first-half report at 30 june 2011

BIESSE

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half-year report at 30 june 2011

company office holders

BIESSE

Board of Directors

Chairman and Managing Director	*Roberto Selci*
Managing Director [1]	*Giancarlo Selci*
Managing Director	*Giorgio Pitzurra*
Executive Director	*Alessandra Parpajola*
Chief Executive Officer	*Stefano Porcellini*
Director [2]	*Leone Sibani*
Director [2]	*Giampaolo Garattoni*
Director [2]	*Salvatore Giordano*

Board of Statutory Auditors

Chairman	*Giovanni Ciurlo*
Standing Statutory Auditor	*Claudio Sanchioni*
Standing Statutory Auditor	*Riccardo Pierpaoli*
Alternate Statutory Auditor	*Cristina Amadori*
Alternate Statutory Auditor	*Silvia Cecchini*

Internal Control Committee
Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

Supervisory Body

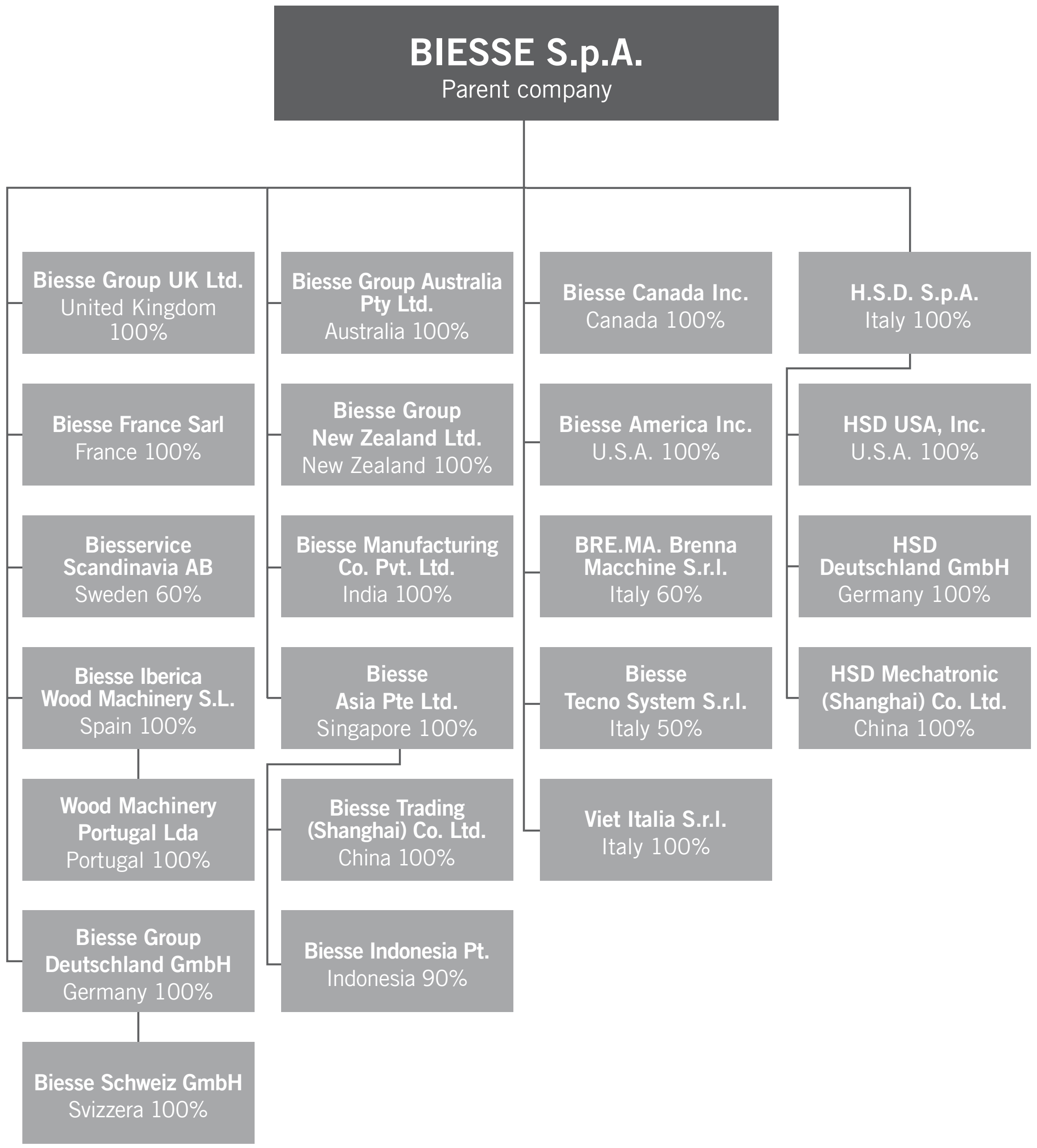
Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Cristian Berardi
Elena Grassetti

Independent Auditors

KPMG S.p.A.

[1] with exclusive mandate for the strategic direction of the Group
[2] Indipendent

group structure

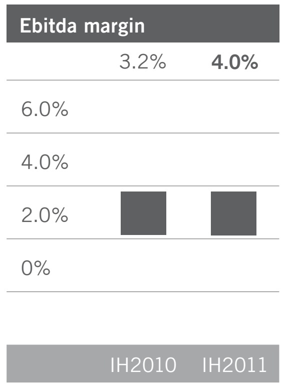


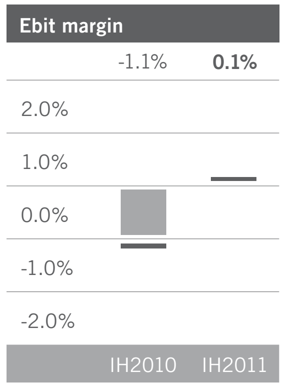
The scope of consolidation has not changed compared to the consolidated financial statements as at and for the year ended 31 December 2010.
It should be pointed out that the subsidiary Viet Italia S.r.l. is a new company set up to rent and subsequently acquire (an irrevocable purchase offer has been 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 scope of consolidation, also in view of its non-material relevance. It is likely that the suspensive conditions will be overcome by the end of this financial year and that the company will consequently be fully consolidated on a line-by-line basis.

financial highlights

FINANCIAL HIGHLIGHTS

€ '000	1 H 2011	% of sales	1 H 2010	% of sales	% of sales
Revenues from sales and services	181,565	100.0%	155,881	100.0%	16.5%
Value Added (1)	67,438	37.1%	59,420	38.1%	13.5%
Ebitda (Gross operating profit/loss) (1)	7,241	4.0%	4,953	3.2%	46.2%
Ebit (Net operating profit/loss) (1)	206	0.1%	(1,748)	(1.1%)	(111.8%)
Loss for the period	(4,217)	(2.3%)	(3,739)	(2.4%)	12.8%

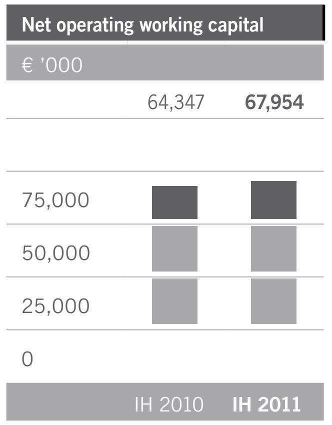


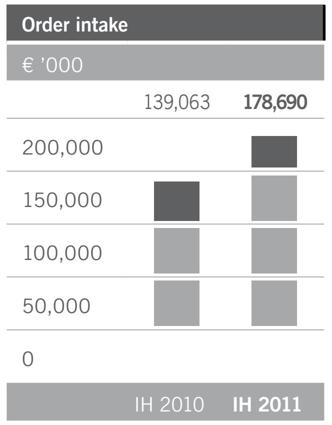


STATEMENT OF FINANCIAL POSITION DATA

€ '000	30 June 2011	30 June 2010	CHANGE	CHANGE %
Net Invested Capital (1)	153,367	146,178	7,189	4.9%
Equity	117,986	125,786	(7,800)	(6.2%)
Net financial indebtedness (1)	35,381	20,392	14,989	73.5%
Net operating working capital (1)	67,954	64,347	3,607	5.6%
Order intake	178,690	139,063	39,627	28.5%

(1) Notes explaining the criteria for determining amounts relating to interim results and combined income statement and statement of financial position data are contained in the interim directors' report and the Notes to the condensed interim consolidated financial statements.





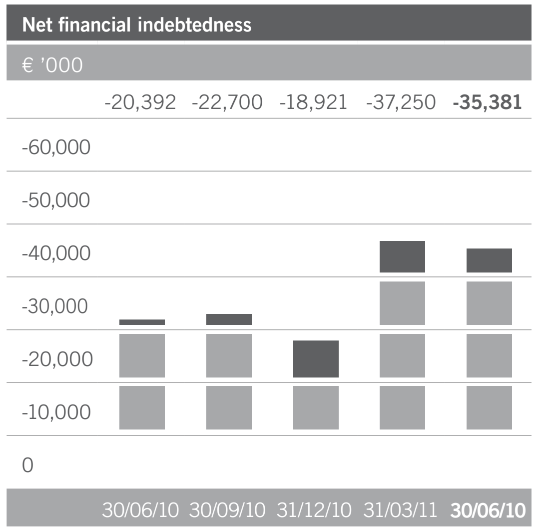
CASH FLOW (2)

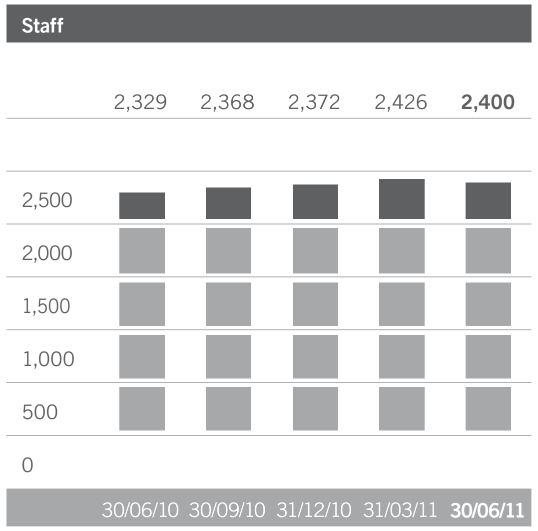
€ '000	30 June 2011	30 June 2010	30 June 2009
Ebitda (Gross operating profit/loss)	7,241	4,953	(8,453)
Change in net working capital	(8,219)	18,015	(8,793)
Change in other operating assets/liabilities	(8,866)	(5,168)	(6,665)
Operating cash flow	**(9,844)**	**17,800**	**(23,911)**
Cash flow used in investment activity	(7,021)	(5,388)	(5,924)
Cash flow	**(16,865)**	**12,412**	**(29,835)**
Foreign exchange rate differences	405	(100)	-
Increase/decrease in net financial indebtedness	**(16,460)**	**12,312**	**(29,835)**

(2) the subtotals may differ from the ones shown in the Consolidated Statement of Cash Flows due to the different impact of foreign exchange rate differences on the statement of financial position items.

PERSONNEL

€ '000	30 June 2011	30 June 2010
Number of employees	2,400	2,329





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

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

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

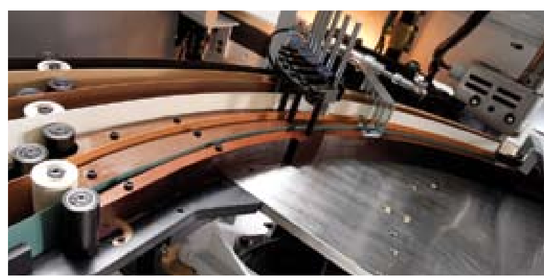
the brands

BIESSE

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

BIESSEEDGE

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



BIESSESAND

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

BIESSEARTECH

Presents a complete range of Easy Tech solutions, specialized in the production of woodworking machines mainly designed for small and medium-sized companies. The company's extensive experience, service and widespread distribution network make BiesseArtech a brand name synonymous with reliability and profitable investment. This line of products, in fact, is destined to revolutionize production times and phases, while offering highly personalized and innovative technical and logistics support. BiesseArtech solutions are designed for all the various panel machining phases: panel sizing, edgebanding, boring, milling, sanding and assembly of furniture items.

COMIL

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

RBO

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

the brands

SELCO

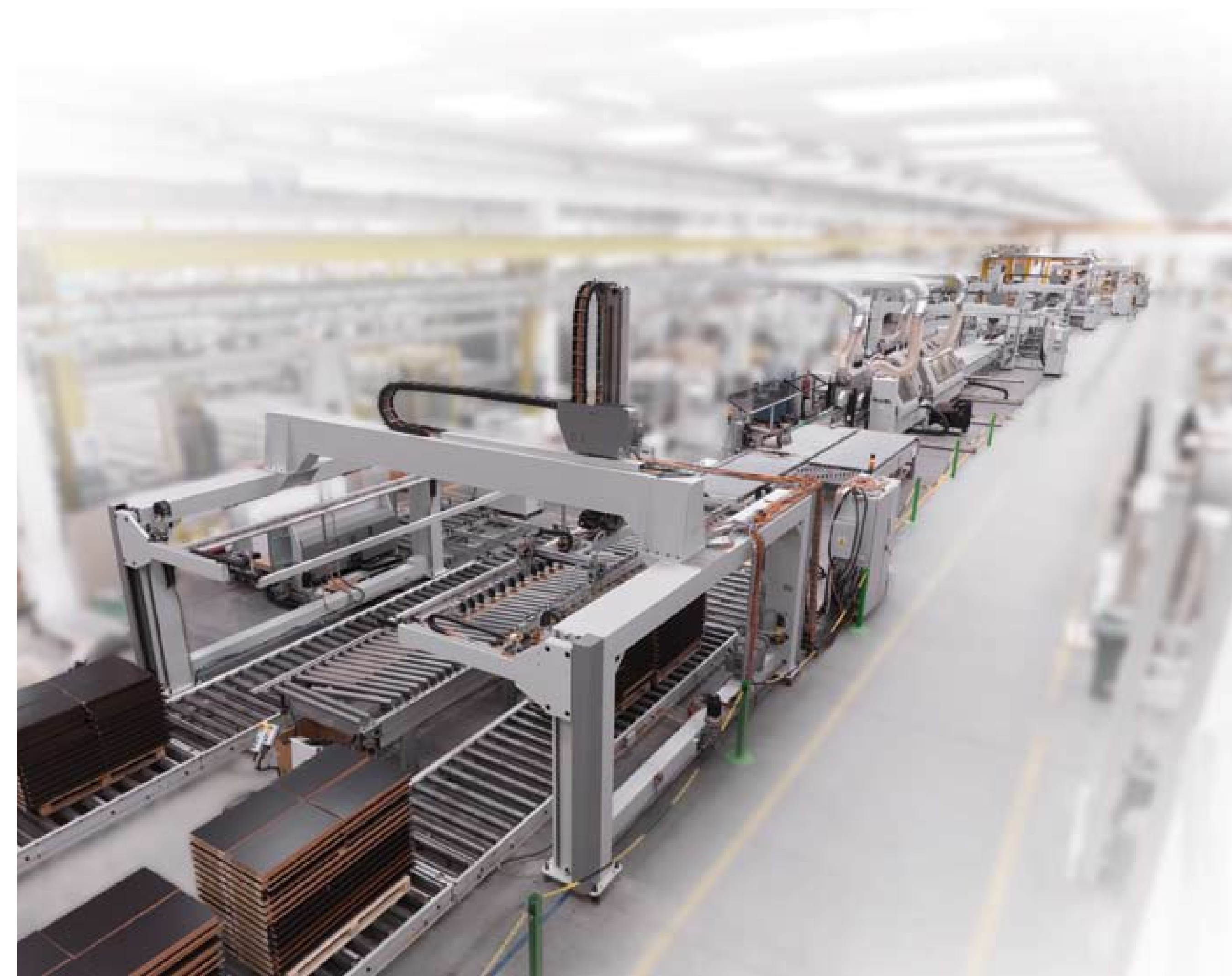
Is the Biesse Wood Division Brand that produces and distributes single line sizing centres, angular systems and integrated cutting cells with automatic storage and unloading solutions.

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.

Viet ITALIA

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.



biesse systems

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

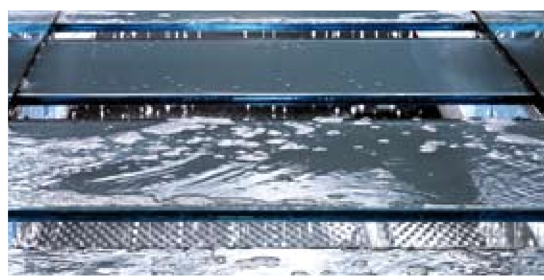
the brands

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.

DIGIPAC

Specialised in the design and production of automatic stretch film wrapping machines to protect and stabilise pallet loads.

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.

the market

General economic environment

Global economic growth has slowed slightly in the last few months as indicated by deterioration of macroeconomic indicators. In June the PMI (Purchasing Managers' Index) slipped slightly, settling at 52.2: this level confirms that the global economy is still going through a growth phase, even though recovery seems to be proceeding more slowly than in the first quarter of the year, when the PMI indicator was 57.3 (average).

The latest PMI figures show further growth slowdown both in manufacturing and in services sectors. The global order-intake indicators decreased to 52.0 in June. In line with the decline of global activity, survey indicators and the latest data relating to global goods trade in April indicate a slowdown in the growth of global trade in the second quarter of this year.

Different transitory factors contributed to the recent slowdown in global growth. In particular, the effects of the Japanese earthquake, both on the internal economy and on foreign suppliers, together with the adverse impact of high raw material prices on real income, have put a brake on global activity in recent months. In the meantime, however, supply-chain obstacles have decreased, while the recent correction of raw material prices has lightened the latter's impact on the internal demand of importing countries.

At the same time, regional differences persist; in many advanced economies, the need for further action to redress the balance of public accounts combined with the persistently weak labour market continue to put a brake on recovery. GDP growth in the Eurozone became stronger in the first quarter and continued, albeit at a more moderate rate, in the second quarter.

In the Eurozone the GDP increase in the first quarter of the year reflected the upturn of investments in the construction sector – which in previous months, especially in Germany, had decreased due to adverse weather conditions – and the increase in expenditure for capital equipment. GDP expansion continued in the second quarter at a slower pace. In the first quarter of this year growth in Italy was only slightly positive; compared with 2010 year-end figures, the improvement of foreign trade was in fact set against stagnation of domestic demand. Household spending decisions have been affected by the sluggish trend of real income, which in turn reflects labour market conditions and the increase in retail prices.

Italian growth was confirmed in the second quarter, achieving rates similar to Eurozone averages. It was bolstered by recovery in industrial production, which interrupted the stagnation underway since last autumn. The most recent economic indicators point to some uncertainties as regards the intensity of recovery; following the increase in April, industrial activity has in fact slackened.

Emerging markets, which operate close to, and in some cases above, full production capacity are characterised by an opposite trend. Many of these countries are increasingly facing tight conditions in the labour market, in addition to inflationary pressures.

Global inflation has continued to increase, mainly because of high raw material prices. However, based on the last survey, the global PMI for purchasing prices has once again decreased, because of less dynamic global economic activity and the recent correction of raw material prices. Coming in at 58.6 in June 2011, the global PMI for purchasing prices in any case remains high. This is in line with the increase in the retail price index in the OECD area, which in May 2011 reached 3.2%, the highest inflation rate since October 2008. Excluding food and energy, inflation in the OECD area increased by 1.7%. Price pressures are clearly higher in emerging countries, i.e. economies squeezed between growing production-capacity constraints and the greater impact of raw materials on their consumer-spending levels.

Business sector review

The positive order-intake trend continued for Italian machine tools, showing a 13% increase in the second quarter of 2011 compared to the same period in the previous year.

According to the data processed by the Research Centre of UCIMU, the association of Italian producers of machine tools, robots and automated equipment, order intake from foreign markets grew by 44.5% compared to the April-June 2010 period with the index reaching an absolute level of 102.

On the other hand, domestic order intake was down by 33.8% compared to the same period of last year, with the absolute level of the index going to 59.2%.

On a half-yearly basis, order intake increased by 16.3% compared to the period January-June 2010 (with the absolute index reaching 101.5) by virtue of the growth in foreign orders (+37.4%), offsetting the drop in domestic orders, which were down by 19.5%.

According to the data published by Acimall – the national association of producers of woodworking machinery – the sector's recovery has suffered an abrupt slowdown, remaining substantially flat compared to 2010. In the face, however, of foreign markets that are increasingly receptive and ready to invest, the domestic industry seems static and little inclined to upgrade its production facilities. This is partly due to the average size of the Italian industrial businesses, where limited production capacity and economic resources do not contribute to the purchase of hi-tech machinery.

The customary survey, performed based on a statistical sample representing the entire sector, shows, for the Italian woodworking machinery and machine tools industry, an increase of 0.4% over the same period in the previous year.

Foreign orders grew by 15.6%, while in the Italian market orders decreased by 31.5%. As regards sales, there was an increase of 1.4% compared to the second quarter of 2010. The order book remained stable at around two months, while since the beginning of this year there has been a 1.4% increase in prices.

According to the data disclosed by the German organisation VDMA (Verband Deutscher Maschinen- und Anlagenbau), in June 2011 order intake for the German sector was 1% higher than in the previous year, with domestic business turnover down by 14%, while the foreign market grew by 10% (compared with the same period in 2010).

VDMA also reports that the economic environment in Germany and other Eurozone countries seems to be proceeding with "less drive than projected" even though the progress of the machinery & plant sector in the first half of 2011 shows a significant increase (+23%) compared to the same period last year.

INTERIM DIRECTORS' REPORT ON OPERATTIONS

INCOME STATEMENT – FIRST HALF 2011					
€ '000	1 H 2011	% on sales	1 H 2010	% on sales	CHANGE %
Net Revenues	**181,565**	**100.0%**	**155,881**	**100.0%**	**16.5%**
Change in inventories, wip, semi-finished and finished goods	15,809	8.7%	3,054	2.0%	-
Other revenue	1,418	0.8%	988	0.6%	43.5%
Value of Production	**198,792**	**109.5%**	**159,922**	**102.6%**	**24.3%**
Consumption of raw materials, consumables, supplies and goods	(91,862)	(50.6)%	(66,767)	(42.8)%	37.6%
Other operating expense	(39,492)	(21.8)%	(33,735)	(21.6)%	17.1%
Added Value	**67,438**	**37.1%**	**59,420**	**38.1%**	**13.5%**
Personnel expense	(60,197)	(33.2)%	(54,467)	(34.9)%	10.5%
Gross Operating profit	**7,241**	**4.0%**	**4,953**	**3.2%**	**46.2%**
Depreciation and amortisation	(6,199)	(3.4)%	(5,760)	(3.7)%	7.6%
Provisions	(835)	(0.5)%	(942)	(0.6)%	(11.4)%
Net Operating profit (loss)	**206**	**0.1%**	**(1,748)**	**(1.1)%**	**-**
Finance income/expense	(1,086)	(0.6)%	(805)	(0.5)%	34.9%
Exchange rate gains (losses)	(1,308)	(0.7)%	669	0.4%	-
Pre-tax loss	**(2,188)**	**(1.2)%**	**(1,885)**	**(1.2)%**	**16.1%**
Income taxes	(2,029)	(1.1)%	(1,855)	(1.2)%	9.4%
Loss for the period	**(4,217)**	**(2.3)%**	**(3,739)**	**(2.4)%**	**12.8%**

Progress at the end of the first half of 2011 confirmed the positive trend in order intake, which increased by 28.5% compared with the figure for the same period in 2010.
The divisions contributing most to this result were the Wood Division (up by +35.1%) and the Mechatronics Division (up by +30.0%). The Glass & Marble Division remained in line with the figure for the first half of 2010.
It should be noted that, based on the recent survey data published by Acimall – the national association of producers of woodworking machinery – in the second half of 2011 the relevant sector for the group featured an increase in order intake of 0.4% (compared to the same period of last year), outperformed by Biesse.
The positive trend of order intake underlay the increase both in sales and finished goods and semi-finished goods inventories.
Biesse is bringing to the market machines conceived to enable customers to work more efficiently via a full range of solutions meeting each individual need. This specific drive has been particularly influenced by Biesse's decision to strengthen its commitment to R&D. For the Wood sector in particular, this will lead to the introduction of new products and technologies – for a share exceeding 40% of the range – within the next 6/12 months. In addition, we are planning reinforcement of our international commercial network.

A further contribution to achievement of our strategic objectives will also be made by the greater use of the Indian production site in Bangalore as a true business centre for all of Asia. The specific investments in this geographical area will facilitate the growth of Biesse's commercial penetration in markets that, even on the basis of the most recent macro-economic forecasts, have excellent development potential over the short and medium term.

As regards the novelties presented during the German trade show, notice should be paid to: the full range of 5-axis work centres, for both panels and solid boards, with a range able to satisfy both large industrial companies and SMEs; solutions for window and door frames, which comprise both the innovative technologies of the UniWin multicentres and Rover WMS work centres and the sanding and calibrating products of Viet, a historical brand that has recently joined the Biesse Group; the new Hybrid Door product for the packaging of doors and windows; and, lastly, novelties in boring with extension of the latter's range thanks to the new Skipper V31 and EKO 902, a vertical drilling machine for SMEs, recently introduced under the Bre.Ma brand.

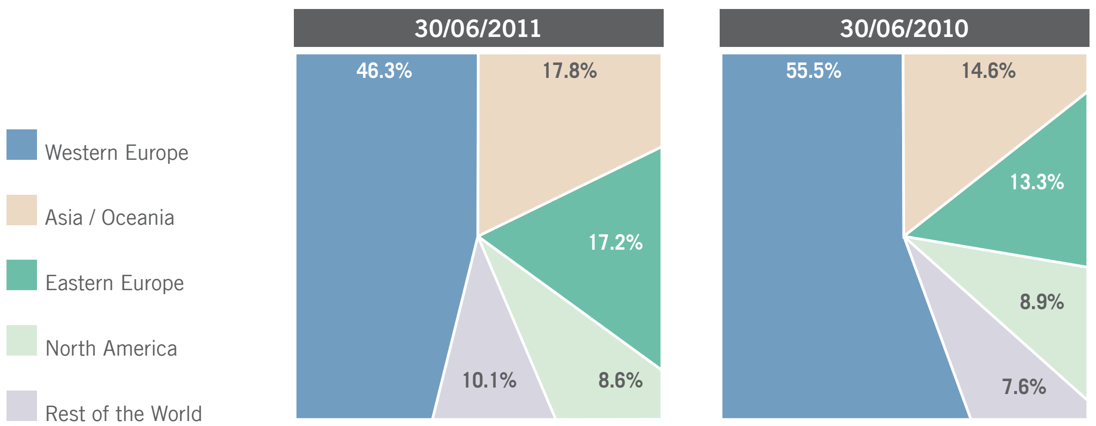
As far as the statement of financial position is concerned, property, plant and equipment confirmed a trend of gradual reduction, whereas intangible assets increased both because of new-product development activities and because of implementation of the new Oracle IT system.

Net operating working capital increased compared both to the December 2010 figure and the June 2010 figure, leading to a corresponding increase in group net indebtedness. This increase in any case related to the positive order-intake trend – making it necessary to replenish the group's warehouses in order to seize business opportunities in the various outlet markets in a timely manner– and to the different phasing of sales performance (normally concentrated in the second half of the year) and production scheduling (physiologically more evenly distributed during the year). As it happened in 2010, the inventory carrying amount is expected to go down at year-end, with positive effects on cash generation relating to working capital.

Net revenue in the first half of 2011 totalled € 181,565 thousand, with a 16.5% increase compared to the same period of last year. As regards the second quarter, net revenue amounted to € 106,247 thousand (+14.6%).

BREAKDOWN BY GEOGRAPHICAL AREA

€ '000	1 H 2011	%	1 H 2010	%	CHANGE %
Western Europe	83,999	46.3%	86,586	55.5%	(3.0%)
Asia – Pacific	32,373	17.8%	22,701	14.5%	42.6%
Eastern Europe	31,235	17.2%	20,803	13.3%	50.1%
North America	15,609	8.6%	13,913	8.9%	12.2%
Rest of the World	18,349	10.1%	11,877	7.6%	54.5%
GROUP TOTAL	181,565	100.0%	155,881	100.0%	16.5%



The breakdown of sales by geographical area reveals a particularly positive performance for areas relating to BRIC countries in the first six months of the year. Asia-Pacific was up by 42.6%, Eastern Europe by 50.1% and the Rest of the World by 54.5%.
North America showed an increase of 12.2%, whereas sales in Western Europe, the Group's traditional core market, decreased by -3.0% compared to the same period of last year.

BREAKDOWN BY DIVISION

€ '000	1 H 2011	%	1 H 2010	%	CHANGE %
Wood Division	105,748	58.3%	89,449	57.4%	18.2%
Glass/Marble Division	28,370	15.6%	24,292	15.6%	16.8%
Mechatronics Division	25,664	14.1%	21,029	13.5%	22.0%
Service Division	28,537	15.7%	25,568	16.4%	11.6%
Tooling Division	4,299	2.4%	3,430	2.2%	25.3%
Components Division	12,788	7.0%	10,518	6.7%	21.6%
Intragroup eliminations	(23,841)	(13.1%)	(18,404)	(11.8%)	29.5%
TOTAL	181,565	100.0%	155,881	100.0%	16.5%

BREAKDOWN OF REVENUE BY DIVISION

At divisional level, all sectors achieved double-digit increases. The Wood Division grew by 18.2%, accounting for 58.3% of consolidated sales. The Glass/Marble Division grew by 16.8% (reversing the trend reported at the end of the first quarter). The Mechatronic, Tooling and Components divisions showed an increase of over 20%. The Service Division (whose performance is less related to economic events) grew by 11.6%.

As had already happened at the end of the first half of 2010, finished and semi-finished goods inventories increased, going up by € 15,809 thousand (of which € 5,114 thousand relating to semi-finished goods and € 10,695 thousand to finished goods). The value of production for the period amounted to € 198,792 thousand, growing by +24.3% compared to the first half of 2010, when it amounted to € 159,922 thousand.

As regards other operating expenses, the increase of € 5,766 thousand (+17.1%) largely related to variable costs (sales commissions, transport and outsourced processing), whereas semi-variable costs (travel and lodging expenses of sales and technical staff plus utility costs) and fixed costs (consultancy fees, maintenance, remuneration paid to directors and statutory auditors, rental costs and hire charges), although increasing, remained unchanged as a percentage of sales. The comparison with 2011 was burdened by the higher cost of the Wood Division's institutional trade show held in Hannover (Ligna 2011), whereas in 2010 the main trade show in which the group took part (Technodomus) took place in Rimini.

In the first half of 2011 added value totalled € 67,438 thousand, increasing by 13.5% compared to the same period of last year (€ 59,420 thousand) and with an impact on sales decreasing from 38.1% to 37.1%. This change was due to the different trend of the final market, where demand grew for large plants, highly customised to meet customers' needs (and obviously reducing the possibility of exploiting economies of scale) whereas stand-alone machines' share of sales decreased. This different sales mix led to an increase in production lead time and in direct and indirect design and installation costs. This factor was joined by raw material price inflation. Consequently, the increased operating leverage recorded in the first half of 2011 did not generate a corresponding increase in added value.

Personnel expense amounted to € 60,197 thousand, up by 10.5% compared to the figure at 30 June 2010 (€ 54,467 thousand). The higher labour requirement, necessary to handle increased production levels, and pay incentives for the most skilled personnel underlay the increase in this cost component. In comparing figures with the first half of 2010, it is important to remember the greater use of state subsidised lay-off schemes made in 2010 (significantly reduced in 2011 to support the growth and the launch of new product lines). Capitalisation of wages and salaries of employees deployed in development activities recorded an increase (€ 3,275 thousand in the first half of 2011 compared to € 2,311 thousand).

Gross operating profit amounted to € 7,241 thousand, up by 46.2% compared to the first half of 2010 (€ 4,953 thousand), increasing from 3.2% to 4.0% of revenue.

Depreciation and amortisation increased by 7.6% (from € 5,760 thousand to € 6,199 thousand) but the trends regarding property, plant and equipment and intangible assets differed. In the first case, depreciation amounted to € 2,941 thousand (down by 7.1%), while amortisation of intangible assets totalled € 3,258 thousand (up by 25.6%). The figure concerning property, plant and equipment confirms a trend observed in previous years, featuring streamlining of production related locations and investments with greater exploitation of manufacturing space. The trend relating to intangible assets is connected with the different trend, in the two years analysed, of the market launch of products – to which capitalised development activities refer – i.e. the event triggering the start of amortisation of related costs).

Provisions amounted to € 835 thousand, slightly down compared to the first half of 2010 (€ 942 thousand).

As regards operations, finance expense amounted to € 1,086 thousand, increasing by +34.9% compared to the first half of 2010 (€ 805 thousand), in line with the debt position's trend and its increased cost. Currency risk management in the first half of 2011 resulted in a loss of € 1,308 thousand, mainly relating to costs stemming from valuation of items in US dollars and Indian rupees, negatively affected by the respective currencies' trends.

Pre-tax loss amounted to € 2,188 thousand.

The estimated balance of tax items is negative by a total of € 2,029 thousand. This is attributable to the following factors: € 1,498 thousand relating to IRAP (Italian regional business tax) payable for the year; € 328 thousand relating to taxes on the income of foreign subsidiaries, € 181 thousand relating to the negative balance for deferred taxes and € 21 thousand relating to prior-year taxes.
There was no IRES current tax applicable to the period because the amount of tax calculated on taxable income was entirely offset by losses reported by other companies under the national tax consolidation scheme.
The negative balance of deferred tax is also composed of deferred tax assets calculated on the tax losses of companies which are likely to return to profitability in future years.

Loss for the period amounted to € 4,217 thousand.

SUMMARY STATEMENT OF FINANCIAL POSITION

SUMMARY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

€ '000	1 H 2011	31 December 2010	1 H 2010
Intangible assets	45,959	44,281	43,156
Property, plant and equipment	53,897	55,834	58,022
Financial assets	732	738	867
Non current assets	**100,588**	**100,853**	**102,045**
Inventories	97,712	81,326	70,921
Trade receivables	94,608	90,391	89,243
Trade payables	(124,366)	(111,134)	(95,817)
Net operating working capital	**67,954**	**60,583**	**64,347**
Post-employment benefits	(10,727)	(10,855)	(11,252)
Provision for risk and charges	(7,402)	(8,547)	(7,940)
Other net receivables/payables	(12,843)	(16,408)	(17,591)
Net deferred tax assets/liabilities	15,797	16,210	16,570
Other net assets/liabilities	**(15,175)**	**(19,600)**	**(20,213)**
NET INVESTED CAPITAL	**153,367**	**141,836**	**146,178**
Share capital	27,393	27,393	27,393
Profit/loss for the previous period and other reserves	94,240	100,694	101,601
Loss for the period	(3,924)	(5,392)	(3,580)
Non controlling interests	278	220	372
Equity	**117,986**	**122,915**	**125,786**
Due to bank and other financial institutions	64,904	44,733	50,191
Other financial assets	(453)	-	-
Cash and cash equivalents	(29,069)	(25,812)	(29,799)
Net financial indebtedness	**35,381**	**18,921**	**20,392**
TOTAL SOURCES OF FUNDING	**153,367**	**141,836**	**146,178**

As stated earlier, the great attention dedicated to streamlining of production sites led to a decline in property, plant and equipment, for which depreciation for the period (€ 2,941 thousand) significantly exceeded new investments (€ 1,841 thousand). Intangible assets recorded an opposite trend: new capitalisations (relating to design and projects for new products and to implementation of the new Oracle IT system) amounted to € 5,288 thousand, while amortisation amounted to € 3,071 thousand.
Inventories increased by € 16,386 thousand, net exchange rate losses of € 1,536 thousand. As already mentioned, the increase was due to the positive order-intake trend and by the different phasing of sales trends and production scheduling – leading to an increase of € 10,695 thousand for finished goods, € 5,114 thousand for semi-finished goods and of € 685 thousand for raw materials for production. As regards replacement parts, the net increase amounted to € 1,429 thousand.
The remaining items in net operating working capital (trade receivables and payables) reflected the effects of the expansionary volume trend and increased (albeit not evenly) compared to the 2010 year-end figure. In particular, trade payables increased by € 13,232 thousand, almost totally offsetting the increase in inventories. Trade receivables increased from € 90,391 thousand to € 94,608 thousand.

NET FINANCIAL POSITION

€ '000	30 June 2011	31 March 2011	31 December 2010	30 September 2010	30 June 2010
Financial assets:	29,523	24,866	25,812	24,786	29,799
Current financial assets	*453*	-	-	-	-
Cash and cash equivalents	*29,069*	*24,866*	*25,812*	*24,786*	*29,799*
ST finance lease liabilities	(1,452)	(2,215)	(2,217)	(2,188)	(2,185)
Bank and other ST financial debt	(56,366)	(47,943)	(33,535)	(33,796)	(35,770)
Short Term Net Financial Indebtedness	**(28,295)**	**(25,292)**	**(9,940)**	**(11,198)**	**(8,156)**
M/L term finance lease liabilities	(2,660)	(2,973)	(2,998)	(4,040)	(4,120)
M/L term bank debt	(4,426)	(8,984)	(5,983)	(7,463)	(8,116)
M/L Term Net Financial Indebtedness	**(7,086)**	**(11,957)**	**(8,981)**	**(11,503)**	**(12,236)**
Total Net Financial Indebtedness	**(35,381)**	**(37,250)**	**(18,921)**	**(22,700)**	**(20,392)**

After the peak hit in March 2011, net financial indebtedness once again started to decrease, going down to € 35,381 thousand (gearing = 0.30)
Apart from the "extraordinary" cases of cash absorption relating to start-up of the companies that joined the Group at the end of 2010 (Biesse Tecno System S.r.l., Viet Italia S.r.l. and Biesse Indonesia Pt.), deterioration compared to the December 2010 figure was due to the trend of current assets & liabilities – and in particular of net operating working capital. This was largely due to the growth in sales volume, which caused a physiological increase in the inventories of raw materials and semi-finished goods (needed to meet higher production requirements) and of finished goods (due to the need to replenish stocks in the face of the increase in orders). This trend should be considered temporary and will steadily diminish in the subsequent quarters of 2011.
Compared with 2010 year-end figures, the Group's financial liabilities increased by € 20,171 thousand (net of payments of € 1,103 thousand for finance leases). While the medium-/long-term portion decreased by € 1,895 thousand, the current portion increased by € 22,066 thousand. The shift towards short-term liabilities should be considered usual and attributable to ongoing repayment of existing medium-term loans. At the same time, we have already reinstated committed medium-term lines of credit (18 months) without financial/equity covenants with the Group's main banks.
As regards cash and cash equivalents, amounting to € 29,523 thousand, the trend was in line with the Group's historical figures and, in particular, with that of June 2010 (increase of € 3,711 thousand compared to 2010 year-end figures). Due to the Group's wide geographical reach cash and cash equivalents are significant.

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

€ '000	Equity as at 30/06/2011	Loss for the period ended 30/06/2011	Equity as at 31/12/2010	Loss for the period ended 31/12/2010
Equity and loss for the period/year of the parent	**112,417**	**(611)**	**112,851**	**(5,484)**
Elimination of carrying amount of consolidated shareholdings:				
Difference between carrying amount and amount of equity held	11,079		14,021	
Pro-quota results contributed by investments		1,098		2,637
Derecognition of impairment losses/reversal of impairment losses		-		5,621
Dividends		(2,802)		(8,000)
Elimination of the effects of transactions between subsidiaries:				
Infragroup profits included in closing inventories	(5,223)	(1,610)	(3,613)	(165)
Infragroup profits on non current assets	(564)		(564)	
Equity and loss for the period/year attributable to owners of the parent	**117,708**	**(3,924)**	**122,695**	**(5,392)**
Equity and loss for the period/year attributable to non-controlling interests	278	(293)	220	(349)
Total equity and loss for the year/period	117,986	(4,217)	122,914	(5,741)

TRANSACTIONS WITH ASSOCIATES, PARENTS AND COMPANIES CONTROLLED BY THEM

At 30 June 2011 there were no associates companies.
As regards transactions with the parent Bi.Fin. S.r.l., reference should be made to Note 21 in the Notes.

OTHER RELATED PARTY TRANSACTIONS

Fincobi S.r.l. and Edilriviera S.r.l. – companies controlled by the Selci family – are identified as related parties.
In the first half of the year Biesse carried out transactions (of a negligible amount) only with Fincobi S.r.l.

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

In the first half of 2011 no transactions of this nature were reported.

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

No significant events occurred after the reporting date.

As regards the outlook for the second half of 2011 – in the light of the existing order book and of the macroeconomic scenario – we confirm convergence of forecasts towards business plan objectives. More specifically, while, on the one hand, order volume is exceeding plan objectives, on the other hand the sales mix has shifted to integrated systems featuring a longer production lead time and lower margins because of the complexity of the production process and of installation at the customer's site. Consequently, operating leverage generates margins that are then eroded by higher direct costs.

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 must be noted that the parent, Biesse S.p.A., does not own shares in parents nor did it own or trade any shares in parents during the first half of 2011. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4, of the Italian Civil Code.

Pesaro, 5 August 2011

Chairman of the Board of Directors
Roberto Selci

condensed interim consolidated financial statements at 30 june 2011

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

€ '000	Note	30 June 2011	30 June 2010
Revenue	5	181,565	155,881
Other operating revenue		1,418	988
Change in the inventories of finished and semi-finished goods and work in progress		15,809	3,054
Purchase of raw materials and consumables		(91,862)	(66,767)
Personnel expense		(60,197)	(54,467)
Other operating expense		(39,492)	(33,735)
Depreciation and amortisation		(6,199)	(5,760)
Provisions		(835)	(942)
Operating profit (loss)	5	**206**	**(1,748)**
Finance income		171	339
Finance expense		(1,258)	(1,144)
Exchange rate gains/(losses)		(1,308)	669
Pre-tax loss		**(2,188)**	**(1,885)**
Income Taxes	7	2,029	1,855
Loss for the period		(4,217)	(3,739)
Loss for the period		**(4,217)**	**(3,739)**
Attributable to:			
Owners of the parent		(3,924)	(3,580)
Non-controlling interests		(293)	(160)
		(4,217)	(3,739)
Earnings per share			
Basic (€/cents)	8	(14.58)	(13.30)
Diluted (€/cents)	8	(14.58)	(13.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

€ '000	Note	30 June 2011	30 June 2010
Loss for the period		**(4,217)**	**(3,739)**
- Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations	15	(1,241)	2,682
Gain/(Losses) on the hedging reserve	15	186	(8)
Income tax on other comprehensive income	7	(51)	2
Total Other comprehensive income (loss), net of tax		**(1,106)**	**2,676**
Total comprehensive loss for the period		**(5,323)**	**(1,063)**
Total comprehensive loss attributable to:			
Owners of the parent		(5,027)	(919)
Non-controlling interests		(296)	(145)
Total comprehensive loss for the period		**(5,323)**	**(1,064)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

€ '000	Note	30 June 2011	31 December 2010
ASSETS			
Non current assets			
Property, plant and equipment	10	46,948	48,266
Equipment and other property, plant and equipment	10	6,950	7,569
Goodwill	11	17,728	17,921
Other intangible assets	11	28,231	26,360
Deferred tax assets	7	18,319	19,295
Other financial assets and non-current receivables		732	738
		118,906	**120,149**
Current assets			
Inventories	12	97,712	81,326
Trade receivables due from third parties	13	94,571	90,365
Trade receivables due from related parties	21	37	25
Other current assets		16,728	14,316
Other current assets due from related parties	21	594	574
Derivatives		41	1
Current financial assets		453	-
Cash and cash equivalents		29,069	25,812
		239,206	212,419
TOTAL ASSETS		**358,112**	**332,568**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

€ '000	Note	30 June 2011	31 December 2010
EQUITY AND LIABILITIES			
Share capital and reserves			
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	(1,639)	(535)
Other reserves	16	64,353	69,703
Loss for the period		**(3,924)**	**(5,392)**
Equity attributable to the owners of the parent		117,708	122,695
Non-controlling interests		278	220
EQUITY		**117,986**	**122,914**
Non-current liabilities			
Post-employment benefits		10,727	10,855
Deferred tax liabilities		2,522	3,086
Medium and long-term bank loans and borrowings	17	4,358	5,826
Finance lease liabilities	17	2,660	2,998
Provisions for risks and charges	18	668	695
Derivatives		68	157
		21,002	23,616
Current liabilities			
Trade payables		123,668	109,812
Trade payables due to related parties	21	698	1,322
Other current liabilities		28,570	28,518
Other current liabilities due to related parties	21	495	0
Tax payables		1,117	1,933
Finance lease liabilities	17	1,452	2,217
Bank overdrafts and loans	17	56,366	33,535
Provisions for risks and charges	18	6,735	7,853
Derivatives		25	848
		219,124	186,038
LIABILITIES		**240,126**	**209,654**
TOTAL EQUITY AND LIABILITIES		**358,112**	**332,568**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

€ '000	Note	30/06/2011	30/06/2010
OPERATING ACTIVITIES			
Loss for the period		(4,217)	(3,739)
+ Depreciation and amortisation:			
of property, plant and equipment		2,941	3,166
of intangible assets		3,258	2,594
+ Provisions :			
Increase/decrease in provisions for post-employment benefits		178	387
Increase/decrease in allowance for impairment		48	116
Increase/decrease provision for inventory write-down		(125)	(1,081)
Increase/decrease in provisions for risk and charges		526	736
Other non-financial changes in provisions		(19)	(161)
Gains/losses from sales of property, plant and equipment		(21)	51
Income/expense on intangible assets		-	(11)
Impairment losses on current assets		-	(12)
Income from investing activity		(171)	(339)
Unrealised exchange rate gains/losses		1,020	(2,275)
Income taxes		2,028	1,855
Financial expense		1,258	1,144
SUBTOTAL OPERATING ACTIVITIES		**6,705**	**2,430**
Post-employment benefits paid		(593)	(984)
Risk provisions utilised		(1,264)	(2,422)
Change in trade receivables		(7,507)	(13,960)
Change in inventories		(18,070)	(4,374)
Change in trade payables		13,788	33,566
Change in other payables		1,571	5,349
Income tax paid		(2,709)	(1,063)
Interest paid		(1,258)	(1,000)
Cash flow (used in) from operating activities		**(9,338)**	**17,541**
INVESTING ACTIVITIES			
Acquisition of property plant and equipment		(1,923)	(2,085)
Proceeds from sale of property plant and equipment		174	202
Acquisition of patents, trademarcks and other intangible assets. Capitalisation of development costs		(5,268)	(3,642)
Proceeds from sale of intangible assets		-	55
Acquisitions/increases in other financial assets		(4)	(212)
Income received from financial assets held for trading		23	289
Interest received		141	(130)
Cash flow used in investing activity		**(6,858)**	**(5,522)**
FINANCIAL ACTIVITIES			
Loans repaid	17	(4,941)	(16,680)
Finance lease payments	17	(1,102)	(1,218)
Change in bank overdrafts	17	26,368	3,426
Change in current derivative instrument financial assets/liabilities		(677)	(415)
Capital injections - non controlling interests		358	-
Cash flow from/(used in) financial activities		**20,006**	**(14,887)**
Net increase/(decrease) in cash and cash equivalents		**3,810**	**(2,868)**
Opening cash and cash equivalents		**25,812**	**31,148**
Effect of exchange rate fluctuations on cash held		(552)	1,518
Closing cash and cash equivalents			
Cash and cash equivalents		29,070	29,799

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

€ '000	Note	**Opening balances**	Others gains/losses, net of taxation	Loss for the period	**Total comprehensive loss for the period**	Reserve increase due to share-based payments	Capital increase	Allocation of profit (loss) of the previous period	**Total effects of transactions with shareholders**	Closing balances
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2011										
Share capital		**27,393**			**-**				**-**	27,393
- Treasury shares	14	**(4,676)**			**-**				**-**	(4,676)
Equity reserves		**36,202**			**-**				**-**	36,202
Hedging and translation reserve	15	**(535)**	(1,103)		**(1,103)**				**-**	(1,639)
Other reserves	16	**69,703**			**-**	41		(5,392)	**(5,351)**	64,352
Loss for the period		**(5,392)**		(3,924)	**(3,924)**			5,392	**5,392**	(3,924)
Equity attributable to owners of the parent		**122,695**	(1,103)	(3,924)	**(5,027)**	41	-	-	**41**	117,708
Non-controlling interests		**220**	(3)	(293)	**(296)**		354		**354**	278
TOTAL EQUITY		**122,914**	**(1,106)**	**(4,217)**	**(5,323)**	**41**	**354**	**-**	**395**	**117,986**
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2010										
Share capital		**27,393**			**-**				**-**	27,393
- Treasury shares	14	**(4,676)**			**-**				**-**	(4,676)
Equity reserves		**36,202**			**-**				**-**	36,202
Hedging and translation reserve	15	**(2,280)**	2,660		**2,660**				**-**	380
Other reserves	16	**96,392**			**-**			(26,696)	**(26,696)**	69,696
Loss for the period		**(26,696)**		(3,579)	**(3,579)**			26,696	**26,696**	(3,579)
Equity attributable to owners of the parent		**126,334**	2,660	(3,579)	**(920)**	-	-	-	**(1)**	125,415
Non-controlling interests		**516**	16	(160)	**(144)**				**-**	372
TOTAL EQUITY		**126,850**	**2,676**	**(3,739)**	**(1,064)**	**-**	**-**	**-**	**-**	**125,787**

notes to the condensed interim consolidated financial statements at 30 june 2011

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 2011 comprise the financial statements of Biesse S.p.A. and subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investments, in proportion to the percentage held, in associates.

The Condensed interim consolidated financial statements at 30 June 2011 were approved during the meeting of the Board of Directors held today (5 August 2011).

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
Parent						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,141,490	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			60%
Biesse Tecno System S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	100,000	50%			50%
Viet Italia S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,000	100%			100%

Name and registered office	Currency	Share/ Capital quota	Directly controller	Indirectly controller	Ownership vehicle	Biesse Group
Società estere controllate:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 - USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	180,000	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. - Singapore	SGD	2,655,000	100%			100%
Biesse Group UK Ltd. Lamport Drive - Daventry Northampt. - Great Britain	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable - Brignais - France	EUR	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 - Elchingen (Ulm) - Germany	EUR	1,432,600	100%			100%
Biesservice Scandinavia AB Maskinvagen 1 Lindas - Sweden	SEK	200,000	60%			60%

Name and registered office	Currency	Share/ Capital	Directly controller	Indirectly controller	Ownership vehicle	Biesse Group
Foreign subsidiaries:						
Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 - Barcelona - Spain	EUR	1,233,290	100%			100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park - Australia	AUD	5,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau Auckland - New Zealand	NZD	334,262	100%			100%
Hsd Usa Inc. 3764 SW 30th Avenue - Hollywood, Florida - Usa	USD	10,000		100%	Hsd S.p.A.	100%
HSD Deutschland GmbH Brükenstrasse,2 - Gingen - Germany	EUR	25,000		100%	Hsd S.p.A.	100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk Bangalore - India	INR	674,518,392	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferrim, Sintra - Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
Biesse Trading (Shanghai) Co. Ltd. Building 10 No.205 Dong Ye Road Dong Jing Industrial Zone, Song Jiang District Shanghai 201619, China	RMB	1,448,210		100%	Biesse Asia Pte. Ltd.	100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, first floor, 207 Taiguroad, Waigaoqiao free trade zone, Shanghai, China	RMB	1,367,360		100%	Hsd S.p.A.	100%
Biesse Schweiz GmbH Grabenhofstrasse, 1 Kriens Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	1,250,000,000		90%	Biesse Asia Pte. Ltd.	90%

(1) As regards the company Bre.Ma. Brenna Macchine S.r.l., there is a put option for purchase of the remaining stakes (please refer to Note 3)..

Compared with the annual report at 31 December 2010, the scope of consolidation has not changed.

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 scope of consolidation, also in view of its non-material relevance. It is likely that the suspensive conditions will be overcome by the end of this financial year and that the company will consequently be fully consolidated on a line-by-line basis.

Compared with the consolidated half-year report at 30 June 2010, the scope of consolidation has changed following inclusion of the companies Biesse Tecno System S.r.l., Viet Italia S.r.l. and Biesse Indonesia Pt.

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 2010 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 Consolidation Act) as subsequently amended. They do not include all of the information required for the annual financial statements and must be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2010. 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 2010.
The following notes are instead presented in a condensed format and therefore do not include all the information required for annual financial statements. 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 carrying 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 results of operations and financial position.
The condensed interim financial statements at 30 June 2011 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 consolidated income statement distinguishes costs by nature. The presentation of 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 Consolidated Statement of Comprehensive Income, incorporates those items that together form the profit or loss for the period and the expenses and income recognised directly in equity relating to transactions other than those carried out with shareholders. Transactions carried out with shareholders together with those relating to the profit or loss for the period 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 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 2010, 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 2011 have been uniformly applied to all periods included for comparison purposes. In this respect, the following points should be taken into account:

- Condensed interim consolidated financial statements have been prepared based on separation of periods, according to this the reference period is considered a stand-alone financial period. In this respect, the interim income statement reflects the period's initial 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 2011, 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 instruments, financial assets held for sale and financial instruments classified as available for sale, which are measured at fair value – and assuming continuation of business as a going concern. In view of the demand trend and in the light of the results achieved as regards income statement and statement of financial position 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 were as follows:

Currency	30 June 2011		31 December 2010		30 June 2010	
	Average	EOP	Average	EOP	Average	EOP
US Dollar / Euro	1.4032	1.4453	1.3257	1.3362	1.3268	1.2271
Singapore Dollar / Euro	1.7653	1.7761	1.8055	1.7136	1.8534	1.716
Canadian Dollar / Euro	1.3706	1.3951	1.3651	1.3322	1.3719	1.289
Sterling / Euro	0.8682	0.9026	0.8578	0.8608	0.87	0.8175
Swedish Krone / Euro	8.9391	9.1739	9.5373	8.9655	9.7888	9.5259
Australian Dollar / Euro	1.3582	1.3485	1.4423	1.3136	1.4848	1.4403
New Zealand Dollar / Euro	1.805	1.7468	1.8377	1.72	1.8828	1.7761
Indian Rupee / Euro	63.1436	64.562	605.878	59.758	60.7337	56.993
Chinese Renmimbi Yuan / Euro	9.1755	9.3416	8.9712	8.822	9.0567	8.3215
Swiss Franc / Euro	1.2694	1.2071	1.3803	1.2504	1.4359	1.3283
Indonesian Rupiah / Euro	12,267,38	12,397,40	-	12,002,10		

3. measurement criteria, use of estimates and reclassifications

The preparation of the financial statements and related notes in the application of IFRS requires that management makes estimates and assumptions that have an effect on the amount of assets and liabilities and on information relating to contingent assets and liabilities at the reporting date. The estimates and the assumptions used are based on experience and other relevant factors. The actual outcome may differ from these estimates. The estimates and assumptions used are based on experience and on other factors considered relevant. Subsequent actual results 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 for establishing the useful life of property, plant and equipment, and recognize accruals to the allowance for impairment and provisions for inventory and asset write-downs, employee benefits, income taxes and accrual to 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.
With reference to the acquisition in August 2006 of 60% of the company Bre.Ma. Brenna Macchine S.r.l., it should be noted that the contract includes a Put option in favour of the vendors relating to the remaining 40% of the quota capital of the company. The option can be exercised no earlier than three years and no later than five years from the date of signing of the aforementioned contract.
On the basis of the provisions of IFRS 3 and the guidance of best practice (OPI 4), the option has been measured together with the contract to acquire the outstanding controlling quotaholding in the company, bringing forward the effects of possible exercise of the option in the 2006 financial statements (the first year of consolidation of the company), recognising the liability thus estimated amongst the other payables balanced by a reduction in the corresponding share of equity and, with regard to the difference, increasing the carrying amount of goodwill. On the basis of the latest forecasts available at the reporting date, it is believed that the option will not be exercised by the counterparty and therefore the related liability originally recognised in 2006 has been reversed (action taken in 2008), with corresponding adjustments made to non-controlling interests and goodwill.

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 reported goodwill carrying amount.
At 30 June 2011 the carrying amount of goodwill was € 17.7 million. Goodwill was tested for impairment,

with reference to 31 December 2010, while at 30 June 2011, 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 did not reveal any impairment indicators and/or impairment losses to be recognised. As regards this, it should be pointed out that the Group's results of operations and financial position are in line with those provided for in the Plan approved by the Board of Directors during its meeting on 21 December 2010.

As regards external impairment indicators, it should be noted that the recent turmoil in financial markets has also increased the returns of Italian government securities, used as the basis for determining discount rates for the cash flows of cash generating units. Despite this increase, the discount rate remained close to the range used for sensitivity analysis relating to the interest-rate component (8.40% +0.50%); such analysis had not revealed any criticalities.
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 € 4.9 million. Although significant, this figure was in line with the objectives provided for in the 3-year Plan mentioned above. At the same time, the year-end projection of the division's financial results did not show any particular criticalities either in relation to the test performed on 2010 accounts or as regards sensitivity analysis of the model.

At 30 June 2011 the Group had prepaid taxes and deferred tax assets totalling € 18,319 thousand (€ 19,295 thousand at 2010 year-end). Management has recognised such prepaid taxes up to the amount for which it considers recovery likely. The calculation of the various items took into consideration budget results and forecasts for subsequent years consistent with those used for the purpose of impairment tests and also described in the paragraph above in relation to the recoverable value 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.
In addition, several important economies are still experiencing very low rates of growth or even economic stagnation. This and new recessionary conditions in markets that have barely emerged from recession may ultimately affect the industrial development of many businesses including that of the Group. Consequently, there is still much uncertainty regarding global economic forecasts and it is still possible that the economies of some countries may experience periods of slow growth or recession.

Risks relating to Group results

The Biesse Group operates primarily in a sector, mechanical goods, that is subject to a high level of cyclicality.
It should be borne in mind that it is difficult to predict the extent and duration of economic cycles; the cyclical nature of the sector in which the Biesse Group operates tends also to reflect 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 principal markets, the volatility of financial markets and the consequent deterioration of the capital markets, an increase 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. are capable of having a significantly negative effect on the prospects and the activities of the Group, as well as its results and financial position. In addition, the profitability of the Group is subject to risks related to the fluctuation of rates of interest and inflation, to 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 given that the direct purchase of raw materials for production is not significant.
The Group, therefore, does not take any specific hedging measures against these risks but it tends to try to transfer the management and the economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that guarantee stability for periods of no less than a single quarter.
The impact of raw material prices on the average price of the Group's products does not exceed 4%.
The high degree of competition and fragmentation of the sector in which Biesse operates frequently makes it difficult to pass on entirely to sales prices any rapid or significant increase in the cost of raw materials.

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 consultation regarding specific questions, including restructuring or closure of departments or staff reductions. The laws and/or collective labour contracts applicable to the Group could have an influence on its flexibility in redefining and/or strategically repositioning its operations. Biesse's ability to reduce employee numbers or other measures of interrupting working relationships, even temporarily, is conditioned by government authorisations and union agreement. Industrial action by unionized employees could have a negative impact on the company's business.

Risks relating to supplier relationships

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 producers and suppliers is customary in the sectors in which Biesse operates and if, on the one hand, it can result in economic benefits in terms of cost reduction, the Group's reliance on these suppliers raises the possible consequence that difficulties encountered by them (whether due to internal or external factors) can have negative repercussions for 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, and any inability to attract and keep 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 the possible application 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 increased in recent years, so that any unfavourable political or economic developments in these areas could have a negative impact on the Group's prospects and its activities 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 be unable to develop and offer innovative and competitive products compared to those of its main competitors in terms of, amongst other things, price, quality, functionality, or should there be any delay in launching on the market new models that are strategic to the Group's business, the Group's market share may decline with a negative impact on its business prospects and on its results and/or financial position.

FINANCIAL RISKS

Risks relating to financial requirements

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

The Biesse Group expects to meet its financial requirements through the cash flow generated by its operating activities, available liquidity and the renewal or re-financing of bank loans.
As much as the Group has put in place measures to ensure that adequate levels of working capital and liquidity are maintained, potential reductions in sales volumes could have a negative impact on the ability of the Group's operations to generate cash. The growth in sales, resulting in a physiological increase in warehouses of raw materials, semi-finished and finished goods, involves an absorption of liquidity, which combined with "extraordinary" items related to start up companies in the Group at the end of 2010 (Biesse Tecno System S.r.l., Viet Italia S.r.l. and Biesse Indonesia Pt.), determines the increase in net financial indebtedness. The situation is contingent and intended to decrease in the coming quarters of 2011.

Credit risk

The Group is exposed to various concentrations of credit risk in various markets, mitigated by the fact that credit exposure is divided amongst a large number of counterparties and clients.
Financial assets are reported in the financial statements net of impairment losses calculated on the basis of risk of default by the counterparty, taking into account the information available on the customer's solvency and also taking historic data into consideration.

Risks relating to exchange rate fluctuations

The Biesse Group, which operates in several markets around the world, is naturally exposed to market risks relating to the fluctuation of 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 denominated in currencies different to that of the country of production; in particular the Biesse Group is principally exposed to net exports from the Euro area to other currency zones (mainly the US dollar, the Australian dollar, Sterling and the Indian Rupee). Consistent with its policy of risk management, the Biesse Group seeks to hedge its exposure to the risk of fluctuations in exchange rates through the use of financial hedging instruments. Despite these financial hedging transactions, sudden fluctuations in exchange rates could have a negative impact on the results of the Group. Please refer to the interim Directors' Report for the impacts registered as at 30/06/2001.

Risks relating to interest rate fluctuations

The Biesse Group utilises various types of financing in order to cover the requirements of its industrial activities. Changes in the level of interest rates could lead to increases or reductions in the cost of finance.

5. analysis by business segment and geographical areas

Analysis by business segment

During 2010 the Group implemented a review of its internal organisation aimed at completing its transformation into a lean company, which had implications for the system of Corporate Reporting. In particular, the operating segment structure was changed and two new operating segments identified– Service and Tooling – previously included in the Wood and Glass & Stone divisions. The first segment is engaged in the management of replacement parts and after-sales support for machinery in the Wood and Glass & Stone divisions, while the second segment is specifically dedicated to the production and sale of grinders and tools for Glass, Stone and other composite materials. The Components segment, previously included in the "Other" segment, is essentially a vertical integration of the Wood and Glass & Stone divisions, given that its main activity consists of the production and marketing of mechanical components for machine tools.
As required by IFRS 8, the segment information has been re-stated, beginning with last financial statements, to make it consistent with the information used by management in making its operating decisions. In order to ensure comparability, prior year data has also been re-stated. As the following paragraph illustrates, these changes have also had an impact on the identification of the CGUs used in carrying out impairment tests on goodwill.

The Group is currently organised into six operating divisions for management purposes – Wood, Glass & Stone, Mechatronics, Service, Tooling and Components. These divisions constitute the bases for the Group's reporting of segment information.
The principal activities are as follows:
Wood – production and distribution of panel processing machines and systems,
Glass & Stone – production and distribution of glass and marble processing machines and systems,
Mechatronics – production and distribution of mechanical and electronic components for industry,
Service – installation, testing and after-sales service of wood and glass & stone processing machinery; replacement parts management
Tooling – production and distribution of Diamut - branded grinders and tools
Components – production of mechanical components for wood and glass & stone processing machinery.
The information relating to these business segments is as follows:

	REVENUE		OPERATING PROFIT (LOSS)	
€ '000	1H 2011	1H 2010	1H 2011	1H 2010
Wood	105,748	89,449	(4,882)	(2,752)
Glass & Marble	28,370	24,292	1,784	628
Mechatronics	25,664	21,029	5,419	2,938
Service	28,537	25,568	1,758	1,698
Tooling	4,299	3,430	418	66
Components	12,788	10,517	(1,386)	(384)
(Intragroup eliminations)	(23,841)	(18,404)		-
	181,565	**155,881**	**3,111**	**2,194**
Unallocated corporate costs			(2,905)	(3,942)
Operating profit (loss)			**206**	**(1,748)**

The first feature highlighted by segment analysis is the increase in sales volume, with differentiated rates of growth, ranging from +11.6% for Service to +25.3% for Tooling. The performance of the two divisions dedicated to the production of machine tools was significant, with the Wood segment achieving +18.2% and the Glass & Marble segment growing by 16.8%.
Operating performance instead featured different trends. The Mechatronics Division rose from € 2,938 thousand to € 5,419 thousand (+84%, 21.1% of sales compared to 14.0% in 2010); the Service Division grew by 4% from € 1,698 thousand to € 1,758 thousand, while the Glass & Marble Division almost tripled its 2010 profit, rising from € 628 thousand to € 1,784 thousand (going up from 2.6% to 6.3% of sales). The Wood Division instead made an operating loss of € 4,882 thousand (compared to a loss of € 2,752 thousand for the six months ended 30 June 2010). This performance was affected by market conditions: demand – as pointed out by the Italian association UCIMU-SISTEMI PER PRODURRE, has shifted to less rewarding segments. More specifically, demand is growing for large integrated plants, highly customized to meet customer requirements (and obviously reducing the possibility of exploiting economies of scale). At the same time, demand for high-end machines is being replaced by demand for machines of medium quality with lower prices.
A last point to note is consolidation of savings relating to unallocated corporate costs, amounting to € 2,905 thousand, down by 26.3% compared to the same period of last year (€ 3,942 thousand).

Analysis by geographical area

REVENUE				
€ '000	1H 2011	%	1H 2010	%
Western Europe	83,999	46.3%	86,586	55.5%
Asia – Pacific	32,373	17.8%	22,701	14.5%
Eastern Europe	31,235	17.2%	20,803	13.3%
North America	15,609	8.6%	13,913	8.9%
Rest of the World	18,349	10.1%	11,877	7.6%
Group Total	**181,565**	**100.0%**	**155,881**	**100.0%**

As regards the geographical breakdown of sales, the first half of 2011 featured particularly positive performance for areas relating to BRIC countries. Asia-Pacific was up by +42.6%, Eastern Europe by +50.1% and the Rest of the World by 54.5%.
North America showed an increase of 12.2% (lower than the +32.8% reported at the end of the first quarter), whereas sales in Western Europe, the Group's traditional core market, decreased by 3.0% compared to the first quarter of 2010.

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 and Australia) account for about a fifth 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 2010) 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 2011 prepaid taxes amounted to € 7,765 thousand and deferred tax assets on tax losses of € 10,554 thousand. Management has recognised prepaid taxes up to the amount for which it considers recovery likely. The calculation of the various items took into consideration budget results and forecasts for subsequent years consistent with those used for the purpose of impairment tests.
Results for the six months ended 30 June 2011 were in line with the forecasts provided for in the Business Plan approved on 21 December by the Parent's Board of Directors.

8. earnings per share (eps)

Basic earnings per share at 30 June 2011 is negative at 14.58 euro/cent (-13.30 euro/cent at 30 June 2010) and is calculated by dividing the loss attributable to owners of the Parent of € 4,217 thousand (- € 3,580 thousand in 2010), by the weighted average number of ordinary shares in circulation during the period, which amounted to no. 26,906,683 (unchanged compared to 2010). The number of outstanding shares is lower than the total number of shares issued, because the parent bought back its treasury shares on the stock exchange during 2008, in accordance with the approval granted by shareholders on 21 January 2008. At 30 June 2011 the number of treasury shares held in treasury 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 the calculation of diluted earnings per share. The calculations are illustrated in the following tables:

PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF PARENT		
€ '000	For the six months ended	
	30/06/2011	30/06/2010
Basic loss for the period	(4,217)	(3,580)
Dilutive effect on loss for the period	-	-
Diluted loss for the period	(4,217)	(3,579)

MEDIA PONDERATA DELLE AZIONI ORDINARIE IN CIRCOLAZIONE		
€ '000	For the six months ended	
	30/06/2011	30/06/2010
Weighted average number of ordinary shares used to calculate basic earnings per share	27,393	27,393
Effect of treasury shares	(486)	(486)
Weighted average number of shares in issue – for the calculation of basic earnings	26,907	26,907
Dilutive effects	-	-
Weighted average number of shares in issue – for the calculation of diluted earnings	26,907	26,907

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

9. dividends

No dividends were distributed in the first half of 2011 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 items of property, plant and equipment

Investments in the period under review amounted to around €1.8 million (€ 2.1 million at 30 June 2010). The investments indicated refer to normal replacement of work tools, necessary for ordinary manufacturing activity.

11. goodwill and other intangible assets

Goodwill

Compared with the end of the previous year, goodwill decreased by € 193 thousand due to exchange rate fluctuations in the case of the goodwill of Biesse America Inc. (decrease of € 144 thousand) and of Biesse Group Australia Pty Ltd. (decrease of € 49 thousand).
As explained in note 5 above, during 2010 the Group undertook a review of its Corporate Reporting system, bringing it into line with the new internal organisation, to complete its transformation into a lean company. This change resulted in an amendment of the disclosure regarding segment reporting (IFRS 8), and the identification of two new operating segments – Service and Tooling – previously included in the Wood and Glass & Stone segments. Since the operating segments should correspond to the cash generating units, as dictated by accounting standards, the goodwill attributed to each segment was also updated. Consequently, in accordance with IAS 36, care has been taken to ensure that each operating area identified as a CGU should represent the minimum level within the Group, in which goodwill is monitored for managerial purposes, and that the same group should be no larger than an operating segment.
The amounts of goodwill recognised in the statement of financial position deriving from business combinations have therefore been re-allocated at 31 December 2010 in accordance with the new operating segment structure.

Other intangible assets

Other intangible assets mainly comprise investments for development activities, amounting to € 10,709 thousand, and costs for development projects and licenses, not yet completed (and therefore temporarily allocated to assets under development and advances), amounting to € 11,520 thousand. In the first half of 2011 development costs led to amortisation of € 2,260 thousand. The period was characterised by further new-product design and planning activities and by implementation of the new Oracle IT system, which involved new investments of € 5,288 thousand (€ 2,744 thousand in 2010). The remaining € 714 thousand refers to licenses, patents and trademarks.

12. Inventories

Inventories increased by about € 16.4 million in terms of absolute value, of which about € 0.6 million relating to raw materials, € 1.2 million to spare parts, € 5.1 million to semi-finished goods and work in progress, and € 9.6 million relating to finished goods (exchange rate fluctuations caused a decrease respectively of € 292 thousand, € 690 thousand and € 1,603 thousand in the amount of raw materials, replacement parts and finished goods).
The provision for inventory write-down amounted to € 1,707 thousand (down by € 182 thousand compared to 31 December 2010, while the figure at the end of June 2010 was € 2,173 thousand) with an impact on the historical cost of relevant inventories of 4.8% (compared to 5.4% at 2010 year-end).
As regards replacement parts, the provision for inventory write-down amounted to € 2,918 thousand (down by € 98 thousand compared to 31 December 2010, while the figure at the end of June 2010 was € 3,091 thousand) with an impact on the historical cost of relevant inventories of 15.5% (compared to 16.1% at 2010 year-end).
As regards finished goods, the provision for inventory write-down amounted to € 1,783 thousand (down by € 123 thousand compared to December 2010, while the figure at the end of June 2010 was € 1,088 thousand) with an impact on the historical cost of relevant inventories of 4.7% (compared to 5.6% at 2010 year-end).

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13. receivables

Trade receivables, valued at fair value, increased by € 4,206 thousand (before related allowance for impairment) compared to the 2010 year-end figure. The increase was due to the increase in sales achieved during the first half of the year.
The Allowance for impairment remained substantially unchanged compared to 31 December 2010 (€ 6,195 thousand compared to € 6,193 thousand at the end of 2010), while its percentage impact on nominal value decreased from 6.4% to 6.1%.

14. share capital – treasury shares

The share capital of the Parent, Biesse S.p.A., is composed of 27,393,042 ordinary shares each of € 1 nominal value.
It should be borne in mind the fact that 12 May 2011 marked the end of the share buyback plan, the start of which was announced to the market on 12 November 2009 at the shareholders' meeting of Biesse during which it was approved.
During the Plan's duration period no transactions of purchase or disposal of Biesse ordinary shares were executed.
On the end date of the Plan, total treasury shares held by Biesse S.p.A. amounted to 486,359 shares, i.e. 1.775% of share capital, resulting from a previous buyback plan. These treasury shares are earmarked for the Retention Plan approved at the Biesse Shareholders' Meeting on 19 October 2010.
Non-implementation of the Plan approved at the company's Shareholders' Meeting (where a maximum number of 2,253,045 buyable shares was established, which, added to those already held by Biesse would have accounted for 10% of share capital) was due to the fact that no circumstances occurred making it necessary, in the Company's opinion, to activate mechanisms to support the stock's liquidity and/or value. In addition to this, there was the desire of Biesse to preserve its liquid resources for management and maintenance of its core business and for planned industrial projects.

The following table summarises the data concerning treasury shares held at 30 June 2011.

Number of shares:	486,359
Carrying amount (in Euro):	4,675,804
Percent of share capital:	1.775%

15. hedging and translation reserves

The breakdown is as follows:

€ '000	30 June 2011	31 December 2010
Reserve for translation of foreign currency financial statements	(1,641)	(403)
Reserve for gains (losses) on exchange rate cash flow hedges	3	(132)
TOTAL	(1,639)	(535)

In the first half of 2011 the reserve for losses on cash flow hedges increased by € 135 thousand. As per the requirements of IAS 39, revenue amounted to € 41 thousand, valuation foreign exchange-rate gains to € 127 thousand and, at the reporting date, deferred tax liabilities amounted to € 1 thousand. The fair value of hedging derivatives showed a positive balance of € 29 thousand.

16. other reserves

The breakdown is as follows:

€ '000	30 June 2011	31 December 2010
Legal reserve	5,479	5,479
Extraordinary reserve	39,779	46,937
Reserve for treasury shares	4,676	4,676
Retained earnings and other reserves	14,419	12,611
OTHER RESERVES	64,352	69,703

As indicated in the statement of changes in equity, the item Other reserves (and in particular Retained earnings) changed due to coverage of the 2010 loss (€ 5,392 thousand).

17. financial liabilities

Compared with financial statements as at and for the year ended 31 December 2010, the Group's financial liabilities increased by € 20,171 thousand (net of finance lease payments of € 1,103 thousand). While the medium-/long-term portion decreased by € 1,895 thousand, the current portion increased by € 22,066 thousand. The debt increase is attributable to the need to support the Group's growth in financial terms and, in particular, the increase in net working capital. The shift towards the short term should be considered usual and attributable to ongoing repayment of existing medium-term loans. At the same time, we have already reinstated committed medium-term lines of credit (18 months) without financial/equity covenants with the Group's main banks. It should also be taken into account that no non-recourse or recourse assignments of receivables were undertaken.
For further details, reference should be made to the paragraphs in the Interim Directors' Report concerning the trend of the net financial position and the Statement of Cash Flows.

18. provision for risks and charges

As regards provisions for risks and charges, the first half of 2011 featured utilisation of the provision for restructuring, set up at 2010 year-end for an amount of € 700 thousand referring to extraordinary personnel reorganisation programmes (the amount had been classified among short-term liabilities). This was joined by utilisation of € 559 thousand of provisions concerning legal disputes underway with customers and employees and settled during the first half of 2011. In the reporting period, contingent assets amounted to € 312 thousand, deriving from settlement of a legal dispute with an ex-dealer of the Glass Division.

19. contingent liabilities and commitments

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

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

20. significant events after the reporting date

As regards significant events after the reporting date, reference should be made to the specific note in the Interim directors' report.

21. 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 related entities of the Parent, have been eliminated from 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 2011, group companies undertook the following commercial transactions with related entities, excluded from the scope of consolidation.

	REVENUE		COSTS	
€ '000	For the six months ended 30/06/2011	For the six months ended 30/06/2010	For the six months ended 30/06/2011	For the six months ended 30/06/2010
Parent Bi. Fin. S.r.l.	5	5	-	-
Other related companies				
Fincobi S.r.l.	1	1	5	5
Se.Mar. S.r.l.	3	2	1,113	934
Members of the Board of Directors				
Members of the Board of Directors	-	-	1,112	1,235
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	56	36
TOTAL RELATED PARTY TRANSACTIONS	9	8	2,286	2,210

	RECEIVABLES		PAYABLES	
€ '000	Balance at 30/06/2011	Balance at 31/12/2010	Balance at 30/06/2011	Balance at 31/12/2010
Parent Bi. Fin. S.r.l.	579	586	-	-
Other related companies				
Fincobi S.r.l.	1	-	11	-
Edilriviera S.r.l.	-	-	-	248
Se.Mar. S.r.l.	1	-	614	936
Members of the Board of Directors				
Members of the Board of Directors	52	13	523	41
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	46	97
TOTAL RELATED PARTY TRANSACTIONS	**633**	**599**	**1,194**	**1,322**

The contractual conditions applicable to the above related parties are no different to those achievable from arm's length negotiations with third parties.

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	Bonuses and other incentives	Other remuneration
Board of Directors	841	5	123	142
Board of Statutory Auditors	56			
Managers with strategic responsibilities		8	310	657
TOTAL	**897**	**13**	**433**	**799**

Pesaro, 5 August 2011

Chairman of the Board of Directors
Roberto Selci

Attestation in respect of the Company's condensed interim consolidated financial statements in accordance with art. 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

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

- the pertinence in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for preparation of condensed interim consolidated financial statements during the first half of 2011.

The assessment of the adequacy of administrative and accounting procedures for the preparation of condensed interim consolidated financial statements at 30 June 2011 is based on a process established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is an internationally accepted reference framework.

It is also certified that:

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 in accordance with the procedures provided for by Resolution (CE) 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 results of the accounting books and records;
- as far as is known, are appropriate to provide a true and fair representation of the result of the operations and financial position of the issuer and of the group of companies included in the scope of consolidation;

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 financial year, as well as information on any material transactions undertaken with related parties.

5 August 2011

Chairman and Managing Director	*Chief Financial Officer*
Roberto Selci	***Stefano Porcellini***

KPMG S.p.A.
Revisione e organizzazione contabile
Via 1° Maggio, 150/A
60131 ANCONA AN

Telefono +39 071 2901140
Telefax +39 071 2916381
e-mail it-fmauditaly@kpmg.it

(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 2011, 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 31 March 2011 and 10 August 2010, 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 2011 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, 8 August 2011

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

Biesse S.p.A.
Via della Meccanica, 16
61122 Pesaro (PU) - Italy
tel. +39 0721 439100
fax +39 0721 439150
biesse.sales@biesse.com
www.biesse.com