Bank, mortgage and financing interest	3,260	3,015
Finance lease interest	40	61
Interest expense to others	195	101
Bills discounted	367	390
Finance expense for export transactions	3,775	-
Other interest	21	28
Other financial expense	272	394
Total financial expense	7,930	3,988

The total value of financial expense and financial income increased compared to the same period last year (+ € 3,942 thousand and + € 5,074 thousand, respectively).

It is specified that increases were mainly due to new operating methods, adopted as from 2013, used for obtaining Subsidised loans of export credits - Italian Legislative Decree no. 143 of 31 March 1998 (former Ossola Law). The new operating methods adopted have an accounting impact on the financial results in that they were based on obtaining interest subsidies to cover the cost borne on the discounting of bills of exchange. Income relating to this new procedure was recognised in the item "Finance income for export transactions" whereas the negative effects are included in "Finance expense" under "Finance expense for export transactions".

12. EXCHANGE RATE GAINS AND LOSSES

In 2013, the Group recognised net exchange rate losses amounting to € 993 thousand (compared with a € 1,722 thousand loss at the end of 2012).

The Group's operations are exposed primarily to financial risks relating to currency fluctuations. The risk management policy approved by the Board of Directors of the Parent provides that the existing hedging amount must not fall below 70% of net foreign currency exposure and that the underlying asset must be identified at the inception of any hedging transaction. Forward contracts (outright/currency swap) or also derivatives (currency option) can be used for hedging.

The particular nature of the Group's business implies that its currency exposure is fragmented into several currency positions (relating to individual orders and invoices), making it complicated (as well as uneconomic) to micro-hedge them (i.e. with a direct correlation between the hedging instrument and the underlying asset): for this reason, the Group macro-hedges these risks, especially by matching all foreign currency positions. The Group has hedges compatible with the requirements provided by IAS 39 for Hedge accounting. Consequently, the part of the transactions that qualifies for hedge accounting, considered a hedging instrument as it passed the assessment of hedge effectiveness, has been accounted for in accordance with the provisions of IAS 39. In particular, exchange rate gains amounting to € 38 thousand were recognised as "Revenue", while as at 31 December 2012 exchange rate gains amounting to € 19 thousand net of tax effects remain separately in equity.

As for the remaining hedges, though effective from a management perspective, they do not qualify for hedge accounting based on the provisions of the international accounting standards and determined the recognition in profit or loss of an income of € 90 thousand.

Finally, it should be noted that the item Exchange Rate Gains and Losses includes the amount relating to the balance of unrealised gains and losses arising from the translation of foreign currency assets and liabilities at the closing rate at the end of the reporting period (€ 717 thousand loss).

Net realised exchange rate losses were € 367 thousand.

13. INCOME TAXES

€ '000	31 December 2013	31 December 2012
Income tax related to foreign subsidiaries	1,209	626
IRES and other deferred taxes	2,885	(394)
IRES and other taxes for the year	4,094	233
IRAP and other current taxes	3,027	3,121
IRAP and other deferred taxes	112	(114)
Income tax relating to previous years	893	(1,717)
Other taxes	81	(62)
Total income tax for the year	8,207	1,461

Income tax related to foreign subsidiaries is calculated at the tax rates in force in each country.

IRES and other deferred taxes, negative to the tune of € 2,885 thousand overall, include the IRES (corporate income tax) tax expense for the period (determined by the national consolidated tax scheme), the use of deferred tax assets set aside in previous years.

IRAP (the regional corporate tax) and other minor taxes, applied in other jurisdictions and calculated on tax bases other than pre-tax profit, are stated separately.

Income taxes relating to previous years, negative to the tune of € 893 thousand, are mainly due to the provision for taxes to cover the risk of tax litigations.

The provision for taxes for the year can be reconciled with the reported profit or loss for the year as follows:

€ '000	31 December 2013		31 December 2012	
Pre-tax profit (loss)	14,619		(5,060)	
National income tax rate 27.5%	(4,020)	27.50%	1,391	27.50%
Tax effect of non-deductible expense/exempt profit in determining income	(282)	1.93%	(84)	(1.66%)
Tax effect of the use of previously unrecognised losses	775	(5.30%)	456	9.01%
Tax effect on losses unrecognised	(672)	4.60%	(2,695)	(53.26%)
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	91	(0.62%)	(272)	(5.38%)
Other differences	14	(0.09%)	971	19.19%
Income taxes for the year and effective tax rate	(4,094)	28.01%	(233)	(4.60%)

15. IMPAIRMENT LOSSES

At the end of 2013, the item amounted to € 562 thousand relating to capitalisations of projects carried out in previous financial years that are no longer considered strategic.

For further details, please refer to the Directors' report. This expense is recognised as "Impairment losses" in profit or loss.

16. EARNINGS/LOSS PER SHARE

Basic earnings per share for the year ended 31 December 2013 was 23.92 euro/cent (24.11 euro/cent loss in 2012) and is calculated by dividing the profit attributable to owners of the Parent, amounting to € 6,435 thousand (- € 6,487 thousand in 2012) by the weighted average number of ordinary shares outstanding during the period, which amounted to 26,906,683 (unchanged from 2012). The number of shares outstanding is lower than the total number of shares issued, because the parent bought back its listed treasury shares during 2008, as resolved by the Shareholders' Meeting on 21 January 2008. At 31 December 2013, the number of treasury shares was 486,359 (1.78% of the share capital), with an equal weighted average balance for the year.

As there were no dilutive effects, the same calculation is also applicable to diluted earnings per share. The calculations are illustrated in the following tables:

Weighted average number of outstanding ordinary shares

€ '000	31 December 2013	31 December 2012
Basic profit/loss for the year	6,435	(6,487)
Dilutive effect on profit/loss for the year	0	0
Diluted profit/loss for the year	6,435	(6,487)

Weighted average number of outstanding ordinary shares

in thousands of shares	31 December 2013	31 December 2012
Weighted average number of ordinary shares used to calculate basic earnings per share	27,393	27,393
Effect of own shares	(486)	(486)
Weighted average number of outstanding shares – for the calculation of basic earnings	26,907	26,907
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	26,907	26,907

As no operations were discontinued during the year, the earnings per share is entirely attributable to continuing operations. As shown, there are no dilutive effects.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

€ '000	Property, plant and equipment	Equipment and other items of property, plant and equipment		Total
		Equipment and other items of property, plant and equipment	Assets under construction and prepayments	
Historical cost				
Amount at 01/01/2012	108,743	41,354	1,115	151,212
Increase	662	1,143	951	2,756
Disposals	(294)	(798)	-	(1,091)
Change in consolidation scope	2,186	97	-	2,283
Impairment losses	-	-	-	-
Exchange rate gains(losses), reclassifications and other changes	1,649	115	(2,002)	(238)
Amount at 31/12/2012	112,946	41,912	64	154,922
Increase	4,971	1,915	1	6,887
Disposals	(1,571)	(577)	-	(2,149)
Change in consolidation scope	-	-	-	-
Impairment losses	-	-	-	-
Exchange rate gains(losses), reclassifications and other changes	(2,176)	(1,271)	(17)	(3,463)
Amount at 31/12/2013	114,170	41,979	48	156,197
Accumulated depreciation				
Amount at 01/01/2012	53,437	34,123	-	87,560
Depreciation of the year	4,169	2,217	-	6,386
Release on disposal	267	690	-	957
Change in consolidation scope	252	19	-	271
Exchange rate gains(losses), reclassifications and other changes	(259)	(181)	-	(440)
Amount at 31/12/2012	57,331	35,488	-	92,819
Depreciation of the year	4,115	1,836	-	5,951
Release on disposal	1,780	1,068	-	2,848
Change in consolidation scope	0	-	-	0
Exchange rate gains(losses), reclassifications and other changes	(450)	(361)	-	(811)
Amount at 31/12/2013	59,215	35,895	-	95,111
Carrying Amount				
Amount at 31/12/2012	55,615	6,424	64	62,102
Amount at 31/12/2013	54,955	6,083	48	61,086

Investments in the year amounted to approximately € 6.9 million. In addition to the amount relating to ordinary replacement of equipment required for normal manufacturing activity, investments mainly concerned the value of land (approximately € 4.2 million) recognised in the financial statements of the parent Biesse S.p.A as a result of the exchange transaction with the ultimate parent Bi.Fin S.r.l. A building located in Pesaro was transferred to Bi.Fin. S.r.l. in exchange for the land: this transaction at the realisable value of € 3,500 thousand generated a capital gain of € 3,338 thousand. For further information, reference should be made to the Directors' report and the note concerning transactions with related parties.

It should be noted that the reported amounts include assets acquired under finance leases for a net carrying amount of € 10,615 thousand (€ 11,050 thousand in 2012), depreciated during the year for € 435 thousand (€ 566 thousand in 2012); in particular, the net carrying amount refers to land and industrial buildings for € 10,480 thousand (€ 10,836 thousand at the end of 2012), equipment for € 133 thousand (€ 212 thousand in 2012) and office equipment for € 2 thousand as in 2012.

The item Property, plant and equipment includes land, which is not depreciated, amounting to € 12,038 thousand (€ 8,018 thousand at the end of the previous year).

Two buildings located in Pesaro are covered by mortgages in relation to the loans granted by the financial institutions ICCREA and GE Capital; the balances of payables at year-end amounted to € 6,667 thousand and € 8,900 thousand, respectively.

There were no outstanding commitments to acquire property, plant and equipment at 31 December 2013.

18. GOODWILL

Goodwill is allocated to the cash-generating units (CGU) identified on the basis of the Group's operating segments. Management, in line with the provisions of IFRS 8, identified the following operating segments:

1. Wood – production and distribution of woodworking machines and systems;

2. Glass & Marble – production and distribution of glass and marble processing machines;
3. Mechatronics – production and distribution of industrial mechanical and electronic components;
4. Tooling – production and distribution of glass and marble processing tools for all the machines on the market;
5. Components – production and distribution of other components related to additional precision processing.

The following table illustrates the allocation of goodwill by operating segment:

€ '000	31 December 2013	31 December 2012
Wood	5,998	6,307
Glass & Marble	1,314	1,406
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	16,852	17,252

Main changes during 2013 are due to the exchange rate difference undergone by the Australian and American branches.

In accordance with accounting standards, the Group tests the recoverability of goodwill at least once a year or more frequently if there is any indication of impairment. The recoverable amount of the CGU is tested by calculating the value in use. In the discounted cash flow model, a terminal value is recognised at the end of the cash flow projections for the period to reflect the residual value each CGU is expected to generate. The terminal value represents the present value for the last forecast year of all future cash flows in perpetuity. The growth rate of the terminal value is a key variable in determining the terminal value itself, as it represents the annual growth rate of all future cash flows in perpetuity. It is calculated based on the cash flow for the last forecast year, provided no measures to normalise cash flows are taken, by discounting that cash flow using the discount rate. In calculating value in use, it is assumed that the growth rate is equal to the inflation rate.

The main assumptions used relate to the discount rate, the growth rate, and the expected changes in selling prices and direct costs during the measurement period. The Group's management has therefore adopted a discount rate (WACC) including tax that reflects the current market assessment of the time value of money and the specific risk. The growth rates adopted are based on growth forecasts for the relevant industrial sector. Changes in selling prices and direct costs are based on past experience and future market expectations.

The operating cash flows derive from the business plan approved on 3 March 2014 by the Board of Directors for the three-year period from 2014 to 2016; the cash flows for the residual period are inferred on the basis of a medium/long-term industry growth rate of 1.5%. The expected future cash flows refer to the CGUs in their current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The discount rate used to discount cash flows is 8.40% (in the 2012 annual report it was 8.80%). The discount rate is the same for all CGUs, as all refer to the Equipment sector – Euro area. In detail, in order to determine the rate:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);
- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the Equipment sector – Euro Area);
- as for the specific risk premium (SRP), it was assumed to be 5.5%;
- finally, the rate of the gross cost of debt was assumed to be 5%, determined on the basis of the average cost of the Group's debt and takes into account a Biesse spread applied to the Free risk rate.

Based on the projects and initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 7.0%);
- higher added value (41.5% as a percentage of revenue in 2016);
- recovering operating profits:
- EBITDA target: 13.8% as a percentage of revenue in 2016;
- EBIT target: 10.1% as a percentage of revenue in 2016.

The Management paid special attention in assessing the results of the analysis, taking also into account the outcome of sensitivity analyses. In this regard, the sensitivity analysis of impairment tests was carried out considering unfavourable assumptions in calculating the terminal value, both in terms of long-term growth rate and discount rate.

For what concerns changes in the discount rate, an increase of half a percentage point was considered ($8.40\% + 0.5\% = 8.90\%$). As far as changes in the growth rate are concerned, a decrease of half a percentage point was considered ($1.5\% - 0.5\% = 1.0\%$). For the sensitivity analysis, the effects of these changes were analysed, considering them both separately and together. The analysis carried out in this way did not show any critical issue of the Value in Use compared to Net Invested Capital for the different divisions.

Finally, it should be noted that the estimates and budget figures to which the aforementioned variables were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which

the Group operates. Therefore, the management makes judgements and estimates in calculating the recoverable amount of cash-generating units. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the challenging market conditions could result in adjustments to goodwill. The Group will continue to monitor the circumstances and events that could require further impairment testing.

It should be noted that the relevant impairment tests were specifically approved by the Group's Board of Directors during the meeting on 3 March 2014.

19. OTHER INTANGIBLE ASSETS

€ '000	Development expense	Patents, trademarks and other intangible assets	Assets under development and prepayments	Total
Historical cost				
Amount at 01/01/2012	25,588	16,591	11,312	53,491
Increase	104	969	8,785	9,858
Disposals	587	77	40	704
Exchange rate gains(losses), reclassifications and other changes	10,248	3,753	(12,899)	1,102
Amount at 31/12/2012	35,353	21,236	7,158	63,747
Increase	-	1,301	7,942	9,244
Disposals	-	1	-	1
Exchange rate gains(losses), reclassifications and other changes	4,854	928	(6,505)	(723)
Amount at 31/12/2013	40,207	23,464	8,596	72,267
Accumulated amortisation				
Amount at 01/01/2012	13,619	8,307	-	21,926
Amortisation of the year	6,212	2,509	-	8,721
Release on disposal	408	6	-	414
Exchange rate gains(losses), reclassifications and other changes	1,594	(17)	-	1,577
Amount at 31/12/2012	21,017	10,793	-	31,810
Amortisation of the year	6,043	1,842	-	7,885
Release on disposal	-	25	-	25
Exchange rate gains(losses), reclassifications and other changes	(7)	7	-	0
Amount at 31/12/2013	27,052	12,617	-	39,669
Impairment losses				
Amount at 31/12/2012	-	1,573	-	1,573
Exchange rate gains(losses), reclassifications and other changes	-	(24)	-	(24)
Amount at 31/12/2013	-	1,549	-	1,549
Carrying Amount				
Amount at 31/12/2012	14,336	8,870	7,158	30,365
Amount at 31/12/2013	13,155	9,298	8,596	31,048

The intangible assets illustrated above have a finite useful life and are amortised accordingly.

Development costs refer to products for which returns on investments are expected over an average period of five years. Patents, trademarks and other intangible assets are amortised in relation to their useful life, which is estimated to be five years on average.

The increase in the item Assets under development and prepayments is largely due to the capitalisation of costs for the development of products which are nearly completed and expected to generate an economic return in the coming years. In the reference period, design activities required new investments amounting to approximately € 7,335 thousand (€ 7,425 thousand in 2012), made mainly by the parent Biesse S.p.A. and the subsidiary HSD S.p.A. Furthermore, the Group invested € 1,168 thousand to implement the new Oracle ERP system (€ 1,536 thousand in 2012).

Development costs during the year resulted in amortisation of € 6,043 thousand.

Intermob, Istanbul
September
2013





20. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

The details of this item are as follows:

€ '000	31 December 2013	31 December 2012
Non-controlling equity investments in other businesses and consortia	28	28
Other receivables / Guarantee deposits - non-current portion	945	1,125
Total	973	1,153

21. INVENTORIES

€ '000	31 December 2013	31 December 2012
Raw materials, consumables and suppliers	25,655	27,525
Work in progress and semi-finished goods	13,712	13,386
Work in progress	-	-
Finished goods	30,107	32,437
Spare parts	16,799	16,972
Inventories	86,273	90,321

The carrying amount, equal to € 86,273 thousand, is net of the allowance for inventory write-downs, amounting to € 2,246 thousand for raw materials (€ 2,712 thousand at the end of 2012), € 3,179 thousand for spare parts (€ 3,487 thousand at the end of 2012) and € 2,152 thousand for finished goods (€ 3,572 thousand at the end of 2012). The allowance for the write-downs of raw materials amounts to 8.1% as a percentage of the historical cost of the related inventories (8.9% at the end of 2012), while the one for spare parts is 15.9% (17% at the end of 2012) and the one for finished products is 6.7% (9.9% at the end of 2012). Worthy of note is the significant reduction in the impact of finished products due to the scrapping carried out during the year.

The Group's inventories decreased compared to the previous year (- € 4,048 thousand). This decrease reflects the growing attention paid to the improvement of net working capital. In particular, inventories of raw materials (- € 1,870 thousand), inventories of finished goods (- € 2,330) and spare parts (- € 173 thousand) decreased. On the contrary, inventory of work in progress and semi-finished goods slightly increased by € 326 thousand.

As customary for the Group's reference sector, demand is concentrated in the last quarter of the year, whereas production is evenly distributed throughout the entire year. This determines a seasonal trend in inventories, with higher amounts registered during the year that tend to normalise in late December; compared with September 2013, inventories fell by € 11,091 thousand.

22. TRADE RECEIVABLES FROM THIRD PARTIES

€ '000	31 December 2013	31 December 2012
Trade receivables within 12 months	75,663	94,347
Trade receivables beyond 12 months	6,984	10,760
Allowance for impairment	(6,430)	(5,671)
Trade receivables from third parties	76,217	99,435

Management believes that the carrying amount of trade receivables is a reasonable approximation of fair value.

The decrease in trade receivables from third parties is due to the decrease in sales and to the improvement in collection procedures as part of the greater attention paid to net working capital dynamics.

Trade receivables are recognised net of the allowance for impairment, which is conservatively estimated with reference to both non-performing and over 180 days overdue loans.

The changes in the allowance are summarised in the following table:

€ '000	31 December 2013	31 December 2012
Opening balance	5,671	6,261
Accrual for the year	1,365	2,110
Utilised	(553)	(2,703)
Derecognition of excess allowance	(8)	-
Net exchange rate losses	(45)	(1)
Discounting	(0)	4
Closing balance	6,430	5,671

The accruals to the allowance for impairment are made on the basis of impairment losses on individual overdue loans and impairment losses on groups of loans calculated in statistical terms based on historical series. The amount of the accruals is calculated on the basis of the present value of estimated recoverable amounts, accounting for the related recovery expenses,

if any, and the fair value of the collateral given to the Group, if any.

Trade receivables include receivables specifically impaired as individual assets whose net value is € 2,677 thousand, following impairment losses of € 6,430 thousand (net receivables of € 3,970 thousand following specific impairment losses of € 5,671 thousand at 31 December 2012). Impairment losses recognised in profit or loss are mainly recognised indirectly through accruals to the allowance for impairment.

Specific impairment losses arise mainly from the measurement of receivables subject of specific legal disputes, and they are generally supported by the relevant legal opinion.

It should be noted that other overdue trade receivables exist for which a general impairment loss was recognised of € 152 thousand.

The change in the allowance at 31 December 2013 shows decreased uses and accruals compared to 2012 (€ 2,150 thousand and € 745 thousand, respectively) following the improvement in the Group's operating performance and in the general economic situation.

€ '000	31 December 2013	31 December 2012
Overdue by 1 to 30 days	6,710	6,905
Overdue by 30 to 180 days	5,216	7,923
Total	11,926	14,828

As at 31 December 2013, there were no receivables given as collateral in favour of third parties and financial institutions.

23. OTHER CURRENT ASSETS

Other current assets are detailed as follows:

€ '000	31 December 2013	31 December 2012
Consumption tax receivables and other tax receivables	6,301	6,143
Income tax assets	571	1,045
Other receivables from related companies	1,554	1,569
Other receivables from third parties	4,927	4,457
Total	13,353	13,215

"Other receivables from related parties" consist of the IRES refund claims made by the ultimate parent Bi.Fin. S.r.l. following the tax consolidation for the three-year period from 2005 to 2007 in which it participated as the consolidating company.

Other current assets consist largely of consumption tax receivables and other tax receivables, as well as of prepayments relating to income taxes.

The item Other receivables from third parties consists of deferred income and prepayments amounting to € 976 thousand and other receivables amounting to € 3,951 thousand.

24. CASH AND CASH EQUIVALENTS

This item includes the cash held by the Group and bank deposits with maturities of less than three months. The carrying amount of these assets is a reasonable approximation of fair value.

25. SHARE CAPITAL / TREASURY SHARES

The share capital amounts to € 27,393 thousand and is composed of 27,393,042 ordinary shares, each with a par value of € 1 and ordinary dividend rights.

At the date on which the financial statements were approved, the Group held 486,359 treasury shares with an average carrying amount of € 9.61 per share.

These shares were purchased during 2008, as resolved by the shareholders' meeting on 21 January 2008. On 12 May 2011, Biesse informed the market that its Share Buyback and Disposal Programme, whose launch had been announced on 12 November 2009 as the Shareholders' Meeting approved it, was concluded.

Finally, it should be noted that, based on the resolution of the Shareholders' Meeting of 19 October 2010, the company's treasury shares may be used for the purposes of stock option plans, including stock grants or incentive and retention plans, reserved for the management, employees or consultants of the Group.

The same resolution authorised an incentive plan called "Retention Plan 2011 - 2013 of Biesse S.p.A." reserved for the top

management of Biesse S.p.A. and the companies belonging to the Group involving stock grants and cash bonuses. The shareholders' meeting of 27 April 2012 approved the withdrawal of this plan and the simultaneous adoption of a new incentive scheme called "Long Term Incentive Plan 2012 - 2014", which involves cash bonuses and stock grants, subject to economic and financial performance conditions and the assessment of the beneficiaries' individual performance. The number of treasury shares earmarked for the Long Term Incentive plan is 94,447 (235,952 at the end of 2012). At the end of the financial year, there was no economic effect owing to the failure to achieve the agreed goals on average in the years from 2012 to 2013.

The following table summarises the data concerning treasury shares at 31 December 2013.

Number of shares:	486,359
Carrying amount (in Euro):	4,675,804
Percentage of share capital:	1.78%

26. EQUITY RESERVES

The carrying amount, equal to € 36,202 thousand (unchanged from 2012), relates to the share premium.

27. HEDGING AND TRANSLATION RESERVES

The carrying amount was broken down as follows:

€ '000	31 December 2013	31 December 2012
Translation reserve	(5,086)	(1,538)
Hedging reserve	19	11
Total	(5,067)	(1,527)

The reserve for translation of foreign currency financial statements, negative by € 5,086 thousand, includes the differences arising from the translation of the financial statements denominated in foreign currencies of countries that do not belong to the Eurozone (United States, Canada, Singapore, United Kingdom, Sweden, Switzerland, Australia, New Zealand, India, China, Indonesia, Hong Kong, Malaysia and South Korea), down € 3,548 thousand from the previous year.

28. OTHER RESERVES AND NON-CONTROLLING INTERESTS

Retained earnings

The carrying amount was broken down as follows:

€ '000	31 December 2013	31 December 2012
Legal reserve	5,479	5,479
Extraordinary reserve	41,074	40,217
Reserve for own shares	4,676	4,676
Retained earnings and other reserves	1,388	8,644
Other reserves	52,617	59,015

As shown in the statement of changes in equity, the item Other reserves (particularly the parent's extraordinary reserve and retained earnings) has changed to account for the loss recognised in 2012 (€ 6,487 thousand).

Non-controlling interests

As for the changes in the equity attributable to non-controlling interests, we highlight the changes relating to the covering of the loss for 2012 and in the translation reserve.

29. DIVIDENDS

No dividends were distributed in 2013.

30. BANK LOANS AND BORROWINGS

The table below indicates the breakdown of bank loans and borrowings.

€ '000	31 December 2013	31 December 2012
Bank loans and borrowings	13,999	39,457
Secured mortgages	3,485	-
Unsecured mortgages	27,116	27,598
Current liabilities	44,599	67,055
Loans	-	1,078
Secured mortgages	12,001	-
Unsecured mortgages	1,189	2,543
Non-current liabilities	13,191	3,621
Total	57,790	70,676

These liabilities are payable as follows:

€ '000	31 December 2013	31 December 2012
On demand or within one year	44,599	67,055
Within two years	3,480	2,432
Within three years	3,578	271
Within four years	3,647	305
Within five years	2,485	306
After five years	-	308
Total	57,790	70,676

ANALYSIS OF BANK LOANS AND BORROWINGS BY CURRENCY

€ '000	31 December 2013	31 December 2012
Euro	52,995	63,098
Indian Rupee	13	373
US Dollar	-	879
Swiss Franc	-	389
Chinese Renmimbi Yuan	2,041	2,069
Hong Kong Dollar	2,741	3,868
Total	57,790	70,676

For 2013, the average interest rate on loans was 4.37%.

At 31 December 2013, the amount of unused credit lines was about € 73 million.

Compared with the financial statements as at and for the year ended 31 December 2012, the Group's short and medium/long term financial payables decreased (- € 13,167 thousand); in more detail, the amount due within 12 months is € 44,318 thousand, down € 22,737 thousand, whereas the amount due after 12 months is € 13,191 thousand, down € 9,570 thousand. Medium/long-term debt as a percentage of total debt increased from 5% to 23%.

Collateral-backed mortgages refer to two loans granted by the financial institutions ICCREA and GE Capital, respectively, with mortgage on two buildings located in Pesaro.

Please refer to the Directors' Report for more details regarding the trend in the net financial position and the analysis of the statement of cash flows, in addition to what is mentioned in the paragraph on financial risks.

31. NET FINANCIAL POSITION

€ '000	31 December 2013	31 December 2012
Financial assets:	36,099	17,004
<i>Current financial assets</i>	949	849
<i>Cash and cash equivalents</i>	35,151	16,156
Short term finance lease payables	(285)	(270)
Short term bank loans and borrowings and loans and borrowings from other financial backers	(44,599)	(67,055)
Short term net financial indebtedness	(8,785)	(50,321)
Medium/Long term finance lease payables	(1,960)	(2,245)
Medium/Long bank loans and borrowings	(13,191)	(3,621)
Medium/Long term net financial indebtedness	(15,151)	(5,866)
Total net financial indebtedness	(23,936)	(56,187)

At the end of December 2013, the Group's net financial indebtedness amounted to € 23.9 million (gearing = 0.21), sharply im-

proving by € 32 million, compared with the value recorded at the end of December 2012.

As already pointed out in the directors' report, the reduction is attributable to the sharp improvement in working capital, which made it possible to reduce debt.

At December 2012, the item was affected by some non-recurring cash absorption components such as: the settlement of the third and fourth payments on account relating to the acquisition of the Centre Gain Group of approximately € 4.8 million, the payment of € 1.2 million in voluntary termination benefits and the € 0.9 million outlay to purchase the new sales premises of Biesse Triveneto.

Note should be taken of the payment made in September 2013 of the fifth and second-last instalment of HKD 12.3 million (approximately € 1.2 million) relating to the acquisition of the Chinese group Centre Gain.

Finally, 2013 saw the launch of the new daily I/C cashpooling system called "Target balance" (currently adopted only by the European branches, but which will subsequently be extended to the North American branches) which will allow better and more efficient operations.

As at 31 December 2013, short-term uncommitted credit lines represent 68.4% of total financing, whereas the remaining part is represented by the residual portions of unsecured loans (18 months minus one business day), mortgage loans, residual real estate leases and medium-term committed credit lines.

In 2013, the most important credit lines were renewed with a special commitment on extending the duration of unsecured loans (18 months minus one business day and medium-term mortgage loans). Most of the operations was concentrated in Italy and subordinately in China even through Italian counterparties. The feedbacks received from banks to date are all extremely positive both from lending banks already working with the Group and from others recently acquired as counterparty. In addition to the above, negotiations are still underway to increase the capacity of credit lines with funding by supranational entities (EIB) and duration of more than 36 months".

32. FINANCE LEASE PAYABLES

€ '000	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	Minimum lease payments		Present value of minimum lease payments	
Due within one year	403	414	285	270
Due after one year but within five years	1,612	1,634	1,310	1,240
Due after the fifth year	679	1,082	650	1,005
	2,694	3,129	2,245	2,515
Charges deducted for future financial expense	(449)	(614)	-	-
	2,245	2,515	2,245	2,515
Less: amount due within one year			(285)	(270)
Amount of debt due after 12 months			1,960	2,245

Finance lease payables mainly relate to buildings (and related plant and equipment) with minimum lease payments outstanding at 31 December 2013 equal to € 2,217 thousand at present value (of which € 285 thousand due within 12 months).

The reported figure refers mainly to a contract relating to the purchase of a building with original term of twelve years, signed by MC S.r.l. (later on incorporated in Hsd Spa), with maturity in December 2019 and average effective rate 5.5%.

The interest rates are set at the date the contracts are entered into and are subject to fluctuation, as they are tied to the trend in the time value of money. All existing leases are repayable through a constant payment plan with increasing principal and decreasing interest repayments. Their terms and conditions do not provide for any changes to the original plan.

All contracts are denominated in Euro.

The rights on the leased goods are given to the lessor as collateral for finance lease payables.

33. POST-EMPLOYMENT BENEFITS

Defined-contribution plans

As a result of the supplementary pension reform, benefits earned as from 1 January 2007, at the discretion of employees, will be paid into supplementary pension schemes or transferred by the company to the public treasury fund managed by INPS (the Italian Social Security Institute) and will qualify as a defined-contribution plan (and therefore will no longer be subject to actuarial valuation) since the moment the employee formally makes his choice.

Defined-contribution liabilities at year-end amounted to € 4,535 thousand.

Defined-benefit plans

The Biesse Group measured at € 12,795 thousand the present value of the liability for post-employment benefits earned at the end of the year by the employees of the Italian companies of the Group. Said liability is represented by the provision for post-employment benefits.

€ '000	31 December 2013	31 December 2012
Current service cost	-	4
Financial expense	39	268
Total	39	271

The component relating to financial expense is recognised in financing activities.

The change for the year relating to the present value of obligations for post-employment benefits is as follows:

€ '000	31 December 2013	31 December 2012
Opening liabilities	14,329	12,561
Current services	-	4
Financial expense	39	268
Benefits paid out	(1,460)	(869)
Actuarial gains/losses	(113)	2,366
Closing liabilities	12,795	14,329

As already stated above, the IASB issued an amendment to IAS 19 – Employee benefits – that can be applied retrospectively for annual periods beginning on or after 1 January 2013. The amendment changes the accounting for defined-benefit plans and termination benefits.

In accordance with the transitional provisions of IAS 19 in paragraph 173, the group applied this standard retrospectively for annual periods beginning on or after 1 January 2013 adjusting the opening amounts of the statement of financial position at 1 January 2012 and the income statement for 2012 as if the amendments to IAS 19 had always been applied.

Assumptions used for the calculation:

	31 December 2013	31 December 2012
Discount rate used to determine the obligation	2.63%	2.78%
Inflation rate	1.50%	1.50%

It should be noted that the discount rates used for measuring the obligation of post-employment benefits are defined on the basis of yield curves of high-quality fixed-income securities (AA rating).

Average number of employees

The average number of employees in 2013 (including temporary staff) was 2,716 (2,809 in 2012):

34. DEFERRED TAX ASSETS AND LIABILITIES

€ '000	31 December 2013	31 December 2012
Deferred tax assets	16,995	19,537
Deferred tax liabilities	(3,008)	(2,412)
Net deferred tax assets	13,987	17,124

Here below are the main items of deferred tax assets and liabilities.

€ '000	31 December 2013	31 December 2012
Accrual to provisions for risks and charges	4,185	6,376
Intercompany profits included in the amount of closing inventories	2,108	1,810
Recoverable tax losses	5,252	8,868
Other	5,449	2,483
Deferred tax assets	16,995	19,537
Accelerated Amortisation	1,343	1,415
Capitalised costs	72	103
Goods under finance lease	39	44
Other	1,555	850
Deferred tax liabilities	3,008	2,412
Net deferred tax assets	13,987	17,124

At the reporting date, the Group had unused tax losses amounting to approximately € 18 million (€ 22.7 million at the end of the previous year) for which no deferred tax assets have been recognised. These losses relate to subsidiaries and there are no reasonable grounds to expect that they will be recovered in the short term.

In addition to the deferred taxes recognised in profit or loss, deferred tax liabilities amounting to € 7 thousand were recognised directly in equity (€ 4 thousand at the end of the previous year).

35. PROVISIONS FOR RISKS AND CHARGES

€ '000	Guarantees	Retirement of agents	Other	Total
Amount at 31/12/2012	4,683	374	6,646	11,703
Provisions	(36)	1	1,144	1,109
Utilised	(133)	(12)	(2,194)	(2,339)
Other changes	-	-	(1,315)	(1,315)
Exchange rate gains and other differences	(81)	-	(100)	(182)
Amount at 31/12/2013	4,432	363	4,181	8,975

The provision for guarantees represents the Group management's best estimate of the obligations deriving from the 1-year guarantee on products sold by the Group. The provision derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products.

The provisions for retirement of agents refers to the liabilities related to existing agency agreements.

The item Other provisions for risks and charges is composed as follows:

€ '000	Restructuring	Legal disputes	Tax disputes	Total
Amount at 31/12/2012	1,850	4,195	601	6,646
Provisions	(288)	261	1,171	1,144
Utilised	(1,510)	(340)	(344)	(2,194)
Other changes	-	(1,315)	-	(1,315)
Exchange rate gains and other differences	-	(99)	(2)	(100)
Amount at 31/12/2013	53	2,702	1,426	4,181

These provisions are split between:

€ '000	31 December 2013	31 December 2012
Current liabilities	5,763	9,516
Non-current liabilities	3,213	2,187
Total	8,975	11,703

With reference to this item, the main changes concern the € 1,798 reduction of the provision for restructuring made by the parent Biesse S.p.A. at the end of 2012 and the approximately € 1,315 thousand reduction of the provision for legal disputes made in 2011 by the Canadian branch due to an outstanding dispute against a former employee, relating to a compensation conservatively calculated on the basis of the documentation provided and the testimony of lawyers involved in the case, ended favourably for the Group in 2013.

It should be noted that in connection with the allocation of the provision for legal disputes, a receivable for the same amount was recorded with regard to the local insurance company; therefore, there was no economic effect related to the use of the excess provision.

The provisions for tax disputes relates to the amount regarding taxes and penalties, for which the risk of defeat in the dispute is probable, due to local taxation authorities.

36. TRADE PAYABLES TO THIRD PARTIES

The details of trade payables are as follows:

€ '000	31 December 2013	31 December 2012
Trade payables to suppliers	89,736	88,110
Deposits/prepayments for installation and testing costs	18,767	18,282
Total	108,502	106,391

Trade payables to third parties refer primarily to payables to suppliers for the procurement of materials delivered in the closing months of the year.

It should be noted that trade payables are payable within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of fair value.

Trade payables to third parties increased by € 1,626 thousand compared to 2012, from € 88,110 thousand to € 89,736 thousand. Trade payables to customers (for advances and/or prepayments for installations invoiced but not yet completed) increased by € 485 thousand.

With regard to prepayments received from customers, it should be noted that in relation to specific cases the Group has issued guarantees in favour of the customers themselves: their duration is directly related to the time between the receipt of the prepayment and the shipping of the machinery. For further details, please refer to note 39.

37. OTHER CURRENT AND NON-CURRENT LIABILITIES

The details of other current liabilities are as follows:

€ '000	31 December 2013	31 December 2012
Tax liabilities	6,334	6,683
Social security liabilities	7,044	7,070
Other payables to employees	11,143	11,479
Other current liabilities	3,594	4,077
Total	28,115	29,309

It is noted that the item Other current liabilities includes the € 1,157 thousand liability related to the purchase of the Centre Gain group for the instalments falling due in the next 12 months (including the final instalment to be paid in September 2014).

It is noted that the item Other payables includes medium/long-term payables amounting to € 1,187 thousand and is related to the discounted debt with regard to the non-controlling shareholder of the Centre Gain group.

This amount derives from the sum of the evaluation of the put option (the non-controlling owner was granted a put option for selling to the Biesse Group all the shares in its possession at the option exercise date) and the share capital increase in the subsidiary Biesse HK Limited for the portion to the charge of the non-controlling shareholder (HKD 9 million – subscription of no. 900,000 ordinary shares for a value of HKD 10 each – as resolved on 12 December 2013 by the Parent's Board of Directors).

38. FINANCIAL INSTRUMENTS – CURRENCY DERIVATIVES

€ '000	31 December 2013		31 December 2012	
	Asset	Liability	Asset	Liability
Exchange rate derivatives	340	(6)	614	(24)
Total	340	(6)	614	(24)

A portion of exchange rate derivatives are related to orders and therefore qualify as hedging instruments. The value of contracts outstanding at year-end is recognised as an asset for € 340 thousand and as a liability for € 6 thousand, and is split between hedging contracts (€ 21 thousand) and hedging contracts that are not determined to be an effective hedge under IAS 39 (€ 319 thousand). Effective hedging contracts are measured using hedge accounting, while the measurement of hedging contracts was recognised as foreign exchange expense (please refer to note 3 for more details).

Derivative financial instruments and forward contracts outstanding at year-end

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€ '000	Nature of risk hedged	Notional amount		Fair value of derivatives		
		31 December 2013	31 December 2012	31 December 2013	31 December 2012	
Cash flow hedging						
	Forward contracts (Australian Dollar)	Currency	412	780	29	14
	Forward contracts (US Dollar)	Currency	1,015	1,868	12	74
	Forward contracts (Sterling)	Currency	756	1,076	(20)	22
	Forward contracts (Swiss Franc)	Currency	566	472	(3)	1
	Forward contracts (Canadian Dollar)	Currency	68	521	3	29
	Forward contracts (New Zealand Dollar)	v	-	112	-	1
	Total		2,817	4,829	21	141
Other hedges						
	Forward contracts (Australian Dollar)	Currency	1,780	3,474	26	55
	Forward contracts (US Dollar)	Currency	7,759	5,774	55	128
	Forward contracts (Sterling)	Currency	4,282	4,640	(34)	58
	Forward contracts (Swiss Franc)	Currency	2,362	1,860	(3)	(2)
	Forward contracts (Canadian Dollar)	Currency	2,386	1,903	203	51
	Forward contracts (New Zealand Dollar)	Currency	1,313	636	(8)	(4)
	Forward contracts (Hong Kong Dollar)	Currency	6,181	4,508	80	184
	Forward buying (Indian Rupee)	Currency	-	709	-	(22)
	Total		26,063	23,504	319	449
	Grand total		28,880	28,333	340	590

39. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND RISK MANAGEMENT

COMMITMENTS

As for the contract to purchase the controlling interest in the Centre Gain group, the non-controlling owner was granted a put option for selling to the Biesse Group all the shares in its possession at the option exercise date. The put option can be exercised after five years from the date the contract was signed. As at 31 December 2013, the total commitment to the non-controlling shareholder, taking also into account the recent share capital increase, was approximately € 1,187 thousand.

Finally, repurchase commitments amounting to approximately € 1,041 thousand were signed in favour of lease companies, should the Group's customers not perform their obligations.

CONTINGENT LIABILITIES

The Parent and some subsidiaries are involved as parties to various lawsuits and disputes. It is nevertheless believed that the settlement of such disputes will not give rise to further liabilities in addition to those already provided for in a specific provision for risks. Please refer to note 35 above for details on contingent liabilities relating to tax risks.

GUARANTEES ISSUED AND RECEIVED

The Group has issued sureties totalling € 13,803 thousand. The most important components relate to the guarantee given for the corporate credit cards issued by Banca Popolare dell'Emilia Romagna (€ 4,100 thousand), a guarantee issued to the BNPP bank of Bangalore for the opening of credit lines in favour of the subsidiary Biesse Manufacturing PVT Co. Ltd (€ 2,577), the guarantee issued to the Municipality of Pesaro regarding urbanisation charges for a building (€ 206 thousand), guarantees issued to customers for prepayments made (€ 4,709 thousand), and the sureties issued in favour of the subsidiaries Biesse Group Australia Pty Ltd. (€ 324 thousand) and Biesse manufacturing PVT Ltd (€ 1,347 thousand).

RISK MANAGEMENT

The Group is exposed to financial risks connected to its operations:

- market risks, consisting primarily of risks relating to fluctuations in exchange and interest rates;
- credit risk, relating particularly to trade receivables and, to a lesser extent, other financial assets;
- liquidity risk, with reference to the availability of financial resources to settle the obligations related to financial liabilities.

With regard to the risk connected with the fluctuation in raw material prices, the Group tends to transfer their management and economic impact to its own suppliers by agreeing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of the Group's products is marginal relative to the final production cost.

CURRENCY RISK

The risk relating to exchange rate fluctuations is represented by the potential fluctuation in the amount in euro of the currency position or net foreign currency exposure, i.e. the algebraic result of sales invoices issued, outstanding orders, purchasing invoices received, the balance of foreign currency loans, and cash held in foreign currency. The risk management policy approved by the Board of Directors of the Parent provides that the existing hedging amount must not fall below 70% of net foreign currency exposure and that the underlying asset must be identified at the inception of any hedging transaction. Forward contracts (outright/currency swap) or also derivatives (currency option) can be used for hedging.

Currency risk is expressed mainly in the following currencies:

€ '000	Financial assets		Financial liabilities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
US Dollar	13,087	11,707	2,454	4,046
Canadian Dollar	1,607	938	884	880
Pound Sterling	10,866	6,775	863	1,002
Australian Dollar	1,145	3,812	4	564
Swiss Franc	1,491	1,827	117	408
New Zealand Dollar	701	1,075	-	-
Indian Rupee	2,930	9,528	2,075	1,468
Hong Kong Dollar	10,819	9,593	2,673	2,240
Chinese Renmimbi	1,005	674	6,771	7,222
Other currencies	3,519	523	1,036	410
Total	47,169	46,452	16,878	18,240

There follows a sensitivity analysis illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the euro for single currency crosses. It should be noted that the impact on other equity reserves is not calculated, considering the nature of the assets and liabilities subject to currency risk.

€ '000	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	(1,387)	1,876
Canadian Dollar	(94)	128
Pound Sterling	(1,305)	1,765
Australian Dollar	(149)	201
Swiss Franc	(179)	243
New Zealand Dollar	(91)	124
Indian Rupee	(112)	151
Hong Kong Dollar	(1,063)	1,438
Chinese Renmimbi	752	(1,018)
Total	(3,627)	4,907

The Biesse Group uses only forward contracts and cross currency swaps as hedging instruments. Should the latter fail to meet the criteria for hedge accounting, they are classified as trading instruments. In considering the amount exposed to currency risk, the Group includes also foreign currency orders acquired in the period before they become trade receivables (shipping-invoicing).

Outright contracts outstanding at 31/12/2013

	Nominal value local currency '000	Average forward rate	Maximum duration
US Dollar	12,100	1.3689	April 2014
Canadian Dollar	3,600	1.4005	March 2014
Pound Sterling	4,200	0.8412	March 2014
Australian Dollar	3,381	1.5138	April 2014
Swiss Franc	3,595	1.2288	April 2014
New Zealand Dollar	2,200	1.6867	March 2014
Hong Kong Dollar	66,100	10.5566	August 2014

Outright contracts outstanding at 31/12/2012

	Nominal value local currency'000	Average forward rate	Maximum duration
US Dollar	10,000	1.2858	June 2013
Canadian Dollar	3,185	1.2749	June 2013
Pound Sterling	4,665	0.8056	May 2013
Australian Dollar	5,221	1.2568	April 2013
Swiss Franc	2,815	1.2073	April 2013
New Zealand Dollar	1,200	1.6192	March 2013
Hong Kong Dollar	46,100	9.8243	August 2013

There follows a sensitivity analysis illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the euro for single currency crosses:

€ '000	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	1,210	(1,483)
Canadian Dollar	437	(316)
Pound Sterling	612	(934)
Australian Dollar	327	(346)
Swiss Franc	379	(520)
New Zealand Dollar	163	(240)
Hong Kong Dollar	886	(1,011)
Total	4,015	(4,849)

INTEREST RATE RISK

The Group is exposed to fluctuations in interest rates with reference to financial expense relating to payables due to banks and lease companies for assets acquired under finance leases.

Interest rate risks derive primarily from bank lending. Given the current trend in interest rates, the company confirms its decision not to hedge its own debt any further, as the level of interest rates is expected to remain substantially stable.

The sensitivity analysis aimed at evaluating the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Group.

CREDIT RISK

Credit risk refers to the Biesse Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to perform their contractual obligations. The principal exposure is towards customers. The management of credit risk is constantly monitored with reference both to the reliability of customers and to the control of cash receipts and debt collection management, if required. In the case of customers considered to be strategic, the credit limits attributed to them are defined and monitored. In other cases, the sale involves advance payments, lease-type payments and, in the case of foreign customers, letters of credit. In contracts relating to sales without adequate guarantees, the Group reserves property rights on the goods being sold until the purchase price is paid in full.

With reference to trade receivables, there are no identifiable concentration risks, as no single customer accounts for more than 5% of sales.

The carrying amount of financial assets, less any impairment for expected losses, represents the maximum exposure to credit risk.

For more information on how the allowance for impairment on receivables was determined and on the characteristics of overdue receivables, please refer to note 22 above on trade receivables.

LIQUIDITY RISK

Liquidity risk is the Group's risk connected with the difficulty in performing its obligations related to financial liabilities.

The following table illustrates the expected flows based on the maturities of financial liabilities other than derivatives. The flows are stated at non-discounted contract value, including therefore both principal and interest amounts. Loans and other financial liabilities are included on the basis of the earliest maturity date, and revocable financial liabilities were considered payable on demand (worst case scenario).

31/12/2013

	Less than 30 days	30-180 days	180 days-1 year	1-5 years	After 5 years	Total
Trade and other payables	56,427	71,371	3,434	806	27	132,064
Finance lease payables	-	202	202	1,612	679	2,694
Bank loans and borrowings	12,135	10,183	23,808	14,046	-	60,173
Total	68,562	81,755	27,443	16,464	706	194,931

31/12/2012

Trade and other payables	36,014	86,454	6,135	446	185	129,234
Finance lease payables	-	202	202	1,612	1,082	3,097
Bank loans and borrowings	37,545	27,029	2,799	3,387	310	71,070
Total	73,559	113,685	9,135	5,445	1,577	203,401

The group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources are managed efficiently.

The amount of trade receivables and the conditions attaching to them allow to balance the working capital and, in particular, cover payables due to suppliers.

The Group has uncommitted cash credit lines outstanding provided by leading Italian banks totalling € 129.2 million – of which € 73 million remains unused.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Here below are the types of financial instruments in the financial statement items:

€ '000	31 December 2013	31 December 2012
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
<i>Derivative financial assets</i>	340	614
Loans and receivables measured at amortised cost:		
<i>Trade receivables</i>	76,231	99,455
<i>Other assets</i>	6,450	6,400
- other financial assets and non-current receivables	945	1,125
- other current assets	5,505	5,275
<i>Cash and cash equivalents</i>	35,151	16,156
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
<i>Derivative financial liabilities</i>	6	24
Measured at amortised cost :		
<i>Trade payables</i>	91,663	88,661
<i>Bank loans and borrowing, finance leases and other financial liabilities</i>	60,035	73,191
<i>Other current liabilities</i>	18,187	18,561

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of fair value.

For fair value measurements recognised in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

Level 1 – quoted prices in an active market for assets or liabilities subject to measurement;

Level 2 – inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs that are not based on observable market data.

With reference to derivative instruments outstanding as at 31 December 2013:

- all derivative instruments measured at fair value are included in Level 2 (same as in 2012);
- during 2013, there were no transfers from Level 1 to Level 2 and vice versa;
- during 2013, there were no transfers from Level 3 to other levels and vice versa

40. OPERATING LEASE CONTRACTS

Leases to which the Group is party as lessee

€ '000	31 December 2013	31 December 2012
Instalments paid during the year	7,200	7,542
Total	7,200	7,542

At the reporting date, the amount of lease payments still owed by the Group for operating leases is as follows:

€ '000	31 December 2013	31 December 2012
Within one year	4,051	4,893
Between one and five years	5,195	5,564
After five years	276	606
Total	9,522	11,064

These contracts relate to the lease of buildings (for industrial or commercial use), motor vehicles and office equipment. The leases have an average term of three years and the instalments are constant over this term.

Leases to which the Group is party as lessor

€ '000	31 December 2013	31 December 2012
Instalments received during the year	282	214
Total	282	214

41. TRANSACTIONS NOT INVOLVING CHANGES IN CASH FLOWS

In 2013, there were no significant transactions not involving changes in cash flows.

42. ATYPICAL AND UNUSUAL TRANSACTIONS

No transactions of this nature were reported in 2013.

43. SUBSEQUENT EVENTS

Please refer to the note in the Directors' report for details of events after the reporting date.

44. RELATED-PARTY TRANSACTIONS

The Group is controlled directly by Bi. Fin. S.r.l. (operating in Italy) and indirectly by Mr Giancarlo Selci (resident in Italy).

Transactions between Biesse S.p.A. and its subsidiaries, which are entities related to the ultimate Parent, have been eliminated from the consolidated financial statements and are not included in these Notes. The details of transactions between the Group and other related entities are indicated below.

€ '000	Revenues		Expense	
	2013	2012	2013	2012
Ultimate parent				
Bi. Fin. S.r.l.	3,338	10	-	-
Other related companies				
Fincobi S.r.l.	1	1	5	14
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	2	0	2,008	1,589
Members of the Board of Directors				
Members of the Board of Directors	-	-	2,010	1,819
Members of the Board of Statutory Auditors	-	-	-	-
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	166	166
Total	3,341	11	4,189	3,588

€ '000	Receivables		Payables	
	2013	2012	2013	2012
Ultimate parent				
Bi. Fin. S.r.l.	1,564	1,564	-	-
Other related companies				
Fincobi S.r.l.	-	-	23	5
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	2	7	747	693
Members of the Board of Directors				
Members of the Board of Directors	2	18	24	37
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	171	170
Total	1,568	1,589	964	905

The terms and conditions agreed with the above related parties are no different from those that would have been established between arm's-length parties.

The parent Biesse S.p.A., on 20 December 2013, concluded with the ultimate parent Bi.Fin. S.r.l. a trade of its own industrial building no longer in operational use, located in Pesaro in via Toscana, for a portion of land in Chiusa di Ginestreto (owned by the parent) adjacent to the main manufacturing hub of the Group and therefore considered strategic for future expansion needs/rationalisation of its production capacity, in order to acquire a building area for industrial purposes such as to achieve an expansion of its factories of about 30,000 sqm of covered area. For the purposes of the trade, the land of Via Chiusa di Ginestreto was assigned a value of € 4,209,840 plus VAT, whereas the industrial building was assigned a value of € 3,500,000, VAT excluded. These values were assigned following appraisals by independent third parties Praxi S.p.A and Amercia Appraisal S.p.A. The transaction resulted in the payment by the Biesse Group of a cash adjustment of € 1,636,004 made on 10 January 2014 and the recognition of a capital gain of € 3,338 thousand.

The transaction was concluded under the hand and seal of Luisa Rossi, Notary Public in Pesaro, as a result of the mandate to negotiate given by the Board of Directors of Biesse S.p.A. on 14 November 2013 to the director Stefano Porcellini, subject to the positive opinion expressed by the Related Parties Committee on 29 October 2013.

The Parent is currently involved in approval of the detailed plan and the works will start only after the completion of the bureaucratic procedure.

The remuneration paid to Directors is set by the Remuneration Committee on the basis of average market rates; please refer to the table "Remuneration of directors, general managers, managers with strategic responsibilities and members of the Board of Statutory Auditors" for more details.

Other transactions with related parties have also been conducted under terms and conditions which are no different from those that would have been established between arm's-length parties.

Receivables will be paid in cash. No guarantee has been issued or received.

Remuneration of directors, general managers, managers with strategic responsibilities and members of the Board of Statutory Auditors

Name	Position	Term of mandate	Remuneration			
			Fees	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Selci Roberto	Chairman of the Board of Directors	29/04/2015	686	10	0	0
Selci Giancarlo	Managing Director	29/04/2015	375	4	0	0
Parpajola Alessandra	Director	29/04/2015	245	9	0	0
Porcellini Stefano	Director and General Manager	29/04/2015	74	4	94	189
Tinti Cesare	Director	29/04/2015	20	4	70	144
Garattoni Giampaolo	Director	29/04/2015	24			
Giordano Salvatore	Director	29/04/2015	20			2
Sibani Leone	Director	29/04/2015	30			6
Total			1,474	32	164	341
Managers with strategic responsibilities				7	95	233
Ciurlo Giovanni	Statutory Auditor	29/04/2015	74			
Pierpaoli Riccardo	Statutory Auditor	29/04/2015	46			
Sanchioni Claudio	Statutory Auditor	29/04/2015	46			
Total			166			

* Independent directors

The managers of the main segments of the Group, i.e. Wood, Glass & Marble and Mechatronics, managed respectively by Cesare Tinti, Rodolfo Scatigna and Fabrizio Pierini, have been identified as Managers with strategic responsibilities. The remuneration received by the managers with strategic responsibilities other than directors, including salaries, non-cash benefits, bonuses and other remuneration amounts to € 335 thousand.

Pesaro, 12 March 2014

The Chairman of the Board of Directors
Roberto Selci

A close-up photograph of a green curved surface, likely a piece of machinery or a tool. The surface features a prominent logo consisting of a stylized, multi-colored graphic to the left of the word "BIESSE" in large, bold, black capital letters. Below "BIESSE", the words "WOOD DIVISION" are printed in smaller, black capital letters. The background is a blurred, light-colored surface, and a diagonal white line cuts across the image from the bottom left to the top right.

BIESSE
WOOD DIVISION



Consolidated Financial Statements

Appendix

APPENDIX 1

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

	31 December 2013	of which with related parties	%	31 December 2012 (restated)	of which with related parties	%
<i>Euro 000's</i>						
Revenue	378,417	2	0.0%	383,061	0	0.0%
Other revenues	6,346	3,339	52.6%	3,648	11	0.3%
Change in the inventories of finished goods and work in progress	(72)	-	0.0%	6,623	-	0.0%
Purchase of raw materials and consumables	(155,903)	(1,633)	1.0%	(167,255)	(1,378)	0.8%
Personnel expense	(112,640)	(501)	0.4%	(118,425)	(396)	0.3%
Other operating expense	(81,865)	(2,055)	2.5%	(85,080)	(1,814)	2.1%
Depreciation and amortisation	(13,836)	-	0.0%	(15,107)	-	0.0%
Provisions	(1,739)	-	0.0%	(5,236)	-	0.0%
Impairment losses	(562)	-	0.0%	(1,903)	-	0.0%
Operating profit	18,146	(848)		328	(3,577)	
Finance income	5,397	-	0.0%	323	-	0.0%
Finance expense	(7,930)	-	0.0%	(3,988)	-	0.0%
Net exchange rate losses	(993)	-	0.0%	(1,722)	-	0.0%
Pre-tax profit/loss	14,619	(848)		(5,060)	(3,577)	
Income taxes	(8,207)	-	0.0%	(1,461)	-	0.0%
Profit/Loss for the year	6,412	(848)		(6,520)	(3,577)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

	31 December 2013	of which with related parties	%	31 December 2012 (restated)	of which with related parties	%
<i>Euro 000's</i>						
ASSETS						
Non current assets						
Property, plant and equipment	54,955	-	0.0%	55,615	-	0.0%
Equipment and other property, plant and equipment	6,131	-	0.0%	6,487	-	0.0%
Goodwill	16,852	-	0.0%	17,252	-	0.0%
Other intangible assets	31,048	-	0.0%	30,365	-	0.0%
Deferred tax assets	16,995	-	0.0%	19,537	-	0.0%
Other financial assets and non-current receivables	973	-	0.0%	1,153	-	0.0%
	126,953	-	0.0%	130,409	-	0.0%
Current assets						
Inventories	86,273	-	0.0%	90,321	-	0.0%
Trade receivables	76,231	14	0.0%	99,455	19	0.0%
Other current assets	13,353	1,554	11.6%	13,215	1,569	11.9%
Derivatives	340	-	0.0%	614	-	0.0%
Cash and cash equivalents	36,099	-	0.0%	17,004	-	0.0%
	212,297	1,568	0.7%	220,608	1,589	0.7%
TOTAL ASSETS	339,250	1,568	0.5%	351,017	1,589	0.5%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB
RESOLUTION No. 15519 OF 27 JULY 2006

	31 December 2013	of which with related parties	%	31 December 2012 (restated)	of which with related parties	%
<i>Euro 000's</i>						
EQUITY AND LIABILITIES						
Share capital and reserves						
Share capital	27,393	-	0.0%	27,393	-	0.0%
(Treasury shares)	(4,676)	-	0.0%	(4,676)	-	0.0%
Equity reserves	36,202	-	0.0%	36,202	-	0.0%
Hedging and translation reserve	(5,067)	-	0.0%	(1,527)	-	0.0%
Other reserves	52,617	-	0.0%	59,015	-	0.0%
Profit/loss for the year	6,435	-	0.0%	(6,487)	-	0.0%
Equity attributable to the owners of the parent	112,905	-	0.0%	109,920	-	0.0%
Non-controlling interests	190	-	0.0%	206	-	0.0%
TOTAL EQUITY	113,094	-	0.0%	110,126	-	0.0%
Non-current liabilities						
Post-employment benefits	12,795	-	0.0%	14,329	-	0.0%
Deferred tax liabilities	3,008	-	0.0%	2,412	-	0.0%
Medium and long-term bank loans and borrowings and other financial payables	13,191	-	0.0%	3,621	-	0.0%
Finance lease payables	1,960	-	0.0%	2,245	-	0.0%
Provisions for risks and charges	3,213	-	0.0%	2,187	-	0.0%
Other non-current liabilities	1,187	-	0.0%	1,466	-	0.0%
Derivatives	-	-	0.0%	0	-	0.0%
	35,354	-	0.0%	26,260	-	0.0%
Current liabilities						
Trade payables	111,102	2,600	2.3%	107,323	892	0.8%
Other current liabilities	28,115	0	0.0%	29,321	13	0.0%
Tax payables	933	-	0.0%	1,121	-	0.0%
Finance lease payables	285	-	0.0%	270	-	0.0%
Bank loans and borrowings	44,599	-	0.0%	67,055	-	0.0%
Provisions for risks and charges	5,763	-	0.0%	9,516	-	0.0%
Derivatives	6	-	0.0%	24	-	0.0%
	190,802	2,600	1.4%	214,631	905	0.4%
LIABILITIES	226,156	2,600	1.1%	240,891	905	0.4%
TOTAL EQUITY AND LIABILITIES	339,250	2,600	0.8%	351,017	905	0.3%

Statement of the consolidated financial statements in accordance with art. 81-ter of Consob Resolution no. 11971 of 14 May 1999 as amended and supplemented

1. The undersigned Roberto Selci and Cristian Berardi in their capacities as, respectively, Chairman and Chief Executive Officer and Manager charged with preparing the financial reports of Biesse SpA, having also taken into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2013.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements as at and for the year ended 31 December 2013 were defined, and their adequacy was assessed, on the basis of rules and methods defined by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for internationally accepted internal control systems.

3. In addition, it is also certified that the consolidated financial statements as at 31 December 2013:

- a) are consistent with the entries in accounting books and records;
- b) have been drawn up in accordance with the international accounting standards issued by the International Accounting Standards Board, endorsed by the European Commission with the procedure provided for by art. 6 of Resolution (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to art. 9 of the Italian Legislative Decree no 38/2005; they are capable of providing a true and fair view of the financial position, results of operations and cash flows of the issuer and the group of companies included in the consolidation.

The Directors' Report includes a reliable analysis of the performance and the results of operations, and the overall position of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 12 March 2014

The Chairman of the Board of Directors
Roberto Selci

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

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Biesse S.p.A.

- 1 We have audited the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2013, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 28 March 2013. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2013.
- 3 In our opinion, the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Biesse Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.
- 4 The directors of Biesse S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and ownership

structure, published in the “Investor relations” - “Biesse profile” section of Biesse S.p.A.’s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors’ report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors’ report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure are consistent with the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2013.

Ancona, 28 March 2014

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

