annual report 2007

BIESSE

index

Dear Shareholders

We are very pleased to present the results for 2007, which show positive trends in revenue, profitability and cash flow.
The year was characterised by growing worries about the evolution of the international economies, and despite this we have been successful in the face of our major competitors.
The share price reached an all time high in May 2007 of Euro 23.69 per share, with an average price throughout the year of Euro 19.81.
2007 was a very busy year with numerous activities carried out, also saw the start of many longer term projects that will positively influence our results in the next few years. In view of this the triennial plan for 2008-2010 contains specific investment plans that will further enhance our performance as a company. Biesse is a forward looking company committed to innovation and improvement, and by encompassing terms such as "lean company" and "kaizen" (translated from Japanese to mean "growing development") already has a simple but effective route to continuous improvement.
This improvement will be passed on to our customers in higher levels of service, through a methodical waste-hunt, a progressive review of business administration, constant updating of our safety and welfare procedures, and the strengthening of our bonds with all suppliers.
Our main goals are the full implementation of "Just in time", effective and lean processing, and total quality to strengthen our managerial processes.

In October 2007 we opened a new Business Centre and a Tech Centre of almost 3000 sq mts for the Wood Division based at the company head-quarters in Pesaro. This has provided a new and efficient meeting place for all our customers and has the ability to show Biesse technological solutions and give an excellent service in support the sales department. Biesse aims to form partnerships with its customers instead of being a supplier, through the use of in-house events such as "BiesseInside", "Tech Tour" and "One to One".
Our aim is to set and achieve long term production targets, that are sustainable in the long run, that meet or exceed the levels set by the continuous challenge of the market. We see a continuous future for Biesse, not a short sprint, based on examining a multitude of ideas to plan carefully the future of Biesse and the whole community, which should be a reference point for all.
Let us finally acknowledge and underline the precious contribution made by our collaborators and our staff, that work with creativity, passion and commitment. They are an Asset of Biesse on which we're aiming, with in-house training in the Biesse Corporate School, to reach the challenging goals we have set for the future.

The President
Roberto Selci

The managing Director
Giancarlo Selci

Giancarlo Selci

Management report

company office holders

Board of Directors

Chairman and Managing Director	*Roberto Selci*
Managing Director [1]	*Giancarlo Selci*
Director	*Alessandra Parpajola*
Director	*Stefano Porcellini*
Director	*Leone Sibani*
Director	*Giampaolo Garattoni*
Director	*Salvatore Giordano*

Board of Statutory Auditors

Chairman	*Giovanni Ciurlo*
Serving Auditor	*Adriano Franzoni*
Serving Auditor	*Claudio Sanchioni*
Substitute Auditor	*Daniela Gabucci*
Substitute Auditor	*Cristina Amadori*

Internal Control Committee
Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

Supervisory body

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Cristian Berardi
Elena Grassetti

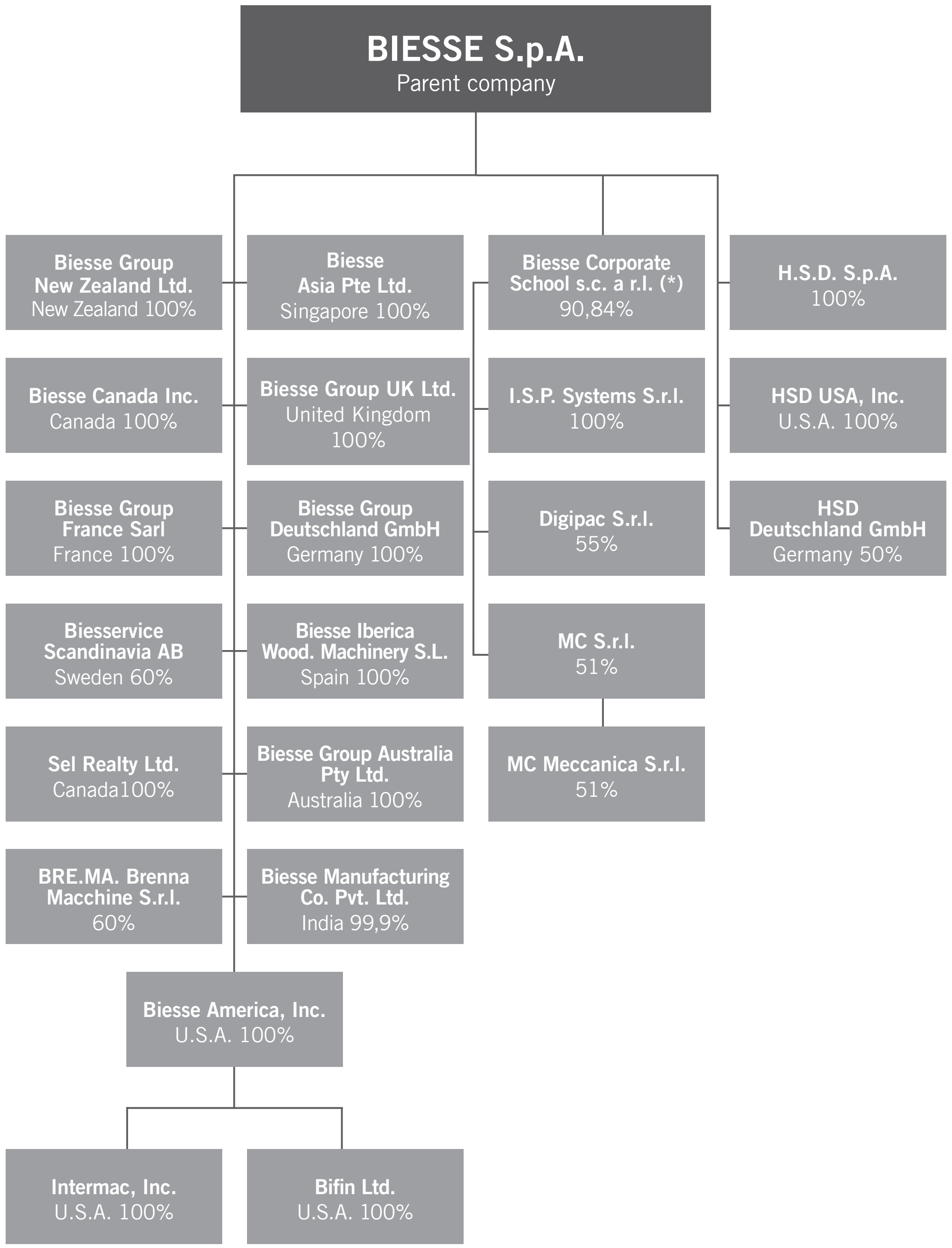
Independent auditors

Deloitte & Touche S.p.A.

BIESSE

[1] With exclusive mandate for the strategic direction and co-ordination of the Group.

group structure



* the 90.84% shareholding is 75.83% directly owned by Biesse S.p.A. and 15.01% is indirectly held through Hsd S.p.a.

The consolidation area has undergone the following changes since the approval of the last report and accounts:

Mergers:

Intermac Vidrio Iberica S.A. and Cabi S.r.l. e Sandymac S.r.l. have been merged respectively with Biesse Iberica Woodworking Machinery s.l. (from 02/07/2007), HSD S.p.A. (merger concluded on 03/08/2007, to take effect from 1 January 2007) and Biesse S.p.A. (merger concluded on 29/12/2007, to take effect from 1 January 2007). The three operations were conducted in order to rationalise the corporate structure of the Group, and also to take advantage of significant industrial and commercial synergies between companies with similar activities; it must be noted that in September, prior to the merger operation, Biesse acquired a 20% shareholding in Sandymac S.r.l. from its associate Tecnimpresa, which therefore gave it full control of the company. This agreement accelerated the timing of the operation which was set by the original contract between the parties which allowed for a call option in Biesse S.p.A.'s favour (and simultaneously a put option in favour of the minority partner) on the residual shareholding in the subsidiary which was to be exercised at the date of approval of the financial statements for the 2008 financial period.

Inclusions:

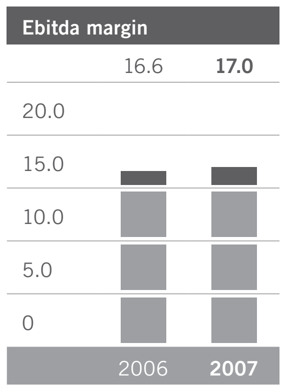
- In February 2007, the subsidiary Biesse America Inc. established Intermac, Inc., investing it with a share capital of US$ 500,000. Subsequently, on 2 April 2007 the new company, - Intermac Inc. -, acquired the "distribution and support" business division of AGM Glass Machinery Inc, which for 20 years was the distributor in the USA of the Intermac brand (machines and systems for processing glass and stone).
- On 8 June 2007 the subsidiary MC S.r.l. acquired 51% of the share capital of MC Meccanica Srl., for a consideration of € 850,000. MC Meccanica is a company which took over the business division of a pre-existing small company (with sales in 2006 of about € 1 million, mainly generated by MC Srl itself as the principal client) operating in the area of precision mechanical engineering for third parties.
- On 19 July 2007 Biesse S.p.A. acquired the controlling shareholding (55%) of a company established in 2006 by engineers of the packaging division, which produces and distributes packaging machinery, Digipac Srl. Digipac is particularly active in the stretch packaging sector and, so far, has produced innovative solutions for "fascia-pallet" machines for the food and beverage sector. At the date of purchase of the majority stake Biesse took up its quota of a capital increase by contributing € 18,000 and a share premium of € 139,000.
- On 20 December 2007, the subsidiary HSD S.p.A. assumed substantial control of HSD Deutschland GmbH (already an associate of the Group) and signed an agreement to acquire the residual share of the company's capital by the end of the following financial period. The purchase of the residual shareholding was completed on 13 March 2008. The company was consolidated from the date of acquisition of control, while, prior to that date, it had been valued on a net equity basis.

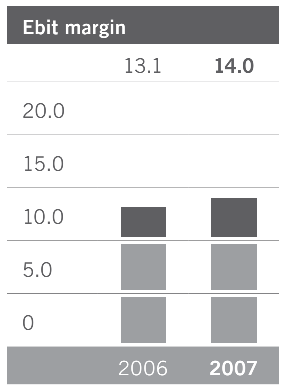
Compared with the previous period the consolidation area for the 2007 financial year no longer includes Biesse Brasil Ltda, which was sold on 10 January 2007.

financial highlights

INCOME STATEMENT DATA

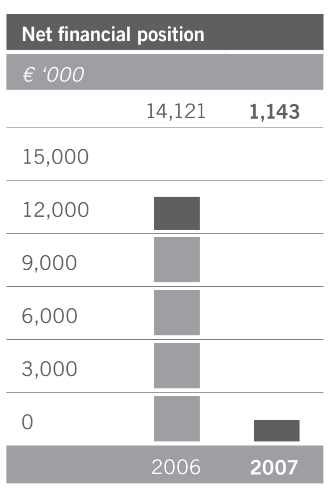
€ '000	**31 december 2007**	31 december 2006
Revenues from sales and services	**466,007**	396,733
Ebitda (Gross operating margin) (1)	**79,115**	65,780
Ebit (Operating margin) (1)	**65,399**	52,021
Group net result for the period	**41,668**	32,257

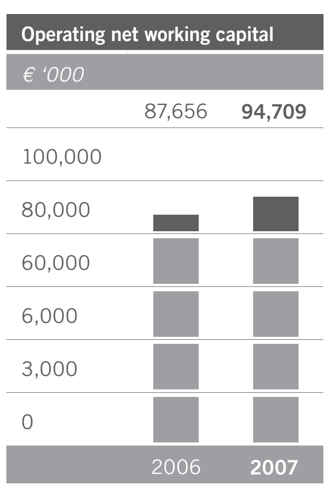




BALANCE SHEET DATA

€ '000	**31 december 2007**	31 december 2006
Invested capital (Net Shareholders' funds - net financial position)	**151,350**	120,422
Total net equity	**152,493**	134,543
Net financial position (1)	**1,143**	14,121
Net operating working capital (Inventories + Trade receivables - Trade payables)	**94,709**	87,656
Gearing (net financial position/net equity)	**0.01**	0.10
Fixed asset cover (net equity/net fixed assets)	**1.48**	1.52
Financial Leverage (debt/net equity)	**1.44**	1.60

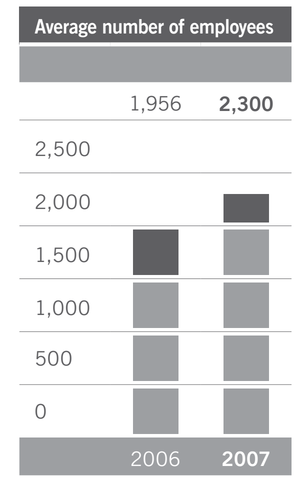


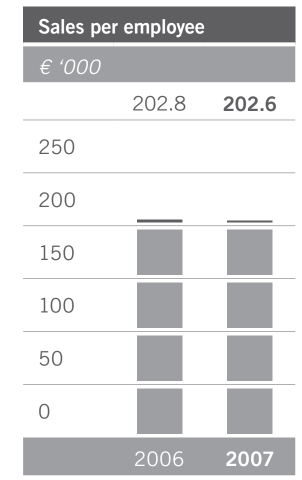


STRUCTURAL DATA

	31 december 2007	31 december 2006
Average number of employees*	**2,300**	1,956

* the data includes temporary staff





(1) Measures referred to intermediate levels of results and financial statements the valuation criteria of which are explained in the Directors Report and explanatory notes.

The **Biesse Group's** core business, with headquarters in Pesaro, Italy includes production, marketing and customer services for wood, glass and stone machines and systems. Production operations are concentrated in Pesaro and India. Marketing and customer assistance are organized both through the actual presence of 30 subsidiaries and commercial offices in the territory as well as through an exclusive network of 300 importers, distributors and agents. Biesse is comprised of three main business divisions, each highly specialized in its own area.

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

The Group is also active in other areas, including precision machining as well as the production of mechanical, electrical, electronic and pneumodynamic components for industrial uses.

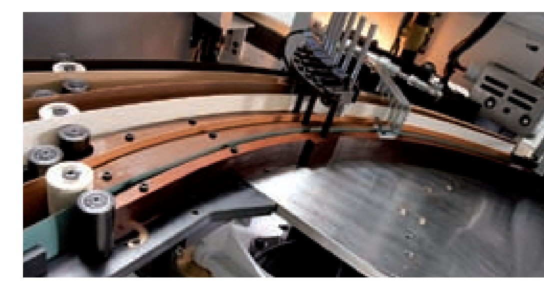
trademarks

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

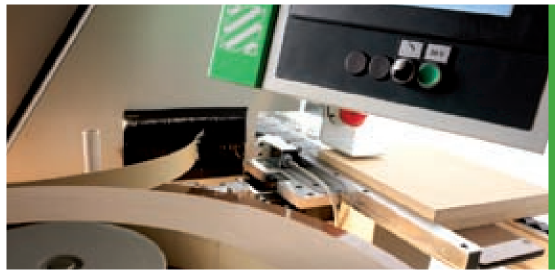
Produces edgebanding and squaring-edgebanding machines for the furniture industry. Our dedication to satisfying the needs of even our most demanding customers remains constant by granting high-speed, flexible and high precision machining solutions.



BIESSESAND

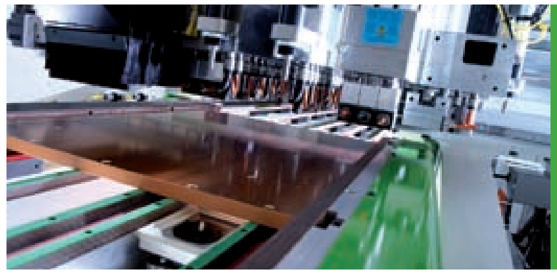
Produces automatic calibrating and sanding machines for medium and large industries.
These machines are capable of carrying out continuous machining, giving maximum reliability and producing excellent quality results on any type of article.

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. This line of products, in fact, is destined to revolutionize production times and phases, while offering highly personalized and innovative technical and logistics support. BIESSEARTECH solutions are designed for all the various panel machining phases: panel sizing, edgebanding, boring, milling, sanding and assembly of furniture items.

COMIL

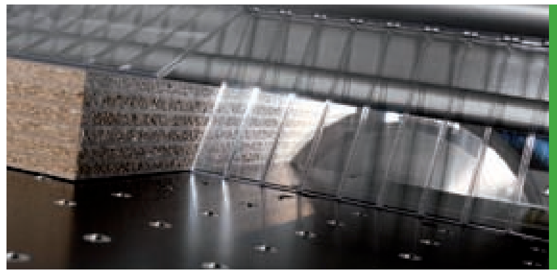


Produces plants and systems for drilling and drilling-inserting of hardware, flexible machines for companies offering a customizable product and giving importance to the 'lead time' and to the reduction of the half-finished products stock.
Moreover, COMIL produces machines and plants for the assembling of furniture and doors and packaging machines with thermoretractable shrink film.

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.

SELCO

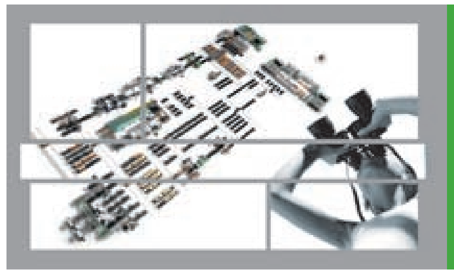


Is the Biesse Wood Division brand that produces and distributes single line sizing centres, angular systems and integrated cutting cells with automatic storage and unloading solutions.

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.

BIESSE SYSTEMS



Offers design and execution of turnkey plant, automatic and integrated processing lines to satisfy the automation needs of the furniture industry including an integrated boring and insertion line managed by a supervisor.

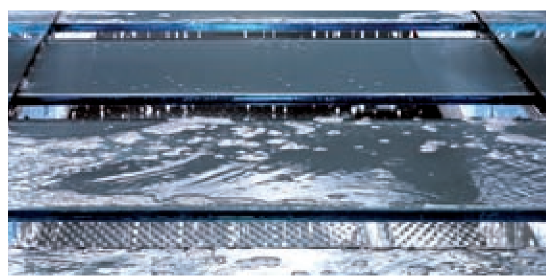
trademarks

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.

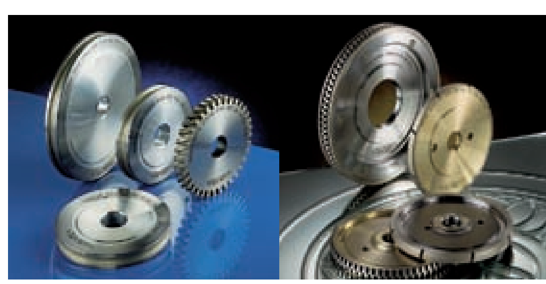
BUSETTI

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.



HSD

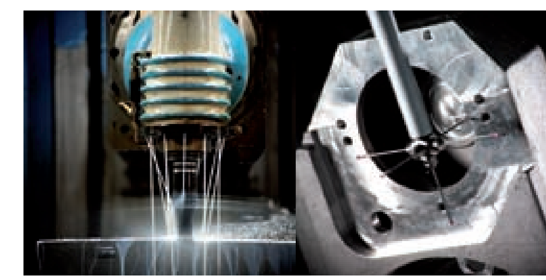
MECHATRONIC DIVISION

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

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.



review of operations

General economic overview

Following two years of strong expansion the world economy began to show distinct signs of slowdown in the second half of 2007 in the western economies, particularly in the USA but with initial repercussions being felt in Europe.

The euro/dollaro exchange rate rose to almost 1.60 as this report was being prepared, which will have a critical impact on the potential for manufacturing exports in the coming months.

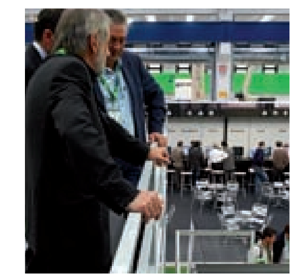
The price of oil has breached the psychological level of $100 per barrel and the effects of this on the cost of raw materials and energy produce a serious inflation risk which, in Europe, could restrict the adoption of an expansionary monetary policy while in the USA the decisive intervention of the Federal Reserve could, it appears, at best alleviate or mollify the consumer slowdown over the medium term.

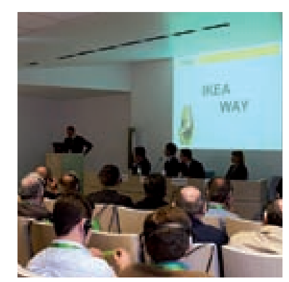
Industrial sector review

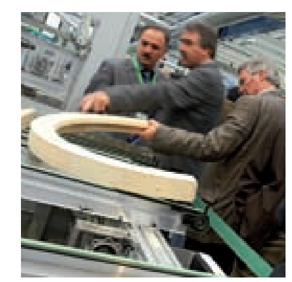
According to data published in the 2007 fourth quarter newsletter of Acimall - the national association for the woodworking machinery sector -, “orders for Italian woodworking machines and equipment rose by a total of 2.4% over the same period of the previous year; the growth rate is still positive- continues the Acimall research office- as it has been for about two years, but the slowdown with respect to the increases reported in previous quarters certainly appears to be significant. In particular, orders from abroad rose modestly by 1%, while growth in the Italian market has been stronger at about 7%”

Prices rose by 2.2% in 2007, while the industry reported a secured order backlog of about 3.5 months at the end of the year.

“With regard to the outlook for the coming year, - Acimall concludes -, 74% of respondents to the survey expect foreign orders to remain at current levels, 15% state that they believe that foreign orders will rise further and the remaining 11% believe orders will decline (giving a positive net balance of +4). Regarding the domestic market, the indications for the next months show a situation of stability for 74% of respondents to the survey, a further increase for 11% and a decline for the remaining 15% (giving a negative net balance of -4)”







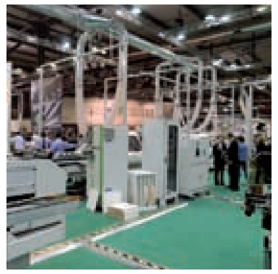
biesse inside

BIESSEINSIDE is the initiative promoted by the Biesse Wood Division 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, foremost among which is the new Kaizen model, fruit of the rationalization and renovation process implemented within Biesse itself and aimed at transforming the company into a *Lean Company.*
The state-of-the-art Biesse machines were on display in the brand new Tech Centre, the new area measuring 3000 m2 with 32 machines constantly in operation and over 100 demonstrations carried out on the entire Biesse range: processing centres, line boring machines, manual, automatic and line edgebanding machines, panel saws and sanding machines.
BIESSEINSIDE is a unique, strategic initiative for the Biesse Group, calling the attention of both italian and foreign analysts and investors. A week dedicated to technology and innovation, which saw the participation of approximately 2000 people from over 50 different countries.

EXHIBITIONS TECH TOUR 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.



employees

Our most valuable asset: people.
The **more than 2,400 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

Biesse's system of *Corporate Governance* complies with the principles contained in the Self-Regulatory Code of March 2006, as the Group believes that these are most conducive to the effective fulfilment of the key points of company policy regarding governance, i.e.:

- to define clearly the roles, responsibilities and materiality parameters governing corporate activities;
- to augment the protection and foster the confidence of the company's *stakeholders*;
- to maximise the company's value for shareholders and other *stakeholders*;
- to improve the transparency of financial communications to the market;
- to improve the transparency and correctness of transactions carried out by related parties and relevant counterparties and as regards infragroup relationships;
- to improve internal control systems.

The fundamental documents of Biesse's *Corporate Governance* are:

- Articles of Association;
- Rules governing shareholders' meetings;
- *Internal Dealing* code;
- Rules relating to market abuse;
- Organisational model including the Code of Ethics in accordance with Decree Law no. 231 of 8 June 2001;
- The ICFR (Internal Control over Financial Reporting) Model, Law no. 262 of 28 December 2005.

In order to assist in the widest possible awareness on the part of the market of the governance model adopted by the Company, the documents mentioned above (with the exception of the ICFR model) are available on-line (in Italian and English) on the group's website www.biessegroup.com (hereinafter the, "**site**").

Share capital structure and equity characteristics

The share capital, at 20.03.2008, is equal to € 27,393,042 fully paid up and composed of ordinary shares each of € 1 nominal value, issued in accordance with the principle of dematerialisation. Each ordinary share carries a right to vote in ordinary and extraordiunary shareholders' meetings of the company in accordance with the laws and statutes and attribute further administrative and equity rights as provided by the law regarding shares with voting rights.
The Board of Directors received no authorisation from the shareholders' meeting to buy back the company's own shares during 2007. Following the end of the 2007 financial period, on 21 January 2008, the shareholders' meeting approved a BuyBack programme covering 2,739,304 ordinary shares in Biesse, corresponding to 10% of the share capital. The Buy Back authorization allows the company to purchase shares up to the maximum number for a period of up to 18 months beginning 22 January 2008. The terms of the plan will be detailed in the *Corporate Governance* Report for next year.

Significant shareholdings

At 20 March 2008 shareholders owning more than 2% of the issued share capital, represented by shares with voting rights, according to the register of shareholdings and other communications received or other information available to the company are the following:

Bi.Fin S.r.l	58.464%
Sia Funds AG_(CH)	5.678%
Financiere de l'Echiquier SA (F)	4.848%

*source Consob

As far as the company is aware there are no shareholder pacts amongst its shareholders.

Board of Directors

The Board of Directors is the central body in the Company's system of *Corporate Governance*. It has the responsibility to define, apply and update the rules of *Corporate Governance*, in compliance with prevailing legislation, as well as determining the strategic guidelines and senior direction of the Company and the Group (by which is meant Biesse and the companies it controls according to the definition provided by article 2359 of the Civil Code).
The Directors operate and function in pursuit of the primary objective of value creation for shareholders, taking into account also the directives and policies defined for the group, as well as the benefits deriving from belonging to the group itself.
In accordance with article 16 of the Company's Articles of Association, the Board may be composed of a variable number of directors, from a minimum of two to a maximum of fifteen members, even including non-shareholders, as determined by the shareholders' meeting. The current Board, following the approval of the shareholders' meeting of 14 december 2006, is composed of seven members whose mandate expires with the shareholders' meeting to approve the financial statements to December 2008.

There are four executive directors on the Board:

- Roberto Selci, Chairman and Managing Director
- Giancarlo Selci, Managing Director [2]
- Alessandra Parpajola, Director
- Stefano Porcellini, Director

The board includes three non-executive, independent directors in accordance with the Code:

- Leone Sibani
- Giampaolo Garattoni
- Salvatore Giordano

The directors listed above are classified as independent because:

a) they do not control the issuer, either directly or through controlled companies, trustees or through third parties. Nor are they capable of exercising significant influence on the issuer nor do they participate in any shareholder pact through which one or more entities may exercise control or a significant influence on the issuer;

b) they are not, nor have they been in any of the past three financial periods, senior representatives of the issuer, nor of any of its subsidiaries of strategic significance nor of any company subject to joint control with the issuer, nor of any entity that either independently or in association with others through a shareholders pact, controls the issuer or is in a position to exercise significant influence over the issuer;

c) they do not have, nor have they had in the previous financial period, directly or indirectly, a significant commercial, financial or professional relationship:

- with the issuer, any of its subsidiaries, or with any of its senior representatives;

- with any person whom, even in association with others through a shareholder pact controls the issuer, or – in the case of companies or entities – with senior representatives; nor have they been in any of the three preceding financial periods employees of any of the previously mentioned entities;

d) they do not receive, nor have they received in any of the three preceding financial periods, from the issuer or any of its subsidiaries or parent companies, any significant additional remuneration in respect of the emoluments "fixed" for non-executive directors of the issuer, which includes participation in the incentive plan relating to company performance, including stock option performance incentive plans;

e) they have not been directors of the issuer for more than nine of the previous ten years;

f) they do not occupy the role of executive director in any other company in which an executive director of the issuer occupies a position as director;

g) they are neither shareholders or directors of a company or entity belonging to the network of companies in charge of the external audit of the issuer;

h) they are not closely related to any person who belongs to any of the previous categories.

The requirement for independence of the directors, in accordance with the provisions of the Code, is periodically evaluated by the Board of Directors and the Board of Statutory Auditors. During the 2007 financial year the Independent Directors have not held separate meetings in which, being also members of the Internal Control Committee, during the meetings of the same they have sought to exchange opinions on sundry topics of different interests. Independent Directors of the Company holding positions as directors or statutory auditors in other companies quoted on regulated markets, including foreign stock markets, in financial companies, banks, insurance companies or companies of significant size are listed below:

Mr. Leone Sibani:

- Chairman SanPaolo IMI Fondi Chiusi SPA SGR
- Chairman Neos Banca
- Chairman Imi investimenti SpA
- Director SanPaolo IMI Investimenti per lo Sviluppo SPA SGR
- Director SanPaolo BANCA dell' Adriatico

Mr. Giampaolo Garattoni:

- Director Aksia Group SGR Spa
- Sole Director Regatta Srl
- Sole Director Onboard Srl
- Sole Director Welcome Srl

Mr. Salvatore Giordano:

- Chairman Centrale GPA SpA
- Executive Director ASSINDUSTRIA Consulting srl

Lead Indipendent director

The Board has taken into consideration the fact that international best practice recommends avoiding any concentration of responsibility in any single person without adequate safeguards our counterbalances. It has

[2] With authority for strategic and co-ordination direction of the Group and with express exclusion from each and every power of legal representation and active asministration.

established that, in the case of Biesse (where the Chairman of the Board of Directors is also Managing Director) such concentration corresponds to organizational necessity. However, in order to comply fully with the Principles of the Code, it has created the position of Lead Independent Director and has appointed the independent director Mr. Leone Silbani to occupy this position. The non-executive directors report to the Lead Independent Director in order to improve their contribution to the activity and operation of the Board.

The *Lead Independent Director's* function is to:

- co-operate with the Chairman in order to guarantee complete and timely dissemination of information to the directors;
- to call, independently or at the request of other directors, special meetings of the independent directors to discuss subjects considered to be relevant to the functioning of the Board of Directors or to the management of the Company.

During the course of 2007 the Lead Independent Director convened:

- meetings of the Internal Control Committee;
- meetings of the Remuneration Committee.

Powers of the Board of Directors

The Board of Directors is invested with all ordinary and extraordinary administrative powers, with the authority to implement all actions it considers necessary and opportune to achieve its corporate objectives, with the exception of those actions which are reserved by right for the Shareholders' Meeting.
The Board is assigned the responsibility of strategic-organisational direction, as well as the verification of the existence of the controls necessary to monitor the progress of the Company and the Group.
The Board is in particular required to:

- supervise the general progress of the management, with particular attention to situations involving conflicts of interest taking into consideration information received from the executive directors and the Internal Control Committee and, in general, periodically comparing results achieved with expectations and forecasts;
- examine and approve the budget and strategic, industrial and financial plans of the Company and the Group;
- value and approve the financial reports required by laws in force;
- examine and approve operations which are expected to have a significant impact on the economic, capital and financial situation of the Company and the Group;
- verify the adequacy of the organisational, administrative and financial reporting structure of the Company and the Group;
- report to the Shareholders in shareholder meetings;
- determine, through the mandate given to Independent Directors, the proposals to put to the Shareholders' Meeting and the Board regarding the remuneration to be awarded to members of the Board of Directors;
- nominate, and establish the remuneration of, one or more Managing Directors, who will implement decisions approved by the Board and on the Board's authority, who will manage continuing business, propose transactions and exercise any other power attributed to them on an ongoing basis or as may be from time to time authorised by the board;
- attribute and revoke mandates given to the executive directors, to the executive committee and, if need be to one or more directors with respect to particular duties;
- report to the Board of Statutory Auditors on operations carried out and on transactions of major significance to the economic, financial and capital situation of the company carried out by the Company and its subsidiaries. In particular it is required to report on operations which may result in potential conflicts of interest. As a rule these reports are required to be made when board meetings take place or at least quarterly.

The regulations dictate that the board meets six times each year, to approve the financial statements, whenever requested according to the requirements of membership of the Star segment of the Automated Quotations Equity Market of Borsa Italiana (Mercato Telematico Azionario di Borsa Italiana).

When the Board meets, directors are provided, as far in advance as is reasonable, with all of the documentation and information necessary to the Board to express an opinion on the matters to be discussed.

The authorised Chairman and Directors

The Board of Directors meeting on 5 May 2003 approved that the Chairman of the Board of Directors be granted all of the powers of ordinary administration, specifying that ordinary administration also includes banking relationships and any power relating to the signing of tax declarations of any kind, to the treatment of employees, to the purchase and sale of vehicles and ancillary assets entered in public registers, to the subscription of and trading in tradable securities issued under the terms of Law no.1329 of 28 November 1965 (the so-called Sabatini Law), to the signing of leasing contracts. In addition, the Chairman is the legal representative of the Company.

Following the approval granted 12 November 2003, the Managing Director, Giancarlo Selci, has been granted solely the authority for the definition of group strategy as well as the general co-ordination of the group, with the express exclusion of each and any power of legal representation or active administration.
The approval of 15 May 2006 granted director Alessandra Parpajola the relevant authority: to manage credit risk, to appoint and dismiss the company's legal advisors, to represent the company in legal proceedings, with full authority to settle or terminate legal action, to underwrite transactions, allow debt payment postponement or deferral, sign correspondence, sign and circulate bank cheques, arrange bank transfers, sign income tax returns and VAT returns, sign tax appeals, employ and dismiss personnel, settle employment disputes, apply disciplinary sanctions and carry out all the activities required by this division of the business.

The approval of 14 December 2006 granted Stefano Porcellini the relevant authority: for the administrative supervision, control and co-ordination of subsidiary and associate companies and those in which the group has significant shareholdings, the supervision, control and co-ordination of the preparation of the Financial Statements of Group companies and of the Consolidated Financial Statements for the financial years 2006, 2007 and 2008 with the authority to nominate advisors and experts, the supervision, control and co-ordination of extraordinary transactions, with particular reference to the acquisition of shareholdings, to represent Biesse in its correspondence with clients and suppliers for problems relating to administrative and legal issues and with authority to settle any potential legal disputes on an out of court basis.

The previously mentioned executive directors have undertaken to report to the Board of Directors at the first available meeting regarding any activity carried out during the period of their mandate.

Appointment of Directors

The appointment of directors occurs in accordance with a transparent procedure, which also aims to guarantee adequate and timely information regarding the credentials of candidates for relevant positions. As established by article 16 of the Company's Articles of Association, the proposed nomination for the role of Managing Director is accompanied by exhaustive information regarding the personal and professional characteristics of the candidates, with indications of any potential eligibility of the same to qualify as an independent director.

In order to comply with Law no. 262 of 28 December 2005, Biesse has undertaken to amend its Articles of Association to incorporate the "list voting" ("voto di lista") methodology of appointing directors. This amendment to the Articles is already included in the report of the Board of Directors prepared according to Attachment 3A of Consob regulation no. 11971 of 1999 and has been approved by the extraordinary shareholders' meeting of 2 May 2007. In accordance with the provisions of the Code the lists have been deposited at the registered office at least fifteen days before the date established for the shareholders' meeting.

Only those shareholders who, jointly or severally, represent at least 2.5% (two point five percent) of the ordinary share capital have the right to present lists. It is specified that no shareholder can present in person, in combination with others, by proxy, nominee or through other third parties more than one list or to vote for more than one list.

Elections to the Board of Directors proceed as follows:

a) names are drawn from the list which has obtained the greatest number of votes at the shareholders' meeting in the order in which they are presented on the list, and as many directors as represent the totality of those to be elected less one are selected;

b) the remaining director is drawn from the second list which has obtained the greatest number of votes in the shareholders' meeting and is the first named candidate on this list. The candidate named in first place on the list which has obtained the greatest number of votes in the shareholders' meeting will be appointed Chairman of the Board of Directors.

In the event that just one list is presented or just one list receives votes then all of the board members will be drawn from that list.In the absence of lists, the Board of Directors will be nominated by the shareholders' meeting on the basis of the majority system established by law.

The Nominations Committee

The Board of Directors unanimously approved on 5 May 2003 not to proceed with the appointment of a Committee to oversee nominations given the modest size of the administrative body. Moreover, the transparency of the nominations procedure and the balanced composition of the Board are considered to be sufficiently guaranteed following the introduction of the voting list mechanism, with amendments of the Articles approved by the shareholders' meeting of 02/05/2007.

Directors compensation and the Remuneration Committee

In order to attract, retain and motivate directors with the professional qualities necessary to manage Biesse successfully as well as ensuring that the interests of executive directors are consistent with the aims of pursuing the primary objective of medium to long term value creation for shareholders, a significant portion of the remuneration of the executive directors and senior management of the Group is constituted by remuneration tied to the achievement of economic results and/or pre-established individual performance targets (so-called bonus or variable incentive systems).

On 15 May 2003, the Board of Directors set up from amongst its members the Remuneration Committee which is currently composed of the following members:

- Leone Sibani, Independent Director
- Giampaolo Garattoni, Independent Director
- Salvatore Giordano, Independent Director

The Committee has the responsibility to (i) present to the Board proposals for the remuneration of executive directors, monitoring the application of decisions adopted by the Board of Directors; (ii) periodically to evaluate the criteria adopted for the remuneration of directors with strategic responsibilities, supervising the application of these criteria and preparing general recommendations for the Board.
The Committee has free access to information and to necessary business departments and meets twice a year with official minutes of any decisions reached.
The Internal Control System of the Company, in line with recent recommendations on *Corporate Governance*, is a combination of the rules, procedures and organisational structures which permit, through an appropriate process of identification, assessment, management and monitoring of the main risks, to run the Company in an honest and correct way that accords with the pre-established objectives.
In particular, the system aims to guarantee:

- the efficiency and efficacy of Company operations;
- the reliability of its economic and financial data;
- the observance of the law and regulations;
- and, in general, to protect the Company capital.

The Board of Directors is responsible for the internal control system and establishes its course of action, periodically checking its adequacy and effectiveness, also via the Internal Control Committee and, lastly, lays out its main objectives in the report on *Corporate Governance*.

Internal control system - activity carried out

The Board has adopted a policy for risk management procedure with a sequential format of

- Identification
- Evaluation
- Management
- Monitoring

Of any processes showing a risk profile.

Having selected the processes, the aim is to assess the management accounting implications of the most important processes and identify the most significant types of risk. Having done this, for each one:

- The purposes of the control were identified;
- The correct area of responsibility was defined
- Specific guidelines were advanced for control policies.

In particular, the administrative/financial risk profile was taken into consideration of the following processes identified as:

<u>Passive cycle</u>:

Ordinary activity Receipt/invoice verification Payment → invoices

<u>Active cycle:</u>

Ordinary activity → Shipment and Invoicing → Cash in

<u>Financial cycle:</u>
Exchange risk hedging → Treasury management

<u>Fixed asset cycle:</u>

Increase → Depreciation → Divestment → Management

<u>Remuneration cycle:</u>

Hiring and dismissals → Processing payslips → Payroll

<u>Management of information systems:</u>

Continuity → Reliability → Technical environment and logic security

Biesse considers the increased use of checks and controls to protect the correctness of shareholder information as a fundamental element of shareholder value creation. It has moved promptly to have a focussed and efficient compliance system as set out in the previously mentioned law no. 262/2005. To protect shareholders and, in general, all *stakeholders*, Biesse is implementing procedures which will guarantee the veracity, correctness and transparency of all data through (i) detection of significant transaction categories, transactions which are not considered routine, and accounting estimates to be included in an analysis of the related significant accounts in the consolidated accounts, on the basis of stipulated qualitative and quantitative criteria (for example, materiality, inherent risk, etc.); (ii) risk evaluation to ascertain that processes and sub-processes identified in the detection phase have not been rendered invalid by irregularities, errors and omissions not revealed by the internal control system and by the *Corporate Governance* procedures; (iii) the possible implementation of new control procedures to prevent the risks mentioned in point (ii); (iv) planning, scheduling and execution of a series of tests on the whole control system to ascertain its existence and efficacy, as well as the preparation of a Remediation Plan to cover all the control objectives defined in the detection phase.

In 2007, the Chairman of the BoD was designated the representative for Internal Control and supervised the implementation and development of Project 262 identifying the main risks to the Company and designing, realising and managing the internal control system whilst seeking to adapt the system to the operating conditions of the Company while respecting the regulations and the laws in force.

Furthermore, the Chairman of the BoD, in agreement with the Internal Control Committee, proposed to the Board the appointment, and related remuneration package, of the new Manager for internal control – who is also the Manager in charge of Internal Auditing – who has the necessary qualification of independence, under the Self Regulatory Code, and replaces the previous Manager for Group control who covered this position for the interim period.
The appointed manager has been given independent financial resources and has undertaken to make the Project 262 control system operative and report the results directly to the Internal Control Committee and the Board of Statutory Auditors.

Internal Control Committee

The Board of Directors has appointed an Internal Control Committee from among its members. This, as required by the Code, is currently composed of three non-executive independent directors:

- Leone Sibani – Independent director
- Giampaolo Garattoni – Independent director
- Salvatore Giordano – Independent director

The Committee, besides assisting the Board of Directors to carry out the duties described in paragraph 4.1.4.2, should:

1) appraise, in conjunction with the auditors, the correct and consistent application of accounting standards in the preparation of the consolidated financial statements;
2) appraise the proposals put forward by the external auditors in order to obtain a clear audit certification, as well as the working plan for auditing the accounts, the results in the report and any potential letter of suggested changes;
3) oversee the efficacy of the auditing of the accounts;
4) examine the working plan drawn up by the manager for internal control;
5) report to the Board on the activities, and adequacy, of the internal control system.

In 2007, the Committee instigated the regular function of Internal Auditing.

Related party transactions

In related party transactions – related parties means those defined by law (in particular Article 2391 bis of the Italian Civil Code) and by regulations – the Company adheres to the rules of transparency and the criteria of essential and procedural fairness.
These transactions must be approved by the Board of Directors which can, if so dictated by the nature and value of the transactions, make use of independent experts.

Directors having an interest, even indirect, in such transactions must:

- give timely and detailed notice to the Board of Directors concerning any interest and the circumstances of the same, even where there is no conflict of interest;
- take no part in any deliberation and abstain from any vote.

Treatment of company information

Under the Code, directors and statutory auditors are obliged to keep confidential all documents and information acquired in carrying out their duties and must adhere to the procedure adopted by the Company for disseminating, both internally and externally, such documents and information.

Internal rules governing the management of privileged information and the constitution of a register of persons with access to privileged information.

External communication of information pertaining to the Company and/or the Group, in particular price sensitive information, is regulated by a procedure approved by the Board of Directors at the meeting of 14 February 2006. This assures the complete, correct, clear and transparent, timetable and maximum dissemination of the aforementioned information pertaining to the Company and its subsidiaries, as well as adherence to the primary and secondary regulations in force.
The timeliness and the relevance of the information for public release is the responsibility of the CFO (Head of Administration, Finance and Control), who is also in charge of *Investor Relations*, when coordinating the release of information into the public domain where there is a need to (i) adhere to the regulations; (ii) aid the Board of Directors, other company bodies and those responsible for business activities/units to fulfil correctly the information requirements of the Consob and of Borsa Italiana, while also ensuring that any general or regulatory information from the market regulatory authorities and from Borsa Italiana is circulated; (iii) coordinate with the Marketing and Communication Division to avoid the release of privileged and significant information into the public domain and ensure that the marketing of the Company's businesses is not mishandled; (iv) ensure that public communications are, as far as possible, made at the same time to all categories of investors in any member States in which the Company has requested or approved the trading of its financial instruments on a regulated market.

Internal Dealing Code of Conduct

On 27 March 2006, the Board of Directors adopted internal regulations for *Internal Dealing*, which govern information flows from persons subject to Article 114, para. 7, of the TUF (Unified Financial Legislation) and those recognised as "relevant" by the rules of the Company, Consob and the Market. This applies to all transactions carried out on and after 1 April 2006.
The new code regarding *Internal Dealing* is applicable to all purchase, sale, underwriting and exchange of shares issued by Biesse or financial instruments connected to it and carried out by relevant persons and by persons closely connected to the latter. This last category includes shareholders owning at least 10% of the outstanding share capital of the Company, the Directors and Statutory Auditors of Biesse, as well as those in management positions or managers with regular access to privileged information and invested with the power to make decisions that could influence the development and future prospects of Biesse.

The obligation of transparency applies to all the aforementioned transactions which, when totalled, have a value of Euro 5,000.00 or more in a single year, even when carried out by persons closely connected to the relevant persons. Biesse has already made provision to adopt the black-out period restrictions, in Consob deliberation n. 15786 of 27 February 2007 for those wishing to remain in the STAR sector, under which it is forbidden for relevant persons and those closely connected to them to carry out any transactions in the following periods:

a. from the [fifteenth day] preceding (and including) the date set for the Board of Directors meeting to approve the annual Financial Statements, the Interim Financial Statements and the Quarterly Financial Statements, until the press release concerning the deliberations of the Board of Directors is released to the market;
b. in accordance with the stipulations in a) above, from receipt of the communication of entry in the "Register of persons having access to privileged information" under Article 115 –bis TUF, until the moment when the privileged information that has led to the entry in the Register is released to the market.

On 20 February 2008, Consob sent an information request to Biesse, in accordance with art. 115 Paragraph 1 letter a) of Decree Law 58/1998, regarding transactions in Biesse shares by the Chairman Mr. Roberto Selci; Biesse was able to comply with this request in accordance with the regulations.

Institutional investor and shareholder relations

In Biesse financial communication has a primary role in value creation for the Group: as a result, Biesse has adopted a strategy aimed at ensuring a continuous and correct flow of information between the financial community, the market and the Company. Biesse has always actively worked to establish a continuous dialogue with institutional investors, shareholders and the market whilst respecting the procedures adopted for external communication of privileged documents and information. To this end, the specific function of *Investor Relations* was set up to collaborate with the Board of Directors in guaranteeing the systematic cir-

culation of detailed and timely information through press releases, meetings with the financial community and periodic updates to the Company website (www.biessegroup.com).
During 2007, Biesse participated in all the events organised by Borsa Italiana (the STAR events in Milan, New York, London and Paris) as well as organising numerous meetings with the Italian and international financial community.

The website

In order to augment financial communication, the Board of Directors of Biesse ensures that there is timely and easy access to any information about the Company that is relevant to its shareholders so that they may exercise their rights in an informed manner. For this reason Biesse has considered it appropriate to set up an appropriate area, within its own website, where both financial information (Annual, Interim and Quarterly Financial Statements) and data and documents of interest to shareholders, including the Company Code of Ethics and Organisational Model, can be found. (http://www.biessegroup.com/investorrelations/corporate-governance_IT.asp). Such information remains available on the website for a minimum of five years.

Regulations governing shareholders' meetings

Since 2001, the Company has adopted a series of regulations for shareholders' meetings concerning the orderly and organisational progress of ordinary and extraordinary shareholders' meetings, guaranteeing each shareholder the right to participate in any discussion on the agenda.
The details are available in the appropriate section of the website (1)

Statutory auditors

The Statutory Auditors monitor observance of the law and the Company articles of association and monitor operations whilst financial control is not part of their remit but is assigned to auditors appointed by the shareholders' meeting from among those companies in the register held by Consob.

The Company articles of association lay down that the Statutory Auditors must be three serving auditors and two substitute auditors and that their names must be from lists drawn up by shareholders having at least 2% of the share capital with voting rights in ordinary shareholders' meetings. Other shareholders have the right to elect one serving Auditor and one substitute Auditor. Each shareholder, as well as those shareholders belonging to the same group of shareholders, cannot themselves, or through a nominee or fiduciary company, put forward more than one list or vote for different lists.

In the event of violation of this rule, the vote of the shareholder for every list presented will not be considered. Each candidate may only be proposed in one list otherwise he/she will be considered ineligible.

The extraordinary shareholders' meeting of 2 May 2007 approved the amendment of the Company's Articles of Association to extend the time in which the lists may be deposited from ten to fifteen days as suggested by the Code. The names proposed are accompanied by detailed information regarding their personal and professional credentials, administrative and management positions held in other companies and by declarations in which each candidate, accepting his/her candidacy, attests that there is no grounds for ineligibility or incompatibility, and that they meet the legal and statutory qualifications required by the respective positions.

The Board of Statutory Auditors appointed by the shareholders' meeting of 29 April 2006 until approval of the Financial Statements for the financial year to 31 December 2008 is made up as follows:

- Giovanni Ciurlo, Chairman
- Adriano Franzoni, Serving Auditor
- Claudio Sanchioni, Serving Auditor
- Daniela Gabucci, Substitute Auditor
- Cristina Amadori, Substitute Auditor

Independent Directors of the Company holding positions as directors or statutory auditors in other companies quoted on regulated markets, including foreign stock markets, in financial companies, banks, insurance companies or companies of significant size are listed below:

Mr. Giovanni Ciurlo

Serving Auditor	Banco Di S. Giorgio Spa
Chairman of the Board of Statutory Auditors	Comdata Spa
Chairman of the Board of Statutory Auditors	Fafid Spa
Serving Auditor	Stroili Oro Spa
Serving Auditor	Fi.L.S.E. Spa
Serving Auditor	Gottardo Asset Management Sgr Spa
Chairman of the Board of Statutory Auditors	Gru Comedil Srl
Serving Auditor	Rgi Spa
Director	Salmoiraghi &Vigano' Spa
Serving Auditor	Sivori & Partners Sim Spa
Serving Auditor	Vittorio Cauvin Spa
Chairman of the Board of Statutory Auditors	AEB SpA

Organisational Model and Code of conduct in accordance with Decree Law no. 231 of 8 June 2001

The Board of Biesse has approved the organisational Model (henceforward the "Model") under Decree Law no. 231 of 8 June 2001 concerning the administrative responsibility of the bodies.

This Model, the result of a long and detailed analysis of the risks relative to the legal entity of Biesse, is coherent with the principles of Decree Law 231/01, in line with Italian best practice and the indications of Confindustria; it is designed to avoid the risk of criminal acts, as covered in the aforementioned decree and subsequent modifications, being committed by employees and colleagues of the Company.
It represents a further element of rigour and responsibility in internal relations and in those with the external world and offers shareholders suitable guarantees of efficient and correct management.

The Model contains a detailed analysis of the risks relative to those criminal acts covered by the code, with particular reference to crimes relevant to the business of Biesse and a list of the appropriate procedures to bridge any eventual gap existing between those areas considered to be potentially at risk and the procedures already existing and operational in Biesse.

An integral part of the Model is the Code of Ethics, which is an official document describing the undertakings and ethical responsibilities in the conduct of the business and activities subscribed to by Biesse and by other companies in the Biesse Group. It also regulates the rights, duties and responsibilities that Biesse specifically assumes towards those with which it interacts in carrying out its business. The Code also aims to introduce and make binding within Biesse the principles and rules of conduct relating to reasonable prevention of the criminal acts covered by Decree Law no. 231 of 8 June 2001.

A Vigilance Committee composed of three Independent Directors, the Legal Office of Biesse, and the Internal Auditing department of Biesse has been appointed with the duty:

- periodically to verify the map of areas (or "sensitive activities") at risk of criminal acts, adapting it to modifications in the business and/or structure of the Company. To this end, the Vigilance Committee is notified by management and by those responsible for supervising the single activities of any eventual circumstances which could expose the Company to a criminal act;
- periodically to verify that the Model is being adhered to and, in particular, to ensure that the procedures and checks contained therein are being carried out and adequately documented and that the ethical principles are respected;
- periodically to check certain transactions or specific acts carried out, particularly in sensitive operations where the results are summarised in a specific report the contents of which are notified to the Company committees;

- to guarantee that the necessary corrective measures to make the Model fitting and effective are undertaken in a timely fashion;
- to collect, analyse and preserve all the relevant information received concerning the Model, as well as to update the list of information that must be communicated. To this end, the Vigilance Committee has unrestricted access to all the relevant company documentation and is constantly
- kept informed by management of all aspects of Company business which could expose the Company to the risk inherent to the committing of one of the criminal acts covered by the Decree, as well as relations with consultants and partners;
- to report periodically to the Chairman, the Board of Directors and the Board of Statutory Auditors on the application of company policies and of the Model;
- to monitor any violations of the Model, including any violations of the Code of Conduct.

To complete the Model, the Company has also set up a structured and organic procedural and control system (both by improving the efficacy of those already existing and implementing new ones) aimed at covering any risks deriving from sensitive and significant activities which might lead to one of the criminal acts governed by the aforementioned decree being committed.

Through the parallel implementation of the two projects (Project 231 and Project 262) Biesse has also put into effect what it considers to be an effective strategy for increasing shareholder value as it aims to guarantee complete surveillance providing continual protection for shareholders and, in general, *stakeholders* from the possible risks inherent in the Company Governance even in the future.

New actions and initiatives for 2008

Having effectively adopted the Organisational Model ex Decree Law 231/01 and related operational procedures in support of this model Biesse S.p.a. intends in 2008 – in order to perfect its own group-wide governance system – to focus on verifying and upgrading the operational systems of its Italian subsidiaries in accordance with the previously mentioned Decree Law taking into consideration recent jurisprudence and the most acute observation which have extended to groups of companies the regulatory practice regarding administrative responsibility of judicial persons.

Moreover, in order to complete the compliance process relating to Law no. 262 of 28 december 2005 (Law on savings) and its subsequent amendments (hereinafter "Project 262") and having effectively adopted the ICFR Model, in 2008 will continue in its foreign subsidiaries to carry out control tests on compliance with the same already carried out in 2007 in Italy and in the subsidiary Biesse America.

SUMMARY OF FINANCIAL DATA

INCOME STATEMENT TO 31 DECEMBER 2007

€ '000	December 2007	% of sales	December 2006	% of sales	Change %
Revenues from sales and services	**466,007**	**100.0%**	**396,733**	**100.0%**	**17.5%**
Change in inventories, wip, semi fininshed and finished goods	8,245	1.8%	7,998	2.0%	3.1%
Other revenues	8,437	1.8%	6,379	1.6%	32.3%
Value of Production	**482,689**	**103.6%**	**411,111**	**103.6%**	**17.4%**
Consumption of raw materials, accessory products and goods	199,928	42.9%	173,424	43.7%	15.3%
Other operating expenses	99,787	21.4%	82,717	20.8%	20.6%
Value Added	**182,974**	**39.3%**	**154,970**	**39.1%**	**18.1%**
Personnel costs	105,519	22.6%	89,191	22.5%	18.3%
Non recurring income (Curtailment/TFR reform)	(1,660)	(0.4)%	-	-	NA
Gross Operating Margin	**79,115**	**17.0%**	**65,779**	**16.6%**	**20.3%**
Depreciation and amortisation	11,816	2.5%	11,052	2.8%	6.9%
Provisions	1,900	0.4%	2,707	0.7%	(29.8)%
Operating Result	**65,399**	**14.0%**	**52,021**	**13.1%**	**25.7%**
Financial income/expense	(999)	(0.2)%	(1,804)	(0.5)%	(44.6)%
Foreign exchange gains/losses	(1,709)	(0.4)%	1,141	0.3%	NA
Share of associates	34	-	(230)	(0.1)%	NA
Pre-tax profit	**62,725**	**13.5%**	**51,128**	**12.9%**	**22.7%**
Tax for the period	21,057	4.5%	18,870	4.8%	11.6%
Result for the period	**41,668**	**8.9%**	**32,257**	**8.1%**	**29.2%**

2007 represents a record year for the Biesse Group, , both in terms of sales volume and profitability achieved.

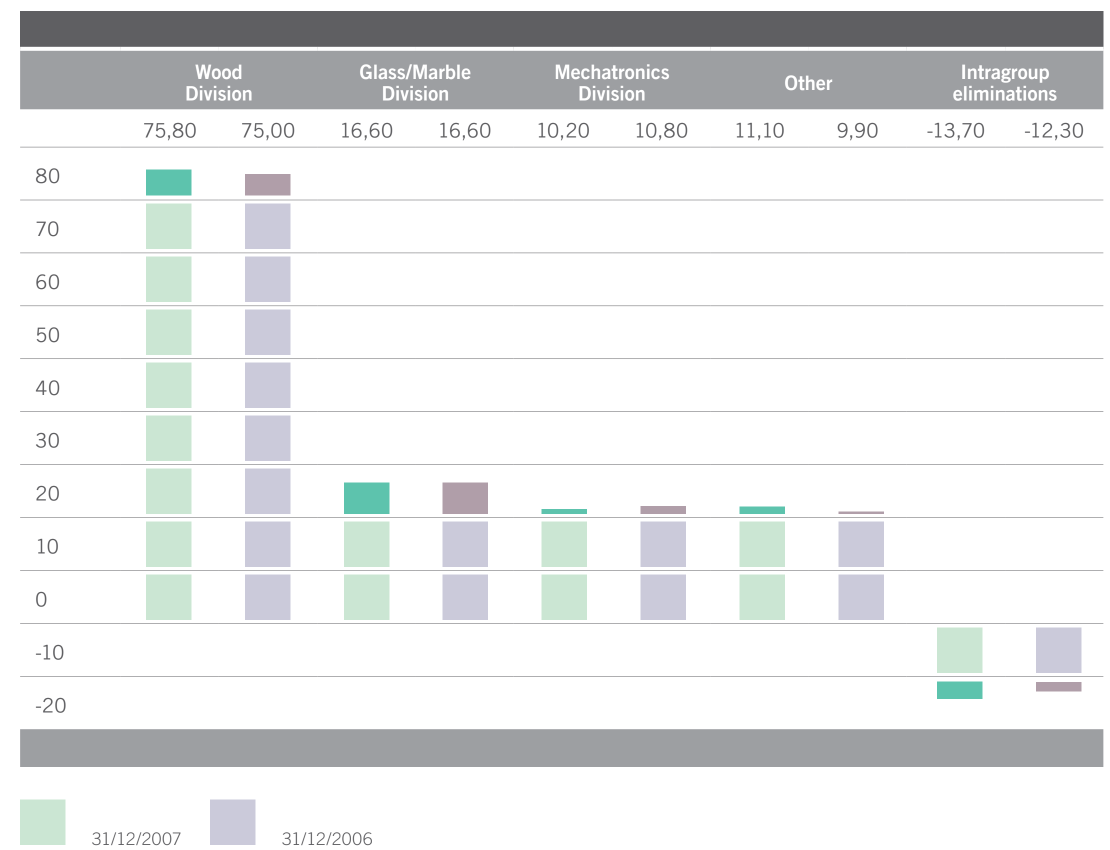
The year closed with excellent sales growth (+17.5% compared with the previous year), significant growth in the Operating Margin (+25.7% compared with the previous year) and a net profit of € 41.668 million, 29.2% higher than that of 2006 and the highest ever recorded in the Group's history.

This was achieved through the introduction of new products, widespread commercial effort and the energy devoted to the improvement of production efficiencies and purchasing. This figure is all the more significant considering that the deterioration in macro-economic conditions began to impact on closing months of 2007; in particular : a) the appreciation of the euro led to pressure on revenues generated by foreign subsidiaries, and b) industrial action by engineering unions and the strike by transport workers in December led to the unexpected deferral of revenues of about € 10 million and the related profits to the first quarter of 2008.

Net revenues for 2007 were € 466.007 million, compared with € 396.733 million in the year to December 2006, representing year-on-year growth of 17.5%. The increase in revenues is particularly positive for the Wood Division (+18.8%) and for the Glass/Marble Division (+17.2%). Double-digit growth was also achieved by the Mechatronics Division (+11.5%).

SEGMENT INFORMATION - BREAKDOWN OF SALES BY DIVISION

€ '000	31 december 2007	%	31 december 2006	%	Δ %
Wood Division	**353,397**	**75.8%**	297,439	75.0%	18.8%
Glass/Marble Division	**77,279**	**16.6%**	65,958	16.6%	17.2%
Mechatronics Division	**47,682**	**10.2%**	42,768	10.8%	11.5%
Other	**51,504**	**11.1%**	39,475	9.9%	30.5%
Intragroup eliminations	**(63,855)**	**(13.7)%**	(48,907)	(12.3)%	30.6%
TOTAL	**466,007**	**100.00%**	**396,733**	**100.0%**	**17.5%**

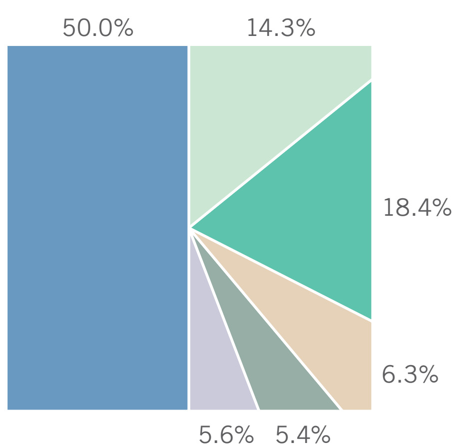


With regard to the geographical breakdown of sales the performance of Eastern Europe (+43.1%) and the Rest of the World (+50.0%) stand out particularly owing to the excellent order inflow in South America, Turkey and the Middle East despite the political uncertainty in the region. The robust performance of North America (+5.7%) is notable in the context of the disadvantageous euro/dollar exchange rate and the continuing crisis in the construction sector.

SEGMENT INFORMATION – BREAKDOWN OF SALES BY GEOGRAPHICAL AREA

€ '000	31 december 2007	Share %	31 december 2006	Share %	Δ %
Geographical Area					
Western Europe	**232,771**	**50.0%**	205,761	51.9%	13.1%
Eastern Europe	**85,622**	**18.4%**	59,817	15.1%	43.1%
North America	**66,512**	**14.3%**	62,917	15.8%	5.7%
Australasia	**29,178**	**6.3%**	27,228	6.8%	7.2%
Asia	**25,356**	**5.4%**	23,300	5.9%	8.8%
Rest of the World	**26,568**	**5.6%**	17,710	4.5%	50.0%
GROUP TOTAL	**466,007**	**100.00%**	**396,733**	**100.0%**	**17.5%**

31/12/2007



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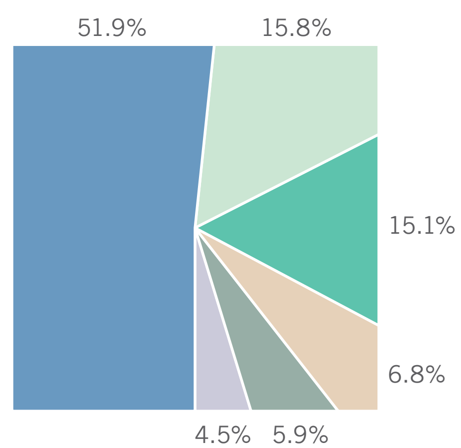

Western Europe North America Eastern Europe Australasia Asia Rest of the World

The **value of production** was € 482.689 million, compared with € 411.111 million in the year to 31 December 2006, representing year-on-year growth of 17.4%. In order to present a clearer picture of the profitability of the Group, there follows a more detailed analysis of costs calculated as a percentage of the value of production.

€ '000	December 2007	%	December 2006	%
Value of Production	**482,689**	**100.0%**	**411,111**	**100.0%**
Consumption of materials	199,928	41.4%	173,424	42.2%
Other operating expenses	99,787	20.7%	82,717	20.1%
Service costs	*85,345*	*17.7%*	*70,252*	*17.1%*
Leasing costs	*6,639*	*1.4%*	*5,408*	*1.3%*
Other operating costs	*7,803*	*1.6%*	*7,057*	*1.7%*
Value Added	**182,974**	**37.9%**	**154,970**	**37.7%**

Value added calculated as a percentage of Value of Production rose by two basis points compared with the same period of the previous year. This must be seen as an extremely positive result in the light of the previously mentioned disadvantageous exchange rate which depressed the revenue contribution from foreign subsidiaries. This has been possible as a result of the constant development of the product range as well as the implementation of various projects to improve purchasing.

Personnel costs in 2007 were € 105.519 million, compared with € 89.191 million in the year ended 31 December 2006, which, expressed as a percentage of net sales, was 22.6% compared to 22.5% the previous year. In addition to the employment programme required to support the organic growth of the Group, the increase in the absolute value of this item is partly attributable to the increase in the consolidation area: Bre.ma. - Brenna Macchine S.r.l. (consolidated for just 5 months in 2006), Intermac Inc. (consolidated from April 2007) and, to a lesser extent, ISP Systems S.r.l. (consolidated for just one semester in 2006), the new start-up of MC Meccanica Srl and Digipac Srl; these new inclusions contributed about € 4.5 million to the increased cost of labour in the year.

The effect on actuarial calculations arising from the application of the recent reform of the TFR in Italy, the so-called curtailment, resulted in € 1.660 million of non-recurring income in the period.

The **gross operating margin** was € 79.115 million, representing a margin of 17.0% of net revenues, 20.3% higher than in the previous year. The operating result, which in the previous year was € 52.021 million rose to € 65.399 million, representing an increased margin on net revenues of 14.0% compared to 13.1% in the previous period and rising by 25.7% in absolute terms. This was achieved in the context of a modest increase in depreciation and after having made provisions of €1.900 million to various risk and product guarantee reserves, although these provisions were lower as a percentage of sales compared to the previous year owing to the increase in sales in 2006.

Despite the exposure to short term financing, financial income and expenses remained quite steady throughout the 2007 financial year. The main financial activities registered a significant improvement in financial expenses due to banks and other financial institutions, leading to a reduction of over € 800,000 compared to 2006.

With regards to foreign exchange risk management, expenses in 2007 amounted to € 1.709 million; hedging transactions to cover foreign currency denominated revenues only partially covered the dramatic decline in all currencies against the euro.

Pre-tax profit, therefore, was € 62.725 million (13.5% as a percentage of net revenues), 22.7% higher than in 2006.

The balance of tax items was € 21.057 million. Compared with the preceding quarters of 2007 and compared with the financial year for 2006 there was a reduction in the tax rate due to the application of Law no. 244 of 24 December 2007, the so-called Finance Act of 2008, which introduced a substitute revised tax directed at the re-alignment, for the purposes of IRES and IRAP, of the taxable values of assets and other balance sheet items to values imputed in the accounts (e.g. accelerated depreciation, provisions and other value adjustments, IAS application effects). The Biesse Group (and in particular Biesse S.p.A., HSD S.p.A. MC S.r.l. and Brema Brenna Macchine S.r.l.) agreed that it will exercise the possibility granted in the legislation to pay a first instalment (as permitted by the ministerial decree in force) and it has determined that the total tax to be paid is equal to € 4.774 million (of which € 4.296 million for IRES and € 478,000 for IRAP), while the total substitute tax amounts to € 2.122 million. This operation has had a net positive effect on the tax charge for € 2.652 million, an increase in the accounting item "Income tax payables" for € 2.122 million equal to the amount of substitute tax, while the accounting item "Deferred tax liabilities" is reduced by €4.774 million.

SUMMARY BALANCE SHEET DATA

BALANCE SHEET AT 31 DECEMBER 2007		
€ '000	31 december 2007	31 december 2006
Intangible fixed assets	43,146	35,184
Tangible fixed assets	57,641	49,702
Non current assets	9,285	10,428
Investment property	2,426	2,524
Non current assets	**112,498**	**97,838**
Inventories	104,192	88,162
Trade receivables	109,981	113,153
Other receivables	8,415	14,283
Cash and equivalents	36,861	36,102
Current assets	**259,449**	**251,700**
TOTAL ASSETS	**371,947**	**349,538**
Net Equity of the Group	151,699	134,223
Minority interests	794	320
Net equity	**152,493**	**134,543**
Bank debt and M/L term finance leases	10,390	8,859
Retirement benefit liabilities	13,331	15,929
Other payables and M/L term liabilities	4,967	9,899
Non current liabilities	**28,688**	**34,687**
Trade payables and other short term liabilities	119,464	113,679
Other short term payables	45,975	53,507
Bank debt and short term finance leases	25,327	13,122
Current liabilities	**190,765**	**180,308**
TOTAL LIABILITIES AND NET EQUITY	**371,947**	**349,538**

Intangible assets principally reflect the impact of the acquisition of the US distributor of marble working machines through the subsidiary Intermac Inc. (about € 4 million), as well as the capitalisation of costs relating to the project to install a new Group information system which was commenced at the end of the 2006 financial year. The growth of intangible assets also reflects a slight increase in the capitalisation of development activity compared to the previous period.

Tangible fixed assets reflect the impact of real-estate related investments in Italy (the new Artech-Biesse Spa plant and a new headquarters for the subsidiary MC Srl), France (new headquarters for Biesse France), India (headquarters of Biesse Manufacturing) and the Usa (land for the new headquarters), as well as the expansion of the machine tool facilities of the Group machine shop. Offsetting these investments was the sale of the Terrebonne property in Canada, in preparation for a more appropriate redistribution of the operating headquarters of the Group in North America.

Compared with the situation at December 2006, the current assets reflect the previously mentioned block on deliveries of finished goods in December 2007. Management of net working capital resulted in an increase of almost € 7 million.

NET FINANCIAL POSITION				
€ '000	31 december 2007	30 settembre 2007	30 june 2007	31 december 2006
Financial assets	36,861	22,545	35,705	36,102
Current financial assets	372	50	50	50
Liquidity	36,488	22,495	35,655	36,052
ST finance lease liabilities	(2,756)	(2,545)	(2,554)	(2,336)
Bank and other ST financial debt	(22,571)	(2,261)	(3,654)	(10,786)
Net Short Term Financial Position	**11,534**	**17,739**	**29,496**	**22,980**
M/L term finance lease liabilities	(9,866)	(10,379)	(10,550)	(8,217)
M/L term bank debt	(524)	(792)	(524)	(642)
Net M/L Term Financial Position	**(10,390)**	**(11,171)**	**(11,074)**	**(8,859)**
Total Net Financial Position	**1,143**	**6,568**	**18,422**	**14,121**

The adjusted net financial position (calculated as the algebraic sum of current financial assets, derivatives, cash and cash equivalents, finance lease liabilities and bank and other financial debt) remains positive at over € 1 million even after the distribution of extraordinary dividends totaling € 13.7 million in December 2007 (which is additional to the ordinary dividends of € 9.8 million distributed in May 2007). The final balance also takes into account capital expenditure of about € 29 million, of which € 12 million for new buildings and other fixed assets, € 7 million for development spending and capital expenditure on new technology and € 10 million relating to acquisitions of shareholdings in subsidiary companies.

At the end of the period, - since the Biesse Group does not to date utilise cash pooling instruments-, greater recourse has been made to short term financing (hot money), even though foreign subsidiaries carry high levels of available liquidity.

research and development activity

The following list details research and development initiatives undertaken in 2007:

WOOD DIVISION

Biesse Brand

ROVER A machining centre
The design stage has been completed for new groups of optional products dedicated to specific processes (e.g.: production of windows and doors, etc.).

ROVER B machining centre
The project to broaden the operations dedicated to the finishing of windows and doors etc.

ROVER C machining centre
The group's operations edgebanding equipment operations have been expanded in response to growing market demand. A new interpolating five axis workstation strengthened for solid timber applications (fixtures, staircases, etc.) was introduced.

EXCEL multiple head processing centre
The new EXCEL range was completed with the introduction of the EXCEL M model.

UNIWIN machining centre
The group completed the design and introduction of equipment with automatic load/unload features for large/medium sized industry applications.

TECHNO One
Design of a drilling machine for working large/medium size batches of dedicated lines or integrated with upstream processes of panel sizing, squaring and edgebanding.

Nesting Cell
The group completed the 412 range (ROVER A – FT) with an automatic ticketing piece ticketing system. The range was extended to the "europeo" format-panel: models 612 (ROVER C9 – FT) eand 712 (EXCEL M).

NEXT Step
The design stage was completed for a new, innovative system of panel cutting, squaring and drilling (nesting) all integrated on a single machine. This solution is aimed at specialised industrial work areas or as the main piece of equipment for small furniture manufacturers.

SKIPPER 130 drilling machine
The design stage was completed for the new Skipper 130 drilling machine which was conceived in response to the production requirements of kitchen producers and bedroom and office equipment manufacturers.

Selco Brand

WN750-WNT750 (SELCO New Range) Panel Saw
Design of a new range of WN750 panel saws, characterised by a high level of standardization of components and solutions. This type of machine is the first of a new generation which is expected to revolutionise the concept of industrial panel saws. Design also commenced on a new turntable (for the WNTR750).

EB75-95 Panel Saw
The full range has been restyled to adapt models to technical specifications that offer- to the same market segment- high level performance. The design and general ergonomic qualities of the machine have been refined for this purpose.

Automatic blade changer
This is an innovative automatic blade changing system aimed at high quality panel cutters (primarily angular panel sizing equipment). It is characterized by dramatically shorter blade change times which do not interfere with the cutting cycle. It will also automatically align the scoring blade. New software wasc developed for the management of the equipment.

Twin Pusher
This has been revised and re-introduced in a simplified version (in terms of constructive characteristics) compared to that which was first introduced. The desired improvements, more economical and more easily programmed, result in an expansion of the performance range of the "Twin Pusher" solution to lower range machines.

Biesseedge Brand

STREAM/OMNIA Squaring and Edgebanding machines
The group completed the planning and produced a pilot line of workstations specifically designed for doors (including loading/unloading) for the industrial production of door and window fittings.

Rbo Brand

ASTER Loading Machine
Design of a loader for flexible boring and inserting lines.

WINStore – 2D Magazine
Design of the WINStore linear (2D), a solution that widens the range of magazine systems for the panel sizing and picking management market for bespoke products (top, boring and insertion etc.). The main loader has been designed to provide high productivity in line with the highest performance speeds.

Door Loading/Unloading line
Integrated system of rotating and pincer and suction lifting systems.

Artech Brand

SKILL machining centre
Design and planning of a new "SKILL" entry level machining centre was completed. This is aimed at artisans and small companies. The nesting and control panel configuration were defined.

LEVIA Sanding machines
The entry-level range of sanders was completed with the introduction of constructive solutions and appliances characteristic of upper range machines (electronic cylindrical pads, fixed worktable, etc). These machines are characterized by an extremely favourable price/performance ratio and are primarily for use in small workshops.

SEKTOR Panel saw
The group completed the design of an entry level panel saw aimed at satisfying the requirements of customers such as artisans and small companies. The SEKTOR series panel saws are characterized by a high degree of versatility, an excellent price/performance ratio, simplicity of operation and reduced maintenance.

Biessesand Brand

REGAL 500 Sanding machines
The group completed the development of the REGAL 500 range through the definition of appliances which complete the offer (posterior cross units, superfinishers, planers etc.). The PC configuration was introduced and a CN "made in Biesse" solution upgraded to incorporate concepts such as high level of usability and attention to the ergonomics of HMI (Interaction Design).

REGAL Line Sanding machines
The REGAL Line design project was started with the aim of developing an "over and under" sanding process which is characterised by the fact that the processing occurs simultaneously on both sides of a panel.

REGAL 800 Sanding machines
Design commenced of the new REGAL 800 range characterised by heavy duty capabilities and aimed, therefore, at industrial applications. The REGAL 800 range completes the BIESSESAND sanding machine

range. The PC configuration was introduced and a CN "made in Biesse" solution was upgraded and is characterised by concepts such as a higher degree of usability attention to the ergonomics of HMI (Interaction Design).

GLASS AND MARBLE DIVISION

Intermac Brand

GENIUS LMS Cutting bench
The development of a medium range cutting bench was completed. In order to speed up cutting times the group intrioduced a decoupling mechanism for the tool carrying head. Designed to cut laminated sheets, mainly used in the building industry, the workbenches in the LMS range comprise a system of belts on which it is possible to manouevre sheets of glass in order to make cuts of varying thickness.

MASTER Twin machining centre
The group optimised the development of the MASTER Twin machining centre which is characterised by having two operating motor spindles and capable of reducing operating times by 50%. This is an innovative solution for the stone and glass sector. The MASTER Twin machining centre succeeds in uniting the flexibility typical of a machining centre with the high productivity levels available with two motor spindles.

MECHATRONIC DIVISION

Hsd Brand

Bi-rotary electroheads
Broadening and optimization of the range of bi-rotary electroheads for the machining of wood, aluminium (for frames) and plastic.

High frequency motors
The group completed the rationalisation of the main range of high frequency motors used in machining centre work stations.

BH660/670 electronic card series
Project BH660 to adopt the EtherCat protocol as primary fieldbus was completed.

Sw Developments

SW for the BH660/670 electronic card series
Project BH660 to adopt the EtherCat protocol as primary fieldbus was completed. This fieldbus provides the technical capability to allow the realisation of highly sophisticated automation systems.
The project led to the development of new master software and the related firmware for slave appliances. The new architecture also facilitates equipment diagnostics and simplifies problem identification.

Family Feeling

The *Family Feeling* project was commenced. The objectives of this project are as follows:

- strengthen branding and consolidate the look of the graphic interfaces of all software produced by Biesse;
- increase the degree of usability of products to make user methodology and workflow consistent.
- promote the re-use of software components, reducing costs and increasing the reliability of the products.

PlantVision (Supervisory SW)
This projected originated from the necessity of finding a proprietary solution for the supervision and control of processing platforms for wood, glass and marble. The principal objectives are:

- to develop a set of software components that can satisfy the specific supervision and control functions of equipment distributed by Biesse;
- to obtain readily an extension of the functionality supplied, to satisfy requests relating to particular items of plant or to particular production processes of the client.

The relevant machinery affected by this first phase are batch production lines and cells for differentiated processing.

ICAM (CAD/CAM glass)
The main focus was on the development of two new features:

- Renewed interface (still in development phase)
- Plug-in finishing (Remachining)

The "renewed interface" project is intended to be a preliminary exercise in combining it with the activities of the "Family Feeling" project.
The "remachining" project permits the identification of areas missed by previous processing and to target finishing processes only to those areas where they are necessary. This results in considerable time saving.

RECONCILIATION BETWEEN THE PARENT COMPANY BALANCE SHEET AND THE CONSOLIDATED BALANCE SHEET

€ '000	Shareholders' equity 31/12/2007	Result for the year 31/12/2007	Shareholders' equity 31/12/2006	Result for the year 31/12/2006
Net shareholders' equity and parent company result for the year	**139,013**	**34,869**	**128,037**	**28,203**
Elimination of carrying value of consolidated shareholdings:				
Difference between carrying value and value of share of net equity	19,936		12,500	
Risultati Pro-quota results contributed by investments		10,789		6,111
Cancellation of write-downs/revaluations of investments		(3,329)		(1,524)
Elimination of the effects of transactions between subsidiaries:				
Infragroup profits included in final inventories	(6,497)	(277)	(5,858)	(684)
Infragroup profits on tangible and intangible assets	(753)	(272)	(481)	297
Valuation of associated companies on a net equity basis	0	35	25	(69)
Dividendi	0	(96)	0	(95)
Net shareholders' equity and result for the year attributable to the Group	**151,699**	**41,719**	**134,223**	**32,239**
Net shareholders' equity and result for the year attributable to third parties	794	(51)	320	18
Net shareholders' equity and result for the year as reported in the Consolidated Accounts	152,493	41,668	134,543	32,257

TRANSACTIONS WITH ASSOCIATE COMPANIES CONTROLLING ENTITIES AND COMPANIES CONTROLLED BY THEM

No significant transactions have been identified with regard to the relationship with the controlling investor Bi.Fin. Srl with the exception of the sale of land with instrumental value of € 270,000. The property transaction took place under conditions which were no different to those theoretically obtainable in a trade with third parties and is supported by a survey which provided appropriate estimates.

€ '000	Costs	Revenues	Payables	Receivables
Bi. Fin. Srl	8	10	5,043	12

The balance sheet values referred to above relate to the transfer of IRES payables of the controlled entities Biesse S.p.A. and HSD S.p.A. to Bi.fin. Srl which operates as parent company with reference to the National Consolidated Tax Treatment (Consolidato Fiscale Nazionale) for the three year period 2005/2007.

OTHER RELATED PARTY TRANSACTIONS

The following have been identified as related parties: the Board of Directors, the Board of Statutory Auditors and Fincobi S.r.l, a company that is majority owned by the Selci family.

During the year the transactions between Biesse and the aforementioned company were as follows:

€ '000	Receivables	Payables	Revenues	Expenses
Fincobi S.r.l.	-	-	1	10
Board members	1	31	3	1,256
Statutory auditors	-	68	-	68
Other related parties	-	-	-	337
TOTAL	1	98	4	1,672

We can confirm that the transactions disclosed above were carried out under contractual conditions that were no different to the conditions that would normally apply to transactions with third parties.

In addition to the transactions reported above, details of transactions with directors, managing directors and managers with startegic responsibilities are disclosed in note 45 of the explanatory notes to the accounts.

REPORT ON PERSONNEL

In 2007, the various projects carried out by the company required a series of personnel training programmes consistent with the Human Resources department's central strategy of personnel development

Biesse Corporate School was assigned the planning and direction of the various necessary initiatives.

One initial intervention relates to a management training programme aimed at a large number of company managers. The programme involved about 80 managers from Head office, Marketing and other business units and was composed of two principal initiatives. The first is a Leadership development programme for top management. The second initiative, called the "Development Program", is aimed at divisional managers and focuses on the managerial skills necessary to meet the new organizational challenges.

The "Lean Company" project was supported by training initiatives, both for those employees directly involved and was broadened to include a wider target range of company managers, who took part in courses directly through the Porsche Consulting headquarters in Stuttgart.

During the year the group also planned and carried out specific After Sales Services training and language skills courses involving front line professionals.
Particular attention was dedicated to training newly hired employees. The most significant was the "Living in Biesse" programme which brought together all last year's new employees in a day of meetings with top management and with the founders of the company.

The training of apprentices also continued through participation in courses conducted in collaboration with the relevant training centres.

A notable event was the team building course which brought together Italian personnel with personnel from foreign subsidiaries and conducted by the guest speaker Dan Peterson.

SHARES IN BIESSE AND/OR OF COMPANIES CONTROLLED BY BIESSE, 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 31/12/2006	Shares sold in 2007	Shares acquired in 2007	No. of shares held directly and indirectly at 31/12/2007	% of share capital
Roberto Selci Chairman	14,444	-	17,500	31,944	0.12%
Giancarlo Selci Managing Director	15,960,000	-	40,000	16,000,000	58.41%
Alessandra Parpajola Director	600	-	-	600	-
Stefano Porcellini Director	-	-	1,000	1,000	-
Salvatore Giordano Independent Director	200	-	-	200	-
Leone Sibani Independent Director	-	-	500	500	-
Giampaolo Garattoni Independent Director	30,000	(7,000)	-	23,000	0.08%
Giovanni Ciurlo Acting statutory auditor	-	-	-	-	-
Claudio Sanchioni Acting statutory auditor	200	-	-	200	-
Adriano Franzoni Acting statutory auditor	400	(400)	-	-	-

ATYPICAL AND/OR UNUSUAL OPERATIONS OCCURRING IN THE FINANCIAL PERIOD

During the course of 2007 no operations of this nature were reported.

SIGNIFICANT POST BALANCE SHEET EVENTS AND OUTLOOK FOR 2008

On 13 March 2008 the group subsidiary, HSD Spa, acquired the oustanding 50% shareholding in HSD Deutschland GmbH held by local partners in accordance with the terms of the contract agreed in December 2007.

Biesse initiated a share buy-back programme, as approved by the Shareholders' Meeting of 21 January 2008. The programme is valid for 18 months and allows the buy back of up to 10% of the ordinary share capital. At the current date Biesse holds in treasury 185,016 shares (6.75% of the buy-back maximum and 0.67% of the share capital) at an average carrying price of € 12.88 per share.

As regards the outlook for the 2008 financial year, the group confirms its confidence in its ability to achieve the objectives set out in the three year plan approved on 14 February 2008 and is reassured in this ambition by the positive order inflow (and order backlog) of the first 10 weeks of 2008 despite the continuing deterioration in the macro-economic scenario.

DIVIDENDS

The Board of Directors of the Parent Company, in recognition of the positive results achieved in 2007, has approved the proposal to the Shareholders' Meeting the distribution of a dividend of € 0.44 per share. The proposed dividend represents 29% of Biesse S.p.A.'s net profit for 2007. The total outlay on payment of the dividend as proposed would amount to €11,971,000, net of the group's own shares currently held in treasury. The Board of Directors proposes that the ex-dividend date and payment dates for the dividend should be 12 May 2008 and 15 May 2008 respectively.

OTHER INFORMATION

Finally it must be noted that the parent company, Biesse S.p.A. does not own shares or shareholdings in controlling companies, nor did it own or trade any shares or shareholdings in controlling companies during the course of 2007. There is nothing to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the Civil Code.

Pesaro, 20/03/2008

The Chairman of the Board of Directors
Roberto Selci

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31/12/2007

€ '000	Note	December 2007	December 2006
Revenues	5	466,007	396,733
Other operating income	5	8,437	6,379
Change in inventories of finished and semi-finished goods and work in progress		8,245	7,998
Consumption of raw materials and consumables		199,928	173,424
Personnel costs		103,859	89,191
Other operating expenses	8	99,787	82,891
Depreciation and amortisation		11,816	11,052
Provisions		1,900	2,707
Badwill		-	(175)
Operating Profit		**65,399**	**52,021**
Share of associates' profit/loss		34	(230)
Financial income	9	905	702
Financial expenses	10	1,904	2,506
Foreign exchange gains/losses	11	(1,709)	1,141
Pre-tax Profit		**62,725**	**51,128**
Tax	12	21,057	18,870
Profit for the period		**41,668**	**32,257**
Net profit for the period		**41,668**	**32,257**
Attributable to:			
Controlling shareholder		41,719	32,239
Minority shareholders		(51)	18
		41,668	**32,257**
Earnings per share			
Basic (€/cents)	13	152.30	118.20
Diluted (€/cents)	13	152.30	118.20

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

€ '000	Note	31 December 2007	31 December 2006
ASSETS			
Non current assets			
Property, plant and machinery	14	47,983	40,133
Equipment and other tangible fixed assets	14	9,659	9,569
Investment property	15	2,426	2,524
Goodwill	16	21,473	18,539
Other intangible fixed assets	17	21,673	16,645
Investments in associates		-	38
Deferred tax assets	33	8,857	8,874
Other financial assets and non current receivables	18	428	1,516
		112,498	**97,839**
Current assets			
Inventories	19	104,192	88,162
Trade receivables	20	109,969	113,153
Trade receivables from related parties	21	13	516
Other current assets	22	8,415	11,566
Other current receivables from related parties	22	-	1,377
Derivative instrument financial assets	38	322	824
Cash and cash equivalents	23	36,539	36,102
		259,449	**251,700**
TOTAL ASSETS		**371,947**	**349,539**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

€ '000	Note	31 December 2007	31 December 2006
NET EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	24	27,393	27,393
Capital reserves	26	36,202	36,202
Hedging and translation reserves		(1,640)	(1,633)
Other reserves		48,025	40,022
Profit for the period		41,719	32,239
Equity attributable to parent company shareholders		151,699	134,224
Minorities		794	319
NET EQUITY		**152,493**	**134,543**
Non current liabilities	32	13,331	15,929
Retirement benefit obligations	33	3,656	8,040
Deferred tax liabilities	29	524	642
Bank debt and other financial liabilities	31	9,866	8,217
Finance lease obligations	34	1,311	1,859
Provisions for risks and charges		**28,688**	**34,687**
CURRENT LIABILITIES			
Trade payables	35	119,355	113,679
Trade payables to related parties		108	49
Other current liabilities	36	32,134	25,187
Other current liabilities to related parties	37	5,033	15,040
Tax payables		3,124	8,462
Finance lease obligations	31	2,756	2,336
Bank overdrafts and loans	29	22,497	10,786
Provisions for risks and charges	34	5,684	4,769
Derivative instrument financial liabilities	38	75	-
		190,765	**180,308**
Liabilities		**219,454**	**214,996**
TOTAL NET EQUITY AND LIABILITIES		**371,947**	**349,539**

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH CONSOB REGULATION NO. 15519 OF 27 JULY 2006

€ '000	December 2007	of which related parties	%	December 2006	of which related parties	%
Revenues	466,007	-	-	396,733	-	-
Other operating income	8,437	14	0.2%	6,379	15	0.2%
Change in inventories of finished and semi-finished goods	8,245	-	-	7,998	-	-
Consumption of materials and consumables	199,928	-	-	173,424	-	-
Personnel costs	103,859	189	0.2%	89,191	185	0.2%
Other operating expenses	99,787	1,490	1.5%	82,891	1,377	1.7%
Depreciation and amortisation	11,816	-	-	11,052	-	-
Provisions	1,900	-	-	2,707	-	-
Badwill	-	-	-	(175)	-	-
Operating profit	**65,399**	**(1,666)**	**(2.5)%**	**52,021**	**(1,547)**	**(3.0)%**
Share of associate profit/bss	34	-	-	(230)	-	-
Financial income	905	-	-	702	-	-
Financial expenses	1,904	-	-	2,506	-	-
Foreign exchange gains/losses	(1,709)	-	-	1,141	-	-
Pre-tax profit	**62,725**	**(1,666)**	**(2.7)%**	**51,128**	**(1,547)**	**(3.0)%**
Taxes	21,057	-	-	18,870	-	-
Profit for the period	**41,668**	**(1,666)**	**(4.0)%**	**32,257**	**(1,547)**	**(4.8)%**

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH CONSOB REGULATION NO. 15519 OF 27 JULY 2006

€ '000	31 december 2007	of which related parties	%	31 december 2006	of which related parties	%
ASSETS						
Non current assets						
Property, plant and machinery	47,983	-	-	40,133	-	-
Equipment and other tangible fixed assets	9,659	-	-	9,569	-	-
Property investments	2,426	-	-	2,524	-	-
Goodwill	21,473	-	-	18,539	-	-
Other intangible assets	21,673	-	-	16,645	-	-
Investment in associates	-	-	-	38	-	-
Deferred tax assets	8,857	-	-	8,874	-	-
Other financial assets and non current receivables	428	-	-	1,516	-	-
	112,498	**-**	**-**	**97,839**	**-**	**-**
Current assets						
Inventories	104,192	-	-	88,162	-	-
Trade receivables from clients	109,969	-	-	113,153	-	-
Trade receivables from related parties	13	13	100.0%	516	32	6.1%
Other current assets	8,415	-	-	11,566	-	-
Other current receivables from related parties	-	-	-	1,377	1,377	100.0%
Derivative instrument financial assets	322	-	-	824	-	-
Cash and cash equivalents	36,539	-	-	36,102	-	-
	259,449	**13**	**-**	**251,700**	**1,409**	**0.6%**
TOTAL ASSETS	**371,947**	**13**	**-**	**349,539**	**1,409**	**0.4%**

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH CONSOB REGULATION NO. 15519 OF 27 JULY 2006

€ '000	31 december 2007	of which related parties	%	31 december 2006	of which related parties	%
NET EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Share capital	27,393	-	-	27,393	-	-
Capital reserves	36,202	-	-	36,202	-	-
Hedging and translation reserves	(1,640)	-	-	(1,633)	-	-
Other reserves	48,025	-	-	40,022	-	-
Profit for the period	41,719	-	-	32,239	-	-
Equity attributable to parent company shareholders	151,699	-	-	134,224	-	-
Minorities	794	-	-	319	-	-
NET EQUITY	**152,493**	**-**	**-**	**134,543**	**-**	**-**
Non current liabilities	13,331	-	-	15,929	-	-
Reirement benefit obligations	3,656	-	-	8,040	-	-
Deferred tax liabilities	524	-	-	642	-	-
Bank debt and other financial liabilities	9,866	-	-	8,217	-	-
Finance lease obligations	1,311	-	-	1,859	-	-
Provisions for risk and charges	**28,688**	**-**	**-**	**34,687**	**-**	**-**
CURRENT LIABILITIES						
Trade peyables	119,355	-	-	113,679	-	-
Trade payables to related parties	108	108	100.0%	49	49	100.0%
Other current liabilities	32,134	-	-	25,187	-	-
Other current liabilities to related parties	5,033	5,033	100.0%	15,040	15,040	100.0%
Tax payables	3,124	-	-	8,462	-	-
Finance lease obligations	2,756	-	-	2,336	-	-
Bank overdrafts and loans	22,497	-	-	10,786	-	-
Provisions for risks and charges	5,684	-	-	4,769	-	-
Derivative instrument financial liabilities	75	-	-	-	-	-
	190,765	**5,141**	**2.7%**	**180,308**	**15,089**	**8.4%**
Liabilities	**219,454**	**5,141**	**2.3%**	**214,996**	**15,069**	**7.0%**
TOTAL NET EQUITY AND LIABILITIES	**371,947**	**5,141**	**1.4%**	**349,539**	**15,089**	**4.3%**

SCHEDULE OF CHANGES TO NET EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2007

€ '000	Note	Share Capital	Own shares	Capital reserves	Hedging and traslation reserve	Other reserves	Result for the period	Net Equity attributable to Controlling shareholders	Minority interest	Total
BALANCE AT 31 DECEMBER 2005		27,393	(2,453)	36,202	(1,225)	29,446	15,931	105,293	343	105,636
Allocation of result for 2005										
Dividend distribution (as per AGM of 28/04/2006)						(4,931)		**(4,931)**		(4,931)
Other distributions						15,931	(15,931)	**0**		0
Economic result recognised directly in net equity										
Changes in own shares net of fiscal impact						4,476		**4,476**		4,476
Adjustment of hedging reserve					(12)			**(12)**		(12)
Translation difference					(477)			**(477)**		(477)
Other changes										
Dividend distribution (as per EGM of 14/12/2006)						(4,931)		**(4,931)**		(4,931)
Changes in own shares			2,453					**2,453**		2,453
Transfer of hedghing reserve to income statement					81			**81**		81
Other movements						30		**30**	(41)	(11)
Result for the year							32,239	**32,239**	18	32,257
BALANCE AT 31 DECEMBER 2006		27,393	0	36,202	(1,633)	40,022	32,239	134,223	320	134,543
Allocation of result for 2006										
Dividend distribution						(9,861)		**(9,861)**		(9,861)
Other allocations						32,239	(32,239)	**0**		0
Economic result recognised directly in net equity										
Translation difference					(559)	114		**(445)**		(445)
Other changes										
Dividend distribution (as per EGM of 14/12/2006)						(13,697)		**(13,697)**		(13,697)
Other changes	42					(240)		**(240)**	525	285
Result for the year							**41,719**	**41,719**	**(51)**	**41,668**
BALANCE AT 31 DECEMBER 2007		27,393	0	36,202	(2,192)	48,577	41,719	151,699	794	152,494

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31/12/2007

€ '000	Note	31 December 2007	31 December 2006
OPERATING ACTIVITIES			
+/- Profit (loss) for the period		**41,668**	32,257
+ Depreciation and amortisation			
+ Of tangible assets		**7,295**	7,699
+ Of intangible assets		**4,521**	3,353
+ Increase/decrease in provisions			
+ For TFR		**1,032**	3,406
+ For credit write-down		**680**	1,438
+ For inventory write-down		**850**	699
+ For risk provisions		**1,220**	1,269
- Contingent liabilities for surplus provisions		**(394)**	0
- Capital gains on asset sales		**(649)**	953
- Negative goodwill recognised in income statement		**0**	(175)
- Income from TFR revaluation (curtailment)		**(1,660)**	0
-/+ Unrealised gain on foreign exchange		**2,064**	(976)
+ Income tax		**21,057**	18,870
+ Financial expense		**1,904**	2,715
- Financial income		**(905)**	(703)
= Subtotal		**78,684**	**70,805**
- Paid TFR		**(2,003)**	(3,132)
- Risk provisions utilised		**(14)**	(1,000)
+/- Change in working capital receivables		**2,903**	(17,284)
+/- Change in inventories		**(14,260)**	(13,162)
+/- Change in payables to suppliers		**6,834**	16,633
+/- Change in other non-financial liabilities		**741**	10,216
- Income tax paid		**(32,300)**	(5,686)
- Interest paid		**(1,886)**	(3,101)
= Cash flow from operating activities		**38,699**	**54,288**
INVESTMENT			
- Acquisition of intangible assets		**(7,350)**	(4,944)
+ Disposal of intangible assets		**4**	0
- Acquisition of tangible assets		**(11,513)**	(5,260)
+ Disposal of tangible assets		**3,761**	4,231
Acquisition of investments in associates	42	**(9,588)**	(3,758)
+/- Acquisition/sale of other investments		**223**	108
+ Interest received		**745**	703
+/- Increase/decrease in other investments		**0**	27
= Cash flow used in investment		**(23,717)**	(8,893)
FINANCIAL OPERATIONS			
+/- Increase/repayment of M/L term bank finance		**(154)**	(16,686)
+ Increase/decrease in bank loans		**11,703**	(11,219)
Change in payables to other financial institutions		**(2,063)**	(6,653)
- Dividend payment	28	**(23,558)**	(9,861)
+ Sale of own shares		**0**	4,170
= Cash flow used in financial operations		(14,072)	**(40,248)**
= Net increase in cash and cash equivalents		909	**5,147**
Cash and cash equivalents at start of year		36,102	**31,210**
+/- Foreign exchange differences		**(473)**	(255)
+ Cash and cash equivalents at end of year			
Cash and cash equivalents		**36,539**	**36,102**

Explanatory notes

1. general

Biesse S.p.A. is an Italian company, with its registered office in Pesaro. The company is quoted in the STAR segment of the Milan stock exchange.

The capital and economic situation of the company at 31 December 2007 includes the financial statements of Biesse S.p.A. and its subsidiaries – which it controls directly or indirectly (hereinafter defined as "Group") and the value of its shareholdings, in proportion to the percentage held, in associate companies.

The consolidated financial statements to 31 December 2007 were approved by the meeting of the Board of Directors' held today (20 March 2008).

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

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Through	Biesse Group
Parent company						
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	1,040,000	100%			100%
MC S.r.l. Via Mario Ricci, 12 Pesaro	Euro	101,490	51%			51%
Biesse Corporate School S.c.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,920	75.83%	15.01%	HSD S.p.a	90.84%
I.S.P. Systems S.r.l. Via F.lli Rosselli 46 – Pesaro	Euro	14,000	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			60%
MC Meccanica S.r.l. Via Liguria, 15 Sant'Angelo in Lizzola (PU)	Euro	30,000		51%	MC S.r.l.	26%
Digipac S.r.l. Via Gutenberg, 5 Santarcangelo di Romagna (RN)	Euro	33,333	55%			55%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Through	Biesse Group
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US $	1,000,000	100%			100%
Biesse Canada Inc. 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN $	180,000	100%			100%
Intermac Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US $	500,000		100%	Biesse America Inc.	100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	S $	2,655,000	100%			100%
Biesse Group UK Ltd. Lamport Drive – Daventry Northampt. Gran Bretagna	£ STG	655,019	100%			100%
Biesse Groupe France Sarl 4, Chemin de Moninsable Brignais – Francia	Euro	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germania	Euro	1,432,600	100%			100%
Biesservice Scandinavia AB Maskinvagen 1 Lindas - Svezia	SKR	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 Barcellona - Spagna	Euro	1,093,843	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 7/519– Rosebank Avondale Auckland – New Zealand	Nzd	334,262	100%			100%
Hsd Usa Inc. 3764 SW 30th Avenue – Hollywood Florida – Usa	Usd	10,000		100%	Hsd S.p.A.	100%
HSD Dutschland GmbH Brükenstrasse,2 – Gingen Germania	Euro	25,000		50%	Hsd S.p.A.	50%
Sel Realty Inc. 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN $	100	100%			100%
Bifin Ltd. 233, Peachtree St., NE – Harris Tower Atlanta, GA 30303 (Usa)	Usd	10,000		100%	Biesse America Inc.	100%
Biesse Manufacturing Co. Pvt. Ltd. #63, 1st Main, 2nd Stage, Yeshwantpur Indl. Suburb Bangalore -India	Inr	100,814,500	100%			100%

The consolidation area has undergone the following changes since the approval of the last report and accounts:

MERGERS:

Intermac Vidrio Iberica S.A. and Cabi S.r.l. e Sandymac S.r.l. have been merged respectively with Biesse Iberica Woodworking Machinery s.l. (from 02/07/2007), HSD S.p.A. (merger concluded on 03/08/2007, to take effect from 1 January 2007) and Biesse S.p.A. (merger concluded on 29/12/2007, to take effect from 1 January 2007). The three operations were conducted in order to rationalise the corporate structure of the Group, and also to take advantage of significant industrial and commercial synergies between companies with similar activities; it must be noted that in September, prior to the merger operation, Biesse acquired a 20% shareholding in Sandymac S.r.l. from its associate Tecnimpresa, which therefore gave it full control of the company. This agreement accelerated the timing of the operation which was set by the original contract between the parties which allowed for a call option in Biesse S.p.A.'s favour (and simultaneously a put option in favour of the minority partner) on the residual shareholding in the subsidiary which was to be exercised at the date of approval of the financial statements for the 2008 financial period.

INCLUSIONS:

- In February 2007, the subsidiary Biesse America Inc. established Intermac, Inc., investing it with a share capital of US$ 500,000. Subsequently, on 2 April 2007 the new company, - Intermac Inc. -, acquired the "distribution and support" business division of AGM Glass Machinery Inc, which for 20 years was the distributor in the USA of the Intermac brand (machines and systems for processing glass and stone).
- On 8 June 2007 the subsidiary MC S.r.l. acquired 51% of the share capital of MC Meccanica Srl., for a consideration of € 850,000. MC Meccanica is a company which took over the business division of a pre-existing small company (with sales in 2006 of about € 1 million, mainly generated by MC Srl itself as the principal client) operating in the area of precision mechanical engineering for third parties.
- On 19 July 2007 Biesse S.p.A. acquired the controlling shareholding (55%) of a company established in 2006 by engineers of the packaging division, which produces and distributes packaging machinery, Digipac Srl. Digipac is particularly active in the stretch packaging sector and, so far, has produced innovative solutions for "fascia-pallet" machines for the food and beverage sector. At the date of purchase of the majority stake Biesse took up its quota of a capital increase by contributing € 18,000 and a share premium of € 139,000.
- On 20 December 2007, the subsidiary HSD S.p.A. assumed substantial control of HSD Deutschland GmbH (already an associate of the Group) and signed an agreement to acquire the residual share of the company's capital by the end of the following financial period. The purchase of the residual shareholding was completed on 13 March 2008. The company was consolidated from the date of acquisition of control, while, prior to that date, it had been valued on a net equity basis.

As indicated in note 4, below, although the Group does not formally have total control of Bre.Ma. Brenna Machine S.r.l. and HSD Deutschland GmbH, it has nevertheless valued the effect of the put option on the remaining 40% in the case of Bre.Ma. and the agreement to acquire the outstanding shareholding in the case of HSD Deutschland. As a result of this, a liability has been included in the balance sheet equal to the present value of the expected liability that would arise at the time of exercise and, having written off the relevant holding from minority equity interests, the acquisition of the outstanding shareholdings has given rise to higher goodwill.

Compared with the previous period the consolidation area for the 2007 financial year no longer includes Biesse Brasil Ltda, which was sold on 10 January 2007.

2. principles of consolidation

General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on an historic cost basis with the exception of the revaluation of certain financial instruments. This information was prepared in accordance with the provisions of CONSOB (Commissione Nazionale per le Società e la Borsa), with particular reference to resolutions no. 15519 and 15520 of 27/07/2006 and to comunication no. 6064293 of 28/07/2006

Accounting principles applied from 1 January 2007

In August 2005 the IASB issued the new accounting principle IFRS 7 - "Financial instruments: Disclosures" and an amendment to IAS 1 - "Presentation of Financial Statements: Capital Disclosures". IFRS 7 contains an updated version of the information requirements previously included in accounting principle IAS 32 - "Financial Instruments: Disclosure and Presentation", requiring disclosure of information to evaluate the impact of economic circumstances and a companies financial situation on the value of financial instruments on the balance sheet. The new accounting principle requires a description of the objectives, the policies and procedures carried out by management separately for each category of financial risk (liquidity, market and credit risk) to which the entity is exposed. This must be accompanied by information regarding the concentration and average, minimum and maximum exposure to various categories of risk during the reference period, where end of year exposure may be insufficiently representative of risk through the year. The amendment to IAS 1 requires additional information concerning objectives, policy and capital management procedures specifying, where capital requirements imposed by third parties exist, the nature and management methodology and the potential consequences of failing to comply with these requirements. IFRS 7 and the amendment to IAS 1 are effective from 1 January 2007 and require the mandatory information in respect of the 2006 financial year.

Recently issued accounting principles

Accounting principles and interpretation issued by the IASB/IFRIC and ratified by the European Commission. Regulation no. 1358/2007 issued by the European Commission on 21 November 2007, ratifies IFRS 8 "Operating Segments". This substitutes IAS 14 "Segment Reporting" which provides for the presentation of segment information consistent with the decision making methodology applied by management. Consequently, the identification of operating segments is based on the internal reporting criteria subject to regular analysis by management when considering allocation of resources to the various segments and when conducting relative performance analysis. IFRS 8 is effective from 1 January 2009.

Regulation no. 611/2007 issued by the European Commission on 1 June 2007, ratifies IFRIC 11 interpretation of IFRS 2 – "Group and Treasury Share Transactions" which establishes, amongst other things, the reporting and valuation criteria to be applied in subsidiary accounts to parent company share based incentive shemes. The provisions of the interpretation are effective for annual periods beginning on or after 1 March 2007. (In Biesse's case : the 2008 financial statements).

Accounting principles and interpretation issued by the IASB/IFRIC and not yet ratified by the European Commission. On 29 March 2007 the IASB issued an updated version of IAS 23 "Borrowing Costs", which prescribes the capitalisation of borrowing costs incurred in the acquisition, construction or production of an asset (which require a substantial period of time before they are ready for intended use or for sale). The possibility of reporting these financial expenses in the income statement, a practice which is permitted in the current version. The provisions of the new version of IAS 23 are effective from 1 January 2009.

On 6 September 2007, the IASB issued an updated version of IAS 1 "Presentation of Financial Statements", introducing, amongst other things, a requirement to report comprehensive income represented by the profit or loss for a period plus other comprehensive income or expenses which, as expressly provided by IFRS, are carried to net equity. The new version of IAS 1 is effective from 1 January 2009.

On 10 January 2008 the IASB issued an updated version of IFRS 3 "Business Combinations" and of IAS 27 "Consolidated and Separate Financial Statements". The new provisions of IFRS 3 prescribe, amongst other things, the imputation to the Income Statement of ancillary costs connected with business combinations and the facility of reporting the full amount of goodwill deriving from any operation, considering also, therefore, the share attributable to minorities (the so-called full goodwill method).
The new provisions moreover modify the current criteria of reporting acquisitions in stages and prescribes that any difference between the *fair value* at the date of acquisition of control of an entity and the previ-

ously recognized book value should be recognized on the income statement. The new version of IAS 27 prescribes, amongst other things, that the effects of acquisition (disposal) of shareholdings subsequent to the assumption of control (without loss of control) should be recognized in net equity. In additon the new provisions establish that, in the event of disposal of part of the shareholding leading to a loss of control, the retained shareholding should be adjusted to *fair value* and the revaluation included in the reporting of capital gains or losses on disposal. The provisions of the new version of IFRS 3 and IAS 27 effective for annual periods beginning on or after 1 July 2009 (in Biesse's case : the 2010 Financial statements).

On 17 January 2008 the IASB issued an updated version of IFRS 2 "Share-based payment", which prescribes the criteria to be applied in the event of cancellation of equity instruments attributed to employees, as well as the circumstances in which the attribution of equity instruments may be exclusively conditional upon certain conditions being satisfied regarding the employee's service or the company's performance. The provisions of the revised version of IFRS 2 are effective from 1 January 2009.

On 30 November 2006 the IFRIC issued IFRIC 12 "Service Concession Arrangements" which defines the reporting and valuation criteria to be adopted in agreements between the public and private sectors with respect to the development, financing, management and maintenance of infrastructure operated as part of a concession. The provisions of IFRIC 12 are effective from 1 January 2008.

On 28 June 2007 the IFRIC issued interpretation document IFRIC 13 "Customer Loyalty Programmes" which define the reporting and valuation criteria relating to customer loyalty programmes employed by companies on behalf of customers who benefit from prizes, discounts or free products in return for purchases. The interpretation document prescribes the allocation of a *fair value* to that proportion of revenues generated by the allocation of loyalty award credits. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008 (in Biesse's case : the 2009 Financial statements).

On 5 July 2007 the IFRIC issued interpretation document IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" which provides a guide to the measurement and reporting of employee benefit fund surpluses. In addition the interpretation establishes the reporting and valuation criteria to be adopted in calculating future contribution refund and reduction rights regarding employee benefit funds. The provisions of IFRIC 14 are effective from 1 January 2008.

Biesse is currently analysing these principles and interpretations and is evaluating whether adopting them will have a material impact on the financial statements.

Consolidation criteria

The Consolidated Financial Statements for the year ended 31 December 2007 includes the financial statements of the parent company Biesse and the Italian and foreign companies which it controls directly and indirectly. When a company is in a position to determine the financial and operational policies of an entity in such a way as to obtain a benefit from its activities it is defined as having control of that entity.

Where material differences occur, these financial statements are reclassified and adjusted as necessary to conform to the accounting principles and valuation criteria adopted by the parent company.
In the preparation of the financial statements, all assets and liabilities, expenses and income of companies included in the consolidation are entirely eliminated.

The accounting value of shareholdings in companies are eliminated to offset the corresponding share of net equity of shareholdings. The current value of each shareholding 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, such as goodwill. If negative the difference is debited to the Income Statement.
The results of companies acquired or divested during the period are included in the Income Statement from the effective date of acquisition to the date of disposal.
The interests of minority shareholders in the acquired entity are initially valued in proportion to the current value of the assets, liabilities and potential liabilities included in the accounts.

Receivables and payables, income and expenses and profits and losses arising from transactions between companies included in the consolidation have been eliminated. In addition, all transactions between the companies of the Biesse Group and an independent financial services company which operates as an intermediary more most of the commercial transactions between the parent company and several of the consolidated companies. As an exception to this general rule, given that the effects are not material and given the difficulties of reconstructing the effects, profits from the sale of inventory by HSD S.p.A., I.S.P. Systems S.r.l. and in regard to the sale of some of MC S.r.l.'s production to other manufacturing companies in the Biesse Group were not eliminated, given that these referred to semi-finished products included in work in progress. Capital gains and losses deriving from infragroup sales of assets are eliminated where they are believed to be material.
The amount of capital and reserves of subsidiaries corresponding to third party holdings is included in "Minority interests" included in net equity; the proportion of profit for the year corresponding to third party shareholdings is shown separately in the entry "Net profit for the period attributable to minority shareholders".

For the purposes of presentation of the Consolidated Financial Statements, the assets and liabilities of foreign subsidiaries, the operating currencies of which are different to the Euro, are translated at the exchange rate prevailing at the balance sheet date. The income and expenses are translated at the average exchange rate for the period. The resulting exchange rate differences are reported in the entry "Transaltion Reserve" included in net equity. This reserve is reported in the Income Statement as income or expense in the period in which the relevant subsidiary is sold.

Shareholdings in Associated Companies

An associated company is one in which the Group is in a position to exercise a signioficant influence, but not control independently or jointly, through participation in the financial and operational decisions of the associated company.

The economic result and the assets and liabilities of associated companies are reported in the Consolidated Financial Statements on an share of net equity basis.

Format of Financial Statements

In accordance with IAS 1 the management of the Group has made the following choices with regard to the format of the financial statements.
The Balance Sheet includes the separation of current assets/liabilities from non-current assets/liabilities.
An asset/liability is considered to be current when it satisfies any of the following criteria:

- It is expected to be realised/liquidated or sold or utilised in the company's normal operating cycle
- It is held primarily for trading
- It is expected to be realized/liquidated within 12 months of the closing balance sheet date
- In the absence of all three conditions, the assets/liabilities are classified as non-current

The Income Statement distinguishes costs by nature, while highlighting intermediate results relative to operating income and pre-tax income. Operating Income is calculated as the difference between Net Revenues and Operating Costs (including non-monetary costs relating to depreciation and amortization and write-downs of current and non-current assets, net of any potential revaluations) and including capital gains and losses arising from the sale of non-current assets. In order to permit measurability of current trends in ongoing operations the costs and revenues deriving from activities which by their nature and magnitude are considered non-recurring are shown separately. The schedule of changes in net equity illustrates the changes in items which make up shareholders' funds in relation to:

- the allocation of parent company and subsidiaries' net income for the period to third parties;
- amounts relating to transactions with shareholders (purchase and sale of own shares);
- each item of profit and loss net of potential tax effects which- as required by IFRS- are aternatively reported directly in shareholders' funds (profit or loss from trading of own shares, actuarial profits or losses arising from valuation of defined benefit plans) or have a corresponding entry in a net equity reserve (payments based on shares for stock option plans);

- changes in valuation reserves relating to derivative instruments for the hedging of future cash flows net of any potential fiscal effect;
- changes in valuation reserves relating to valuation of available for sale financial assets;
- the effect of potential changes in accounting principles.

The cash flow statement is prepared according to the indirect method, by which net income is adjusted for non-monetary entries as well as for any deferred amount or provision from previous or future cash flows or operating payments, revenues or expenses relating to financial flows deriving from investment or financial activity. Cash and cash equivalents included in the Cash Flow Statement include the real balance of that item at the balance sheet date. Cash flows in foreign currency have been translated at the average exchange rate for the period. The income and expenses relating to interest, dividends received and income taxes are included in cash flow from operations.

All the schedules conform to the minimum content requirements of International Accounting Standards and by the applicable rules provided by national legislation and Consob (the regulatory authority for the Italian securities market).
In particular it should be noted that – in order to comply with Consob Resolution no.15519 of 27 July 2006 "Provisions regarding the format of financial statements" - the relative mandatory statements have been reviewed and modifies where necessary in order to highlight any material related party transactions.

The formats adopted are considered to be appropriate to a fair representation of the Group's capita, financial, economic and cash flow stuation; in particular it is believed that the classification of the Income Statement by nature provide reliable and relevant information for the correct representation of the economic trends of the Group.

3. valuation criteria

The most significant valuation criteria used in preparing the financial statements for the year ended 31 December 2007 are illsutrated below.

Revenue recognition

Sales of goods are recognised when goods are dispatched and the company has transferred to the buyer all major risks and benefits associated with ownership of the goods.
Interest income is reported on an accruals basis, according to the amount subject to financing and the effective rate of interest, which represents the rate used to discount estimated future cash inflows during the expected life of the financial asset to calculate a current book value for the asset.

Dividend income is recorded when the right of shareholdesr to receive payment is recorded.

Construction contracts

When the result of a construction can be reliablycalculated, the revenues and costs relating to the relevant contract are reported respectively as revenues and costs in relation to the proportion of work completed at the balance sheet date. These are calculated on the basis of the ratio between costs incurred for work carried out up till the balance sheet date and the total estimated costs of the contract, except where this is not considered to be representative of the state of progress of the contract. Changes to the contract, price revisions and incentives are included to the extent that they have been agreed with the customer.

When the result of a contract cannot be reliably estimated, the revenues relating to the contract are reported only to the extent that costs incurred in the contract are likely to be recovered. Contract costs are reported as expenses in the period in which they are incurred.

When it is probable that the total costs of a contract may exceed the revenues from the contract, the expected loss is immediately reported as an expense.

Foreign currency transactions

In preparing the financial statements of individual entities, transactions in currencies other than the Euro are initially recorded at exchange rates prevailing at the time of the transaction. At the balance sheet date the monetary assets and liabilities denominated in these currencies are re-entered at the exchange rate prevailing at the balance sheet date. Non-monetary assets expressed at *fair value* in foreign currency are translated at exchange rates prevailing at the time at which *fair value* was determined, while non-monetary non-Euro assets and liabilities valued at historic cost are translated using the exchange rate prevailing at the date of the transaction, except in the case of losses in value due to exchange rate factors.

Foreign exhange differences arising from monetary and non-monetary adjustments and from re-exposure to current exchange rates at the end of the financial year are written into the Income Statement for the period, with the exception of the exchange rates on non-monetary assets expressed in *fair value.* In this case changes in *fair value* are imputed directly to net equity as is the exchange rate component.

In order to cover its exchange rate risk, the Group has taken out some forward futures and option contracts (see later the Group's accounting policies relating to these derivative instruments).

Financial and Operating Lease contracts

Leasing contracts are classified as Financial leases whenever the terms of the contract transfer substantially all risks and benefits of the property to the lessee. All other leases are considered as operating leases.

The assets that are subject to Finance Leases are reported as tangible assets of the Group with a corresponding financial liability of equal value. The liability is progressively reduced on the basis of the repayment plan of the capital element of the contractual leasing fees, while the value of the asset is systematically amortised on the basis of the technical-economic life of the asset.

The leasing expenses relating to operating leases are imputed to the Income Statement at constatnt rates according to the length of the contract.

Income taxes

Income taxes are represented by the sum of current and deferred taxes.
Deferred income taxes are allocated to time differences relating to assets and liabilities between the taxable result and that of the financial statements and are accounted for by the liability method on the balance sheet. Deferred taxes are calculated on the basis of tax rates in force at the moment at which time differences are reversed. Deferred taxes are imputed directly to the Income Statement with the exception of those relating to entries which are reported directly in net equity, in which case the related deferred taxes are also allocated to net equity.

Deferred tax assets are included in the balance sheet if the taxes are considered to be recoverable when considering the expected taxable result for the periods in which the deferred tax assets are reversed. The book value of deferred tax assets is reviewed at the close of the financial year and, where necessary, is reduced. Offset between deferred tax assets and liabilities is carried out for similar items and if there is a legal right to offset current tax assets and liabilities; otherwise payables and receivables are set down separately.

From the 2005 financial year Biesse S.p.A. participates in the consolidated national taxation system, as does the parent company Bifin S.r.l., together with the subsidiaries I.S.P. Systems and Hsd S.p.a. in accordance with Articles 117 et sequitur of the Decree of the President of the Republic 917/86
Consequently, Bi.Fin. S.r.l. determines the IRES (Corporation Tax) of the group according to the terms of the aforementioned law, offsetting its own net income with the positive and negative taxable income of the companies involved. The economic relationships, the responsibilities and the mutual obligations of the aforementioned companies are defined in the "Rule" of companies participating in the consolidated national tax system of the Group signed on 26/05/2005.

The tax balance for the Group are reported in the entry "Tax payables" or Tax "receivables" in the Financial statements of the parent company, net of paid advances. In the financial statements of the subsidiary and in the present financial statements of Biesse Group the specific debit for for taxes transferred to the parent company are allocated to the account "Payables to related parties". Credits deriving from the transfer of Ires losses are allocated to the account "Receivables from related parties".

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to the shareholders of the parent company by the average weighted number of shares in issue taking into account the effect of all potential ordinary shares with a dilutive impact.

Tangible fixed assets

Tangible fixed assets are included at purchase cost or production cost including ancillary expenses, with subsequent deuctions for accumulated depreciation or write-downs.

Ordinary maintenance costs are fully charged to the Income Statement. Incremental maintenance expenses are allocated against the asset to which they relate and depreciated according to the depreciation rate applicable to the asset.

Improvements to third party (leased) assets are classified under tangible assets, in accordance with the nature of the expense incurred. The depreciation period corresponds to the lower of residual useful life of the fixed asset and the residual term of the lease.

Tangible fixed assets – with the exception of land which is not subject to depreciation, are depreciated on a straight-line basis over their estimated useful life beginning from the date in which the asset became available for use or was capable of providing the economic benefits with which it is associated, applying the following depreciation rates:

Factory buildings	2% - 3%
Plant and machinery	10% - 20%
Equipment	12% - 25%
Fixtures and fittings	12%
Motor vehicles	25%

This item also includes assets that are subject to finance leases, which are included amongst tangible fixed assets according to the previously described methodology.

Investment property

Investment property, represented by property that is owned for rental and/or for capital gain, are included at cost, including ancillary expenses, from which is deducted accumulated depreciation and write-downs. Investment properties are depreciated on a straight line basis over their useful life applying a rate of 3% for buildings and 10% for plant and machinery.

Goodwill and other intangible assets

Intangible assets of definite duration are valued at cost net of amortisation and write-downs.

Goodwill

Goodwill deriving from the acquisition of a subsidiary or business division represents the surplus of acquisition cost over the proportion of *fair value* due to the Group of the assets, liabilities and identifiable potential liabilities of the subsidiary or business division acquired at the date of acquisition.

Goodwill is not subject to amortisation, but is subject to valuation, at least once a year, usually at the balance sheet date, to verify that there has been no impairment. Any losses of value are immediately charged against the Income Statement and are not subject to subsequent revaluations.

In the event of sale of a subsidiary or of a jointly-owned entity, the amount of unamortised goodwill attributable to the asset is included in the calculation of capital gain or loss on sale.

Goodwill deriving from acquisitions made prior to the date of the start of the transition to IFRS accounting principles are maintained at the values arising from the application of Italian accounting principles at that date and are allocated to units generating financial flows in order that they may be subject to impairment tests.

Internally produced assets – Research and development costs

Research and development costs are included in the Income Statement in the period in which they were incurred. Internally produced intangible assets deriving from development of the Group's products (machine tools for working wood, glass and marble) are included amongst assets, only if all the following conditions are met:

- the asset is identifiable (for example software or new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be reliably measured.

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

When the internally produced assets cannot be included in the balance sheet, the development costs are charged to the Income Statement in the financial year in which they were sustained.

Brands, licences and patents

Brands, licences and patents are reported initially at purchase cost and are amortised on a straight line basis over their useful life and, however, over a period of not more than that fixed by the licence or purchase contract.

Losses of value of tangible or intangible assets

At each balance sheet date, the Group verifies the existence of events or circumstances that may jeopardize the value of tangible or intangible assets with a defined useful life and, where losses are indicated, it estimates the recoverable value of the assets in order to determine whether there has been a loss in value. Intangible fixed assets with an indefinite useful life, including goodwill are instead verified annually and whenever there is any indication of a possible loss of value.

In accordance with the relevant accounting principles, the test of impairment is 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 organizational structure of the group as single units that generate independent cash flows through the continuous use of the assets attributable to them.

The recoverability of the balance sheet values is verified by comparing the book value with the greater of the current market value net of sales expenses, where an active market exists, or the value in use. The value in use is determined according to the present value of future cash flows expected from the asset or group of assets and from its divestment at the end of its useful life.

In the presence of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if subsequent financial years show a reduction in the reasons for the write-down.

Non-current assets held for sale

Non-current assets classified as held for sale are valued at the lower of their previous book value and market value net of sales costs. Non-current assets are classified as held for sale when it can be seen that their book value can be recovered through a sale transaction as opposed to their utilisation in the operating activities of the company. This condition is respected only when it is highly probable that the asset will be sold, the asset is available for immediate sale in its existing condition and where management has made a commitment to sell, which should take place within twelve months of its date of classification in this account.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes direct materials and, where appropriate, direct labour costs, general production expenses and other costs that are sustained to convert the inventory to its current location and condition. Cost is calculated on a weighted average cost basis. The net realisable value represents the estimated sale price less the estimated costs of completion and the costs necessary to complete the sale. Obsolete inventory and slow moving stock is written down in relation to the possibility of use or liquidation.

Financial Assets and Liabilities

Financial assets and liabilities include shareholdings in other companies available for sale, receivables and non-current financing, trade receivables, as well as other receivables and other financial assets such as cash and cash equivalents. Financial liabilities include financial payables, trade payables to suppliers, other payables and other financial liabilities. Derivative instruments are also included amongst financial assets and liabilities.
Financial assets and liabilities are reported when contractual rights and obligations pertaining to financial instruments arise. Their initial inclusion takes into account directoly attributable transaction costs and issue costs. Subsequent valuation depends on the type of financial instrument and is however subject to the categories of assets and liabilities listed below:

Loans and Financing

Includes trade receivables, financial receivables and other receivables that qualify as financial assets. These are written in at nominal value where this is substantially representative of their *fair value* otherwise they are valued at amortisaed cost, using the effective interest rate method. The value of financing and receivables is reduced by appropriate write-downs in the Income Statrement to take into account expected losses. The write-downs are calculated on the basis of the difference between the book value of receivables and and the present value of estimated future cash flows. Losses in value of trade receivables are generally reported in the accounts through their inclusion in the appropriate receivables write-down reserve.

Financial assets held to expiry

The financial assets that the Group intends to hold to expiry (securities held to expiry) are reported at cost amortised by the effective interest rate method net of write-downs carried out to reflect losses in value. Whenever, in subsequent periods, the reasons for the write-down are no longer valid, the value of the asset may be restored to the original cost.

Financial assets held for trading

Financial assets classified as held for trading are valued at *fair value* at the end of each accounting period; profits and losses deriving from changes in *fair value* are shown in the Income Statement for the period.

Available for sale financial assets

Available for sale financial assets are valued at *fair value*; profits and losses deriving from changes in *fair value* are imputed directly to net equity until the assets are sold; at that time, total profits or losses previously reported in net equity are taken to the income statement for the period. Non quoted investments for which *fair value* may not reliably be determined are valued at cost reduced for permanent losses of value. This category principally includes minority shareholdings.

Trade payables

Trade payables are reported at nominal value.

Financial liabilities and instruments representing net equity

Financial liabilities and instruments representing net equity issued by the Group are classified according to the content of the contractual agreements that generated them and in accordance with the respective definitions of the liabilities and instruments representing net equity. The latter are defined as those contracts which, freed from any incorporated liabilities, give the right to a share of the group's assets.
The accounting principles adopted for specific financial assets and instruments representing net equity arec given below.

Payables to banks and other financiers

Payables to banks, consisting of long term bank loans and other bank overdrafts and payables to other lenders including payables in respect of fixed assets acquired through financial leasing contracts, are reported on the basis of amounts received, net of transaction costs, and are subsequently valued at amortised cost using the effective interest rate method.

Instruments representing net equity

Issued instruments representing net equity are reported on the basis of the amount received net of direct issue costs.

Derivative instruments and hedge accounting

Derivative instruments are initially reported at *fair value* at the date of subscription and are revalued at *fair value* at each accounting date.

Where applicable the hedge accounting method is adopted, which provides for the inclusion of derivatives in the balance sheet at their *fair value.* Changes in *fair value* of derivative instruments are treated differently according to the type of cover provided at the date of valuation:

- For those derivatives that provide cover for future transactions (i.e. *cash flow hedge*), changes in *fair value* of derivative instruments are imputed to net equity for the portion deemed to be effective while the ineffective portion is recognised in the income statement.
- For those derivatives that provide cover for receivables and payables included in the balance sheet (i.e. *fair value hedge*), differences in *fair value* are entirely imputed to the income statement. In addition it is required to adjust the value of the item covered (receivable/payable) for any change in the value imputed to the risk covered with the difference shown in the income statement.

Differences in the fair value of derivative instruments that are do not qualify as hedging instruments are reported in the income statement in the period in which they occur.
Implicit derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives, when their risks and characteristics are not strictly correlated to those of host contracts and these latter are not measured at fair value with changes in fair value recognized in the income statement.

Own shares

Own shares are included in the balance sheet at purchase cost and are shown as a deduction from consolidated net equity. Profits and losses deriving from trading in own shares, net of related tax effects, are included in net equity reserves.

Benefits to employees following termination of employment

For defined benefit plans, to which the employee termination indemnity fund (TFR) is assimilated, the relative cost of benefits provided is determined using the projected unit credit method, with actuarial valuations conducted at the end of each financial year.
Actuarial profits and losses that exceed 10 per cent of the present value of benefit liabilities defined by the Group are amortised over the period of the estimated average working life of participating employees.

Liabilities for employment termination indemnities reported in the balance sheet represent the present value of liabilities for the defined benefit plans adjusted to take into account unreported actuarial gains and losses.

Provisions for risks and charges

Provisions for risks and charges are intended to cover only losses or liabilities of a definite nature, which are certain or probable, but for which contingency timing or magnitude cannot be determined at the balance sheet date.
Provisions are set aside on the basis of manegement's best estimate of the costs required to fulfil the obligations at the balance sheet date and are realized when the effect is material.
They include, amongst other things, the product guarantee reserve which is allocated in the balance sheet to allow the economic impact of the costs of the guarantee to be anticipated in accordance with the sales-guarantee costs matching principle.

4. valuation choices and use of estimates

The preparation of the balance sheet and related notes in the application of IFRS requires that management makes estimates and assumptions that have an effect on the value of assets and liabilities in the balance sheet and on information relating to potential assets and liabilities at the balance sheet date. The actual outcome may differ from these estimates. Estimates are used to value tangible and intangible assets subjected to impairment tests as previously described, as well as to determine the useful life of tangible assets, to determine provisions for credit risk, inventory obsolescence, asset write-downs, employee benefits, taxes and provisions for risks and charges. Estimates and assumptions based on data that reflect the current state of available information are periodically reviewed and the effect of any change are immediately recognized in the income statement.

With regard to the acquisition of 60% pf Bre.Ma. Brenna Macchine S.r.l., it should be noted that the contract provides for a put option in favour of the sellers relating to the outstanding 40% of the company's share capital. On the basis of the provisions of IFRS 3 and in accordance with best practice, the option was valued in conjunction with the contract for the acquisition of a controlling stake in the company, in anticipation of the potential exercise of the option during the 2006 financial year (the first year of consolidation of the company); for this reason a liability was booked in the accounts which was equal to the present value of the estimated future liability a the date of exercise and, having written off minority interests, goodwill was increased to reflect the oustatnding amount. The changes in the value of the expected liability at the option exercise date are accounted as adjustments to the cost of the business combination subject to future events and consequent adjustments to the value of goodwill in the accounts. Also for the valuation of the acquisition of the outstanding shareholding in HSD Deutschland GmbH, which occurred in March 2008 (and therefore after the balance sheet date), the same set of rules and interpretations was applied: however an amount of goodwill was included in the accounts (provisionally, as the procedure to determine the price to be paid for the assets had not yet been completed) as well as a liability, amongst "other payables", in respect of the related obligation to the selling shareholders.

Fundamental assumptions regarding the future and other causes of uncertainty when making estimates at the balance sheet date which may cause material adjustments to the accounting values of the assets and liabilities within the next year are primarily referred to the possible reductions in the value of goodwill included in the accounts.

5. revenues

The analysis of Group revenues is as follows:

€ '000	31 December 2007	31 December 2006
Sale of goods	**447,522**	380,736
Sale of services	**17,228**	14,469
Other revenue	**1,257**	1,528
Total revenue	**466,007**	**396,733**
Recovery of costs	**3,207**	2,978
Other operating income	**5,220**	3,038
Internal construction	**-**	237
Contributions for operating expenses	**10**	126
TOTAL OTHER OPERATING REVENUES	**8,437**	**6,379**

As there has been no cessation of activity, the above data refers exclusively to operating activities.

6. analysis by business segment and geographic sector

Analysis by business segment

For the purposes of management control, the Group is currently organised into four operating – Wood, Glass and Marble, Mechatronics and Other. These divisions constitute the bases used by the Group to report sector information according to the primary schedule.
The principal activities are as follows:
Wood – production and distrbution of panel processing machines and systems
Glass & Marble – production and distribution of glass and marble processing machines and systems
Mechatronics – production and distribution of mechanical and electronic components for the industry
Other – production and distribution of tools and components and other precision machining accessories
With respect to the breakdown used in the past, some changes must be noted in the classification of results generated by Cabi S.r.l. (merged with HSD S.p.A. in 2007). These were previously included in the residual segment "Other" and are now included in the results of the Mechatronics division. For the purposes of comparison 2006 results have been restated to reflect this decision.

The information on these business segments is as follows:

INCOME STATEMENT DATA

Year ending 31/12/2007 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
External Revenues	352,666	77,222	24,537	11,582		466,007
Inter-segmental Revenues	765	35	23,132	39,903	(63,835)	0
Total Revenues	**353,431**	**77,257**	**47,669**	**51,485**	**(63,835)**	**466,007**
Operating result of segment	**51,729**	**8,639**	**7,935**	**3,831**	**0**	**72,134**
Unallocated ordinary costs						(6,735)
Operating result						**65,399**
Share of profit/loss of associates			34			34
Financial income/expense of segment	(14)	(456)	(134)	(414)		(1,019)
Unallocated financial income/expense						(1,690)
Pre-tax profit						62,725
Tax for the period						(21,057)
Profit for the period						**41,668**

Year ending 31/12/2006 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
External Revenues	296,864	65,917	23,245	10,707		396,733
Inter-segmental Revenues	575	41	19,523	28,768	(48,907)	0
Total Revenues	**297,439**	**65,958**	**42,768**	**39,475**	**(48,907)**	**396,733**
Operating result of segment	**39,691**	**7,899**	**6,511**	**2,836**	**0**	**56,937**
Unallocated ordinary costs						(4,916)
Operating result						**52,021**
Share of profit/loss of associates			25	(255)		(230)
Financial income/expense of segment	(132)	(325)	(8)	(85)		(550)
Unallocated financial income/expense						(113)
Pre-tax profit						51,128
Tax for the period						(18,871)
Profit for the period						**32,257**

The substantial increase in volumes (+17.5% at the group level) stands out compared with last year: the Wood Division grew by 18.8%, the Glass Division by 17.1%, while the Mechatroinics Division reported an increase in revenues of 11.5%. "Other" revenues rose by 30.5% due to the increase in orders coming from other divisions of the Group (as reflected by the increase in intragroup eliminations).

Margins also improved significantly (+25.7% y-o-y at Group level), with a aparticularly strong performence in the Wood Division. Margins on sales increased in all divisions, except the Glass & Marble segment which was affected by the first time consolidation of Intermac Inc. (USA), for which post acquisition has started with the aim of bringing its performance into line with the rest of the Group.

More generally, the excellent performance achieved by the Group is the product of new product introduction, of its widespread commercial activity and of the efforts made to improve the efficiency of production and procurement in all of the Group's divisions.

With regard to the changes arising from the widening of the consolidation area of the Group, the effect of consolidating Intermac Inc. (the new US division of the Glass & Marble segment) is of particular importance.

This resulted in an increase in sales of about € 4.8 million but contributed an operating loss of € 1.1 million.

MC Meccanica S.r.l. and Digipac S.r.l. have been included in the "Other" category with no material change on the results of the Division (the increase in revenues was €139,000 and €370,000 respectively: their impact on the Operating result was €98,000 and €69,000 respectively).

BALANCE SHEET DATA

Year ending 31/12/2007 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
Fixed assets	53,105	16,859	9,418	19,136	0	98,518
Inventories	67,749	14,517	12,507	9,419	0	104,192
Trade and other receivables	84,709	15,316	14,021	7,780	(11,857)	109,969
Total segment assets	***205,563***	**46,692**	**35,946**	**36,335**	**(11,857)**	**312,679**
Unallocated assets						**59,268**
Total assets						**371,947**
Provisions for risk	5,156	1,079	599	160	0	6,994
Retirement benefit liabilities	8,603	1,547	890	1,344	0	12,384
Trade and other payables	86,189	19,200	11,298	14,579	(11,857)	119,409
Financial leasing liabilities	0	7,263	0	5,206	0	12,469
Total segment liabilities	**99,947**	**29,089**	**12,787**	**21,289**	**(11,857)**	**151,256**
Unallocated liabilities and net equity						**220,691**
Total liabilities and net equity						**371,947**

Year ending 31/12/2006 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
Fixed assets	46,970	14,470	8,854	15,604	0	85,898
Inventories	58,875	11,649	10,546	7,092	0	88,182
Trade and other receivables	87,633	18,372	13,771	8,815	(11,898)	116,713
Investments in associates			38			38
Total segment assets	**193,498**	**44,491**	**33,208**	**31,512**	**(11,898)**	**290,811**
Unallocated assets						**58,728**
Total assets						**349,539**
Provisions for risk	4,503	646	484	112	0	5,745
Retirement benefit liabilities	9,976	1,880	1,197	1,877	0	14,930
Trade and other payables	86,989	18,156	13,123	12,718	(11,898)	119,088
Financial leasing liabilities		8,856	90	1,497		10,443
Total segment liabilities	**101,468**	**29,538**	**14,895**	**16,203**	**(11,898)**	**150,206**
Unallocated liabilities and net equity						**199,333**
Total liabilities and net equity						**349,539**

The growth of the Group is evident from the Balance Sheet data, which reveals a 6% increase in assets. In absolute terms, the Wood Division was the main contributor to Group asset growth (+ €12 million of which € 6 million of fixed assets and € 6 million of trade receivables and inventories).
In percentage terms, however, the Mechatronics Division and the "Other" Division reported the most signifi-

cant growth. In the case of the first, specifically for HSD (Mechatronics Division), the increase is attributable to growth in inventories – due to both the increase in orders and the consolidation of HSD Deutschland GmbH. In the case of the "Other" category, the increase in fixed assets was the main contributor and relates primarily to the inclusion of MC Mecchanica S.r.l. in the consolidation area. The consolidation of Intermac Inc. (USA), in the Glass & Marble Segment resultedin an increase in fixed assets of about €3.6 million, while inventories and receivables increased by about € 4.9 million. Amongst Liabilities, the decrease in retirement benefit liabilities is notable (about €2.6 million) and is due to the effect of the recent reform in Italy of the TFR (employment termination benefits fund). The increase in Financial Leasing liabilities is also notable (about €2 million), was recorded mainly in the "Other" category and is attributable to the purchase of a new factory and new machine tools by MC S.r.l. e MC Meccanica S.r.l. respectively.

OTHER INFORMATION

Year ending 31/12/2007 € '000	Wood	Glass & Marble	Mechatronics	Other	Unallocated assets	Group total
Increase in fixed assets	12,712	7,867	1,778	7,116	1,374	**30,847**
Depreciation of tangible and intangible fixed assets	6,016	2,283	1,034	1,781	702	**11,816**

Year ending 31/12/2006 € '000	Wood	Glass & Marble	Mechatronics	Other	Unallocated assets	Group total
Increase in fixed assets	14,386	1,934	373	5,583	325	**22,601**
Depreciation of tangible and intangible fixed assets	5,607	2,442	1,098	1,498	407	**11,052**

The breakdown of new investment by segment reveals a substantial increase in the Glass & Marble segment, the Mechatronics segment and the "Other" segment. In the case of the Glass & Marble Division, the increase is largely attributable to the acquisition of AGM Glass Machinery division by Intermac Inc. (fixed assets acquired: € 3.5 million). The Mechatronics division's new investments were largely related to the full integration of HSD Deutschland GmbH (€ 834,000), while the increase in the "Other" segment is due both to the inclusion of MC Meccanica S.r.l. (€ 2.3 million) and to the completion/continuation of investment programmes initiated by MC S.r.l. and Biesse Manufacturing Co. Pvt. Ltd. – India in previous years which amounted to €1.6 million and € 642,000 respectively.

Analysis by geographic area

REVENUES

Geographical area € '000	Year ended 31/12/2007	%	Year ended 31/12/2006	%
Western Europe	**232,771**	**50.0%**	205,761	51.9%
Eastern Europe	**85,622**	**18.4%**	59,817	15.1%
North America	**66,512**	**14.3%**	62,917	15.9%
Australasia	**29,178**	**6.3%**	27,228	6.9%
Asia	**25,356**	**5.4%**	23,300	5.9%
Rest of the World	**26,568**	**5.6%**	17,710	4.5%
GROUP TOTAL	466,007	100.00%	396,733	100.0%

SEGMENT ASSETS

Geographical area € '000	Year ending 31/12/2007	%	Year ending 31/12/2006	%
Western Europe	**273,729**	**73.6%**	262,432	75.1%
North America	**39,746**	**10.7%**	36,061	10.3%
Eastern Europe	**20,232**	**5.4%**	17,229	4.9%
Australasia	**20,360**	**5.5%**	17,715	5.1%
Asia	**11,723**	**3.2%**	11,000	3.1%
Rest of the World	**6,158**	**1.7%**	5,101	1.5%
GROUP TOTAL	371,947	100.0%	349,539	100.0%

Other information

INCREASE IN FIXED ASSETS

Geographical area € '000	Year ending 31/12/2007	Year ending 31/12/2006
Western Europe	**25,331**	21,437
North America	**4,616**	105
Australasia	**184**	197
Asia	**716**	862
GROUP TOTAL	30,847	22,601

7. non recurring significant events and transactions

The financial statements include certain non-recurring positive items totaling €4.312 million, of which € 2.652 million derives from the application of law no. 244 – Financial Law 2008 of 24/12/2007 (so-called freeing up of tax suspense reserves) and €1.660 million deriving from the revaluation of retirement benefit liabilities which were rendered necessary following the reform of the Italian Employment termination benefit fund system (TFR).

With regard to the first point, the 2008 Financlal Law provided for the possibility of eliminating discrepancies between taxable values and accounting values (i.e. those values reported in financial statements) of assets subject to depreciation and off balance sheet value adjustments (Article 1, paragraph 48). As a result of this realignment of values it is possible to recover the deductability of the proportion of depreciation and adjustments that may arise in future financial periods and which have already been deducted (for tax purposes only by means of non-accounting deductions). The realignment of taxable values to accounting values is subject to the application of a substitute tax calculated on the amount of the differences to be eliminated. The rates are banded as follows:

- 12% on increases in value of up to € 5 million;
- 14% on increases in value of between € 5 million and € 10 million;
- 16% on increases in value of over € 10 million.

The tax is payable in a single tranche, or may be paid over three years (30% in the first year, 40% in the second and 30% in the third) with interest of 2.5% applied annually.

The Biesse Group (and in particular the companies Biesse S.p.A., HSD S.p.A., MC S.r.l. and Brema Brenna Macchine S.r.l.) has agreed that it will exercise the option to pay a first tranche (in accordance with the ministerial decree in force) and has calculated the total tax to be freed up amounts to € 4.774 million (of which

€ 4.296 million relates to IRES and € 478,000 relates to IRAP), while the substitute tax total amounts to € 2.122 million. This operation resulted in a positive net effect of € 2.652 million on taxes, an increase of € 2.122 million in the "Income tax payables" account which was equal to the substitute tax, while the "Deferred tax payables" account was reduced by € 4.774 million.

With regard to the second point, following the introduction of the provisions of the 2007 Financial Law and the related decrees in force, from 1 January 2007 the employementv termination benefit fund for employees (TFR) will be deposited in pension funds, in the treasury fund set up at INPS (Italian National Social Security Institute) or, in the case of companies with fewer than 50 employees the fund can remain in the company on the same terms as in previous years. Employess are free to select the destimnation of their TFR until 30 June 2007. As a result the destination of the proportion of the TFR accruing at pension funds or at INPS requires that a significant portion of the fund be classified as a defined contribution plan insofar as the company's obligation is entirely represented by contribution payments to the pension fund or to INPS. The liability relating to the pre-existing TFR continues to be classified as a defined benefit plan which will be valued by actuarial calculation.
The change in the nature of the fund necessitated a revaluation of the pre-existing TFR owing to its transformation from a defined benefit scheme to a defined contribution scheme. This involved the recalculation of the liability excluding future contributions and the related hypothetical increase and reflecting the potential updating of the financial assumptions taking into account the timing of the transfer of the TFR to pension funds. The positive effect of the change in the value of the pre-existing TFR recognized in the Income Statement amounts to € 1.660 million.

NON RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

€ '000	Net Equity	%	Result for the period	%
Financial statement values	**152,493**		**41,668**	
Non recurring income (Freeing up/Substitute tax)	(2,652)	(1.74) %	(2,652)	(6.36) %
Gross non-recurring income (Curtailment/TFR reform)	(1,660)	(1.09) %	(1,660)	(3.98) %
Gross notional values in financial statements	**148,181**		**37,356**	

Article 10 of Decree Law 5/12/2005 no. 252 allows companies, dependent on the TFR deposited at pension funds, a tax deduction of 6% of the amount of TFR deposited in the case of companies with fewer than 50 employees and 4% for those with 50 or more employees. The exact calculation of this deduction will be made at the time of preparing the Unico 2008 income tax declaration.

8. other operating expenses

Remuneration paid to directors, statutory auditors and the independent audit company are included in "Other operating expenses"

As required by art.149-*duodecies* of the Consob regulations for issuers, there follows a detailed list of services provided by the independent audit company.

Type of service	Service provider	Services provided to	Payment *(€'000)*
Accounting audit	Deloitte & Touche S.p.A.	Biesse S.p.A.	188
	Deloitte & Touche S.p.A.	Subsidiaries	52
	Deloitte Network	Subsidiaries	108
Other services	Deloitte Network	Subsidiaries	8
TOTAL			**356**

9. financial income

€ '000	31 December 2007	31 December 2006
Income from financial receivables	**193**	222
Interest received from bank deposits	**352**	177
Interest received from clients	**171**	293
Capital gains on sales of investments	**156**	-
Other financial income	**32**	9
TOTAL FINANCIAL INCOME	**905**	**702**

The item "Capital gains on sales of shares and investmenst" refers to the capital gain generated by Biesse S.p.A. following the sale of shares in Banca delle Marche S.p.A.

10. financial expenses

Details of financial expenses are reported below:

€ '000	31 December 2007	31 December 2006
Interest payable on loans and financing	**429**	960
Interest payable on finance leases	**479**	550
Interest payable on discounted bills	**146**	230
Other interest expense	**21**	23
Discounts to customers	**490**	447
Other financial expenses	**341**	296
TOTAL FINANCIAL INCOME	**1,904**	**2,506**

11. foreign currency income and expense

The value relating to 2007, an expense of € 1.709 million, (income of € 1.141 million in 2006), is primarily due to the impact of US dollar depreciation which generated losses both in the income for the period and in the value of assets at the year end. These losses were in part offset by profits deriving from hedging operations on cash flows in accordance with the provisions of the group's exchange risk policy.
This item includes the value relating to the balance of unrealised gains and losses deriving from re-stating foreign currency receivables and payables at year end exchange rates and which is negative amounting to € 2.064 million. Amongst the constituents is the valuation at fair value of exchange rate derivatives which is a positive amount of € 247,000.

12. taxes for the financial year

€ '000	Year ending 31/12/2007	Year ending 31/12/2006
Ires and other current taxes	19,172	15,386
Ires and other deferred taxes	(4,829)	(1,786)
Tax for the year	**14,343**	**13,600**
IRAP, other minor taxes and deferred taxes	5,120	5,382
Substitute tax	2,122	0
Income tax relating to previous years	(528)	(111)
TOTAL TAX FOR THE YEAR	**21,057**	**18,871**

National income tax (IRES) is calculated at 33% on the taxable income for the year (unchanged compared to 2005). Following the introduction of new tax regulations, the deferred IRES tax rate is 27.5%. Taxes in other countries are calculated according to the local rates in force.
IRAP and other minor taxes applied in other jurisdictions and calculated on a taxable base other than pre-tax profit are shown separately.
The balance of taxes relating to previous periods is positive for € 528,000, of which € 369,000 is due to changes in the risk reserve set aside in previous years for disputes relating to PVC and € 159,000 relating to tax adjustments for previous years following assessments conducted by the parent company and companies that were consolidated in previous years.

The tax provision for the year can be reconciled with the result for the year shown in the Financial Statements as follows:

€ '000	Year ending 31/12/2007		Year ending 31/12/2006	
Pre-tax profit	62,725		51,128	
National income tax rate 33% (2006: 33%)	20,699	33.00%	16,872	33.00%
Fiscal effect of non-deductible costs/exempt profit in determining income	282	0.45%	1,268	2.48%
Fiscal effect of elimination of tax suspense reserve	(4,296)	(6.85)%	-	-
Fiscal effect of the use of previously unrecognised losses	(1,851)	(2.95)%	(4,527)	(8.85)%
Reduction of deferred tax assets/liabilities, due to change in the national rate	(426)	(0.68)%	-	-
Fiscal effect on losses for the year of certain subsidiaries not included in the balance sheet, and reassessment of current deferred tax	(56)	(0.09)%	122	0.24%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(9)	(0.01)%	(135)	(0.26)%
INCOME TAX FOR THE PERIOD AND EFFECTIVE TAX RATE	**14,343**	**22.87%**	**13,600**	**26.60%**

As previously stated in note 7 above, the Biesse Group has decided to exercise the option provided by the 2008 Financial Law which allows it to free up a part of its tax suspense reserves, through the payment of a substitute tax amounting to € 2.122 million. This amount is not included in the reconciliation of tax provisions because it does not relate exclusively to IRES and because the calculation methodology is not consistent with the normal regulations followed in the determination of current income taxes. In order to correctly estimate the fiscal charge for 2007 this amount must still be taken into account. In 2006 the effective fiscal charge was significantly different to the theoretical charge, mainly due to the parent company (about € 4 million). In addition to taxes recognized in the Income statement for the year current taxes amounting to €735,000 relating to the sale of treasury shares have been imputed directly to net equity.

13. earnings per share (eps)

Basic earnings per share for the year ended 31 December 2007 are equal to euro/cent 152.30 (118.20 in 2006) and is calculated by dividing profit attributable to shareholders, equal to € 41.719 million (€ 32.239 million in 2006), by the weighted average number of ordinary shares in issue during the year, which amount to 27,393,042 (27,275,181 in 2006). As there were no dilutive effects, the same calculation is also applicable to the calculation of diluted earnings per share. The calculations are illustrated in the following tables:

PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS

€ '000	Year ending 31/12/2007	Year ending 31/12/2006
Profit for the year	**41,719**	32,239
Discontinued operations	**0**	0
Profit for the year from continuing operations	**41,719**	**32,239**

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

in thousands of shares	Year ending 31/12/2007	Year ending 31/12/2006
Weighted average number of ordinary shares used to calculate basic earnings per share	**27,393**	27,393
Effect of treasury shares	**0**	(118)
Weighted average number of shares in issue - for the calculation of basic earnings	**27,393**	**27,275**

As no activities were discontinued during the year, earnings per share refers entirely to continuing operations. As illustrated above, there were no dilution.

14. buildings, plant, machinery and other tangible fixed assets

€ '000	Buildings Plant & machinery	Equipment and other tangible fixed assets: Equipment and other tangible assets	Equipment and other tangible fixed assets: Property in construction and on deposit	Total
HISTORIC COST				
Value at 01/01/2006	82,505	30,598	40	113,143
Increase	1,409	2,274	3,397	7,080
Disposals	8,326	1,815	6	10,147
Reclassification as investment property	(2,972)	-	-	(2,972)
Change in consolidation	296	34	-	330
Foreign exchange differences and other	(515)	239	0	(276)
Value at 31/12/2006	**72,397**	**31,330**	**3,430**	**107,157**
Increase	12,266	3,382	443	16,090
Disposals	3,767	3,604	-	7,370
Change in consolidation	1,530	408	-	1,938
Foreign exchange differences and other	783	96	(1,331)	(452)
Value at 31/12/2007	**83,208**	**31,613**	**2,541**	**117,362**
DEPRECIATION FUND				
Value at 01/01/2006	29,752	23,820	-	53,571
Depreciation in the year	4,952	2,747	-	7,699
Closure for disposal	1,749	1,700	-	3,449
Reclassification as investment property	(448)	-	-	(448)
Change in consolidation	-	-	-	-
Foreign exchange differences and other	(244)	324	-	80
Value at 31/12/2006	**32,264**	**25,191**	**-**	**57,455**
Depreciation in the year	4,434	2,756	-	7,190
Closure for disposal	1,812	3,401	-	5,213
Change in consolidation	302	124	-	426
Foreign exchange differences and other	37	(175)	-	(138)
Value at 31/12/2007	**35,225**	**24,495**	**-**	**59,721**
NET BOOK VALUE				
at 31/12/2006	**40,133**	**6,139**	**3,430**	**49,703**
at 31/12/2007	**47,983**	**7,117**	**2,541**	**57,641**

Investments of €16.090 million were made during the period. This sum is mainly composed of investments relating to acquisitions and construction of new production or commercial areas. In particular the following should be noted:

- Completion of the production site at Secchiano (Italy), where some of Artech's production will be located (investment made in 2007 € 4.4 million);
- Completion of the new headquarters of the commercial subsidiary Biesse Group France Sarl (€ 1.5 million);
- Completion of the new production facility of MC S.r.l. (acquired via a property leasing contract, investment made in 2007 equal to € 1.1 million);
- Continuation of construction work on the new factory for the subsidiary Biesse Manufacturing Co. Pvt. Ltd. (€ 577,000, located in Bangalore, India);
- Commencement of construction work on a new headquarters for the commercial operations of the US subsidiaries of the Wood Division (Biesse America Inc.) and the Glass/Marble Division (Intermac Inc.). The Biesse Group through Bifin Ltd, a US company, - has signed a preliminary agreement for the acquisition of land in Charlotte (USA) for the construction of new headquarters. The total outlay for the land purchase will be USD 650,000 (investment in 2007 was €204,000).

To these investments must be added the acquisition of new automatic operator machines for €1.682 million and the substitution of work tools and other materials required for ordinary production.

Changes to the consolidation area led to an increase in tangible fixed assets of € 1.938 million, largely made up of automatic machinery and equipment of MC Meccanica S.r.l. (€ 1.9 million).

In addition to the property transactions in the USA, the Group reorganized its North American property portfolio by selling its property belonging to Sel Realty (Canada), its Canadian headquarters, for CAD 3.2 million (€ 2.2 million) in order to evaluate new and better investments both in Ontario (where Biesse does not have a headquarters) and in Quebec. This transaction gave rise to a capital gain of € 419,000.

It must be noted that the balances in the financial statements include assets acquired through finance lease contracts, with a net book value equal to €15.335 million (€13.488 million in 2006), amortised in the period for €1.155 million (€ 1.973 million in 2006); in particular the net book value refers to industrial buildings valued at € 12.106 million (€9.013 million at end 2006), to machinery with a book value of € 3.204 million (€4.416 million in 2006) and to office equipment with a book value of €46,000 (€59,000 at end 2006).

There are no mortgages on land and buildings; previous mortgages having been paid off (in 2005 mortgage guarantees were issued amounting to € 21 million).

15. investment property

This item refers to the depreciated cost of property held by the subsidiary MC S.r.l. (€1.097 million) which is no longer used for productive activity given that the company has almost completed the relocation of its operating headquarters to another location in Pesaro.
The item also includes the residual depreciated cost of the Alfonsine facilities, previously utilized by the CNI business unit which is part of HSD S.p.A. (with a value of €1.328 million). In 2006 the latter transferred its own operations to the factory in Pesaro.
Both properties have been leased under contract, generating income of about € 60,000 and € 72,000 respectively. Both contracts give the leaseholder the right to purchase the properties on pre-arranged conditions, subject to the consent of the lessor.
With regard to this agreement it must be noted that ijn January 2008 both leaseholders exercised their rights. With regard to MC S.r.l., the sale of property occurred on 29/02/2008, for a consideration of € 1.430 million. With regard to the CNI property, the sale is expected to take place by the end of April, for a consideration of €1.730 million.

16. goodwill

The balance sheet item, equal to € 21.473 million is made up as follows:

€ '000	31 December 2007	31 December 2006
Acquisition of Bre.Ma. Brenna Macchine S.r.l.	**4,268**	4,268
Acquisition of Bre.Ma. Brenna Macchine S.r.l. (Put option)	**1,217**	1,217
Acquisition of Diamut business unit	**3,940**	3,940
Acquisition of H.S.D. S.p.a.	**2,939**	2,939
Acquistion of Selco	**2,307**	2,307
Acquisition of Allwood (Australia) business unit – Wood Division	**2,031**	2,036
Acquisistion of AGM Glass Machinery Inc. Business unit	**1,726**	0
Acquisition of CNI business unit	**1,226**	1,226
Acquisition of HSD Deutschland GmbH	**679**	0
Acquisition of SEV business unit	**424**	424
Acquisition of MC Meccanica S.r.l.	**408**	0
Acquisition of minor business units (Australia) – Glass Division	**181**	182
Acquisition of Digipac S.r.l.	**127**	0
TOTAL	**21,473**	**18,539**

The balance at year end changed compared with 2006 as a result of acquisitions made during 2007:

- acquisition of the AGM Glass Machinery Inc. business unit (€ 1.726 million)
- acquisition of 51% of MC Meccanica S.r.l. (€ 408,000)
- acquisition of 50% of HSD Deutschland GmbH (€ 679,000)
- acquisition of 55% of Digipac S.r.l. (€ 127,000)

Exchange rate changes relating to the Australian dollar result in a reduction of € 6,000 to the above figures.
This item also includes € 1.217 million, relating to the valuation of the Put option included in the acquisition of the stake in Bre.Ma. Brenna Macchine S.r.l. in favour of the seller and regarding the sale to Biesse of the remaining 40% of the share capital (for greater detail refer to note 4).
Withregard to HSD Deutschland GmbH and Digipac S.r.l., the relevant amounts are included generically in this item until fair value can be more accurately calculated and allocated. This is currently being calculated in accordance with IFRS 3 accounting principles.
The goodwill listed above is allocated, at the date of acquisition, to the cash generating units (CGU), from which benefits relating to the acquisitions are expected.

The Group verifies recoverability of goodwill at least once a year or more frequently if there is any indication of deterioration in value. The recoverable value of the CGU is ascertained through calculation of the value in use. The main assumptions used regard discount rates, growth rates, and expected changes in the selling price and the trend of direct costs during the period reflected in the calculation. The management of the Group has therefore adopted a discount rate gross of tax which reflects the correct market value of cost of money and specific risk. The growth rates adopted are based on the growth forecasts for the relevant industrial sector. The changes in selling prices and in direct costs are based on market experience and expectations.

The Group prepares forecasts of operating cash flow based on the most recent budgets approved by the Board of Directors for the forthcoming three years and extrapolates the cash flows for the remaining period on the basis of medium/long term industry growth rates of 2%. The discount rate utilized to discount the cash flows is equal to 9.5%.

The analysis of the recoverability of goodwill and of the value in use of the CGU reveals no need for any write down due to loss of value.

17. other intangible assets

€ '000	Development costs	Patents, brands and other intangibles	Property in construction and on deposit	Total
HISTORIC COST				
Value at 01/01/2006	10,688	5,844	58	16,589
Increase	843	967	3,172	4,982
Disposals	-	2	-	2
Change in consolidation	1,686	4,563	-	6,250
Foreign exchange differences and other	(771)	(1,692)	404	(2,059)
Value at 31/12/2006	**12,447**	**9,680**	**3,634**	**25,760**
Increase	234	830	6,473	7,537
Disposals	-	4	-	4
Change in consolidation	127	2,216	-	2,343
Foreign exchange differences and other	3,176	(819)	(3,621)	(1,265)
Value at 31/12/2007	**15,983**	**11,903**	**6,485**	**34,371**
AMORTISATION FUND				
Value at 01/01/2006	2,683	3,341	-	6,024
Amortisation in the year	2,405	948	-	3,353
Foreign exchange differences and other	668	(929)	-	(261)
Value at 31/12/2006	**5,755**	**3,359**	**-**	**9,114**
Amortisation in the year	3,162	1,331	-	4,494
Foreign exchange differences and other	(175)	(762)	-	(938)
Value at 31/12/2007	8,743	3,928	-	12,670
NET BOOK VALUE				
at 31/12/2006	**6,691**	**6,321**	**3,634**	**16,646**
AT 31/12/2007	**7,241**	**7,975**	**6,485**	**21,701**

The intangible assets illustrated have an identifiable useful life and are consequently amortised over that useful life.

Development costs refer to products, the marketing of which commenced between 2004 and 2007 and on which economic returns are expected over an average period of 5 years.
Patents, brands and other rights are depreciated in relation to their useful life which is estimated, on average to be five years.
On the basis of the provisions of IFRS 3, gross intangible fixed assets with a value of € 2 million have been included in this item, including the amount resulting from the allocation of an acquisition price for AGM Glass Machinery Inc. by Intermac Inc. to the acquired assets valued at fair value. This amount represents the best estimate of the recoverable value of the intangible asset, the control of which was acquired by this

transaction and relates in equal parts to non-competition clauses (of five years duration) and restrictive covenants regarding ex AGM employees (of ten years duration) both of which were signed by the seller.
The increase of the item fixed assets under construction and on deposit is largely attributable to capitalisation of costs relating to development being completed and which was carried out during the period in relation to products which are expected to begin to generate an economic return in the next few years. In 2007 investment in new technology was also included and is represented by software licences and start up costs of the new ERP system and the new reporting system of the Group.

18. other financial assets and non-current receivables

The details of this balance sheet item are as follows:

€ '000	31 December 2007	31 December 2006
Minority shareholdings in other companies	25	89
Other receivables/guarantee deposits - non current	402	1.427
TOTAL	428	1.516

The decrease in the item "Other receivables" is largely attributable to the transfer to the item "Buildings" of an amount relating to the cautionary deposit (€ 600,000) made in 2006 against the obligation to acquire property to be used for the production of the Artech brand (see note 1).

19. inventories

€ '000	31 December 2007	31 December 2006
Raw materials, ancillary materials and conumables	57,029	51,725
Work in progress and semi-finished goods	9,102	7,683
Finished goods	35,685	27,429
Deposits	2,377	1,346
INVENTORIES	104,192	88,162

The balance sheet account is net of the obsolescence provision equal to € 4.582 million for raw materials (€ 4.249 million in 2006) and €1.556 million (€ 1.263 million in 2006) relating to finished goods. The increase in the value of materials in inventory compared with 2006 is due to the increase in production and the build up of stocks of finished goods at subsidiaries to guarantee delivery within the agreed terms of sales contracts, as well as the slow down in deliveries of finished goods from Italian factories due to the transport workers strike on 14 – 16 December 2007.

20. trade receivables from third parties

€ '000	31 December 2007	31 December 2006
Trade receivables due within 12 months from clients	110,334	115,050
Trade receivables due beyond 12 months from clients	3,943	2,645
Credit write-down reserve	(4,308)	(4,542)
TRADE RECEIVABLES FROM CLIENTS	109,969	113,153

The management believes that the book value of trade receivables approximatesto their fair value.
This item includes the proportion subject to deferral – in accordance with contractual terms- of receivables deriving from the sale of the factory of San Giovanni in Marignano, extant at 31/12/2007 for € 1.013 million (€ 1.9 million at 31/12/2006).

Trade receivables are shown in the balance sheet net of credit risk provisions which are prudently estimated with reference both to unperforming credits and to credits that are more than 180 days overdue.
The changes to the provision are summarised in the following table:

€ '000	31 december 2007	31 december 2006
Opening balance	4,542	3,690
Provisions in the period	609	1,336
Utilised	(757)	(404)
Write off of surplus proportion of fund	(61)	(80)
Change in perimeter	6	0
Exchange rate difference	(31)	0
CLOSING BALANCE	4,308	4,542

The provisions to the credit write-down reserve are made on the basis of individually assessed write-downs of expired receivables. Collective devaluations calculated on a statistical basis on historical amounts are added to the individual assessments. The magnitude of the provision is calculated on the basis of present value of estimated recoverable amounts having taken account of potential recovery expenses correlated to the fair value of the potential guarantees recognized by the group.

The trade receivables recognised in the balance sheet include include individually revalued credits of € 2.215 million following a write-down of €3.168 million (credits of €5.224 million after specific write downs of € 3.478 million in 2006). The write-downs recognized in the Income Statement are primarily carried out indirectly through provisions made to the credit write-down reserve.

Specific write-downs are determined mainly by valuation of receivables which are the subject of specific legal disputes and are generally supported by relevant legal advice.

It must be noted that other overdue client credit positions exist but which have not been written down, neither directly nor indirectly, through credit risk provisions. Expiry details for these positions are as follows:

€ '000	31 december 2007	31 december 2006
Overdue by 1 to 30 days	7,323	6,368
Overdue by 30 to 180 days	6,868	6,281

The ageing of receivables that are overdue but not written down is less than 180 days; these receivables have not been written down because of the characteristics of the sales to which they relate. These relate primarily to plant or complete production lines on which there are usually payment deferrals without which there would be an effective risk of not being able to realise the credit at all.

21. trade receivables from related parties

€ '000	31 December 2007	31 December 2006
Trade receivables from related parties	1	22
Trade receivables from associates	-	486
Trade receivables from subsidiaries	12	10
TOTAL	13	517

22. other current assets

Other current assets are detailed as follows:

€ '000	31 December 2007	31 December 2006
Tax receivables	5,039	4,297
Income tax receivables	1,799	1,003
Other receivables	1,577	6,645
TOTAL	8,415	11,945

Tax receivables are composed mainly of purchase tax credits. Other current receivables from related parties were eliminated at the end of 2007 while in 2006 they totalled €1.377 million. This figure related to transfers of deposits, retentions and prepaid IRES tax credits by Biesse S.p.A., HSD S.p.A. and I.S.P. Systems S.r.l. to the controlling shareholder Bi.Fin. S.r.l. This was the consequence of the company's decision to choose to adhere to the National Tax Consolidation for the three year period 2005 – 2007; to this should be added the VAT credits sold by Biesse S.p.A. and HSD S.p.A. to the controlling shareholder Bi.Fin. S.r.l following the decision to adhere to the Group VAT tax regime for 2006.

23. cash and cash equivalents

This includes cash held by the Group and bank deposits which expire within three months. The book value of these assets is equal to their fair value.

24. share capital / own shares

The share capital of the parent company Biesse S.p.A. is made up of 27,393,042 ordinary shares of nominal value €1. As approved by the Shareholders' meeting of 21 January 2008 Biesse has initiated a share buy back programme which is valid for 18 months for up to 10% of the ordinary share capital. At the present date Biesse holds 185,016 shares in treasury (6.75% of the maximum permitted by the buy back mandate and 0.67% of the share capital) at an average carrying value of € 12.88 per share.
At the end of the previous year the parent company Biesse S.p.A. did not hold any of its own shares.

25. capital reserves

The balance sheet value, equal to € 36.202 million (unchanged compared with 2006) refers to the share premium reserve.

26. hedging and translation reserves

The balance sheet value is made up as follows :

€ '000	31 December 2007	31 December 2006
Translation reserve	(2,192)	(1,633)
TOTAL	(2,192)	(1,633)

27. retained earnings

The balance sheet value is made up as follows:

€ '000	31 December 2007	31 December 2006
Legal reserve	5,479	4,723
Extraordinary reserve	3,921	17,618
Retained profits	38,177	17,681
Other reserves	48,577	40,022

28. dividends

On 10 May 2007 the Company paid shareholders a dividend equal to 36 eurocents per share (total dividend payout equal to € 9.8 million) compared with 18 eurocents per share in 2006 (total dividend payout €4.9 million). Subsequently, on 20 December 2007, the Company paid an extraordinary dividend of 50 eurocents per share (total dividend payout of € 13.7 million, 18 eurocents per share in 2006 for a total payout of €4.9 million) following approval by the Shareholders meeting on 14 November 2007.
For the year just ended, the directors have proposed the payment of a dividend of 44 eurocents per share. This dividend is subject to the approval of shareholders at the Annual General Meeting and is not therefore included amongst the liabilities in this balance sheet.
The estimated total dividend payout is € 11.971 million, net of own shares held in treasury.

29. overdrafts and bank loans

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

€ '000	31 December 2007	31 December 2006
Bank overdrafts and loans	22,378	10,633
Mortgages without collateral	118	154
Current liabilities	*22,497*	*10,787*
Mortgages without collateral	524	641
Non current liabilities	*524*	*641*
TOTAL	23,021	11,428

These liabilities are payable as follows:

€ '000	31 December 2007	31 December 2006
On sight or within one year	22,497	10,786
Within two years	82	118
Within three years	84	82
Within four years	86	84
Within five years	88	86
Beyond five years	183	272
	23,021	11,428

ANALYSIS OF BANK DEBT

At 31/12/2007 total bank debt, equal to € 23.021 million, was denominated in Euro (at 31/12/2006 bank debt amounted to € 11.428 million of which € 11,000 was denominated in currencies other than the Euro).

The average interest rates on loans is as follows:

	31 December 2007	31 December 2006
Bank overdrafts and other short term loans	4.3%	3.5%
Mortgages	2.5%	3.8%

At 31 December 2007, the amount relating to unused credit lines totalled € 72 million.

30. net financial position

€ '000	31 December 2007	31 December 2006
Financial assets	36,539	36,102
Current Financial assets	50	50
Liquidity	36,488	36,052
Short term finance lease obligations	(2,756)	(2,336)
Bank debt and other short term loans	(22,497)	(10,786)
Short term Net Financial Position	11,287	22,980
M/L term finance lease obligations	(9,866)	(8,217)
M/L term bank debt	(524)	(642)
M/L term Net Financial Position	(10,390)	(8,859)
Total Net Financial Position	896	14,121

The net financial position remained positive for about € 900,000, after having distributed extraordinary dividends of € 13.7 million in December 2007 (which were additional to the € 9.8 million of ordinary dividends paid in May 2007). The final balance takes into account also the capital investment of about €29 million, of which € 12 million for new buildings and constructions, € 7 million for development assets and new technology and € 10 million for the purchase of shareholdings in subsidiaries. At the close of the financial year – since the Biesse Groupo has not to date made use of cash pooling instruments – the company had greater recourse to short term loans ("hot money") even where cash availability was high amongst foreign subsidiaries.

31. finance lease liabilities

€ '000	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	Minimum lease payment		Present value of minimum lease payment	
Due within one year	3,214	2,728	2,756	2,336
Due after one year buit within five years	8,456	8,878	6,847	8,037
Due beyond five years	3,127	180	3,020	180
	14,797	11,786	12,622	10,553
Less charges for future financing	(2,175)	(1,233)	N/A	N/A
	12,622	10,553	12,622	10,553
Less payables expiring within the year			(2,756)	(2,336)
Amount of payables beyond 12 months			9,866	8,217

Finance lease liabilities relate mainly to buildings (and related plant and machinery) whose current value for minimum payments due as at 31/12/206 is equal to € 12.031 million (€ 2.562 million being the amount due within twelve months). Compared with the previous year, the balance has increased following the € 3.679 million leasing contract enterd into by MC S.r.l. (relating to new industrial buildings), of which the share due within twelve months is € 222,000). The contract was formalized in December 2007 and is expected to last 12 years.
In addition to this contract, the Group had previously enterd into a 10 year contract of which 5 years remain. At 31 December 2007 the effective average rate of this contract is 4,1%.
The remaining liabilities for Finance Leases relate to contracts for the purchase of machinery with an average duration of 5 years. Atr 31 December 2007 the average effective tax rate was 2.8%.

Interest rates are fixed at the time the contract is laid out and are subject to fluctuations relating to the cost of money. All extant leasing contracts are repayable on a constant instalment basis established by contract and no changes are expected to the original plans.

All contracts are in Euro.
Finance lease liabilities are guaranteed to the lessor by means of rights on the assets under lease

32. retirement benefit obligation

Defined contribution plans

As a result of the Social security reform the proportion maturing from 1 January 2007, at the discretion of employees will be assigned to pension funds or transferred to the public treasury fund managed by INPS and will, once the employees choice has been formalized, be categorized as a defined contribution scheme (and therefore no longer subject toi actuarioal valuation).
Because of the above mentioned circumstances the total expenses provided for at year end amount to € 3.165 million.

Defined benefit plans

The Biesse group has made provisions in its accounts to the value of € 13.331 million, this being the present value of retirement benefit liabilities, due at the year end to employees of the Italian companies of the Group and composed of provisions to the employement termination benefit fund (TFR). As explained in note 7 to the accounts it has been necessary to recalculate these liabilities following the reform of Italian legislation on the TFR.

From 1 January 2007 employement termination benefits approaching maturity will be allocated to pension funds or to the treasury fund managed by INPS or, in the case of companies with fewer than 50 employees they will remain within the companies on the same terms as in previous years.
Employees were given until 30 June 2007 to decide how their funds should be allocated. As a result the allocation of the mature proportion of TFR to either pension funds or INPS involves the classification of a significant portion of the TFR as a defined contribution plan insofar as the company's obligation is represented entirely by contributions to the pension fund or INPS. The liability relating to pre-existing employment termination benefits will continue to be classified as a defined benefit plan which will be subject to actuarial valuation.
The change in the nature of the fund necessitated the revaluation of the pre-existing TFR owing to the transformation of the plan from defined benefit to defined contribution. This involved the recalculation of the liability excluding future contributions and assumed growth and consideringv the potential update of financial assumptions to take into account the timing of the transfer of the TFR to pension funds. The positive effects of this change in value of the pre-existing employment termination benefits recognized in the Income Statement amount to € 1.660 million.

The most recent actuarial calculations of the presehnt value of the above mentioned fund were carried out on the 31 December 2007 by Mercer Human Resource Consulting S.r.l.

€ '000	31 December 2007	31 December 2006
Costs relating to current labour provided	381	2.183
Financial expenses	654	603
	1,035	2,786

The costs for the year have been set down among personnel expenses.

The differences in the period relating to the present value of obligations relating to employment termination benefits are as follows:

€ '000	31 December 2007	31 December 2006
Opening liabilities	15,929	15,090
Current services	381	2,183
Financial expenses	654	603
Benefits paid out	(2,003)	(1,947)
Curtailment	(1,660)	0
Change in consolidation	30	0
Closing Liabilities	13,331	15,929

Assumptions made in the calculation:

€ '000	31 December 2007	31 December 2006
Discount rate used to determine the obligation	5.50%	4.50%
Expected rate of wage inflation	2.75%	2.75%
Inflation rate	2.00%	2.00%
Discount rate used to determine social security costs	4.50%	4.00%

Average employees

The average number of employees in the 2007 financial year was 2,211 (1,956 in 2006) broken down as follows:

	31 December 2007	31 December 2006
Manual workers	817	715
Office staff	1,356	1,203
Managers	38	38
TOTAL	2,211	1,956

* temporary workers are not included in the data

33. deferred tax assets and liabilities

€ '000	31 December 2007	31 December 2006
Deferred tax assets	8,857	8,874
Deferred tax liabilities	(3,656)	(8,040)
Net position	5,201	834

The following indicates the main constituents of deferred tax receivables and payables.

€ '000	31 December 2007	31 December 2006
Provisions to devaluation and write-down reserves	3,734	3,734
Intragroup profits included in value of inventories	2,352	2,252
Other	3,370	2,888
Deferred tax assets	8,857	8,874
Accelerated depreciation	626	1,942
Capitalised costs	1,223	2,140
Goods owned through finance leases	18	837
Other	1,789	3,121
Deferred tax liabilities	3,656	8,040
Net position	5,201	834

At the balance sheet date the Group reported unutilised tax losses of € 9 million (€ 10 million at end 2006). These losses relate to subsidiaries and there are no reasonable grounds to expect arecovery of these amounts in the short term.

34. provisions for risks and charges

€ '000	Guarantees	Retirment of agents	Other	Total
Value at 31/12/2006	**3,732**	**482**	**2,414**	**6,628**
Provisions	1,021	0	239	1,278
Utilisation	0	(14)	(1,082)	(1,096)
Changes in consolidation	41	0	0	41
Exchange rate and other differences	73	74	15	144
Valus at 31/12/2007	**4,867**	**542**	**1,586**	**6,995**

The guarantee reserve represents Group management's best estimate of the obligations deriving from the 1 year guarantee granted on products sold by the Group. The provision derives from estimates based on past experience and on analysis of the level of reliability of the marketed products.
The agent retirement reserve refers to the liabilities connected to existing agency agreements.
The item "Other provisions" is composed of the following:

€ '000	Year ending 31/12/2007	Year ending 31/12/2006
These funds are subdivided between:		
Current liabilities	**5,684**	4,769
Non current liabilities	**1,311**	1,859
	6,995	**6,628**

The amount relating to legal disputes refers to management's best estimate of future charges (for compensation and legal fees) connected to existing litigation with customers.

The provision for legal disputes relates to the amount relative to taxes and sanctions deriving from disputes – for which there is a probable risk of loss- with the Regional Revenue Authority of Ancona and refers to the audit carried out on the income of the parent company in 2002 and 2003 and with the Revenue Corps, relating to the audit carried out on the returns the years 2000 and 2001 made by Intermac which was incorporated in Biesse in 2002.
In particular, in relation to Preliminary Tax Audit (PVC) of the Regional Revenue Authority of Ancona of 21/10/2005, with respect to the parent company Biesse S.p.A. relating to the years 2002-2003, the provisions are valued, in accordance with the principle of prudence, at €495,000. In this regard the Regional Revenue Authority of Ancona served notice of an assessment relating just to the 2002 financial year, for which the relevant sanctions were paid due to the modest size of the sanctions in question. Regarding the merits of the assessment it was decided to lodge an appeal as there is no agreement on the reasons of the assessment. No tax assessment has yet been issued for the 2003 financial year. It should be noted that – in relation to the query on the claimed non-deductibility of the write-down of the shareholding in Schelling equal to €45.118 million – owing to the lack of a communication of the write-down and for which no provisions were made, on the specific opinion received from a leading national tax consultant stating the absence of risk – it is hereby notified that the Decree Law 273 of 31/12/2005 art. 31, para. 1 provides for the extension of the terms for communiocations under art. 1 para. 4 of Decree Law 209/72. In compliance with these provisions – even though the conditions are not believed to exist in this case- the Company has filed notification on 19/01/2006, the omission of which gave rise to the assessment, retaining that in doing so it has fulfilled its obligation and has now removed any possible motive for dispute regarding the aforementioned report. On the subject it should be noted that the 2007 Financial Law rectified a similar case of required "communication", and therefore of inappropriate sanction, relating to the omitted indication in Unico of purchases from countries on the blacklist. Moreover, the legislator mitigated the severity of the sanctions of the non-deductibility foreseen for these cases (in which it must be stressed Biesse is not involved) also for cases in which omission was the subject of dispute in the past by the National Revenue Services. This aspect adds force, were it necessary, to the belief in the appropriateness of tax amnesty regarding the supposed communication requirement, by its nature a formality and the subject of the 2003 report, as per art. 31 of Decree Law 273/2006 (converted into Law 51/2006)

There are also further tax disputes of modest size, regarding unrecognised VAT credits and tax avoidance. It is believed that the Group should continue to appeal these disputes as it believes there are sufficient grounds to expect a resolution of them in the Group's favour.

€ '000	Legal disputes	Tax disputes	Total
Value at 31/12/2006	**1,318**	**1,096**	**2,414**
Provisions	180	59	239
Utilised	(460)	(622)	(1,082)
Exchange rate and other differences	15	0	15
Value at 31/12/2007	**1,053**	**533**	**1,586**

35. trade payables

The details of trade payables are as follows:

€ '000	31 December 2007	31 December 2006
Trade payables to suppliers	**98,977**	95,955
Deposits/advance payments for installation and testing	**20,379**	17,589
TOTAL	**119,355**	**113,544**

36. other current liabilities

The details of other current liabilities is as follows:

€ '000	31 December 2007	31 December 2006
Tax payables	**7,153**	5,774
Payables to social security organisations	**6,768**	5,122
Other payables to employees	**11,917**	10,135
Other current payables	**6,297**	9,930
TOTAL	**32,134**	**30,962**

The item "Other current liabilities" decreased largely as a result of the payment of a debt to the sellers of the majority stake in Bre.Ma. Brenna Macchine S.r.l.(€ 3.2 million). In regard to this acquisition there remains an outstanding liability of € 2.5 million relating to the valuation of the put option granted to the minority shareholders. In the same account "Other current liabilities" there is the liability relating to the acquisition of the outstanding 50% of Hsd Deutschland GmbH (€ 823,000).

37. other current payables to related parties

This account refers to amounts payable to the controlling shareholder and relates to the transfer of IRES payables on the part of Biesse S.p.A. and HSD S.p.A. to the controlling shareholder Bi.Fin. S.r.l., following the decision to adhere to the National Fiscal Consolidation for the three years 2005/2007 (see note 4546) 45.

€ '000	31 December 2007	31 December 2006
Bi. Fin. S.r.l.	5,033	15,040
TOTAL PAYABLES TO CONTROLLING SHAREHOLDER	5,033	15,040

38. derivative financial instrumements

€ '000	31 December 2007		31 December 2006	
	Asset	Liability	Asset	Liability
Exchange rate derivatives	322	(75)	824	-
TOTAL	322	(75)	824	-

Exchange rate derivatives

Exchange rate derivative contracts are not classified as hedging instruments (see note 3) and are represented by forward contracts. The financial instruments acquired are denominated in the currencies in which the group operates.
At the balance sheet date the notional amount of forward contracts in foreign currencies entered into by the Group are summarised as follows:

€ '000	31 December 2007	31 December 2006
US Dollar	21,738	20,121
Sterling	3,409	2,979
Canadian Dollar	4,152	6,871
	29,299	29,971

At 31 December 2007, the net fair value of derivative instruments on currencies was estimated to be approximately € 322,000 identifiable as current assets and €75,000 identifiable as current liabilities (at end 2006, the fair value amounted to € 824,000, identifiable as current assets). As these instruments may not be categorised as hedging instruments the relative changes in fair value must be recognised in foreign exchange gains or losses.

39. commitments, contingent liabilities and guarantees

Commitments

In relation to the contract signed in 2006 for the acquisition of a majority stake in Bre.Ma. Brenna Macchine S.r.l, it is noted that there is a Put option in favour of the sellers of the outstanding share capital of the subsidiary. The option may be exercised after three years but before five years have elapsed from the signing of the aforementioned contract. The valuation of the put option at the balance sheet date follows the methodology set down by IAS/IFRS, taking into account that the exercise price approximates to the fair value of the remaining shareholding in Brema, did not lead to the recognition of a liability in the accounts.
It should be noted that on 13 December 2007, the subsidiary HSD S.p.A. agreed terms for the acquisition of the outstanding share capital of HSD Deutschland GmbH (already an associated company of the Group). This acquisition was completed on 13 March 2008.

At the closing date of the present report the Group's obligations regarding the acquisition or construction of new buildings for industrial or commercial use are particularly relevant. These include:

- On the part of Bifin Ltd. a obligation to acquire a new headquarters for the subsidiaries Biesse America and Intermac Inc. to replace their present headquarters.; at 31/12/2007, the group signed a preliminary purchase agreement for the land (subject to suspensive clauses relating to geological surveys) for about USD 650,000;
- On the part of Biesse Manufacturing Co. Pvt. Ltd., the obligation to build an operational headquarters for which it has signed contracts for about 100 million rupees (about €1.9 million).

Finally, repurchase obligations have been signed for € 1.092 million, in favour of leasing companies in case of non-fulfillment by customers of the group.

Contingent liabilities

With regard to contingent liabilities relating to tax issues please refer to note 34.

Guarantees issued and received

The Group has issued guarantees equal to € 7.452 million. The most significant components relate to guarantees released in favour of the Pesaro Regional Authority, relating to urbanization charges for buildings located in this province (€ 1.468 million), guarantees issued in favour of the subsidiary Biesse Group Australia Pty Ltd. (€ 597,000)
Relating to cover for credit lines and guarantees released in favour of the company's own clients and suppliers against normal operating activities (about € 5 million). With regard to guarantees received it is noted that the contract to sell the property in San Giovanni in Marignano provides for a conditional sales clause pursuant to article 1523 et sequitur of the Civil Code, assuring the parent company the right to reacquire a portion of the building used as office space in the event of the failure of the counterparty to pay the agreed price. At the closing date the uncollected amount relating to the sale is equal to € 1,013,000.

Risk management

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

- market risk, consists primarily of risk relating to fluctuations in exchange rates and interest rates;
- credit risk, relates particularly to trade creditors and, to a lesser degree, to other financial assets;
- liquidity risk, with reference to liquid financial resources to offset the obligations connected to financial liabilities.

With regard to risk connected with the fluctuation of raw material prices the Group tries to transfer the management and the economic impact to its own suppliers by freezing 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 Group products does not exceed 1.5% of the total including ancillary work (folding-welding-painting etc.)

Exchange rate risk

The risk relating to exchange rate variations is represehted by the possible fluctuation in the value of the

Euro against currency positions or net exposure to other currencies, constituted by the algebraic result of sales invoices issued, orders in portfolio, purchasing invoices received, of the financial balance in foreign currency and of cash held in foreign currency. The risk management policy approved by the Board of Directors provides that rge amount of cover must not fall below 70% of the net foreign currency exposure and that the initiation of any hedging operation must be tied to an underlying asset. Hedging can be carried out using forward contracts (outright/currency swap) or also using currency derivatives (currency option).
The nature of the Group's business is such that the currency exposure is packaged into several individual positions in currency (referring to individual sales and orders), which complicates (as well as making anti-economic) a point base hedging policy (i.e. with direct correlation to hedging instruments and underlying assets): for that reason, hedging occurs on an aggregate basis and in particular on a matching basis on all the open positions in foreign currency. This hedging methodology, while effective from a managerial perspective, cannot be considered as such, on the basis of the provisions of international accounting principles. For that reason changes in fair value of the derivative instruments are recognized directly in the Income Statement.

Exchange rate risk is expressed mainly in the following currencies:

	Financial assets		Financial liabilities	
€ '000	31/12/2007	31/12/2006	31/12/2007	31/12/2006
US dollar	22,538	15,563	2,179	1,594
Canadian dollar	1,471	2,774	252	955
Sterling	1,366	3,330	15	414
Other currencies	2,545	2,697	12,638	11,541
Total	27,989	24,364	15,616	15,633

Financial liabilities in other currencies relate to the liabilities of subsidiaries in the Asia Pacific area towards the controlling shareholder for outstanding trade payables, transactions for which no risk cover policy has been formally approved.

There follows a sensitivity analysis illustrating the impact on the Income Statement of hypothetical variations of +15%/-15% on individual crosses. These do not, it must be emphasised, calculate the impact on other reserves of net equity, considering the nature of the assets and liabilities subject to exchange rate risk.

	Impact on Income Statement	
€ '000	If exchange rate > 15%	If exchange rate < 15%
US Dollar	(2,656)	3,054
Canadian Dollar	(159)	183
Sterling	(176)	203
Total	(2,991)	3,440

The Biesse Group uses only forward contracts as hedging instruments which, insofar as they do not respond to the requirements of effective hedge accounting are classified as trading instruments. In considering the amount exposed to exchange rate risk, the Group includes also the orders acquired denominated in foreign currencies in the period preceding their conversion into trade receivables (dispatch-invoicing).

OUTRIGHT CONTRACTS IN FORCE AT 31/12/2007

	Nominal value	Average forward rate	Maximum duration
US Dollar	32,000	1.4599	May 2008
Canadian Dollar	6,000	1.4581	April 2008
Sterling	2,500	0.7161	March 2008

OUTRIGHT CONTRACTS IN FORCE AT 31/12/2006

	Nominal value	Average forward rate	Maximum duration
US Dollar	26,000	1.2837	April 2007
Canadian Dollar	10,500	1.4697	April 2007
Sterling	2,000	0.6758	April 2007

There follows a sensitivity analysis illustrating the impact on the Income Statement of hypothetical variations of +15%/-15% on individual crosses:

	Impact on Income Statement	
€ '000	If exchange rate > 15%	If exchange rate < 15%
US Dollar	3,017	(3,079)
Canadian Dollar	504	(660)
Sterling	527	(429)
Total	4,048	(4,169)

Interest rate risk

The Group is exposed to fluctuations in interest rates with reference to financial expenses relating to bank debt and to leasing companies for the acquisition of assets made via finance leasing contracts.

Interest rate risks derive primarily from medium term bank lending given the continuing reduction in long term debt. Despite the changing trend in interest rates, reflected in an increase in the short term curve, the company's choice remains not to carry out further hedging of its own debt as expectations are that the trend of interest rates remains downwards or at least substantially stable.

The financial trends that have brought the Group to a positive net financial position of €1.143 million at 31 December 2007 are such that the risk of changes in interst rates to which the Group is exposed may be considered insignificant.

Credit risk

Credit risk refers to Biesse Group's exposure to potential losses deriving from the failure of commercial and financial counterparties to fulfill contractual obligations. The principal exposure is towards clients. The management of credit risk is constantly monitored with reference both to the reliability of clients and the control of cash flows and management of eventual credit recovery operations. In the case of clients considered by management to be strategic the credit limits attributed to them are defined and monitored. In other cases the sale is managed by obtaining advance payments, utilisation of leasing type payment forms and, in the case of foreign clients, letters of credit. On contracts relating to sales uncovered by adequate guarantees, reserve property rights are attached to the goods being sold.

With reference to trade creditors there are no identifiable risks of concentration insofar as no single client accounts for more than 5% of sales. The book value of financial assets, expressed net of write-downs for expected losses represents the maximum exposure to credit risk. For other information on the methodology of determining risk provisions on receivables and on the characteristics of overdue credit please refer to note 20 on trade receivables.

Liquidity risk

Liquidity risk is the Group risk connected with the difficulty in fulfilling obligations relating to financial liabilities.

The following table illustrates the expected flows on the basis of contractual expiry of financial liabilities other than derivatives. The flows are expressed in undiscounted contractual values, including therefore both the capital portion and the interest portion. The loans and other financial liabilities are included on the basis of the earliest expiry date on which repayment may be demanded and the financial liability thus recalled considered payable on sight, the "worst case scenario".

31/12/2007

€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Over 5 years	Total
Trade and other payables	58,457	58,716	305	292	0	**117,770**
Financial leasing liabilities	12	1,666	1,537	8,455	3,127	**14,797**
Overdrafts and bank loans	21,939	638	0	379	190	**23,146**
TOTAL	**80,408**	**61,020**	**1,842**	**9,126**	**3,317**	**155,713**

31/12/2006

€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Over 5 years	Total
Trade and other payables	54,902	56,161	150	273	0	**111,486**
Financial leasing liabilities	0	1,468	1,260	8,878	180	**11,786**
Overdrafts and bank loans	6,668	4,229	177	417	284	**11,775**
TOTAL	**61,570**	**61,858**	**1,587**	**9,568**	**464**	**135,047**

The group monitors liquidity risk through the daily control of net flows in order to guarantee efficient management of financial resources.

The net financial position is positive for over € 1 million, after having distributed € 13.7 million of extraordinary dividends in December 2007 (which was additional to the € 9.8 million of ordinary dividends distributed in May 2007). The amount of trade receivables and the conditions attached to them combine to provide a baolance of working capital and, in particular, coverage of payables to suppliers.
The Group has available credit lines for cash recall (short term financing) equal to a total of € 91 million – of which € 19 million has been utilised – provided by leading Italian credit institutions.

Classification of financial instruments

The following table illustrates the type of financial instrument present in the accounts on the Balance Sheet:

€ '000	31 December 2007	31 December 2006
FINANCIAL ASSETS		
At fair value with matching entry in Income statement:		
Derivative instrument financial assets	322	824
Financing and receivables valued at amortised cost:		
Trade receivables	*109,981*	*113,670*
Other assets	1,360	8,387
- other Financial assets and non current receivables	*402*	*1,428*
- other current assets	*958*	*6,960*
Cash and cash equivalents	*36,488*	*36,052*
FINANCIAL LIABILITIES		
At fair value with matching entry in Income statement:		
Derivative instrument financial assets	*75*	*-*
Valued at amortised cost:		
Trade receivables	*99,085*	*96,229*
Bank loans, finance leases and other financial liabilities	35,643	21,981
Other current liabilities	*18,685*	*15,257*

The balance sheet values of financial assets and liabilities described above are equal to or approximate to their fair value.

40. operating lease contracts

Contracts involving the group as lessee

€ '000	31 December 2007	31 December 2006
Leasing costs paid during the year	**6,639**	5,408
TOTAL	**6,639**	**5,408**

At the balance sheet date, the amount of leasing charges still owed by the Group for operating lease contracts is as follows:

€ '000	31 December 2007	31 December 2006
Within one year	**3,884**	3,379
Between one and five years	**6,040**	4,802
Beyond five years	**418**	294
TOTAL	**10,342**	**8,475**

These contracts relate to the lease of buildings (for industrial or commercial use), motor vehicles and office equipment. The leases have an average duration of three years and the fees are fixed for the same period of time.

Contracts involving the Group as lessor

€ '000	31 December 2007	31 December 2006
Leasing fees received during the year	**246**	372
TOTAL	246	372

41. operations that have not involved changes in cash flow

During 2007 investments totalling €3.777 million were made in buildings and precision machining equipment, financed by entering into new leasing contracts.   .
Moreover the cash flow statement does not include any cash flow outflow relating to the acquisition of the outstanding interest in HSD Deutschland GmbH (value € 823,000), since the existing agreements stipulate that the balance of the consideration is to be paid during the first semester of 2008.

42. acquisition of subsidiary companies

During the financial year, the Group made five acquisitions of companies and business divisions.

1) In February 2007, the subsidiary Biesse America Inc. set up the company Intermac, Inc., providing it with share capital of US$ 500,000. Subsequently, on 2 April 2007, the new company - Intermac Inc. - acquired the "distribution and support" business division of AGM Glass Machinery Inc, which for 20 years has been the distributor of the Intermac brand (machines and systems for processing glass and stone) in the USA.

The figures for the subsidiary and details relating to the acquisition are given below:

€ '000	Book value of the acquired company	IAS and fair value adjustments	Adjusted values
Net assets acquired			
Intangible assets	0	2,038	2,038
Inventories	3,379	0	3,379
Trade receivables	1,596	0	1,596
Trade payables	(2,396)	0	(2,396)
Share acquired (100%)			4,618
Goodwill			1,726
Aquisition price - fully paid			**6,344**
Made up of:			
Cash			6,344
Net cash outflow for acquisition:			
Cash payment			**6,344**

2) On 8 June 2007, the subsidiary MC S.r.l. acquired 51% of MC Meccanica S.r.l. Into this recently established company was conferred the business division of a pre-existing small company operating in the field of precision engineering for third parties.

The figures for the subsidiary and details relating to the acquisition are given below:

€ '000	Book value of the acquired company	IAS adjustments	Adjusted values
Net assets acquired			
Plant, machinery, equipment and other tangible assets	33	1,400	1,433
Other intangible assets	9		9
Inventories	7		7
Trade receivables	311		311
Other receivables	220	4	224
Cash and cash equivalents	1		1
Retirement benefit obligations	(61)	10	(51)
Trade payables	(53)		(53)
Deferred tax liabilities	0	(377)	(377)
Other payables and other liabilities	(177)	(32)	(209)
Financial payables	0	(423)	(423)
			871
Share acquired (51%)			444
Goodwill			408
Acquisition price			**852**
Made up of:			
Cash			427
Debt			425
			852
Net cash inflow from acquisition:			
Cash payment			(427)
Cash and bank balances acquired			1
			(426)

3) On 19 July 2007 Biesse S.p.A. acquired 55% of the share capital of Digipac S.r.l. The company, set up in 2006 by pacjaginjg sector technicians, produces and markets packaging machinery. In particular Digipac is engaged in the stretch film packaging sedctor and has produced innovative solutions for "fascia-pallet" machines for the food and beverage sectors. The assets acquired include € 360,000 of net fixed assets (at fair value), negative net working capital of € 26,000 (of which inventories of € 83,000, receivables of € 90,000, payables of € 199,000) and net debt of € 165,000. The difference between acquisition price and net equity acquired (€ 127,000) has been temporarily allocated to the Goodwill account until the fair value can be determined and allocated more precisely. Fair value is currently being calculated according to the IFRS 3 accounting principles. The purchase price equal to € 161,000 was paid in 2007. The net cash flow deriving from the acquisition is negative for € 157,000.

4) On 10 September 2007, Biesse S.p.A. acquired from its associate Tecnimpresa the outstanding 20% of its subsidiary Sandymac S.r.l., taking full control, for an outlay of € 200,000. The agreement brings forward the timing provided in a pre-existing contract between the two companies which granted a call option to Biesse S.p.A. (and a corresponding put option in favour of the minority partner) on the residual share of the capital of the subsidiary to be exercised on approval of the 2008 accounts. As this deals with

an extraordinary merger between the parent company and a subsidiary, it was not considered necessary to apply IFRS 3 as the transaction is not classified as a new business combination.
In the absence of a specific IAS/IFRS that interprets this kind of operation the Group relies on the interpretation provided by documents OPI 1 and OPI 2 and in part even OPI 3 (provisional interpretation documents issued by Assirevi). The accounting treatment of the effects of the merger has been carried out giving continuity to the values already recognised in the Consolidated Group Accounts.
The merger took place on 29/12/2007 but with fiscal and accounting effects backdated to 1/1/2007. The value of equity relevant to the transaction reported at 30/09/2007 was negative for € 17,000. The difference between purchase price and net equity acquired is negative for € 240,000, and has been imputed directly to net equity.

5) On 13 December 2007, the subsidiary HSD S.p.A. obtained control of the company HSD Deutschland GmbH (already attached to the Group) and reached agreement for the acquisition of the outstanding share capital. This acquisition was completed on 13 march 2008 (on payment of € 823,000), but the effects are included in the present accounts.
The assets acquired include net fixed assets of € 78,000 (at fair value), net negative working capital of € 134,000 (of which inventories of € 582,000, receivables of € 778,000 and payables of € 1.494 million) and cash and liquidity of € 344,000. The difference between acquisition price and acquired net equity (€ 679,000) has been temporarily allocated to Goodwill until a fair value can be more accurately calculated an allocated. The fair value is currently being determined in accordance with the accounting principles of IFRS 3. The acquisition price equal to € 823,000 will be paid in the first half of 2008. The net cash flow deriving from the acquisition is positive for € 344,000.

In the intervening period between the date of acquisition and the end of the financial year the acquired companies have contributed revenues of €9.161 million and post tax losses of € 871,000 to the Group Income Statement.
Had the acquisitions been made at the start of 2007, the Group's total sales would have been € 467.118 million and the profit for the year would have been € 41.777 million.
Finally it should be noted that during 2007, the parent company continued to pay the balance of the price for the acquisition of the controlling shareholding in Bre.Ma. Brenna Macchine S.r.l. (an acquisition made in August 2006), with a payment of € 2.805 mila.

43. atypical and unusual transactions

During the course of 2007 no operations of this nature were reported.

44. post balance sheet events

With regard to events subsequent to the date of the balance sheet please refer to the note in the Directors report.

45. related party transactions

The Group is directly controlled 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 company, have been eliminated from the consoloidated balance sheet and are not illustrated in these notes. Details of the operations between the Group and other related entities are indicated below.

€ '000	Costs 2007	Costs 2006	Revenue 2007	Revenue 2006
Controlling shareholders				
Bi. Fin. S.r.l.	8	2	10	10
Other related companies				
Fincobi S.r.l.	10	10	1	1
Rettifica Modenese S.r.l.	-	166	-	3
Members of the Board of Directors				
Members of the Board of Directors	1,256	1,131	3	1
Members of the Statutory Audit Board				
Members of the Statutory Audit Board	68	56	-	-
Other related parties				
Other related parties	337	198	-	-
Total related party transactions	**1,680**	**1,562**	**14**	**15**

€ '000	Receivables 2007	Receivables 2006	Payables 2007	Payables 2006
Controlling shareholders				
Bi. Fin. S.r.l.	12	1,387	5,043	15,040
Other related companies				
Rettifica Modenese S.r.l.	-	21	-	64
Members of the Board of Directors				
Members of the Board of Directors	1	1	31	16
Members of the Statutory Audit Board				
Members of the Statutory Audit Board	-	-	68	56
Total related party transactions	**13**	**1,409**	**5,141**	**15,177**

The remuneration paid to Directors is fixed by the Remuneration Committee on the basis of the average market rate of remuneration

With refernec to transactions with the controlling shareholder Bi.Fin. Srl no significant transactions were identified, with the exception of the beneficial use of land with a value of €270,000. The property transaction was carried out under conditions that are no different to those theoretically obtainable in a transaction involving third parties and is supported by the appropriate estimate based on expert opinion.

Also the other transactions with related parties have been conducted under contractual conditions in line with the terms that would theoretically apply in dealings with third parties.

It is to be remembered that Biesse S.p.A. adheres to the National Fiscal Consolidation for the three year period 2005/2007 to which its controlling shareholder, Bifin S.r.l. adheres in accordance with articles 117 et sequitur of the Decree of the President of the Republic DPR 917/86 together with its subsidiaries I.S.P. Systems S.r.l. and Hsd S.p.a.

Payables will be paid in cash. No guarantee has been given or received.

REMUNERATION OF DIRECTORS, GENERAL MANAGERS, DIRECTORS WITH STARTEGIC RESPONSIBILITY AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS

POSITION			REMUNERATION			
€ '000			Salary	Non monetary benefits	Bonuses and other incentives	Other remuneration
Name	Position	Duration of mandate				
Selci Roberto	Chairman	29/04/2009	372	1		
Selci Giancarlo	Managing Director	29/04/2009	372	1		
Parpajola Alessandra	Director	29/04/2009	156	3		
Sibani Leone	Board member*	29/04/2009	33			
Garattoni Giampaolo	Board member*	29/04/2009	22			
Giordano Salvatore	Board member*	29/04/2009	21			
Porcellini Stefano	Board member	29/04/2009	59	1	35	154
TOTAL			1,035	6	35	154
Ciurlo Giovanni	Statutory auditor	29/04/2009	34			
Franzoni Adriano	Statutory auditor	29/04/2009	17			
Sanchioni Claudio	Statutory auditor	29/04/2009	17			
TOTALE			68			

* Independent directors.

The strategic managers of Biesse S.p.A. carry the rank of Director.

Pesaro, 20/03/2008

The Chairman of the Board of Directors
Roberto Selci

Certification of the Consolidated Financial Statements in accordance with art. 81-ter of Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions.

1. The signatories Roberto Selci and Stefano Porcellini in their capacities as, respectively, Chairman and Managing Director and Manager with responsibility for preparing the accounts of Biesse SpA, guarantee, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Decree Law no 58 of 24 February 1998:

- the pertinence in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the con-soliudated financial statements during the 2007 financial year.

2. The administrative and accounting procedures for the formation of the consolidated financial statements to 31 December 2007 were defined and the evaluation of their appropriateness was conducted on the basis of rules and methodologies defined by Biesse consistent with the model of Internal Control – Integrated Framework issue by the Committee of Sponsoring Organizations of the Treadway Commission which repre-sents a reference framework for internationally accepted internal control systems

3. In addition it is guaranteed that the financial statements to 31 December 2007 :
a) correspond to the results of the accounting books and records;
b) are prepared in conformity with the international accounting principles issued by the International Ac-counting Standards Board, adopted by the European Commission according to the procedures provided for by art. 6 of Resolution (CE) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and in accordance with art 9 of Decree Law no 38/2005, according to which it is required to provide a true and correct representation of the capital, financial and economic situation of the issuer and of the group of entities included in the consolidation.

Pesaro 20 March 2008

Chairman and Managing Director
Roberto Selci

Chief Financial Officer
Stefano Porcellini

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
BIESSE S.p.A.

1. We have audited the consolidated financial statements of BIESSE S.p.A. and subsidiaries (the BIESSE Group), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 12, 2007.

3. In our opinion, the consolidated financial statements present fairly the financial position of the BIESSE Group as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 10, 2008

This report has been translated into the English language solely for the convenience of international readers.

Progetto grafico **bloom**comunicazione

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