

half-year  
report at  
30 june 2012



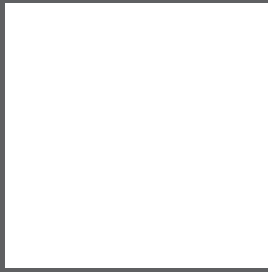
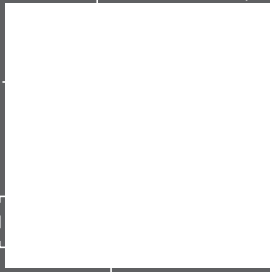






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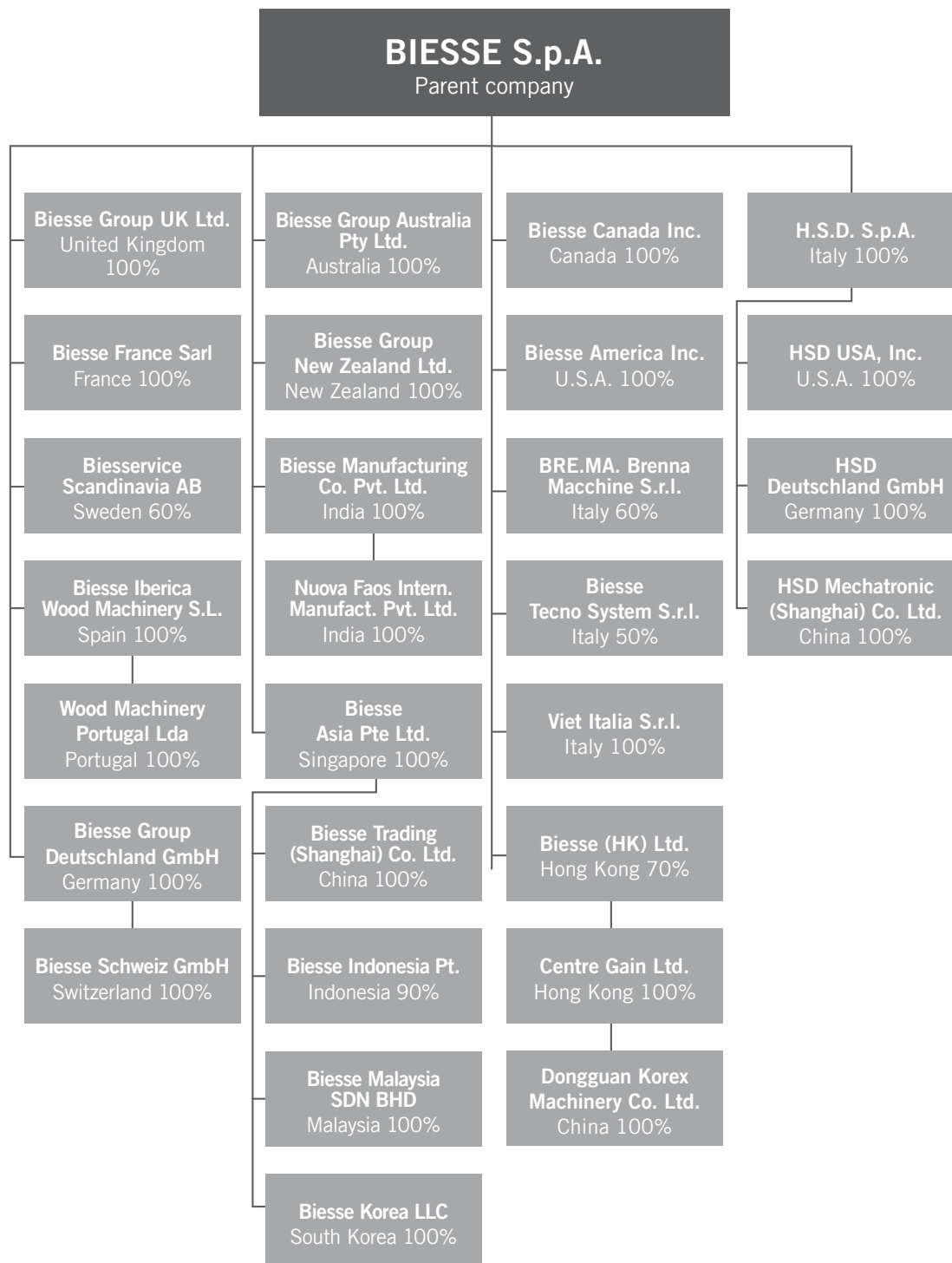
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the biesse group

# group structure

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





Compared with the annual report for the year ended 31 December 2011, the consolidation scope underwent the following changes.

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

In addition, during the second quarter the subsidiary Biesse Asia Pte Ltd. strengthened its

local presence and set up two new companies to replace the pre-existing representative offices: specifically, on 24 April 2012, Biesse Malaysia SDN BHD was set up, while, on 26 June 2012, Biesse Korea LLC was established.

It should be pointed out that Viet Italia S.r.l. is a new company set up to rent and subsequently acquire (an irrevocable purchase offer has been made to the liquidator) the business unit of the eponymous Pesaro-based brand – Viet – market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. The irrevocable purchase offer also included the quotaholding owned by the latter in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). Based on some conditions precedent established by the contract in question and concerning Pavit – and relating to the acquisition of the quotaholding – it has been deemed advisable not to include the company in the consolidation scope, also in view of its immateriality. The line-by-line consolidation of the company will take place when the conditions precedent have been satisfied.



# board of directors



# company office holders

## Board of Directors

Chairman and Managing Director	<i>Roberto Selci</i>
Managing Director <sup>1</sup>	<i>Giancarlo Selci</i>
Managing Director <sup>2</sup>	<i>Giorgio Pitzurra</i>
Executive Director	<i>Alessandra Parpajola</i>
Chief Financial Officer	<i>Stefano Porcellini</i>
Director <sup>3</sup>	<i>Leone Sibani</i>
Director <sup>3</sup>	<i>Giampaolo Garattoni</i>
Director <sup>3</sup>	<i>Salvatore Giordano</i>

## Board of Statutory Auditors

Chairman	<i>Giovanni Ciurlo</i>
Standing Statutory Auditor	<i>Claudio Sanchioni</i>
Standing Statutory Auditor	<i>Riccardo Pierpaoli</i>
Alternate Statutory Auditor	<i>Cristina Amadori</i>
Alternate Statutory Auditor	<i>Silvia Cecchini</i>

## 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

KPMG S.p.A.

<sup>1</sup> with exclusive mandate for the strategic direction of the Group

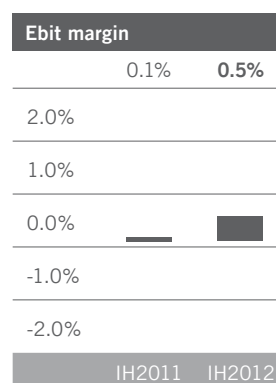
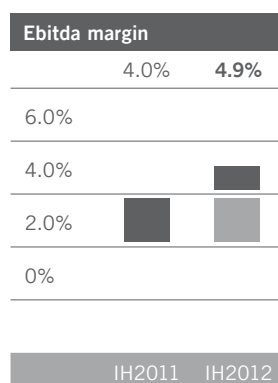
<sup>2</sup> resigned as from 20 July 2012

<sup>3</sup> independent

# financial highlights

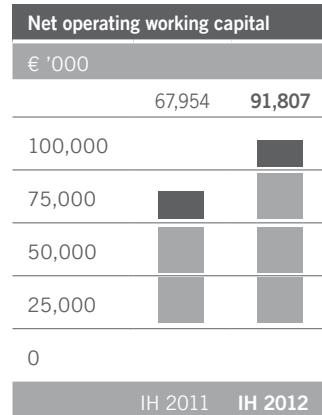
INCOME STATEMENT					
€ '000	1 H 2012	% of sales	1 H 2011	% of sales	Change %
Revenue from sales and services	<b>192,086</b>	<b>100.0%</b>	181,565	100.0%	5.8%
Added value <sup>(1)</sup>	<b>71,021</b>	<b>37.0%</b>	67,438	37.1%	5.3%
Ebitda (Gross operating profit) <sup>(1)</sup>	<b>9,381</b>	<b>4.9%</b>	7,241	4.0%	29.6%
Normalised Ebit (Normalised net operating profit) <sup>(1)</sup>	<b>1,357</b>	<b>0.7%</b>	206	0.1%	-
Ebit (Net operating profit) <sup>(1)</sup>	<b>891</b>	<b>0.5%</b>	206	0.1%	-
Loss for the period	<b>(3,304)</b>	<b>(1.7%)</b>	(4,217)	(2.3%)	(21.7%)

(1) Amounts referring to interim results and to combined statement of financial position and income statement figures. Relevant calculation criteria are provided in the Interim Directors' Report and in the Notes.



STATEMENT OF FINANCIAL POSITION			
€ '000	30 June 2012	31 December 2011	30 June 2011
Net Invested Capital <sup>(1)</sup>	184,531	171,038	153,367
Equity	117,751	120,663	117,986
Net financial indebtedness <sup>(1)</sup>	66,780	50,375	35,381
Net operating working capital <sup>(1)</sup>	91,807	87,542	67,954
Gearing (net financial indebtedness/equity)	0.57	0.42	0.30
Fixed asset/standing capital ratio Copertura immobilizzazioni	1.03	1.08	1.18

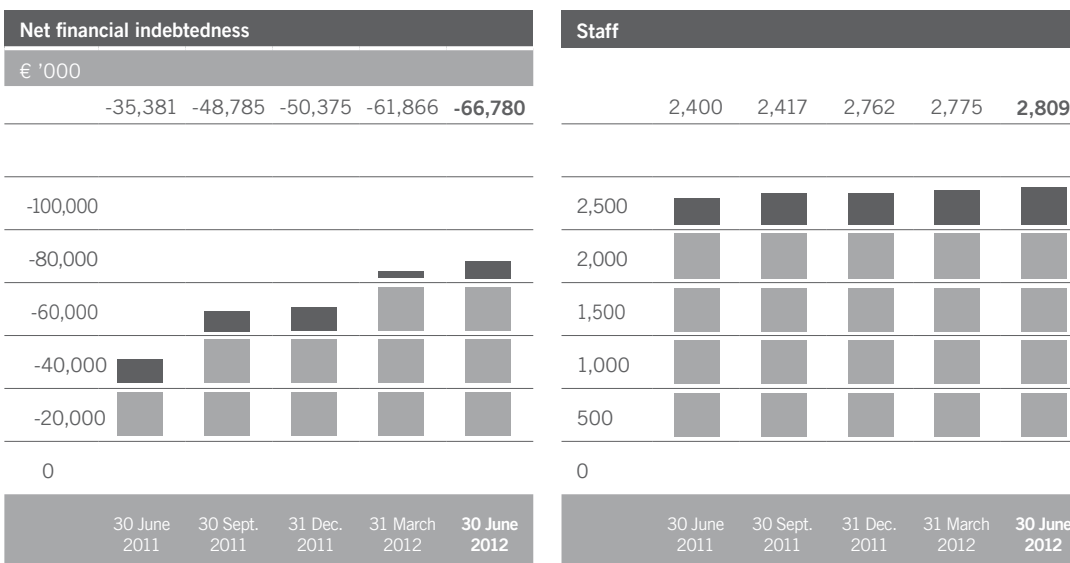
(1) Amounts referring to interim results and to combined statement of financial position and income statement figures. Relevant calculation criteria are provided in the Interim Directors' Report and in the Notes.



CASH FLOW <sup>(2)</sup>		
€ '000	1H 2012	1H 2011
Ebitda (Gross operating profit)	9,381	7,241
Change in net working capital	(6,362)	(8,219)
Change in other operating assets/liabilities	(8,530)	(8,866)
<b>Operating cash flow</b>	<b>(5,511)</b>	<b>(9,844)</b>
Cash flow used in investment activity	(10,708)	(7,021)
<b>Cash flow</b>	<b>(16,219)</b>	<b>(16,865)</b>
Foreign exchange rate differences	(186)	405
<b>Change in net financial indebtedness</b>	<b>(16,405)</b>	<b>(16,460)</b>

(2) The sub-totals may differ from those in the statement of cash flows due to the differing exchange rate impact statement of financial position.

PERSONNEL		
€ '000	30 June 2012	30 June 2011
Number of employees	<b>2,809</b>	2,400



The figures include temporary staff. The figures at 30 June 2012 include the employees of the Centre Gain group and of Nuova Faos International Manufacturing Pvt. Ltd.

the group





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

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

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

# the brands

## BIESSE

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

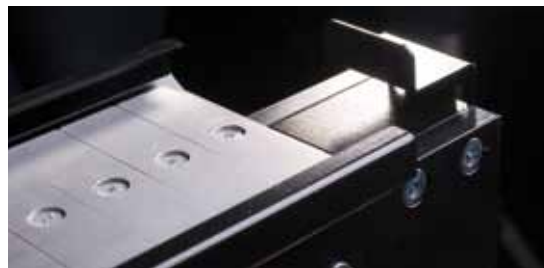


## BIESSEEDGE

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



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





## BIESSEARTECH

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



# the brands

## SELCO

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



## Bre.Ma.

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





## elias 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.

# the brands

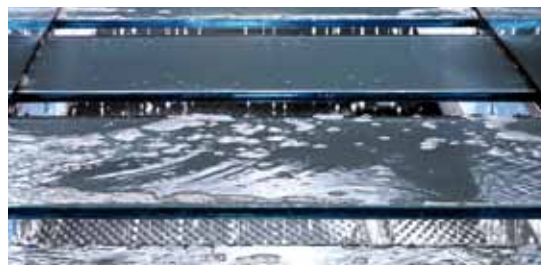
## INTERMAC

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



## BUSETTI

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



## DIAMUT

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



## COSMEC

COSTRUZIONI MECCANICHE  
DI PRECISIONE

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

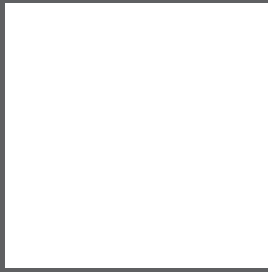
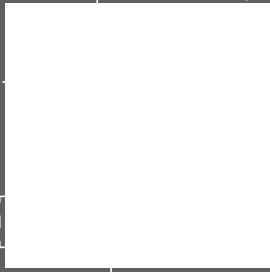


## HSD

MECHATRONIC  
DIVISION

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





interim  
directors' report  
at 30 june 2012



## **WORLD ECONOMIC TREND**

The global economy is experiencing a very gradual and fragile recovery. In recent weeks, the most up-to-date information shows that growth is once again weakening compared to the first quarter of the year. In addition, growth is still quite variable across countries and regions. In most industrialised economies, structural impediments

continue to hold back the expansion rate and confidence has fallen further in recent weeks.

This probably reflects, at least in part, a mechanical correction to the extremely positive data published earlier in the year, which might have been due to temporary factors. Emerging economies continue to record significantly higher business growth rates, and are therefore making a



greater contribution to global growth. At the same time, for these countries too the growth rate has slowed slightly; this is partly due to the restrictive measures that had been adopted previously, as well as the indirect impact of the weaker foreign demand.

The results from the latest economic analyses show a new slowdown in the area outside the Eurozone. In June the global purchasing managers' index (PMI) relating to manufacturing fell slightly further (to 50.3 from 52.1 in May), against the background of a fall in both the manufacturing and services sectors. The former fell below the threshold value between expansion and contraction which is set at 50, while the second remained above 50; thus, taken together, these values indicate continuing moderate growth in the world economy. The June decline in the global PMI for manufacturing was associated with a fall calculated excluding the Eurozone, while the index relating to the Eurozone remained unchanged at very low levels.

Global inflation has continued to decrease in recent months, given a fall in commodity prices. In the OECD area consumer price inflation over twelve months fell to 2.1 percent in May, from 2.5 percent in April and from the peak of 3.3 percent in September 2011. This result mainly reflects the trend in energy and food prices. The rate calculated net of these two elements fell slightly, to 1.9 percent in May, from 2.0 percent in the previous month. Emerging economies too recorded a further general fall in inflation, which, for example, fell to 3.0 percent in China and to 5.0 percent in Brazil.

#### UNITED STATES

In the United States economic growth continues at moderate levels. The third estimate from the Bureau of Economic Analysis records that in the first quarter of 2012, in real terms, GDP rose by 1.9 percent annually (by 0.5 percent compared to the prior period), in line with the second estimate, compared to 3 percent in the fourth quarter of 2011. The weakening is largely attributable to the lower growth in capital expenditure in sectors other than residential construction and in investments in inventories. On the other hand, the increase in consumer spending and exports in the first quarter, although slightly below previous estimates, made a positive contribution to GDP growth. Economic indicators and high-frequency financial data continued to show a moderate expansion in the second quarter of 2012. Business confidence fell in the second quarter due to the

fears over the global economic situation, while industrial production weakened slightly in May.

More positively, various indicators show a gradual improvement in the residential sector, albeit from extremely low levels. Employment figures for the first two months of the second quarter were below the expectations of market analysts and the sharp recovery in the first quarter (which was partly attributable to the favourable weather conditions) appeared to wane. The unemployment rate rose slightly in May, to 8.2 percent, reflecting the increase in the number of unemployed people.

#### JAPAN

In Japan the second preliminary estimate of the national accounts confirmed strong economic growth in the first quarter of 2012. GDP growth in real terms, compared to the prior period, rose to 1.2 percent (from 1.0 percent in the previous estimate), due to the recovery in investments and private consumption. The results from the most recent analyses show that the growth rate could be fairly moderate in the second quarter given a lower contribution from the manufacturing sector, while business activities in other sectors should remain steady. The PMI for manufacturing revealed a further fall in business confidence in June. This happened in the context of a rise in the yen and lower growth in exports, especially to Asia.

Industrial production fell for the second month in a row in May by 3.1 percent compared to the previous month, in line with exports of goods in real terms (- 2.7 percent). At the same time, imports (in real terms) rose for the third month running and this affected the trade deficit, which in May further increased (in absolute terms) on a seasonally-adjusted monthly basis.

#### UNITED KINGDOM

In the United Kingdom, in the first quarter of 2012 GDP in real terms fell by 0.3 percent compared to the prior period. The most recent figures are relatively weak. The volume of exports and manufacturing production fell in April, while the economic indicators in the manufacturing sector saw a drop in confidence in May. Confidence in the services sector has been relatively positive, while that of consumers has proven to be weak and the labour market has shown few signs of improvement. It is probable that in the future the economic recovery will gain momentum only gradually. The restrictive credit conditions, the consolidation of household finances and the substantial fiscal tightening are in fact expected



to keep curbing growth in domestic demand.

#### CHINA

In China the most recent data confirm a slowdown in economic activity. Growth in industrial production became slightly stronger in May, but was lower than in the first quarter of 2012. Retail sales have also continued to slow down. Exports and imports recorded a much higher than expected increase in May and therefore helped the trade surplus rise slightly compared to April. The real estate market has shown some faint signs of stabilisation, in terms both of building activity and house prices. Twelve-month inflation measured by the CPI continued to fall in May (to 3.0 percent from 3.4 percent in April), due to the fall in food prices, and since February has been below the target of 4 percent set by the authorities. On 7 June the Chinese Central Bank reduced its one-year interest rates by 25 basis points and, at its most recent meeting on 5 July, further lowered deposit rates by 25 basis points and lending rates by 31 basis points. On both occasions the authorities granted banks greater discretion over setting lending rates and, for the first time, also deposit rates. Domestic liquidity eased in May, given a slight acceleration in monetary and credit growth. The renminbi appreciated only marginally against the US dollar in May and continued to slowly appreciate as has been the trend in recent months.

#### EUROZONE

Financial market tensions in the Eurozone, which had eased in the first few months of the year, intensified once again as from April. The increase in risk aversion continued to hold down the yields on the bonds of those countries which are considered the most stable. The concerns of investors over the political situation in Greece and the implications of the problems affecting the Spanish banking system were joined by the perception of a lack of cohesion among governments in directing European governance reform and in adjusting the mechanisms to successfully manage the Eurozone crisis.

In the first quarter of the year the Eurozone GDP stagnated and the cycles of the main countries continued to differ significantly. There were continuing major differences in the cycles of the main countries. In June the Bank of Italy €-coin indicator, which estimates the underlying economic trend in the Eurozone, stood at slightly negative levels. Consumer price inflation continued to fall, standing at 2.4 percent last month.

#### ITALY

In the second quarter Italy's GDP continued to fall by just over 0.5 percent compared to the prior period. The decline reflected the drop in domestic demand in terms of consumption and investments and was attributable, among other factors, to the weakness of the labour market and real income, the drop in confidence among households, and the only partial improvement in lending availability and conditions. Exports continued to shore up economic activity.

### Business sector review

#### UCIMU – SISTEMI PER PRODURRE

In the second quarter of 2012, the machine tools order index, prepared by the Business Culture and Research Centre of UCIMU-SISTEMI PER PRODURRE, recorded a 20.6% decrease on the prior-year period, for an absolute value of 71.5 (2005=100). The result was due to the negative information coming from manufacturers on both domestic and foreign markets.

In particular, the domestic order index fell by 11.5% compared to the prior-year period, for an absolute value of 52.4. This survey highlights the weakness of domestic demand and the now structural crisis of the Italian market which has drastically reduced investment in production technology.

The foreign order book fell by 23% compared to April-June 2011, thus bringing the absolute index down to 78.5.

Luigi Galdabini, the new Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "Italian machine tool manufacturers are very worried by the current situation. What is most worrying is the trend in domestic demand whose fall has now become structural. On the other hand," Galdabini went on, "the fall in orders on foreign markets is, albeit marked, acceptable considering that the comparison is made with the excellent result achieved in the second quarter of 2011".

#### VDMA

According to a report by the VDMA (Verband Deutscher Maschinen- und Anlagenbau - German Engineering Federation), in May 2012 orders for German machinery fell by 6%; the domestic

market fell by more than twice that for foreign orders (8% compared to 4%).

In the quarter ended 31 May, orders fell by 6% compared to the prior-year period; domestic demand fell by 9%, while foreign markets fell by 5%. The result, nonetheless, was an improvement on the fall in April (-11%).

According to Ralph Weichers, the Chief Economist at VDMA, "it seems that we have hit the bottom", with reference to orders from countries outside the Eurozone (-3%). In any case, the same cannot be said for the Eurozone market. "Eurozone partners (-7%) have not hit the bottom yet" Weichers declared.

A poll conducted by the IFO institute among manufacturing companies shows much less optimism regarding future production levels, recording the lowest level in the last two years.

## INTERIM DIRECTORS' REPORT

INCOME STATEMENT – FIRST HALF 2012					
€ '000	1 H 2012	% on sales	1 H 2011	% on sales	CHANGE %
<b>Net revenue</b>	<b>192,086</b>	<b>100.0%</b>	<b>181,565</b>	<b>100.0%</b>	<b>5.8%</b>
Change in inventories, wip, semi-finished and finished goods	8,595	4.5%	15,809	8.7%	(45.6)%
Other revenue	746	0.4%	1,418	0.8%	(47.4)%
<b>Revenue</b>	<b>201,427</b>	<b>104.9%</b>	<b>198,792</b>	<b>109.5%</b>	<b>1.3%</b>
Consumption of raw materials, consumables, supplies and goods	(88,503)	(46.1)%	(91,862)	(50.6)%	(3.7)%
Other operating expense	(41,902)	(21.8)%	(39,492)	(21.8)%	6.1%
<b>Added Value</b>	<b>71,021</b>	<b>37.0%</b>	<b>67,438</b>	<b>37.1%</b>	<b>5.3%</b>
Personnel expense	(61,641)	(32.1)%	(60,197)	(33.2)%	2.4%
<b>Gross Operating profit</b>	<b>9,381</b>	<b>4.9%</b>	<b>7,241</b>	<b>4.0%</b>	<b>29.6%</b>
Depreciation and amortisation	(6,940)	(3.6)%	(6,199)	(3.4)%	12.0%
Provisions	(1,084)	(0.6)%	(835)	(0.5)%	29.8%
<b>Normalised Operating profit</b>	<b>1,357</b>	<b>0.7%</b>	<b>206</b>	<b>0.1%</b>	<b>-</b>
Impairment losses and non recurring items	(465)	(0.2)%	0	0.0%	-
<b>Operating profit</b>	<b>891</b>	<b>0.5%</b>	<b>206</b>	<b>0.1%</b>	<b>-</b>
Finance income/expense	(1,705)	(0.9)%	(1,086)	(0.6)%	57.0%
Exchange rate losses	(674)	(0.4)%	(1,308)	(0.7)%	(48.5)%
<b>Pre-tax loss</b>	<b>(1,488)</b>	<b>(0.8)%</b>	<b>(2,188)</b>	<b>(1.2)%</b>	<b>(32.0)%</b>
Income taxes	(1,816)	(0.9)%	(2,029)	(1.1)%	(10.5)%
<b>Loss for the period</b>	<b>(3,304)</b>	<b>(1.7)%</b>	<b>(4,217)</b>	<b>(2.3)%</b>	<b>(21.7)%</b>

The Group order book for the first six months of 2012 compared to same period last year (which was characterised by significant new orders for engineering lines, e.g.: Howdens of € 12 million), saw an overall fall of 18%, while compared to the first half of 2010 it recorded an increase of 5%.

The production backlog at 30 June 2012 was almost € 90 million (-1.9% compared to 31 December 2011).

At the end of the first half of 2012, Group's net revenue amounted to € 192,086 thousand, +5.8% compared to the prior-year period. The

trend in the figures, although on the rise, was down compared to the values recorded in March 2012. Indeed, Biesse's reference sector is going through a period of weakening demand, which is attributable both to the economic and financial problems of more advanced economies and to the slowdown in growth in emerging countries.

In the first few months of 2012 there were one-off negative factors, such as industrial action in the transport sector and adverse weather conditions (which adversely affected provisions from suppliers), with repercussions on the production system and so on the Group's profitability.

In addition, the launch of the new ERP

management system had a temporary negative impact on process flows (e.g. spare part management, a high-margin segment), thus reducing overall profitability compared to normal operating conditions.

It should also be noted that the trend seen in the second part of 2011 of sales concentration in either entry level machines or highly complex and customised plants (engineering) continued into 2012, thus reducing the weight of the mid-market segment that in the recent past was still the main source of turnover for Biesse.

As for the financial position, net operating working capital rose by around € 4.4 million (referring mainly to the € 9.5 million increase in inventories that was partly offset by the approximately € 4.7 million increase in trade payables, while trade receivables were largely unchanged) compared to December 2011.

Group net financial indebtedness at 30 June 2012 amounted to € 66.8 million, up by € 4.9 million and € 16.4 million compared to the figures at 31 March 2012 and at 31 December 2011, respectively.

Cash absorption includes extraordinary items for a total amount of € 4.8 million, of which € 3.6 million deriving from the recent Chinese acquisition, € 0.9 million relating to the purchase of the new premises for the sales office of Biesse Triveneto and € 0.3 million relating to the purchase of the equity investment in Nuova Faos International (India) Manufacturing.

It follows that ordinary cash absorption with reference to income statement and statement of financial position items was € 10.6 million, while at the end of the first half of the previous year it totalled € 16.5 million. Based on the trend of orders and the planning of deliveries, the inventory amount is expected to go down at year-end, with positive effects on cash generation relating to working capital.

During the first half of the year the Technodomus exhibition took place, where the Group presented its innovations for the wood sector: the new Rover A, the edgebanding machining centre Rover A Edge, and solutions for window frames (Rover C WMS and UniWin BFB). In order to address market needs, in terms of JIT production with reduced inventories of finished products, a new range of flexible drilling machines (Skipper V31, EKO 902 and Skipper 130) was developed. The Viet brand presented the S2, S3 and S3 W models. Finally,

for customers of the Wood Division the latest innovations were also presented in the sector of sizing and edgebanding.

## MAIN EVENTS

### JANUARY 2012

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

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

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

### FEBRUARY 2012


On 10 February 2012, the Board of Directors of Biesse S.p.A. approved its Three-Year Business Plan for the 2012-2014 period.

Based on the projects and initiatives set out in the above business plan, the following Group results are expected within the next three years: higher consolidated net revenue (CAGR: 6.2%)

- improving added value (CAGR: 13.1%, accounting for more than 42% of net revenue in 2014)
- recovering operating profits
- (EBITDA: CAGR 49.0%, accounting for more than 14% of net revenue in 2014)
- (EBIT: CAGR 124.3%, accounting for more than 10% of net revenue in 2014)
- increasing cash flow net of planned investments and positive net financial position in 2014 (overall free cashflow over the three-year period: € 95 to € 100 million).

### MARCH 2012

At the end of 2009, Biesse Manufacturing (India) Pvt Ltd and Biesse S.p.A. reached an agreement with a historical supplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures



in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a “put” option with Biesse Manufacturing.

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

#### APRIL 2012

From 20 to 24 April 2012, the Rimini Fiera exhibition centre hosted the third edition of Technodomus, the International Expo of Wood Technology for the Furnishing and Construction Industries, a biennial event featuring the most important Italian and foreign firms. Over the five days, 33,483 professionals visited TECHNODOMUS, an 8.5% increase on 2010 that exceeded expectations. The rise owed mainly to foreign visitors, who went from 31% in 2010 to 37% this year, with people coming from over sixty countries, in particular from Turkey, Brazil and South America, China, Russia and Eastern Europe.

On 27 April 2012, the Ordinary Shareholders' Meeting of Biesse S.p.A. approved the Separate and Consolidated Financial Statements for 2011, both of which were prepared in accordance with IFRS. In addition, it approved the appointment of the Board of Directors and the Board of Statutory Auditors of Biesse, confirming all their members (they are listed in the Company Officers section). As envisaged by art. 16 and 19bis of the Company's Articles of Association, the Board of Directors and the Board of Statutory Auditors of Biesse will serve for the next three years (until approval of the financial statements for 2014).

#### MAY 2012

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

#### JUNE 2012

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

#### JULY 2012

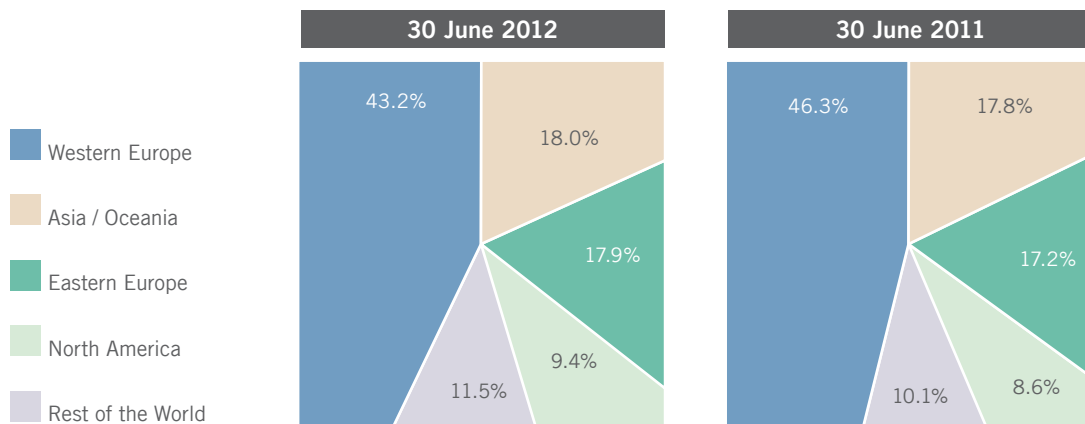
As from 2 July 2012, the sales and post-sales premises serving North-Western Italy (Biesse Brianza) moved to the nearby location of Alzate Brianza, which is already home to Bre.Ma. Brenna Macchine S.r.l.. The unification of the two sites will allow operating synergies to be obtained and will ensure a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

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

In the following two weeks, in line with the new organisational vision, the Group structure underwent an initial restructuring process, focussing on business units dedicated to specific product lines; this led to the elimination of a series of positions (which will lead to the recognition of extraordinary expense in the third quarter of 2012) and the identification of new responsibilities within the Group in an overall framework which was submitted for approval at today's meeting of the Board of Directors.

Net revenue in the first half of 2012 totalled € 192,086 thousand, with a 5.8% increase compared to the same period last year. As regards the second quarter, net revenue amounted to € 105,230 thousand (-1% compared to the same period last year).

BREAKDOWN OF SALES BY GEOGRAPHICAL AREA					
€ '000	1 H 2012	%	1 H 2011	%	CHANGE %
Western Europe	82,934	43.2%	83,999	46.3%	(1.3%)
Asia – Pacific	34,650	18.0%	32,373	17.8%	7.0%
Eastern Europe	34,346	17.9%	31,235	17.2%	10.0%
North America	18,073	9.4%	15,609	8.6%	15.8%
Rest of the World	22,083	11.5%	18,349	10.1%	20.3%
<b>GROUP TOTAL</b>	<b>192,086</b>	<b>100.00%</b>	<b>181,565</b>	<b>100.00%</b>	<b>5.8%</b>



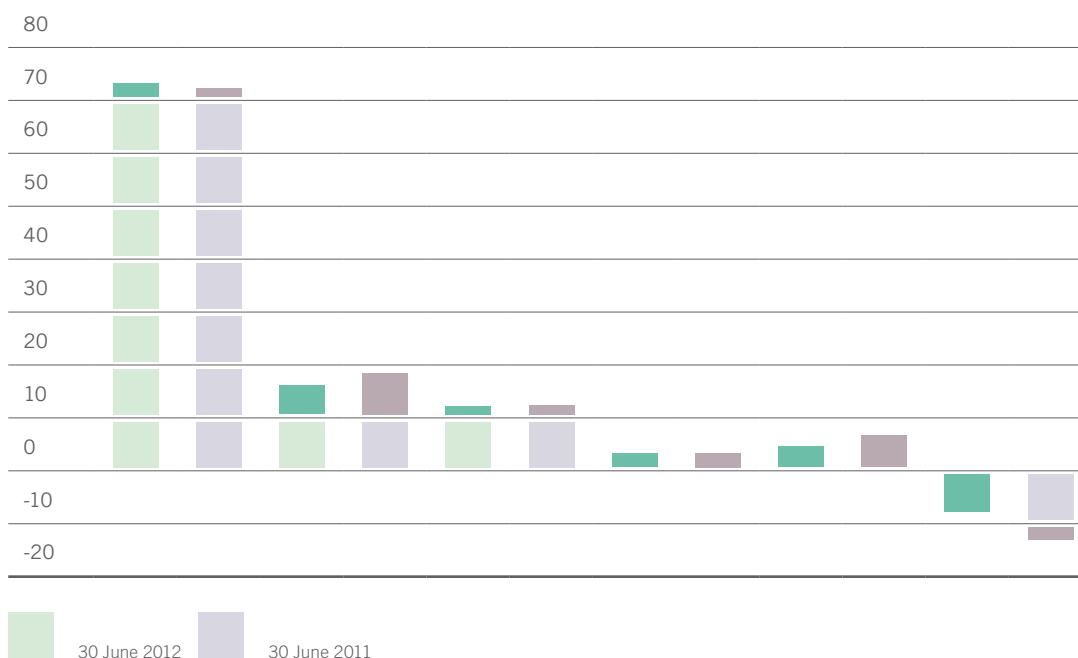
As regards the geographical breakdown of sales, the first half of 2012 featured particularly positive performance for areas relating to BRIC countries. Asia-Pacific was up by +7.0%, Eastern Europe by +10.0% and the Rest of the World by +20.3%.

North America showed an increase of 15.8%, whereas sales in Western Europe, the Group's traditional core market, decreased by 1.3% compared to the first half of 2011.

SEGMENT REPORTING - BREAKDOWN BY DIVISION					
€ '000	1 H 2012	%	1 H 2011	%	CHANGE %
Wood Division	139,979	72.9%	128,206	70.6%	9.2%
Glass/Marble Division	31,391	16.3%	34,450	19.0%	(8.9%)
Mechatronics Division	25,791	13.4%	25,664	14.1%	0.5%
Tooling Division	4,565	2.4%	4,299	2.4%	6.2%
Components Division	6,746	3.5%	12,788	7.0%	(47.2%)
Intragroup eliminations	(16,386)	(8.5%)	(23,841)	(13.1%)	(31.3%)
<b>TOTAL</b>	<b>192,086</b>	<b>100.0%</b>	<b>181,565</b>	<b>100.0%</b>	<b>5.8%</b>

## BREAKDOWN OF REVENUE BY DIVISION

Wood Division		Glass/Marble Division		Service Division		Tooling Division		Components Division		Intragroup eliminations	
72.9	70.6	16.3	19.0	13.4	14.1	2.4	2.4	3.5	7.0	-8.5	-13.1



As for the analysis of sales by segment, the Wood Division reported the best performance (+9.2%), followed by the Tooling Division (+6.2%). The Mechatronics Division was stable (slight increase of 0.5%), while the Glass/Marble Division fell back (-8.9%). The fall in the Components Division (-47.2%) was due to a different operating strategy which saw the outsourcing of some activities (electrical switchboards) that were previously carried out by the Division; this strategy also caused a reduction in intragroup eliminations.

It should be stressed that the amounts for net revenues by division at 30 June 2011 were restated according to the new reporting structure. As a matter of fact, during the last year the reorganisation process of the operating segments was completed with the break-up of the Service segment and the transfer of its functions to the Wood and Glass & Marble segments.

As for the trend in stock production, as normally happens in this period of the year, the stocks of finished and semi-finished products rose compared to the end of the previous year.

At the end of June 2012, the increase was € 8,595 thousand (of which € 6,610 thousand was for finished products and € 1,985 thousand for semi-finished products), down on the prior-year figure (€ 15,809 thousand). Revenue for the period amounted to € 201,427 thousand, growing by 1.3% compared to the first half of 2011, when it amounted to € 198,792 thousand.

Raw material consumption calculated as a percentage of sales fell from 50.6% to 46.1%. If we refer to the total revenue in the period, the ratio was 43.9% compared to 46.2% at 30 June 2011. The improvement was largely due to the fall in stock production and revenue from the sale of third-party products, which normally have a negative impact on the consumption ratio.



Migliaia di euro	1 H 2012	%	1 H 2011	%
<b>Revenue</b>	<b>201,427</b>	<b>100.0%</b>	<b>198,792</b>	<b>100.0%</b>
Consumption of raw materials and goods	88,503	43.9%	91,862	46.2%
Other operating expense	41,902	20.8%	39,492	19.9%
<i>Services</i>	36,175	18.0%	33,411	16.8%
<i>Use of third party assets</i>	3,769	1.9%	3,526	1.8%
<i>Other operating expense</i>	1,958	1.0%	2,556	1.28%
<b>Added Value</b>	<b>71,021</b>	<b>35.3%</b>	<b>67,438</b>	<b>33.9%</b>

As regards other operating expense, the € 2,410 thousand increase (+6.1%) largely related to variable costs (sales commissions, transport and outsourced processing) and to semi-variable costs (travel and lodging expenses of sales and technical staff plus utility costs), which however remained unchanged as a percentage of the revenue, whereas fixed costs (consultancy fees, maintenance, remuneration paid to directors and statutory auditors, rental costs and hire charges), although rising, decrease as a percentage of sales.

In the first half of 2012 added value totalled € 71,021 thousand, increasing by 5.3% compared to the same period last year (€ 67,438 thousand) and with an unchanged impact on sales.

Personnel expense amounted to € 61,641 thousand, up by 2.4% or € 1,444 thousand compared to 30 June 2011 (€ 60,197 thousand). The increase was largely attributable to the change in the consolidation scope due to the inclusion of the Chinese group Biesse Hong Kong / Centre Gain, the consolidated personnel expense for which was € 834 thousand. The remaining change derives from the fixed components of personnel expense, the greater labour demand to meet the increased commitments in the production mix, and the pay trend for highly-skilled staff. Capitalisation of wages and salaries of employees deployed in development activities increased slightly from 2011 (€ 3,380 thousand in the first half of 2012 compared to € 3,275 thousand in the same period of the prior year). Estimated amounts to be set aside for performance bonuses and other bonuses were cut compared to the nominal value to reflect the delay recorded at 30 June 2012 as regards budget targets, with particular reference to cash-flow targets and operating profit.


Gross operating profit amounted to € 9,381 thousand, up by 29.6% compared to the first half of 2011 (€ 7,241 thousand), increasing from 4.0% to 4.9% of sales.

Depreciation and amortisation increased by € 740 thousand, a rise of 12.0% (from € 6,199 thousand to € 6,940 thousand); the change was largely due to the contribution of the Chinese group which was acquired at the end of 2011 and whose depreciation and amortisation totalled € 494 thousand. The analysis of depreciation and amortisation by nature, reveals that the component relating to plant and equipment – totalling € 3,276 thousand – rose by € 335 thousand (+11.4%, largely due to the contribution of the Chinese group), while that relating to intangible assets totalled € 3,664 thousand and rose by 12.5%.

Provisions amounted to € 1,084 thousand, slightly up compared to the first half of 2011 (€ 835 thousand). The increase refers to higher allocations due to bad debt risk and the risk of legal disputes with customers.

The item impairment includes € 236 thousand attributable to the impairment of the goodwill arising from the acquisition of Nuova Faos International (India) Manufacturing, which was completed in June 2012. To this € 44 thousand should be added relating to R&D capitalisation of projects that are no longer considered strategic. Finally, non-recurring items amounting to € 185 thousand refer to early retirement incentives.

As regards operations, finance expense amounted to € 1,075 thousand, increasing by +57% compared to the first half of 2011 (€ 1,086 thousand), in line with the debt position's trend and its increased cost.



Currency risk management in the first half of 2012 resulted in a loss of € 674 thousand, mainly relating to costs stemming from the measurement of items in Australian dollars and Indian rupees, negatively affected by the respective currency trends.

Pre-tax loss amounted to € 1,488 thousand.

The estimated balance of tax items was negative by a total of € 1,816 thousand. The component relating to current taxes was negative at € 2,570 thousand (IRAP – regional business tax: € 1,546 thousand; IRES – corporate income tax: € 367 thousand; taxes from foreign jurisdictions: € 601 thousand; other: € 56 thousand). The component relating to deferred taxes was positive at € 754 thousand, of which € 386 thousand was recorded by the Group's Italian companies.

Loss for the period amounted to € 3,304 thousand.

## SUMMARY STATEMENT OF FINANCIAL POSITION

SUMMARY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012			
€ '000	30 June 2012	31 December 2011	30 June 2011
Intangible assets	50,170	48,027	45,959
Property, plant and equipment	64,309	63,652	53,897
Financial assets	1,278	1,140	732
<b>Non current assets</b>	<b>115,757</b>	<b>112,819</b>	<b>100,588</b>
Inventories	97,963	88,459	97,712
Trade receivables	111,436	112,207	94,608
Trade payables	(117,592)	(113,124)	(124,366)
<b>Net operating working capital</b>	<b>91,807</b>	<b>87,542</b>	<b>67,954</b>
Post-employment benefits	(10,202)	(10,544)	(10,727)
Provision for risk and charges	(9,936)	(9,438)	(7,402)
Other net receivables/payables	(19,104)	(24,778)	(12,843)
Net deferred tax assets/liabilities	16,209	15,437	15,797
<b>Other net assets/liabilities</b>	<b>(23,033)</b>	<b>(29,323)</b>	<b>(15,175)</b>
<b>NET INVESTED CAPITAL</b>	<b>184,531</b>	<b>171,038</b>	<b>153,367</b>
Share capital	27,393	27,393	27,393
Profit/loss for the previous period and other reserves	94,991	95,028	94,240
Loss for the period	(3,292)	(2,438)	(3,924)
Non controlling interests	659	680	278
<b>Equity</b>	<b>117,751</b>	<b>120,663</b>	<b>117,986</b>
Bank loans and borrowings and borrowings from other financial backers	86,438	73,629	64,904
Other financial assets	(712)	(650)	(453)
Cash and cash equivalents	(18,946)	(22,604)	(29,069)
<b>Net financial indebtedness</b>	<b>66,780</b>	<b>50,375</b>	<b>35,381</b>
<b>TOTAL SOURCES OF FUNDING</b>	<b>184,531</b>	<b>171,038</b>	<b>153,367</b>

Compared to December 2011, net investments in intangible assets amounted to € 5.2 million, while related period amortisation was € 3.7 million. The net increase amounted to € 2,143 thousand, of which € 173 thousand due to exchange rate differences and € 373 thousand due to the change in goodwill. This item provisionally includes (as provided for by IFRS 3) the difference between the price paid and equity of the subsidiary Nuova Faos International Manufacturing (€ 373 thousand).

As for property, plant and equipment, investments totalled € 3.5 million, while depreciation for the period amounted to € 3.3 million, a net increase of € 657 thousand, of which € 210 thousand was due to exchange rate differences.

As for net operating working capital, inventories rose by € 9,504 thousand compared to the figure at 2011 year end (of which € 651 thousand was due to exchange rate differences); the change was largely caused by an increase in semi-finished products for € 2,073 thousand (different production mix in favour of orders with longer lead-times, in other words in favour of orders for which more time is required to satisfy the customer's requests) and an increase in stocks of finished products for € 6,958 thousand, due to the need to facilitate the scheduling of the deliveries planned in the second half of the year, in particular for the subsidiaries.

The remaining items (trade receivables and payables) helped improve the net operating working capital compared to December 2011. Trade receivables remained broadly unchanged, while trade payables rose by € 5,185 thousand compared to the figure at the end of 2011. The overall change in net operating working capital was positively influenced by exchange rate differences for € 630 thousand.

## NET FINANCIAL INDEBTEDNESS

At the end of June 2012, Group net financial indebtedness was € 66.8 million (gearing = 0.57), deteriorating compared with the previous quarters. In particular, it increased by € 16.4 million compared to 31 December 2011. The figure was influenced by various factors, in particular by the trend in working capital which was affected by the growth in volumes and the different sales mix, the investments in manufacturing companies in China and India, and the investments related to the launch of new products.

NET FINANCIAL POSITION					
€ '000	30 June 2012	31 March 2012	31 December 2011	30 September 2011	30 June 2011
Financial assets:	19,659	22,035	23,254	26,580	29,523
<i>Current financial assets</i>	712	700	650	2,794	453
<i>Cash and cash equivalents</i>	18,946	21,335	22,604	23,786	29,069
Short term finance lease payables	(261)	(444)	(464)	(1,438)	(1,452)
Short term bank loans and borrowings and loans and borrowings from other financial backers	(78,715)	(68,969)	(45,400)	(49,510)	(56,366)
<b>Short Term Net Financial Indebtedness</b>	<b>(59,317)</b>	<b>(47,378)</b>	<b>(22,610)</b>	<b>(24,368)</b>	<b>(28,295)</b>
Medium/long term finance lease payables	(2,381)	(2,447)	(2,519)	(2,565)	(2,660)
Medium/long term bank loans and borrowings	(5,082)	(12,040)	(25,245)	(21,852)	(4,426)
<b>Medium/long Term Net Financial Indebtedness</b>	<b>(7,463)</b>	<b>(14,487)</b>	<b>(27,765)</b>	<b>(24,417)</b>	<b>(7,086)</b>
<b>Total Net Financial Indebtedness</b>	<b>(66,780)</b>	<b>(61,866)</b>	<b>(50,375)</b>	<b>(48,785)</b>	<b>(35,381)</b>

In particular, non-recurring items totalled € 4.8 million. Compared to the figure in December, worthy of note are the settlement in January 2012 of the third payment on account relating to the acquisition of the Centre Gain group, for a total of HKD 36,900 thousand (around € 3.6 million), the outlay of € 0.9 million for the purchase of the new sales premises of Biesse Triveneto, and the payment of € 0.3 million for the purchase of the shares of Nuova Faos International (India) Manufacturing.

Compared with financial statements as at and for the year ended 31 December 2011, the Group's financial payables increased by € 12,831 thousand (net of finance lease payments of € 341 thousand). While the medium-/long-term portion increased by € 20,281 thousand, the current portion increased by € 33,112 thousand. The shortening of the duration of debt is a phenomenon caused by the gradual repayment of the 18-month unsecured, covenant-free loans obtained from Italian lending counterparties.

The residual amounts of these credit lines have various maturities between September 2012 and September 2013, but these are gradually being renewed. A further credit line has been recently established with a new Italian banking counterparty and another is being finalised.

In order to optimise the management of the Group cash flows, as from next autumn daily cash pooling will be operational among the European subsidiaries under a "target balance" scheme.

## **TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES**

At 30 June 2012 there were no associates.

As regards transactions with the parent Bi.Fin. S.r.l., reference should be made to Note 22 in the Notes.

## **OTHER RELATED-PARTY TRANSACTIONS**

Fincobi S.r.l., Edilriviera S.r.l. and SEMAR S.r.l. are identified as related parties.

As regards transactions during the first half of the year with these companies, reference should be made to Note 22.

## **ATYPICAL AND/OR UNUSUAL TRANSACTIONS IN THE FIRST HALF OF THE YEAR**

In the first half of 2012 no transactions of this nature were reported.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND YEAR-END BUSINESS OUTLOOK**

Among the significant events it should be noted that on 20 July 2012, the Managing Director Giorgio Pitzurra resigned following the request of the majority shareholder due to differing views over the Group organisation. In the following two weeks, in line with the new organisational vision, the Group structure underwent an initial restructuring process, focussing on business units dedicated to specific product lines; this led to the elimination of a series of positions (which will lead to the recognition of extraordinary expense in the third quarter of 2012) and the identification of new responsibilities within the Group in an overall framework which was submitted for approval at today's meeting of the Board of Directors.

As for the outlook for the second part of 2012, in light of the existing portfolio and the economic situation, a possible slight slowdown in net revenue in the third quarter compared to the prior-year period and a potential risk for the final quarter should be taken into account; this is attributable to a weaker order book between May and July 2012. In summer months important trade fairs will be held in Australia (Awisa-Sidney) and USA (IWF-Atlanta), which will enable a more complete assessment of the trend for the final quarter of 2012, which is typically the most important quarter of the year and is crucial for the achievement of the Plan targets. Should the slowdown recorded in recent months be confirmed, the Italian state subsidised lay-off scheme (CIGS) would be used more decisively in order to offset the potential fall in net revenue, without excluding further downsizing in the management structure.

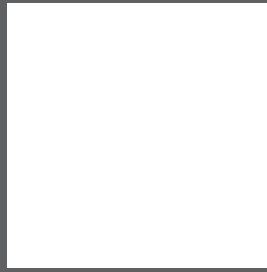
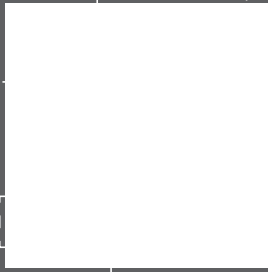
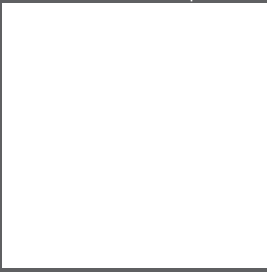
## **OTHER INFORMATION**

At the date on which these financial statements were approved, Biesse S.p.A. held treasury shares; for further details reference should be made to the Notes 8 and 14.

In addition, it should be noted that the parent, Biesse S.p.A., does not own shares or quotas in parents, nor did it hold or trade any shares or quotas in parents during the first half of 2012. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4, of the Italian Civil Code.

Pesaro, 3 August 2012

*The Chairman of the Board of Directors*  
**Roberto Selci**



condensed  
interim  
consolidated  
financial  
statements at  
30 june 2012

## INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

€ '000	Note	1H 2012	1H 2011
Revenue	5	192,086	181,565
Other operating revenue		746	1,418
Change in the inventories of finished and semi-finished goods and work in progress		8,595	15,809
Purchase of raw materials and consumables		(88,503)	(91,862)
Personnel expense		(61,826)	(60,197)
Other operating expense		(41,902)	(39,492)
Depreciation and amortisation		(6,940)	(6,199)
Provisions		(1,084)	(835)
Impairment losses		(280)	
<b>Operating profit</b>	<b>5</b>	<b>891</b>	<b>206</b>
Finance income		469	171
Finance expense		(2,175)	(1,258)
Exchange rate losses		(674)	(1,308)
<b>Pre-tax loss</b>		<b>(1,488)</b>	<b>(2,188)</b>
Income Taxes	7	1,816	2,029
Loss for the period		(3,304)	(4,217)
<b>Loss for the period</b>		<b>(3,304)</b>	<b>(4,217)</b>
Attributable to:			
Owners of the parent		(3,292)	(3,924)
Non-controlling interests		(12)	(293)
		(3,304)	(4,217)
<b>Earnings per share</b>			
Basic (€/cents)	8	(12.23)	(14.58)
Diluito (€/cents)	8	(12.23)	(14.58)



**STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012**

€ '000	Note	1 H 2012	1 H 2011
<b>Loss for the period</b>		<b>(3,304)</b>	<b>(4,217)</b>
- Other comprehensive income (expense)			
Foreign currency translation differences for foreign operations	15	427	(1,241)
Gain/(Losses) on the hedging reserve	15	78	186
Income tax on other comprehensive income (expense)	7	(22)	(51)
<b>Total Other comprehensive income (expense), net of tax</b>		<b>484</b>	<b>(1,106)</b>
<b>Total comprehensive expense for the period</b>		<b>(2,820)</b>	<b>(5,323)</b>
Total comprehensive expense attributable to:			
Owners of the parent		(2,784)	(5,027)
Non-controlling interests		(36)	(296)
<b>Total comprehensive expense for the period</b>		<b>(2,820)</b>	<b>(5,323)</b>

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

€ '000	Note	30 June 2012	31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	58,024	55,307
Equipment and other items of property, plant and equipment	10	6,284	8,345
Goodwill	11	18,535	18,046
Other intangible assets	11	31,634	29,981
Deferred tax assets	7	18,347	18,389
Other financial assets and non-current receivables		1,278	1,140
		<b>134,103</b>	<b>131,208</b>
<b>Current assets</b>			
Inventories	12	97,963	88,459
Trade receivables due from third parties	13	111,416	112,193
Trade receivables due from related parties	22	19	14
Other current assets		13,337	13,586
Other current assets due from related parties	22	607	656
Current financial assets		712	650
Cash and cash equivalents		18,946	22,604
		<b>243,000</b>	<b>238,162</b>
<b>TOTAL ASSETS</b>		<b>377,104</b>	<b>369,370</b>

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

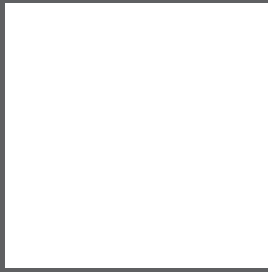
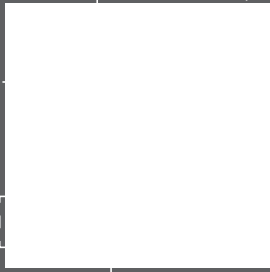
€ '000	Note	30 June 2012	31 December 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	14	27,393	27,393
(Treasury shares)	14	(4,676)	(4,676)
Equity reserves		36,202	36,202
Hedging and translation reserve	15	(734)	(1,241)
Other reserves	16	62,199	64,743
Loss for the period		<b>(3,292)</b>	<b>(2,438)</b>
Equity attributable to the owners of the parent		117,092	119,983
Non-controlling interests		659	680
<b>TOTAL EQUITY</b>		<b>117,751</b>	<b>120,663</b>
<b>Non-current liabilities</b>			
Post-employment benefits		10,202	10,544
Deferred tax liabilities		2,138	2,952
Medium and long-term bank loans and borrowings and other financial payables	17	5,082	25,224
Finance lease payables	17	2,381	2,519
Provisions for risks and charges	18	1,891	1,589
Other non-current liabilities	21	2,204	2,501
Derivatives		-	22
		23,897	45,352
<b>Current liabilities</b>			
Trade payables		117,053	112,302
Trade payables due to related parties	22	538	822
Other current liabilities		28,930	34,721
Other current liabilities due to related parties	22	505	1
Tax payables		1,175	1,171
Finance lease payables	17	261	464
Bank overdrafts and loans	17	78,715	45,400
Provisions for risks and charges	18	8,045	7,848
Derivatives		234	627
		235,456	203,355
<b>LIABILITIES</b>		<b>259,353</b>	<b>248,707</b>
<b>TOTAL EQUITY E LIABILITIES</b>		<b>377,104</b>	<b>369,370</b>

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011			
€ '000	Note	IH 2012	IH 2011
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(3,304)	(4,217)
+ Depreciation and amortisation:			
of property, plant and equipment		3,276	2,941
of intangible assets		3,664	3,258
+ Provisions :			
Increase/decrease in provisions for post-employment benefits		196	178
Increase/decrease in allowance for impairment		504	48
Increase/decrease allowance for inventory write-down		1,015	(125)
Increase/decrease in provisions for risk and charges		594	526
Other non-financial changes in provisions		54	(19)
Gains/losses from sales of property, plant and equipment		4	(21)
Impairment losses on property, plant and equipment		44	0
Income from investing activities		(469)	(171)
Unrealised exchange rate (gains)/losses		60	1,020
Income taxes		1,816	2,028
Financial expense		2,175	1,258
<b>SUBTOTAL OPERATING ACTIVITIES</b>		<b>9,629</b>	<b>6,705</b>
Post-employment benefits paid		(540)	(593)
Risk provisions utilised		(490)	(1,264)
Change in trade receivables		(2,117)	(7,507)
Change in inventories		(9,662)	(18,070)
Change in trade payables		4,058	13,788
Change in other payables		(2,428)	1,571
Income tax paid		(2,457)	(2,709)
Interest paid		(1,504)	(1,258)
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>		<b>(5,511)</b>	<b>(9,338)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property plant and equipment		(1,603)	(1,923)
Proceeds from sale of property, plant and equipment and other items of property, plant and equipment		25	174
Acquisition of patents, trademarks and other intangible assets. Capitalisation of development costs		(5,266)	(5,268)
Acquisitions of equity		(3,969)	0
Acquisitions of/increases in other financial assets		0	(4)
Income on financial assets held for trading		0	23
Interest received		105	141
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>(10,708)</b>	<b>(6,858)</b>
Loans repaid/New banker's advance			
Finance lease payments	17	32,877	(4,941)
Change in bank overdrafts	17	(341)	(1,102)
Change in current derivative instrument financial assets/liabilities	17	(19,996)	26,368
Capital injections - non-controlling interests		(243)	(677)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>15</b>	<b>358</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>12,312</b>	<b>20,006</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>		<b>(3,906)</b>	<b>3,810</b>
Effect of exchange rate fluctuations on cash held		22,604	25,812
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>249</b>	<b>(552)</b>
Cash and cash equivalents			
<b>Cash and cash equivalents</b>		<b>18,946</b>	<b>29,070</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2012

€ '000	Note	Opening balances	Other gains/ losses, net of taxation	Loss for the period	Total comprehensive expense for the period	Increase in the reserve for share-based payments	Other changes	Allocation of loss of the previous year	Total effects of transactions with shareholders	Closing balances
<b>STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2012</b>										
Share capital		<b>27,393</b>				-			-	<b>27,393</b>
- Treasury shares	14	<b>(4,676)</b>				-			-	<b>(4,676)</b>
Equity reserves		<b>36,202</b>				-			-	<b>36,202</b>
Hedging and translation reserve	15	<b>(1,241)</b>	508		<b>508</b>				-	<b>(734)</b>
Other reserves	16	<b>64,744</b>			<b>0</b>	(106)		(2,438)	<b>(2,544)</b>	<b>62,199</b>
Loss for the period		<b>(2,438)</b>		(3,292)	<b>(3,292)</b>			2,438	<b>2,438</b>	<b>(3,292)</b>
<b>Equity attributable to the owners of the parent</b>		<b>119,983</b>	<b>508</b>	<b>(3,292)</b>	<b>(2,784)</b>	<b>(106)</b>	<b>0</b>	<b>-</b>	<b>(106)</b>	<b>117,092</b>
Non-controlling interests		<b>680</b>	(24)	(12)	<b>(36)</b>		15		<b>15</b>	<b>659</b>
<b>TOTAL EQUITY</b>		<b>120,663</b>	<b>484</b>	<b>(3,304)</b>	<b>(2,820)</b>	<b>(106)</b>	<b>15</b>	<b>-</b>	<b>(91)</b>	<b>117,751</b>
<b>STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2011</b>										
Share capital		<b>27,393</b>				-			-	<b>27,393</b>
- Treasury shares	14	<b>(4,676)</b>				-			-	<b>(4,676)</b>
Equity reserves		<b>36,202</b>				-			-	<b>36,202</b>
Hedging and translation reserve	15	<b>(535)</b>	(1,103)		<b>(1,103)</b>				-	<b>(1,638)</b>
Other reserves	16	<b>69,703</b>			<b>0</b>	41		(5,392)	<b>(5,351)</b>	<b>64,352</b>
Loss for the period		<b>(5,392)</b>		(3,924)	<b>(3,924)</b>			5,392	<b>5,392</b>	<b>(3,924)</b>
<b>Equity attributable to the owners of the parent</b>		<b>122,695</b>	<b>(1,103)</b>	<b>(3,924)</b>	<b>(5,027)</b>	<b>41</b>	<b>0</b>	<b>-</b>	<b>41</b>	<b>117,709</b>
Non-controlling interests		<b>220</b>	(3)	(293)	<b>(296)</b>				<b>354</b>	<b>278</b>
<b>TOTAL EQUITY</b>		<b>122,915</b>	<b>(1,106)</b>	<b>(4,217)</b>	<b>(5,323)</b>	<b>41</b>	<b>0</b>	<b>-</b>	<b>395</b>	<b>117,986</b>





notes to the  
condensed  
interim  
consolidated  
financial  
statements  
at 30 june 2012

## 1. general

Biesse S.p.A. is an Italian company, with its registered office in Pesaro. The company is listed on the STAR segment of the Milan Stock Exchange.

The financial statements at 30 June 2012 comprise the financial statements of Biesse S.p.A. and its subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group"), as well as the amount of its equity investments in associates.

The condensed interim consolidated financial statements at 30 June 2012 were approved during the meeting of the Board of Directors held today (3 August 2012).

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

Name and registered office	Currency	Share/ Capital quota	Directly controller	Indirectly controller	Ownership vehicle	Biesse Group
<b>Parent</b>						
<b>Biesse S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
<b>Italian subsidiaries:</b>						
<b>HSD S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,141,490	100%			100%
<b>Bre.Ma. Brenna Macchine S.r.l.</b> Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			60%
<b>Biesse Tecno System S.r.l.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	100,000	50%			50%
<b>Viet Italia S.r.l.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,000	100%			100%
<b>Foreign subsidiaries:</b>						
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive Charlotte NC 28208 - USA	USD	11,500,000	100%			100%
<b>Biesse Canada Inc.</b> 18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	180,000	100%			100%
<b>Biesse Asia Pte. Ltd.</b> Zagro Global Hub 5 Woodlands Terr. - Singapore	SGD	2,655,000	100%			100%
<b>Biesse Group UK Ltd.</b> Lampton Drive - Daventry Northampt. - Great Britain	GBP	655,019	100%			100%
<b>Biesse France Sarl</b> 4, Chemin de Moninsable - Brignais - France	EUR	144,000	100%			100%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6 - Elchingen (Ulm) - Germany	EUR	1,432,600	100%			100%
<b>Biesservice Scandinavia AB</b> Maskinvagen 1 Lindas - Sweden	SEK	200,000	60%			60%



Name and registered office	Currency	Share/ Capital	Directly controller	Indirectly controller	Ownership vehicle	Biesse Group
<b>Foreign subsidiaries:</b>						
<b>Biesse Iberica Woodworking Machinery s.l.</b> Cl. Pedrosa C., 9 - Barcellona – Spagna	EUR	1,233,290	100%			100%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road Wetherill Park – Australia	AUD	5,046,547	100%			100%
<b>Biesse Group New Zealand Ltd.</b> Unit B, 13 Vogler Drive Manukau Auckland – New Zealand	NZD	334,262	100%			100%
<b>Hsd Usa Inc.</b> 3764 SW 30th Avenue – Hollywood, Florida – Usa	USD	10,000		100%	Hsd S.p.A.	100%
<b>HSD Deutschland GmbH</b> Brükenstrasse,2 – Gingen – Germania	EUR	25,000		100%	Hsd S.p.A.	100%
<b>Biesse Manufacturing Co. Pvt. Ltd.</b> Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk Bangalore –India	INR	674,518,392	100%			100%
<b>WMP- Woodworking Machinery Portugal, Unipessoal Lda</b> Sintra Business Park, 1, São Pedro de Penaferrim, Sintra - Portogallo	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
<b>Biesse Trading (Shanghai) Co. Ltd.</b> Building 10 No.205 Dong Ye Road Dong Jing Industrial Zone, Song Jiang District Shanghai 201619, Cina	RMB	3,000,000		100%	Biesse Asia Pte. Ltd.	100%
<b>HSD Mechatronic (Shanghai) Co. Ltd.</b> D2, first floor, 207 Taiguroad, Waigaoqiao free trade zone, Shanghai, Cina	RMB	2,118,319		100%	Hsd S.p.A.	100%
<b>Biesse Schweiz GmbH</b> Grabenhofstrasse, 1 Kriens Svizzera	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
<b>Biesse Indonesia Pt.</b> Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	1,250,000,000		90%	Biesse Asia Pte. Ltd.	90%
<b>Biesse (HK) LTD</b> Unit 1105. 11 floor, Regent Centre, NO.88 Queen's Road Central, Central – Hong Kong	HKD	15,000,000		70%		70%
<b>Centre Gain LTD</b> Room 703, 7/F,Cheong Tai Comm, Bldg., 60 Wing Lok Street, Sheung Wan – Hong Kong	HKD	110,000,000		100%	Biesse (HK) LTD	70%
<b>Dongguan Korex Machinery Co. Ltd</b> Dongguan City – Guangdong Province – Cina	RMB	128,435,513		100%	Biesse (HK) LTD	70%
<b>Nuova Faos International Manufacturing Pvt. Ltd.</b> Peenya 1st Stage, Peenya Industrial Area – Bangalore – India	INR	23,158,450		100%	Biesse Manufacturing Co. Pvt. Ltd.	100%
<b>Biesse Malaysia SDN BHD</b> Dataran Sunway , Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	1,000,000		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse Korea LLC</b> Geomdan Industrial Estate, Oryu-Dong, Seo-Gu – Incheon – Corea del Sud	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%

<sup>(1)</sup> As regards the company Bre.Ma. Brenna Macchine S.r.l., the put option for the purchase of the remaining stakes should be noted (please refer to Note 3).



Compared with the 2011 annual report, the consolidation scope underwent the following changes.

On 8 June 2012, the subsidiary Biesse Manufacturing Co. Pvt. Ltd. concluded the agreement to purchase Nuova Faos International Manufacturing Pvt. Ltd. At the end of 2009, Biesse Manufacturing (India) Pvt Ltd and Biesse S.p.A. reached an agreement with a historical supplier of the Group: the latter would build a manufacturing facility in Bangalore (India) for metalworking and machining structures in support of the Indian industrial facility of the Biesse Group; the parties, with a letter of intent and a private agreement, had defined the conditions for the supplier to exercise a “put” option with Biesse Manufacturing. Since these conditions were met, the supplier exercised its right on 1 January 2012, allowing Biesse to conduct a Due Diligence assistance review on the company (Nuova Faos International Manufacturing Pvt. Ltd.). On 5 March 2012, the parties reached a pre-agreement, setting the consideration for transferring the entire equity investment at € 373,200.12. The transfer was finalised in June. It should be noted that at 30 June 2012 only the Statement of Financial Position has been consolidated.

In addition, during the second quarter the subsidiary Biesse Asia Pte Ltd. underwent a group streamlining process and set up two new companies to replace its representative offices: specifically, on 24 April 2012 Biesse Malaysia SDN BHD was set up, while on 26 June 2012 Biesse Korea LLC was established.

It should be pointed out that Viet Italia S.r.l. is a new company set up to rent and subsequently acquire (an irrevocable purchase offer has been made to the liquidator) the business unit of the eponymous Pesaro-based brand – Viet – market leader in the wood calibrating and sanding sector, which was part of a company that was put into liquidation in November 2010 following a severe financial crisis. The irrevocable purchase offer also included the quotaholding owned by the latter in Pavit S.r.l. (a company active in mechanical processing, whose output is largely absorbed by Viet Italia S.r.l.). Based on some suspensive conditions established by the contract in question and concerning Pavit – and relating to the acquisition of the quotaholding – it has been deemed advisable not to include the company in the consolidation scope, also in view of its immateriality. The line-by-line consolidation of the company will take place when the conditions precedent have been satisfied.

## 2. declaration of compliance with international financial reporting standards, basis of presentation and consolidation and conversion principles

These condensed interim consolidated financial statements at 30 June 2012 have been prepared in accordance with IAS 34 and in compliance with the provisions of Article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 (Finance Act) as subsequently amended. They do not include all of the information required for the annual report and must be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2011. In particular, it should be noted that the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows are of the extended type and are the same as the formats adopted for the consolidated financial statements as at and for the year ended 31 December 2011.

The following notes are, conversely, presented in a condensed format and therefore do not include all the information required for annual reports. In particular, it should be noted that, as provided for by IAS 34, in order to avoid the duplication of previously published information, the notes refer exclusively to those items in the income statement, the statement of financial position and the statement of cash flows whose composition or changes recorded in their amount, due to their nature or because they are unusual, make it necessary to provide an explanation in order to ensure full understanding of the Group's financial position, results of operations and cash flows.

The condensed interim financial statements at 30 June 2012 consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, and also of these Notes.

The Income Statement distinguishes costs by nature. The Statement of Financial Position distinguishes between current and non-current assets and liabilities. The Statement of Cash Flows is presented in accordance with the indirect method and the Statement of Changes in Equity is presented in accordance with the standard format. In addition, a separate statement, the Statement of Comprehensive Income, includes the components that make up the profit or loss for the period and the expenses and income recognised directly in equity arising from transactions other than those carried out with shareholders. Transactions carried out with shareholders together with those relating to the net profit or loss are reported in the Statement of Changes in Equity.

The presentation currency for the condensed interim consolidated financial statements is the Euro and the amounts of items in the financial statements are expressed in thousands of Euro (€ '000) (unless otherwise expressly indicated).

The accounting standards used, valuation and measurement criteria and the consolidation principles applied for preparation of the condensed interim financial statements are consistent with those applied for the annual financial statements as at and for the year ended 31 December 2011, to which reference is made and that should be considered an integral part of these Notes. The financial standards adopted in the condensed interim consolidated financial statements at 30 June 2012 have been uniformly applied to all periods included for comparison purposes. Furthermore, it should be noted that:

- Condensed interim consolidated financial statements have been prepared under the discrete method, taking the reference period as a separate period. In this respect, the half-year income statement reflects the period's income statement components on an accruals basis;
- The financial statements underlying the consolidation process are those prepared by subsidiaries with reference to the six months ended 30 June 2012, adjusted, where necessary, to align them with Group accounting policies;
- Condensed interim consolidated financial statements are drawn up according to the cost approach – with the exception of derivative financial instruments, held-for-sale financial assets and financial instruments classified as available for sale, which are measured at fair value; the financial statements have been prepared also on a going concern basis. In view of the demand trend and in the light of the results achieved as regards statement of financial position and income statement items, the Group's assessment is that there are no uncertainties regarding the Group's ability to continue as a going concern.

Average and end-of-period (EOP) exchange rates are as follows:

Currency	30 June 2012		31 December 2011		30 June 2011	
	Average	Final	Average	Final	Average	Final
US Dollar / Euro	1,2965	1,259	1.3920	1.2939	1.4032	1.4453
Singapore Dollar / Euro	1.6391	1.5974	1.7489	1.6819	1.7653	1.7761
Canadian Dollar / Euro	1.304	1.2871	1.3761	1.3215	1.3706	1.3951
Sterling / Euro	0.8225	0.8068	0.8679	0.8353	0.8682	0.9026
Swedish Krone / Euro	8.8824	8.7728	9.0298	8.9120	8.9391	9.1739
Australian Dollar / Euro	1.2559	1.2339	1.3484	1.2723	1.3582	1.3485
New Zealand Dollar / Euro	1.6133	1.5746	1.7600	1.6737	1.8050	1.7468
Indian Rupee / Euro	67.5963	70.12	64.8859	68.713	63.1436	64.5620
Chinese Renmimbi Yuan / Euro	8.1901	8.0011	8.9960	8.1588	9.1755	9.3416
Swiss Franc / Euro	1.2048	1.203	1.2326	1.2156	1.2694	1.2071
Indonesian Rupiah / Euro	11,916.90	11,878.50	12,206.52	11,731.50	12,267.38	12,397.40
Hong Kong Dollar /Euro	10.0619	9.7658	10.8362	10.0510	-	-
Malaysian Ringgit /EURO	4.0022	3.996	-	-	-	-
South Korean Won /EURO	1.480,41	1.441,00	-	-	-	-

### 3. measurement criteria, use of estimates and reclassifications

The preparation of the financial statements and related notes pursuant to IFRS requires that management makes estimates and assumptions that have an effect on the amounts of assets and liabilities and on the disclosure of contingent assets and liabilities at the reporting date. The estimates and the assumptions used are based on experience and other factors deemed as material. The actual outcome may differ from these estimates. Estimates are used to assess property, plant and equipment and intangible assets subject to impairment tests, as described above, as well as to establish the useful life of property, plant and equipment, and recognise accruals to the allowance for impairment, and provisions for inventory and asset write-downs, employee benefits, income taxes and accruals to the provisions for risks and charges.

Estimates and assumptions – based on data reflecting knowledge up to any given date – are regularly reviewed and the effects of every change are immediately reflected in profit or loss.

Basic assumptions concerning the future and other uncertainty factors in making estimates at the reporting date that may cause significant adjustments to the carrying amount of assets and liabilities within the following year mainly refer to the possible impairment loss on the carrying amount of goodwill.

At 30 June 2012 the carrying amount of goodwill was € 18.5 million. Goodwill was tested for impairment, with reference to 31 December 2011, while at 30 June 2012, checks were carried out to assess whether any events or other circumstances existed such as to indicate potential impairment losses (the so-called “impairment indicators”). The analysis performed, notwithstanding the worsening of the economy and of the reference market, as pointed out in the Interim Directors’ Report, did not reveal any impairment indicators and/or impairment losses besides those already recognised in the condensed interim consolidated financial statements.

As regards external impairment indicators, it should be noted that the recent events in financial markets have also increased the returns on government bonds, used as the basis for determining discount rates for the cash flows of cash generating units. As is common practice, in order to determine the discount rate, reference has been made not to the precise figure for such returns, but to their historical trends.

Hence, the discount rate as measured at 30 June 2012 remained close to the range used for sensitivity analysis relating to the interest-rate component (8.63% +0.5%); such analysis had not revealed any critical aspects.

As regards internal impairment indicators, as highlighted later on in Note 5, the Wood Division ended the reporting period with an operating loss of about € 2.5 million, lower by about € 1 million compared to the same period last year. The figure, albeit significant, is within the range used to carry out the sensitivity analysis relating to the plan scenarios, which had not highlighted any risks.

At 30 June 2012 the Group's prepaid taxes and deferred tax assets totalled € 18,603 thousand (€ 18,389 thousand at 2011 year-end). The management has recognised such prepaid taxes up to the value it considers likely to be recoverable. The calculation of the various items took into consideration budget results and forecasts for subsequent years which are consistent with those used for the purpose of impairment tests and also described in the paragraph above in relation to the recoverable amount of non-current assets.

## 4. risks

### OPERATING RISKS

#### Risks relating to general economic conditions

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

Because of the difficulties in forecasting the magnitude and duration of economic cycles, no assurances can be given about the future trend of demand for the Group's products in the markets in which it operates.

Some of the leading global economies are still in a period of crisis: the sovereign debt crisis first turned into a banking crisis and then into a crisis of confidence, with an increasing impact on the real economy. The so-called Euro crisis still represents a significant risk for European and global economic development. All this threatens the economic development of some of the Group's geographical areas of reference.

In addition to this, the risk related to the increasingly volatile exchange-rate fluctuations generated by the Euro crisis should be borne in mind.

In the current situation, it is not easy to forecast the amplitude and duration of economic cycles, therefore no assurances can be given about the future trend in demand for the Group's products in the markets in which it operates, despite the Group's effort to estimate it in its three-year plans.

#### Risks relating to Group results

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

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

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



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

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

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

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

## **Risks relating to relations with employees**

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

## **Risks relating to relations with suppliers**

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

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

## **Risks relating to management**

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

## **Risks relating to sales in international markets and exposure to changeable local conditions**

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

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

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

### **Risks relating to the capacity to offer innovative products**

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

## **FINANCIAL RISKS**

### **Risks relating to financial requirements**

The evolution of the financial position of the Group depends on several conditions, including in particular the ability to achieve its objectives, as well as the general trend in the economy, the financial markets and the sectors in which the Group operates.

The Biesse Group, though it expects to meet its financial requirements through operating cash flows, undertook some actions aimed at increasing and strengthening its credit lines, extending their duration in order to overcome any negative effect on short-term credit.

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

### **Credit risk**

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

### **Currency risk**

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

### **Risks relating to interest rate fluctuations**

The Biesse Group uses various types of financing in order to fund its industrial activities. Interest rate fluctuations could lead to increases or reductions in borrowing costs.



## 5. analysis by business segment and geographical area

### ANALYSIS BY BUSINESS SEGMENT

During 2010 the Group reviewed its internal organisation in order to complete its transformation into a lean company, with implications for the system of Corporate Reporting. The process led to a reorganisation of the operating segment structure, to make it more consistent with the Group's internal organisation; this process ultimately led to the break-up of the Service segment and the transfer of its functions to the Wood and Glass & Marble segments. This adjustment is consistent with the way the business is managed, which requires the world of production and that of installation and after-sales service to be tightly integrated.

As required by IFRS 8, segment reporting has been revised accordingly to make it consistent with the information used by the management in making its operating decisions. In order to ensure comparability, prior period data has also been re-stated.

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

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

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

Mechatronics – production and distribution of mechanical and electronic components for industry,

Tooling – production and distribution of Diamut-branded wheels and tools

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



The information relating to these business segments is as follows:

€ '000	NET REVENUE		OPERATING PROFIT (LOSS)	
	1H 2012	1H 2011	1H 2012	1H 2011
Wood	139,979	128,206	(2,529)	(3,678)
Glass & Marble	31,391	34,450	1,254	2,338
Mechatronics	25,791	25,664	4,841	5,419
Tooling	4,565	4,299	519	418
Components	6,746	12,788	(127)	(1,386)
(Intragroup eliminations)	(16,386)	(23,841)		-
	<b>192,086</b>	<b>181,565</b>	<b>3,959</b>	<b>3,111</b>
Unallocated corporate costs			(3,068)	(2,905)
<b>Operating profit (loss)</b>			<b>891</b>	<b>206</b>

As already noted in the Directors' Report, sales performance by segment is not uniform. The Wood Division recorded +10.06%, the Tooling Division rose by 6.2%, while the Mechatronics Division was stable compared to the previous corresponding period of the year. The Glass & Marble Division, after an excellent 2011 (+16.8%), saw a fall in turnover of 11.11%.

The fall in the Components Division (-47.2%) was due to a different operating strategy which saw the outsourcing of some activities (electrical switchboards) that were previously carried out by the Division; this strategy also caused a reduction in intragroup eliminations.

Operating performances reflect the trend in volumes: the growth in net revenue enabled the use of operational leverage, thus determining improved operating results for the Wood, Tooling and Components Divisions. The Mechatronics Division, more than the others, was affected by the negative events that occurred in the first few months of the year (for which reference should be made to the Directors' Report) and recorded an operating profit of € 4,841 thousand, down by 10.7% (18.7% as a percentage of net revenue, compared to 21.1% in the corresponding period of previous year).

The Wood Division, albeit making a loss, improved its operating loss from - € 3,678 thousand to - € 2,529 thousand; the particular market situation, in which sales are divided between entry-level machinery and highly complex, customised systems, does not allow the Group to take full advantage of the growth in volumes and causes diluted profits.

The Glass & Marble Division fell from € 2,338 thousand to € 1,254 thousand, with the ratio of operating profit to net revenue falling from 6.5% to 4%.

### Analysis by geographical area

NET REVENUE				
€ '000	I H 2012	%	I H 2011	%
Western Europe	<b>82,934</b>	<b>43.2%</b>	83,999	46.3%
Asia - Pacific	<b>34,650</b>	<b>18.0%</b>	32,373	17.8%
Eastern Europe	<b>34,346</b>	<b>17.9%</b>	31,235	17.2%
North America	<b>18,073</b>	<b>9.4%</b>	15,609	8.6%
Rest of the World	<b>22,083</b>	<b>11.5%</b>	18,349	10.1%
<b>GROUP TOTAL</b>	<b>192,086</b>	<b>100.0%</b>	<b>181,565</b>	<b>100.0%</b>

As regards the geographical breakdown of sales, the first half of 2012 featured positive performance for areas relating to BRIC countries. Asia-Pacific was up by 7.0%, Eastern Europe by 10.0% and the Rest of the World by 20.3%.

North America showed an increase of 15.8%, whereas sales in Western Europe, the Group's traditional core market, decreased by 1.3% compared to the first half of 2011.

## 6. seasonality

The business segments in which the Biesse Group is active feature seasonality, due to the fact that demand for machine tools is typically concentrated in the second part of the year (and in particular in the last quarter). This is due to the purchasing habits of end customers, considerably influenced by expectations concerning investment incentive policies, as well as by expectations concerning economic trends in their reference markets.

Another aspect to be taken into account is the Group's specific structure, where based overseas (USA, Canada, Oceania and Far East) account on average for a fourth of total business turnover. Given the lead time necessary for delivery of machine tools to these markets and the presence of a final market which is particularly sensitive to the timeliness of delivery in relation to the purchase order, these branches are forced to replenish their stocks in the first half in order to be able to handle year-end sales.

## 7. income taxes

The Italian corporate income tax (IRES) is calculated at 27.5% (the same as in 2011) on the taxable income of the Parent and the Italian subsidiaries. Income taxes for the other jurisdictions are calculated according to the tax rates currently in force in the countries concerned. For estimates of the period's income tax, the tax rate applicable to projected year-end results is applied to interim profit.

At 30 June 2012 prepaid tax assets amounted to € 18,603. Management has recognised prepaid tax assets up to the amount for which it considers recovery likely. For this purpose, the calculation took into consideration budget results and forecasts for subsequent years consistent with those used for the purpose of impairment tests.

## 8. earnings per share (eps)

Basic earnings per share at 30 June 2012 is negative at 12.23 euro/cent (-14.58 euro/cent at 30 June 2011) and is calculated by dividing the loss attributable to owners of the Parent of € 3,304 thousand (- € 4,217 thousand in the corresponding period of 2011), by the weighted average number of outstanding ordinary shares during the period, which amounted to 26,906,683 (unchanged compared to 2011). The number of outstanding shares is lower than the total number of shares issued, because the Parent bought back its own shares on the stock exchange during 2008, in accordance with the approval granted by shareholders on 21 January 2008. At 30 June 2012 the number of own shares held was 486,359 (1.78% of the share capital), with an equal number on an average weighted basis for the period.

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

LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		
€ '000	For the six months ended	
	30 June 2012	30 June 2011
Basic loss for the period	(3,304)	(4,217)
Dilutive effect on loss for the period	-	-
Diluted loss for the period	(3,304)	(4,217)

WEIGHTED AVERAGE NUMBER OF OUTSTANDING ORDINARY SHARES		
<i>in thousands of shares</i>	For the six months ended	
	30 June 2012	30 June 2011
Weighted average number of ordinary shares used to calculate basic earnings per share	27,393	27,393
Effect of treasury shares	(486)	(486)
Weighted average number of outstanding shares – for the calculation of basic earnings	26,907	26,907
Dilutive effects	-	-
Weighted average number of outstanding shares – for the calculation of diluted earnings	26,907	26,907

As there were no discontinued operations during the year, the loss per share is entirely attributable to continuing operations.

## 9. dividends

No dividends were distributed in the first half of 2012 nor is distribution in the second part of the year scheduled, as resolved at the Shareholders' Meeting of the Parent.

## 10. property, plant, equipment and other items of property, plant and equipment

Investments in the period under review amounted to around €1.6 million (€ 1.8 million at 30 June 2011). As noted in the Interim Directors' Report, the main investment completed in the first half of the year was the purchase of the new sales premises of Biesse Triveneto, in Codogné (TV). The balance at 30 June 2012 takes account of € 1,972 thousand relating to property, plant and equipment of the subsidiary Nuova Faos International Manufacturing.

## 11. goodwill and other intangible assets

### Goodwill

Compared to the end of the previous year, goodwill rose by € 489 thousand, of which € 116 thousand was due to exchange rate differences (Biesse America Inc. + € 54 thousand, Biesse Group Australia Pty Ltd + € 62 thousand). In addition, note should be taken of an additional change of € 373 thousand relating to the temporary recognition (as required by IFRS 3) of the difference between the price paid and equity of the subsidiary Nuova Faos International Manufacturing. In the table of allocation by segments this amount has been considered as goodwill to be allocated.

As explained in note 5 above, during 2010 and 2011 the Group undertook a review of its Corporate Reporting system. As already specified, the change led to the break-up of the Service segment and the transfer of its functions to the Wood and Glass & Marble segments. Therefore, segment reporting has been revised (IFRS 8), with a consequent change in the definition of the operating segments and the cash generating units; as required by accounting standards, the Group had already arranged for 2011 to update the allocation of the Service segment goodwill to the Wood and Glass CGUs.

The values of goodwill recognised in the statement of financial position deriving from business combinations have therefore been re-allocated in accordance with the new operating segment structure.

The following table illustrates the allocation of goodwill by segment:

€ '000	30 June 2012	31 December 2011
Mechatronics	5,599	5,599
Wood	6,359	6,305
Tooling	3,940	3,940
Glass & Marble	2,264	2,202
Goodwill to be allocated	373	-
<b>TOTAL</b>	<b>18,534</b>	<b>18,046</b>

As for estimates of recoverable values, reference should be made to Note 3 above regarding measurement criteria, use of estimates and reclassifications.

### Other intangible assets

Other intangible assets mainly comprise investments for development activities, amounting to € 11,251 thousand, investments for software licenses and similar rights, amounting to € 6,295 thousand and costs for development projects and licenses, not yet completed (and therefore temporarily allocated to assets under development and payments on account), amounting to € 11,745 thousand. In the first half of 2012 development costs led to amortisation of € 2,442 thousand. The period was characterised by further new-product design and planning activities and by implementation of the new Oracle ERP system, which involved new investments of € 5,184 thousand (€ 5,288 thousand in 2011).

## 12. inventories

Inventories rose in absolute terms by around € 9.5 million, of which € 1.4 million related to spare parts, € 2.1 million to semi-finished products and work in progress and € 7 million to finished products, while raw materials fell by € 966 thousand (exchange rate differences caused an overall increase of € 651 thousand). The balance at 30 June 2012 takes account of the inventories of the subsidiary Nuova Faos International Manufacturing, totalling € 255 thousand.

Allowance for inventory write-down of raw materials amounted to € 2,413 thousand (up by € 196 thousand compared to 31 December 2011, while the figure at the end of June 2011 was € 1,707 thousand), representing 6.9% of the historical cost of relevant inventories (compared to 6.2% at 2011 year-end).

As regards spare parts, the allowance for inventory write-down amounted to € 3,470 thousand (up by € 600 thousand compared to 31 December 2011, while the figure at the end of June 2011 was € 2,918 thousand), representing 16.8% of the historical cost of relevant inventories (compared to 15.4% at 2011 year-end).

As regards finished products, the allowance for inventory write-down amounted to € 2,750 thousand (up by € 308 thousand compared to 31 December 2011, while the figure at the end of June 2011 was € 1,783 thousand), representing 7.1% of the historical cost of relevant inventories (compared to 7.7% at 2011 year-end).

## 13. receivables

Trade receivables, measured at fair value, decreased by € 772 thousand (before related allowance for impairment) compared to the 2011 year-end figure.

Allowance for impairment increased compared to December 2011 (€ 6,386 thousand compared to € 6,261 thousand at the end of 2011), while its percentage impact on nominal value increased from 5.3% to 5.4%.

## 14. share capital – own shares

The share capital of the Parent, Biesse S.p.A., is composed of 27,393,042 ordinary shares each of € 1 nominal value.

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

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

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

The same resolution authorised an incentive plan called "Retention Plan 2011 – 2013 of Biesse S.p.A." and reserved for the top management of Biesse S.p.A. and the companies belonging to the Group involving stock grants and cash bonuses. The shareholders' meeting of 27 April 2012 approved the withdrawal of this plan and the simultaneous adoption of a new incentive scheme called "Long Term Incentive Plan 2012 – 2014" which involves cash bonuses and stock grants, subject to the achievement of economic and financial targets and the assessment of individual performance. The number of own shares earmarked for the Long Term Incentive is 235,952 (146,475 at the end of 2011). The new plan's effect on the 2012 income statement is equal to € 22 thousand.

The following table summarises the data concerning own shares held at 30 June 2012.

Number of shares:	486,359
Carrying amount (in Euro):	4,675,804
Percentage (no. shares) compared to share capital (no. shares):	1.775%

## 15. hedging and translation reserves

The breakdown is as follows:

€ '000	30 June 2012	31 December 2011
Reserve for translation of foreign currency financial statements	(734)	(1,184)
Reserve for gains (losses) on exchange rate cash flow hedges	3	(57)
<b>TOTAL</b>	<b>(734)</b>	<b>(1,241)</b>

In the first half of 2012 the reserve for losses on cash flow hedges increased by € 57 thousand. As per the requirements of IAS 39, gains amounted to € - 43 thousand, unrecognised exchange rate gains totalled € 278 thousand and, at reporting date, deferred tax liabilities amounted to € 10 thousand. The fair value of hedging derivatives showed a negative balance of € 42 thousand.

## 16. other reserves

The breakdown is as follows:

€ '000	30 June 2012	31 December 2011
Legal reserve	5,479	5,479
Extraordinary reserve	40,217	39,779
Reserve for treasury shares	4,676	4,676
Retained earnings and other reserves	11,827	14,809
<b>OTHER RESERVES</b>	<b>62,198</b>	<b>64,743</b>

As indicated in the statement of changes in equity, the item Other reserves (and in particular Retained earnings) has changed to account for the loss recognised in 2011 (€ 2,438 thousand).

## 17. financial liabilities

Compared with the financial statements as at and for the year ended 31 December 2011, the Group's financial liabilities increased by € 12,831 thousand (net of finance lease payments of € 341 thousand). While the medium-/long-term portion decreased by € 20,281 thousand, the current portion increased by € 33,112 thousand. The shortening of the duration of debt is a consequence of the gradual repayment of loans with maturity of 18 months less one day obtained from Italian lending counterparties.

The residual amounts of these credit lines expire by the end of September 2013, but they are gradually being renewed for a further 18 months in unsecured form and without any covenants.

For further details, reference should be made to the paragraphs in the Interim Directors' Report concerning the trend of the net financial indebtedness and the Statement of Cash Flows.

## 18. provision for risks and charges

As for the provisions for risks and charges, in the first half of 2012 it was arranged to adjust the balances to take account of the outstanding disputes with customers and employees. The allocations for the period totalled € 594 thousand, of which € 491 thousand was for future costs and legal disputes and € 103 thousand was for product warranties.

## 19. contingent liabilities and commitments

The Parent and some subsidiaries are involved as parties to various lawsuits and disputes. It is nevertheless believed that the settlement of such disputes will not give rise to further liabilities in addition to those already provided for in a specific provision for risks.

As for the contract to purchase the controlling interest in the Centre Gain group, the non-controlling interest was granted a put option to sell to the Biesse Group all the shares in its possession on the date the option is exercised. The option can be exercised after five years from the date the contract was signed. At the reporting date, the put option was measured and its exercise was considered possible but not probable.

At the reporting date, there are no commitments of a significant amount for the purchase of new assets.

## 20. events after the reporting period

In reference to events after the reporting period, reference should be made to the specific section in the Interim Directors' Report which points out, among other things, that on 20 July 2012, the Managing Director Giorgio Pitzurra resigned from his position.

## 21. other payables

The item includes payables for the instalments falling due after more than 12 months for the purchase of the Centre Gain Group (HKD 24,600,000 to be paid in 2 equal instalments in September 2013 and September 2014).

## 22. related party transactions

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

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

### Commercial transactions

During the first half of 2012, group companies undertook the following commercial transactions with related entities, excluded from the scope of consolidation.

€ '000	REVENUES		COSTS	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011	For the six months ended 30 June 2012	For the six months ended 30 June 2011
<b>Parent</b>				
Bi. Fin. S.r.l.	5	5		
<b>Other related companies</b>				
Fincobi S.r.l.	1	1	9	5
Se.Mar. S.r.l.	-	3	872	1,113
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	-	-	1,143	1,112
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	80	56
<b>TOTAL RELATED PARTY TRANSACTIONS</b>	<b>6</b>	<b>9</b>	<b>2,104</b>	<b>2,286</b>

€ '000	RECEIVABLES		PAYABLES	
	at 30 June 2012	at 30 June 2011	at 30 June 2012	at 30 June 2011
<b>Parent</b>				
Bi. Fin. S.r.l.	592	579	-	-
<b>Other related companies</b>				
Fincobi S.r.l.	1	1	11	11
Edilriviera S.r.l.	-	-	-	-
Se.Mar. S.r.l.	3	1	423	614
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	32	52	524	523
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	86	46
<b>TOTAL RELATED PARTY TRANSACTIONS</b>	<b>627</b>	<b>633</b>	<b>1,044</b>	<b>1,194</b>

The terms and conditions agreed with the above related parties are no different to those arm's length parties would agree.

Amounts payable to related parties are of a commercial nature and refer to transactions undertaken for the sale of goods and/or rendering of services.




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

REMUNERATION				
€ '000	Fees	Non-monetary benefits	Remuneration Bonuses and other incentives	Other remuneration
Board of Directors	936	15	42	150
Board of Statutory Auditors	80			
Managers with strategic responsibilities		6	60	315
<b>TOTAL</b>	<b>1,016</b>	<b>21</b>	<b>102</b>	<b>465</b>

Pesaro, 3 August 2012

*The Chairman of the Board of Directors*  
**Roberto Selci**



## Statement of the condensed interim consolidated financial statements in accordance with art. 81 ter of Consob Resolution no. 11971 of 14 May 1999 as subsequently amended

The signatories, Roberto Selci and Stefano Porcellini, in their capacities as, respectively, Chairman and Manager in charge of financial reporting of Biesse S.p.A., state, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for preparation of the condensed interim consolidated financial statements during the first half of 2012.

The assessment of the adequacy of administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements at 30 June 2012 is based on a process established by Biesse, consistent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted reference framework.

They also state:

- a) the condensed interim consolidated financial statements:
- have been drawn up in compliance with the international financial reporting standards applicable and endorsed by the European Commission pursuant to Resolution (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and, in particular, with IAS 34 – Interim Financial Reporting – and also with the measures enacted to implement Article 9 of Italian Legislative Decree no. 38/2005;
  - correspond to the accounting ledgers and records;
  - provide, as far as is known, a true and fair view of the financial position, results of operations and cash flows of the issuer and of the group of companies included in consolidation scope;
- b) the interim directors' report contains references to the significant events that occurred in the reporting period and to their impact on the condensed interim consolidated financial statements, together with a summary description of the main risks and uncertainties for the remaining six months of the year, as well as information on any material transactions undertaken with related parties.

*Pesaro, 3 August 2012*

*Chairman*  
**Roberto Selci**

*Chief Financial Officer*  
**Stefano Porcellini**



**KPMG S.p.A.**  
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(Translation from the Italian original which remains the definitive version)

## Auditors' report on review of condensed interim consolidated financial statements

To the shareholders of  
 Biesse S.p.A.

- 1 We have reviewed the condensed interim consolidated financial statements of the Biesse Group as at and for the six months ended 30 June 2012, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.
- 2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.  
 With regard to the corresponding figures included in the condensed interim consolidated financial statements, reference should be made to our reports on the annual consolidated and condensed interim consolidated financial statements of the previous year dated 29 March 2012 and 8 August 2011, respectively.
- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Biesse Group as at and for the six months ended 30 June 2012 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Ancona, 6 August 2012

KPMG S.p.A.

(signed on the original)

Luca Ferranti  
 Director

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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 Euro 6.178.900,00 i.v.  
 Registro Imprese Milano e  
 Codice Fiscale N. 00709900159  
 R.E.A. Milano N. 512667  
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