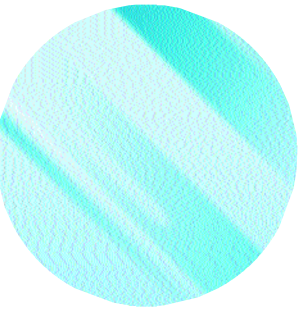
BIESSE



CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2000

COMPANY OFFICERS OF THE PARENT COMPANY

Board of Directors

The Board of Directors currently serving is composed of

Giancarlo Selci	Chairman
Anna Gasparucci	Chief Executive Officer
Roberto Selci	Chief Executive Officer
Werner Deuring	Director
Attilio Giampaoli	Director

Board of Statutory Auditors

The Board of Statutory Auditors currently serving is composed of

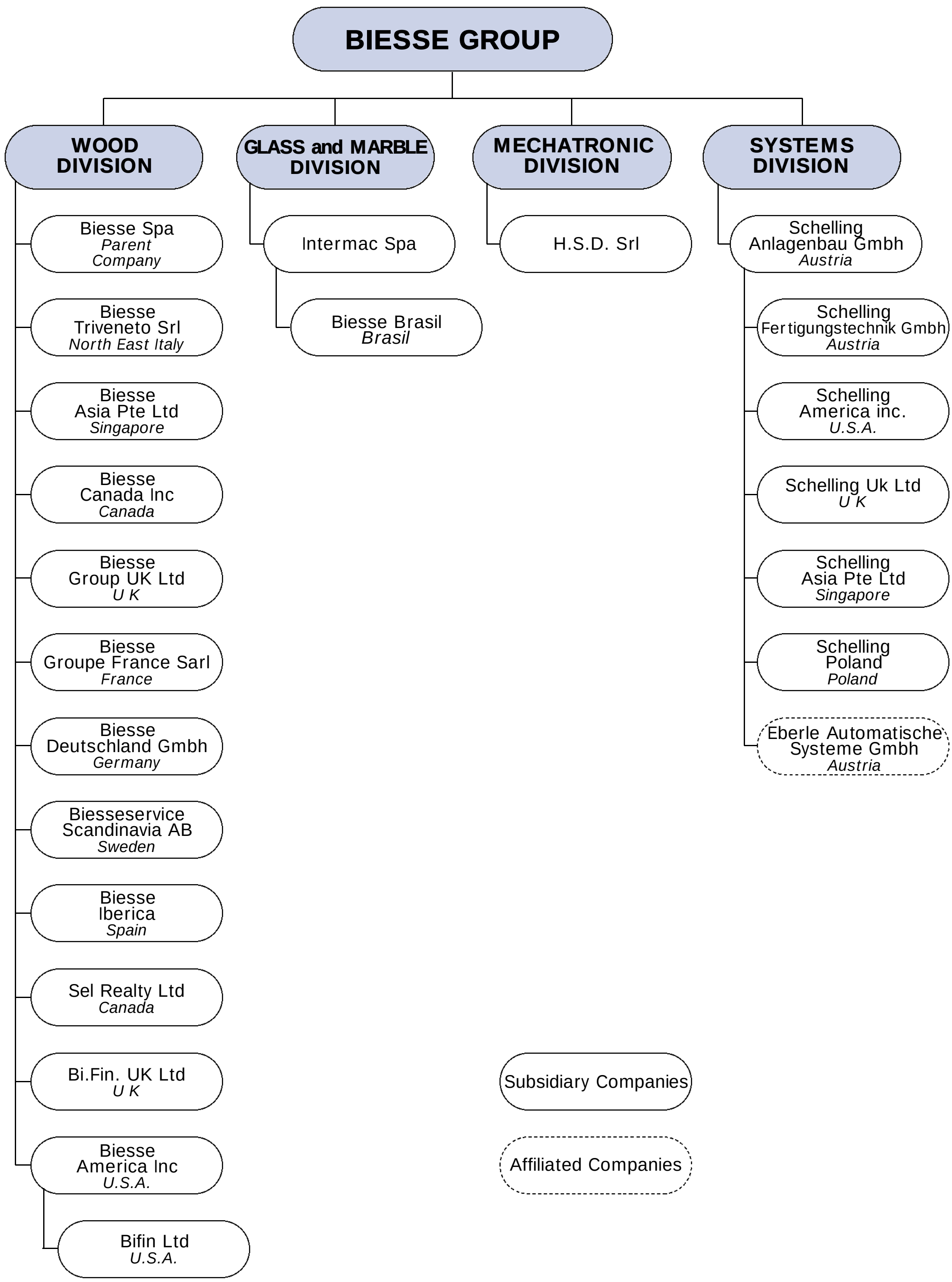
Giovanni Ciurlo	Chairman
Adriano Franzoni	Statutory Auditor
Claudio Sanchioni	Statutory Auditor

The Biesse Group is predominantly involved in the production, sales and marketing and post-sales service of machinery and systems for the wood, glass and marble sector.
The sales and marketing and services are organised through the direct geographic presence of the Group companies, as well as through a select network of importers, distributors, and agents. The Group is also involved in other businesses, such as precision mechanical manufacturing and the production of mechanical and electronic industrial components.

Specifically, the Biesse Group operates using the following trademarks:

Biesse	Machinery and systems for manufacturing panels.
Selco	Tool machinery and systems for sizing wood boards.
Comil	Tool machinery and systems for assembling and packaging furniture.
RBO	Handling systems for automatic lines for the furniture industry.
Polymac	Machines for edging, sizing, rubber edgebanding, and single head manual borers; unilateral automatic edging machines.
Protec	Works centres for numerical controlled milling and drilling.
Edgebanding	Tool machinery and systems for edging.
Cosmec	Precision mechanical processing.
H.S.D.	Mechanical and electronic components for industry.
Intermac	Tool machinery and systems for processing glass and marble.
Biesse Engineering	Tool machinery and systems for processing wood.
Schelling	Tool machinery and systems for processing wood.

The companies of the Biesse Group that fall under the consolidation area, grouped by business sector, are the following:



Compared with the closing date of the previous financial year, the structure of the Group is composed of a different number of companies; in fact, as of 31 December 2000, with the notary deed drawn up by the Notary Public Dr. Gabriele D'Ovidio a merger was stipulated incorporating the wholly-owned subsidiary companies Selco Spa, Cosmec Spa and Biesse Brianza Srl into Biesse S.p.A., with the accounting and tax effects taking effect as of 1 January 2000. Furthermore, on 1 June 2000 the company deliberated on the merger of the Gieffe Srl into the Intermac Spa, which had previously transformed its controlling share in Busetti Srl in acquisition of the line of business.

On 1 May 2000 the HSD Srl company concluded its purchase of a corporate branch of the SEV Srl company, a company that produces electrical industrial motors and with registered offices in Caselette (Turin), in order to strengthen its productive capacities.

These business transactions have completed the reorganisation process of the Biesse Group whose final goal is to have the Biesse Spa listed on the stock market.

During the past financial year, on 15 May 2000, the company finalised its acquisition of the entire Austrian Schelling Group, composed of the parent company Schelling Anlagenbau Gmbh and its subsidiaries, Schelling Fertigungstechnik, Schelling America Inc., Schelling Uk Ltd, Schelling Asia, Schelling Poland and the affiliated company Eberle Automatische Systeme Gmbh, with aggregate revenues of roughly L150 billion.

DIRECTORS' REPORT ON OPERATIONS

Report on Operations	page 1
General Economic Context	page 2
Wood Working Machinery Sector	page 4
Research and Development	page 4
Personnel Relations	page 7
Post Balance Sheet Events	page 7
Foreseeable Evolution	page 8
Further Information	page 9

CONS0LIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

Consolidated Balance Sheet	page 12
Consolidated Income Statement	page 14

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

General Criteria page 17

Consolidation Area page 17

Reference Date and Consolidation Principles page 21

Currency Conversion Criteria page 23

Assessment Criteria page 24

Consolidated Balance Sheet

Detailed Information and Variations Occurring in the Consistency of the Principal Assets and Liabilities Items page 31

Consolidated Income Statement

Detailed Information and Variations Occurring in the Consistency of the Principal Asset and Liability Items page 54

Annexes

A. Details on the Consolidation Difference page 68

B. Consolidated Cash Flow Statement for 2000 page 69

Auditors' Report on the Consolidated Financial Statement for the year ended 31 December 2000 page 71

Independent Auditors' Report page 82

DIRECTORS' REPORT ON OPERATIONS

REPORT ON OPERATIONS

The consolidated financial statements at 31 December 2000 show a net income after taxation and net of the income pertaining to minority interests of L25,136 million, after deducting the depreciation allowances of L19,154 million, bad debts for L1,446 million and provisions to the risk and contingency fund for L965 million.

The value of production amounts to L683,428 million, showing a significant 48% increase compared with the previous year. Net of the Schelling Group transaction, equal to L152,807 million, the increase in the value would be equal to a rather significant 15% compared with the previous year.

The consolidated turnover, equal to L666,000 million, increased compared to the previous year by 45%. Similarly, net of the Schelling effect which amounted to L150,159 million, the increase was 12.2% compared to the previous year.

The added value increased in 1999 from L149,233 million to L228,483 million in 2000, amounting to a percentage increase of 53%. This accounted for 32.4% of the total value of production, up from 32.3% last year. Again in this case, net of the Schelling effect of L47,683 million, the growth was roughly 21.2%, accounting for 34.1% of the total value of production.

The personnel costs, while increasing in absolute terms, was substantially unchanged in its percent impact on the value of production, accounting for 20.9% in 1999 compared with the current 20.7%. In this case the Schelling Group transaction does not change the ratio: even net of its effect, it would still account for 20.6%

The gross operating margin passed from L56,579 million to L87,183 million, with an increase of 54% and accounting for 12.3% in 1999 and 12.8% in 2000. Again, net of the Schelling effect for L15,930 million, the growth would be approximately 25.9% accounting for 13.4% of the total.

Similarly, the operating result was L67,064 million, translating into a significant increase compared with the previous period, up by 54% and improving its own percent impact (9.8% against 9.4%). In analysing the data without the Schelling Group and without the amortisation deductions of the consolidation difference deriving from the acquisitions, the growth would be 22% and would account for 10% of the total.

The profit before taxes passes from L35,648 million in 1999 to the current L57,974 million; the net total profit and the net profit of the group in particular also increase, moving from L18,209 million in 1999 to the current L25,136 million.

The value of the pro-capita production grew from 366 million in 1999 to 399 million in 2000, translating into a significant increase of 9%.
Analogously, the pro-capita operating profit grew from 34 million in 1999 to the current 39 million, with an increase of 15%.

The net financial position has progressed from L80,887 million in 1999 to the current year's L154,303 million. The ratio between own means and loans from third parties has remained largely unaltered at 0.6.

GENERAL ECONOMIC CONTEXT

The growth rate of the world economy in 2000 was 4.7%, the highest it has been since 1988. In particular, the world economy fell from 5.2% in the first half of 2000 to 4% in the second half of the year, caused by increases in oil prices and a restricted monetary policy in all of the principal areas.
During the two-year period of 2000-2002, the world expansion rate should average about 4.1%.
The GNP of the industrialised nations rose from 3.9% in 2000, with the USA leading the group at 5.2% (the highest growth rate since back in 1984), and Japan trailing at 1.9% - however this result would seem to indicate recovery from its stagnation phase.

The Euro area recorded collective growth of 3.5% in 2000, the highest since 1991. The growth in industrial production averaged at around 4% (especially for capital assets and durable goods) stimulated by the high foreign demand.
Analysts forecast that in 2001, the Euro area will be able to gradually reduce the gap between the United States in terms of expansion rates.
In the medium term, analysts foresee recovery for Japan, whose cycle is out of step of the other principal economies and must thus accelerate to rhythms greater than 2%.

	GNP				
	1999	**2000**	**2001**	**2002**	**2002-2006**
United States	4.2	5.2	3.5	3.3	3.6
Japan	0.2	1.9	2.3	2.0	1.9
Euro area	2.5	3.5	3.1	2.8	2.4

Source: OECD Economic Outlook No.68, Dec. 2000

In the Asian economies, the rates are normalising on the high pre-financial crisis growth rhythms of 1998: in 2000 the expansion rate should be just under 7.7% which should reduce to 6% in the next two-year period. The recovery continues to be driven by exports and investments in the high-tech industries.
The conditions in China have continued to improve (it closed 2000 with an expansion rate of 8%), supported not only by foreign trade but also by the growth in domestic demand, thanks especially to the tax measures adopted.
The Euro currency weakened over the course of 2000 against the dollar and the yen, due largely to the growth differential with USA in the last two-year period, accompanied by a strong flow of capital abroad for direct and portfolio investments. Furthermore, the Euro was penalised by the delays in the economic reforms (the employment market and taxation first and foremost) that could contribute to limiting the cost and price dynamics and stimulate the competition and growth of the economy.

THE WOOD WORKING MACHINERY SECTOR

The 2000 financial period closed in an upswing for wood processing tool machinery, finishing up a year of excellent results.
In fact, even the data from the fourth quarter confirms a variation in the total nominal orders compared with the same period in 1999, up by 5.3%. Particularly, the domestic orders have recorded increases of 2%, while the foreign orders – a never-fail cure-all for the commercial budget – have recorded a significant increase of 6.6%. The price variation was +2.2%, in line with, if not below, the inflationary trends.
In particular, the analysis of the principal macroeconomic data testify to the modest performance achieved in the specific sector in the year under examination:

	2000	**Miscellaneous % 2000/1999**
Sales	3,600	+11.0%
Exports	2,585	+5.1%
Imports	320	+3.8%

L million – Source: data processing by the Acimall offices using ISTAT data

RESEARCH AND DEVELOPMENT

Again in 2000, the company has confirmed its constant commitment to research and development, aimed at providing its customers with products and services in line with the market needs.
Within the Biesse Group, the activities of research and development into new products are split between a central R&D function, that is involved in the more innovative topics, common and inter-divisional projects in the entire group and co-ordination activities, and the individual technical management of the production units, which are more operationally involved in the development of new products to launch onto the market in the short to medium term.

RESEARCH DEVELOPMENT AND INNOVATION – WOOD DIVISION

During 2000, departing from the central Research and Development department, the co-ordination activities have been concentrated on the definition of a "family feeling" in the machinery design, which has resulted in redefining the aesthetics and the design of all the products in the wood division.

Conversely, the areas of innovation in which the Research and Development department has worked largely focus on technologies that enable the execution of all the phases of particle board transformation and its high speed handling.

This approach has led to new processing solutions that constitute highly flexible systems.

Based on these concepts, solutions have been developed in the components sector, such as linear motors, semi-linear motors and ultra high speed electronic spindles.

The studies have continued into furnishing the processing centres with the necessary functionality for border application, thereby constituting integrated and flexible processing cells.

Certain projects have focused on ambient-related problems, such as reducing the noise and dust in wood working operations.

The implementation and testing activities have continued for innovative software packages for furniture design and automatic generation of processing programmes on numericaly controlled machinery.

Some software packages include programmes for remote diagnostics.

RESEARCH DEVELOPMENT AND INNOVATION – GLASS DIVISION

The Research & Development activities in the Glass Division have concentrated on the completion of the product range, with the objective of concluding the project undertaken in 1998 which envisaged positioning the company as a global supplier for the plane glass transformation process.

The most innovative topics have been tackled with the support of the Group Research & Development management, which has gathered the cross-company aspects of some technologies. Among the most important areas developed, foremost were the reliability, environmental and safety aspects, the application of advanced electronic concepts, and the simplicity in control and regulation of the machinery.

Many activities were undertaken on the various product lines, from the glass cutting benches to the glass and marble work centres, from the grinding machinery to the multiple boring machinery, right up to the instruments used by the work centres, and finally the machinery interface and implementation software.

RESEARCH DEVELOPMENT AND INNOVATION – SYSTEMS DIVISION

Research and Development continued in the 2000 financial period in Systems Division, a recent acquisition within the Biesse Group. The activities focussed on making constant improvements in the technological solutions proposed to the customers.

Additionally, specific solutions have been developed that combine various instruments and systems for movement (for instance, shipping, etc.) with components available on the market.

These projects have been generated by Schelling in particular mechanical modular designs, combined with the development of modular software for the future use in different configurations.

RESEARCH DEVELOPMENT AND INNOVATION – MECHATRONICS DIVISION

During 2000, the HSD company acquired new technological knowledge by further developing the research and development activities carried out by their Technical and Design Department.

In 2000, the electronic spindles division continued and consolidated the innovative process initiated two years earlier by pursuing and attaining new technological objectives.

The numerical controls division has concentrated its activity into the creation of two new numerical controls and a new brushless function; the new SEV division (high speed motors) began a new programme of all-field research; innovation was assigned with a new strategic nature, and the division worked to act simultaneously on the product and the processes.

PERSONNEL RELATIONS

The company continued its human resource development policy during 2000 with particular attention paid to strategically relevant positions, in order to enrich the Group structure with new and increasingly qualified figures in the managerial roles.
Training programmes were carried out aimed at enhancing professional competencies, by pursuing a motivational policy addressed at identifying the high potential resources inside each area.
The relations with the labour union organisations have been characterised by correct confrontations on subjects relating to the industrial policies and the work organisation, in accordance with the objectives that the Biesse Group has set for itself.

POST BALANCE SHEET EVENTS

Post Balance Sheet Events were:

- Today, the Board of Directors of our company will meet to deliberate on the proposal for an advance repayment of a debenture loan; the sole holder of the debenture loan has already agreed to convert the loan into BIESSE Spa shares, exercising the right granted to bond holders and envisaged by article 6.02 of the Loan regulations.

  The loan, once the technical formalities have been fulfilled, will be converted into 1,305,042 shares with a nominal value of 1 Euro each, thereby bringing the share capital from Euro 16,500,000 paid in at the end of the period to the current value of Euro 17,805,042, according to the exchange rate envisaged in the Loan regulations. The excess of the P.O.C. compared with the nominal value of the increased Share capital will be allocated to the share premium reserve.

- Again, after resolution by the Board of Directors on 14 March 2001, an internal Control Committee was formed by the directors Attilio Giampaoli, Roberto Selci and Werner Deuring, with Attilio Giampaoli appointed chairman, who have been assigned to assess the adequacy of the internal company control procedures and to co-ordinate the relationships with the independent auditing company.
- On 16 January 2001, a general audit investigation was initiated by the General Direction for Revenue of the Marches Region, in order to verify the direct taxes due by the Company. Based on the information available to Biesse, this audit is a normal random control done by the Revenue offices. This audit was suspended on 1 February 2001 and will resume as of April 2001.
- On 20 February 2001, the Biesse Triveneto Srl was merged and incorporated into the parent company, with accounting and tax effects retroactively effective as of 1 January 2001; on 18 December 2000, a leasing contract for a branch of the company had been drawn up, effective as of 1 January 2001 with expiration date on 31 December 2001.
- On 1 March 2001, 73 employees were relocated from the Biesse Holding Spa to the Biesse Spa; these employees operated in centralised functions working on behalf of the entire Group.
- On 12 March 2001, the HSD USA Inc. was founded, a company which will be involved in the commercial relations and supply services for HSD Srl in electronic spindles and numerical controls on the North American territory.

FORESEEABLE EVOLUTION

As far as the foreseeable evolution of the company is concerned, the volume of business expressed by the company in the first quarter is greater than the volumes achieved during the same period of the previous year and in line with the expectations formulated during budget preparation. Considering that the orders placed follow the same growth trends, we believe that the economic results estimated for this year will be achieved, with a positive impact on the asset and financial aspects.

Furthermore, it is important to note that the company is about to request admission into the quotation of the Mercato Telematico Azionario controlled by the Borsa Italiana Spa.

FURTHER INFORMATION

The Deloitte & Touche auditing company has certified the Consolidated Balance Sheet as of 31 December 1997 and the Consolidated Financial Statements as of 31 December 1998 and 31 December 1999; furthermore, the company has been assigned the task of certifying the Consolidated Financial Statements as of 31 December 2000.

As of 31 December 2000, the parent company Biesse Spa does not hold its own shares nor shares or investments in its subsidiaries, nor has it owned or transacted these during the 2000 financial period. Therefore, there is nothing to declare in compliance to Art. 2428 paragraph 2, points 3 and 4 of the Italian Civil Code.

Pesaro, 14 March 2001

The Chairman of the Board of Directors

Giancarlo Selci

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

BALANCE SHEET

Lire	**31.12.2000**		**31.12.1999**	
ASSETS	**596,485,697,359**		**354.868.929.451**	
A UNPAID CALLED UP SHARE CAPITAL	**0**		**0**	
B Fixed assets	**174,897,025,098**		**87,702,626,806**	
I Intangible fixed assets	55,869,927,111		11,384,952,476	
1 Start-up and expansion costs	233,404,204		111,143,859	
2 Research development and advertising costs	1,733,746,466		1,167,085,670	
3 Patents and intellectual property rights	301,674,768		411,680,394	
4 Concession licences, trademarks and similar	2,166,688,052		1,218.,717,751	
5 Goodwill	1,598,685,211		280,790,050	
6 Intangible assets under construction and advance payments	55,000,000		90,005,000	
7 Other intangible assets	2,001,179,594		1,459,816,042	
8 Consolidation difference	47,779,548,816		6,645,713,710	
II Tangible fixed assets	114,499,331,797		70,356,794,869	
1 Land and buildings	72,580,502,119		42,982,322,101	
2 Plant and machinery	19,705,804,845		14,694,234,658	
3 Industrial and commercial equipment	4,445,832,402		2,569,376,773	
4 Other tangible fixed assets	12,052,008,610		9,431,176,286	
5 Fixed assets under construction and advance payments	5,715,183,821		679,685,051	
III Financial fixed assets	4,527,766,190		5,960,879,461	
1 Shareholding:	487,245,396		796,192,629	
a subsidiaries, not consolidated		21,000,000		135,921,166
b subsidiaries		0		193,505,967
c other companies		466,245,396		466,765,496
2 Receivables from others:	3,903,221,073		5,144,700,028	
d due within one year		21,417,331		1,965,662,691
d1 due after one year		3,881,803,742		3,179,037,337
3 Other securities	137,299,721		19,986,804	
C Current assets	**419,194,600,527**		**265,023,219,804**	
I Inventories	163,762,787,519		100,813,449,832	
1 Raw material, ancillary materials and consumables	107,765,995,112		68,245,109,134	
2 Semi-finished goods	16,872,573,437		9,844,512,840	
3 Work in progress	0		0	
4 Finished products and goods	35,423,725,725		21,899,794,858	
5 Payments on account	3,700,493,245		824,033,000	
II Receivables	222,649,475,304		140,906,955,081	
1 Trade receivables	199,939,455,240		124,955,628,941	
3 Trade receivables (from affiliated companies)	0		75,087,514	
4 Trade receivables (from parent companies)	2,561,069,217		497,241,590	
5 Trade receivables (from others)	20,148,950,847		15,378,997,036	
III Financial assets not fixed	17,589,279		2,116,970,000	
2 Shareholding in affiliated companies	17,589,279		0	
3 Other shareholdings	0		1,416,970,000	
5 Other securities	0		700,000,000	
IV Cash and cash equivalent	32,764,748,425		21,185,844,891	
1 Bank and postal deposits	32,341,929,462		20,983,061,665	
2 Cheques	0		60,000,000	
3 Cash	422,818,963		142,783,226	
D PREPAYMENTS AND ACCRUED INCOME	**2,394,071,734**		**2,143,082,841**	
1 Accrued income	278,921,040		559,921,223	
2 Prepayments	2,115,150,694		1,583,161,618	

Lire	31.12.2000		31.12.1999	
LIABILITIES	**596,485,697,359**		**354,868,929,451**	
A SHAREHOLDERS' EQUITY	**98,053,433,845**		**65,523,146,116**	
GROUP SHAREHOLDERS' EQUITY	**97,052,248,595**		**64,975,252,572**	
I Share capital	31,948,455,000		10,625,000,000	
II Premium reserve	0		2,375,000,000	
IV Legal reserve	6,389,691,000		2,125,000,000	
VII Other reserves	33,577,859,321		31,640,900,435	
VIII Net income (loss) carried forward	87,500		87,500	
IX Net Income (loss) for the year	25,136,155,774		18,209,264,637	
Shareholders' equity pertaining to minority interests	1,001,185,250		547,893,544	
Share capital and reserves pertaining to minority interests	640,444,406		540,751,442	
Net income for the year pertaining to minority interests	360,740,844		7,142,102	
B PROVISION FOR RISKS AND CHARGES	**8,514,184,140**		**9,689,712,430**	
1 Provision for pension retirement and similar	1,717,872,495		1,709,348,627	
4 Provision for risks	1,776,624,252		3,999,715,852	
5 Provision to warranty products	5,018,046,566		3,976,106,622	
6 Provision for fluctuation in the rate of exchange	1,640,827		4,541,329	
C STAFF SEVERANCE INDEMNITY RESERVE	**18,363,916,636**		**16,174,627,194**	
D PAYABLES	**464,252,115,458**		**260,549,191,156**	
2 Convertible debenture:	27,315,929,025		11,000,000,000	
a due within one year		0		10,000,000,000
b due after one year		27,315,929,025		1,000,000,000
3 Payables to banks:	187,067,424,834		91,073,434,519	
a due within one year		145,186,637,410		79,822,639,666
b due after one year		41,880,787,424		11,250,794,853
4 Payables to other financial institutions:	207,498,000		430,198,000	
a due within one year		207,498,000		430,198,000
5 Advances:	33,967,143,384		12,640,964,911	
a due after one year		33,967,143,384		12,640,964,911
6 Trade payables:	170,496,619,294		114,374,751,877	
a due within one year		168,920,219,190		113,252,329,444
b due after one year		1,576,400,104		1,122,422,433
9 Payables to affiliated companies:	0		674,841,051	
a due within one year		0		674,841,051
10 Payables to parent companies:	1,296,806,998		1,225,283,861	
a due within one year		1,296,806,998		1,225,283,861
11 Tax payables:	10,219,344,121		10,315,966,492	
a due within one year		10,102,245,844		10,315,751,242
b due after one year		117,098,277		215,250
12 Payables to social security:	7,682,734,272		5,411,828,323	
a due within one year		7,682,734,272		5,411,828,323
13 Other payables:	25,998,615,530		13,401,922,122	
a due within one year		25,998,615,530		13,401,922,122
E ACCRUED EXPENSES AND DEFERRED INCOME	**7,302,047,280**		**2,932,252,555**	
1 Accrued expenses	3,480,978,267		1,201,351,102	
2 Deferred income	3,821,069,013		1,730,901,453	
Memorandum accounts	**189,278,278,696**		**56,893,725,138**	
1 BANKS FOR OUR GUARANTEES	0		25,000,000	
2 LEASING COMMITMENTS	10,282,562,464		6,247,548,306	
5 GUARANTEES AND ENDORSEMENTS	33,682,859,547		24,982,078,944	
6 BILLS IN CIRCULATION	21,884,479,037		16,170,498,788	
7 OTHER MEMORANDUM ACCOUNTS	123,428,377,648		9,468,599,100	
2 Prepayments	2,115,150,694		1,583,161,618	

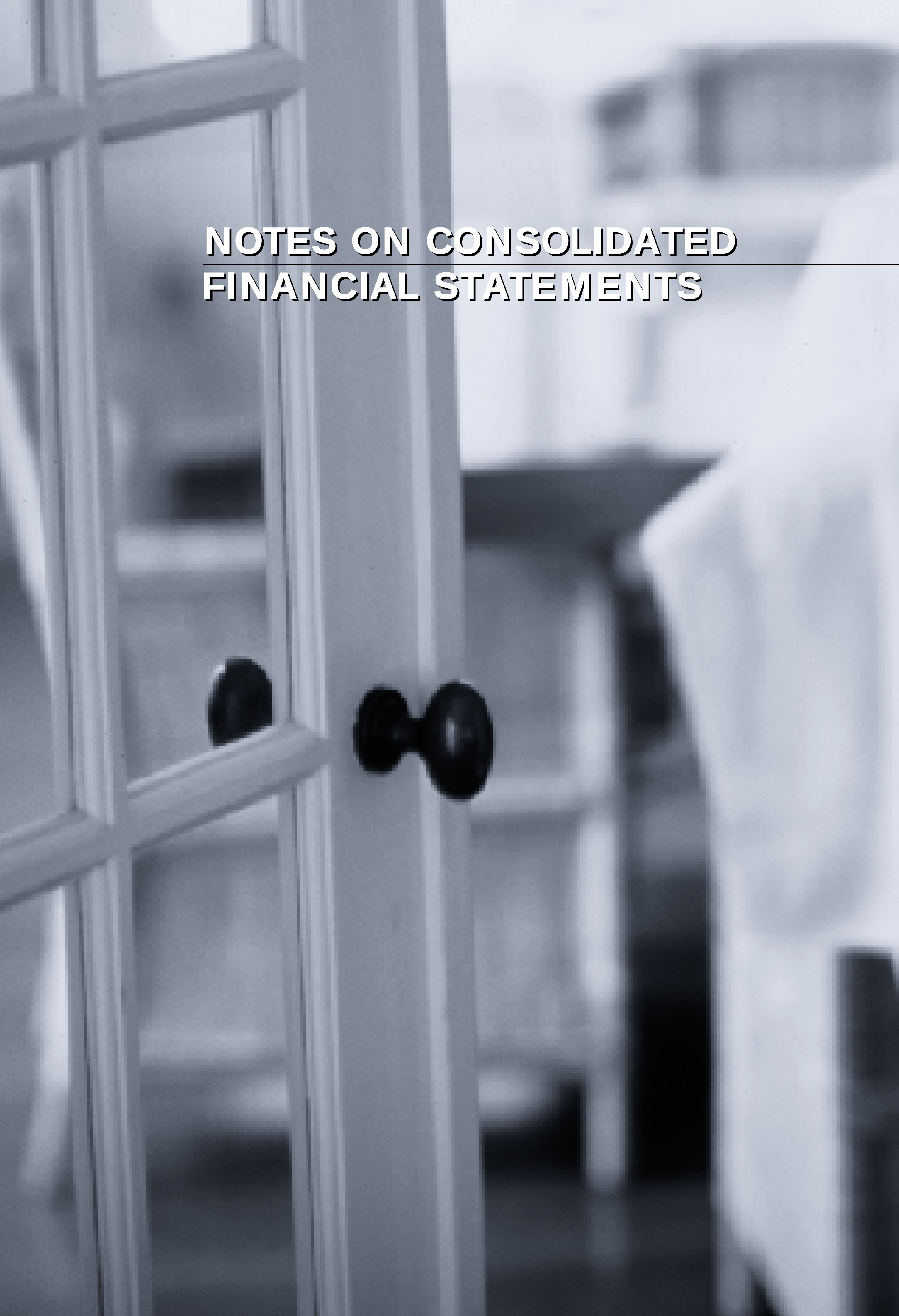
INCOME STATEMENT

Lire	**31.12.2000**		**31.12.1999**	
A VALUE OF PRODUCTION	**683,428,140,580**		**446,705,614,393**	
1 Revenues from sales and services	666,000,827,213		444,885,218,784	
2 Change in work in progress and semi-finished goods	10,156,653,109		443,657,810	
4 Increase in asset value for internal work	82,285,404		0	
5 Other revenues and income	7,188,374,854		1,376,737,799	
B COSTS OF PRODUCTION	**(616,364,301,204)**		**(403,146,350,933)**	
6 Raw material, ancillary materials and consumables	(325,500,084,063)		(201,101,901,701)	
7 Services	(130,255,311,357)		(84,318,925,132)	
8 Use of third party assets	(10,150,122,361)		(7,282,499,168)	
9 Personnel expense	(141,299,550,477)		(92,653,247,681)	
9a Wage and salaries		-106,728,167,868		(67,575,903,231)
9b Social security charges		-29,642,269,570		(20,521,821,766)
9c Severance indemnity		-4,604,637,005		(3,618,851,341)
9d Pension retirement and similar		-10,594,945		(369,441,245)
9e Other personnel expenses		-313,881,089		(567,230,098)
10 Amortisation, depreciation and write-down	(19,153,796,210)		(11,954,270,644)	
10a Amortisation of intangible fixed assets	(6,397,112,038)		(3,030,507,866)	
10b Depreciation of tangible fixed assets	(11,310,199,201)		(7,700,952,197)	
10c Other amortisation and depreciation of fixed assets	0		0	
10d Write-down of receivables included in current assets and cash equivalent	(1,446,484,971)		(1,222,810,581)	
11 Changes in raw material, ancillary materials and consumables	23,315,191,830		2,657,628,284	
12 Provision for risks	(15,266,250)		(100,000,000)	
13 Other provisions	(950,108,694)		(965,361,500)	
14 Other operating expenses	(12,355,253,622)		(7,427,773,391)	
A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	**67,063,839,376**		**43,559,263,460**	

Lire	**31.12.2000**	**31.12.1999**
C FINANCIAL INCOME AND CHARGES	**(8,583,375,401)**	**(4,077,803,643)**
15 Income from equity investments	52,444,392	134,677,433
16 Other financial income	6,756,679,007	3,463,141,606
17 Interest and other financial charges	(15,392,498,800)	(7,675,622,682)
D VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**(273,255,718)**	**20,874,559**
18 Write-ups	0	20,874,559
19 Write-downs	(273,255,718)	0
E EXTRAORDINARY INCOME AND CHARGES	**(233,301,854)**	**(3,854,305,604)**
20 Extraordinary income	1,145,316,062	240,770,338
21 Extraordinary charges	(1,378,617,916)	(4,095,075,942)
D+E TOTAL EXTRAORDINARY INCOME AND CHARGES	**(506,557,572)**	**(3,833,431,045)**
A-B+/-C+/-D+/-E PRE-TAX INCOME	**57,973,906,403**	**35,648,028,772**
22 Income taxes	(26,350,454,844)	(17,431,622,033)
NET INCOME FOR THE YEAR	**31,623,451,559**	**18,216,406,739**
Net income for the year pertaining to minority interests	360,740,844	7,142,102
Net income for the year before takeover	6,126,554,941	0
Net income for the year pertaining to the Group	25,136,155,774	18,209,264,637

The Financial Statements comply with accounting records

The Chairman of the Board of Directors
Giancarlo Selci



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

GENERAL CRITERIA

The consolidated financial statements of the Biesse SpA as of 31 December 2000 have been prepared in accordance with the standards issued by the Legislative Decree No. 127 on 9 April 1991 in actuation of the VII Directive of the European Community Council, and in compliance with the Accounting Principles issued by the National Board of Commercial Lawyers and Accountants.

The purpose of these supplementary notes is to integrate and explain the data already shown in the consolidated balance sheet and consolidated income statement of the Biesse Spa through a descriptive, explicative and detailed analysis of the data and other complementary information.

CONSOLIDATION AREA

The consolidated financial statements of the Biesse Group include the financial statements of the parent company and those of the Italian and foreign companies for which the Biesse Spa directly or indirectly holds the majority of the voting rights during the shareholders' meetings. The companies included in the consolidated financial statements as of 31 December 2000 using the line-by-line consolidation method are the following:

L million

Company and Headquarters	Currency	Share Capital	Direct	Indirect	intermediary	Biesse Group
Parent						
Biesse SpA Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS)	L	31,948,455,000				
Italian subsidiary companies						
H.S.D. Srl Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS)	L	100,000,000	80.00%			80.00%
Intermac SpA Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS)	L	2,400,000,000	100.00%			100.00%
Biesse Triveneto Srl Via Cadore Mare, 1/A Codognè (TV)	L	199,000,000	100.00%			100.00%
Foreign subsidiary companies						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – U.S.A.	US $	1,000,000	100.00%			100.00%
Biesse Canada Inc. 1845 Rue Jean Monnet - Terrebonne (Quebec) – Canada	CAN $	180,000	100.00%			100.00%
Biesse Asia Pte. Ltd. 100 Cecil Street – The Globe Singapore	S $	2,000,000	100.00%			100.00%
Biesse Group UK Ltd. Lamport drive Daventry Northampt. U K	£ STG	1,000	100.00%			100.00%
Biesse Groupe France Sarl Parc d'affaires de la Vallée de l'Ozon Chapotin – Chaponnay – France	FF	900,000	100.00%			100.00%
Biesse **Group Deutschland Gmbh** Gewerberstrasse, 6 Elchingen (Ulm) – Germany	DM	2,800,000	100.00%			100.00%
Biesservice Scandinavia AB Maskinvagen 1 – Lindas – Sweden	SKR	200,000	60.00%			60.00%
Biesse Iberica Woodw. Mach. s.l. Cl. Pedrosa C., 9 Barcellona – Spain	Pta	172,000,000	100.00%			100.00%
Biesse Brasil Ltda Rua Lapò, 975 Curitiba Paranà – Brazil	R $	400,000		99,99%	Intermac Spa	99,99%
Sel Realty Ltd 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN $	100	100.00%			100.00%
Bi. Fin. UK Ltd Lamport drive Daventry Northampt. U K	£ STG	600,000	100.00%			100.00%
Bifin Ltd 233, Peachtree St., NE – Harris Tower, Atlanta, GA 30303 (U.S.A.)	US $	10,000		100.00%	Biesse America Inc.	100.00%

L million

Company and Headquarters	Currency	Share Capital	Direct	Indirect	Through	Biesse Group
Schelling Anlagenbau Gmbh Gebhard-Schwarzler Strasse 34 Schwarzach – Austria	Ats	13,760,300	100.00%			
Schelling Fertigungstechnik Gmbh Grosse Wies 21 – Altach Austria	Ats	509,131		100.00%	Schelling Anlagenbau Gmbh	100.00%
Schelling America Inc. 3201 Glenwood Ave. – Wake County Raleigh, North Carolina – USA	US $	1,000		100.00%	Schelling Anlagenbau Gmbh	100.00%
Schelling Uk Ltd. Schelling House, West Yorkshire, Sandbeck Way, Wetherby U K	£ STG	1,000		100.00%	Schelling Anlagenbau Gmbh	100.00%
Schelling Asia Pacific Pte Ltd 9 Battery Road, Straits Trading Building – Singapore	S $	100,000		100.00%	Schelling Anlagenbau Gmbh	100.00%
Schelling Polska O.d.D. Sp.Zo.o. Ul. Pradzynskiego 24, PL-63-000 Sroda Wlkp – Poland	Zpl	388,000		100.00%	Schelling Anlagenbau Gmbh	100.00%

Variations in the shares transacted during the 2000 financial period:

Selco Spa: acquisition of the remaining 19% of the share capital and successive corporate merger into Biesse Spa;

Cosmec Srl: corporate merger into Biesse Spa;

Biesse Brianza Srl: corporate merger into Biesse Spa;

Biesse Triveneto Srl: acquisition of the remaining 20% of the share capital;

Busetti Srl: transfer of 50.3% of the shares by Intermac Spa and successive acquisition of the line of business by the Intermac Spa;

Gieffe Srl: acquisition of the remaining 80% of the share capital and successive merger into Intermac Spa;

Bifin Ltd: acquisition of 100% of the share capital by Biesse America Inc.;

Schelling Anlagenbau Gmbh and subsidiaries: acquisition of 100% of the share capital by Biesse Spa;

The consolidation area as of 31 December 2000 was altered by the increase compared with the previous period due to the insertion of the Schelling Anlagenbau company (equity investments made during the 2000 period), Schelling Fertigungstechnik, Schelling America, Schelling Uk, Schelling Asia and Schelling Poland (all 100% owned subsidiaries of Schelling Anlagenbau), Bifin Ltd (equity investments made during the 2000 period by Biesse America), Biesse Brasil Ltda (share capital held by Intermac and assessed at cost in the Consolidated Financial Statements as of 31 December 1999), and the acquisition of a corporate branch of the SEV Srl by HSD Srl.
The equity investment in the affiliate company Eberle Automatische Systeme Gmbh (share capital held for 25% of the total by Schelling Anlagenbau) has been assessed at cost.

Equity investments in the subsidiary company:

- Istituto IS.PE. soc. cons. a r.l.

and other equity investments in:

- Diamut Srl
- Tecnomarche Scrl
- Banca delle Marche Spa
- Formark Srl
- Cosmob SpA
- Consorzio Internazionale Marmi Macchine Carrara
- CO.NA.I.
- Caaf Interregionale Dip. SRL.
- Consorzio Energia Assindustria Pesaro Urbino

The investments have been assessed according to the cost adjusted by write-down method, as per article 2426 of the Civil Code, and as indicated in the details of the long term financial investments in these notes.

In particular, the equity investment in the subsidiary company Istituto IS.PE mentioned previously, has not been fully consolidated since the company is involved in training activities, and is therefore not homogeneous with the industrial activities carried out by the Group. Furthermore, its very modest volumes of business made the full consolidation of this company irrelevant.
Companies have not been consolidated using the proportional consolidation method.

REFERENCE DATE AND CONSOLIDATION PRINCIPLES

The financial statements used for the consolidation procedures of the parent company and the subsidiary companies included in the consolidation area are the financial statements as of 31 December 2000 of the individual companies, or interim financial statements exclusively prepared by the subsidiary companies if these have closing dates other than the closing dates of the Group. These financial statements have been suitably reclassified and adjusted in order to standardise them with the accounting principles and the evaluation criteria of the parent company in case of significant differences. The structure adopted for the consolidated financial statements is the one envisaged for industrial companies.

The evaluation of the financial statement items has been done using the guidance of the general of prudence and accrual concept, considering the future prospect of continuing the business. Income has only been included if realised before the closing date of the accounting period. The income and charges pertaining to the period were considered, irrespective of the date of collection or payment, and the risks and losses have been considered, even if known after the closure. The assets and liabilities have been evaluated separately. The asset elements destined to be used permanently have been posted under the fixed assets. The evaluation criteria are the ones generally used in the financial statements of the parent company Biesse Spa.

In preparing the Consolidated Financial Statements, assets and liabilities, as well as income and charges of the companies included in the consolidation have been reported in full. The payables and receivables, the income and charges, and the gains and losses originating from intra-group transactions have been eliminated. Departing from this general rule and in consideration of the modest relevance of the associated effects and the difficulty in reconstruction, the company did not eliminate the income deriving from goods in inventory sold by the HSD Srl company to the other companies included in the Biesse Group, since these are semi-finished goods included in the works in progress.
The capital gains and losses deriving from intra-group sales of instrumental assets are included, wherever deemed significant.
The effects having a fiscal nature of all the adjustments made have been considered for the purposes described previously.

The accounting value of the equity investments in companies included in the consolidation was zeroed out by the corresponding fractions of the shareholders' equity of subsidiaries. The difference between the book value of the equity investments, zeroed out, and the corresponding quota of shareholders' equity, is entered as an adjustment to the consolidated shareholders' equity. In the case of acquisitions, the difference mentioned above is charged to the asset and liability elements of the companies included in consolidation. Any surplus, if negative, is recorded under the item called "Consolidation Reserve", or, when it refers to expectations of unfavourable economic results, under the item called "Consolidation reserve for future risks and charges"; any positive surplus is recorded with the intangible fixed assets, as "Consolidation difference".

The amount of the share capital and the reserves of the subsidiary companies corresponding to equity investments pertaining to minority interests is recorded under an item in the shareholders' equity called "Share capital and reserves pertaining to minority interests"; the part of the consolidated economic results corresponding to the equity investments of minority interests is recorded under the item "Net income for the year pertaining to minority interests".

With reference to the equity investments acquired during the period, the income statement is consolidated for the entire period, considering, wherever relevant and determinable, the results attained by the newly consolidated Schelling Anlagenbau Gmbh (Austria) in the fraction of the year prior to acquisition, recording it under the item “Income before acquisition” in the Consolidated income statement.

CURRENCY CONVERSION CRITERIA

The financial statements of the foreign companies included in the consolidation area, originally expressed in foreign currency, have been converted into Italian Lire by using the following conversion method:

Balance sheets:
Every balance sheet has been converted by applying the exchange rate valid at the close of the financial period, with exception made for postings to the shareholders’ equity which have been converted at the historic exchange rate.

Income statements:
Every income statement has been converted by applying the average exchange rate of the period.

The differences in exchange rate originating from the conversion in Italian Lire of the financial statements expressed in foreign currency have been charged to the item under the Consolidated shareholders’ equity included among the Other Reserves such as “Reserves of the differences in conversion”.

The average exchange rates and at the end of the 2000 and 1999 periods are the following:

Currency	Average 2000		Average 1999	
	exchange rate	31 Dec.2000	exchange rate	31 Dec.1999
Lire / US Dollar	2,110.47	2,080.89	1,831.05	1,927.40
Lire / Canadian Dollar	1,417.87	1,386.51	1,234.26	1,325.48
Lire / Singapore Dollar	1,220.17	1,198.55	1,080.18	1,152.75
Lire / Pound Sterling	3,186.68	3,102.50	2,953.15	3,114.47
Lire / French Franc (*)	295.18	295.18	295.18	295.18
Lire / Swedish Krona	228.54	219.25	220.52	226.13
Lire / German Mark (*)	989.99	989.99	989.99	989.99
Lire / Spanish Peseta (*)	11.64	11.64	11.64	11.64
Lire / Austrian Shilling (*)	140.71	140.71	/	/
Lire / Polish Zloty	483.32	497.29	/	/
Lire / Brazilian Real	1,151.56	1,067.12	/	/

(*) Euro equivalence

ASSESSMENT CRITERIA

The accounting principles and the assessment criteria have been applied uniformly to all the consolidated companies. The assessment criteria adopted by the Parent company Biesse S.p.A. in the consolidated financial statements and disseminated at the Biesse Group companies are in conformity with the aforementioned legislative instructions in force, integrated and interpreted by the Accounting Principles issued by the National Accountant Councils.

Some items in the consolidated financial statements have been reclassified in order to offer better understanding of their contents; consequentially, the same items in the previous period have been reclassified according to art. 2423 ter of the Civil Code.

The assessment criteria used for the principle postings of the consolidated financial statements are the following:

Intangible fixed assets

The intangible fixed assets are recorded at the purchase or production cost, including any accessory charges and amortised in account at a constant rate.

The plant and expansion costs are recorded under the appropriate asset heading and are depreciated for the entire duration of their useful economic life, and in any event, for five years at the most.

R&D and advertising costs are usually entered in the Income Statement for the financial year they were incurred. Exception is made for costs relating to the production lines developed by new production units, since these offer reasonable future income and are limited to costs strictly inherent to the product development. Development and advertising costs recorded under the assets have been amortised over five financial periods.

Industrial patents and intellectual property rights are amortised based on their presumed life, and in any case not greater than the time established by the licensing contracts.

The concessions, licenses, trademarks and similar rights recorded under the assets have been amortised based on their presumed life, and in any case not greater than the time established by the purchase contracts; in case the useful life cannot be determined or there is not contract, the life is fixed at five financial periods.

Goodwill has been recorded under the assets only if acquired as holder for value, or to the extent of the cost incurred, and is amortised in a period not exceeding the duration of its use, or if this cannot be determined, for a period not exceeding ten years.

Consolidation differences emerge in preparation of the consolidated financial statements when the book values of the equity investments are eliminated against the corresponding fractions of the shareholders' equity of the subsidiaries. Any surplus, not attributable to the individual elements of the assets of the companies included in consolidation, is charged to the adjustment in the consolidated shareholders' equity, or, should there be valid reasons for doing so, is recorded on the asset side under the item "Consolidation difference".

This item is amortised over the period of time that the company believes it can profit from economic elements of same, generally defined as ten years. Exception is made in the case of the Schelling Group acquisition, whose consolidation difference is amortised over 20 years, due to the fact that the company believes a 20-year amortisation period more coherent to represent the future utility of the investment. In this case, too, the amortisation has been effected in compliance with the civil and fiscal regulations.

The assets whose economic value at the close of the period is significantly lower than the depreciated cost according to the principles shown are written down to the extent of their economic value. If in the successive periods the reasons for this devaluation are no longer valid, the cost will be restored.

Tangible fixed assets

The tangible fixed assets are recorded at the purchase or production cost including accessory charges, exception made for monetary revaluation made in compliance with the law.

The depreciation has been calculated with reference to the cost, systematically and according to the residual possibility for use. For the financial period in which the asset is acquired, the depreciation is reduced by 50% in the belief that this represents a reasonable approximation of the time distribution of the purchase over the course of the period.

The depreciation rates used are the following:

Industrial buildings:	3 %
Permanent equipment:	25 %
Equipment for trade shows:	12 %
Ordinary machinery and plants:	10 %
Furniture and fixtures:	12 %
Motor-vehicles:	25 %
Electronic and electromechanical office machinery:	20 %

The assets whose economic value at the close of the period is significantly lower than the not yet depreciated cost are written down to the extent of their economic value. If in the successive periods the reasons for this devaluation are no longer valid, the cost will be restored.
The recurrent maintenance costs are charged in full to the income statement. The incremental maintenance costs are charged to the fixed asset to which they apply and are depreciated according to the depreciation rates established for that asset.

Financial fixed assets

The financial fixed assets include the equity investments in non-consolidated subsidiary companies, equity investments in affiliated companies, and investments in other companies, in addition to the long term loans granted.
The equity investments in non-consolidated subsidiary companies and affiliated companies where the Group has a significant influence due to the amount of voting rights – between 20% and 50% - and the other equity investments are assessed according to the cost method, adjusted where necessary by write downs for permanent loss of value.
The long term financial receivables are recorded in the financial statements at cost.

Receivables and payables

The receivables have been recorded at their nominal value and reduced to the presumed salvage value by using the special bad debt provision. The payables are recorded at their nominal value.
The receivables and payables in currency other than Italian Lire, or in any event, non-European Monetary Union currency, have generally been calculated and posted in the Financial Statements at the historic exchange rate pertaining to the day of posting. Should these items give rise to negative differences when converted to the exchange rate valid at the closing date of the period and

considering the relative coverage contracts, the company has provisioned a corresponding amount to the risk and contingency reserve. The receivables and payables in foreign currency covered specifically against exchange rate risks have been posted at the exchange rate defined by the coverage operation.

Financial current assets

Financial current assets include securities for sale and / or other financial instruments held in order to use monetary surplus.

These assets are assessed at a lesser value between the purchase cost and the corresponding market value as of the date of consolidation.

Inventories

With regards to the final inventories, the evaluation criteria envisaged by article 2426 of the Civil Code have been observed. In particular, the inventories in the warehouse have been assessed at the lesser value between the cost and the market value.

The cost configuration adopted is the following:

Raw materials and merchandise:	LIFO (last in, first out)
Work in progress:	industrial production cost, depending on the state of progress
Finished products:	industrial production cost

Accruals and Deferrals

Only the income and expenses from the period which have an effect in the successive financial periods, and the revenues and costs earned or incurred before the closing date of the period, but pertaining to successive financial periods have been posted under the items covering the accruals and deferrals. Only costs and proceeds shares pertaining to two or more financial periods are included under such items. Their amount varies depending on the period of time.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover known or likely losses or debts, the timing and amount of which cannot be determined at year-end. Included here are the Unrealised exchange provision, the Product warranty provision, and the Corporate restructuring provision.

In particular, the allocations made to the Product warranty provision enable the economic effect of the warranty costs to be anticipated, according to the principle of correlation between sales revenues – costs for the warranty.

The Corporate restructuring provision is constituted by an allocation against the charges still to be incurred connected with the Biesse Group reorganisation plan, initiated in 1998. This reserve was decreased in relation to the costs already incurred.

Staff severance indemnity reserve

The staff severance indemnity reserve is recorded in the financial statements to cover the entire amount of the compensation accrued in favour of the employees according to their seniority and in virtue of the regulations in force regarding collective contracts in each country where the consolidated companies do business.

Risks, commitments and guarantees

The risks for which a liability is probable are described in the explanatory notes and allocated for according to the congruence criteria in the risk reserves. The risks for which a liability is merely possible are described in the explanatory notes, without making provisions to the risk reserves, in accordance with the reference accounting principles. Risks of a remote nature are not considered.

The commitments and guarantees are indicated in the memorandum accounts at their contractual value. The memorandum accounts include the commitments relating to derivative contracts in existences predominantly for the purpose of guarding the Biesse Group from exchange risks on trade transactions. These commitments are recorded in the Memorandum accounts based on the exchange rates at the end of the financial period.

The discounts and premiums on derivative contracts are reflected in the Income statement according to accrual concept. If the derivative contracts are not strictly identifiable as coverage transactions, even in view of a strict reading of the reference accounting principles, any loss or gain deriving from these contracts at year-end is charged to the Income Statement.

Revenues, income and charges postings

Revenues and income, costs and charges are recorded in the financial statements net of returns, discounts, allowances and premiums as well as any taxes directly connected with the sale of products and services rendered. Revenues for the sale of products is acknowledged at the moment they change ownership, usually when the goods are shipped or delivered. Revenues having a financial nature are acknowledged on the basis of when the transactions occur.

Income taxes

Income taxes are determined on the basis of the taxable income of each consolidated company according to the taxation structures in force in each country. Deferred taxes are allocated for on the positive and negative interim differences between the taxable result and the result of the financial statements of the individual companies; furthermore, deferred taxes are allocated for in the consolidated financial statements on the interim differences between the taxable results of the consolidated companies and those of the financial statements used for consolidation.

The deferred tax reserve is calculated on the basis of the rates in force at the time the interim differences originated and is updated to consider the rate in use at the end of each financial period and those projected at the time of the tax liquidation. If the net balance of the deferred taxes is positive and the taxes can be recovered, the deferred tax assets are recorded under the item Other Receivables. The fiscal benefits deriving from the fiscal losses are credited to the Income Statement only in the financial period these losses are used to set off the income. In any event, the compensation between the deferred tax assets and the deferred tax liabilities is limited to similar situations and the legal possibility for such setting off.

CONSOLIDATED BALANCE SHEET

DETAILED INFORMATION AND THE VARIATIONS OCCURRING IN THE CONSISTENCY OF THE PRINCIPAL ASSET AND LIABILITY ITEMS.

Fixed assets

Intangible fixed assets:

L million

Item	Historic value at 31 Dec 1999	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Purchases	Transfers	Reclas-sifications	Other trans-actions and conversion differences	HIstoric value at 31 Dec 2000
Plant and expansion costs	211	(22)	10	180	(7)	(1)		371
Research, development and advertising costs	2,313	(266)		1,264				3,312
Industrial patents and Intellectual property rights	1,443	(352)	2	227		33		1,353
Concessions, licences, trade-marks and similar rights	2,547	(135)	1,624	977	(91)	211		5,133
Goodwill	344		161	1,368				1,873
Fixed assets in progress and advances	90			55	(90)			55
Other intangible fixed assets	4,237	(1,063)	43	1,349	(35)	(243)	18	4,306
Consolidation difference	8,287			44,530			(621)	52,196
Total	**19,472**	**(1,838)**	**1,840**	**49,950**	**(223)**	**0**	**(603)**	**68,599**

L million

Item	Amortisation reserve at 31 Dec 1999	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Amor-tisation for the period	Balance in transfer reserve	Reclas-sifications	Other trans-actions and conversion differences	Amor-tisation at 31 Dec 2000
Plant and expansion costs	(100)	22	(4)	(83)		27		(138)
Research, development and advertising costs	(1,146)	265	(78)	(619)				(1,578)
Industrial patents and Intellectual property rights	(1,031)	352	(0,2)	(340)		(32)		(1,051)
Concessions, licences, trade-marks and similar rights	(1,328)	135	(571)	(1,165)	116	(153)		(2,966)
Goodwill	(63)		(34)	(183)		6		(274)
Fixed assets in progress and advances								
Other intangible fixed assets	(2,777)	1,063	(4)	(754)	15	152		(2,305)
Consolidation difference	(1,641)			(3,254)			479	(4,416)
Total	**(8,086)**	**1,837**	**(691)**	**(6,398)**	**131**	**0**	**479**	**(12,728)**

L million

Item	Historic value at 31 Dec 1999	Amortisation reserve at 31 Dec 1999	Net value at 31 Dec 1999	Historic value at 31 Dec 2000	Amortisation reserve at 31 Dec 2000	Net value at 31 Dec 2000
Plant and expansion costs	211	(100)	111	371	(138)	233
Research, development and advertising costs	2,313	(1,146)	1,167	3,312	(1,578)	1,734
Industrial patents and Intellectual property rights	1,443	(1,031)	412	1,353	(1,051)	302
Concessions, licences, trade-marks and similar rights	2,547	(1,328)	1,219	5,133	(2,966)	2,167
Goodwill	344	(63)	281	1,873	(274)	1,599
Fixed assets in progress and advances	90		90	55		55
Other intangible fixed assets	4,237	(2,777)	1,460	4,306	(2,305)	2,001
Consolidation difference	8,287	(1,641)	6,646	52,196	(4,416)	47,780
Total	**19,472**	**(8,086)**	**11,386**	**68,599**	**(12,728)**	**55,871**

The plant and expansion costs relate chiefly to notary charges for increases in capital and other corporate transactions.

Research, development and advertising costs are fully entered in the Income statement of the financial year they were incurred. Expenses relating to product lines developed by new production units, since these offer reasonable income projections, and costs strictly related to product development are excluded. Development and advertising costs recorded under the assets are amortised over five financial periods.

Both the plant and expansion costs and the research and development costs are recorded in the asset side, as these have multiyear useful lives and are according to correct accounting principles destined to generate their economic effect over the course of several financial periods.

These costs are amortised at a constant rate over a period corresponding to their residual possibility for use, or more precisely, with their residual possibility to bring utility to the operations progress. In any case, their life is limited to five years.

Relating to goodwill, the growth of the financial period refers primarily to the surplus of L1,368 million, deriving from the acquisition of the corporate branch of the SEV Srl by HSD Srl.

The consolidation difference of L52,196 million gross of the relative amortisation reserve of L4,416 million derives from the consolidation of the equity investments as highlighted in detail in Annexe A and is amortised over ten years. Exception is taken for the equity investment made in the Schelling Anlagenbau Gmbh, which the company believed better amortise over a period of 20 years, considering the strategic importance of the acquisition.

The increase in the Consolidation difference is due largely to the acquisition of the Schelling Group, for L39,309 million.

So, the reduction in the consolidation difference of L167 million and the relative amortisation reserve for L25 million (inserted with the other transactions) is due to the effects of the merger to incorporate Cosmec Srl and Biesse Brianza Srl into Biesse Spa. At the time of consolidation, the postings made by the parent company regarding the merger deficit for the companies mentioned previously were adjusted to make them homogeneous with the respective amortisable balances of the consolidation differences charged off. With regards to the merger to incorporate the subsidiary Selco Spa into the parent company Biesse Spa, the merger deficit posting of L4,672 million and the related amortisation charges of L467 million to the goodwill item were cancelled in the consolidated financial statements. Instead, the company recorded the pre-existing consolidation difference for a total of L8,172 million and will amortise this on a ten-year basis.

Similarly, with regards to the purchase by Intermac Spa of the corporate branch of Busetti, the L3,121 million in goodwill expenses and the corresponding L312 million of amortisation were cancelled from the consolidated financial statements. Instead, the company recorded the adjusted amount from the capital gain realised upon the sale of the 50.3% equity investment (totalling L1,150 million) under the item Consolidation difference and will amortise this amount over a ten-year period in yearly allowances of L115 million. The effect of the aforementioned adjustments on the income statement profits amounts to L99 million.

Tangible fixed assets:

L million

Item	Historic value at 31 Dec 1999	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Purchases	Transfers	Reclas-s ifications	Other trans-actions and conversion differences	HIstoric value at 31 Dec 2000
Land and buildings	47,620		18,293	8,173		6,119	1,074	81,279
Plants and machinery	26,160		4,205	6,004	(2,531)	15	(1)	33,852
Industrial and commercial equipment	10,729		1,512	3,559	(27)	(113)	23	15,683
Other tangible assets	22,323		3,353	5,309	(1,084)	386	156	30,443
Fixed assets in progress and advances	680		4,914	6,871	(392)	(6,407)	49	5,715
Total	**107,512**		**32,277**	**29,916**	**(4,034)**	**0**	**1,301**	**166,972**

L million

Item	Amortisation reserve at 31 Dec 1999	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Amor-tisation for the year	Balance in transfer reserve	Reclas-ifications	Other trans-actions and conversion differences	Amor-tisation reserve at 31 Dec 2000
Land and buildings	(4,638)		(1,331)	(1,772)		(654)	(304)	(8,699)
Plants and machinery	(11,465)		(1,598)	(4,382)	1,999	1,477	(177)	(14,146)
Industrial and commercial equipment	(8,145)		(709)	(2,068)	20	(173)	(162)	(11,237)
Other tangible assets	(12,892)		(2,055)	(3,087)	918	(650)	(623)	(18,390)
Fixed assets in progress and advances	0							
Total	**(37,140)**		**(5,693)**	**(11,309)**	**2,937**	**0**	**(1266)**	**(52,472)**

L million

Item	Historic value at 31 Dec 1999	Amortisation reserve at 31 Dec 1999	Net value at 31 Dec 1999	Historic value at 31 Dec 2000	Amortisation reserve at 31 Dec 2000	Net value at 31 Dec 2000
Land and buildings	47,620	(4,638)	42,982	81,279	(8,699)	72,580
Plants and machinery	26,160	(11,465)	14,695	33,852	(14,146)	19,706
Industrial and commercial equipment	10,729	(8,159)	2,570	15,683	(11,237)	4,446
Other tangible assets	22,323	(12,892)	9,431	30,443	(18,391)	12,052
Fixed assets in progress and advances	680	0	680	5,715	0	5,715
Total	**107,512**	**(37,154)**	**70,358**	**166,972**	**(52,473)**	**114,499**

The item Land and buildings increased during the financial period by L33,559 million, net of divestments. This was largely due to the L18,293 million deriving from the modification in the consolidation area for the entrance of the companies belonging to the Schelling Group and the Bifin Ltd, the L6,119 million for the construction of a new production facility in Schwarzach (Austria) used by the Schelling Anlagenbau company, and the L6,191 million for the purchase of new land by Biesse Spa.

Again the Land and Buildings item recorded increased expenses of L1,025 million relating to an allocation of part of the surplus paid during the acquisition transaction of the Schelling Group (to the “Other transactions” item).

The Plant and machinery item was characterised by a net increase of L7,692 million due principally to adjustments made to the consolidation area (L4,205 million), the completion of the plants for the new facility in Via della Meccanica 16 (L500 million), the restructuring of a small building inside the area formerly owned by Benelli for L703 million, the installation of a new anti-theft system in the area of Via della Meccanica 16 (L256 million), the purchase of new overhead travelling cranes (L136 million) and the purchase of machinery used for works on the land where the new Biesse factory will be constructed (L312 million).

The item Industrial and commercial equipment is characterised by a net increase during the financial period equal to L4,954 million due largely to modifications in the consolidation area totalling L1,512 million, the purchase of ordinary operational instruments necessary for the activities of assembly and testing machine tools, and the construction of moulds for raw materials production.

The net increase of L8,119 million in the value of the Other assets is due chiefly to modifications in the consolidation area for L3,353 million, L856 million for the purchase of new fixtures and furnishings, and finally electronic and electromechanical office machinery purchases totalling L1,488 million which include increasingly sophisticated and state-of-the-art instruments destined to information systems (servers, USCSI disks, etc.), design department (PWS, plotters, scanners), and all the indirect functions for realising new work stations as well as replacement of obsolete machinery (PC, printers, photocopiers etc.).

The entry Fixed assets in progress and advances is made up of advance payments for works still to be completed on the factory in Via della Meccanica no.16, advances on lands to purchase, and costs already incurred relating to the construction underway of the new factory destined to the Intermac Spa for L4,015 million.

Schedule of the revaluation:

L million

		BIESSE S.p.A.	TOTAL
Land	Under Law 413/91	65	65
Buildings	Under Law 72/83	310	310
Buildings	Under Law 413/91	180	180
Plants and machinery	Under Law 72/83	89	89
Industrial and comm. equipment	Under Law 72/83	2	2
Other assets	Under Law 72/83	7	7
Total		**652**	**652**

Investments

Equity investments in non-consolidated subsidiaries

Equity investments in subsidiaries excluded from the comprehensive consolidation are recorded in the financial statements according to the cost adjusted for write downs method, under article 2426 of the Civil Code.

L million

Companies	Share capital	Value entered	Share owned by the Biesse Group
Equity investments in non-consolidated subsidiaries			
Istituto IS.PE. soc. cons. a r.l. Via della Meccanica, 16 Località Chiusa di Ginestreto (PS)	L21,000,000	L21,000,000	100% (66.67% directly 33.33% indirectly; through Intermac Spa)
Total		**L21,000,000**	

Equity investments in other companies:

The item Equity investments in other companies, assessed according to the cost adjusted for write downs method under article 2426 of the Civil Code as of 31 December 2000, is composed as follows:

L million

Companies	Value entered	Share owned by the Biesse Group
Equity investments in other companies		
Diamut Srl	L 300,000,000	10%
Via Cairoli, 9 - S. Agata sul Santerno (RA)		(Indirectly through Intermac Spa)
Banca delle Marche SpA	L 126,464,000	*
Via Menicucci, 4/6 – Ancona		
Tecnomarche Scrl	L 20,000,000	4%
Piazza Simonetti, 36 - Ascoli Piceno		(Directly)
Consorzio Internazionale		
Marmi Macchine Carrara	L 10,001,150	*
Via Galilei, 133 – Carrara Marina (MS)		
Formark Srl	L 5,508,483	*
Corso Mazzini, 151 - Ascoli Piceno		
Cosmob SpA	L 2,000,000	*
Galleria Roma – Pesaro		
Consorzio Energia Assindustria Pesaro Urbino	L 2,000,000	*
Via Curiel, 35 – Pesaro		
Cooperativa S. Alberto di Prezzate	L 500,000	*
Via Locatelli, 19/E - Trescore Balneario (BG)		
Caaf Interregionale Dip. Srl	L 250,000	*
Via Ontani, 48 – Vicenza		
CO.NA.I.	L 21,393	*
Via dell’Astronomia, 30 – Rome		
Total	**L 466,245,396**	

** symbolic or associative equity investments.*

Financial receivables:

L million

Item	Value of previous period	Increases / Decreases	Value at year-end
From others (falling due within one year)	1,966	(1,944)	21
From others (falling due after one year)	3,179	703	3,882
Total	**5,145**	**(1,241)**	**3,903**

The receivables from others falling due within one year during 2000 have decreased primarily because the Biesse Spa exercised its right to first refusal in the purchase of shares in the subsidiary Selco.

The item relative to receivables from others falling due after one year includes the advance payment of the staff severance indemnity for L140 million on 28 October 1997 for L1,122 million, in addition to receivables from Fideuram vita, Fideuram CAF and RAS for a total of L775 million.

Other:

L million

Item	Value of previous period	Increases / Decreases	Value at year-end
Other securities	20	117	137
Total	**20**	**117**	**137**

Current assets

Inventories:

L million

Item	Value of previous period	Increases/ Decreases	Value at year-end
Raw materials, ancillary, consumer goods	70,115	40,238	110,353
(Raw materials write down reserve)	(1,870)	(717)	(2,587)
Net raw materials, ancillary, consumer goods	68,245	39,521	107,766
Works in progress and semi-finished goods	9,845	7,028	16,873
Finished goods and merchandise	22,666	13,999	36,665
(Finished goods write down reserve)	(766)	(475)	(1,241)
Net finished goods and merchandise	21,900	13,524	35,424
Advances	824	2,876	3,700
Total	**100,813**	**62,949**	**163,763**

The increase in inventories is partially due to the effects of the acquisition of the Schelling Group, which has contributed its inventory at 31 December 2000 totalling L10,197 million in raw materials, L5,514 million in semi-finished goods, and L3,882 in finished products.

The increase found, especially relating to the raw materials, was made necessary in part in order to supply the production facilities with the raw materials necessary to support the constant growth in production volumes and in part was caused by the ongoing product line renovation processes, which have resulted in the short term in a duplication of articles in the warehouse.

Receivables:

L million

Item	Value of previous period	Increases / Decreases	Value at year-end
From customers	127,719	76,322	204,040
(Bad debt reserve)	(2,763)	(1,338)	(4,101)
From customers, net	124,956	74,984	199,939
From affiliated companies	75	(75)	0
From parent companies	497	2,064	2,561
From others	15,379	4,770	20,149
Total (net of the bad debt reserve)	**140,907**	**81,743**	**222,649**

The increases in the receivables are due to the development of Group turnover which, concentrated largely in the second half of the year, has reflected the greater emphasis on the trade receivables as of the closing date of the financial statements, as well as the effects of the Schelling Group acquisition (receivables totalling L27,921 million, net of the bad debt reserve, as of 31 December 2000).

The total balance of receivables falling due after one year is L3,163 million, net of the Bad debt reserve. A total of L888 million was released from the Bad debt reserve (whose balance at the end of the previous period was L2,763 million). Another L780 million was released for use during consolidation of the group companies, and new provisions made for L1,446 during the year has brought the final balance up to L4,101 million.

There are no receivables falling due after 5 years.

The receivables from parent companies total L2,561 million and include receivables of the Biesse Spa from Biesse Holding Spa for L2,559 million and receivables owed to the Intermac Spa from Biesse Holding Spa totalling L2 million.

The receivables from others include receivables for pre-paid taxes totalling L4,878 million and VAT receivable for L6,179 million.

Trade receivables:

L million

Item	Value of previous period	Increases/ Decreases	Value at year-end
Receivables from customers due before next period	126,593	75,503	202,096
(Bad debt reserve before next period)	(2,761)	(1,330)	(4,091)
Net receivables from customers due before next period	123,832	74,173	198,005
Receivables from customers due after next period	1,126	819	1,944
(Bad debt reserve after next period)	(2)	(8)	(9)
Net receivables from customers due after next period	1,124	811	1,935
Total receivables from customers	127,719	76,322	204,040
(Total bad debt reserve)	(2,763)	(1,338)	(4,101)
Total net receivables from customers	**124,956**	**74,984**	**199,939**

Financial current assets:

L million

Item	Value of previous period	Increases/ Decreases	Value at year-end
Equity investments in affliated companies	0	18	18
Other equity investments	1,417	(1,417)	0
Other securities	700	(700)	0
Total	**2,117**	**(2,099)**	**18**

The decrease in the Other equity investments is due to the sale of the 10% share held in Benelli Spa (Strada della Fornace Vecchia, s.n. - 61100 Pesaro) totalling L1,417 million transacted on 31 January 2000; the sale generated a capital gain of L683 million. On the same date, the company sold its bonds in Benelli Spa, previously entered under the “Other securities” item.

The relative value of the equity investment in affiliated companies, totalling L18 million, refers to the shares held by Schelling Anlagenbau Gmbh in the Eberle Automatische Systeme Gmbh company, inserted with the current assets since the company plans to sell these during the 2001 financial period.

Liquid assets:

L million

Item	**Value of previous period**	**Increases/ Decreases**	**Value at year-end**
Bank and post office accounts	20,983	11,359	32,342
Cheques	60	(60)	0
Cash in hand and cash equivalents	143	280	423
Total	**21,186**	**11,579**	**32,765**

The expansion of the consolidation area has contributed L8,038 million to the growth in liquid assets as has effected the expansion of the business that physiologically requires a slightly higher cash reserve.

Prepaid expenses and accrued income

As of 31 December 2000, the items are comprised as follows:

Accrued income

L million

Item	**Value of previous period**	**Increases/ Decreases**	**Value at year-end**
Interest income	184	(171)	13
Miscellaneous	376	(110)	266
Total	**560**	**(281)**	**279**

Prepaid expenses:

L million

Item	Value of previous period	Increases / Decreases	Value at year-end
Interest charges	295	159	454
Miscelleneous expenses	1,181	373	1,554
Miscelleneous multiyear expenses	107	(1)	106
Total	**1,583**	**532**	**2,115**

SHAREHOLDERS' EQUITY

SCHEDULE OF THE TRANSACTIONS IN THE CONSOLIDATED SHAREHOLDERS' EQUITY ITEMS

L million

	Balance as of 31 Dec 1999	Transfer result	Conversion difference	Increase in capital	POC conversion	Dividends	Other trans-actions	Results of financial period	Balance at 31 Dec 2000
Net shareholders' equity pertaining to the Group									
Capital	10,625			19,448	1,875				31,948
Share premium reserve	2,375			(10,500)	8,125				0
Legal reserve	2,125	334		3,931					6,390
Other reserves:									0
- Surplus reserve	30,049	4,630		(8,338)		(3,188)	(174)		22,979
- Consolidation reserve							126		126
- Conversion differences reserve	789		502						1,291
- Merger deficit	387	7,516		(4,541)					3,362
- Reserve for special tax regimes	1,006	1,716					174		2,896
- Income carried forward	(590)	4,013					(498)		2,925
- Income of financial period	18,209	(18,209)						25,136	25,136
Total shareholders' equity of Group	**64,975**	**0**	**502**	**0**	**10,000**	**(3,188)**	**(372)**	**25,136**	**97,053**
Shareholders' equity pertaining to minority interests									
Capital and reserves pertaining to minority interests	541	7					92		640
Income (losses) pertaining to minority interests	7	(7)					361	361	
Net income pertaining to minority interests	548	0	0	0	0	0	92	361	1,001
Total	**65,523**	**0**	**502**	**0**	**10,000**	**(3,188)**	**(280)**	**25,497**	**98,054**

Share capital

During the period, on 7 February 2000 the debenture loan for L10,000 was converted into share capital of L1,875 million, while the remainder, L8,125 million, was allocated to the share premium reserve, in compliance with the exchange ratio envisaged in the Loan Regulations. On 5 July 2000, an extraordinary shareholders' meeting of the parent company Biesse Spa was convened where the free increase of the share capital from L12,500 million to L25,000 million was deliberated. This increase was effected by imputing a sum of L10,500 million already entered in the financial statements in the share premium reserve and L2,000 million already entered in the financial statements in the merger deficit reserve to the capital account. Another L2,541 million were released from the merger deficit reserve to allocate to the legal reserve, adjusting it to the new amount of share capital. The ratification was issued by the courts on 25 July 2000; furthermore, on 8 October 2000, another free increase in the Share Capital was made from L25,000 to L31,948 million equal to Euro 16,500,000 with the use of the reserves already existing in the financial statements. Biesse Spa has voided all the previous shares and has issued 16,500,000 new shares, each with a nominal value of 1 Euro, attributed to the previous shareholders in proportion to the shares held.

On 23 November 2000, the shareholders deliberated an increase in the share capital from Euro 16,500,000 to Euro 17,805,042 to service the convertible debenture loan, deliberated on the same date, for Euro 14,107,500. This loan is represented by the same number of bonds having a nominal value of 1 Euro each. The Debenture loan would have matured on 21 December 2005 and was to be paid in a lump sum. It was convertible into ordinary Biesse Spa shares at a rate of 1 share with a nominal value of 1 Euro for every 10.81 shares, totalling Euro 10.81. On 28 February 2001, the Board of Directors of the Biesse Spa deliberated on the advance repayment of the P.O.C. according to art. 6 of the P.O.C. Regulations, allowing the sole bearer of the loan to exercise his right to advance conversion, as envisaged in point 6.02 of the aforementioned P.O.C. regulations.

The bond holder confirmed the right to convert the entire loan into Biesse Spa shares on 3 March 2001, according to the established exchange ratio. Therefore, in fulfilment of the conversion, 1,305,042 new Biesse Spa shares will be issued, with coupon value on the dividends pertaining to the 2001 financial period, and will be assigned to the bearers of the entire converted debenture loan. The Share capital of the Biesse Spa at this point will be subscribed and paid in full for Euro 17,805,042.

Share premium reserve

During the financial period, the entire balance was released for the free increase of the share capital mentioned above.

Legal reserve

Compared with the previous period, the legal reserve increased after allocating L334 million of the income from 1999 and after integrating L3,391 million following the free increase in share capital with L2,541 million released from the merger deficit reserve and L1,390 million from the surplus reserve.

Surplus reserve

The surplus reserve decreased by L7,071 million. During the period, the reserve was decreased by L8,338 million due to the free increase in the share capital transacted on 9 October 2000 and L397 million was released for the reconstitution of the reserve for accelerated depreciation of the incorporated companies Selco Spa and Cosmec Srl. It was then increased by L223 million, equal to the civil law depreciation allowances in 2000 for which the company benefited from the tax deductions, making these part of the accelerated depreciation reserve and by earmarking part of the income from the 1999 period equal to L1,440 million, net of dividends.

Consolidation reserve

The consolidation reserve was increased by L126 million since it took in the difference between the price paid for the purchase of shares in the subsidiary Bifin Ltd by Biesse America and the shareholders’ equity as of the purchase date.

Conversion differences reserve

The Conversion differences reserve is provisioned to make up for the differences in the financial statements expressed in the currency of non-Euro countries. It increased L502 million over the period.

Other reserves

The Other reserves item is composed of the merger deficit of L 3,362 million, of the L323 million fund as per Art. 55 of Presidential Decree 597/917, the reserve under Law 696/83 – Law 399/17 equal to L277 million, and the accelerated depreciation reserve for L2,295 million, composed of the accelerated depreciation done in the previous periods measured only in preparing the income tax returns.

Reconciliation between the Parent Company and the Consolidated Financial statements (L million).

	Shareholders' equity 2000	Income of 2000 financial period	Shareholders' equity 1999	Income of 1999 financial period
Shareholders' equity and income of the period as recorded in the parent company financial statements	86,804	19,230	60,761	6,678
Elimination of adjustments and accruals made exclusively in applying the tax standards of the parent company Biesse Spa:				
Effect of the accelerated depreciation recorded in the period financial statements			560	(203)
Elimination of the stock value of the consolidated equity investments:				
Diff. beween the stock value and pro-quota value of the shareholders' equity	(32,018)		2,311	
Pro-quota results achieved by the held companies		14,327		5,170
Consolidation difference	47,780	(3,254)	6,646	(1,191)
Surplus attributed to buildings	994	(31)		
Consolidation reserve	126			
Modifications to the consolidation area		(6,126)		
Elimination of the write down of the equity investments		1,884		1,868
Assessment of the affiliates using the net equity method			33	20
Elimination of the effects of transactions between consolidated companies:				
Intra-group profits included in the value of final inventories	(5,129)	611	(5,627)	(299)
Intra-group profits on fixed assets	(1.505)	(1.505)		
Dividends			(657)	4,917
Other postings			948	1.250
Shareholders' equity and income of the period pertaining to the Group	97,052	25,136	64,975	18,210
Shareholders' equity and income of the period pertaining to minority interests	1,001	361	548	7
Shareholders' equity and income of the period as recorded in the financial statements	98,053	25,497	65,523	18,217

N.B.: The consolidation adjustments are recorded separately, net of the related fiscal effects.

Fund for risks and charges

L million

Description	Value of previous period	Modifications to consolidation area	Use of the reserve	Provisions made during period	Value at year-end
Supple. indemnity reserve for customers	1,709		(234)	243	1,718
Unrealised exchange losses	5		(5)	2	2
Product warranty provision	3,976	308	(149)	950	5,018
Provision for future risks and charges	4,000		(2,260)	37	1,777
Total	**9,690**	**308**	**(2,647)**	**1,232**	**8,514**

The Provision for future risks and charges include the Corporate Restructuring provision, equal to L1,323 million as of 31 December 2000, with L2,260 million that was released during the period. This Provision also includes a risk fund for the Biesse Spa company, taxed for L250 million, which remained unaltered compared with the previous period and a general fund for risks and charges allocated by Intermac Spa for L100 million against the potential risk pursuant to the P.V.C. in December 2000. The item increased by L37 million during the 2000 financial period after provisions made by Intermac Spa and Biesse France.
The potential risks deriving from findings emerging from fiscal controls made regarding Biesse Spa, at least as far as the more significant findings are concerned, although these were also modest in terms of absolute values, appear remote due to their substantial insignificance. Regarding further findings, their size is relatively insignificant.

Staff severance indemnities reserve

L million	
Reserve at the beginning of the financial period	16,175
Payments made during the period	(2,415)
Amount accrued and allocated in the consolidated income statement	4,605
Reserve at the end of the financial period	18,364

Accounts Payable

Convertible bonds:

L million

Description	**Value of previous period**	**Increases / Decreases**	**Value at year-end**
Convertible bonds maturing within 12 months	10,000	17,316	27,316
Convertible bonds maturing after 12 months	1,000	(1,000)	0
Total	**11,000**	**16,316**	**27,316**

On 7 February 2000, the company converted a debenture loan for L10,000 million. The L10 million in bonds with a face value of L1,000 each was converted into 37,500 ordinary shares for a total value of L1,875 million, whose value was effective as of 1 March 2000; the L8,125 million difference in the total value between the bonds and the new shares was allocated to the share premium reserve.

A convertible debenture bond for Euro 14,107,500 was issued on 23 November 2000, including the issue of 14,107,500 bonds to the holder, with a face value of Euro 1. The bonds mature at 31 December 2005 except in the case of advance repayment. The exchange ratio is equal to 1 share with a value of 1 Euro for every 10.81 bonds. On 20 December 2000, the total amount of the debenture loan was underwritten by the Werner Deuring Privatstiftung. Please review the information described previously regarding the conversion of the debenture loan taking place in 2001.

Notes payable due to banks:

L million

Description	Value of previous period	Increases / Decreases	Value at year-end
Current accounts and short term loans	67,221	73,104	140,325
Medium-term loans	5,875	(5,833)	42
Mortgages with collateral	7,796	2,313	10,109
Mortgages without collateral	10,183	26,409	36,592
Total	**91,073**	**95,994**	**187,067**

The increased indebtedness toward banks is due in part to the effects deriving from the modifications made in the consolidation area (the bank debts of the Schelling Group as of 31 December 2000 are equal to L28,541), in part due to the use of debts to cover financial investments made over the course of 2000, and finally to the financially related needs associated with the development in the working capital.

The mortgages taken out with collateral are detailed as follows:

L million

Company	Principal	Credit institution	Description of the collateral
Biesse Spa	1,600	Mortgage Mediocredito Fondiario Centroitalia	Mortgage taken on the building in Via della Meccanica, sn Chiusa di Ginestreto (PS)
Biesse Spa	3,844	EIB Loan	Mortgage taken on the 75,000 m2 area, site of the buildings in Pesaro, Località Chiusa di Ginestreto (PS), constituted by 7 plant buildings.
Sel Realty Ltd.	218	Mortgage BCI Comit Canada	Mortgage on the industrial building in Toronto (Canada)
Sel Realty Ltd.	445	Mortgage BCI Comit Canada	Mortgage on the industrial building in Montreal (Canada)
Bifin Ltd	4,002	Mortgage BCI Comit NY	Mortgage on the industrial building in Charlotte (United States)
Total	**10,109**		

Notes payable due to other financial sources:

As of 31 December 2000, the notes payable due to other financial sources is L207 million and shows a decrease of L223 million compared with the previous year. The entire amount of the item is comprised of security deposits received from customers.

Advances:

This item includes advances received from customers as of 31 December 2000 for a total amount of L33,967 million, increasing by L21,326 million compared to the L12,641 million as of 31 December 1999. This increase is due to the contribution of Schelling Group companies (L19,615 million) in addition to the development recorded in the new order acquisitions. The high amount relating to the Schelling Group is justified by the type of product constructed, which chiefly includes large systems and processing lines, with a high unit value and therefore bringing in significant amounts in terms of deposits.

Trade payables:

L million

Description	**Value of previous period**	**Increases / Decreases**	**Value at year-end**
Payables due to external suppliers	114,375	56,122	170,497
Payables due to affiliated companies	675	(675)	0
Payables due to parent companies	1,225	72	1,297
Total	**116,275**	**55,519**	**171,793**

The payables due to parent companies include payables due to Biesse Holding Spa held by Biesse Spa for L278 million, by Intermac Spa for L568 million, and by HSD Srl for L450 million.

The payables due after 12 months total L1,576 million and must be repaid in full over five financial periods.

As was explained previously under the receivables, the increase in the payables toward suppliers is due in part to the effect of the Schelling Group acquisition for L14,590 million, in part to the growth of the Group business volume, with the consequent development in the production volumes, purchases and payables to suppliers, and finally due to the effects of the securities investment plan that the Group has been following for the past two years.

The payables to affiliated companies in 1999 were related to Payables to Gieffe, the company incorporated into the Intermac Spa during the 2000 financial period.

Social insurance and taxes payable:

L million

Description	**Value of previous period**	**Increases / Decreases**	**Value at year-end**
Tax payables	10,316	(97)	10,219
Payables to social insurance	5,412	2,271	7,683
Total	**15,728**	**2,174**	**17,902**

Other payables:

As of 31 December 2000 the item Other payables amounts to L25,999 million. This includes the payables towards employees for salaries and wages for the month of December for L11,814 million, the outstanding debt relating to the purchase of 19% of the shares in Selco Spa for L2,208 million, the debt for dividends still to disburse to Biesse Holding Spa and Biesse Finance Bv (shareholders controlling the parent company Biesse Spa) relative to income in the 1999 period for a total of L3,187 million.

At the end of the last financial period, the item Other payables amounted to L13,402 million.

Payables falling due after 5 years:

L million

Company	Amount	Description
Biesse	2.126	Loan: Law 46/98
Biesse	200	M.I.C.A. loan under Law 46/82
Intermac	64	IMI loan
Intermac	1.295	M.I.C.A. loan under Law 46/82
Total	**3.685**	

Accruals and Deferred Income

As of 31 December 2000 these items are comprised as follows:

Accrued expenses:

L million

Description	Value of previous period	Increases/ Decreases	Value at year-end
Interest expenses	557	739	1,296
Miscellaneous	645	1,541	2,185
Total	**1,201**	**2,280**	**3,481**

Deferred income:

L million

Description	Value of previous period	Increases/ Decreases	Value at year-end
Interest income	683	1,345	2,028
Advance revenues for installation and testing	988	739	1,727
Miscellaneous	60	6	66
Total	**1,731**	**2,090**	**3,821**

Memorandum Accounts:

The memorandum accounts amount to a total of L189,278 million and are described as follows:

Lit. / Mil.

Description	**Value of previous period**	**Value at year-end**
Banks for our guarantees	25	0
Leasing commitments	6,248	10,283
Collateral given for guarantees / endorsements	24,982	33,683
Bills in circulation	16,170	21,884
Other memorandum accounts	9,469	123,428
Total memorandum accounts	**56,894**	**189,278**

The significant increase in the Other memorandum accounts refers to forward agreements to cover exchanges of CAN $10,300,000 and $10,300,000 that at the exchange rate at the end of the period have a value of L35,702 million; trading forward sales contracts for CAN$19,000,000, GBP3,600,000 and USD10,200,000 having a value with the exchange rate at the end of 2000 of L58,682 million; furthermore, two options contracts were entered into for a total of Euro15,000,000 equal to L29,044 million.

CONSOLIDATED INCOME STATEMENT
DETAILED INFORMATION AND THE VARIATIONS OCCURRING IN THE CONSISTENCY OF THE PRINCIPAL ASSET AND LIABILITY ITEMS

Value of production

Sales of goods and services:

L million

Description	Value of previous period	Value at year-end	Variation
Revenues for the sale of goods	439,426	655,971	216,545
Revenues for services rendered	5,491	10,370	4,880
Other sales revenues	3,214	1,144	(2,071)
Variation in revenues for returns, premiums, discounts, allowances and invoice adjustments	(3,246)	(1,483)	1,762
Total	**444,885**	**666,001**	**221,116**

The impact on the Group revenues made by the Schelling acquisition was particularly significant (in the table below identified as Systems Division), which contributes consolidated revenues of L150,159 million, achieved thanks to its consolidated presence on global markets and its proven leasdership in the segment of large systems and complex lines for panel manufacturing.

The Schelling Group also contributed towards the Revenues for services rendered (L1,546 milioni), which is combined with a growth in the Group revenues associated with the technical assistance services rendered to the customers.

The breakdown of the revenues for sales and services rendered by geographic area and division is the following:

L million

Product segment	Geographical Area	Value of previous period	Value at year-end	Variations
Wood Division	EU area	195,421	225,579	30,158
	North America	91,155	100,126	8,971
	Rest of the world	70,046	82,497	12,451
	Total	*356,623*	*408,202*	*51,579*
Glass Division	EU area	50,955	69,634	18,679
	North America	10,500	7,687	(2,813)
	Rest of the world	16,525	15,267	(1,257)
	Total	*77,980*	*92,588*	*14,609*
Mechatronics Division	EU area	6,053	9,975	3,922
	North America	1,503	2,099	596
	Rest of the world	2,727	2,978	251
	Total	*10,283*	*15,052*	*4,769*
Systems Division	EU area	0	66,813	66,813
	North America	0	72,359	72,359
	Rest of the world	0	10,986	10,986
	Total	*0*	*150,159*	*150,159*
Total	EU area	252,429	372,000	119,571
	North America	103,158	182,272	79,113
	Rest of the world	89,298	111,729	22,431
	Total	*444,885*	*666,001*	*221,116*
Overall total		**444,885**	**666,001**	**221,116**

The breakdown of the sales by geographic area / product division demonstrates how particularly signficant the increase in the sales in the Wood Division (+14.5%) was, historically the principal business of the Biesse Group.

This also demonstrates how the growth was distributed uniformly throughout the geographic areas, a sign of the widespread presence of the Group – through retail points and branches – on all the main markets. Decided growth was seen in the Glass Division (+18.7%) which, since it does not have a network of branch offices, was less unbalanced towards exports since its main reference market is the Euro area, with the Italian marketing having particular importance.
The Mechatronics Division has always been primarily dedicated to manufacturing for the Group companies. Just recently it has begun to expand onto the world market with direct sales, while recording significant growth (+46.3%) and giving rise to expectations of growth for the coming years, since it can count on undisputed technological leadership.

Other revenues and income:

L million

Description	Value of previous period	Value at year-end	Variation
Contributions to period account	191	813	622
Other revenues	1,185	6,375	5,190
Total	**1,377**	**7,188**	**5,812**

The growth in the item Other revenues and income is due largely to the L1,334 million in variations in the consolidation area and L1,102 million in the growth of the revenues deriving from centralised services provided by Biesse Spa functions to the parent company Biesse Holding Spa.

Costs of production

Costs of raw, ancillary and consumable materials and goods for resale

L million

Description	Value of previous period	Value at year-end	Variation
Purchases of raw, ancillary and consumable materials and goods for resale	183,356	299,909	116,553
Other costs of raw, ancillary and consumable materials and goods for resale	17,746	25,591	7,845
Total	**201,102**	**325,500**	**124,398**

The increase in the purchase costs is directly derived from the significant increase in the production volumes. A significant increase was derived from the Schelling Group acquisition, equal to L70,170 million.

Service costs:

L million

Description	Value of previous period	Value at year-end	Variation
Outsourcing	19,613	21,324	1,711
Utilities	1,332	2,149	818
Maintenance	2,373	3,878	1,505
Tech., legal and admin. consulting	4,374	8,100	3,726
Commissions expenses	13,733	20,011	6,278
Trade shows and advertising	10,071	13,712	3,641
Business trips and travel expenses	9,725	16,831	7,106
Postage and telephone costs	2,872	3,843	970
Transportation costs	6,630	11,981	5,351
Other service expenses	13,597	28,427	14,830
Total	**84,319**	**130,255**	**45,936**

The Schelling effect was particularly significant in this area (totalling L28,650 million). The most significant increases refer to commissions expenses and trips and travel expenses, both associated to the development in the sales, driven by intense commercial penetration activities by the external and internal sales team. Included among the Other service expenses were the salaries for the administrators for L1,154 million (L846 million in 1999) and the fees to auditors for L186 million (L185 million in 1999), while the commissions expenses includes the provision to the Supplementary customer indemnity reserve for L243 million.

Use of third-party assets

L million

Description	Value of previous period	Value at year-end	Variation
Rental costs	3,410	4,857	1,447
Licenses	38	38	(0)
Leasing payments	3,834	5,256	1,421
Total	**7,282**	**10,150**	**2,868**

The value was essentially unaltered from the previous year, considering the Schelling group effect (L3,119 million).

Personnel costs:

The increase in the personnel costs compared with the previous period is in line with the continuous expansion in the work force, necessary to support the growing volume of business achieved during the period.

The growth induced by the Schelling Group companies entering the consolidation area is equal to L31,753 million.

L million

Description	Value of previous period	Value at year-end	Variation
Wages and salaries	67,576	106,728	39,152
Social security charges	20,522	29,642	9,120
Severance indemnity and benefits	3,988	4,615	627
Other costs	567	314	(253)
Total	**92,653**	**141,300**	**48,646**

Detail of the average number of employees in the companies included in the consolidation area:

	1999	2000	Variation
Directors	32	33	1
Middle managers	10	6	-4
Staff	654	854	200
Labourers	562	805	243
Total	**1,258**	**1,698**	**440**

The increase is due in part to the Schelling Group effect for a total of 335 average annual staff members (6 directors, 160 staff, 169 labourers) and in part to the natural positioning of the group structure in order to keep up with corporate activities.

Amortisation, depreciation and write-downs:

L million

Description	Value of previous period	Value at year-end	Variation
Amortisation of intangible assets	3,031	6,397	3,367
Depreciation of tangible assets	7,701	11,310	3,609
Write downs on receivables included in the current assets and cash on hand	1,223	1,446	224
Total	**11,954**	**19,154**	**7,200**

The amount of constant rate amortisation on the consolidation difference is included with the amortisation of intangible assets, for an amount equal to L3,254 million. The amount of amortisation on the premium deriving from the acquisition of the Schelling Group is included with the depreciation charges on tangible assets, which was charged to the "Buildings" item for L31 million.

Provisions:

L million

Description	Value of previous period	Value at year-end	Variation
Provision for risks	100	15	(85)
Other provisions	965	950	(15)
Total	**1,065**	**965**	**(100)**

The item Other provisions refers to the provisions to the Product warranty reserve.

Sundry operating costs:

L million

Description	Value of previous period	Value at year-end	Variation
Bad debt losses	121	20	(101)
Miscellaneous tax expenses	851	695	(156)
Unexpected losses	536	864	328
Representational costs	534	588	54
Membership fees	195	214	19
Other operating expenses	5,191	9,975	4,784
Total	**7,428**	**12,355**	**4,927**

The item Other management costs includes the costs for stationery and printed material, losses on assets and fuel costs associated with vehicle management. The growth is due to the L3,070 million for variations in the consolidation area.

Financial proceeds and charges

Income from equity investments:

L million

Description	Value of previous period	Value at year-end	Variation
In affiliated companies	31	0	(31)
In other companies	103	52	(51)
Total	**135**	**52**	**(82)**

The income from equity investments in other companies refer to dividends and relative tax credits from Diamut Srl disbursed to Intermac Spa for L48 million and by dividends and the related tax credits distributed by the Banca delle Marche Spa and earned by Biesse Spa for L5 million.

Other financial income:

L million

Description	**Value of previous period**	**Value at year-end**	**Variation**
Income from long term receivables	136	58	(78)
- Other income	136	58	(78)
Income from securities recorded under fixed assets that do not reflect equity investments	2	21	20
Income from securities recorded under current assets that do not reflect equity investments	52	200	148
Other income	3,273	6,477	3,204
- Income on exchange differentials	1,811	2,963	1,152
- Other income	1,462	3,514	2,052
Total	**3,463**	**6,757**	**3,294**

The Other sundry income is comprised primarily of interest on Sabatini Law practices for L2,242 million while income from forward trading contracts equal to L1,761 million is included under the Income on exchange differentials.

Interest and other financial charges:

L million

Description	**Value of previous period**	**Value at year-end**	**Variation**
Interest charges from banks and on advances	1,122	2,057	935
Interest charges on loans	2,347	4,614	2,267
Interest charges on debenture loans	770	158	(612)
Interest charges on other debts	925	2,785	1,860
Discounts and other financial expenses	768	1,126	358
Unrealised exchange losses	1,740	4,651	2,911
Provision for unrealised exchange losses	3	2	(1)
Total	**7,676**	**15,392**	**7,717**

The financial charges recorded under the assets of the consolidated balance sheet are not calculated.

Value adjustments of financial assets

Write-ups:

L million

Description	Value of previous period	Value at year-end	Variation
In equity investments	21	0	(21)
In fixed financial assets not constituting equity investments	0	0	0
Total	**21**	**0**	**0**

The write-ups in equity investments in 1999 refer to the assessment of the affiliated company Gieffe Srl, done in 1999. During 2000, the same equity investment was incorporated during the merger with Intermac Spa.

Write-downs:

L million

Description	Value of previous period	Value at year-end	Variation
In equity investments	0	0	0
In fixed financial assets not constituting equity investments	0	273	273
Total	**0**	**273**	**273**

The write down of the fixed financial assets not reflecting equity investments refer to the write down of a long-term financial loan for L273 million considered to be no longer collectable.

Extraordinary income and charges

Extraordinary income:

L million

Description	Value of previous period	Value at year-end	Variation
Capital gains from sales	0	706	706
Other extraordinary income	241	439	198
Total	**241**	**1.145**	**905**

Extraordinary charges:

L million

Description	Value of previous period	Value at year-end	Variation
Capital losses on property sale	23	67	44
Taxes relating to previous periods	0	5	5
Other exceptional charges	4,072	1,306	(2,766)
Total	**4,095**	**1,379**	**(2,716)**

In particular, the item Other exceptional charges is constituted by the write down on the remaining amortisable amount of the consolidation difference relating to the merger of Cosmec Srl and the Biesse Brianza Srl for L142 million, which includes the results of the transactions by the parent company when it allocated the merger deficit.

Income taxes:

L million

Description	Value of previous period	Value at year-end	Variation
Provision for IRPEG	17,830	23,183	5,353
Provision for IRAP	4,917	5,618	701
Deferred / pre-paid taxes	(5,316)	(2,451)	2,865
Total	**17,432**	**26,350**	**8,919**

Income for the year

Income for the year was L25,136 million, net of the amount pertaining to minority interests, equal to L361 million and an amount relating to the income for the year achieved by the Schelling Group before acquisition totalling L6,127 million.

The number and nominal value of each category of shares in the parent company and the number and nominal value of the new shares in the parent company subscribed during the period (article 2427 paragraph 1 No.17 Civil Code) are as follows:

Evolution in the capital	**Number**	**Nom.value**	**Share Capital**
Ordinary shares at beginning of period	212,500	L50.000	L10,625,000,000
Ordinary shares subscribed during period	287,500	L50.000	L14,375,000,000
Conversion of share capital in Euro	16,500,000	Euro 1	Euro 16,500,000
Ordinary shares at year-end	16,500,000	Euro 1	Euro 16,500,000

Further information:

The amount of salaries and fees due to the administrators and auditors of the parent company for fulfilling their duties, including towards companies included in the consolidation, is as follows:

Directors	L779 million
Statutory Auditors	L134 million

In order to provide more complete information about the asset and financial situation of the Group, please review the enclosed cash flow statement (Annexe 1). Post balance sheet events are reported in the Directors' Report on Operations.

Pesaro, 14 March 2001

The Chairman of the Board of Directors

Giancarlo Selci

ANNEXES

ANNEXE "A"

DETAILS ON THE CONSOLIDATION DIFFERENCE *(L million)*

	Consolidation difference at 31.12.1999	Amort- isation provisions at 31.12.1999	Net value at 31.12.1999	Variations in 2000	Write-down pursuant to merger	Consolidation difference at 31.12.2000	Amort- isation share 2000	Amort- isation provisions at 31.12.2000	Net value at 31.12.2000
SELCO SRL	4,356	(436)	3,920	3,816		8,172	(817)	(1,253)	6,919
BIESSE BRIANZA SRL	17	(10)	7		(7)	0	0	0	0
BIESSE TRIVENETO SRL	29	(17)	12	255		284	(28)	(46)	238
BIESSE CANADA LTD	109	(65)	44			109	(11)	(76)	33
SEL REALTY LTD	9	(6)	4			9	(1)	(7)	3
BIESSE GROUP UK LTD.	25	(5)	20			25	(2)	(7)	17
BIESSE GROUPE FRANCE SARL	50	(15)	35			50	(5)	(20)	30
INTERMAC SPA	3,088	(618)	2,470			3,088	(309)	(926)	2,161
BUSETTI SRL	454	(454)	0	1,150		1,150	(115)	(115)	1,035
COSMEC SPA	150	(15)	135		(135)	0	(0)	0	0
SCHELLING ANLAGENBAU GMBH	0	0	0	39,309		39,309	(1,965)	(1,965)	37,344
TOTAL	**8,287**	**(1,641)**	**6,646**	**44,530**	**(142)**	**52,196**	**(3,254)**	**(4,416)**	**47,780**

ANNEXE "B"

CONSOLIDATED CASH FLOW STATEMENT *(L million)*	**2000**	**1999**
ORDINARY ACTIVITIES		
+/- Income (loss) for the year	25,497	18,216
+ Amortisation and depreciation:	0	
+ of tangible fixed assets	11,310	7,701
+ of intangible fixed assets	6,397	3,449
+ Write-off of consolidation difference pursuant to merger	141	2,852
+ Provisions	0	
+ staff severance indemnity	4,605	3,619
+ for bad and doubtful debts	1,446	1,223
+ for risks and charges	1,405	1,065
+ Write down of shareholdings and others		
= SUBTOTAL	**50,801**	**38,125**
- Staff severance indemnity paid out	(2,415)	(1,421)
- Use of risk fund	(2,580)	(1,508)
+/- Variation in current assets	(83,189)	(28,125)
+/- Variation in securities included in current assets	2,099	(2,009)
+/- Variation in inventory	(62,949)	(5,411)
+/- Variation in prepayments and accrued income	(251)	(367)
+/- Variation in accruals and deferred income	4,370	(46)
+/- Variation in trade payables	55,519	8,480
+/- Variation in other non-financial payables	32,910	3,655
= CASH FLOW FROM ORDINARY ACTIVITIES	**(5,686)**	**11,373**
INVESTING ACTIVITIES		
- Purchase of intangible assets	(1,040)	(2,491)
+ Transfer of intangible assets	277	3
- Purchase of tangible fixed assets	(54,427)	(28,579)
+ Transfer of tangible fixed assets	0	581
- Purchase of financial fixed assets	1,241	(4,505)
+ Transfer of financial fixed assets	0	3,571
Delta purchase (transfer) of shareholdings in subsidiaries represented by:	0	
intangible fixed assets	(1,171)	
tangible fixed assets	(26,971)	
financial fixed assets	0	
current assets	(11,350)	
payables	28,541	
consolidation difference	(39,309)	
surplus attributed to material assets	(1,025)	
consolidation reserve	126	
+/- Variation in third-party capital	(407)	(482)
Purchase (transfer) of other shareholdings and securities	192	
= CASH FLOW FROM INVESTING ACTIVITIES	**(105,324)**	**(31,902)**
FINANCING ACTIVITY		
+/- Increase / decrease in financial receivables		
+/- Opening / repayment of medium / long-term bank loans	30,630	(7,715)
+ Opening / repayment of other loans	26,316	
+ Increase / decrease in bank borrowings	65,364	30,235
Variation in payables to other lenders	(223)	
- Payment of dividends	0	(1,600)
= CASH FLOW FROM FINANCING	**122,087**	**20,920**
+/- Variation in reserve from conversion of financial statements	502	
= CASH FLOW	**11,579**	**391**
+ Net cash on hand at period start	21,186	20,795
+ Net cash on hand at period end	32,765	21,186
Variations in financial items that do not involve cash-flow movements		
- conversion of debenture loan	10,000	0
- dividends deliberated and not paid	3,188	0
Total	**13,188**	**0**

AUDITORS' REPORTS

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

(as per art. 41 of Legislative Decree No. 127, dated 9 April 1991).

Shareholders,

We have examined the consolidated financial statements for the year ended 31 December 2000, composed of the balance sheet, income statement, notes and the report on operations.

The consolidated financial statements were prepared based on the financial statements of the parent company and the subsidiary companies, which were drawn up by the respective administrative bodies with reference to the date of 31 December 2000. These documents were verified by the respective auditors, where envisioned by the national regulations.

The company voluntarily had the financial statements as of 31 December 2000 used for the present consolidated financial statements reviewed by their respective independent auditors, who did not make any comments about them.

These financial statements have been adjusted, where necessary, to adapt them to the accounting principles adopted by the Group.

The notes highlight the principles of consolidation and the evaluation criteria that were adopted, detailing the most significant variations that have occurred in assets and liabilities.

The consolidated financial statements for the year ended 31 December 2000 and prepared by the Board of Directors of the parent company can be summarised as follows:

a) with regard to the **balance sheet**:

(L thousand)	**at 31.12.2000**	**at 31.12.1999**
Assets		
B) Fixed assets	174,897,025	87,702,627
C) Current assets	419,194,601	265,023,220
D) Prepayments and accrued income	2,394,072	2,143,082
Total assets	596,485,698	354,868,929
Liabilities		
A) Shareholders' equity		
Share capital and reserves		
- pertaining to the Group	71,916,093	46,765,988
- pertaining to minority interests	640,444	540,752
Income for the year		
- pertaining to the Group	25,136,156	18,209,265
- pertaining to minority interests	360,741	7,142
B) Provision for risks and charges	8,514,184	9,689,712
C) Staff severance indemnity reserve	18,363,917	16,174,627
D) Payables	464,252,115	260,549,191
E) Accrued expenses and deferred income	7,302,048	2,932,252
Total liabilities	**596,485,698**	**354,868,929**

b) with regard to the **income statement**:

(L thousand)	**Year ended at 31.12.2000**	**Year ended at 31.12.1999**
A) Value of production	663,426,141	446,705,614
B) Costs of production	(616,364,301)	(403,146,351)
Difference between value and costs of production	**67,063,840**	**43,559,263**
C) Financial income and charges	(6,583,375)	(4,077,604)
D) Value adjustments of financial assets	(273,256)	20,875
E) Extraordinary income and charges	(233,302)	(3,654,306)
Pre-tax in0come	**57,973,907**	**35,648,028**
Income taxes	(26,350,455)	(17,431,622)
Profit (loss) for the year	**31,623,452**	**18,216,406**

Our examination of the financial statements was conducted according to the Principles of Behaviour recommended by the National Board of Commercial Lawyers and Accountants and, in accordance with these principles, we referred to the laws regulating consolidated financial statements, as construed and amended by the proper accounting principles set forth by the National Boards of Commercial Lawyers and Accountants and, where necessary, by the accounting principles of IASC – International Accounting Standards Committee.

For the purposes of comparison, the balance sheet and the income statement showed the amounts regarding the previous period.

CONSOLIDATION AREA

Using the line-by-line method, the consolidated financial statements includes the financial statements of the parent company, Biesse S.p.A., as well as the financial statements of the companies in which the parent company either directly or indirectly holds a majority vote or in those in which it exerts a predominant influence, if significant.
The subsidiaries that have not been included in the consolidation area, in which the company holds a stake of 20% to 50%, were evaluated using the net equity method.

In the first half of 2000, the parent company acquired the share capital of Schelling Anlagenbau, a company headquartered in Austria, whose financial year ended on 30 June each year. The full consolidation of this company was carried out based on pro-forma financial statements of the subsidiary for the period from 1 January to 31 December 2000.

ASSESSMENT CRITERIA

The most significant evaluation criteria that were adopted to draw up the consolidated financial statements for the year ended 31 December 2000 are listed below.
The accounting principles and assessment criteria have been applied uniformly to all the consolidated companies. The consolidated financial statements were drawn up in accordance with the assessment criteria adopted by the Parent Company Biesse S.p.A. and by many companies of the Biesse Group and comply with the above-mentioned legislative provisions in force, integrated and interpreted by the Accounting Principles issued by the National Boards of Commercial Lawyers and Accountants.

The evaluation of the items on the financial statements was conducted following the general criteria of caution and accrual-base accounting, with an eye to the continuation of business. For the purposes of the accounting records, prevalence was given to the economic essence of the operations rather than their legal status. With regard to financial assets, they were entered in the books at the time they were settled.
Revenues were included only if collected by the date the period was closed, while risks and losses were taken into account even if acknowledged at a later date. Different elements included in single items have been evaluated separately. The asset elements destined to be used permanently have been posted under the fixed assets.
The assessment criteria used for the principle postings of the consolidated financial statements are the following:

Intangible fixed assets

The intangible fixed assets are recorded at purchase or production cost, including any accessory charges and amortised in account at a constant rate.
The plant and expansion costs are recorded under the appropriate asset heading and are depreciated for the entire duration of their useful economic life, and in any event, for a maximum of five years.
Research, development and advertising costs are fully entered in the income statement of the financial year in which they were incurred. The exception here involves expenses for the development of new products, as long as they were relevant to projects of interest to the company offering reasonable potential for profit. Development and advertising costs recorded under the assets are amortised over five financial periods.
Industrial patents and intellectual property rights are amortised based on their presumed life, and in any case for no longer than the time established by the licensing contracts.
The concessions, licenses, trademarks and similar rights recorded under the assets have been amortised based on their presumed life, and in any case for no longer than the time established by the purchase contracts.

If the useful life cannot be determined or there is no contract, the life is fixed at five financial periods.

Goodwill has been recorded under the assets only if acquired for consideration, or to the extent of the cost incurred. It is amortised in a period not exceeding the duration of its use or, if this cannot be determined, for a period not exceeding five years.

Consolidation differences emerge in preparation of the consolidated financial statements when the book values of the shareholdings are eliminated against the corresponding fractions of the shareholders' equity of the subsidiaries. Any surplus is attributed to the individual asset items of the companies included in the consolidation: in other words, when the proper assumptions were present it was entered under the item "Consolidation difference" and amortised for a period in which it is considered that its economic benefits will have been used, usually defined as ten years. The exception is the share for the takeover of the Schelling Group, for which the Board of Directors felt that amortisation over 20 years was more appropriate, given the strategic aspect of the takeover.

The assets whose economic value at the close of the period is significantly lower than the depreciated cost according to the principles shown are amortised to the extent of their economic value. If the reasons for this amortisation are no longer valid, the cost will be restored.

Tangible fixed assets

The tangible fixed assets are recorded at the purchase or production cost including accessory charges, with the exception of monetary revaluation in compliance with the law.

For capital goods, a constant depreciation policy was followed and the coefficients were calculated considering potential residual use. Depreciation was determined based on the coefficients set by the specific decrees of the Ministry of Finance, reduced by 50% for those that were put into operation during the period, since these coefficients correctly represent the technical and economic life of these assets.

The typical duration of the assets is as follows:

Industrial buildings:	33 years
Permanent equipment:	4 years
Equipment for trade shows:	8.33 years
Ordinary machinery and plants:	10 years
Furniture and fixtures:	8.33 years
Motor-vehicles:	4 years
Electronic and electromechanical office machinery:	5 years
Other:	from 3 to 10 years

Production machines and office equipment with a unit price of less than L1,000,000 were depreciated at a rate of 100% since this is considered to be compatible with both civil law and tax legislation, due to the fact that it is completely impossible to manage this small equipment individually and gauge its remaining efficiency.

The fixed assets whose economic value at the close of the period is significantly lower than cost that has not yet been depreciated are depreciated to the extent of their economic value. The depreciation is no longer kept in subsequent periods if the reasons that originally required it no longer exist.

The recurrent maintenance costs are charged in full to the income statement. The incremental maintenance costs are charged to the fixed asset to which they apply and are depreciated according to the depreciation rates established for that asset.

The capital losses arising from transfers of capital goods within the Group have not been cancelled, since they are considered to be fully equalised in relation to depreciation of fixed assets. In the other cases involving the transfer of capital goods within the Group, the relevant capital gains were not cancelled, given the fact that small overall sums were involved.

Receivables and payables

The receivables have been recorded at their nominal value and reduced to the presumed salvage value by using the special bad-debt provision. The payables are recorded at their nominal value.

The receivables and payables in currency other than Italian lire, or in any event, non-European Monetary Union currency, have been calculated and posted in the financial statements at the historic exchange rate pertaining to the day of posting. Should these items give rise to negative differences when converted to the exchange rate valid at the closing date of the period, the company charges the corresponding amount to the risk and contingency reserves on the balance sheet.

Financial current assets

Fixed-rate securities and shareholdings in affiliates intended for sale and included on the asset side are evaluated at the lesser value between purchase cost and the corresponding market value at the date of consolidation.

Inventories

With regard to the year-end inventories, the evaluation criteria envisaged by Article 2426 of the Civil Code have been observed. In particular, the inventories in the warehouse have been assessed at the lesser value between the cost and the market value.

The cost configuration adopted is the following:

Raw materials and merchandise:	LIFO (last in, first out)
Work in progress:	materials used plus direct labour used, evaluated at industrial cost
Finished products:	industrial production cost

The goods in stock have been depreciated directly, taking into consideration their possible use and conversion.

Infra-group revenues that were significant in value regarding assets that were purchased and sold within the Group and not yet transferred to third parties at the date of consolidation were cancelled.
It must be noted that, as with the previous consolidated financial statements, the cancellation of the infra-group income for the supplies made by Hsd Srl to all Group companies was omitted since this involves semi-finished goods that are incorporated in the machinery produced by the purchasing companies in the Group, supplied at normal market prices and whose identification in the warehouses of the aforesaid companies is technically impossible. In addition, since the supplies of Hsd Srl are not subject to substantial variations from year to year, there were no significant variances in these inventories. As a result, infra-Group income was offset between the opening and closing stocks of the purchasing companies of the Group.

Shareholdings in affiliates and other companies

The shareholdings tied up in affiliate companies in which the Group carries significant weight through a 20 to 50% share of votes were evaluated using the net-equity method, while the other shareholdings were evaluated at cost, adjusted where necessary by write-downs as provided for by Article 2426 of the Italian Civil Code.

Accruals and deferrals

Only the income and expenses from the period which have an effect in subsequent financial periods, and the revenues and costs earned or incurred before the closing date of the period but pertaining to subsequent financial periods have been posted under the items covering the accruals and deferrals. Only costs and proceeds shares pertaining to two or more financial periods are included under such items. Their amount varies depending on the period of time.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover known or likely losses or debts, the timing and amount of which cannot be determined at year-end. Included here are the fund for deferred taxes, provisions for exchange fluctuations, the product warranty provision and the corporate restructuring provisions.

In particular, the allocations to the product warranty provision make it possible to anticipate the economic effect of the warranty costs, according to the principle of correlation between sales revenues / costs for the warranty.
The corporate restructuring provision represents an allocation against the charges to be borne for the plans to reorganise the Biesse Group.

Staff severance indemnity reserve

The staff severance indemnity reserve is allocated to cover the entire amount of the compensation accrued in favour of the employees according to their seniority and in virtue of the regulations in force regarding collective contracts in each country where the consolidated companies do business.
The fund, entered net of advances already paid out to employees as instalments on their severance indemnity, is subject to annual revaluation based on indexes.

Risks, commitments and guarantees

The commitments and guarantees are indicated in the memorandum accounts at their contractual value. The risks for which a liability is probable are described in the notes on the financial statements and allocated for according to the congruence criteria in the provision for risks. The risks for which a liability is merely possible are described in the notes, without making provisions to the risk reserves, in accordance with the reference accounting principles. Risks of a remote nature are not considered.

Revenues, income and charges postings

Revenues and income, costs and charges are recorded in the financial statements net of returns, discounts, allowances and premiums as well as any taxes directly connected with the sale of products and services.
Sales revenues are acknowledged at the time the products change ownership, usually when the goods are shipped or delivered. Revenues having a financial nature are acknowledged on the basis of when the transactions occur.

Income taxes

Income taxes are determined on the basis of the taxable income of each consolidated company according to the taxation structures in force in each country. Deferred taxes are allocated from the present period based on the positive and negative interim differences between the taxable result and the result of the financial statements of the individual companies. Furthermore, provisions are made in the consolidated financial statements for deferred taxes, based on the interim differences between the taxable results of the consolidated companies and those of the financial statements used for consolidation.

The deferred tax reserve is calculated based on the rates in force at the time the interim differences originated and is updated to consider the rate in use at the end of each financial period. If the net balance of the deferred taxes is positive and the taxes can be recovered, the deferred tax assets are recorded under the item Other receivables. The tax benefits arising from the fiscal losses are credited to the Income Statement only in the financial period these losses are used to set off the income.

* * * *

In our opinion, the above-mentioned Financial Statements, complete with the Report on Operations, correctly represent the economic and financial situation and results of the Biesse Group for the year ended 31 December 2000. It also complies with the regulations that govern its compilation.

Pesaro, 14 March 2001

BOARD OF STATUTORY AUDITORS

Dott. Giovanni Ciurlo *– Chairman*

Dott. Adriano Franzoni *– Statutory Auditor*

Dott. Adriano Franzoni *– Statutory Auditor*

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AUDITOR'S REPORT

To the Shareholders of
BIESSE S.p.A.:

We have audited the consolidated financial statements of BIESSE S.p.A. as of 31 December 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in Italy. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, presented for comparison in accordance with Italian legal requirements, reference should be made to the auditor's report issued by us on 6 July 2000.

In our opinion, the consolidated financial statements of BIESSE S.p.A. present fairly, in all material respects, the financial position of the Group as of 31 December 2000, and the results of its operations for the year then ended, in compliance with the principles which regulate the preparation of consolidated financial statements in Italy.

As disclosed in the Notes ("Nota integrativa"), the consolidation area of Biesse S.p.A. increased, as compared to that of the prior year mainly as a result of the acquisition of Schelling Anlagenbau Gmbh and its subsidiaries. Therefore, the figures of the consolidated financial statements' are not directly comparable with those of the prior year.

Information regarding the main effects resulting from the change of the consolidation area are disclosed in the Notes ("Nota Integrativa").

DELOITTE & TOUCHE S.p.A.

Carlo Bactani
Partner

29 March 2001

This Auditor's report and the accompanying consolidated financial statements are English translations of the Italian auditor's report and consolidated financial statements prepared for and used in Italy. The consolidated financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in Italy and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Italy.
The standards, procedures and practices utilised to audit such consolidated financial statements are those generally accepted and applied in Italy.

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DELOITTE & TOUCHE S.p.A.

Carlo Beciani
Partner

29 March 2001

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