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Dear Shareholders,

in spite of the economic and financial difficulties and uncertainties which continued to affect the main global markets, Biesse closed 2012 with consolidated revenue (€383.1 million) substantially in line with the previous year and gross operating profit (€25 million) up 11.6% compared to 2011. The gradual deterioration in the economy and, more specifically, in our reference sectors prevented us from achieving the targets we set for the year 2012.

Net debt remained at completely normal levels (€56.2 million - gearing 0.49), also thanks to the careful control of all components of operating working capital. As we have already mentioned several times, Biesse did not feel the pressure of the credit crunch, which however affected our external partners (customers and suppliers), forcing us to provide them with financial support.

Demand for capital goods, besides being influenced by external factors related to business confidence, continued to concentrate in the high- and low-end of the market, revealing the weakness in the mid-range segment and fluctuations in order intake.

From a geographic point of view, in 2012 the increase in exports as a percentage of consolidated sales (89.2%) was crucial in maintaining revenue and global market shares.

19.4% of Biesse's sales came from BRIC countries, jumping from 15.1% in the previous year.

Thanks to its widespread presence in all main global geographic areas, Biesse embraced this trend and stimulated demand also through targeted sales and marketing initiatives (new branches in Malaysia – Indonesia – Korea).

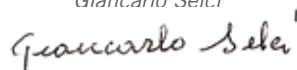
Another cause for satisfaction was the impact of the recent acquisition in China (the world's fastest-growing market for woodworking machinery), which contributed significantly to our growth — and we expect it to continue to do so more and more.

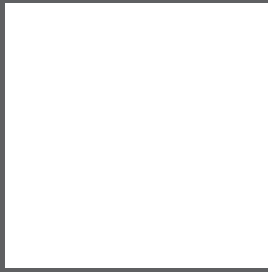
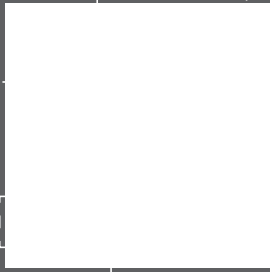
On 14 February, the Board of Directors approved the Three-Year Business Plan for 2013-2015, forecasting a 3.8% weighted average growth in consolidated revenue and an EBITDA margin over 12% by the end of 2015, with free cash flow totalling approximately €48 million.

The Plan's key elements are the strengthening of commercial distribution, the unrelenting focus on technological and process innovation, and the rationalisation of the Group's overheads.

In thanking Biesse's employees and all those – suppliers and customers – who together with us dealt with challenging and often painful circumstances, we wish to confirm our willingness to achieve excellence in our products and the consolidation of our global leadership as crucial elements for driving sustainable growth and returning to value creation.

*Chief Executive Officer
Giancarlo Selci*





the biesse group



board of directors



company office holders

Board of Directors

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

Board of Statutory Auditors

Chairman	<i>Giovanni Ciurlo</i>
Standing Statutory Auditor	<i>Claudio Sanchioni</i>
Standing Statutory Auditor	<i>Riccardo Pierpaoli</i>

Internal Control Committee Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

Supervisory Body

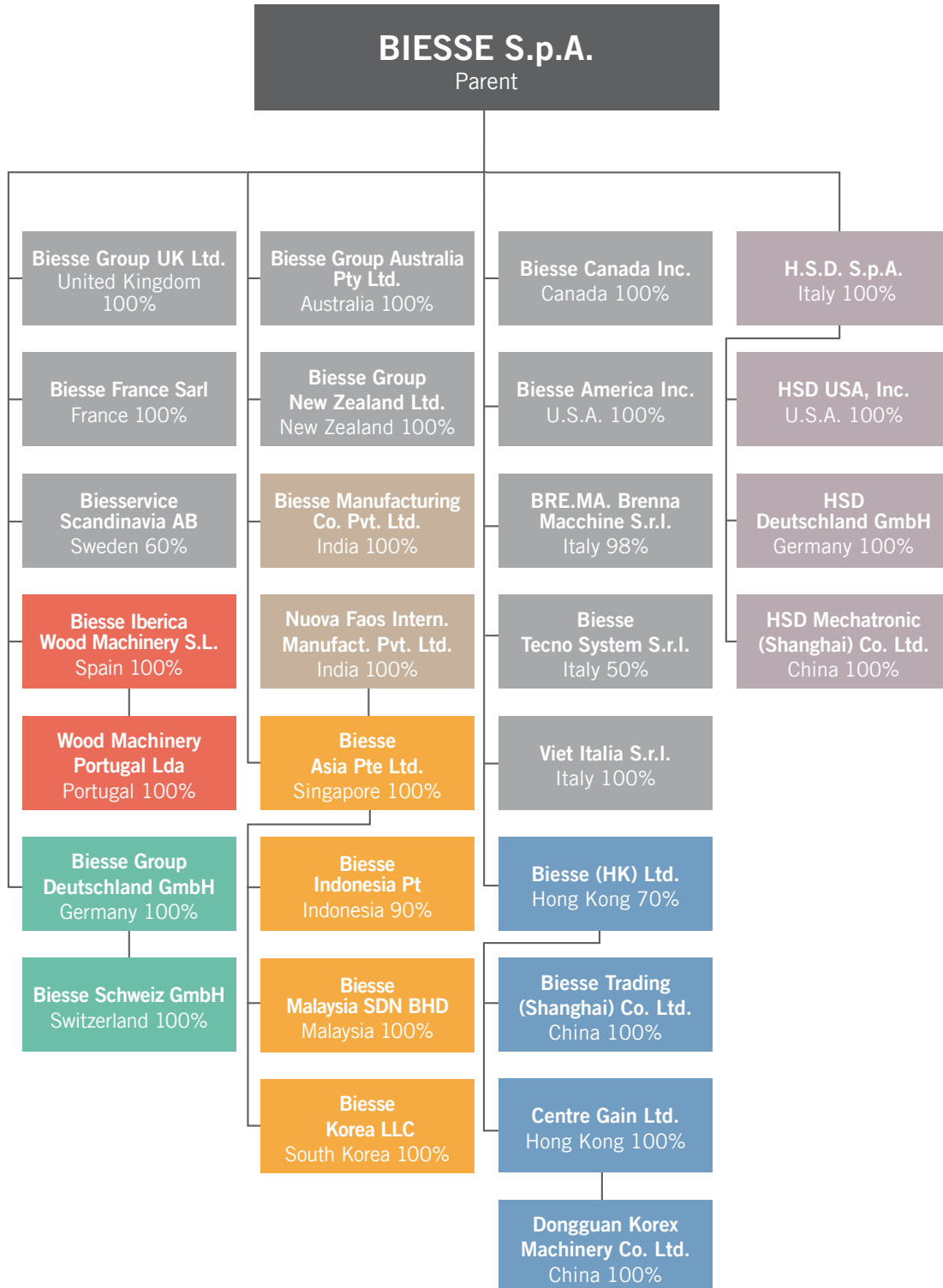
Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Demetrio Pensabene
Elena Grassetti

Independent Auditors

KPMG S.p.A.

group structure

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



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

Compared with the last set of financial statements, the scope of consolidation underwent the following changes.

On 8 June 2012, the subsidiary Biesse (India) Manufacturing Co. Pvt Ltd. concluded the agreement to purchase Nuova Faos International (India) Manufacturing Pvt. Ltd. At the end of 2009, Biesse Manufacturing Pvt Ltd and Biesse SpA reached an agreement with a long termsupplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a put option with Biesse Manufacturing. Since these conditions were met the supplier exercised its right, on 1 January 2012 allowing Biesse to conduct a Due Diligence assistance review on the company (Nuova Faos International Manufacturing Pvt. Ltd.). On 5 March 2012, the parties reached a pre-agreement, setting the consideration for transferring the entire equity investment at € 373,200.12. The transfer was finalised in June.

In addition, during the second quarter, the subsidiary Biesse Asia Pte Ltd. strengthened its local presence and set up two new companies to replace the pre-existing representative offices. Specifically, on 24 April 2012, Biesse Malaysia SDN BHD was set up, while on 26 June 2012 Biesse Korea LLC was established.

In September, control of the company Biesse Trading (Shanghai) Co. Ltd. was successfully transferred from Biesse Asia Pte Ltd. to Biesse (HK) Ltd. The purpose of this transfer was to streamline the corporate structure in the Far East through the creation of an integrated group (from production to sales & marketing to after-sales service) specifically dedicated to the Chinese market.

With reference to the equity investment in BRE. MA. Brenna Macchine S.r.l., at the end of 2011, Biesse S.p.A. had complied with the requirements set forth in art. 2482 ter of the Italian Civil Code

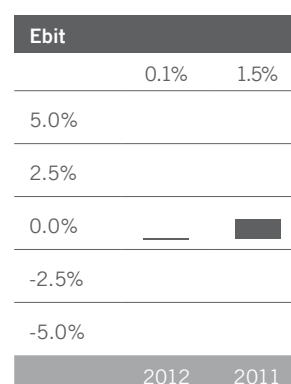
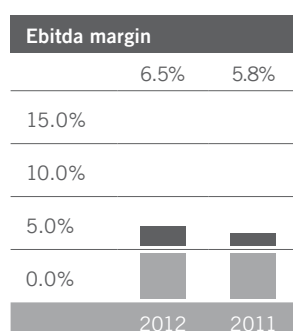
as far as its own equity investment as well as the non-controlling interest are concerned. The payment related to the non-controlling interest was subject to a condition precedent to the subscription right for the relevant 40% stake. The non-controlling interest subsequently carried out the transactions as described in Article 2482 ter for an amount limited to 2% of the share capital, reserving the irrevocable option granted by Biesse to purchase the residual 38% no later than 31 December 2012. Since the option concerned was not exercised within the agreed terms, Biesse S.p.A.'s equity investment in BRE.MA, amounting to 98%, shall be considered confirmed.

It should be pointed out that Viet Italia S.r.l. is a structured vehicle set up to rent and subsequently acquire the business unit of the Pesaro-based brand with the same – Viet – market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. The transaction also included the latter's equity investment in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). Based on some conditions precedent established by the contract in question and concerning Pavit – relating to the acquisition of the equity investment – it was deemed expedient not to include the company in the scope of consolidation, also because it is not material. The company will be consolidated on a line-by-line basis when the conditions precedent have been satisfied.

It should be noted that a purchase offer was made; however, it expired on 31 December 2012 and has not yet been renewed.

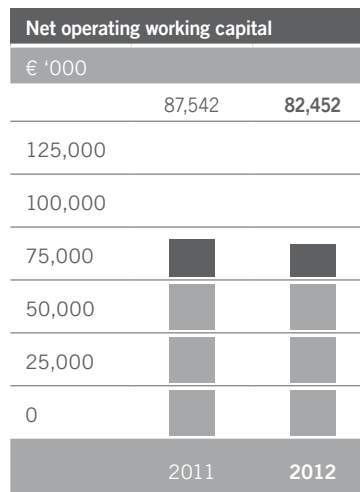
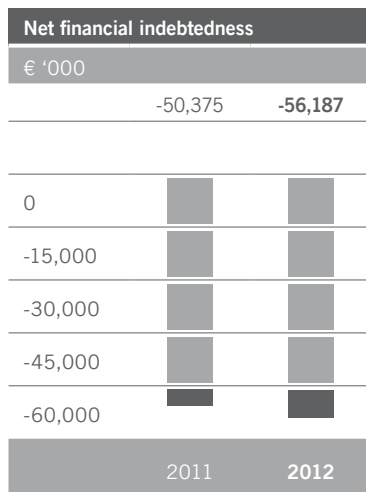
financial highlights

INCOME STATEMENT DATA					
€ '000	31 December 2012	% of sales	31 December 2011	% of sales	Change %
Revenue from sales and services	383,061	100.0%	388,530	100.0%	(1.4%)
Added value ⁽¹⁾	141,353	36.9%	137,998	35.5%	2.4%
Ebitda (Gross operating profit) ⁽¹⁾	25,026	6.5%	22,418	5.8%	11.6%
Normalised Ebit (Normalised operating profit) ⁽¹⁾	7,003	1.8%	7,069	1.8%	(0.9%)
Ebit (Operating profit) ⁽¹⁾	269	0.1%	5,755	1.5%	(95.3%)
Loss for the year	(6,563)	(1.7%)	(2,446)	(0.6%)	-



STATEMENT OF FINANCIAL POSITION		
€ '000	31 December 2012	31 December 2011
Net Invested Capital ⁽¹⁾	169,447	171,038
Equity	113,260	120,663
Net financial indebtedness ⁽¹⁾	56,187	50,375
Net operating working capital ⁽¹⁾	82,452	87,542
Gearing (net financial indebtedness/equity)	0.50	0.42
Fixed asset/standing capital ratio	1.03	1.08
Order intake	290,338	323,178

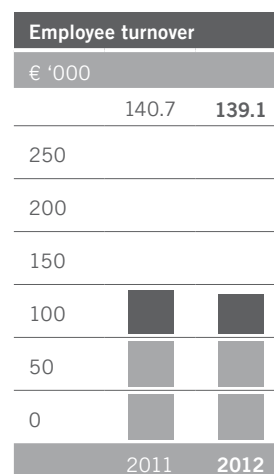
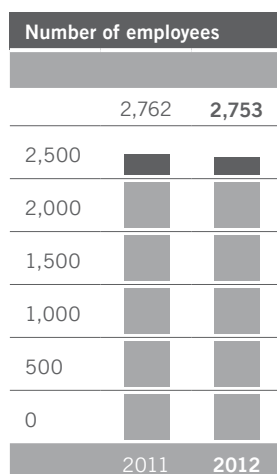
(1) Amounts referring to interim results and to combined equity and financial figures. The relevant calculation criteria are provided in the Directors' Report and in the Notes to the financial statements



PERSONNEL

	31 December 2012	31 December 2011
Number of employees* at year end	2,753	2,762

* Data includes temporary staff.



the group





The **Biesse Group**, with Headquarters in Pesaro, is primarily engaged in the production, marketing and after-sales service of machines and systems for the wood, glass and stone processing sectors. Production activity is concentrated in Italy and in India. Marketing and after-sales support are organised both through the direct geographical presence of companies belonging to the Group which is composed of 30 subsidiaries and commercial offices, and through a select network of 300 importers, distributors and agents. The Group is composed of three main business divisions each of which is highly specialised in its own sector:

- Biesse Wood Division
- Intermac Glass & Stone Division
- HSD Mechatronic Division

The Group is also involved in other activities such as the production of precision mechanical, electrical, electronic and pneumodynamic industrial components.

the brands

BIESSE

Presents its complete range of CNC machines and systems dedicated to panel processing, and window and door manufacturing; CNC machining centres for milling, boring and edgebanding; CNC routers. Biesse is able to provide numerous solutions to increase productivity, reliability and machining quality, all made-to-measure for the customer.

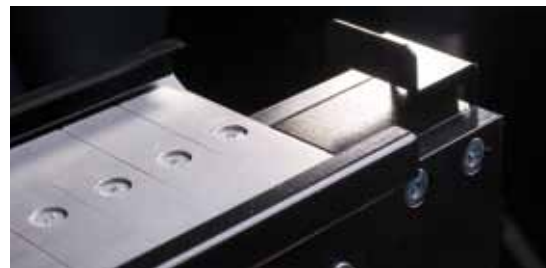


BIESSEEDGE

Produces edgebanding and squaring-edgebanding machines for the furniture industry. Our dedication to satisfying the needs of even our most demanding customers remains constant by granting high-speed, flexible and high precision machining solutions.



Viet calibrating and sanding machines adapt to any context: from the needs of small carpentry workshops to the production chains of large-scale industry. Moreover, our solid specialisation makes it possible to create unique products on customer request to satisfy the single requirements of specific processes.



BIESSEARTECH

Presents a complete range of Easy Tech solutions, specialized in the production of woodworking machines mainly designed for small and medium-sized companies. The company's extensive experience, service and widespread distribution network make BiesseArtech a brand name synonymous with reliability and profitable investment.



COMIL

Produces plants and systems for drilling and drilling-inserting of hardware, flexible machines for companies offering a customizable product and giving importance to the 'lead time' and to the reduction of the half-finished products stock.



RBO

Produces complete solutions for panel handling. The main feature of the Rbo product is the capacity to find the best solution to meet the customers' requests with always reliable and highly engineered products.



the brands

SELCO

Is the Biesse Wood Division Brand that produces and distributes single line sizing centres, angular systems and integrated cutting cells with automatic storage and unloading solutions.



Bre.Ma.

Is specialized in the production of NC vertical processing cells for boring, routing, milling and hardware inserting operations. All Bre.Ma. installations allow to process in sequence, panels with different dimensions without any manual set-up interventions.





sales systems

Offers its clients design services, integrated production lines and turn-key solutions for large scale furniture producers, including integrated drilling and insertion features. It designs turn-key systems and plants for woodworking activities and follows the clients' projects from conception to plant completion. It provides engineering systems and solutions for the resolution of complex production, technology and logistical issues in the panel processing and furniture manufacturing industries.

the brands

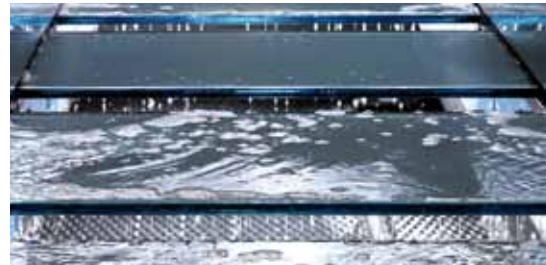
INTERMAC

World leader in the production of multi function work centres for flat glass working. Intermac has revolutioned the technological standards in this sector since the release of its first line of machinery. Completes his offer with a range of machines and systems for the cutting of monolithic and laminated glass. Intermac occupies a leading position also in the production of technologies for natural and synthetic stone processing with its complete line of multi function work centres.



BUSETTI

Leading brand in the segment of double edging machines and lines for flat glass. The vast experience and profound knowledge of the market needs allow the development of solutions that are able to meet the needs of the customers. The product range is completed with vertical and horizontal glass drilling machines.



DIAMUT

Complete range of tools for the working of glass and stone. Diamut products can be used on all the machines on the market always granting the maximum quality of the final result.



COSMEC

COSTRUZIONI MECCANICHE
DI PRECISIONE

The production unit Cosmec manufactures high-precision mechanical components, which allows Biesse to guarantee perfect control and consistent quality of its processes throughout the product life cycle, from conception and design through manufacturing, distribution and after-sale service.

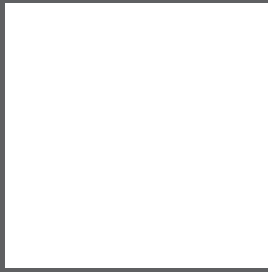
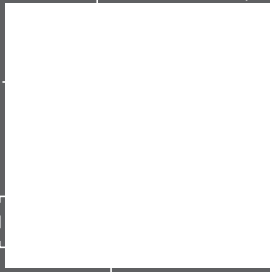


HSD

MECHATRONIC
DIVISION

The Mechatronic Division supplies and manufactures high precision *mechanical* and *electronic* components for machines and systems designed for the Biesse Group and other companies.





directors' report



General economic overview **World economic trend**

Global economic activity continues to expand at a moderate pace and the recovery is slowly gaining momentum, although it remains fragile and uneven across different economic areas. Consumer and business confidence indicators showed tentative signs of increase in the fourth

quarter of 2012, after stabilising at a low level in the third quarter. Outside the Eurozone, consumer confidence improved in a number of developed and emerging economies. At the same time, the global purchasing managers' index (PMI) edged up slightly in December (to 53.7, from 53.6 in November). The improvement in economic activity is attributable to the stabilisation of the services PMI and the increase in the manufacturing one,

which soared above 50, the neutral value that represents the divide between expansion and contraction, after remaining for six months below that threshold. The global PMI was significantly higher in the fourth quarter of 2012 than in the previous period, signalling the possibility of a moderate strengthening of global growth in the last three months of the year. However, growth will continue to be held back by several structural obstacles, especially in developed economies, while it should be more robust in emerging markets.

The world economy continues to face downside risks due to the imbalances in major industrialised economies and protracted geopolitical tensions in the Middle East. The latter could cause disruptions in the oil supply and oil prices to increase, which in turn would act as a drag on economic activity.

UNITED STATES

In the United States, GDP growth in real terms increased in the third quarter of 2012. The higher performance compared to the second quarter is largely due to private consumption as well as the increase in public spending and investments in inventories. Moreover, business activity in the third quarter benefited from the higher pace of investments in residential construction and the positive contribution of net exports, while private investments in areas other than residential construction dropped.

Recent indicators show a moderate expansion in economic activity in the fourth quarter of 2012. In December, the job market continued to show signs of improvement, with a further increase in non-farm payroll employment and a stabilisation of the unemployment rate at 7.8 per cent (the lowest level in the past four years).

Meanwhile, further increases in house prices and sales provided fresh evidence of the gradual recovery in the real-estate market.

On the other hand, the uncertainties about fiscal policy weighed on business and consumer confidence in December. Looking ahead, the recent political compromise on tax and spending reforms did not address long-term fiscal imbalances, causing material short-term uncertainty. As a result, economic growth is expected to remain moderate in the next quarters.

JAPAN

In Japan, the economy technically entered recession in the third quarter of 2012, when GDP in real terms fell by 0.9 percent compared to the previous period following a marginal drop in GDP in the second quarter, which was previously reported as an expansion. Towards the end of the year, most economic indicators pointed to stagnation or even renewed contraction.

Meanwhile, sentiment remains gloomy, as shown by the decline in the manufacturing PMI and the Reuters Tankan survey of leading manufacturers, reflecting weak global demand and Sino-Japanese tensions in particular. A gradual recovery is expected for 2013, albeit uncertainty remains high.

UNITED KINGDOM

In the United Kingdom, it is probable that the recovery will gain momentum only gradually, as restrictive credit conditions, the consolidation of household finances and substantial fiscal tightening are in fact expected to continue sapping domestic demand, while low foreign demand is expected to weigh on exports. The underlying economic trend was weak over the last quarters, with a slight volatility in overall GDP growth due to temporary factors.

The most recent statistics on industrial production and retail sales indicate a decline in business activity in the early fourth quarter of 2012, while business and consumer confidence indicators were relatively stable in November and December.

Looking ahead, growth is expected to remain weak in the short term.

CHINA

In China, the indicators continued to point to strong growth. In December 2012, the manufacturing PMI was back above 50, the threshold between expansion and contraction. The increase in exports, albeit still positive, slowed down in November, and imports stagnated after timidly edging up in October. As a result, the balance of trade for the year rose to the highest level since November 2009.



Looking ahead, growth is expected to continue consolidating in 2013. The implementation of structural reforms and the support of ongoing urbanisation, as emphasised in the Central Economic Work Conference held halfway through December and attended by the new political leaders, should bolster the current recovery and stimulate domestic consumption.

EUROZONE

The drop in Eurozone's GDP in the third quarter of 2012 (-0.1 percent compared to the previous period) was attributable, among other things, to the negative trend in domestic demand, which has been contracting since mid-2011: gross fixed investments fell (-0.6 percent), and household consumption stagnated. Foreign trade continued to make a positive contribution, amounting to 0.3%, to GDP, as exports grew by 0.9 percent and imports rose only slightly.

Available data point to further contraction in the area as a whole in the fourth quarter of last year, which probably concerned all countries including major ones. The €-Coin indicator – which provides an estimate of the area's quarterly GDP change shorn of short-term fluctuations – in December confirmed the negative summer reading (around -0.3 per cent). On the supply side, industrial production was down 2.3% in economic terms on average in October and November, continuing the trend that started a year ago. However, less negative signals come from the most recent quality business surveys: confidence in the manufacturing segment and the services PMI improved slightly. The challenges of the current economic phase affected also the economies considered steadier; in the October-November two-month period, industrial production in France and Germany fell on average by 1.7 and 2.7 percent, respectively.

For 2013, the analysts surveyed in December by Consensus Economics forecast an average 0.1% GDP fall, an improvement compared to 2012 (-0.4); however, the dispersion of forecasts is very large, confirming the uncertainty that weighs on the area's economic outlook. Substantially similar assessments were made in the same month by Eurosystem analysts, with GDP ranging from -0.9 to +0.3 per cent in 2013 (from -0.6 to -0.4 in 2012). In recent months, consumer price inflation in the Eurozone dropped to 2.2 percent in December, especially due to the strong fall in energy prices.

ITALY

The recession in Italy continued in the second half of last year, albeit at a slower pace. There are still no signs of a turnaround in the early months of 2013; a return to modest growth rates could materialise in the second half.

In the third quarter of 2012, Italy's GDP decreased at a significantly lower rate (-0.2 per cent) than the near 1.0% quarterly drop in the three previous periods. This was also due to net foreign demand, which propped up GDP by 0.6%.

Domestic demand contracted, reflecting protracted weakness in household consumption and gross fixed investments. The cyclical phase was negative in the fourth quarter as well.

Quarterly indicators point to a new decline in GDP, the sixth in a row, of 0.5%, with industrial production falling again. Based on available information, economic activity will remain weak in the first quarter of 2013 as well.

Business sector review

UCIMU – SISTEMI PER PRODURRE

In the fourth quarter of 2012, the machine tools order index, prepared by the Business Culture and Research Centre of UCIMU-SISTEMI PER PRODURRE, recorded a 1.6% increase on the prior-year period, 96.6 in absolute terms.

In particular, the domestic order index grew by 38.8%, compared to the fourth quarter of 2011; the absolute value of 85.9 is still very low, confirming the weakness of the domestic market.

The foreign order book fell by 4.3%. The absolute index, at 102.5, is still above the average but this is not enough to reassure Italian manufacturers witnessing a gradual fall in orders, which have been declining for three consecutive quarters.

On an annual basis, the index fell by 4.8% compared to the 2011 average. The figure is affected by the negative trend in foreign demand (-5.3%) and the low levels of new orders on the Italian market, +2%, compared to the previous financial year. Luigi Galbadini, Chairman of UCIMU-SISTEMI PER PRODURRE, voiced great concern, because – he said: “This last survey confirms the feeling that the main markets for Italian products are less willing to invest. It is a very dangerous situation for Italian manufacturers, who in recent years expanded their business abroad.”

ACIMALL

Italian woodworking machine tools: provisional 2012 results

Revenues at the levels of two years ago: the 2011 "rebound" was not repeated.

2012 was characterised by the negative performance of the technologies for processing wood and its by-products. Preliminary data from ACIMALL's research department confirm the challenges faced by the Italian industry segment that, over the last five years, has registered an overall 30% decline in revenues.

"Compared to 2011, production fell by 9.8 percent, weighed down by further contraction in the domestic market (-15 percent) and the fall in exports (-8 percent)".

"In Italy, construction, furniture and all the goods made of wood and its by-products reported a negative performance, which will freeze all investments in capital goods".

Exports continue to be crucial; the 8% decline, albeit significant, must be interpreted in the wider context of 2011, which, as already mentioned, had been particularly favourable for Italian products.

No one can tell what 2013 has in store for us. Early data apparently point to a potential deterioration of the already negative circumstances, which would result in a crisis for the industry in the context of a wider global economic crisis.

VDMA

December 2012 order intake – Reassuring end of the year

At December 2012, orders for German machinery reported a 4% increase in real terms compared to the previous year. Domestic sales rose by +1%, whereas foreign demand grew by 5%, according to the VDMA (the German engineering federation).

Considering 2012 as a whole, total orders decreased by 3%, with domestic orders falling by 8% and foreign ones remaining flat.

In December, the German engineering industry saw order intake return to the positive growth levels of September and October. This is mainly due to higher demand from Eurozone countries. Domestic orders performed poorly compared to the previous year. As Ralph Weichers, the Chief Economist at VDMA, stated, the result for the year (-3%) is to be considered decent, considering the challenging economic conditions.

2012 Trend

Group order intake at the end of 2012, compared to the prior-year period, slumped by 10.2% (in line with the end of September 2012) and grew by 8% over the first half of the year. Compared to 2010, it was up 4.2%.

At the end of 2012, Group revenue amounted to € 383,061 thousand, -1.4% compared to the prior-year period. Gross operating profit (EBITDA) grew by € 2,608 thousand, up 11.6% year-on-year. On the other hand, operating profit (EBIT) decreased by € 5,486 thousand, due to non-recurring events mainly associated with management and organisational changes during July and August following the resignation of Chief Executive Officer Giorgio Pitzurra, as well impairment losses on assets no longer considered strategic, provisions for non-recurring losses at foreign branches, and the recognition of a provision for corporate restructuring. In order to make the impact during the period clearer to understand, these effects (equal to € 6,735 thousand) were reported in a separate line of the reclassified income statement in the Directors' report.

As for the financial position, net operating working capital fell by around € 5 million (referring mainly to the € 12.7 million decrease in trade receivables, offset by the € 5.8 million fall in trade payables and the € 1.9 million increase in inventories).

Group net financial indebtedness at 31 December 2012 amounted to € 56.2 million, up € 5.8 million compared to 31 December 2011.

Compared to 31 December 2011, cash absorption includes non-recurring components amounting to approximately € 7.1 million, of which € 4.8 million arising from the recent Chinese acquisition, approximately € 1.1 million in voluntary termination benefits, € 0.9 million relating to the purchase of the new premises for the sales office of Biesse Triveneto, and € 0.3 million relating to the purchase of the shares in Nuova Faos International (India) Manufacturing.

MAIN EVENTS

JANUARY 2012

On 2 January 2012, the sales facility in Codogné that serves the Triveneto area moved to a modern building owned by the company, equipped with a large showroom and an efficient spare part warehouse. Thanks to this investment, the company can continue to guarantee high levels of service quality for the industrial areas of North-Eastern Italy, Central Europe and the nearby areas of the Balkans.

In January 2012, the new ERP, Oracle's E-Business Suite, went live. The operation involved Biesse S.p.A. and HSD S.p.A. and is aimed at providing the Group with a single integrated application suite in order to preserve the important investments Biesse made in recent years.

The project involves implementing a single solution and a unified architecture for all the companies of the Group; establishing a common process throughout the Group allowing for an optimised management of the different business models of the subsidiaries; reducing the number of corporate ERP systems and consequently maintenance costs.

MARCH 2012

At the end of 2009, Biesse Manufacturing (India) Pvt Ltd and Biesse SpA reached an agreement with a long-term supplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a put option with Biesse Manufacturing.

On 5 March 2012, the parties reached a pre-agreement, setting the consideration for transferring the entire equity investment at €373,200. The agreement was finalised in June.

APRIL 2012

From 20 to 24 April 2012, the Rimini Fiera exhibition centre hosted the third edition of

Technodomus, the International Expo of Wood Technology for the Furnishing and Construction Industries, a biennial event featuring the most important Italian and foreign firms. Over the five days, 33,483 professionals visited TECHNODOMUS, an 8.5% increase on 2010 that exceeded expectations. The rise owed mainly to foreign visitors, who went from 31% in 2010 to 37% this year, with people coming from over sixty countries, in particular from Turkey, Brazil and South America, China, Russia and Eastern Europe.

MAY 2012

In May, the Group took part in various trade shows in Italy (Milan, Bologna and Lanciano) and abroad (Doha, Madrid, Sao Paulo and Moscow). The subsidiaries Biesse Canada and Biesse America opened the doors of the Ontario premises to North American customers for an open-house event dedicated to the Group's new products.

JUNE 2012

In June, at the premises in Pesaro, an event was held dedicated to resellers from Italy and North Europe, during which the new products, Rover B G and Uniline, were presented. The German subsidiary organised open-house days at its premises dedicated to window frame lines.

JULY 2012

As from 2 July 2012, the sales and post-sales premises serving North-Western Italy (Biesse Brianza) moved to the nearby location of Alzate Brianza, which is already home to Bre.Ma. Brenna Macchine S.r.l.. The unification of the two sites has offered operating synergies and will ensure a more integrated service for local customers.

On 20 July 2012, the Chief Executive Officer Giorgio Pitzurra resigned from his post following the request of the majority shareholder due to differing views over the Group organisation

In the following two weeks, in line with the new organisational vision, the Group structure underwent an initial restructuring process, focusing on business units dedicated to specific product lines; this led to the elimination of a series of positions (which led to the recognition

of extraordinary expenses in the third quarter of 2012) and the allocation of new responsibilities within the Group.

AUGUST 2012

On 3 August 2012, the Board of Directors met to approve the 2012 consolidated half-year report. During this meeting, the powers and authorities of the Director leaving office, Giorgio Pizzurra, were assigned by the Board of Directors to Giancarlo Selci (who holds the title of Cavaliere del Lavoro). The co-optation of an eighth member was deferred until a future Board meeting.

The Board of Directors appointed Stefano Porcellini – already an executive member of the Board of Directors – as the new Group General Manager, while entrusting the management of the Wood Division to Cesare Tinti and the management of the Glass & Marble Division to Rodolfo Scatigna.

SEPTEMBER 2012

The tenth edition of BiesselInside took place on 27-29 September 2012. During this event dedicated to the Wood segment, Biesse opened its doors to present a number of innovative solutions, and encountered considerable approval and interest from its own clients: Rover B Gantry, the new mobile portal-based work centre for the processing of panel and solid wood elements, and Uniline, a compact multi-centre, reflect how the company intends to develop and position itself in the door-and window-frame market both in Italy and the rest of Europe, completing its range with highly flexible and productive manufacturing solutions devised to meet the requirements of small craftsmen as much as major industrial concerns.

BiesselInside went beyond expectations, enjoying a positive response in terms of turnout and the great interest shown in the technological solutions presented.

The final day of the event was dedicated to the Group's employees, with activities aimed at employees' families and more than a thousand people taking part in them. The event was also twinned with the charity initiative "Tanzania in Lambretta", a fundraising venture for the building of a high school in Tanzania.

In the same month, the Glass & Marble Division attended the Marmomacc trade fair of Verona (major world event for manufacturers of machines for stonework), whereas the Chinese branch attended the 2012 FMC fair held in Shanghai.

OCTOBER 2012

Come programmato Biesse ha partecipato alla As planned, Biesse attended the STAR Conference, which was organised by Borsa Italiana, the Italian Stock Exchange, and took place in London on 3 October 2012.

In October, the Glass & Marble Division attended the Glasstec trade fair of Dusseldorf (main world event for manufacturers of glass working machinery), registering interest for the new products presented, especially for the new vertical cutting machine Vertmax.

In the same month, the Wood Division attended the Lesdrevmash trade fair, held in Moscow.


NOVEMBER 2012

On 14 November 2012, the Board of Directors of Biesse S.p.A. co-opted Cesare Tinti as new Executive Director to restore the number of members to the required number. Pursuant to the law, the new Director will remain in office until the next Shareholders' Meeting.

After graduating in economics at the University of Urbino, Tinti joined the Biesse Group in 1996, holding the position of Administration Manager at RBO, an investee company; subsequently, he served as Head of Management Control at INTERMAC Spa, and in 2002 he became the Manager of the INTERMAC Production Unit. After heading the Glass/Marble Division since 2007, he became the Manager of the Wood Division in August 2012.

DECEMBER 2012

On 19 December 2012, the Board of Directors of Biesse S.p.A. ratified the application for the extension of the State-assisted special temporary layoff scheme (Cassa Integrazione Straordinaria) until 10 August 2013. The use of such scheme is necessary in order to continue with the Group's restructuring, given the protracted recession in



all major international reference markets This plan will involve up to a total of 1,250 employees on a rotating basis, with up to 150 zero-hour employees.

Together with the application for the extension of the special temporary layoff scheme, a € 1.85 million provision for corporate restructuring was made for the structural cuts that will take place in the first half of 2013 in Italy and, to a lesser extent, in Spain.

FEBRUARY 2013

On 14 February 2013, the Board of Directors of Biesse S.p.A. approved the new Three-Year Business Plan for the 2013-2015 period. As a consequence of the projects and initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 3.8%)
- higher added value (over 41% as a percentage of revenue in 2015)
- recovering operating profits:
 - (EBITDA: 12% as a percentage of revenue in 2015)
 - (EBIT: 8.5% as a percentage of revenue in 2015)
- three-year free cashflow € 48 million.

events



exhibitions
tech hour
open house

The Biesse Group sponsors and promotes over 150 events around the globe, such as exhibitions, open-house and tech tours showing customers our know-how, technology and innovation. The Group reinforces partnerships with its customers by giving them the possibility to touch and test the machine portfolio and cutting-edge solutions available in multiple showrooms throughout the 30 worldwide subsidiaries and commercial offices. BIESEINSIDE is the initiative promoted by the Biesse Group to “open” the doors to the world of Biesse woodworking processes and technology to customers and operators in the woodworking sector from all over the world. A direct link with the market, providing a live demonstration of the Group’s potential and the innovations in products and processes.



employees

Our most valuable asset: people. The **more than 2,700 employees** in our production plants and subsidiaries all over the world are critical to the process of continuing success that has taken Biesse to the highest levels of our industry. Certain in the belief that each individual has the potential to make a uniquely valuable contribution, Biesse constantly invests in employee training through the Biesse Corporate School, established to develop skills and provide hands-on training. Furthermore, by applying an efficient organizational model, compliant with the Code of Ethics and Company Governance, Biesse can count on employees with **a strong sense of belonging and responsibility.**



customers

The satisfaction and success of our customers is paramount. We strive to earn the trust of our customers with effective service and support, combined with the excellence of products Made in Biesse.

Regardless of where our customers may be, Biesse is there, always. Years of experience achieved in every corner of the globe makes Biesse the ideal partner, one that is able to anticipate market demands, satisfy customer needs, supply the right solution and offer consulting, services and products with high added value.



corporate governance

The Corporate Governance system of Biesse S.p.A. substantially complies with the principles set out in the Corporate Governance Code for Listed Companies and international best practices. The Board of Directors approved today the Report on Corporate Governance and Ownership Structure pursuant to Article 123-bis of the Consolidated Law on Finance, related to 2012.

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

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

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

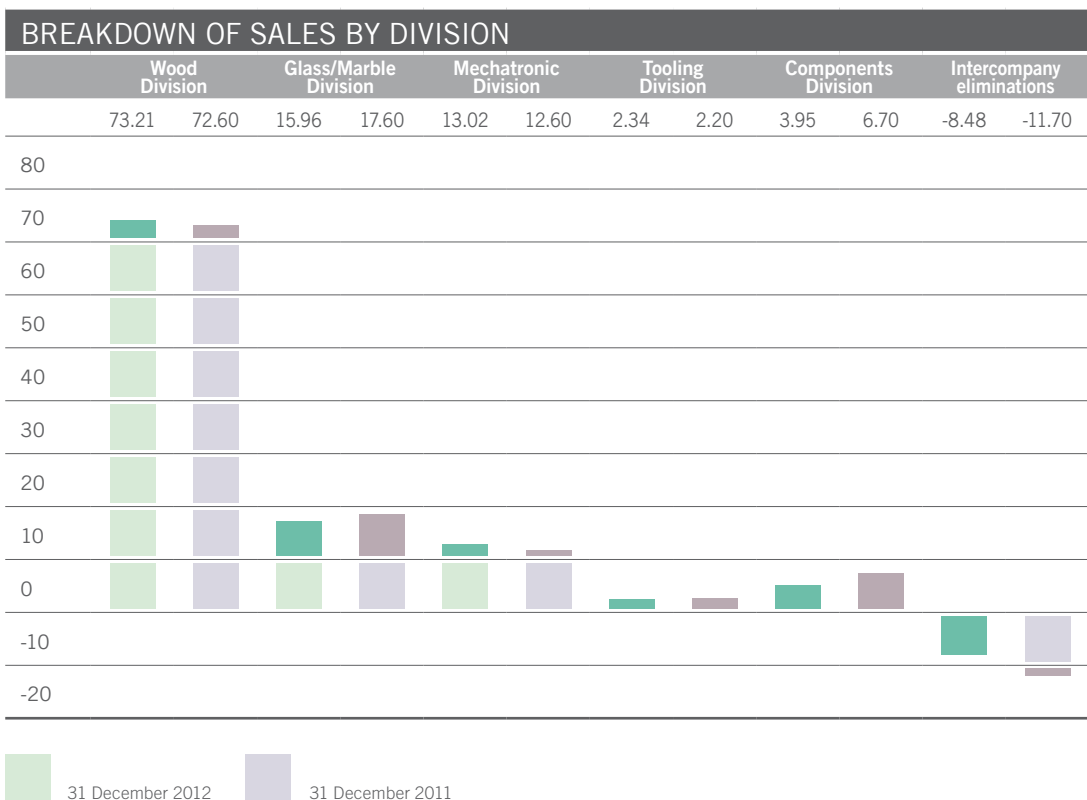
SUMMARY INCOME STATEMENT

INCOME STATEMENT FOR 2012					
€ '000	2012	% on sales	2011	% on sales	Δ %
Net revenue	383,061	100.0%	388,530	100.0%	(1.4)%
Change in inventories, wip, semi-finished and finished goods	6,623	1.7%	1,499	0.4%	-
Other revenue	3,648	1.0%	2,129	0.5%	71.3%
Revenue	393,333	102.7%	392,158	100.9%	0.3%
Consumption of raw materials, consumables supplies and goods	(167,255)	(43.7)%	(172,781)	(44.5)%	3.2%
Other operating expenses	(84,725)	(22.1)%	(81,379)	(20.9)%	4.1%
Added value	141,353	36.9%	137,998	35.5%	2.4%
Personnel expense	(116,327)	(30.4)%	(115,580)	(29.7)%	0.6%
Gross Operating profit	25,026	6.5%	22,418	5.8%	11.6%
Depreciation and amortisation	(15,107)	(3.9)%	(13,096)	(3.4)%	15.4%
Provisions	(2,916)	(0.8)%	(2,254)	(0.6)%	29.4%
Normalised Operating profit	7,003	1.8%	7,069	1.8%	(0.9)%
Impairment losses and non recurring items	(6,735)	(1.8)%	(1,314)	(0.3)%	-
Operating profit	269	0.1%	5,755	1.5%	(95.3)%
Finance income/expense	(3,666)	(1.0)%	(2,394)	(0.6)%	53.1%
Net exchange rate losses	(1,722)	(0.4)%	(861)	(0.2)%	100.0%
Pre-tax profit (loss)	(5,119)	(1.3)%	2,500	0.6%	-
Income taxes	(1,444)	(0.4)%	(4,947)	(1.3)%	(70.8)%
Loss for the year	(6,563)	(1.7)%	(2,446)	(0.6)%	-

Net revenue for 2012 amounted to € 383,061 thousand, compared with € 388,530 thousand in 2011, down 1.4% from the previous year.

Breaking down sales by segment, the Wood division substantially confirmed the 2011 result; the Mechanics and Tooling divisions posted a slight increase, (+2.20% and + 5.55%, respectively), whereas the Glass/Marble (-10.78%) and Components (- 41.91%) divisions were down. The fall in the Components Division was due to a new operating strategy involving the outsourcing of some operations (electrical switchboards) that were previously carried out in house; this strategy also reduces intragroup eliminations.

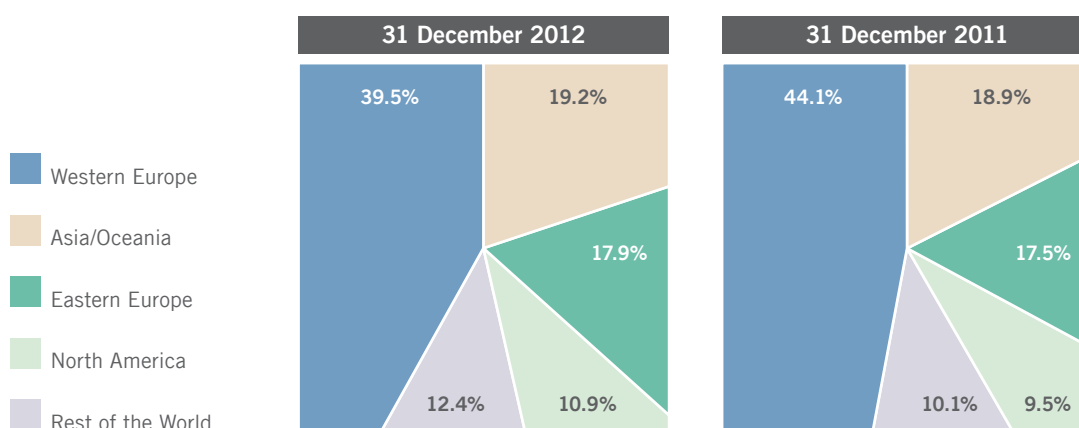
BREAKDOWN OF REVENUE BY OPERATING SEGMENT					
€ '000	31 December 2012	%	31 December 2011	%	Δ % 2012/2011
Wood Division	280,424	73.21%	282,182	72.60%	(0.62%)
Glass/Marble Division	61,154	15.96%	68,546	17.60%	(10.78%)
Mechatronics Division	49,867	13.02%	48,795	12.60%	2.20%
Tooling Division	8,955	2.34%	8,484	2.20%	5.55%
Components Division	15,136	3.95%	26,055	6.70%	(41.91%)
Intercompany eliminations	(32,476)	(8.48%)	(45,533)	(11.70%)	(28.68%)
TOTAL	383,061	100.0%	388,530	100.0%	(1.41%)



The breakdown of sales by geographical segment shows a 21.6% increase in the Rest of the World and 13.1% in North America. Only Western Europe (-11.5%) performed negatively: although it remains the Group's reference market, it saw its share of total revenue decline from 44.1% to 39.5%.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

	2012	%	2011	%	Δ % 2012/2011
Western Europe	151,448	39.50%	171,172	44.10%	(11.50)%
Asia-Pacific	73,589	19.20%	73,255	18.90%	0.50%
Eastern Europe	68,706	17.90%	68,070	17.50%	0.90%
North America	41,661	10.90%	36,851	9.50%	13.10%
Rest of the World	47,657	12.40%	39,182	10.10%	21.60%
GROUP TOTAL	383,061	100.00%	388,530	100.00%	(1.40)%



Revenue amounted to € 393,333 thousand, up from 2011 (€ 392,158 thousand). The reduced absorption of production for the year by sales (€ - 5.5 € million) was offset by the supply of inventories of semi-finished and finished products (€ + 5.1 million); costs as a percentage of revenue are presented so as to give a clearer indication of the Group's profitability.

€ '000	2012	%	2011	%
Revenue	393,333	100.0%	392,158	100.0%
Consumption of raw materials and goods	167,255	42.5%	172,781	44.1%
Other operating expenses	84,725	21.5%	81,379	20.8%
Services	72,211	18.4%	69,780	17.8%
Use of third party assets	7,542	1.9%	7,232	1.8%
Sundry operating expense	4,972	1.3%	4,367	1.1%
Added value	141,353	35.9%	137,998	35.2%

Added value as a percentage of revenue increased compared with the previous year (35.9% compared to 35.2%). This is the result of factors such as: lower consumption of raw materials and goods (42.5% compared to 44.1%) due to the different sales mix, and other operating expenses as a percentage of added value, up from 20.8% to 21.5%. This is mainly due to the rise in service costs from € 69,780 thousand to € 72,211 thousand, up +3.5%, as well as the increase in sundry operating expense from € 4,367 thousand to € 4,972 thousand, up 13.9%.

Within service costs, the main increases were in production services (€ 20,197 thousand compared to € 16,921 thousand, +19.4%) and in other variable costs (outsourced processing, third-party technical services, travel and lodging expenses).

Finally, sundry operating expense as a percentage of revenue increased slightly (1.3 % compared to 1.1% in 2011) mainly due to incidental transport expenses (such as, for example, fuel, maintenance and heating).

In 2012, **added value** totalled € 141,353 thousand, increasing by 2.4% compared to the prior year (€ 137,998 thousand) and from 35.5% to 36.9% as a percentage of revenue. Consistently with the previous quarters, this change, as already noted, was due to the different trend in the end market, with growing demand for large plant, highly customised to meet customers' needs (and obviously reducing the possibility of exploiting economies of scale), whereas stand-alone machines' share of sales decreased. This different sales mix resulted in a higher lead time as well as increased direct and indirect design and installation costs. Raw material price inflation compounded the trend.

Personnel expense in 2012 was € 116,327 thousand, compared to € 115,580 thousand in 2011, representing 30.4% of net revenue, up from 29.7% in the previous year and an approximately € 747 thousand increase in absolute terms.

The cumulative increase is attributable to fixed costs, which increased by approximately € 2.3 million, mainly due to the change in the scope of consolidation following the inclusion of new Chinese, Asian and Indian legal entities.

As at 31 December 2012, the Centre Gain Group reported € 2 million in personnel expense, while in 2011 it amounted to € 247 thousand; the Indian and Asian legal entities recognised approximately € 270 thousand in personnel expense.

The increase is partially offset by the reduction in variable compensation relating to productivity bonuses and other bonuses, down by approximately € 1.7 million following the failure to achieve budget targets. The amount of capitalised costs remains unchanged from 2011.

The resulting **gross operating profit** was € 25,026 thousand.

Depreciation and amortisation increased by 15.4% (from € 13,096 thousand to €15,107 thousand): depreciation amounted to € 6,386 thousand (up by 4.4%) whereas amortisation totalled € 8,721 thousand (up by 25%). Depreciation was affected by the change in the scope of consolidation: the acquisitions made in 2011 and 2012 in China and India led to higher capital investments in manufacturing facilities.

The increase in amortisation is mainly attributable to intangible assets due to the start of amortisation of research and development projects following the market launch of products to which capitalised development activities refer – (i.e. the event since when the related costs start to be amortised), and to higher capitalisations in licenses and software for implementing the new ERP.

Provisions stood at € 2,916 thousand, up from the previous year (+ € 662 thousand). The reported amount is mainly composed of provisions amounting to € 1,966 thousand to the allowance for impairment (€ 852 thousand in 2011) and provisions for risks and charges amounting to € 510 thousand (€ 362 thousand at the end of 2011).



The resulting **Normalised operating profit** amounted to € 7,003 thousand, in line with the previous year.

Non-recurring events weighed heavily on the annual result. The effects of impairment losses and other non-recurring liabilities amounted to € 6,735 thousand, considerably up from 2011 (€ 1,314 thousand). The reported amount mainly consists of impairment losses on goodwill totalling € 1,011 thousand and other impairment losses amounting to € 892 thousand; provisions for voluntary termination benefits, amounting to € 4,007 thousand; and non-recurring costs of € 825 thousand relating mainly to foreign branches.

Consequently, **operating profit** amounted to € 269 thousand.

As for financing activities, finance expense amounted to € 3,666 thousand, increasing by 53% compared to the previous year (€ 2,394 thousand) as a result of higher interest rates and average debt exposure as well as the change in the debt structure. The main components are represented by bank interest, which, net of interest income, amounted to € 2,974 thousand (€ 1,949 thousand at the end of 2011).

Currency risk management in 2012 resulted in a exchange rate losses of € 1,722 thousand (exchange rate losses of € 861 thousand in 2011).

The **pre-tax loss** amounted to € 5,119 thousand.

The **balance of tax items** was an expense of € 1,444 thousand. This is attributable to the following factors: provision for current IRAP and IRES taxes (€ 3,121 thousand and € 261 thousand, respectively), provisions for income tax related to foreign subsidiaries (€ 626 thousand), recognition of € 785 thousand in deferred tax income; these elements are compounded by positive components amounting to € 1,717 thousand and mainly concerning IRES refund claims for prior years and € 62 thousand for other taxes.

The Group therefore recognised a **loss** for the year of € 6,563 thousand.

SUMMARY STATEMENT OF FINANCIAL POSITION

SUMMARY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012		
€ '000	31 December 2012	31 December 2011
Intangible assets	47,616	48,027
Property, plant and equipment	62,102	63,652
Financial assets	1,153	1,140
Non current assets	110,872	112,819
Inventories	90,321	88,459
Trade receivables	99,455	112,207
Trade payables	(107,323)	(113,124)
Net Operating Working Capital	82,452	87,542
Post-employment benefits	(10,007)	(10,544)
Provision for risk and charges	(11,703)	(9,438)
Other net payables	(18,104)	(24,778)
Net deferred tax assets	15,936	15,437
Other net liabilities	(23,877)	(29,323)
NET INVESTED CAPITAL	169,447	171,038
Share capital	27,393	27,393
Profit/loss for the previous year and other reserves	92,189	95,028
Loss for the year	(6,530)	(2,438)
Non controlling interests	208	680
Equity	113,260	120,663
Bank loans and borrowings and loans and borrowings from other financial backers	73,191	73,629
Other financial assets	(849)	(650)
Cash and cash equivalents	(16,156)	(22,604)
Net financial indebtedness	56,187	50,375
TOTAL SOURCES OF FUNDING	169,447	171,038

As for intangible assets, investments amounted to approximately € 9.9 million, related to new product development projects and the implementation of the new Oracle E-BS ERP system, while related amortisation for the year amounted to € 8.7 million.

Net value remains substantially unchanged from 2011 (€ 47,616 thousand compared to € 48,027 thousand). As for property, plant and equipment, investments totalled € 2.7 million, to which € 2.3 million should be added due to the change in the scope of consolidation following the inclusion of a new Indian company, while depreciation for the period amounted to € 6.4 million, a net € 1.5 thousand decrease, of which € 448 thousand was due to exchange rate losses.

Net Operating Working Capital improved by € 5,090 thousand. As for individual items, total inventories grew by € 1,862 thousand compared to 31 December 2011.

The remaining items (trade receivables and payables) contributed to improve Net Operating Working Capital compared to 31 December 2011. The decrease in trade receivables by € 12,752 thousand is greater than the decrease in trade payables by € 5,801 thousand. The overall change in Net Operating Working Capital was affected by exchange rate differences to the tune of € 274 thousand.

NET FINANCIAL POSITION					
€ '000	31 December 2012	30 September 2012	30 June 2012	31 March 2012	31 December 2011
Financial assets:	17,004	21,350	19,659	22,035	22,254
Current financial assets	849	714	712	700	650
Cash and cash equivalents	16,156	20,636	18,946	21,335	22,604
Short term finance lease payables	(270)	(266)	(261)	(444)	(464)
Short term bank loans and borrowings and loans and borrowings from other financial backers	(67,055)	(87,356)	(78,715)	(68,969)	(45,400)
Short Term Net Financial Indebtedness	(50,321)	(66,272)	(59,317)	(47,378)	(22,610)
Medium/Long term finance lease payables	(2,245)	(2,314)	(2,381)	(2,447)	(2,519)
Medium/Long bank loans and borrowings	(3,621)	(3,380)	(5,082)	(12,040)	(25,245)
Medium/Long Term Net Financial Indebtedness	(5,866)	(5,694)	(7,463)	(14,487)	(27,765)
Total Net Financial Indebtedness	(56,187)	(71,966)	(66,780)	(61,866)	(50,375)

At the end of December 2012, Group net indebtedness was € 56,2 million (gearing = 0.50), up € 5,812 thousand from the end of December 2011 but considerably improving compared to interim results recorded during the year thanks to improved working capital, which made it possible to reduce debt.

At 31 December 2012, the item is affected by some non-recurring cash absorption components such as: the settlements in January 2012 and September 2012 of the third and fourth payments on account relating to the acquisition of the Centre Gain Group, totalling HKD 49,200 thousand (approximately € 4.8 million); € 1.1 million in voluntary termination benefits paid following the company's restructuring; the € 0.9 million outlay to purchase the new sales premises of Biesse Triveneto; and the € 0.3 million payment to purchase the shares in Nuova Faos International (India).

In order to optimise the management of the Group cash flows, in September a daily cash pooling system named "target balance" was implemented for some European subsidiaries. It will gradually be rolled out to the other subsidiaries.

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

OPERATING RISKS

Risks relating to general economic conditions

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

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

Currently, the global economic outlook remains uncertain. In Europe, despite the measures taken by several governments, international and national organisations, and monetary authorities to provide financial support to struggling Eurozone Member States, to recapitalise some banks in critical conditions, and to face the possibility of sovereign default by some countries, there are still concerns about the debt burden of certain Eurozone countries, including Italy, and their ability to meet future financial obligations, as well as about the overall stability of the euro and its functionality as a single currency, in light of the different economic and political contexts across the Member States of the Eurozone.

Moreover, widespread austerity measures implemented in Europe and other areas in which the Group oper-

ates could continue to adversely affect consumers' confidence, purchasing power and spending capacity. This could have a negative impact on the Group's business prospects, as well as on its results and financial position.

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

Risks relating to Group results

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

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

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

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

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

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

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

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

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

The Biesse Group operates in several emerging markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased, therefore any adverse political or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results.

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

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

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

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



Risks relating to the ability to offer innovative products

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

Risks relating to management

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

Risks relating to relations with employees

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

Risks relating to relations with suppliers

The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group. Close collaboration between manufacturers and suppliers is customary in the sectors in which Biesse operates: on the one hand, it can result in economic benefits in terms of cost reduction; on the other, the Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively impact the Group.

Risks related to the delocalisation of manufacturing

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

FINANCIAL RISKS

Liquidity risk relating to financial requirements

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

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

The Biesse Group is implementing measures to ensure adequate financing of net working capital and, more in general, to secure its current assets. All lines of credit currently available are “revocable” or represent the normal development of previous 18 month-1-day loans. Relations with current banks are mainly focused on restoring all existing unsecured loans in order to consolidate cash credit lines, while negotiations are underway to obtain long-term new loans (5 years) - also from supranational entities - to increase the average duration in case of negative peaks in cash requirements.

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

Credit risk

The Group is exposed to various concentrations of credit risk in various reference markets, mitigated by the fact that credit exposure is divided across a large number of counterparties and customers. Financial assets are recognised net of impairment losses calculated on the basis of counterparty default risk, taking into account available information on the customer's solvency as well as historical-statistical data.

Risks relating to exchange rate fluctuations

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

Risks relating to interest rate fluctuations

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

Risks related to the availability of funding for customers

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



research and development activity

The following list details research and development initiatives undertaken in 2012:

WOOD DIVISION

Biesse brand

ROVER A G Machining Centre

Development was completed on a gantry machining centre for processing panels and solid wood elements fixed with vacuum units supported by bar tables.

KLEVER 1230 1530 G Machining Centre

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

ROVER A G FT Machining Centre Product List Rev.

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

WORKBENCH Rev.03

Development continued on the project to increase the performance of the ATS-EPStworkbench thanks to:

- unification of Hyperclamp and Uniclamp clamps,
- inclusion of systems for detecting the position of the trolleys along the extrusion and of the workbenches along the bed: this system will allow the m/c to know at any time the position of the objects on the workbench.

ROVER A G EDGE Machining Centre

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

ROVER A 2231 43 64 G FT Machining Centre

Development was completed on a mid-market gantry machining centre for processing panels fixed with phenolic work surface and with optional flexible automatic panel loading and unloading systems to meet all infeed/outfeed needs required by the market.

ROVER CG Machining Centre

Development continued on the gantry machining centre for processing thick workpieces.

ROVER A EDGE Machining Centre

Development was completed on a mid-to-low-end machining centre for milling and edgebanding shaped panels up to 1260 mm. in width. This machine guarantees the edgebanding performance of the Rover C Edge range.

B41 Machining Centre

Development continued on a machine that allows all processing to be completed on a panel of the same size as those available from primary processing companies.

ROVER J - STEP 1 Machining Centre

Development began and was completed on an entry level machining centre with a continuous work table intended only for routing reserved for the Asian and American markets.

ROVER K G FT Machining Centre

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

SPEEDING-UP Machining Centres Project

The project for optimising the working cycles for routing, drilling and edgebanding began with a view to increasing the productivity of all machining centres has commenced

KLEVER 2236 Machining Centre

Development was completed on an entry-level machining centre with a continuous work table intended for processing plastics and wood-based materials.

ROVER J – STEP2 MACHINING CENTRE

Development began and was completed on an entry level machining centre with continuous work table intended for routing, drilling and cutting plastic and/or similar materials.

STD CONTROL SOFTWARE PROJECT

The project for optimising the PLC of all machining centres began and was completed during the year.

EDGEBANDING UNITS PROJECT

Development continued on high-performance functional units for processing the shaped border of different thicknesses and materials with the aim of improving the quality of finish.

TEST BENCH PROJECT

Development was completed on a test bench for nesting cell modules allowing them to be tested on the assembly unit.

NEW EDGEBANDING UNIT PROJECT

Development continued on a functional unit for edgebanding panels, whether square or of another shape, and of different thicknesses, as well as for various types of borders and adhesives.

Comil/Rbo Brand**RBO - WINSTORE 3D HANDLING**

In 2012, R&D activities focused on the development of a new range of Winstore 3D K storing systems in accordance with the product plan received from the System and Sizing product area.

These machines are designed with the aim of interlocking machine tools such as Panel-Sizing Machines and Nesting Machining Centres. The machines that belong to this family are: Winstore 3D K1, Winstore 3D K2 and Winstore 3D K3.

During 2012, the K1 upmarket product with full optionals was completed. Moreover, all validation tests and industrialisation activities were carried out in accordance with the product plan.

During the last 4 months of 2012, development began on the K2 mid-range product that will complete the range of automatic independent storing systems equipped with a supervisor module.

Selco Brand**SEKTOR PANEL-SIZING MACHINES RESTYLING**


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

WNA SERIES 6 PANEL-SIZING CENTRES

Design work continues on the new range of mid-market angular panel-sizing centres, characterised by the high compatibility of its modules with the corresponding single cutting line range. The centres under development will incorporate new loading and cutting devices allowing the automatic execution of complex patterns.

WNA SERIES 7/8 PANEL SIZING CENTRES

Design work continues on a new range of upmarket angular panel-sizing centres, characterised by high



levels of productivity and integration with feeders (automatic loading and unloading systems). This will also involve development of certain devices relating to the use of high engine power and the sustained optimisation of cutting patterns.

WNTR SERIES 7 VACUUM PANEL SIZING CENTRES

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

NEXTSEPS PANEL-SIZING MACHINE

Development continues on new cutting technologies, more flexible compared to traditional processes. A new concept of low-batch panel-sizing machine with improved ease-of-use will be developed.

BiesseEdge Brand

NEW RANGE OF EDGE MACHINES

A new range of upmarket squaring-edgebanding and edgebanding machines was completed: newly-designed operating units allow management of both high production levels and single-batch processing, favouring concepts such as design-to-cost and industrialisation of components. Several prototypes were completed to ensure machine coverage, and the machine has already entered mass production.

NEW AKRON 1300 RANGE

This machine allows BS to target the entry-level range for linear edgebanding machines. The prototyping, trial production and validation phase of the machine was completed, and now it has entered mass production.

AKRON 1400

This is the overhaul of the Akron 400 range, from which it inherits the basic structure, improving performance by increasing CNC setup functions to optimise time and increase flexibility during size change. It includes some state-of-the-art operating units already in production with the Akron1300 range, completing an important product industrialisation.

REAL TIME RANGE CHANGE

Operating unit with innovative patented concepts to optimise production in single-batch processing. Prototyping and trial production, with market launch, will be completed in 2013.

BL HANDLING

This project is part of the concept of flexible production cells for small furniture manufacturers. It consists of a set of machines that include a mid-to-low-end edgebanding machine in order to have a cell that ensures the squaring and edgebanding of the panel, equipped with an automatic workpiece feeding system.

MDS STREAM LEAN

The first prototype of the new automatic squaring module for automated lines is currently being tested. In the coming months, the second prototype will be finished in order to complete the range of this type of machine, guaranteeing the utmost coverage of different processing requirements in single-batch production processes.

NG GLUE UNIT

A new range of upmarket squaring-edgebanding and edgebanding machines was completed: newly-designed operating units allow management of both high production levels and single-batch processing, favouring concepts such as design-to-cost and industrialisation of components. Several prototypes were completed to ensure machine coverage, and the machine has already entered mass production.

Brema Brand

VEKTOR PROJECTS

The range of machines was enriched with the introduction of new optionals that were well-received by the market, as the product's growth volumes exceeded bdg by approximately 16%.

EKO PROJECTS

The activities for completing the optionals were undertaken as planned during 2012, and a first phase of product restyling was carried out in order to recover costs. A second phase, aimed at enhancing performance, is planned for next year.

SKIPPER V31 PROJECTS

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

GLASS & MARBLE DIVISION**Intermac Brand****UPMARKET MARBLE CDL**

A range of CNC mechanical-cutting machines for natural or synthetic marble products, with diamond tools to process blocks for upmarket furniture and building products, was tested for validation.

MASTER SAW

The prototype assembly phase began for the development of the first step of a range of CNC mechanical-cutting machines for cutting and processing natural or synthetic marble products, with diamond tools for processing slabs and blocks for the furniture and building industries.

GENIUS 46 LM-A

In place of the straight-line cutting typical of this product, was implemented on an up-market cutting bench for cutting laminated sheets, which are mainly used in the building industry. The LM-A benches consist of an innovative single-bridge structure, which allows monitoring of cutting cycles and reduced processing times, offering the possibility of cutting across different thicknesses. It is possible to automatically square and define the depth of the first cut and the related traverse rate.

GENIUS 60 LM-A

Development was completed on an up-market cutting bench for cutting laminated sheets with a cutting area up to of 6000 mm, which are used mainly in the building industry. The LM-A benches consist of an innovative single-bridge structure, which allows monitoring cutting of cycles and reduced processing times, offering the possibility of cutting across different thicknesses.

GENIUS COMBY J-HP60

Design work began on an up-market high-performance line for cutting laminated sheets that are used mainly in the building industry, with the main purpose of increasing productivity. The main project settings involve the balancing of cutting activities across two in-line machines equipped with loading and unloading systems as well as clamping systems for semi-finished slabs.

NEW VERTICAL RANGE

Prototypes were finished and testing began on mechanical-cutting machines for manufacturers of industrial glass or plastic products, featuring tools for drilling, milling, grinding and polishing. They will come in a range of sizes to meet the needs of craftsmen and industries in the building, furniture and energy sector.

MECHATRONICS DIVISION**HSD Brand****2-AXIS HEADS.**

Design work began on a new range of heads named HS 570. The new model is targeted at the market for machining centres dedicated to processing wood for heavy routing on solid wood elements.



HIGH FREQUENCY MOTORS

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

SMART MOTOR

Design work continues on the new SM 141 servomotor with integrated drive. Its performance and accuracy makes it suitable to drive machine axes. The new model is designed for wood milling operations on entry-level machining centres. Design work continued on the new Sm 137 servomotor, which will support three fieldbuses (Enet, Canopen, Ethercat).

PRINTED-CIRCUIT BOARDS

Design work began on a new electronic control board for the electrospindle functions. It will be equipped with digital line-outs and fieldbus. Design work continues on the new ammeter for controlling motor absorption during grinding. The device is designed for the Intermac double-edging machine line.

INDEPENDENT SPINDLE BORING HEADS

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

AGGREGATES

Re-design work continues on the aggregates dedicated to wood processing with the aim of streamlining the range and simplifying design work, optimising costs. A new aggregate designed for cutting soft materials with blade tools was developed.

SOFTWARE PLATFORMS AND COMPONENTS

BIESSELINK (PRODUCTION MONITORING AND MANAGEMENT SOFTWARE)

The PlantVision project was integrated into the larger BiesseLink project, which originated from the need for a proprietary solution to monitor and control wood, glass and marble manufacturing plants, evolving towards plant manufacturing control. The main objectives are:

- developing a set of software components suitable for the monitoring and control solutions distributed by Biesse;
- readily obtaining an extension of the applications supplied, to satisfy requests relating to particular items of plant or to particular production processes of the customer;
- allowing the integration of all the customer's processing phases and tracing them to a single application;
- allowing planning of the entire production chain.

BSOLID (CAD/CAM)

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

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

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

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

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

BIESSEWORKS

CAD/CAM application for Biesse machining centres. In 2012, minimum adjustments to market requirements for machining centres were implemented.

ICAM

CAD/CAM application for Intermac machines. In 2012, minimum adjustments to market requirements for Waterjet Primus machines were implemented.

BWINDOWS

Add-in for bSolid for designing and manufacturing windows.

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

VERTICAL DRILLING MACHINE

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

BRIDGE MILLING MACHINE

The new HMI interface for Intermac bridge milling machines will be completed in accordance with Biesse's Family Feeling. The development will focus on a new set of graphic components designed specifically for touch screens. Moreover, in-depth ergonomic studies will be carried out to ensure utmost usability, the main requirement of the machine.

TECHNOCAD 3D

HMI 3D interface for managing the new Techno Kernel. It will allow the machine to be operated simply and intuitively and will provide valuable support in preventing collisions.

It includes advanced functions allowing for semi-assisted work planning and an optimiser for automatic work planning.

Collision management is innovative and accurate. Collisions are calculated based on the real overall dimensions and not through rectangles that contain the objects to be checked; moreover, the colliding objects are immediately identified in the diagram. Visual management of machine maintenance was also implemented.

BSOLID SIMULATION

A CNC WRT version that can be integrated in the BSolid programming system was created, simulating the movements of the machine, represented in 3D graphics, in an extremely realistic way, as it is obtained by the WRT itself with the same PLC logic of the real machine.

SM141 SOFTWARE

SM141 is a motor with integrated drive that allows significant simplification of the electrical system in the management of the optionals. In fact, in order to use this motor, it is not necessary to make space in the switchboard, as the controls are housed in the motor itself. Communication protocols were implemented to integrate said motor on the WRT CNC and the firmware with the control algorithms on the drive.

ETHERCAT SOE PROTOCOL

Today, the main bus of WRT CNC is EtherCat. Various manufacturers of drives conformed to the two main protocol profiles standardised on this bus. To date, only the CoE profile was supported, as it is the most common, but with the development of the SoE profile, it has become possible to use other series of drives present on the market, such as, for example, the Bosch models.

DEFECT ANALYSIS PACKAGE

A package that allows the analysis of the WRT's event history log, with the aim of identifying more easily even occasional issues that hinder the use of the machine. The software package allows to extract, process and send useful information to support engineers accurately identify the nature of the problem. Based on this information, it is possible to provide advice to the machine operator, making the right decisions as for how to intervene.

SUPPORT PACKAGE FOR TROUBLESHOOTING FIELD BUSES

Today, all machines have field buses that distribute commands and capture information from different devices. Sometimes, especially in complex systems, identifying certain faults in the networks can be hard. The developed package allows the engineer to isolate parts of the plant, individually test each branch, and easily check the quality of the communication, revealing critical problems, if any.

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

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

€ '000	Equity 31 December 2012	Loss for 2012	Equity 31 December 2011	Loss for 2011
Equity and loss for the year of the parent	112,453	(1,129)	113,629	595
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	6,691		11,111	
Pro-quota results contributed by investees		2,158		2,252
Derecognition of impairment losses/reversal of impairment losses on equity investments		1,976		6,688
Dividends		(8,200)		(11,393)
Elimination of the effects of transactions between subsidiaries:				
Inntercompany losses included in closing inventories	(5,528)	(1,335)	(4,193)	(580)
Intercompany losses on non current assets	(564)		(564)	
Equity and loss of the year attributable to owners of the parent	113,052	(6,530)	119,984	(2,438)
Non-controlling interests	208	(33)	679	(9)
Total equity	113,260	(6,563)	120,663	(2,446)

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

No relevant transactions were reported in relation to the parent Bi.Fin. Srl. Details are reported below.

€ '000	Receivables	Payables	Revenue	Expense
Bi. Fin. Srl	1,564	-	10	-

OTHER RELATED PARTY TRANSACTIONS

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

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

€ '000	Receivables	Payables	Revenue	Expense
Fincobi Srl	-	5	1	(14)
Semar Srl	7	693	-	(1,589)
Members of the Board of Directors	18	37	-	(1,819)
Members of the Board of Statutory Auditors	-	170	-	(166)
TOTAL	25	905	1	(3,589)

We can confirm that the transactions disclosed above were carried out under terms and conditions that were no different from those arm's length parties would have agreed.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

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


- all the Significant Companies outside the EU draw up financial statements for the purposes of preparing the consolidated financial statements; their statement of financial position and income statement are made available to the shareholders of Biesse S.p.A. within the terms provided for by the relevant regulations;
- Biesse S.p.A. obtained the articles of association as well as the composition and powers of the corporate bodies of the Significant Companies outside the EU;
- the Significant Companies outside the EU:
 - provide the independent auditor of the parent with the information required for auditing the annual and interim financial statement of the parent;
 - have an administrative and accounting system fit for submitting on a regular basis to management and the independent auditor of Biesse S.p.A. the data on financial position, results of operations and cash flows required for preparing the consolidated financial statements.

The Board of statutory auditors of Biesse S.p.A., in order to fulfil its regulatory obligations, checked the adequacy of the administrative and accounting system for submitting on a regular basis to management and the independent auditor of Biesse S.p.A. the data on financial position, results of operations and cash flows required for preparing the consolidated financial statements, as well as the effectiveness of the information flow through meetings both with the managers and the local auditors of the Significant Companies outside the EU.

PERSONNEL

As at 31 December 2012, the Group had 2,753 employees, 9 less than the 2,762 reported at the end of 2011. This slight decrease, in such a critical year as 2012, testifies to the Group's continued commitment in strategic terms to investing in human resources

At the same time, the Group went ahead with its strategy aimed at restructuring and relaunching its opera-



tions through actions aimed at continuing to rationalise the internal organisation, recovering production efficiency and reviewing the main business processes (also through the implementation of a new ERP system). These actions were implemented by continuing the investment plan already started in 2011. In this context, through a constant dialogue with institutions, trade unions and employees' representatives at company level, the Biesse S.p.A.'s Pesaro branches managed to extend for 12 months the State-assisted special temporary layoff scheme for corporate restructuring, expiring on 10 January 2012.

The State-assisted special temporary layoff scheme for termination of activity ended on 30 June 2012. It had been activated on 1 July 2010 for the manufacturing facility located in the province of Bergamo, as part of a broader employment protection programme, involving transfer incentives, the activation of an outplacement service and, as a measure of last resort, early retirement incentives.

These instruments involved all operating areas and departments of Biesse S.p.A., reducing working time by about 152,240 hours.

As for the organisation of labour, in 2012, at the end of talks during the second half of 2011 with trade unions and employees' representatives at company level, an agreement on flexibility in working hours was implemented as an experiment in 5 Italian business areas of the Group (Biesse S.p.A. Glass&Marble Division, Biesse S.p.A. Tooling Division, HSD S.p.A., Viet Italia S.r.l. and Bre.Ma, S.r.l.), to ensure, on the one hand, that the company can react more rapidly to market fluctuations, and on the other hand, greater financial stability for the employees involved.

Training

In 2012, the Company activated a number of training activities and programmes aimed at strengthening the technical and managerial skills of employees and supporting the organisational improvement and development measures already undertaken.

TRAINING ON ERP SYSTEMS

Training in support of the implementation of the new ERP system continued. A specific programme was also dedicated to training on the ERP Human Resources Module. The training programmes were based both on methodological presentations and on practical mentoring of individual operators.

TRAINING PROGRAMME FOR AFTER-SALES TECHNICIANS

Following the reorganisation of the After-Sales area, specialist technical training was started for field operators and telephone help desk. The training focused on technological innovations introduced in Biesse solutions and machines, fault management processes and line automation systems.

"SAFETY " COURSE

Following the agreement between the national government and regional governments on workplace safety training, a massive training programme was started for all personnel, according to the specifications of the agreement. Priority was given to all professionals classified as high risk, who completed the general training programme during the year. Meanwhile, training for low-risk categories will continue in 2013.

"ORGANISATIONAL DEVELOPMENT FOR MANAGEMENT" PROGRAMME

The programme consisted in a series of workshops aimed at supporting the coordinated work of top management, developing collaboration skills.

PRODUCT TRAINING FOR SALES DEPARTMENT

In 2012, the company laid the bases for a training programme aimed at strengthening product skills and developing the reasoning and debating skills of employees in the sales department.

In particular, the project involved an initial mapping of operators' skills. Subsequently, "Storytelling workshops" were held with the objective to learn the storytelling dynamics that play an important role in sales processes oriented towards customer solutions.

Finally, the training programmes related to the main new products for the whole sales force were defined.

TRAINING ON MULTI-PURPOSE MANUFACTURING OPERATORS

In support of the restructuring of production lines, oriented to just in time and greater flexibility in product mix management, the company organised organisational workshops with line operators and training programmes designed to improve the operators' technical skills in managing multiple production stages.

TRAINING FOR PERSONNEL ON TEMPORARY LAY OFF SCHEMES

In addition to the above, measures for personnel on temporary lay off schemes continued thanks to an agreement between the Training Centre of the Province of Pesaro and Biesse S.p.A. in compliance with the requirements set out in the regulations on training in force.

In agreement with the Social Partners, the most important part of the programme was dedicated to basic skills, especially language and workplace safety skills.

Moreover, at the participants' request, a training programme on Business Management Basics was defined and implemented, focusing on Marketing, Organisation and Analysis of Corporate Financial Statements.

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

	No. of shares held directly and indirectly at 31/12/2011	No. of shares sold in 2012	No. of shares purchased in 2012	No. of shares held directly and indirectly at 31/12/2012	% of share capital
Roberto Selci Chairman	31,944	-	-	31,944	0.12%
Giancarlo Selci Managing Director	16,015,000	-	-	16,015,000	58.46%
Alessandra Parpajola Director	600	-	-	600	0.00%
Salvatore Giordano Independent Director	200	-	-	200	0.00%
Leone Sibani Independent Director	6,000	-	-	6,000	0.02%
Giampaolo Garattoni Independent Director	40,000	-	-	40,000	0.15%
Sanchioni Claudio Member of the Board of Statutory Auditors	200	-	-	200	0.00%



ATYPICAL AND/OR UNUSUAL TRANSACTIONS OF THE YEAR

No transactions of this nature were reported in 2012.

SIGNIFICANT SUBSEQUENT EVENTS AND OUTLOOK

JANUARY 2013

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

FEBRUARY 2013

On 14 February 2013, the Board of Directors of Biesse S.p.A. approved the new Three-Year Business Plan for the 2013-2015 period. As a consequence of the projects and initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 3.8%)
- higher added value (over 41% as a percentage of revenue in 2015)
- recovering operating profits:
 - (EBITDA: 12% as a percentage of revenue in 2015)
 - (EBIT: 8.5% as a percentage of revenue in 2015)
- three-year free cashflow € 48 million.

"In 2012" - commented the General Manager, Stefano Porcellini - "Biesse had to deal with an economic context strongly penalised by difficulties and uncertainties; this added to the problems of an industry – machines for furniture manufacturing (wood, glass, marble) – particularly affected due to its close relationship with the trend in the construction industry and the liquidity of the system (credit crunch on investment in capital assets). Nevertheless, Biesse posted revenues in line with the previous year thanks to the growth in exports (91%), and contained debt within manageable limits, making nonetheless huge investments in India and China to establish a presence in emerging markets.

With this starting point, today we have approved the actions and projects required to ensure Biesse's growth during the 2013-2015 period, with the main focus on technological and process innovation. Caution is still needed in 2013, since it is hard to expect a recovery in light of the current economic scenario, but we are confident that the international vocation of Biesse represents a real opportunity to overcome this phase of stagnation and later return to a more sustained growth cycle in the 2014-15 period.

We will also continue to place great emphasis on our financial position and working capital, so as to gradually reduce our debt".

MARCH 2013

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

The analysis of the first two months of this year showed positive results in terms of achievement of budget revenue targets, whereas the order intake was rather weak, especially for sales of equipment and mid-to-high-end products. These signals, even if limited to the beginning of the year, point to a still severely adverse economic environment.

directors' report on the performance of Biesse S.p.A.

SUMMARY INCOME STATEMENT

INCOME STATEMENT FOR 2012					
€ '000	2012	% of revenue	2011	% of revenue	Δ %
Net revenue	267,807	100.0%	281,962	100.0%	(5.0)%
Change in inventories, wip, semi-finished and finished goods	1,324	0.5%	(378)	(0.1)%	-
Other revenue	3,719	1.4%	2,729	1.0%	36.3%
Revenue	272,851	101.9%	284,313	100.8%	(4.0)%
Consumption of raw materials, consumables, supplies and goods	(145,666)	(54.4)%	(152,621)	(54.1)%	(4.6)%
Other operating expense	(45,197)	(16.9)%	(45,415)	(16.1)%	(0.5)%
Added value	81,987	30.6%	86,276	30.6%	(5.0)%
Personnel expense	(71,604)	(26.7)%	(75,128)	(26.6)%	(4.7)%
Gross Operating profit	10,384	3.9%	11,148	4.0%	(6.9)%
Depreciation and amortisation	(11,320)	(4.2)%	(9,930)	(3.5)%	14.0%
Provisions	(1,687)	(0.6)%	(483)	(0.2)%	-
Normalised Operating profit/(Loss)	(2,623)	(1.0)%	735	0.3%	-
Impairment losses and non recurring items	(4,366)	(1.6)%	(358)	(0.1)%	-
Operating profit/(Loss)	(6,989)	(2.6)%	378	0.1%	-
Finance income/expense	(2,143)	(0.8)%	(1,468)	(0.5)%	46.0%
Net exchange rate losses	(1,388)	(0.5)%	(772)	(0.3)%	79.8%
Impairment losses on financial assets	(1,976)	(0.7)%	(6,688)	(2.4)%	(70.5)%
Dividends	8,200	3.1%	11,393	4.0%	(28.0)%
Pre-tax profit/(Loss)	(4,296)	(1.6)%	2,842	1.0%	-
Income taxes	3,167	1.2%	(2,247)	(0.8)%	-
Profit/(Loss) for the year	(1,129)	(0.4)%	595	0.2%	-

Net revenue for 2012 amounted to € 267,807 thousand, compared with € 281,962 thousand for 2011, down 5% from the previous year, mainly due to a different product mix and a particularly significant drop in domestic demand.

It should be noted that the **revenue** from the sale of raw materials to suppliers, which were previously classified as revenue from goods, is accounted for as a deduction from the consumption of raw materials; comparative data for 2011 have consequently been reclassified by € 5,502 thousand.

€ '000	2012	%	2011	%
Revenue	272,851	100.0%	284,313	100.0%
Consumption of raw materials and goods	145,666	53.4%	152,621	53.7%
Other operating expense	45,197	16.6%	45,415	16.0%
<i>Services</i>	39,620	14.5%	40,001	14.1%
<i>Use of third party assets</i>	3,646	1.3%	3,574	1.3%
<i>Sundry operating expense</i>	1,931	0.7%	1,840	0.6%
Added value	81,987	30.0%	86,276	30.3%

Added value as a percentage of revenue largely confirms the result of the previous year (down 0.3%).

Personnel expense in 2012 was € 71,604 thousand, compared with € 75,128 thousand 2011, with a € 3,524 thousand decrease in absolute terms. This was mainly due to fixed costs (- € 2,070 thousand) as well as variable costs (- € 1,632 thousand).

Fixed costs decreased following the greater use made of the State-assisted special temporary layoff scheme compared to 2011, whereas variable costs related to productivity bonuses and other bonuses following the failure to achieve budget targets.

Capitalisation of R&D expenditure for employees' wages and salaries decreased by € 418 thousand (€ 6,847 thousand compared to € 7,265 thousand in 2011).

Gross Operating Profit was € 10,384 thousand, in line with the previous financial year as a percentage of revenue.

Depreciation and amortisation increased by 14% (from € 9,930 thousand to €11,320 thousand): depreciation amounted to € 3,531 thousand (down by 11.4%), whereas amortisation totalled € 7,789 thousand (up by 31.1%). Depreciation confirms a trend observed in previous years, with the streamlining of manufacturing facilities and investments and improving the use of manufacturing space. The increase in amortisation is mainly related to development costs amounting to € 1,299 thousand (up by 28.3%). Provisions, amounting to € 1,687 thousand, increased by € 1,204 thousand compared with the previous year, which was partly unaffected by the impact of adverse market conditions for trade receivables. The reported amount mainly consists of € 1,192 thousand in provisions to the allowance for impairment (no provision was made in 2011).

The resulting **normalised operating loss** was € 2,623 thousand.

During 2012, the company recognised costs arising from non-recurring events and impairment losses totalling € 4,366 thousand, compared to € 358 thousand in the prior year. The reported amount is attributable to the following factors: € 1,750 thousand mainly for management and organisational changes during July and August following the resignation of the Chief Executive Officer; € 1,730 thousand for the recognition of the provision for corporate restructuring related to the structural cuts that will take place in 2013; € 887 thousand for impairment losses on assets no longer considered strategic.

Consequently, the **operating loss** was € 6,989 thousand.

With reference to financing activities, the deterioration of the debt position, together with the high level of interest rates in 2012, resulted in a sharp increase in bank interest, in light of the change in the debt structure: therefore, the overall finance expense increased from € 1,468 thousand to € 2,143 thousand. Net exchange rate losses increased compared to the previous year (from € 772 thousand to € 1,388 thousand).

Finance expense also includes net impairment losses on financial assets amounting to € 1,976 thousand; the reported amount refers to impairment losses on the equity investments in Bre.Ma. Brenna Machine S.r.l. for € 150 thousand and in Biesse Group New Zealand Ltd. for € 900 thousand; to the provision to cover the net deficit in Biesse Iberica Woodworking Machinery s.l. for € 1,100 thousand; and to the use of excess provisions in 2011 referring to the subsidiary Bre.ma. Brenna macchina S.r.l for € 174

thousand.

These impairment losses were recognised following the outcome of impairment tests on the amount of these equity investments based on a discounted future cash flows analysis.

The reported amount of € 8,200 thousand refers to dividends distributed by the subsidiary HSD S.p.A. (€ 8,500 thousand in 2011).

The **pre-tax loss** therefore was € 4,296 thousand, compared to a € 2,842 thousand profit in 2011.

The **balance of tax items** was a positive to the tune of € 3,167 thousand.

The balance of current taxes was an expense of € 112 thousand due to the negative effect of the IRAP tax (€ 2,235 thousand) and to the positive effect of the IRES tax (€ 2,123 thousand) that was determined using the losses during tax consolidation.

The balance of deferred taxes was income of € 1,937 thousand, mainly due to the increasing effect of previous tax losses (following the IRES refund claims for the years from 2009 to 2011 in accordance with Article 2, paragraph 1 quater, Italian Law Decree no. 201 of 6 December 2011).

Income taxes relating to previous years were recognised during the year (positive to the tune of € 1,342 thousand) as a result of the calculation of income arising from the IRES refund claims (see above) for the years 2007 and 2008.

Consequently, the Company recognised a **loss for the year** of € 1,129 thousand.

SUMMARY BALANCE SHEET DATA

SUMMARY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012		
€ '000	31 December 2012	31 December 2011
Intangible assets	32,768	32,538
Property, plant and equipment	34,015	36,095
Financial assets	49,300	40,237
Non current assets	116,082	108,871
Inventories	40,592	43,064
Trade receivables	58,829	63,112
Intercompany trade receivables	39,732	40,278
Trade payables	(73,658)	(77,043)
Intercompany trade payables	(12,543)	(10,594)
Net Operating Working Capital	52,952	58,816
Post-employment benefits	(8,824)	(9,283)
Provision for risk and charges	(9,994)	(8,122)
Other net payables	(10,006)	(11,132)
Net deferred tax assets	11,320	9,409
Other net liabilities	(17,504)	(19,128)
Net Invested capital	151,530	148,558
Share capital	27,393	27,393
Profit/loss for the previous year and other reserves	86,189	85,641
Profit/(Loss) for the year	(1,129)	595
Equity	112,453	113,629
Bank loans and borrowing and loans and borrowings from other financial backers	64,661	64,505
Financial liabilities vs group	8,234	14,100
Other financial assets	(30,543)	(35,192)
Cash and cash equivalents	(3,274)	(8,485)
Net financial indebtedness	39,078	34,929
Total sources of funding	151,530	148,558

Under non-current assets, the value of net intangible assets remained substantially unchanged from 2011, (+ € 230 thousand) whereas property, plant and equipment decreased by approximately € 2 million due to higher depreciation for the period compared to new investments made.

Net working capital increased by € 5.9 million compared with 31 December 2011; this is mainly due to the decrease in trade receivables (€ 4.9 million) and inventories (€ 2.5 million), partially offset by the decrease in trade payables (€ 1.5 million).

NET FINANCIAL INDEBTEDNESS

€ '000	31 December 2012	31 December 2011
Financial assets	33,817	43,677
Other current financial assets due from related parties	22,343	26,692
Dividends	8,200	8,500
Cash and cash equivalents	3,274	8,485
Short-term finance lease liabilities	-	(180)
Bank loans & borrowings and other short-term financial liabilities	(62,118)	(41,266)
Other current financial liabilities due to related parties	(8,234)	(14,100)
Net short-term financial indebtedness	(36,535)	(11,869)
Medium/long term finance lease liabilities	-	-
Medium/long term bank loans and borrowings	(2,543)	(23,060)
Medium/Long Term net financial indebtedness	(2,543)	(23,060)
Total net financial indebtedness	(39,078)	(34,929)

At the end of December 2012, the Company's net indebtedness was € 39 million (+ € 4.2 million), up from the end of December 2011 but considerably lower compared to interim results recorded during the year thanks to improved working capital.

It should be noted that receivables for dividends that were previously classified in other receivables were reclassified to the net financial position; comparative data for 2011 have consequently been reclassified by € 8,500 thousand.

It should be noted that during 2012 non-recurring cash absorptions occurred, including mainly additional payments on account relating to the acquisition of the Centre Gain Group amounting to € 4.8 million and voluntary termination benefits totalling € 1.1 million. For further details, please refer to what was already mentioned on the Group's net financial position.

OTHER INFORMATION

Finally, it should be noted that the Company does not own shares or quotas in parents, nor has it owned or traded any such shares or quotas during 2012. There is, therefore, nothing to disclose in relation to Article 2428 paragraph 2 sections 3 and 4 of the Italian Civil Code.

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

PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

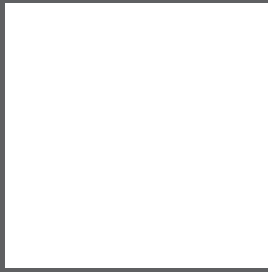
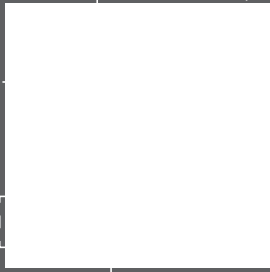
You are invited to approve the financial statements as at and for the year ended 31 December 2012, with the present Directors' Report, as they stand.

The Board of Directors, taking into account the financial position and results for 2012, proposes not to distribute a dividend to shareholders and to resolve upon:

- covering of the loss for the year of € 1,128,854.16 using the extraordinary reserve to the extent available;
- the allocation of € 1,986,303.53 to the extraordinary reserve, taking this amount from the reserve for unrealised exchange rate gains.

Pesaro, 15 March 2013

The Chairman of the Board of Directors
Roberto Selci



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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31/12/2012 ⁽²⁾			
€ '000	Note	2012	2011
Revenue	6	383,061	388,530
Other operating income	6	3,648	2,129
Change in the inventories of finished goods and work in progress		6,623	1,499
Purchase of raw materials and consumables	8	(167,255)	(172,781)
Personnel expense	9	(118,483)	(115,580)
Other operating expense	10	(85,080)	(81,379)
Depreciation and amortisation		(15,107)	(13,096)
Provisions		(5,236)	(2,254)
Impairment losses	15	(1,903)	(1,314)
Operating profit		269	5,755
Finance income	11	323	363
Finance expense	12	(3,988)	(2,756)
Net exchange rate losses	13	(1,722)	(861)
Pre-tax profit/(loss)		(5,119)	2,500
Income taxes	14	(1,444)	(4,947)
Loss for the year		(6,563)	(2,446)
Attributable to:			
Owners of the parent		(6,530)	(2,438)
Non-controlling interests	28	(33)	(9)
		(6,563)	(2,446)
Earnings per share			
Base (€/cents)	16	(24.27)	(9.06)
Diluted (€/cents)	16	(24.27)	(9.06)

² In accordance with Consob Resolution no. 15519 of 27 July 2006, the effects of related party transactions and non-recurring transactions on the Income Statement are shown in the relevant statement in Appendix 1 and, respectively, in notes 45 and 15.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31/12/2012**

€ '000	Note	2012	2011
Loss for the year		(6,563)	(2,446)
Other comprehensive expense components			
Foreign currency translation differences for foreign operations	27	(354)	(782)
Gain/(Losses) on cash flowhedges	27	94	104
Income tax on other comprehensive expense components	14	(26)	(29)
Total other comprehensive expense net of tax		(286)	(707)
Total comprehensive expense for the year		(6,849)	(3,153)
Owners of the parent		(6,822)	(3,143)
Non-controlling interests		(27)	(11)
Total comprehensive expense for the year		(6,849)	(3,153)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012⁽³⁾**

€ '000	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	17	55,615	55,307
Equipment and other items of property, plant and equipment	17	6,487	8,345
Goodwill	18	17,252	18,046
Other intangible assets	19	30,365	29,981
Deferred tax assets	34	18,383	18,389
Other non-current financial assets and non-current receivables	20	1,153	1,140
		129,255	131,208
Current assets			
Inventories	21	90,321	88,459
Trade receivables due from third parties	22	99,435	112,193
Trade receivables due from related parties		19	14
Other current assets	23	11,646	13,586
Other current assets due from related parties	23	1,569	656
Derivatives	38	614	0
Current financial assets		849	650
Cash and cash equivalents	24	16,156	22,604
		220,608	238,162
TOTAL ASSETS		349,863	369,370

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012⁽³⁾**

	Note	31 December 2012	31 December 2011
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	25	27,393	27,393
(Treasury shares)	25	(4,676)	(4,676)
Equity reserves	26	36,202	36,202
Hedging and translation reserve	27	(1,527)	(1,241)
Other reserves	28	62,190	64,743
Loss for the year		(6,530)	(2,438)
Equity attributable to the owners of the parent		113,052	119,983
Non-controlling interests	28	208	680
TOTAL EQUITY		113,260	120,663
Non-current liabilities			
Post-employment benefits	33	10,007	10,544
Deferred tax liabilities	34	2,447	2,952
Medium and long-term bank loans and borrowings and other financial payables	30	3,621	25,224
Finance lease payables	32	2,245	2,519
Provisions for risks and charges	35	2,187	1,589
Other non-current liabilities	37	1,466	2,501
Derivatives		0	22
		21,972	45,352
Current liabilities			
Trade payables	36	106,391	112,302
Trade payables due to related parties		932	822
Other current liabilities	37	29,309	34,721
Other current liabilities due to related parties		13	1
Tax payables		1,121	1,171
Finance lease payables	32	270	464
Bank overdrafts and loans	30	67,055	45,400
Provisions for risks and charges	35	9,516	7,848
Derivatives	38	24	627
		214,631	203,356
LIABILITIES		236,603	248,708
TOTAL EQUITY AND LIABILITIES		349,863	369,370

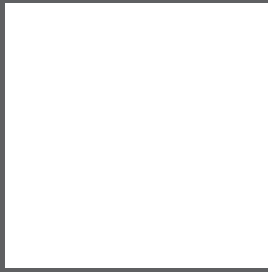
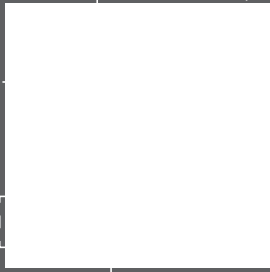
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012		
€ '000	2012	2011
OPERATING ACTIVITIES		
+/- Loss for the year	(6,563)	(2,446)
+ Depreciation and amortisation:		
of property, plant and equipment	6,386	6,117
of intangible assets	8,721	6,978
+ Provisions :		
Increase/decrease in provisions for post-employment benefits	799	353
Increase/decrease in allowance for impairment	2,110	620
Increase/decrease allowance for inventory write-down	2,342	(353)
Increase/decrease in provisions for risk and charges	2,933	1,402
Other non-financial changes in provisions	10	2,276
Gains/losses from sales of property, plant and equipment	(3)	(32)
Income/expense on intangible assets	(215)	(0)
Impairment losses on property, plant and equipment	0	956
Impairment losses on intangible assets	892	358
Income from investing activities	(323)	(363)
unrealised exchange rate (gains)/losses	389	335
Income taxes	1,444	4,947
Finance expense	3,988	2,756
SUBTOTAL OPERATING ACTIVITIES	22,912	23,903
Post-employment benefits paid	(1,346)	(974)
Risk provisions utilised	(1,144)	(1,391)
Change in trade receivables	10,810	(20,925)
Change in inventories	(4,306)	(1,392)
Change in trade payables	(6,408)	(2,329)
Change in other payables	(2,343)	1,419
Income tax paid	(4,507)	(4,582)
Interest paid	(3,291)	(1,890)
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	10,377	(8,162)

INVESTING ACTIVITIES

Acquisition of property, plant and equipment		(2,814)	(5,098)
Proceeds from sale of property, plant and equipment and other items of property, plant and equipment		123	138
Acquisition of patents, trademarks and other intangible assets. Capitalisation of development costs		(9,986)	(11,083)
Proceeds from sale of intangible assets		290	109
Acquisitions of equity investments	42	(4,378)	(2,644)
Acquisitions of/increases in other financial assets		(199)	(1,140)
Interest received		-	-
NET CASH FLOWS USED IN INVESTING		286	313
FINANCING ACTIVITIES		(16,678)	(19,405)
Loans repaid/New banker's advance	30	22,097	35,233
Finance lease payments	32	(468)	(2,231)
Change in bank loans and borrowings	30	(21,447)	(8,800)
Change in current derivative instrument financial assets/liabilities		(256)	(204)
Capital injections - non-controlling interests		15	373
Dividends paid - non-controlling interests		0	(60)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		(58)	24,310
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,359)	(3,256)
OPENING CASH AND CASH EQUIVALENTS		22,604	25,812
Effect of exchange rate fluctuations on cash held		(90)	48
CLOSING CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		16,156	22,604

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2012

€ '000	Note	Opening balances	Others gains/losses, net of taxation	Loss for the year	Total comprehensive expense for the year	Changes in the equity	Increase in the reserve for share-based payments	Other changes	Allocation of loss of the previous year	Tota effects of transactions with shareholders	Closing balances
Statement of changes in consolidated equity at 31 December 2012											
Share capital		27,393	-	-	-	-	-	-	-	-	27,393
- Treasury shares	25	(4,676)	-	-	-	-	-	-	-	-	(4,676)
Equity reserves		36,202	-	-	-	-	-	-	-	-	36,202
Hedging and translation reserve	27	(1,241)	(286)	-	(286)	-	-	-	(2,438)	(2,553)	(1,527)
Other reserves	28	64,744	-	(6,530)	(6,530)	(115)	-	2,438	-	2,438	62,191
Loss for the year		(2,438)	-	(6,530)	(6,530)	-	-	-	-	-	(6,530)
Equity attributable to owners of the parent		119,983	(286)	(6,530)	(6,816)	-	(115)	0	-	115	113,052
Non-controlling interests		680	6	(33)	(27)	-	-	(445)	-	(445)	208
TOTAL EQUITY		120,663	(280)	(6,563)	(6,843)	-	(115)	(445)	-	(560)	113,260
Statement of changes in consolidated equity at 31 December 2011											
Share capital		27,393	-	-	-	-	-	-	-	-	27,393
- Treasury shares	25	(4,676)	-	-	-	-	-	-	-	-	(4,676)
Equity reserves		36,202	-	-	-	-	-	-	-	-	36,202
Hedging and translation reserve	27	(535)	(706)	-	(706)	-	-	-	-	-	(1,241)
Other reserves	28	69,704	-	-	-	328	108	(4)	(5,392)	(4,960)	64,744
Loss for the year		(5,392)	-	2,438	(2,438)	-	-	-	5,392	5,392	(2,438)
Equity attributable to owners of the parent		122,696	706	(2,438)	(3,144)	328	108	(4)	-	432	119,983
Non-controlling interests		219	(2)	(9)	(11)	486	-	(15)	-	471	680
TOTAL EQUITY		122,914	(708)	(2,446)	(3,154)	814	108	(19)	-	903	120,663



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1. general

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

The consolidated financial statements as at and for the year ended 31 December 2012 comprise the financial statements of Biesse S.p.A. and its subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investments in associates.

The consolidated financial statements as at and for the year ended 31 December 2012 were approved during the meeting of the Board of Directors held today (15 March 2013).


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

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name and registered office	Currency	Share/ capital quota	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Parent						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,141,490	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			98%
Biesse Tecno System S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	100,000	50%			50%
Viet Italia S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,000	100%			100%
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
Biesse Asia Pte. Ltd Zagro Global Hub 5 Woodlands Terr. – Singapore	SGD	2,655,000	100%			100%
Biesse Group UK Ltd. Lampton Drive – Daventry Northampton. Great Britain	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable Brignais – France	EUR	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%

Name and registered office	Currency	Share/capital quota	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Foreign subsidiaries:						
Biesservice Scandinavia AB Maskinvagen 1 Lindas - Sweden	SEK	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 - Barcellona - Spain	EUR	1,233,290	100%			100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park - Australia	AUD	5,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau Auckland - New Zealand	NZD	334,262	100%			100%
Hsd Usa Inc. 3764 SW 30 th Avenue - Hollywood Florida - U.S.A.	USD	10,000		100%	Hsd S.p.A.	100%
HSD Deutschland GmbH Brükenstrasse,2 - Gingen - Germany	EUR	25,000		100%	Hsd S.p.A.	100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk Bangalore -India	INR	674,518,392	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferrim, Sintra - Portugal	EUR	5,000		100%	Biesse Iberica W.M.s.l.	100%
Biesse Trading (Shanghai) Co. Ltd Building 10 No.205 Dong Ye Road Dong Jing Industrial Zone, Song Jiang District Shanghai 201619, China	RMB	3,000,000		100%	Biesse (HK) Ltd.	100%
HSD Mechatronic (Shanghai) Co. Ltd D2, first floor, 207 Taiguroad, Waigaoqiao free trade zone Shanghai - China	RMB	2,118,319		100%	Hsd S.p.A.	100%
Biesse Schweiz GmbH Grabenhofstrasse, 1 - Kriens Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	1,250,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse (HK) LTD Unit 1105. 11 floor - Regent Centre NO.88 Queen's Road Central Central - Hong Kong	HKD	15,000,000	100%*			100%*
Centre Gain LTD Room 703, 7/F,Cheong Tai Comm Bldg. - 60 Wing Lok Street - Sheung Wan - Hong Kong	HKD	110,000,000		100%	Biesse (HK) LTD	100%
Dongguan Korex Machinery Co. Ltd Dongguan City Guangdong Province - China	RMB	128,435,513		100%	Biesse (HK) LTD	100%
Nuova Faos International MAnufacturing Pvt. Ltd. Peenya 1st Stage Peenya Industrial Area - Bangalore - India	INR	23,158,450		100%	Biesse Manufacturing Co. Pvt. Ltd.	100%
Biesse Malaysia SDN BHD Dataran Sunway, Kota Damansara - Petaling Jaya, Selangor Darul Ehsan - Malaysia	MYR	1,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse Korea LLC Geomdan Industrial Estate, Oryu-Dong, Seo-Gu - Incheon - South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%

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



Compared to financial statements at 31 December 2011, the scope of consolidation has underwent the following changes.

On 8 June 2012, the subsidiary Biesse (India) Manufacturing Co. Pvt Ltd. concluded the agreement to purchase Nuova Faos International (India) Manufacturing Pvt. Ltd. At the end of 2009, Biesse Manufacturing Pvt Ltd and Biesse SpA reached an agreement with a long-term supplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a put option with Biesse Manufacturing. Since these conditions were met, the supplier exercised its right on 1 January 2012, allowing Biesse to conduct a Due Diligence assistance review on the company (Nuova Faos International Manufacturing Pvt. Ltd.). On 5 March 2012, the parties reached a pre-agreement, setting the consideration for transferring the entire equity investment at € 373 thousand. The transfer was finalised in June.

In addition, during the second quarter, the subsidiary Biesse Asia Pte Ltd. strengthened its local presence and set up two new companies to replace the pre-existing representative offices. Specifically, on 24 April 2012, Biesse Malaysia SDN BHD was set up, while on 26 June 2012 Biesse Korea LLC was established.

In September, control of the company Biesse Trading (Shanghai) Co. Ltd. was successfully transferred from Biesse Asia Pte Ltd. to Biesse (HK) Ltd. The purpose of this transfer was to streamline the corporate structure in the Far East through the creation of an integrated group (from production to sales & marketing to after-sales service) specifically dedicated to the Chinese market. During the year we also completed the acquisition of subsidiary accounting Biesse (HK) according to IFRS 3

With reference to the equity investment in BRE.MA. Brenna Macchine S.r.l., at the end of 2011, Biesse S.p.A. had complied with the requirements set forth in art. 2482 ter of the Italian Civil Code as far as its own investment interest as well as the non-controlling interest are concerned. The payment related to the non-controlling interest was subject to a condition precedent to the subscription right for the relevant 40% stake. The non-controlling interest subsequently carried out the transactions as described in Article 2482 ter for an amount limited to 2% of the share capital, reserving the irrevocable option granted by Biesse to purchase the residual 38% no later than 31 December 2012. Since the option concerned was not exercised within the agreed terms, Biesse S.p.A.'s equity investment in BRE.MA, amounting to 98%, shall be considered confirmed.

It should be pointed out that Viet Italia S.r.l. is a structured vehicle set up to rent and subsequently acquire the business unit of the Pesaro-based brand with the same – Viet – market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. The transaction also included the latter's equity investment in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). Based on some conditions precedent established by the contract in question and concerning Pavit – relating to the acquisition of the equity investment – it was deemed expedient not to include the company in the scope of consolidation, also because it is not material. The company will be consolidated on a line-by-line basis when the conditions precedent have been satisfied.

It should be noted that a purchase offer was made; however, it expired on 31 December 2012 and has not yet been renewed

2. significant subsequent events

JANUARY 2013

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

FEBRUARY 2013

On 14 February 2013, the Board of Directors of Biesse S.p.A. approved the new Three-Year Business Plan for the 2013-2015 period. As a consequence of the projects and initiatives set out in the above business plan, the results expected by the Biesse Group within the next three years are as follows:

- higher consolidated revenue (three-year CAGR: 3.8%)
- higher added value (over 41% as a percentage of revenue in 2015)
- recovering operating profits:
 - (EBITDA: 12% as a percentage of revenue in 2015)
 - (EBIT : 8.5% as a percentage of revenue in 2015)
- three-year free cashflow € 48 million.

“In 2012” - commented the General Manager, Stefano Porcellini - “Biesse had to deal with an economic context strongly penalised by difficulties and uncertainties; this added to the problems of an industry – machines for furniture manufacturing (wood, glass, marble) – particularly affected due to its close relationship with the trend in the construction industry and the liquidity of the system (credit crunch on investment in capital assets). Nevertheless, Biesse posted revenues in line with the previous year thanks to the growth in exports (91%), and contained debt within manageable limits, making nonetheless huge investments in India and China to establish a presence in emerging markets.

With this starting point, today we have approved the actions and projects required to ensure Biesse's growth during the 2013-2015 period, with the main focus on technological and process innovation. Caution is still needed in 2013, since it is hard to expect a recovery in light of the current economic scenario, but we are confident that the international vocation of Biesse represents a real opportunity to overcome this phase of stagnation and later return to a more sustained growth cycle in the 2014-15 period.

We will also continue to place great emphasis on our financial position and working capital, so as to gradually reduce our debt”.

MARCH 2013

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

The analysis of the first two months of this year showed positive results in terms of achievement of budget revenue targets, whereas the order intake was rather weak, especially for sales of equipment and mid-to-high-end products. These signals, even if limited to the beginning of the year, point to a still severely adverse economic environment.

3. declaration of compliance with international financial reporting standards and consolidation criteria

Declaration of compliance with international financial reporting standards and general policies

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

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

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

Consolidation criteria

The consolidated financial statements as at and for the year ended 31 December 2012 include the financial statements of the Parent Biesse and of the Italian and foreign companies which it controls directly and indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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

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

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

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

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

Average and closing exchange rates are as follows:

Currency	31 December 2012		31 December 2011	
	Average	Closing	Average	Closing
US Dollar / Euro	1.2848	1.3194	1.3920	1.2939
Singapore Dollar / Euro	1.6055	1.6111	1.7489	1.6819
Canadian Dollar / Euro	1.2842	1.3137	1.3761	1.3215
Sterling / Euro	0.8109	0.8161	0.8679	0.8353
Swedish Krone / Euro	8.7041	8.582	9.0298	8.9120
Australian Dollar / Euro	1.2407	1.2712	1.3484	1.2723
New Zealand Dollar / Euro	1.5867	1.6045	1.7600	1.6737
Indian Rupee / Euro	68.5973	72.5600	64.8859	68.7130
Chinese Renminbi Yuan / Euro	8.1052	8.2207	8.9960	8.1588
Swiss Franc / Euro	1.2053	1.2072	1.2326	1.2156
Indonesian Rupiah / Euro	12,045.73	12,713.87	12,206.52	11,731.50
Hong Kong Dollar / Euro	9.9663	10.226	10.8362	10.0510
Malaysian Ringgit / Euro	3.9672	4.0347	-	-
South Korean Won/ Euro	1,447.69	1,406.23	-	-

Equity investments in Associates

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

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

Equity investments in other companies

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

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

Format of the consolidated financial statements

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

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

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


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

The Statement of Comprehensive Income includes the components that make up the profit or loss for the reporting period and the items of income and expense recognised directly in Equity arising from transactions other than those carried out with owners.

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

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

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



All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable rules laid down by national legislation and Consob (the regulatory authority for the Italian securities market).

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

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

4. measurement criteria

The most significant measurement criteria used in preparing the financial statements as at and for the year ended 31 December 2012 are illustrated below. The accounting policies adopted for the preparation of the 2012 consolidated financial statements have also been applied consistently to all reporting periods presented for comparative purposes.

Revenue recognition

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

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

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

Construction contracts

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

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

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

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

recognised as expenses in the year in which they are incurred.

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

Foreign currency transactions

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

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

Translation of foreign currency financial statements

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

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

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

Net investments in foreign operations

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

Finance and Operating Lease Contracts

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

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

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



Government grants

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

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

Costs and charges

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

Income taxes

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

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

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

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

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

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

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

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

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

Earnings per share

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

Business combinations

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

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

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

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

a) the aggregate of:


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

b) the acquisition-date fair value of the identifiable assets acquired net of the liabilities assumed at the date control is obtained.

IFRS 3 also requires:

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

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



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

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

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

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

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

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

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

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

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

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

Investment property

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

Goodwill and other intangible assets

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

Goodwill

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

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

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

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

Internally-generated intangible assets – Research and development expense

Research expense is recognised in profit or loss as incurred.

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

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

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

When internally-generated intangible assets cannot be recognised, development costs are recognised in profit or loss in the year in which it is incurred.

Trademarks, licences and patents

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

Impairment losses on property, plant and equipment and intangible assets

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

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

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



the assets attributable to it.

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

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

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

Non-current assets held for sale

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated on a weighted average cost basis. The net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

Financial assets and liabilities

Financial assets and liabilities include available-for-sale equity investments in other companies, non-current receivables and loans, trade receivables, as well as other receivables and financial assets such as cash and cash equivalents. Financial liabilities include financial payables, trade payables, other payables and financial liabilities. Derivative instruments are also included amongst financial assets and liabilities. Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Their initial recognition takes into account directly attributable transaction and issue costs. Subsequent measurement depends on the type of financial instrument and is subject to the

categories of financial assets and liabilities listed below:

Loans and receivables

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

Held-to-maturity financial assets

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

Financial assets held for trading

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

Available-for-sale financial assets

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

Trade payables

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

Financial liabilities and equity instruments

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

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

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

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

Equity Instruments

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



Derivative instruments and hedge accounting

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

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

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

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

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

Treasury shares

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

Stock options

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

Post-employment benefits

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

Actuarial gains and losses exceeding 10 per cent of the present value of the Group's defined-benefit obligation are amortised over the period of the expected average remaining working lives of employees participating in the plan.

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

Recognised post-employment benefit obligations represent the present value of defined-benefit obligations adjusted for unrecognised actuarial gains and losses.

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

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

Provisions for risks and charges

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

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

Accounting standards, amendments and interpretations effective since 1 January 2012

On 7 October 2010, the IASB issued some amendments to IFRS 7 – Financial instruments: Disclosures, to be applied to the Company as from 1 January 2012. The amendments were issued with the intention of improving the understanding of transfer transactions (derecognition) of financial assets, including the understanding of any effects deriving from any risk remaining incumbent upon the company that transferred said assets. The amendments also require more information when a disproportionate number of such transactions are entered into near the end of a reporting period. The adoption of said amendment has not had any impact on the disclosure provided in this Annual report and on the measurement of the relevant reported items.


Accounting standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2012 and not relevant to the Group

The following amendment, effective for annual periods beginning on or after 1 January 2012, regulates matters and cases not existing within the Group companies as at the date of these financial statements, but which could however have an accounting effect on future transactions or agreements:

- On 20 December 2010, the IASB issued a minor amendment to IAS 12 – Income taxes that clarifies the measurement of deferred taxes on investment property measured at fair value. The amendment introduces the assumption that deferred taxes related to investment property measured at fair value in accordance with IAS 40 must be calculated considering that the carrying amount will be recovered through its sale. Following this amendment, the accounting standard SIC-21 – Income taxes – Recovery of Revalued Non-Depreciable Assets will no longer be effective. The amendment is required to be applied retrospectively for annual periods beginning on or after 1 January 2012.

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

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements, which will be renamed Separate Financial Statements and will regulate the accounting treatment of equity investments in the separate financial statements. The new standard differs from the



existing ones, identifying the concept of control as the decisive factor for consolidating a company in the parent's consolidated financial statements. The new IAS 27 confirms that investments in subsidiaries, associates and Joint ventures are measured at cost or in accordance with IFRS 9; the entity shall apply the same accounting for each category of investments. Moreover, if an entity decides to measure the investments in associates or Joint Ventures at fair value (applying IFRS 9) in its consolidated financial statements, it shall use the same standard also in the separate financial statements. The standard is required to be applied retrospectively, at the latest, for annual periods beginning on or after 1 January 2014. Based on the analyses being conducted, no significant impact on the measurement of the investments of the Company are expected following the adoption of the revised IAS 27.

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements, that will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-Controlled Entities – Non-Monetary Contributions by Venturers. The new standard provides the criteria to identify joint arrangements based on the rights and obligations arising from the arrangements rather than on their legal form, and establishes the equity method as the only method of accounting for investments in jointly-controlled entities in the consolidated financial statements. The standard is required to be applied retrospectively, at the latest, for annual periods beginning on or after 1 January 2014. Subsequent to the issue of the standard, IAS 28 – Investments in Associates was amended to include also investments in jointly-controlled entities within its scope starting from the standard's effective date.

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new and complete standard on the disclosure requirements for each type of equity investment, including interests in subsidiaries, joint arrangements, associates, structured entities, and other unconsolidated structured entities. The standard is required to be applied retrospectively, at the latest, for annual periods beginning on or after 1 January 2014.

On 12 May 2011, the IASB issued IFRS 13 – Fair Value Measurement, which clarifies how fair value shall be measured and it applies to all IFRSs that require or allow fair value measurement or the presentation of information based on fair value. The standard is required to be applied retrospectively, at the latest, for annual periods beginning on or after 1 January 2013. It is believed that the adoption of the new standard will have no significant impact on the events company's financial statements.

On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements, requiring companies to group together items presented in other comprehensive income/(expense) that could be reclassified to profit or loss. The amendment is required to be applied for annual periods beginning on or after 1 July 2012. The adoption of this amendment will have no impact on the measurement of reported items.

On 16 June 2011, the IASB issued an amendment to IAS 19 – Employee benefits that can be applied retrospectively for annual periods beginning on or after 1 January 2013. The amendment changes the accounting for defined-benefit plans and termination benefits. The main changes made with regard to defined-benefit plans concern the recognition in the statement of financial position of the deficit or surplus in the plan, the introduction of net interest, and the classification of net interest on defined-benefit plans. Specifically:

- **Recognition of the deficit or surplus in the plan:** The amendment eliminates the option to defer unrecognised actuarial gains and losses using the corridor approach and requires their recognition in other comprehensive income/(loss); moreover, the amendment requires the immediate recognition in profit or loss of past service cost.
- **Net interest:** The replacement of the concepts of interest cost and expected return on defined-benefit plan assets with the concept of net interest on defined-benefit plans, which consists of:
 - interest cost on the present value of the defined-benefit liability,
 - interest income arising from the measurement of plan assets, and
 - interest on the effect of the asset ceiling.

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

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


In accordance with the transitional provisions of IAS 19 in paragraph 173, the company will apply this standard retrospectively for annual periods beginning on or after 1 January 2013 adjusting the opening amounts of the statement of financial position as at 1 January 2012 and the income statement for 2012 as if the amendments to IAS 19 had always been applied. As at the date of these Consolidated Financial Statements, the Group estimated that the adoption of the new standard as from 1 January 2012 will result in the recognition of a further employee benefits liability amounting to approximately € 2,073 thousand and € 4,350 thousand as at 31 December 2011 and 2012, respectively, and a reduction in equity (other comprehensive income and expense) of the same amount. The estimated economic impact on 2012 is a lower cost amounting to approximately € 43 thousand.

On 16 December 2011, the IASB issued amendments to IAS 32 – Financial Instruments: Presentation, to clarify the application of certain criteria for offsetting financial assets and liabilities in IAS 32. The amendments are required to be applied retrospectively for annual periods beginning on or after 1 January 2014.

On 16 December 2011, the IASB issued amendments to IAS 7 – Financial Instruments: Disclosures. The amendment requires disclosures on the actual or potential effects of netting arrangements on the company's statement of financial position. The amendments are required to be applied retrospectively for annual periods beginning on or after 1 January 2013 and interim periods after that date. It is believed that the adoption of the amendment will have no significant impact on the company's financial statements.

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

- On 12 November 2009, the IASB published IFRS 9 – Financial Instruments. That same standard was later amended. The standard, which is required to be applied retrospectively for annual periods beginning on or after 1 January 2015, represents the first part of a process aimed at replacing IAS 39 in its entirety and introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, as for financial assets, the new standard utilises just one approach based on how the financial instruments are managed and on the characteristics of their contractual cash flows in order to determine the basis of measurement, replacing the various rules provided for by IAS 39. As for financial liabilities, instead, the main amendment regards the accounting treatment of the changes in fair value of a financial liability designated as at fair value through profit or loss, if these are due to the change in the credit rating of the liability. According to the new standard, these changes shall be recognised in other comprehensive income/(expense) and will no longer be recognised through profit or loss.
- On 17 May 2012 the IASB issued a collection of amendments to IFRS (“Improvement to IFRSs – 2009-2011”) that will be effective retrospectively for annual periods beginning on or after 1 January 2013; here below are the amendments that may result in changes in the presentation, recognition and measurement of reported items, excluding those involving just a change in terminology or in publishing with immaterial accounting impact, or those that have implications for Standards and Interpretations that do not apply to the Company:
 - IAS 1 – Presentation of Financial Statements: The amendment clarifies the requirements for comparative information if the company changes its accounting policies, makes retrospective restatements or reclassifications, and presents additional comparative statements of financial position beyond the minimum required;
 - IAS 16 – Property, Plant and Equipment: The amendment clarifies that spare parts and servicing equipment shall be capitalised only if they meet the definition of Property, plant and equipment, otherwise they must be classified as Inventories.

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- IAS 32 – Financial Instruments: Presentation: The amendment eliminates an inconsistency between IAS 12 – Income Taxes and IAS 32 concerning the recognition of taxes deriving from distributions to owners, establishing that these taxes must be recognised in profit or loss to the extent that the distribution refers to income generated from transactions originally recognised in profit or loss.

5. measurement criteria and use of estimates

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

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

There follows a summary of the critical judgements and the key assumptions made by management in applying the accounting policies regarding the future. They could have a significant impact on the amounts recognised in the consolidated financial statements or carry the risk of resulting in material adjustments within the next year of the carrying amount of assets and liabilities.

Allowance for impairment

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

Allowance for inventory write-downs

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

Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews on an ongoing basis the carrying amount of

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

With regard to cash flows considered for this analysis, considering the difficult and persistent economic and financial situation in Europe and the uncertainty in the other geographical areas in which the Group operates, the various Divisions have taken into account the trends expected for 2013 in the most recent approved budget and the 2013-2015 business plan approved on 14 February 2013 by the Board of Directors of the Parent. For subsequent years, conservative assumptions were used to account for the persisting challenges and the uncertainty of the economic scenario. Cash flows accounted for the different situation of end markets where the operating Divisions are located and their business strategies. More precisely, with reference to the Wood Division, the commercial development plan in the APAC area was taken into account. Considering the strategic guidelines approved, using cash flow projections for the period from 2013 to 2017 was considered reasonable. These projections were discounted using a pre-tax Weighted Average Cost of Capital (WACC) of 8.80% and the long-term growth rate (including inflation) was conservatively estimated at 1.5%. A sensitivity analysis was also carried out by simulating a scenario with a WACC rate increased by 0.5%, over all the years of the plan, and a reduction in the long-term growth rate of 0.5% on the Terminal Value. While the analysis carried out under normal conditions showed no problems concerning the recoverability of net assets, the sensitivity analysis highlighted the existence of a critical situation with respect to the Glass & Marble Division. In light of this result, Management considered it appropriate to recognise a partial impairment loss on the relevant goodwill recognised in the financial statements at € 778 thousand. Finally, an analysis was carried out on specific asset classes, which resulted in the recognition of impairment losses amounting to € 892 thousand in 2012, mainly related to Development expense and Intangible Assets. In 2011, impairment losses amounted to € 1,314 thousand and related to Development expense and Intangible Assets.


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

Product Guarantees

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

Pension plans and other post-employment benefits

The provisions for employee benefits, the relevant assets, costs and net interest costs are measured with an actuarial method that requires the use of estimates and assumptions for measuring the net value of the liability or asset. The actuarial method considers financial variables such as, for instance, the discount rate or the expected long-term rate of return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates.



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

As a result of the adoption of the corridor approach for the recognition of actuarial gains and losses arising from the measurement of employee benefits assets and liabilities (refer to the previous paragraph – Post-employment benefits), the effects arising from the revisions of the estimates of the above variables are not recognised in the statement of financial position and profit or loss of the group in the period in which they arise.

Contingent liabilities

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

Recoverability of deferred tax assets

At 31 December 2012, the Group had deferred tax assets amounting to € 18,383 thousand (€ 18,389 thousand at 31 December 2011). Management has recognised such deferred tax assets up to the amount it considers likely to be recoverable. The calculation of the various items took into consideration budget results and forecasts for the subsequent years consistent with those used for the purposes of impairment testing, approved by the board of directors of the parent on 14 February 2013, and described in the paragraph above concerning the recoverable amount of non-current assets.

Notes to the financial statements

consolidated income statement

6. revenue and other operating income

The analysis of Group revenue is as follows:

€ '000	2012	2011
Revenue from sales of goods	359,753	367,754
Revenue from services	22,413	19,967
Other revenue	1,075	808
TOTAL REVENUE	383,241	388,529
Lease and rental income	214	150
Commissions and royalties	117	211
Income related grants	144	365
Gains on sales of assets	229	47
Other non-recurring income and contingent assets	2,945	1,356
TOTAL OTHER OPERATING REVENUE	3,648	2,129

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

The most significant components of other income relate to prior year income and contingent assets of € 2,945 thousand mainly due to ordinary revisions of estimates made in previous financial years.

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

7. analysis by business segment and geographical sector

Analysis by business segment

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

Wood – production, distribution, installation and after-sales service of panel processing machines and systems,

Glass & Marble – production, distribution, installation and after-sales service of glass and marble processing machines,

Mechatronics – production and distribution of industrial mechanical and electronic components,

Tooling – production and distribution of Diamut-branded grinders and tools,

Components – production of mechanical components for wood and glass & marble (processing) machinery.

The information relating to these business segments is as follows:

INCOME STATEMENT DATA							
2012 € '000	Wood	Glass & Marble	Tooling	Mecha- tronics	Compo- nents	Elimina- tions	Group Total
External revenue	280,086	61,143	8,688	32,624	521		383,061
Inter-segmental revenue	338	11	267	17,244	14,615	(32,476)	0
Total revenue	280,424	61,154	8,955	49,868	15,136	(32,476)	383,061
Operating profit(loss) of segment	(1,558)	1,662	371	8,217	(709)	0	7,982
Unallocated ordinary costs							(7,713)
Operating profit							269
Unallocated financial expense							(5,388)
Pre-tax profit							(5,119)
Income taxes							(1,444)
LOSS FOR THE YEAR							(6,563)

2011 € '000	Wood	Glass & Marble	Tooling	Mecha- tronics	Compo- nents	Elimina- tions	Group Total
External revenue	282,182	68,501	8,128	29,449	270		388,530
Inter-segmental revenue	-	45	356	19,346	25,786	(45,533)	0
Total revenue	282,182	68,546	8,484	48,795	26,055	(45,533)	388,530
Operating profit(loss) of segment	(195)	3,290	691	8,691	(1,264)	0	11,213
Unallocated ordinary costs							(5,458)
Operating profit							5,755
Unallocated financial expense							(3,255)
Pre-tax profit							2,500
Income taxes							(4,947)
LOSS FOR THE YEAR							(2,446)

Net revenue for 2012 was € 383,061 thousand, compared with € 388,530 thousand in the year to 31 December 2011, representing a slight decrease of 1.4 % compared with the previous year.

The Wood segment confirmed its position as the Group's main segment, representing 73.2% of total consolidated revenue (72.6% in 2011), in line with the previous year. The segment's operating loss rose from € 195 thousand to € 1,558 thousand.

The Glass & Marble segment reported a 10.8% decrease in sales, with its proportion of consolidated sales decreasing from 17.6% to 15.96%. The segment's operating profit went from € 3,290 thousand to € 1,662 thousand.

The Tooling segment registered an increase of 5.5%, and its proportion of consolidated sales remained substantially unchanged. Operating profit decreased from € 691 thousand to € 371 thousand.

The Mechatronics segment grew by 2.2%, increasing its contribution to consolidated sales by approximately half a percentage point (13.2% compared with 12.6% at the end of 2011). Operating profit decreased from € 8,691 thousand to € 8,217 thousand.

Finally, the Components segment was the worst year-on-year performer (-41.91%) but the figure should be put into perspective, taking into account that almost all of its production is taken up by companies

belonging to the Group. However, it should be noted that the sharp decline is attributable to the greater use of outsourcing to carry out the division's operations.

Unallocated ordinary costs increased during the year mainly due to extraordinary events (please refer to directors' report).

Statement of financial position data – Inventories

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

STATEMENT OF FINANCIAL POSITION DATA – INVENTORIES						
€ '000	Wood	Glass & Marble	Tooling	Mechanics	Components	Group Total
31 December 2012	67,085	8,596	1,786	9,438	3,416	90,321
31 December 2011	64,067	8,879	1,849	9,595	4,069	88,459

The inventory analysis by segment shows that the increase (€ 1,862 thousand) refers to the Wood division (+ € 3,018 thousand compared to the end of 2011), partially offset by the decrease in the other divisions (especially the Component's division) (- € 653 thousand).

Analysis by geographical segment

REVENUE				
Geographical area	2012	%	2011	%
Europa Occidentale	151,448	39.54%	171,702	44.10%
Asia/Oceania	73,589	19.21%	73,255	18.90%
Europa Orientale	68,706	17.94%	68,070	17.50%
Nord America	41,661	10.88%	36,851	9.50%
Resto del Mondo	47,657	12.44%	39,182	10.10%
GROUP TOTAL	383,061	100.0%	388,530	100.0%

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

B. raw materials and consumables

Consumption of raw materials and consumables rose from € 172,781 thousand to € 167,255 thousand, a 3% decrease compared to the previous year. The lower consumption of raw materials and goods showed an improvement as a percentage of the value of revenue (42.5% compared to 44.1%), mainly due to the different product mix and a slight decrease in sales.

9. personnel expense

€ '000	2012	2011
Wages, salaries and social security contributions	114,454	110,119
Productivity bonus, other bonus and related social security contributions	4,397	6,071
Accruals to pension plans	4,836	5,191
Other personnel expenses	1,546	1,005
Capitalization and recovery of personnel expense	(6,749)	(6,805)
PERSONNEL EXPENSE	118,483	115,580

Personnel expense in 2012 was € 118,483 thousand, compared with € 115,580 thousand at 31 December 2011, up € 2.9 million in absolute terms and 2.5% in percentage terms.

The cumulative increase is almost exclusively attributable (€ 4.3 million) to fixed costs (wages, salaries and social security contributions), whereas variable costs (productivity bonuses, other bonuses and related social security contributions) resulted in a lower expense, amounting to € 1,675 thousand, following the failure to achieve budget targets.

The increase is due to the change in the scope of consolidation as a result of the inclusion of the new Chinese, Asian and Indian legal entities (approximately € 2 million) and early retirement incentives following the restructuring carried out during the year (approximately € 2.2 million), which mainly concerned Biesse SpA and the Spanish branch.

The amount of capitalised costs in 2012 remained unchanged from 2011.

10. other operating expense

€ '000	2012	2011
Production services	20,197	16,921
Maintenance	2,980	2,568
Sales commissions and transport	16,702	17,400
Consultancy fees	3,263	5,314
Utilities	4,781	4,441
Exhibitions and advertising	4,963	4,742
Insurance expenses	1,403	1,277
Directors, statutory auditors and consultants' remunerations	2,869	3,593
Travel expenses	9,980	9,662
Other services costs	5,073	3,864
Use of third party assets	7,542	7,232
Other operating costs	5,326	4,367
OTHER OPERATING EXPENSE	85,080	81,379

Other operating expenses increased by € 3,701 compared to 2011, +4.5%. The increase is due to production services (€ 3,276 thousand, +19.3%). For further details, please refer to the directors' report. Remuneration paid to Directors, Statutory Auditors and the Independent Auditors is included in Other operating expense.

As required by article 149-duodecies of the Consob Issuers' Regulations, a list of the services provided by the independent auditors is shown below:

Services	Services Supplier	Beneficiary	Fees (€'000)
Audit			
	KPMG S.p.A.	Biesse S.p.A.	150
	KPMG S.p.A.	Subsidiaries	220
Other services			
	KPMG Network	Biesse S.p.A.	0
	KPMG SpA	Biesse S.p.A.	58
	KPMG SpA	Subsidiaries	26
TOTAL			454

11. financial income

€ '000	2012	2011
Income from financial receivables	15	61
Bank interest	41	59
Interest from customers	118	169
Other financial income	149	73
TOTAL FINANCIAL INCOME	323	363

12. financial expense

Details of financial expense are reported below:

€ '000	2012	2011
Bank, mortgage and financing interest	3,015	2,008
Finance lease interest	61	112
Bills discounted	101	58
Other interest	28	65
Financial discounts to customers	390	487
Other financial expense	394	27
TOTAL FINANCIAL EXPENSE	3,988	2,756

During 2012, the deterioration of the debt position, together with the average increase in the level of interest rates and the debt structure, resulted in a sharp increase in interest expense (€ 1,232 thousand) attributable to bank, mortgage and financing interest.

“Other financial expense” includes losses deriving from the discounting of receivables with maturities greater than 12 months, totalling € 140 thousand (calculated using the average yield on three-year Italian government bonds issued in 2012).

13. exchange rate gains and losses

In 2012, the Group recognised net exchange rate losses amounting to € 1,722 thousand (compared with of € 861 thousand net exchange rate losses in 2011).

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

The particular nature of the Company's business implies that its currency exposure is fragmented into several currency positions (relating to individual orders and invoices), making it complicated (as well as uneconomic) to micro-hedge them (i.e. with a direct correlation between the hedging instrument and the underlying asset): for this reason, the Company macro-hedges these risks, especially by matching all foreign currency positions. The Company has hedges compatible with the requirements provided by IAS 39 for hedge accounting. Consequently, the part of the transactions that qualifies for Hedge Accounting, considered a hedging instrument as it passed the assessment of hedge effectiveness, has been accounted for in accordance with the provisions of IAS 39. In particular, exchange rate gains amounting to € 12 thousand were recognised as “Revenue”, while as at 31 December 2012 exchange rate gains amounting to € 11 thousand net of tax effects remain separately in equity.

As for the remaining hedges, though effective from a management perspective, they do not qualify for hedge accounting based on the provisions of the international accounting standards. For this reason, the changes in the fair value of derivative instruments have been recognised directly in profit or loss, with a gain on measurement amounting to € 854 thousand.

Finally, it should be noted that the item Exchange Rate Gains and Losses includes the amount relating to the balance of unrealised gains and losses arising from the translation of foreign currency assets and liabilities at the closing rate (€ 1,242 thousand loss)

Realised exchange rate losses were € 1,333 thousand.

14. income taxes

€ '000	2012	2011
Income tax related to foreign subsidiaries	626	460
IRES and other deferred taxes	(410)	1,522
IRES and other taxes for the year	216	1,982
IRAP and other current taxes	3,121	2,808
IRAP and other deferred taxes	(114)	16
Income tax relating to previous years	(1,717)	138
Other taxes	(62)	3
TOTAL INCOME TAX FOR THE YEAR	1,444	4,947

Income tax relating to foreign subsidiaries is calculated at the tax rates in force in each country. IRES and other deferred taxes, positive to the tune of € 410 thousand overall, include the IRES (corporate income tax) tax expense for the period (determined under the national consolidated tax scheme), the recognition of deferred IRES tax assets (due to the increase in unused tax losses following the income arising from the IRES refund claims for the years 2009, 2010 and 2011), in addition to impairment losses on deferred tax assets relating to companies belonging to foreign jurisdictions following the impairment test.

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

Income tax relating to previous years, positive to the tune of € 1,717 thousand, is mainly due to the income arising from IRES refund claims for the years 2007 and 2008 in accordance with Article 2, paragraph 1 quater, Italian Legislative Decree no. 201 of 6 December 2011.

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

€ '000	2012		2011	
Pre-tax profit (loss)	(5,118)		2,500	
National income tax rate 27.5%	1,408	27.50%	(688)	27.50%
Tax effect of non-deductible expense/exempt profit in determining income	(84)	(1.64%)	(575)	23.01%
Tax effect of the use of previously unrecognized losses	456	8.90%	13	(0.51%)
Tax effect on unrecognized losses	(2,695)	(52.65%)	(824)	32.96%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(272)	(5.32%)	25	(1.03%)
Other differences	971	18.98%	66	(2.65%)
INCOME TAX FOR THE YEAR AND EFFECTIVE TAX RATE	(216)	(4.23%)	(1,982)	79.28%

15. impairment losses

At the end of 2012, the item amounted to € 1,903 thousand, € 1,011 thousand of which refers to impairment losses on goodwill relating to: Nuova Faos International (India) Manufacturing for € 233 thousand (Components segment) and Biesse America Inc. for € 778 thousand (Glass & Marble segment), respectively. Furthermore, € 892 thousand related to capitalisations of projects carried out in previous financial years that are no longer considered strategic.

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

16. earnings/loss per share

Basic loss per share for the year ended 31 December 2012 was 24.27 euro/cent (9.06 loss in 2011) and is calculated by dividing the loss attributable to owners of the Parent, amounting to € 6,530 thousand (a loss of € 2,438 thousand in 2011) by the weighted average number of ordinary shares outstanding during the period, which amounted to 26,906,683 (unchanged from 2011). The number of shares outstanding is lower than the total number of shares issued, because the parent bought back its listed treasury shares during 2008, as resolved by the Shareholders' Meeting on 21 January 2008. At 31 December 2012, the number of treasury shares was 486,359 (1.78% of the share capital), with an equal weighted average balance for the year.

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

LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		
€ '000	2012	2011
Loss for the year	(6,530)	(2,438)
Discontinued operations	-	-
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(6,530)	(2,438)

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING		
in thousands of shares	31 December 2012	31 December 2011
Weighted average number of ordinary shares used to calculate basic earnings per share	27,393	27,393
Effect of treasury shares	(486)	(486)
Weighted average number of shares in issue – for the calculation of basic earnings	26,907	26,907
Diluted effects	-	-
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE – FOR THE CALCULATION OF DILUTED EARNINGS	26,907	26,907

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

consolidated statement of financial position

17. property, plant, equipment and other items of property, plant and equipment

€ '000	Property, plant and equipment	Equipment and other Items of property, plant and equipment	Assets under construction and prepayments	Total
		Equipment and other items of property, plant and equipment		
HISTORICAL COST				
Amount at 01/01/2011	95,134	37,664	1,405	134,203
Increase	1,996	2,176	1,075	5,247
Disposals	433	713	-	1,146
Change in consolidation scope	11,652	2,070	-	13,722
Impairment losses	-	-	956	956
Exchange rate gains(losses), reclassifications and other changes	394	157	(409)	142
Amount at 31/12/2011	108,743	41,354	1,115	151,212
Increase	662	1,143	951	2,756
Disposals	(294)	(798)	-	(1,091)
Change in consolidation scope	2,186	97	-	2,283
Impairment losses	-	-	-	-
Exchange rate gains(losses), reclassifications and other changes	1,649	115	(2,002)	(238)
Amount at 31/12/2012	112,946	41,912	64	154,922
ACCUMULATED DEPRECIATION				
Amount at 01/01/2011	46,868	31,501	-	78,369
Depreciation of the year	3,528	2,591	-	6,119
Closure of fund for disposals	426	589	-	1,015
Change in consolidation area	3,092	554	-	3,646
Exchange rate gains(losses), reclassifications and other changes	374	66	-	440
Amount at 31/12/2012	53,437	34,123	-	87,560
Depreciation of the year	4,169	2,217	-	6,386
Closure of fund for disposals	267	690	-	957
Change in consolidation area	252	19	-	271
Exchange rate gains(losses), reclassifications and other changes	(259)	(181)	-	(440)
Amount at 31/12/2012	57,331	35,488	-	92,819
NET CARRYING AMOUNT				
Amount at 31/12/2011	55,307	7,231	1,115	63,653
Amount at 31/12/2012	55,615	6,424	64	62,102

Investments in the reporting period amounted to € 2,756 thousand. In addition to the amount relating to ordinary replacement of equipment required for normal manufacturing activity, the investments relating to acquisition, construction, completion or renovation of the sites shown below should be noted:

- € 0.9 million for the completion of a new building in the municipality of Codognè (TV) for the sales operating office in Northern Italy;
- € 0.5 million for the loans to the subsidiaries of the Centre Gain group – in particular, the Korex Machinery Ltd. manufacturing unit, granted to meet the increase in production volumes, as outlined in the 2013-2015 three-year plans.

Moreover, the overall net carrying amount also includes the net € 2,013 thousand increase (historical cost: € 2,284 thousand, related accumulated depreciation : € 271 thousand) as a result of the change in the scope of consolidation due to the inclusion of the company Nuova Faos International (India) Manufacturing.

It should be noted that the reported amounts include assets acquired under finance leases for a net carrying amount of € 11,050 thousand (€ 11,594 thousand at 31 December 2011), depreciated during the year for € 566 thousand (€ 766 thousand at 31 December 2011); in particular, the net carrying amount refers to land and industrial buildings for € 10,836 thousand (€ 11,170 thousand at the end of 2011), equipment for € 212 thousand (€ 422 thousand at 31 December 2011) and office equipment for € 2 thousand unchanged from 31 December 2011.

The item Property, plant and equipment includes land, which is not depreciated, amounting to € 8,018 thousand (€ 7,576 thousand at the end of the previous year).

There were no outstanding commitments to acquire assets of significant value at 31 December 2012.

There are no mortgages on land and buildings.

18. goodwill

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

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

The following table illustrates the allocation of goodwill by segment:

€ '000	31 December 2012	31 December 2011
Mechatronics	5,599	5,599
Wood	6,307	6,305
Tooling	3,940	3,940
Glass & Marble	1,406	2,202
TOTAL	17,252	18,046

The main change during 2012 concerns the partial impairment loss recognised on goodwill related to the Glass & Marble segment, amounting to € 778 thousand.

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

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

The operating cash flows derive from the business plan approved on 14 February 2013 by the Board of Directors for the three-year period from 2013 to 2015; the cash flows for the residual period are extrapolated on the basis of the medium/long-term industry growth rate, equal to 1.5%. The expected future cash flows refer to the CGUs in their current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The discount rate used to discount cash flows is 8.80% (in the 2011 annual report it was 8.63%). The discount rate is the same for all CGUs, as all refer to the Equipment sector - Euro area. In order to determine the rate, with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian government bonds (based on a 24-month measurement period); the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the Equipment sector – Euro Area); as for the specific risk premium (SRP), it was assumed to be 5%; finally, the rate of the gross cost of debt was assumed to be 6.5%, referring to the placement of mini-bonds at the end of 2012.


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

- higher consolidated revenue (three-year CAGR: 3.8%)
- higher added value (41% as a percentage of revenue in 2015)
- recovering operating profits:
 - (EBITDA: 12% as a percentage of revenue in 2015)
 - (EBIT : 8.5% as a percentage of revenue in 2015)
- three-year free cashflow € 48 million.

The recently approved business plan is more conservative than the previous one, as short-term growth forecasts were revised in order to account for the effects of the Group's ongoing restructuring. The focus for the next three years is on returning to operating profitability.

Although the negative performance of 2012 is largely attributable to extraordinary and, as such, non-recurring events, Management paid special attention in assessing the results of the analysis, taking into account also the outcome of sensitivity analyses. In this regard, several scenarios were simulated:

1. a 0.5% decline in the discount rate used for all the years of the plan and for determining the Terminal Value;
2. a 0.5% reduction in the long-term growth rate;
3. a change in the plan assumptions (assuming that the sales volumes objectives are not fully achieved);
4. combined decline in the discount rate and growth rate, as indicated in points 1 and 2 above.



While the analysis carried out under the plan assumptions showed no particular issues for any CGUs, the sensitivity analysis showed a greater difficulty for the Glass & Marble Division in recovering its net assets. It should be noted that the relevant goodwill is related largely to the acquisition of the business unit of a North American dealer: albeit the USA area has shown promising signs of recovery over the past year, Management is particularly prudent in assessing the short/medium-term growth assumptions for this economy (as for the European ones). Therefore, in light of the outcome of the above analyses and of the future prospects for this CGU in North America, an impairment loss was recognised on part of the goodwill related to the above business combination.

As for the analysis of the existence of external indicators of impairment for the Group's assets, the overall situation is assessed with particular attention by Management. The main objective of the restructuring started in the summer of 2012 and already largely completed is to make the Group more responsive to any deterioration of the macro-economic scenario. The general strategic guidelines (focus on higher-margin products, completion of commercial expansion in areas with higher growth potential, rationalisation of investments in advanced economies) are aimed at making the Group less sensitive to the deterioration of the macro-economic scenario.

Finally, it should be noted that the estimates and budget figures to which the aforementioned variables were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which the Group operates. Therefore, the management makes judgements and estimates in calculating the recoverable amount of the cash-generating units. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the challenging market conditions could result in adjustments to goodwill. The Group will continue to monitor the circumstances and events that could require further impairment testing.

It should be noted that the relevant impairment tests were specifically approved by the Group's Board of Directors during today's meeting (15 March 2013).

19. other intangible assets

€ '000	Development expense	Licences, brands and other intangible assets	Assets under development and prepayments	Total
HISTORICAL COST				
Amount at 01/01/2011	23,470	14,627	9,019	47,116
Increases	201	1,010	9,778	10,989
Disposals	-	3	106	109
Exchange rate gains(losses), reclassifications and other changes	1,917	957	(7,379)	(4,505)
Amount at 31/12/2011	25,588	16,591	11,312	53,491
Increases	104	969	8,785	9,858
Disposals	587	77	40	704
Exchange rate gains(losses), reclassifications and other changes	10,248	3,753	(12,899)	1,102
Amount at 31/12/2012	35,353	21,236	7,158	63,747
ACCUMULATED AMORTISATION				
Amount at 01/01/2011	12,571	6,620	-	19,191
Amortisation of the year	4,921	2,056	-	6,977
Closure of fund for disposals	-	-	-	-
Exchange rate gains(losses), reclassifications and other changes	(3,873)	(369)	-	(4,242)
Amount at 31/12/2011	13,619	8,307	-	21,926
Amortisation of the year	6,212	2,509	-	8,721
Closure of fund for disposals	408	6	-	414
Exchange rate gains(losses), reclassifications and other changes	1,594	(17)	-	1,577
Amount at 31/12/2011	21,017	10,793	-	31,810
Impairment losses				
Amount at 31/12/2011	-	1,584	-	1,584
Exchange rate gains(losses), reclassifications and other changes	-	(11)	-	(11)
Amount at 31/12/2012	-	1,573	-	1,573
NET CARRYING AMOUNT				
Amount at 31/12/2011	11,970	6,703	11,309	29,981
Amount at 31/12/2012	14,336	8,870	7,158	30,365

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

Development expense refers to products for which returns on investments are expected over an average period of five years.

Patents, trademarks and other rights are amortised in relation to their useful life, which is estimated to be five years on average.

The increase in the item assets under development and prepayments is largely due to the capitalisation of costs for the development of products which are nearly completed and expected to generate an economic return in the coming years. In the reporting period, design activities required new investments amounting to € 7,425 thousand, (€ 7,909 thousand in 2011 made mainly by the parent Biesse S.p.A. and the subsidiary HSD S.p.A.). Furthermore, the Group invested € 1,536 thousand to implement the new Oracle ERP system (€ 2,053 thousand in 2011).

Development expense during the year resulted in amortisation of € 6,212 thousand.

20. other non-current financial assets and receivables

The details of this item are as follows:

€ '000	31 December 2012	31 December 2011
Non-controlling interests in other businesses and consortia	28	28
Other receivables / Guarantee deposits - non-current portion	1.125	1,111
TOTALE	1,153	1,140

21. inventories

€ '000	31 December 2012	31 December 2011
Raw materials, consumables and supplier	27,525	33,564
Work in progress and semi-finished goods	13,386	9,982
Finished goods	32,437	29,142
Spare parts	16,972	15,771
INVENTORIES	90,321	88,459

The carrying amount, equal to € 90,321 thousand, is net of the allowances for inventory write-downs, amounting to € 2,712 thousand for raw materials (€ 2,217 thousand at the end of 2011), € 3,487 thousand for spare parts (€ 2,870 thousand at the end of 2011) and € 3,572 thousand for finished goods (€ 2,442 thousand at the end of 2011). The allowance for the write-downs of raw materials amounts to 8.9% as a percentage of the historical cost of the related inventories (6.2% at the end of 2011), while the one for spare parts is 17% (15.4% at the end of 2011) and the one for finished products is 9.9% (7.7% at the end of 2011).

As for the allowance for the write-downs of raw materials, the increase is mainly related to the renewal of the product range. However, this phenomenon is to be considered cyclical and physiological since it is related to business strategies.

The allowance for the write-downs of spare parts increased following a careful analysis of the existing stock carried out during the year in order to assess the actual possibility of reselling it on the market. This phenomenon is largely related to the strategy of combining spare parts inventories into a few regional hubs, reducing and optimising the amount of items in stock without compromising the parents ability to meet customer demand.

Finally, the allowance for the write-downs of finished goods increased as a result of the measurement of used equipment whose amount depends on the general market trend (especially in order intake) rather than on technical-production factors.

The Group's inventories slightly increased compared to the previous financial year. In particular, inventories of raw materials decreased (- € 6,039 thousand), whereas inventories of semi-finished goods, finished goods and spare parts increased by € 3,404 thousand, € 3,295 thousand and € 1,201 thousand, respectively.

As customary for the Group's reference sector, demand is concentrated in the last quarter of the year, whereas production is evenly distributed throughout the entire year. This determines a seasonal trend in inventories, with higher amounts registered during the year that tend to normalise in late December; compared with September 2012, inventories fell by € 9,433 thousand.

22. trade receivables from third parties

€ '000	31 Dicembre 2012	31 Dicembre 2011
Trade receivables within 12 months	94,347	110,240
Trade receivables beyond 12 months	10,760	8,214
Allowance for impairment	(5,671)	(6,261)
TRADE RECEIVABLES FROM THIRD PARTIES	99,435	112,193

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

The decrease in trade receivables from third parties is due to the decrease in sales.

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

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

€ '000	31 Dicembre 2012	31 Dicembre 2011
Opening balance	6,261	6,193
Accrual for the year	2,110	852
Utilised	(2,704)	(742)
Derecognition of excess allowance	0	(41)
Exchange rate gains	(1)	4
Discounting	4	(5)
CLOSING BALANCE	5,671	6,261

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

Trade receivables include receivables specifically impaired as individual assets whose net value is € 3,970 thousand, following impairment losses of € 5,671 thousand (net receivables of € 2,678 thousand following specific impairment losses of € 6,261 thousand at 31 December 2011). Impairment losses recognised in profit or loss are mainly recognised indirectly through accruals to the allowance for impairment.

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

The changes in the allowance at 31 December 2012 show increased uses and accruals compared to 2011 (€ 1,962 thousand and € 1,258 thousand, respectively). In fact, the deterioration of the general economic circumstances required greater use of the allowance to write off non-performing loans, and hence greater accruals to restore the allowance. Moreover, the assessment accounted for the country risks as well. This became necessary for the Biesse Iberica branch, on which the Group recognised an impairment loss of € 592 thousand (€ 49 thousand in 2011), mostly non recurring in nature (of € 498 thousand).

€ '000	31 December 2012	31 December 2011
Overdue by 1 to 30 days	6,905	7,777
Overdue by 30 to 180 days	7,923	7,998
TOTAL	14,828	15,775

23. other current assets

Other current assets are detailed as follows:

€ '000	31 December 2012	31 December 2011
Consumption tax receivables and other tax receivables	6,143	8,445
Income tax assets	1,045	579
Other receivables from related companies	1,569	656
Other receivables from third parties	4,457	4,561
TOTAL	13,214	14,241

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

“Other receivables from related companies” increased by € 900 thousand due to the IRES refund claims made by the ultimate parent Bifin S.r.l. following the tax consolidation for the three-year period from 2005 to 2007 in which it participated as the consolidating company.

The item Other receivables from third parties consists of deferred income and prepaid expenses amounting to € 751 thousand and other receivables amounting to € 3,765 thousand. As for this last amount, one of the main items refers to the recognition of a receivable amounting to € 1,300 thousand due to the Canadian branch from a local insurance company. It arises from an outstanding legal dispute against a former employee and relating to compensation conservatively calculated on the basis of the documentation provided and the testimony of lawyers involved in the case. Although there is no risk involved, given the insurance coverage, and while the dispute seems all but certain to be settled in favour of the company, it was considered appropriate to disclose the contingent liability due to the counterparty and the relevant receivable due from the insurance company.

24. cash and cash equivalents

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

25. share capital / treasury shares

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

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

These shares were purchased during 2008, as resolved by the shareholders' meeting on 21 January 2008. It should also be noted that on 12 May 2011 Biesse informed the market that its Share Buyback and Disposal Plan, whose launch had been announced on 12 November 2009 as the shareholders' meeting approved it, was coming to an end.

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

The same resolution authorised an incentive plan called “Retention Plan 2011 – 2013 of Biesse S.p.A.” reserved for the top management of Biesse S.p.A. and the companies belonging to the Group involving stock grants and cash bonuses. The shareholders' meeting of 27 April 2012 approved the withdrawal of this plan and the simultaneous adoption of a new incentive scheme called “Long Term Incentive Plan 2012 – 2014” which involves cash bonuses and stock grants, subject to economic and financial performance conditions and the assessment of the beneficiaries' individual performance. The number of treasury shares earmarked

for the Long Term Incentive plan is 235,952 (146,475 at the end of 2011). At the end of the year, there was no impact on the income statement owing to the failure to achieve the agreed goals.

The following table summarises the data concerning treasury shares at 31 December 2012.

	2012
Number of shares:	486,359
Carrying amount (in Euro):	4,675,804
Percentage of share capital:	1.78%

26. equity reserves

The carrying amount, equal to € 36,202 thousand (unchanged from 31 December 2011), relates to the share premium reserve.

27. hedging and translation reserves

The breakdown was as follows:

€ '000	31 December 2012	31 December 2011
Reserve for translation of foreign currency financial statements	(1,538)	(1,184)
Reserve for gains (losses) on currency hedges	11	(57)
TOTAL	(1,527)	(1,241)

The reserve for translation of foreign currency financial statements, negative by € 1,538 thousand, includes the differences arising from the translation of the financial statements denominated in foreign currencies of countries that do not belong to the Eurozone (United States, Canada, Singapore, United Kingdom, Sweden, Switzerland, Australia, New Zealand, India, China, Indonesia, Hong Kong, Malaysia and South Korea), down € 354 thousand from the previous year.

28. other reserves and non-controlling interests

Retained earnings

The breakdown was as follows:

€ '000	31 December 2012	31 December 2011
Legal reserve	5,479	5,479
Extraordinary reserve	40,217	39,779
Reserve for treasury shares	4,676	4,676
Retained earnings	11,818	14,809
OTHER RESERVES	62,190	64,743

As shown in the statement of changes in equity, the item Other reserves (particularly the parent's non-recurring reserve and retained earnings) has changed to account for the loss recognised in 2011 (€ 2,438 thousand)

Non-controlling interests

As for the changes in the equity attributable to non-controlling interests, we highlight the changes relating to the covering of the loss for 2011 and in the translation reserve.

29. dividends

Given the loss for 2012, the board of directors of the parent resolved to propose to the shareholders' meeting not to distribute any dividend for 2012.

30. bank loans and borrowings

The table below indicates the breakdown of payables relating to bank loans and borrowings

€ '000	31 December 2012	31 December 2011
Bank loans and borrowings	39,457	19,579
Unsecured mortgages	27,598	25,821
Current liabilities	67,055	45,400
Loans	1,078	2,164
Unsecured mortgages	2,543	23,060
Derivatives - due after one year	0	22
Non-current liabilities	3,621	25,245
TOTAL	70,676	70,646

These liabilities are payable as follows:

€ '000	31 December 2012	31 December 2011
On demand or within one year	67,055	45,400
Within two years	2,432	23,723
Within three years	271	334
Within four years	305	271
Within five years	306	305
After five years	307	614
	70,676	70,646

ANALYSIS OF BANK PAYABLES BY CURRENCY		
€ '000	31 December 2012	31 December 2011
Euro	63,098	64,508
Indian Rupee	373	23
US Dollar	879	0
Swiss Franc	389	1,382
Chinese Renmimbi Yuan	2,069	2,290
Hong Kong Dollar	3,868	2,424
	70,676	70,626

For 2012, the average interest rate on loans was 3.55%.

At 31 December 2012, the amount of unused credit lines was about € 46 million.

Compared with the financial statements as at and for the year ended 31 December 2011, the Group's financial payables remain almost unchanged (up € 50 thousand); the amount due within 12 months is € 67,055 thousand, up € 21,655 thousand, whereas the amount due after 12 months is € 3,621 thousand, down € 21,624 thousand. Medium/long-term debt as a percentage of total debt decreased from 36% to 5%.

The current portion of financial payables consists of general-purpose loans, advances on invoices and disinvestment of bank bills, whereas the non-current portion consists of committed credit lines (18 months) without financial/equity covenants and that do not involve the Group's substantial property assets.

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

31. net financial indebtedness

€ '000	31 December 2012	31 December 2011
Financial assets:	17,004	23,254
<i>Current financial asset</i>	849	650
Liquidity	16,156	22,604
Short-term finance lease payables	(270)	(464)
Short-term bank-loans and borrowings and loans and borrowings from othe financial backers	(67,055)	(45,400)
Short- Term net financial indebtedness	(50,321)	(22,610)
Medium/Long-term lease payables	(2,245)	(2,519)
Medium/Long- term bank loans and borrowings	(3,621)	(25,245)
Medium/Long -term net financial indebtedness	(5,866)	(27,765)
NET FINANCIAL INDEBTEDNESS	(56,187)	(50,375)

At the end of December 2012, the Group's net indebtedness amounted to € 56.2 million (gearing = 0.49), deteriorating by - € 5.8 million compared with the previous year.

As already said in the directors' report, the change is mainly related to the non-recurring transactions carried out during the year (third and fourth payments on account relating to the acquisition of the Centre Gain

group, voluntary termination benefits, the purchase of the new sales premises of Biesse Triveneto and the purchase of the shares in Nuova Faos International (India).

As at 31 December 2012, short-term revocable credit lines represent 57% of total financing, whereas the remaining part is represented by the residual portions of unsecured loans (18 months minus one business day), real estate leases and medium-term committed credit lines.

In 2013, the most important credit lines are currently being renewed with a special commitment on extending the duration of unsecured loans (18 months minus one business day). Most renewals are concentrated in Italy, where, despite the complex economic and political circumstances of recent months, the feedback received from banks to date is all positive, therefore we are waiting for the lines to be granted in the short term. In addition to the above, negotiations are currently underway to increase the capacity of credit lines also through real estate transactions and with funding by supranational entities (EIB).

32. finance lease payables

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
€ '000	Minimum lease payments		Present value of minimum lease payments	
Due within one year	414	644	270	464
Due after one year but within five years	1,634	1,684	1,240	1,178
Due after the fifth year	1,082	1,485	1,005	1,341
	3,129	3,813	2,515	2,983
Charges deducted for future financial expense	(614)	(830)	N/A	N/A
	2,515	2,983	2,515	2,983
Loss: amount due within one year			(270)	(464)
Amount of debt due after 12 months			2,245	2,519

Finance lease payables mainly relate to buildings (and related plant and equipment) with minimum lease payments outstanding at 31 December 2012 equal to € 2,515 thousand at present value (of which € 270 thousand due within 12 months).

The reported figure refers mainly to two contracts relating to the acquisition of buildings: the first is a ten-year contract entered into by Biesse S.p.A. with maturity in June 2012 and an average effective rate of 4.3%, which was redeemed during the year; the second one is a twelve-year contract entered into by MC S.r.l. (now incorporated in HSD S.p.A.) with minimum lease payments outstanding at 31 December 2012 equal to € 2,515 thousand at present value (of which € 270 thousand due within 12 months), maturity in December 2019 and an average effective rate of 5.5%.

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

All contracts are denominated in Euro.

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

33. post-employment benefits

Defined-contribution plans

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

Defined-contribution liabilities at year-end amounted to € 4,774 thousand

Defined-benefit plans

The Biesse Group measured at € 10,005 thousand the present value of the liability for post-employment benefits earned at the end of the year by the employees of the Italian companies of the Group. Said liability is represented by the provision for post-employment benefits.

€ '000	31 December 2012	31 December 2011
Current service cost	62	21
Financial expense	268	221
	330	242

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

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

€ '000	31 December 2012	31 December 2011
Opening liabilities	10,544	10,855
Current services	62	21
Financial expense	268	221
Benefits paid out	(869)	(974)
Change in consolidation area (Viet Italia S.r.l.)	0	354
CLOSING LIABILITIES	10,005	10,544

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

In accordance with the transitional provisions of IAS 19 in paragraph 173, the group will apply this standard retrospectively for annual periods beginning on or after 1 January 2013 adjusting the opening amounts of the statement of financial position as at 1 January 2012 and the income statement for 2012 as if the amendments to IAS 19 had always been applied. As at the date of these Consolidated Financial Statements, the Group estimated that the adoption of the new standard as from 1 January 2012 will result in the recognition of a further employee benefits liability amounting to approximately € 2,073 thousand and € 4,350 thousand as at 31 December 2011 and 2012, respectively, and a reduction in equity (other comprehensive income and expense) of the same amount. The estimated impact on the 2012 income statement is a lower expense amounting to approximately € 43 thousand.

Assumptions used for the calculation:

€ '000	31 December 2012	31 December 2011
Discount rate used to determine the obligation	2.78%	4.66%
Inflation rate	1.50%	1.50%

Average number of employees

The average number of employees in 2012 (including temporary staff) was 2,809 (2,512 in 2011):

34. deferred tax assets and liabilities

€ '000	31 December 2012	31 December 2011
Deferred tax assets	18,383	18,389
Deferred tax liabilities	(2,447)	(2,952)
NET DEFERRED TAX ASSETS	15,936	15,437

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

€ '000	31 December 2012	31 December 2011
Accrual to provisions for risks and charges	6,376	5,149
Intercompany profits included in the amount of closing inventories	1,810	1,213
Recoverable tax losses	8,868	9,954
Other	1,329	2,072
Deferred tax assets	18,383	18,389
Accelerated Amortisation	1,415	1,327
Capitalised costs	103	39
Goods under finance lease	44	43
Other	885	1,541
Deferred tax liabilities	2,447	2,952
NET DEFERRED TAX ASSETS	15,936	15,437

At the reporting date, the Group had unused tax losses amounting to approximately € 22.7 million (€ 15.4 million at the end of the previous year) for which no deferred tax assets have been recognised. These losses relate to subsidiaries and there are no reasonable grounds to expect that they will be recovered in the short term.

In addition to the deferred taxes recognised in profit or loss, deferred tax liabilities amounting to € 4 thousand were recognised directly in equity (€ 22 thousand at the end of the previous year).

35. provisions for risks and charges

€ '000	Guarantees	Retirement of agents	Other	Total
Amount at 31/12/2011	4,445	565	4,428	9,438
Provisions	305	-	2,781	3,086
Derecognition of excess provisions	-	-	(19)	(19)
Utilised	(65)	(191)	(578)	(834)
Other changes	7	-	16	23
Exchange rate gains and other differences	(9)	-	19	9
AMOUNT AT 31/12/2012	4,683	374	6,647	11,703

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

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

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

€ '000	Restructuring	Legal disputes	Tax disputes	Total
Amount at 31/12/2011	92	3,762	574	4,428
Provisions	1,730	932	119	2,781
Derecognition of excess provisions	-	(19)	-	(19)
Utilised	-	(470)	(108)	(578)
Other changes	-	-	16	16
Exchange rate gains and other differences	28	(9)	-	19
AMOUNT AT 31/12/2012	1,850	4,196	601	6,646

These provisions are split between:

	31 December 2012	31 December 2011
Current liabilities	9,516	7,848
Non-current liabilities	2,187	1,589
TOTAL	11,703	9,437

With reference to this item, the main change concerns the € 1,730 thousand provision for restructuring made by the parent Biesse S.p.A. for the structural cuts that will take place in the first half of 2013 in Italy. The amounts utilised relate to the provision for legal disputes.

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

36. trade payables to third parties

The details of trade payables are as follows:

€ '000	31 December 2012	31 December 2011
Trade payables to suppliers	88,109	91,077
Deposits/prepayments for installation and testing costs	18,282	21,225
TOTAL	106,391	112,302

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

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

Trade payables to third parties decreased by € 2,968 thousand compared to 2011, from € 91,063 thousand to € 88,095 thousand. Therefore, also trade payables, relating to the purchase of materials and services from third parties, decrease in line with revenue and, consequently, trade receivables.

Trade payables to customers (for deposits and/or prepayments for installations invoiced but not yet completed) decrease by € 2,943 thousand.

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

In riferimento agli acconti ricevuti da clienti, si segnala che in relazione a specifici affari, il Gruppo ha rilasciato garanzie fideiussorie a favore dei clienti stessi, la cui durata è direttamente collegata al tempo intercorrente tra l'incasso dell'anticipo e la spedizione della macchina; per ulteriori dettagli, si rimanda alla nota 39.

37. other current and non-current liabilities

The details of other current liabilities are as follows:

€ '000	31 December 2012		31 December 2011	
Tax liabilities	6,683		6,787	
Social security liabilities	7,070		7,718	
Other payables to employees	11,479		12,784	
Other current liabilities	4,077		7,432	
TOTALE	29,309		34,271	

It is noted that the item Other current liabilities mainly includes the € 1,203 thousand liability related to the purchase of the Centre Gain group for the instalments falling due in the next 12 months (including the second-last instalment to be paid in September 2013).

It is noted that the item Other payables includes medium/long-term payables amounting to € 1,466 thousand (€ 2,501 thousand the previous year) related to the debt outstanding for the acquisition of the Centre Gain group.

38. financial instruments – exchange rate derivatives

€ '000	31 December 2012		31 December 2011	
	Asset	Liability	Asset	Liability
Exchange rate derivatives	614	(24)	-	(649)
TOTAL	614	(24)	-	(649)

A proportion of exchange rate derivatives are related to orders received and therefore qualify as hedging instruments. The value of contracts outstanding at year-end is recognised as an asset for € 614 thousand and as a liability for € 24 thousand, and is split between hedging contracts (€ 141 thousand) and hedging contracts that are not determined to be an effective hedge under IAS 39 (€ 449 thousand). Effective hedging contracts are measured using hedge accounting, while the measurement of non-hedging contracts is recognised as foreign exchange expense (please refer to note 4 for more details).

DERIVATIVE FINANCIAL INSTRUMENTS AND FORWARD CONTRACTS OUTSTANDING AT YEAR-END						
€ '000	Nature of risk hedged	Notional amount		Fair value of derivatives		
		31 December 2012	31 December 2011	31 December 2012	31 December 2011	
CASH FLOW HEDGES						
	Forward contracts (Australian Dollar)	Currency	780	798	14	(38)
	Forward contracts (US Dollar)	Currency	1,868	2,919	74	(218)
	Forward contracts (Sterling)	Currency	1,076	371	22	(16)
	Forward contracts (Swiss Franc)	Currency	472	197	1	(3)
	Forward contracts (Canadian Dollar)	Currency	521	488	29	(23)
	Forward contracts (New Zealand Dollar)	Currency	112	-	1	-
	TOTAL		4,829	4,773	141	(298)
OTHER HEDGES						
	Forward contracts (Australian Dollar)	Currency	3,474	11,723	55	(149)
	Forward contracts (US Dollar)	Currency	5,774	6,256	128	(138)
	Forward contracts (Sterling)	Currency	4,640	4,741	58	(104)
	Forward contracts (Swiss Franc)	Currency	1,860	913	(2)	(9)
	Forward contracts (Canadian Dollar)	Currency	1,903	2,198	51	(94)
	Forward contracts (New Zealand Dollar)	Currency	636	896	(4)	(4)
	Forward contracts (Hong Kong Dollar)	Currency	4,508	3,671	184	169
	Forward buying (Indian Rupee)	Currency	709	-	(22)	-
	CCS on loans (Indian Rupee)	Currency / interest rate	-	1,000	-	(22)
	TOTAL		23,504	31,398	449	(351)
	GRAND TOTAL		28,333	36,171	590	(649)

39. commitments, contingent liabilities, guarantees and risk management

Commitments

As for the contract to purchase the controlling interest in the Centre Gain group, the non-controlling interest was granted a put option to sell to the Biesse Group all the shares in its possession at the option exercise date. The option can be exercised after five years from the date the contract was signed. As at 31 December 2012, the option was measured at € 435 thousand.

Finally, repurchase commitments amounting to € 1,030 thousand were signed in favour of lease companies, should the Group's customers not fulfil their obligations.

Contingent liabilities

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

Guarantees issued and received

The Group has issued sureties totalling € 12,904 thousand. The most important components relate to the guarantee given for the corporate credit cards issued by Banca Popolare dell'Emilia Romagna (€ 4,100 thousand), a guarantee issued to the BNPP bank of Bangalore for the opening of credit lines in favour of the subsidiary Biesse Manufacturing PVT Co. Ltd (€ 3,032 thousand), the guarantee issued to the Municipality of Pesaro regarding urbanisation charges for a building (€ 1,030 thousand), guarantees issued to customers for prepayments made (€ 2,224 thousand), and the sureties issued in favour of the subsidiaries Biesse Group Australia Pty Ltd. (€ 393 thousand) and Biesse manufacturing PVT Ltd (€ 1,585 thousand).

Risk management

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

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

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

Currency risk

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

Currency risk is expressed mainly in the following currencies:

€ '000	Financial assets		Financial liabilities	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
US Dollar	11,707	8,849	4,046	3,173
Canadian Dollar	938	1,692	880	805
Sterling	6,775	2,745	1,002	30
Australian Dollar	3,812	12,505	564	195
Swiss Franc	1,827	2,511	408	1,467
New Zealand Dollar	1,075	1,048	0	6
Indian Rupee	9,528	8,615	1,468	5,784
Hong Kong Dollar	9,593	2,139	2,240	0
Chinese Renmimbi Yuan	674	682	7,222	3,873
Other currencies	523	240	410	363
TOTAL	46,452	41,026	18,240	15,697

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

€ '000	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	(999)	1,352
Canadian Dollar	(8)	10
Sterling	(753)	1,019
Australian Dollar	(424)	573
Swiss Franc	(185)	250
New Zealand Dollar	(140)	190
Indian Rupee	(1,051)	1,422
Hong Kong Dollar	(959)	1,298
Chinese Renminbi Yuan	854	(1,155)
TOTAL	(3,665)	4,959

Il Gruppo Biesse utilizza come strumenti di copertura contratti di vendita di valuta a termine (*forward*) e *cross currency swap*. Qualora questi ultimi non rispondano ai requisiti richiesti per un effettivo *hedge accounting*, vengono espressi come strumenti di trading. Nella considerazione dell'ammontare esposto al rischio di cambio, il Gruppo include anche gli ordini acquisiti espressi in valuta estera nel periodo che precede la loro trasformazione in crediti commerciali (spedizione-fatturazione).

OUTRIGHT CONTRACTS OUTSTANDING AT 31/12/2012

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

OUTRIGHT CONTRACTS OUTSTANDING AT 31/12/2011

	Nominal value CU '000	Average forward rate	Maximum duration
US Dollar	11,880	1.3477	June 2012
Canadian Dollar	3,550	1.3844	March 2012
Sterling	4,270	0.8571	May 2012
Australian Dollar	15,930	1.3059	May 2012
Swiss Franc	1,350	1.2263	June 2012
New Zealand Dollar	1,500	1.6940	April 2012
Hong Kong Dollar	36,900	10.5353	January 2012

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

€ '000	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
US Dollar	1,186	(1,140)
Canadian Dollar	390	(354)
Sterling	820	(934)
Australian Dollar	583	(678)
Swiss Franc	304	(412)
New Zealand Dollar	91	(139)
Hong Kong Dollar	772	(611)
TOTAL	4,146	(4,268)

Interest rate risk

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

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

31/12/2012						
€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	After 5 years	Total
Trade and other payables	36,014	86,454	6,135	446	185	129,234
Finance lease payables	0	202	202	1,612	1,082	3,097
Bank loans and borrowings	37,545	27,029	2,799	3,387	310	71,070
TOTAL	73,559	113,685	9,135	5,445	1,577	203,401

31/12/2011						
€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	After 5 years	Total
Trade and other payables	31,137	102,759	5,762	892	8	140,558
Finance lease payables	7	401	204	1,617	1,485	3,714
Bank loans and borrowings	17,664	18,137	10,717	24,809	622	71,950
TOTAL	48,809	121,297	16,683	27,318	2,115	216,222

The amount of trade receivables and the conditions attaching to them allow to balance the working capital and, in particular, cover payables due to suppliers. The Group has revocable cash credit lines outstanding provided by leading Italian banks totalling € 110 million – of which € 46 million remains unused.

Classification of financial instruments

The following table illustrates the type of financial instruments recognised in the financial statements:

€ '000	31 December 2012	31 December 2011
FINANCIAL ASSETS		
Designated at fair value through profit or loss		
<i>Derivative financial assets</i>	614	0
Loans and receivables measured at amortised cost:		
<i>Trade receivables</i>	99,455	112,207
Other assets	6,400	5,674
- other financial assets and non-current receivables	1,125	1,111
- other current assets	5,275	4,563
Cash and cash equivalents	16,156	22,604
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss		
Derivative financial liabilities	24	627
Measured at amortised cost :		
Trade payables	88,661	91,422
Bank loans and borrowing, finance lease and other financial liabilities	73,191	73,629
Other current liabilities	18,561	20,502

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

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

- Level 1: quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted prices included within level 1 that are observable in the market, either directly (ie as prices) or indirectly (ie derived from prices);
- Level 3: inputs that are not based on observable market data.

With reference to derivative instruments outstanding as at 31 December 2012:

- all derivative instruments measured at fair value are included in Level 2 (same as in 2011);
- during 2012, there were no transfers from Level 1 to Level 2 and vice versa;
- during 2012, there were no transfers from Level 3 to other levels and vice versa

40. operating lease contracts

Leases to which the Group is party as lessee

€ '000	31 December 2012	31 December 2011
Instalments paid during the year	7,542	7,332
TOTAL	7,542	7,332

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

€ '000	31 December 2012	31 December 2011
Within one year	4,893	3,792
Between one and five years	5,564	4,474
After five years	606	19
TOTAL	11,064	8,285

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

Leases to which the Group is party as lessor

€ '000	31 December 2012	31 December 2011
Instalments received during the year	214	150
TOTAL	214	150

41. transactions not involving changes in cash flows

In 2012, there were no significant transactions not involving changes in cash flows.

42. acquisition of subsidiaries

On 8 June 2012, the subsidiary Biesse (India) Manufacturing Co. Pvt Ltd. concluded the agreement to purchase Nuova Faos International (India) Manufacturing Pvt. Ltd. At the end of 2009, Biesse Manufacturing Pvt Ltd and Biesse S.p.A. reached an agreement with a long-term supplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a put option with Biesse Manufacturing. Since these conditions were met, the supplier exercised its right on 1 January 2012, allowing Biesse to conduct a Due Diligence Assistance Review on the company (Nuova Faos International Manufacturing Pvt. Ltd.). On 5 March 2012, the parties reached a pre-agreement, setting the consideration for transferring the entire equity investment at € 373 thousand. When the transfer was finalised in June 2012, the consideration due to the exchange rate change was € 399 thousand.

The balances of the group as at 1 July 2012 and the details of the acquisition are shown below:

€ '000	01/07/2012 (Local GAAP)	Effects of IFRS adjustments	Fair value measurement of assets and liabilities	Adjusted amount
Net assets acquired				
Property, plant and equipment	2,012	-	577	2,589
Other financial assets	149	-	-	149
Inventories	261	-	-	261
Trade receivables	8	-	-	8
Other receivables	47	-	-	47
Cash and cash equivalents	71	-	-	71
Trade payables	(1,241)	-	-	(1,241)
Deferred tax liabilities	-	-	(178)	(178)
Tax payables	(57)	-	-	(57)
Financial payables	(1,498)	-	-	(1,498)
TOTAL	(248)		399	151

The fair value measurement of property, plant and equipment concerns specifically plant and equipment.

The amount of € 4,378 thousand recognised in the consolidated statement of cash flows as acquisition of equity investments refers to the consideration for the acquisition of Biesse (India) Manufacturing Co. Pvt. Ltd., amounting to € 399 thousand, and for the remaining part to the payments on account for the acquisition of the Centre Gain Group.

43. atypical and unusual transactions

No operations of this nature were reported in 2012.

44. events after the reporting period

Please refer to the note in the directors' report for details of events after the reporting period.

45. related party transactions

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

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

€ '000	2012 Expense	2011 Expense	2012 Revenues	2011 Revenues
Parent				
Bifin Srl	-	-	10	10
Other related companies	-	-	-	-
Fincobi Srl	(14)	(10)	1	1
Semar Srl	(1,589)	(1,930)	-	3
Members of the Board of Directors	-	-	-	-
Members of the Board of Directors	(1,819)	(2,380)	-	-
Members of the Board of Statutory Auditors	-	-	-	-
Members of the Board of Statutory Auditors	(166)	(168)	-	-
Other related party transactions	-	-	-	-
TOTAL RELATED PARTY TRANSACTIONS	(3,589)	(4,488)	11	14

€ '000	2012 Receivables	2011 Receivables	2012 Payables	2011 Payables
Parent				
Bifin Srl	1,564	587	-	-
Other related companies	-	-	-	-
Edilriviera Srl	-	-	5	-
Semar Srl	7	2	693	630
Members of the Board of Directors	-	-	-	-
Members of the Board of Directors	18	82	37	24
Members of the Board of Statutory Auditors	-	-	-	-
Members of the Board of Statutory Auditors	-	-	170	168
Other related party transactions	-	-	-	-
TOTAL RELATED PARTY TRANSACTIONS	1,589	671	905	822

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

The remuneration paid to Directors is set by the Remuneration Committee on the basis of average market rates.

No relevant transactions were reported in relation to the ultimate parent Bi.Fin. S.r.l..

Other transactions with related parties have also been conducted under terms and conditions which are no different from those that would have been established between arm's-length parties. Receivables will be paid in cash. No guarantee has been issued or received.

REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS

POSITION			REMUNERATION			
Migliaia di euro			Fees	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Name	Position	Term of mandate				
Selci Roberto	Chairman of the Board of Directors	29-04-2015	644	7	0	0
Selci Giancarlo	Managing Director	29-04-2015	375	4	0	0
Parpajola Alessandra	Director	29-04-2015	231	6	0	0
Sibani Leone	Director*	29-04-2015	30	0	0	6
Garattoni Giampaolo	Director*	29-04-2015	21	0	0	3
Giordano Salvatore	Director*	29-04-2015	20	0	0	3
Porcellini Stefano	Director and General Manager	29-04-2015	60	4	36	188
Tinti Cesare	Director	29-04-2015	3	3	34	139
TOTAL			1,384	24	70	339
The Directors with strategic responsibilities				6	62	227
Ciurlo Giovanni	Statutory auditor	29-04-2015	74			
Pierpaoli Riccardo	Statutory auditor	29-04-2015	46			
Sanchioni Claudio	Statutory auditor	29-04-2015	46			
TOTAL			166			

* Independent directors.

The managers of the main segments of the Group, i.e. Wood, Glass & Marble and Mechatronics, managed respectively by Cesare Tinti, Rodolfo Scatigna and Fabrizio Pierini, have been identified as Managers with strategic responsibilities. The remuneration received by the managers with strategic responsibilities, including salaries, non-cash benefits, bonuses and other remuneration amounts to € 296 thousand.

It should be noted that on 20 July 2012 Mr. Giorgio Pitzurra resigned from his position as Chief Executive Officer of the Group. During the year, Mr. Pitzurra received € 1,080 thousand, of which € 788 thousand refers to early retirement incentives and novation agreement and € 292 thousand refers to remuneration and fees for his service as Chief Executive Officer.

Pesaro, 15 March 2013

The Chairman of the Board of Directors
Roberto Selci

APPENDIX 1

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006						
	2012	Of which with related parties	%	2011	Of which with related parties	%
Revenue	383,061	0	0.0%	388,530	0	0.0%
Other operating income	3,648	11	0.3%	2,129	14	0.7%
Change in the inventories of finished and semi- finished goods and work in progress	6,623	0	0.0%	1,499	0	0.0%
Purchase of raw materials and consumables	(167,255)	(1,378)	0.8%	(172,781)	(0)	0.0%
Personnel expense	(118,484)	(396)	0.3%	(115,580)	(2,642)	2.3%
Other operating expense	(85,079)	(1,814)	2.1%	(81,379)	(1,846)	2.3%
Depreciation and amortisation	(15,107)	(0)	0.0%	(13,096)	(0)	0.0%
Provisions	(5,236)	(0)	0.0%	(2,254)	(0)	0.0%
Impairment losses	(1,903)	(0)	0.0%	(1,314)	(0)	0.0%
Operating profit	269	(3,577)	-	5,755	(4,474)	
Finance income	323	0	0.0%	363	0	0.0%
Finance expense	(3,988)	0	0.0%	(2,756)	0	0.0%
Net exchange rate losses	(1,722)	0	0.0%	(861)	0	0.0%
Pre-tax profit (loss)	(5,119)	(3,577)	-	2,500	(4,474)	-
Income taxes	(1,444)	0	0.0%	(4,947)	0	0.0%
Loss for the year	(6,563)	-	-	(2,446)	-	-

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

	31 December 2012	Of which with related parties	%	31 December 2011	Of which with related parties	%
ASSETS						
Non-current assets						
Property, plant and equipment	55,615	0	0.0%	55,307	0	0.0%
Equipment and other items of property, plant and equipment	6,487	0	0.0%	8,345	0	0.0%
Goodwill	17,252	0	0.0%	18,046	0	0.0%
Other intangible assets	30,365	0	0.0%	29,981	0	0.0%
Deferred tax assets	18,383	0	0.0%	18,389	0	0.0%
Other non-current financial assets and non-current receivables	1,153	0	0.0%	1,140	0	0.0%
	129,255	0	0.0%	131,208	0	0.0%
Current assets						
Inventories	90,321	0	0.0%	88,459	0	0.0%
Trade receivables	99,455	19	0.02%	112,207	14	0.0%
Other current assets	13,215	1,569	11.87%	14,242	656	4.6%
Derivatives	614	0	0.0%	1	0	0.0%
Cash and cash equivalents	17,004	0	0.0%	23,254	0	0.0%
	220,608	1,589	0.7%	238,162	671	0.3%
TOTAL ASSETS	349,863	1,589	0.5%	369,370	671	0.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006						
	31 December 2012	Of which with related parties	%	31 December 2011	Of which with related parties	%
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Share capital	27,393	-	0.0%	27,393	-	-
(Treasury shares)	(4,676)	-	0.0%	(4,676)	-	-
Equity reserves	36,202	-	0.0%	36,202	-	-
Hedging and translation reserve	(1,527)	-	-	(1,241)	-	-
Other reserves	62,190	-	-	64,743	-	-
Loss of the year	(6,530)	-	-	(2,438)	-	-
Equity attributable to owners of the parent	113,052	-	-	119,983	-	-
Non-controlling interests	208	-	-	680	-	-
TOTAL EQUITY	113,260	-	-	120,663	-	-
NON-CURRENT LIABILITIES						
Post-employment benefits	10,007	-	-	10,544	-	-
Deferred tax liabilities	2,447	-	-	2,952	-	-
Medium and long-term bank loans and other loans and other borrowings	3,621	-	-	25,245	-	-
Finance lease payables	2,245	-	-	2,519	-	-
Provisions for risks and charges	2,187	-	-	1,589	-	-
Derivatives	1,466	-	-	2,501	-	-
Other non-current liabilities	21,972	-	-	45,352	-	-
Current liabilities						
Trade payables	107,323	892	0.8%	113,124	821	0.7%
Other current liabilities	29,321	13	0.0%	34,721	1	0.0%
Income taxes	1,121	-	-	1,171	-	0.0%
Finance lease payables	270	-	-	464	-	0.0%
Bank overdrafts and loans	67,055	-	-	45,400	-	0.0%
Provisions for risks and charges	9,516	-	-	7,848	-	0.0%
Derivatives	24	-	-	627	-	0.0%
	214,631	905	0.4%	203,355	822	0.4%
LIABILITIES	236,603	905	0.4%	248,707	822	0.3%
TOTAL EQUITY AND LIABILITIES	349,863	905	0.3%	369,370	822	0.2%



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

1. The undersigned Roberto Selci and Cristian Berardi in their capacities as, respectively, Chairman and Chief Executive Officer and Manager in charge of financial reporting of Biesse S.p.A., having also taken into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during the 2012.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements as at and for the year ended 31 December 2012 were defined, and their adequacy was assessed, on the basis of rules and methodologies defined by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a reference framework for internationally accepted internal control systems.

3. In addition, it is also certified that the consolidated financial statements as at and for the year ended 31 December 2012:

- a) are consistent with the entries in accounting ledger and records;
- b) have been drawn up in accordance with the international financial reporting standards issued by the International Accounting Standards Board, endorsed by the European Commission with the procedure provided for by art. 6 of Resolution (CE) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to art 9 of the Italian Legislative Decree no 38/2005; they are capable of providing a true and fair view of the financial position, results of operations and cash flows of the issuer and the group of companies included in the consolidation.

The Directors' Report includes a reliable analysis of the performance and the results of operations, and the overall position of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro 15 March 2013

Chairman and Chief Executive Officer
Roberto Selci

*Manager in charge
of financial reporting*
Cristian Berardi



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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Biesse S.p.A.

- 1 We have audited the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2012, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 29 March 2012 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.
- 3 In our opinion, the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Biesse Group as at 31 December 2012, the results of its operations and its cash flows for the year then ended.
- 4 The directors of Biesse S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and ownership structure, published in the "Investor relations" - "Biesse profile" section of Biesse S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Asolo Bari Bergamo
Bologna Bolzano Brescia Cagliari
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Udine Varese Verona

Società per azioni
Capitale sociale
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Biesse Group
Report of the auditors
31 December 2012

decree no. 58/98 disclosed in the report on the corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/l/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure are consistent with the consolidated financial statements of the Biesse Group as at and for the year ended 31 December 2012.

Ancona, 28 March 2013

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director



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