annual report 2008

BIESSE

index

Dear Shareholders,

In light of what is happening to the global economy, 2008 has been a very important year for Biesse, which has consolidated its global leadership position in a highly competitive market fraught with uncertainty. The sectors in which we operate have gradually become contaminated by the deterioration in the macro environment. Biesse has, nevertheless, continued its programme of consolidating the internationalisation of the Group, with the inauguration of the new plant in Bangalore, India, conceived with the aim of providing technologically advanced machinery to satisfy the demands of the Indian and Asian markets, while at the same time providing excellent after-sales service. In parallel with this strengthening of the commercial structure, we are focused on substantial investments in research and development which are indispensable for the introduction of new machines and technological upgrades to existing solutions. We have opened new segments of the Top and Entry level markets with a broadening of the BiesseArtech range for the latter in particular, in order to simplify usability as much as possible for all operators in small and medium sized companies in the wood sector, with the same levels of assistance, quality and technology as the product range available to large industrial concerns. From the economic-financial perspective, 2008 can be considered a substantially positive year, with consolidated revenues in modest decline compared with the previous year and lower overall profitability. Our net debt, while influenced by the overall results and by extraordinary factors such as the payment of the dividend and the share buy-back programme, was maintained at an absolutely reasonable level, a sign that the pressure and efforts made to maintain constant cash generation have produced the expected results.
We are continuing the programme of internal re-organisation with determination, implementing the Lean Company managerial approach which we embarked upon a few years ago. We are investing 3.8% of Group sales in Research and Development in order to guarantee innovative technological solutions in response to the diverse requirements and demands of the market. We believe in a strategy of strengthening our extensive commercial network which brings us closer to local entities and which confirms our position as the global partner at the service of our clients.

The Lean approach has allowed us to plan a new generation of "lean" products not only in reference to the decision making process that leads to their definition but also, and above all, with reference to the final client to whom we wish to extend the benefits of Just-in-Time logic. We are very satisfied with the results achieved so far. Lean Manufacturing applied to the production process has allowed us to increase productivity by over 30%, to reduce 50% transfer times and space utilized by 50% and to cut by up to 70% - 80% defects in products and re-engineering requirements. Our willingness to distinguish ourselves in the market is also made explicit in the new strong and striking images of the advertising campaign presented in 2008. This equates to a revolution in our sector: we have united art and technology to reinforce recognition of our brands. Our new image offers something unique and strong, through the fusion of human know-how, high technology and the vast range of solutions that Biesse offers to clients. Finally, it is essential to mention the Human Capital of the Group, people with whom we share corporate objectives and that, thanks to their capacity and passion, bring a positive contribution to achieving important corporate goals. At the same time we would also like to thank all our clients, supporters and partners who in different ways show confidence in us by providing us with their precious co-operation. The awareness that we are living through a period fraught with complexity and insecurity has never undermined our confidence in our ability to continue to create lasting value for our shareholders. We are increasingly convinced that excessive pessimism is never a satisfactory way to overcome obstacles and that the positive nature of work already carried out and work that we are doing now, will bring tangible results, even in the short term, and will confirm Biesse's reputation as a company that is renewed, lean, flexible and efficient.

The President
Roberto Selci

The Managing Director
Giancarlo Selci

Giancarlo Selci

Management report

company office holders

BIESSE

Board of Directors

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

Board of Statutory Auditors

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

Internal Control Committee
Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

Supervisory body

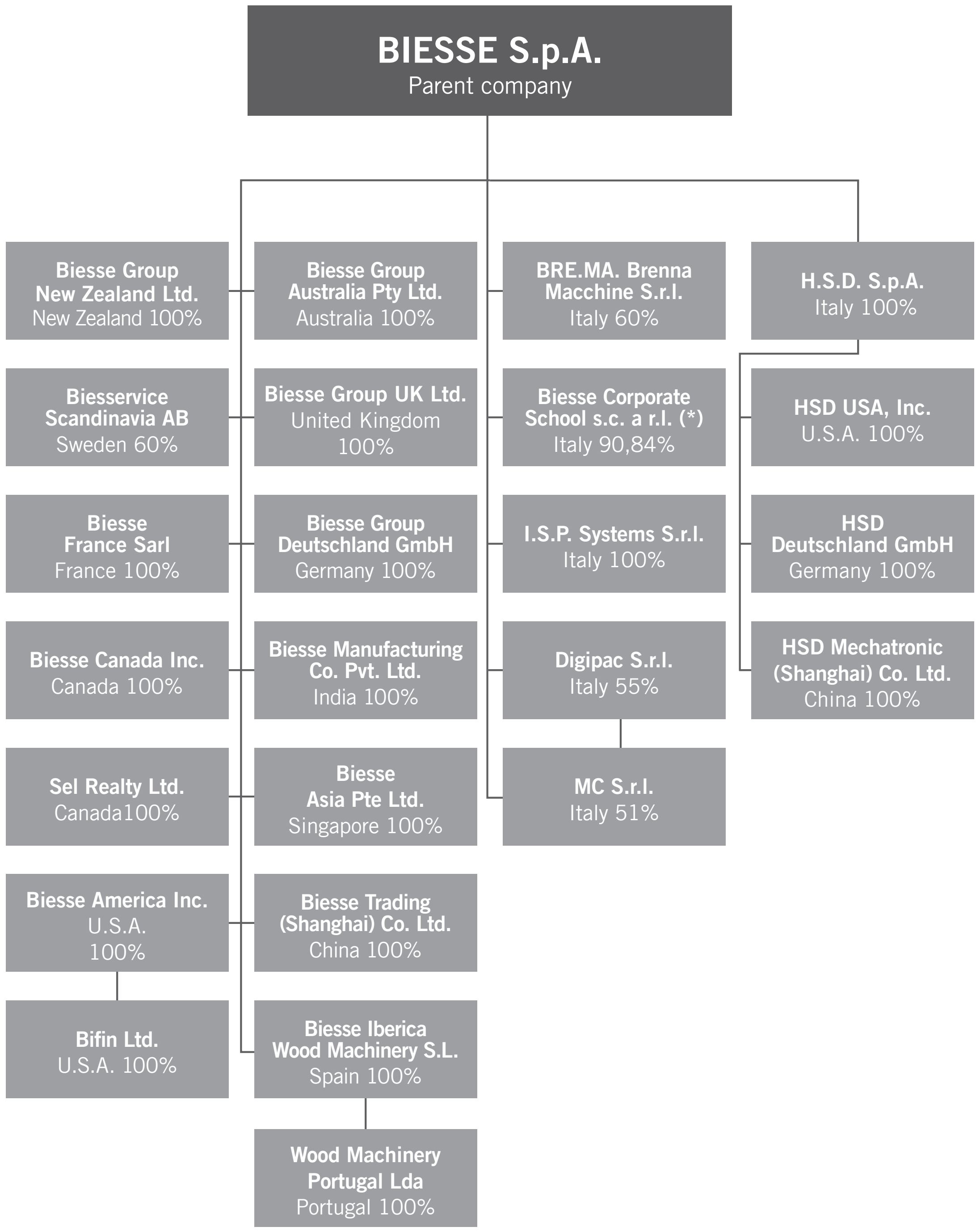
Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Cristian Berardi
Elena Grassetti

Independent auditors

Deloitte & Touche S.p.A.

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

group structure



* Consortium service company, the shareholding in which is 75.83% directly owned and 15.01% held indirectly through Hsd S.p.a.

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

Mergers:

- On 25 September 2008 MC Meccanica S.r.l. was merged by incorporation into MC S.r.l. (with effect from 1 January 2008); it should be noted that, on 4 June 2008, before proceeding with this merger MC S.r.l. had acquired from its associate T2000 S.r.l. a shareholding of 49% in this company giving it a controlling shareholding; the transaction involved a total cost of € 691,000, of which € 146,000 has already been paid, while the remainder will be paid in four annual tranches beginning in 2009.
- On 16 October 2008 Intermac Inc. was merged by incorporation into Biesse America Inc. (with effect from 1 January 2008).

Both of these operations were carried out with the objective of rationalising the corporate structure of the Group and to take advantage of significant industrial and commercial synergies between proximate entities.

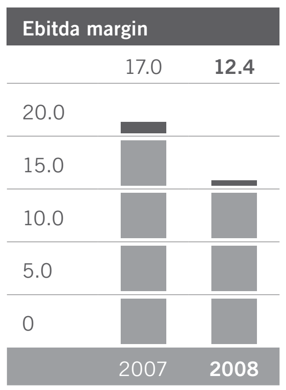
Inclusions:

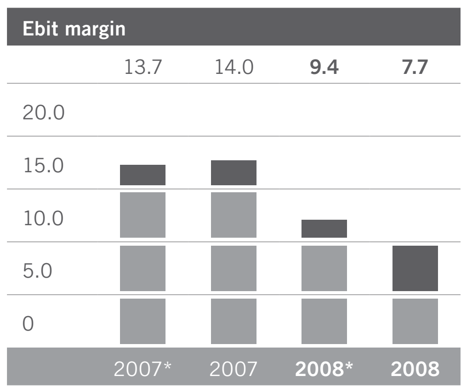
- As of January 2008 the consolidation area includes the company Woodworking Machinery Portugal Lda, operating as a subsidiary of Biesse Iberica in the marketing and provision of after sales services in Portugal for the Group's machinery.
- In October and November 2008 respectively the companies Biesse Trading (Shanghai) Co. Ltd. and HSD Mechatronic (Shanghai) Co. Ltd. became operational, the former constituted by Biesse Asia Pte. Ltd., and the latter by HSD S.p.a. These companies are engaged in marketing and after sales services for machinery, mechanical components and electronics for the industry.

INCOME STATEMENT DATA

€ '000	**31 December 2008**	31 December 2007
Revenues from sales and services	**454,320**	466,007
Ebitda (Gross operating margin) (1)	**56,576**	79,115
Normalised Ebit (Operating result) (1)*	**42,548**	63,739
Ebit (Operating result) (1)	**35,042**	65,399
Normalised Group net result for the period*	**27,245**	37,356
Group net result for the period	**19,739**	41,668

* the data for the period 2008 are shown net of impairmant charges and provisions made to credit risk reserves; the data for 2007 are shown net of the "curtailment" effect and tax franking effects. For more detail please refer to the accompanying notes.   .

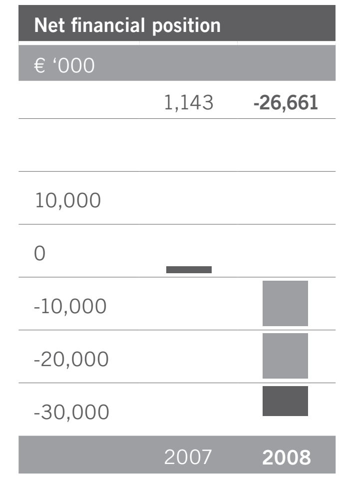


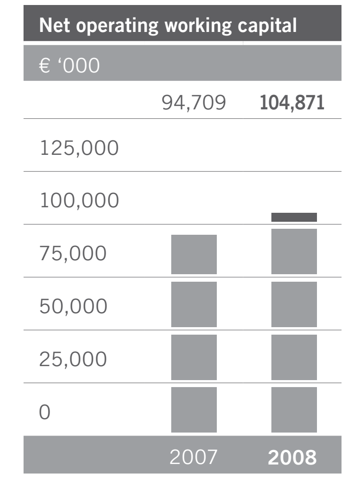


BALANCE SHEET DATA

€ '000	**31 December 2008**	31 December 2007
Invested Capital (Shareholders' funds - Net financial position)	**179,972**	151,350
Total net equity	**153,311**	152,493
Net financial position (1)	**(26,661)**	1,143
Net operating working capital (Inventories + Trade receivables – Trade payables)	**104,871**	94,709
Gearing (net financial position/net equity)	**(0.17)**	0.01
Fixed asset cover (net equity/net fixed assets)	**1.51**	1.48
Financial leverage (debt/net equity)	**1.29**	1.44

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

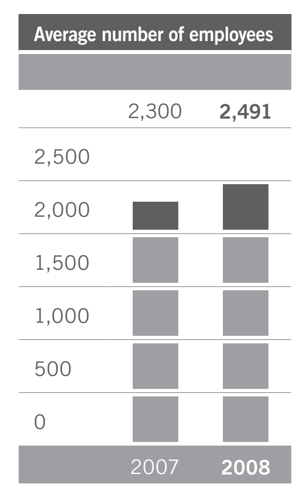


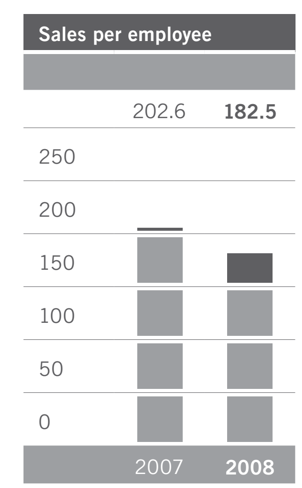


STRUCTURAL DATA

€ '000	**31 December 2008**	31 December 2007
Average number of employees*	**2,491**	2,300

* the data includes temporary staff





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

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

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

trademarks

BIESSE

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

BIESSEEDGE

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

BIESSESAND

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

trademarks

BIESSEARTECH

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

COMIL

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

RBO

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

SELCO

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

Bre.Ma.

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

BIESSE SYSTEMS

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

INTERMAC

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

BUSETTI

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

diamut

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

HSD

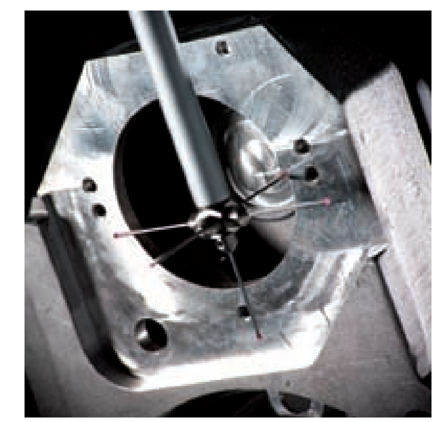
MECHATRONIC DIVISION

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

COSMEC

COSTRUZIONI MECCANICHE DI PRECISIONE

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



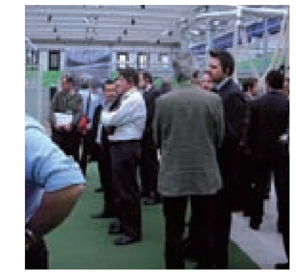
report on operations

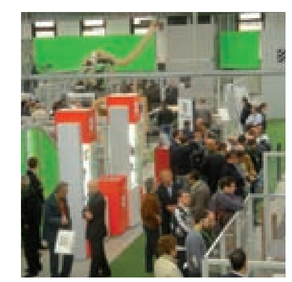
General economic overview

The most authoritative economic analysts now agree that the current recession is, without doubt, in terms of its intensity, global spread and aggressive speed, the most violent systemic crisis since the time of the so-called "Great Depression" of the 1930s.
Globalisation, which in periods of economic growth/stability increases opportunities for diversification and therefore tends to reduce risk has ended up becoming a transmission belt and accelerator, rather than a shock absorber,for the spread of the crisis.
Signs of the impending recession were already evident in summer 2007 – when the problems of the US sub-prime mortgage market became evident – but few economists foresaw such dramatic, deep and potentially long-lived consequences for the real economy. In fact, not till later, - to complicate an already very negative macro-economic situation - did the unprecedented debacle of the international financial system come to light; in other words it emerged with the State rescue of AIG, Fannie Mae, Freddie Mac, Northern Rock and then in the collapse of Lehman what had been feared for some time: the existence of significant grave inadequacies in the balance sheet asset values of the global credit system. This phenomenon, of unimaginable scale and gravity, has generated a geometric multiplier effect on the "slowdown" of the real economy; the sudden contraction of interbank lending, the default risks of the leading international credit organisations have resulted in an abrupt collapse in the liquidity of the system on a global scale.
The global crisis, in the period during which this report was being prepared, has intensified and spread further: growth expectations for the world economy has shown a marked deterioration; zero growth is now forecast, with some even expecting a contraction of the world economy, whilst in Italy domestic GDP is expected to decline 2.7%.
Expectations for a recovery have been postponed till 2010, but with no sudden rebound in prospect.
The impact is particularly significant for the most cyclical sectors, such as the manufacturing sector, but it is still more significant in the capital goods sector because the propensity for capital investment is a direct function of the level of corporate confidence and the availability of sources of finance (leasing being a general example) for these types of investment.

Industrial sector review

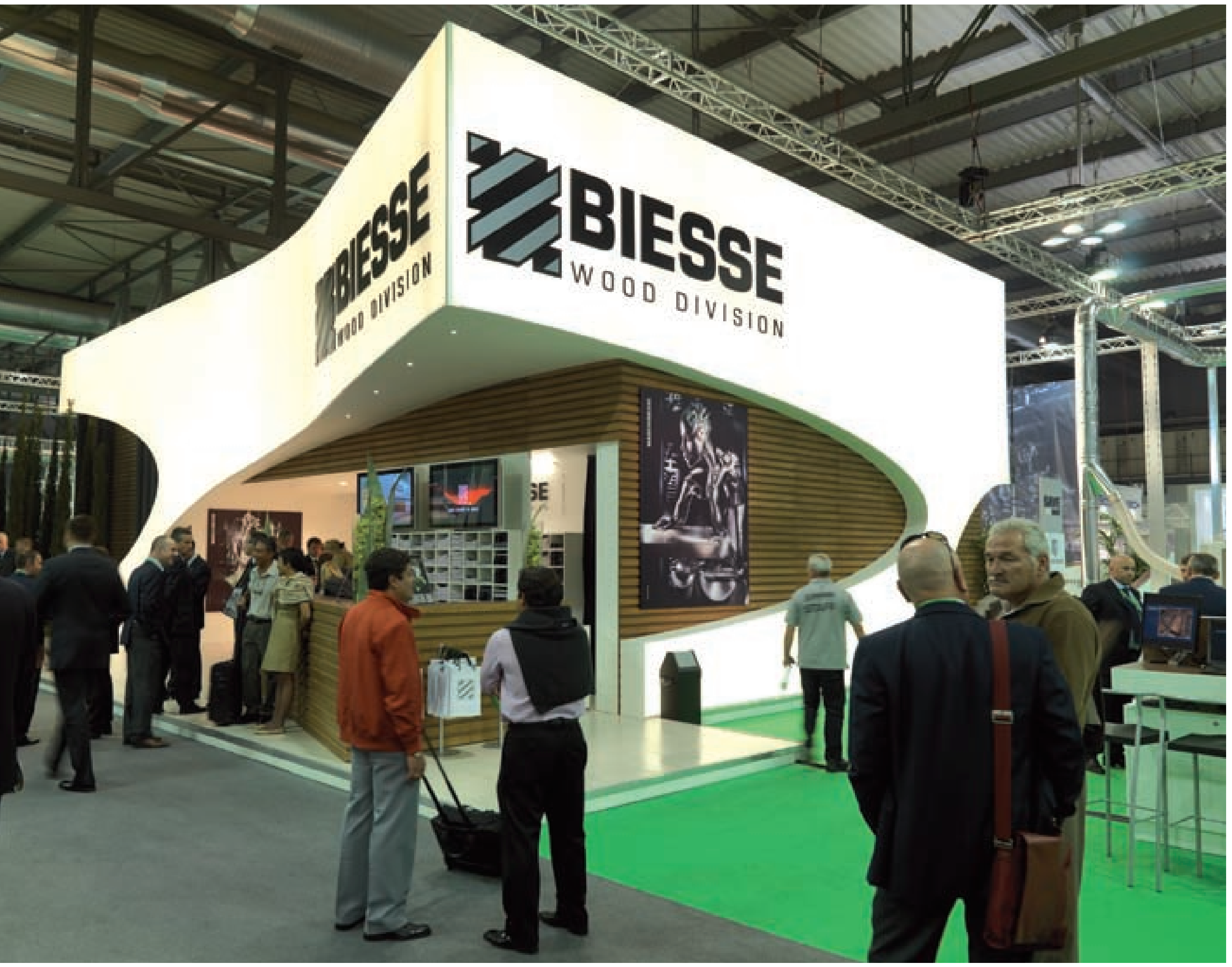
The current world economic and financial crisis has affected the wood working machinery sector.
The negative trend in orders, which has characterised the sector since the start of 2008, peaked in the fourth quarter, affecting both export and domestic markets to the same degree.
The survey carried out by Acimall - the national trade association for the wood working machinery sector – on the basis of a statistical sample representative of the whole sector, reveals a 38.8% decline in orders.
More in detail, export orders fell 39.2% whilst the decline on the Italian market was 37.8%.
Figures from the German association, VDMA, for the same machinery sub-sector, "Holzbearbeitungsmaschinen," for the three month period November 2008 – January 2009 show a shocking decline of -59% in order intake (-19% in sales, due to the pre-existing order portfolio).
Returning to the Acimall analysis, prices in 2008 rose on average by 1.3%, whilst production visibility at the end of the quarter, according to the survey sample, was about 1.8 months.
The qualitative survey for the period, based on the response of participating companies, revealed the following results: 63% of those interviewed reported a decrease in production 30% reported stability and only 7% reported an increase.
Employment was stable for 50% of the sample surveyed, it fell for 47% and only 3% of those interviewed reported an increase.
Inventories were stable in 47% of cases, declining in 30% and increasing for the remaining 23%.
The survey on the future outlook is obviously affected by the recessionary trend of the real economy in all its variables. The pessimistic climate, already noted in the previous quarter, was confirmed as regards the market trend in 2009. Of those surveyed, 67% believe that foreign orders will decline further whilst the remaining 33% of those interviewed expect them to remain unchanged.
None of the participants in the survey expected an increase in orders in the immediate future; the same opinion was also expressed regarding the domestic market.

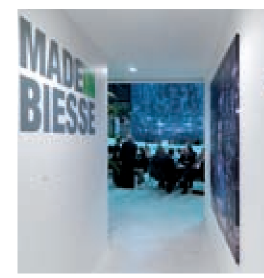


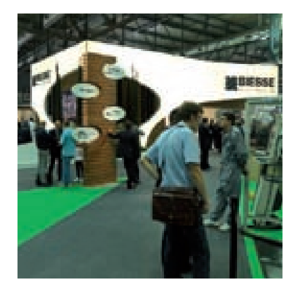


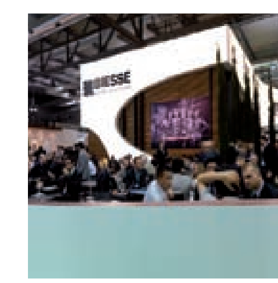
biesse inside

BIESSEINSIDE is the initiative promoted by the Biesse Wood Division to "open" the doors to the world of Biesse woodworking processes and technology to customers and operators in the woodworking sector from all over the world. A direct link with the market, providing a live demonstration of the Group's potential and the innovations in products and processes, foremost among which is the new Kaizen model, fruit of the rationalization and renovation process implemented within Biesse itself and aimed at transforming the company into a *Lean Company*.
The state-of-the-art Biesse machines were on display in the brand new Tech Centre, the new area measuring 3000 m2 with 32 machines constantly in operation and over 100 demonstrations carried out on the entire Biesse range: processing centres, line boring machines, manual, automatic and line edgebanding machines, panel saws and sanding machines.
BIESSEINSIDE is a unique, strategic initiative for the Biesse Group, calling the attention of both italian and foreign analysts and investors. A week dedicated to technology and innovation, which saw the participation in 2008 of approximately 9000 people from over 50 different countries.









EXHIBITIONS
TECH TOUR
OPEN HOUSE

The Biesse Group sponsors and promotes over 150 events around the globe, such as exhibitions, open-house and tech tours showing customers our know-how, technology and innovation.

The Group reinforces partnerships with its customers by giving them the possibility to touch and test the machine portfolio and cutting-edge solutions available in multiple showrooms throughout the 30 worldwide subsidiaries and commercial offices.

employees

Our most valuable asset: people.
The **more than 2,400 employees** in our production plants and subsidiaries all over the world are critical to the process of continuing success that has taken Biesse to the highest levels of our industry.
Certain in the belief that each individual has the potential to make a uniquely valuable contribution, Biesse constantly invests in employee training through the Biesse Corporate School, established to develop skills and provide hands-on training. Furthermore, by applying an efficient organizational model, compliant with the Code of Ethics and Company Governance, Biesse can count on employees with a **strong sense of belonging and responsibility**.

customers

The satisfaction and success of our customers is paramount. We strive to earn the trust of our customers with effective service and support, combined with the excellence of products *Made in Biesse*. Regardless of where our customers may be, **Biesse is there - always**.

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

corporate governance

Biesse's system of Corporate Governance complies with the principles contained in the Code as the Group believes that these are most conducive to the effective fulfilment of the key points of company policy regarding governance:

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

The fundamental documents of Biesse's corporate governance are:

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

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

Organisation of the Company and systems of management and responsibility

The Company's model of administration and control is a traditional one which provides for the presence of a Board of Directors, a Board of Statutory Auditors and an external auditor.
The Board has constituted internally a Directors' Remuneration Committee and an Internal Control Committee, the functions and responsibilities of which will be dealt with later in this report.

Share capital and equity characteristics

The share capital, at 16/03/2009, is equal to € 27,393,042 fully paid up and composed of ordinary shares each of € 1, issued in accordance with the principle of dematerialisation. Each ordinary share carries a right to vote in ordinary and extraordinary shareholders' meetings of the company in accordance with the laws and statutes and attribute further administrative and equity rights as provided by the law regarding shares with voting rights. On 21 January 2008 the shareholders' meeting approved a buy-back programme covering 2,739,304 ordinary shares of Biesse, corresponding to 10% of the share capital. The buy-back authorisation allows the company to purchase shares on the regulated market for a period of up to 18 months beginning 22 January 2008; as of 31/12/2008, following activation of the aforementioned Buy-Back programme, Biesse had acquired no. 711,359 shares, equal to 2.6% of the share capital, for a total consideration of € 6.8 million.
During the course of 2008, precisely on 28/04/08 on the occasion of the approval of the consolidated financial statements for 2007, the Shareholders' meeting also approved the Board of Directors' proposal of 20/03/08 to allocate a dividend to Biesse ordinary shareholders equal to € 0.44 for each of the 27,393,042 shares, corresponding to a total dividend payout equal to € 12.053 million (gross of the own shares held in the treasury account) representing about 29% of the consolidated net profit for 2007.
The effective payment of this dividend occurred as approved by the Shareholders' meeting with the shares going ex-dividend on 12 May and payment on 15 May 2008.

Significant shareholdings *

At 16 March 2009 shareholders owning more than 2% of the issued share capital, represented by shares with voting rights, according to the register of shareholdings and other communications received or other information available to the company are the following:

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

*source Consob

Controlling subject and direction and co-ordination functions

Control of the company is exercised by BI.FIN srl, which is not in turn controlled by any legal person, as defined by art. 93 of Decree Law 58/1998. The controlling shareholder of BI.FIN s.r.l. exercises the functions of direction and control as regards Biesse.
In accordance with art. 2497-bis of the Italian Civil Code, almost all of the Italian companies directly controlled by Biesse S.p.A. have declared the latter to be the subject which exercises the functions of direction and co-ordination.

Shareholder Pacts

As far as the Company is aware there are no shareholder agreements in existence amongst the shareholders.

INFORMATION ON THE APPLICATION OF THE PROVISIONS OF THE SELF REGULATORY CODE

Board of Directors – role and composition

The Board of Directors is the central body in the Company's system of Corporate Governance. It has the responsibility to define, apply and update the rules of corporate governance in compliance with legislation in force as well as determining the strategic guidelines and senior direction of the Company and the Group (by which is meant Biesse and the companies it controls according to the definition provided by article 2359 of the Italian Civil Code). The Directors operate and function in pursuit of the primary objective of value creation for shareholders, taking into account also the directives and policies defined for the group as well as the benefits deriving from belonging to the group itself. In accordance with article 16 of the Company's Articles of Association, the Board may be composed of a variable number of directors, from a minimum of two to a maximum of fifteen members, even including non shareholders, as determined by the shareholders' meeting. The current board, following the approval of the shareholders' meeting of 14 December 2006, is composed of seven members whose mandate expired with the approval of the financial statements to 31 December 2008 (the Biesse shareholders' meeting is scheduled in first convocation for 28 April 2009).

There are four executive directors on the Board of Directors:

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

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

- Leone Sibani
- Giampaolo Garattoni
- Salvatore Giordano

The independent directors listed above are classified as independent, as defined by the Code, because:

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

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

c) they do not have, nor have they had in the previous financial period directly or indirectly, a significant commercial, financial or professional relationship:
   - with the issuer, any of its subsidiaries, or with any of its senior representatives;
   - with any person whom, even in association with others through a shareholder pact controls the issuer, or – in the case of companies or entities – with senior representatives; nor have they been in any of the three preceding financial periods employees of any of the previously mentioned entities;

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

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

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

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

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

The requirement for independence of the directors, in accordance with the provisions of the Code, is periodi-

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

cally evaluated by the Board of Directors and the Board of Statutory Auditors.During the 2008 financial year the Independent Directors have not held separate meetings in which, being also members of the Internal Control Committee, during the meetings of the same they have sought to exchange opinions on sundry topics of different interests.

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

Leone Sibani:

- Chairman SanPaolo IMI Fondi Chiusi SPA SGR
- Chairman Neos Banca
- Chairman Imi investimenti SpA
- Director Neos Finance
- Director BANCA dell' Adriatico

Giampaolo Garattoni:

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

Salvatore Giordano:

- Chairman Centrale GPA SpA
- Executive director ASSINDUSTRIA Consulting srl

Lead Indipendent director

The Board of Directors in recognition of the fact that international best practice recommends the avoidance of concentration of duties in the hands of one single individual without adequate checks and balances and having ascertained that in the case of Biesse such concentration (the Chairman of the Board of Directors is also Managing Director) corresponds to organizational requirements, in order to conform fully with the Principles of the Code, has set up the function of Lead Independent Director and has appointed to this position the independent director Mr. Leone Sibani. The non-executive directors will report to the Lead Independent Director to ensure a more effective contribution to the activity and functions of the Board.

The Lead Independent Director has the following specific responsibilities:

- to co-operate with the Chairman in order to guarantee complete and prompt information flows to the directors;
- to convene, independently or at the request of other directors, appropriate meetings of independent directors for the discussion of subjects judged to be of interest with respect to the functioning of the Board of Directors or the management of the Company.

During 2008 the Lead Independent Director ha provveduto ad indire:
- meetings of the Internal Control Committee;
- the meeting of the Remuneration Committee.

Powers of the Board of Directors

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

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

In accordance with the provisions of article 2.2.3 section a) of the Borsa Regulations, the Board usually meets five times each year, in order to approve the financial statements for each interim period, required as a condition of the company's membership of the Star segment of the Automated Share Trading Market of Borsa Italiana. When directors meet, they are provided reasonably in advance the documentation and information necessary for the Board to give its opinion on subjects under discussion.

The Chairman and executive director

The Board of Directors meeting on 5 May 2003 approved that the Chairman and Board of Directors be granted all of the powers of ordinary administration, specifying that ordinary administration also includes banking relationships and any power relating to the signing of tax declarations of any kind, to the treatment of employees, to the purchase and sale of vehicles and ancillary assets entered in public registers, to the subscription of and trading in tradable securities issued under the terms of Law no.1329 of 28 November 1965 (the so-called Sabatini Law), to the signing of leasing contracts. In addition, the Chairman is the legal representative of the Company.
Following the approval granted 12 November 2003, the Managing Director, Giancarlo Selci, has been granted solely the authority for the definition of group strategy as well as the general co-ordination of the group, with the express exclusion of each and any power of legal representation or active administration.
The approval of 15 May 2006 granted director Alessandra Parpajola the relevant authority: to manage credit risk, to appoint and dismiss the company's legal advisors, to represent the company in legal proceedings, with full authority to settle or terminate legal action, to underwrite transactions, allow debt payment postponement or deferral, sign correspondence, sign and circulate bank cheques, arrange bank transfers, sign income tax returns and VAT returns, sign tax appeals, employ and dismiss personnel, settle employment disputes, apply disciplinary sanctions and carry out all the activities required by this division of the business.
The approval of 14 December 2006 granted Stefano Porcellini the relevant authority: for the administrative supervision, control and co-ordination of subsidiary and associate companies and those in which the group has significant shareholdings, the supervision, control and co-ordination of the preparation of the Financial Statements of Group companies and of the Consolidated Financial Statements for the financial years 2006, 2007 and 2008 with the authority to nominate advisors and experts, the supervision, control and co-ordination of extraordinary transactions, with particular reference to the acquisition of shareholdings, to represent Biesse in its correspondence with clients and suppliers for problems relating to administrative and legal issues and with authority to settle any potential legal disputes on an out of court basis.

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

Appointment of Directors and the Nominations Committee

Appointment of Directors

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

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

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

Elections to the Board of Directors proceed as follows:

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

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

In the event that just one list is presented or just one list receives votes then all of the board members will be drawn from that list.

The Nominations Committee

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

Directors' compensation and the Remuneration Committee

In order to attract, retain and motivate directors with the professional qualities necessary to manage Biesse successfully as well as ensuring that the interests of executive directors are consistent with the aims of pursuing the primary objective of medium to long term value creation for shareholders, a significant portion of the remuneration of the executive directors and senior management of the Group is constituted by remuneration tied to the achievement of economic results and/or pre-established individual performance targets (so-called bonus or variable incentive systems).
On 15 May 2003, the Board of Directors set up from amongst its members the Remuneration Committee which is currently composed of the following members:

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

The Committee has the responsibility to (i) present to the Board proposals for the remuneration of executive directors, monitoring the application of decisions adopted by the Board of Directors; (ii) periodically to evaluate the criteria adopted for the remuneration of directors with strategic responsibilities, supervising the application of these criteria and preparing general recommendations for the Board.
The Committee has free access to information and to necessary business departments and meets twice a year with official minutes of any decisions reached.

The Internal Control System

The Internal Control System of the Company, in line with recent recommendations on corporate governance, is a combination of the rules, procedures and organisational structures which permit, through an appropriate process of identification, assessment, management and monitoring of the main risks, to run the Company in an honest and correct way that accords with the pre-established objectives.
In particular, the system aims to guarantee:

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

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

Control system and internal control appointment

The Internal Control Committee has approved a policy for risk management, issued by the Board of Directors, based on the Risks Based methodology that provides an analysis for every risk category based on the following three phases:

- Risk Assessment (Valuation), which identifies, describes and classifies business risks
- Risk Treatment (Treatment), which selects and implements suitable measures for the elimination or reduction of risk
- Risk Monitoring (Testing), which provides for controls on the efficacy of the risk management process and in respect of the company's risk attitude and shows for each category of risk the actions carried out and those still to be carried out.

Biesse considers the increased use of checks and controls to protect the correctness of shareholder information as a fundamental element of shareholder value creation. It has moved promptly to have a focussed and efficient compliance system as set out in the previously mentioned law no. 262/2005. To protect shareholders and, in general, all stakeholders, Biesse in 2008 put in place procedures which will guarantee the veracity, correctness and transparency of all data through (i) preliminary "scoping" to detect significant transaction categories, transactions which are not considered routine, and accounting estimates to be included in an analysis of the related significant accounts in the consolidated accounts, on the basis of stipulated qualitative and quantitative criteria (for example, materiality, inherent risk, etc.); (ii) risk evaluation to ascertain that processes and sub-processes identified in the detection phase have not been rendered invalid by irregularities, errors and omissions not revealed by the internal control system and by the Corporate Governance procedures; (iii) the possible implementation of new control procedures to prevent the risks mentioned in point (ii); (iv) planning, scheduling and execution of a series of tests on the whole control system to ascertain its existence and efficacy, as well as the preparation of a Remediation Plan to

cover all the control objectives defined in the scoping and detection phase. From the end of 2007 to ensure the full application of the ICFR model of internal control the following procedures were implemented: i) the compliance plan which dictates the rules of formalisation, maintenance and management of control of the model; ii) the process of collation which aims to guarantee that the Chairman of the Board of Directors and the Manager with responsibility for preparing the accounts of Biesse receive internal affidavits from the internal process owners put in place prior to the application of the model. The compliance plan, which remained unaltered in 2008, is periodically submitted to checks by the group Internal Audit function, and any suggested modifications must be approved by the Internal Control Committee.
In 2008 the representative of the Internal Control Committee was appointed and is the same as the Chairman of the Board of Directors who supervised, implemented and developed the 262 project identifying the principal risks of the company and designing, building and managing the internal control system in order to adapt this system to the company's operating conditions in accordance with the regulations and prevailing laws. In order to support the attainment of efficiency and integration objectives for internal controls an information system was introduced in 2008, hereafter referred to as "Tool", which is capable of managing and supporting so-called integrated compliance. Currently this application supports the Internal Auditing function, the Internal Control Committee, the Supervisory Body, in their activities of risk analysis and verification of controls guaranteeing the abilityv to trace information and activities carried out. Also in 2008 the Chairman of the Board of Directors, in agreement with the Internal Control Committee, proposed to the Board the name and remuneration of the new internal control appointee– who will be identified with the responsibility for the Internal Auditing Function of the Group – and given the necessary independence, in accordance with the Self-Regulatory Code. The appointee to internal control, in accordance with the Self-Regulatory Code – a body which has no responsibility in any operating area, does not report to any operating area manager, with free access to all the company's information and provided with independent financial resources – is charged with providing assurances about the system of internal control and will report the results directly to the Chairman of the Board of Directors, the Internal Control Committee and the Boad of Statutory Auditors.

Internal Control Committee

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

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

The Committee, besides assisting the Board of Directors in carrying out the functions described above, has the responsibility of:

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

The Committee reports periodically to the Internal Auditing function and to the Board of Statutory Auditors.

Related Party Transactions

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

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

Treatment of company information

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

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

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

Internal Dealing Code of Conduct

On 27 March 2006, the Board of Directors adopted internal regulations for Internal Dealing, which govern information flows from persons subject to Article 114, para. 7, of the TUF (Unified Financial Legislation) and those recognised as "relevant" by the rules of the Company, Consob and the Market. This applies to all transactions carried out on and after 1 April 2006.

The new code regarding Internal Dealing is applicable to all purchase, sale, underwriting and exchange of shares issued by Biesse or financial instruments connected to it and carried out by relevant persons and by persons closely connected to the latter. This last category includes shareholders owning at least 10% of the outstanding share capital of the Company, the Directors and Statutory Auditors of Biesse, as well as those in management positions or managers with regular access to privileged information and invested with the power to make decisions that could influence the development and future prospects of Biesse.

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

a) from the [fifteenth day] preceding (and including) the date set for the Board of Directors meeting to approve the annual Financial Statements, the Interim Financial Statements and the Quarterly Financial Statements, until the press release concerning the deliberations of the Board of Directors is released to the market;

b) in accordance with the stipulations in a) above, from receipt of the communication of entry in the "Register of persons having access to privileged information" under Article 115 –bis TUF, until the moment when the privileged information that has led to the entry in the Register is released to the market.

Institutional investor and shareholder relations

Investor relations manager

In Biesse financial communication has a primary role in value creation for the Group: as a result, Biesse has adopted a strategy aimed at ensuring a continuous and correct flow of information between the financial community, the market and the Company. Biesse has always actively worked to establish a continuous dialogue with institutional investors, shareholders and the market whilst respecting the procedures adopted for external communication of privileged documents and information. To this end, the specific function of investor relations was set up to collaborate with the Board of Directors in guaranteeing the systematic circulation of detailed and timely information through press releases, meetings with the financial community and periodic updates to the Company website (www.biessegroup.com). During 2008, Biesse participated in all the events organised by Borsa Italiana (the STAR events in Milan, New York, London and Paris) as well as organising numerous meetings with the Italian and international financial community.

The website

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

Regulations governing shareholders' meetings

Since 2001, the Company has adopted a series of regulations for shareholders' meetings concerning the orderly and organisational progress of ordinary and extraordinary shareholders' meetings, guaranteeing each shareholder the right to participate in any discussion on the agenda.
It is possible to examine these regulations in the appropriate section of the website (www.biessegroup.com).

Stautory auditors

The Statutory Auditors monitor observance of the law and the Company articles of association and monitor operations whilst financial control is not part of their remit but is assigned to auditors appointed by the shareholders' meeting from among those companies in the register held by Consob. The Company articles of association lay down that the Statutory Auditors must be three serving auditors and two substitute auditors and that their names must be from lists drawn up by shareholders having at least 2% of the share capital with voting rights in ordinary shareholders' meetings. Other shareholders have the right to elect one serving Auditor and one substitute Auditor. Each shareholder, as well as those shareholders belonging to the same group of shareholders, cannot themselves, or through a nominee or fiduciary company, put forward more than one list or vote for different lists. In the event of violation of this rule, the vote of the shareholder for every list presented will not be considered. Each candidate may only be proposed in one list only at the risk of being considered considered ineligible.

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

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

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

The major positions held by the members of the Board of Statutory Auditors in other companies quoted on regulated markets, including foreign stock markets, in financial companies, banks, insurance companies or companies of significant size are listed below:

Giovanni Ciurlo

- Serving auditor Banco Di S. Giorgio Spa
- Serving auditor Stroili Oro Spa
- Serving auditor Fi.L.S.E. Spa
- Chairman of the Board of Statutory Auditors Gru Comedil Srl
- Chairman of the Board of Statutory Auditors AEB S.p.A.
- Director Salmoiraghi &Vigano' Spa

Independent Auditing Company

On 2 May 2007 the shareholders' meeting validly approved the most recent extension of the mandate of the independent auditor Deloitte & Touche S.p.A., included in the register referred to in article 161 of Decree Law no. 58 of 24 February 1998, for the financial years 2007 – 2008 – 2009.

Manager appointed for the preparation of the company accounts

On 14 May 2007 the Board of Directors, in accordance with the Articles – and in compliance with Law no. 262 of 28 December 2005 – folowing the proposal by the Chairman, taking into consideration the prior opinion of the Board of Statutory Auditors, unanimously appointed the Director of Administration, Finance and Control, Dott. Stefano Porcellini, qas the Manager responsible for the preparation of the company accounts – incorporating in the aforementioned all of the professionalism and correctness required by laws in force to carry out this delicate task.

This manager has also been provided with all the necessary powers, referred to in article 154 bis of Decree Law no. 58 of 24/2/1998, as introduced by article 14 paragraph 1, no. 262, and, for the purposes of example and not exhaustively:

- power to introduce adequate administrative and accounting procedures in the controlling company and in all controlled companies, both in Italy and abroad;
- power to employ staff to deploy for specific activities, establishing their remuneration within the framework of group policy and power to dismiss the same;
- power to confer and revoke appointments of Italian and foreign profesionals to carry out specific duties and to fix their duration and fees;
- power to make purchases directly or to lease goods and software necessary to carry out accounting procedures and procedures relating to the financial statements;
- every necessary power, including spending powers, necessary for the correct execution of the duties conferred.

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

The Board of Biesse has approved from 2007 the application of the organisational Model (henceforward the "Model") under Decree Law no. 231 of 8 June 2001 concerning the administrative responsibility of the bodies; this model is periodically reviewed and updated taking into consideration amendments to the relevant legislation.
This Model, the result of a long and detailed analysis of the risks relative to the legal entity of Biesse, is coherent with the principles of Decree Law 231/01, in line with Italian best practice and the indications of Confindustria; it is designed to avoid the risk of criminal acts, as covered in the aforementioned decree and subsequent modifications, being committed by employees and colleagues of the Company.
It represents a further element of rigour and responsibility in internal relations and in those with the external world and offers shareholders suitable guarantees of efficient and correct management.
The regularly updated Model contains a detailed analysis of the risks relative to those criminal acts covered by the code, with particular reference to crimes relevant to the business of Biesse and a list of the appropriate procedures to bridge any eventual gap existing between those areas considered to be potentially at risk and the procedures already existing and operational in Biesse
Currently the areas of risk identified and monitored in accordance with the regulations are as follows:

- Offences against the Public Administration;
- Corportae offences;
- Market Abuse offences;
- Offences relating to workplace security;
- Technological offences;
- Offences of receiving, recycling and use of money, goods or items of illicit provenance.

An integral part of the Model is the Code of Ethics, which is an official document describing the undertakings and ethical responsibilities in the conduct of the business and activities subscribed to by Biesse and by other companies in the Biesse Group. It also regulates the rights, duties and responsibilities that Biesse specifically assumes towards those with which it interacts in carrying out its business. The Code also aims to introduce and make binding within Biesse the principles and rules of conduct relating to reasonable prevention of the criminal acts covered by Decree Law no. 231 of 8 June 2001.
A Supervisory Body composed of three Independent Directors, the Legal Office manager of Biesse, and the Internal Auditing department manager of Biesse has been appointed with the duty to:

- periodically to verify the map of areas (or "sensitive activities") at risk of criminal acts, adapting it to modifications in the business and/or structure of the Company. To this end, the Vigilance Committee is notified by management and by those responsible for supervising the single activities of any eventual circumstances which could expose the Company to a criminal act;
- to conduct regular checks to verify that the Model is being adhered to and, in particular, to ensure that the procedures and checks contained therein are being carried out and adequately documented and that the ethical principles are respected;
- periodically to check certain transactions or specific acts carried out, particularly in sensitive operations where the results are summarised in a specific report the contents of which are notified to the Company bodies;
- to guarantee that the necessary corrective measures to make the Model fitting and effective are undertaken in a timely fashion;
- to collect, analyse and preserve all the relevant information received concerning the Model, as well as to update the list of information that must be communicated. To this end, the Vigilance Committee has unrestricted access to all the relevant company documentation and is constantly kept informed by management of all aspects of Company business which could expose the Company to the risk inherent to the committing of one of the criminal acts covered by the Decree, as well as relations with consultants and partners;
- to report periodically to the Chairman, the Board of Directors and the Board of Statutory Auditors on the application of company policies and of the Model;
- to monitor any violations of the Model, including any violations of the Code of Conduct.

To complete the Model, the Company has also set up a structured and organic procedural and control system (both by improving the efficacy of those already existing and implementing new ones) aimed at covering any risks deriving from sensitive and significant activities which might lead to one of the criminal acts governed by the aforementioned decree being committed.
Through the parallel implementation of the two projects (Project 231 and Project 262) Biesse has also put into effect what it considers to be an effective strategy for increasing shareholder value as it aims to guarantee complete surveillance providing continual protection for shareholders and, in general, stakeholders from the possible risks inherent in the Company Governance even in the future, a strategy that has been confirmed as referred to in paragraph 4.1.4.2. in the implementation of the "Integral Compliance" application to manage the regulations laid down by Law 262/05 and Decree Law 231/01.

New actions and initiatives for 2009

Since the start of Biesse S.p.A. has effectively adopted the Organisational Model of Decree Law 231/01 and the related operating procedures in support of the same, therefore in 2009 Biesse will be engaged– with a view to optimising its Governance system as a corporate group – in the pursuit of projects from previous years and, in particular will extend its Organisational Model to its principal Italian subsidiaries, in accordance with the rules laid out in the aforementioned Decree and subsequent amendments, taking into consideration the recent extension – both in jurisprudence and prevailing doctrine – of the application of the aforementioned regulation (on the subject of the administrative responsibility of legal persons) as it applies to groups of companies.

In particular Biesse S.p.A. – in order to complete the Compliance process relating to Law no. 262 of 28 December 2005 (Law on Savings) and subsequent amendments (hereinafter also "Project 262") – has already had in place since 2008 its own Audit plan which is based on the Risks Based methodology.

In addition, during 2009 it plans to implement and formalise a new policy to manage business risk introducing an ERM (Enterprise Risks Management) process methodology.
This activity will support the analysis of risks in determining the key performance indicators (KPI) in the BPR (Business Process Reengineering) project which is reviewing the principal "Core" procedures of the Group and remoulding them in the format of a Lean Company.

SUMMARY OF FINANCIAL DATA

INCOME STATEMENT TO 31 DECEMBER 2008

€ '000	December 2008	% of sale	December 2007	% of sale	Change %
Revenues from sales and services	**454,320**	**100.0%**	**466,007**	**100.0%**	**(2.5)%**
Change in inventories, wip, semi fininshed and finished goods	3,635	0.8%	8,245	1.8%	(55.9)%
Other revenues	3,024	0.7%	5,230	1.1%	(42.2)%
Value of Production	**460,979**	**101.5%**	**479,482**	**102.9%**	**(3.9)%**
Consumption of raw materials, accessory products and goods	200,005	44.0%	199,840	42.9%	0.1%
Other operating expenses	93,482	20.6%	96,667	20.7%	(3.3)%
Value Added	**167,493**	**36.9%**	**182,974**	**39.3%**	**(8.5)%**
Personnel costs	110,917	24.4%	105,519	22.6%	5.1%
Non recurring income (Curtailment/TFR reform)	-	-	(1,660)	(0.4)%	(100.0)%
Gross Operating Margin	**56,576**	**12.5%**	**79,115**	**17.0%**	**(28.5)%**
Depreciation and amortisation	12,991	2.9%	11,789	2.5%	10.2%
Provisions	4,286	0.9%	1,900	0.4%	125.6%
Impairment	4,256	0.9%	27	-	-
Operating Result	**35,042**	**7.7%**	**65,399**	**14.0%**	**(46.4)%**
Financial income/expense	(1,784)	(0.4)%	(1,155)	(0.2)%	54.4%
Foreign exchange gains/losses	(1,937)	(0.4)%	(1,709)	(0.4)%	13.3%
Share of associates	-	-	34	-	(100.0)%
Capital gains/losses from financial activity	-	-	156	-	(100.0)%
Pre-tax profit	**31,321**	**6.9%**	**62,725**	**13.5%**	**(50.1)%**
Tax for the period	11,581	2.5%	23,709	5.1%	(51.2)%
No recurring income (Franking/Substitute tax)	-	-	(2,652)	(0.6)%	(100.0)%
Result for the period	**19,739**	**4.3%**	**41,668**	**8.9%**	**(52.6)%**

2008 was a positive year for Biesse, even in the context of an evident flattening of the profitability generated by the Group; a period, therefore, to be considered positively in view of the substantial maintenance of revenues and the still respectable level of profitability generated by the Group despite the very grave crisis that has affected the the global economy in general and the mechanical capital goods sector in particular, culminating in the last quarter of the year. The results were impacted by the management valuations which led to impairment of a portion of the intangible assets of Bre.ma. Brenna macchine Srl and Intermac Inc. (USA), as well as an "extraordinary" provision made to credit risk reserves, as a prudential measure to anticipate the potential effects/implications of the current profound crisis on future periods.
2008, therefore, was a year also characterised by a high level of volatility, above all in demand, but also in the cost of raw materials, of energy, and of exchange rates, that certainly did not benefit the industrial and commercial planning of the company. It is necessary to highlight that these financial statements disclose the first signs of a trend reversal which will affect 2009 more markedly, with particular reference to the likely further significant downturn in revenues and the deterioration of profitability in the forthcoming quarters.
Biesse is however, securely equipped - in terms of strategy, organisation, management and financial solidity – to confront this challenge. Finally, in order to understand the results for this period more clearly, it is essential to remember that this period compares with the financial statements for the "record" year of 2007, which was characterised by extraordinary growth in volumes (revenues +17.5% compared with the period to 31 December 2006), which produced a strong "operational gearing" effect on the profitability generated.

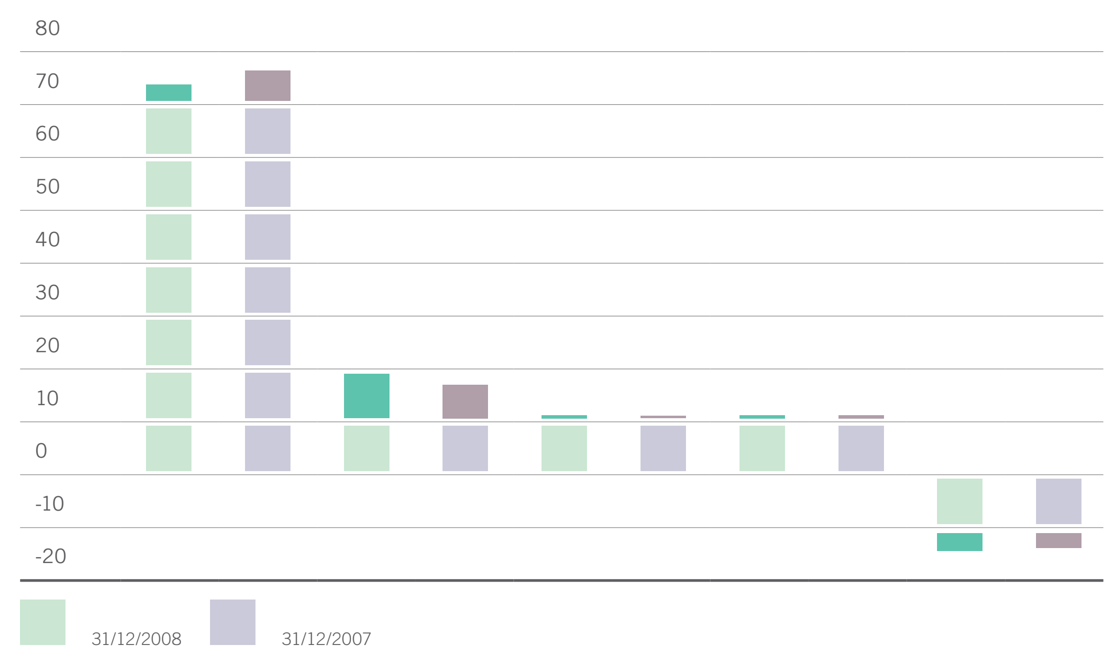
This was because the trend of costs (in particular labour costs) rose at a slower rate than the extremely rapid growth of sales. In the 2008 financial year, with sales in moderate decline, these costs – which were higher because they were "on board" from January – were not diluted by growth in volumes and thus had a direct impact on the profitability of the Group.
Net revenues for 2008 were € 454.320 million, compared with € 466.007 million in the year to 31 December 2007, representing a year-on-year decline of 2.5%.
The slight decline in revenues derives entirely from the difficulties experienced in the last quarter of 2008 by the Wood Division which recorded a decline in revenues of 5.7% for the full year, while the Glass/Marble Division reported respectable growth of 11.1%; Mechatronic Division revenues were stable with growth of 6.1%.

SEGMENT INFORMATION - BREAKDOWN OF SALES BY DIVISION

€ '000	31 December 2008	%	31 December 2007	%	Δ %
Wood Division	333,346	73.4%	353,397	75.8%	(5.7%)
Glass/Marble Division	85,894	18.9%	77,279	16.6%	11.1%
Mechatronics Division	50,589	11.1%	47,682	10.2%	6.1%
Other	50,895	11.2%	51,504	11.1%	(1.2%)
Intragroup eliminations	(66,404)	(14.6%)	(63,855)	-13.7%	4.0%
TOTAL	**454,320**	**100.0%**	**466,007**	**100.0%**	**(2.5%)**

BREAKDOWN OF REVENUES BY DIVISION

Wood Division		Glass/Marble Division		Mechatronics Division		Other		Intragroup eliminations	
73.40	75.80	18.90	16.60	11.10	10.20	11.20	11.10	-14.60	-13.70



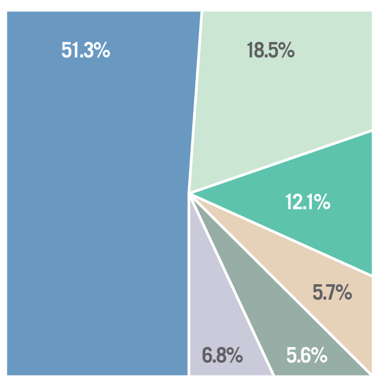
With regard to the geographical breakdown of sales, the negative performance of North America (-17.3%, the most affected by the current recession) and Australasia (-10.6%, given, however, the unfavourable trend of exchange rates) stand out. Eastern Europe (-2.1%) revealed the first signs of impending slowdown which will be more marked in 2009. Significant growth was however reported for the so-called "Rest of the World" (+16.3%) with particular emphasis on the strong trend of orders received in South America and the Middle East.

SEGMENT INFORMATION – BREAKDOWN OF SALES BY GEOGRAPHICAL AREA

€ '000	31 December 2008	Share %	31 December 2007	Share %	Δ %
Geographical Area					
Western Europe	**232,924**	**51.3%**	232,771	50.0%	0.1%
Eastern Europe	**83,836**	**18.5%**	85,622	18.4%	(2.1%)
North America	**55,020**	**12.1%**	66,512	14.3%	(17.3%)
Australasia	**26,089**	**5.7%**	29,178	6.3%	(10.6%)
Asia	**25,559**	**5.6%**	25,356	5.4%	0.8%
Rest of the World	**30,891**	**6.8%**	26,568	5.6%	16.3%
GROUP TOTAL	**454,320**	**100.0%**	**466,007**	**100.0%**	**(2.5%)**

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

31/12/2008



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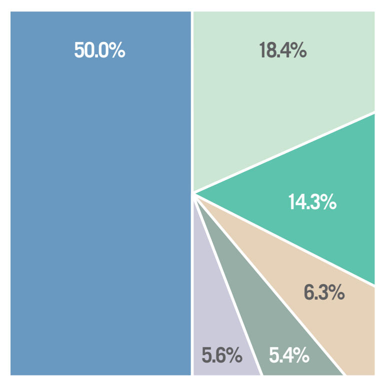

The **value of production** was € 460.979 million, compared with € 479.482 million in the year to 31 December 2007, representing a year-on-year decline of 3.9%; in order to present a clearer picture of the profitability of the Group, there follows a more detailed analysis of costs calculated as a percentage of the value of production.

€ '000	31 December 2008	%	31 December 2007	%
Value of Production	**460,979**	**100.0%**	**479,482**	**100.0%**
Consumption of materials	200,005	43.4%	199,840	41.7%
Other operating expenses	93,482	20.3%	96,667	20.2%
Service costs	*79,577*	*17.3%*	*82,259*	*17.2%*
Leasing costs	*6,706*	*1.5%*	*6,639*	*1.4%*
Other operating costs	*7,200*	*1.6%*	*7,769*	*1.6%*
Value Added	**167,493**	**36.3%**	**182,974**	**38.2%**

Value added calculated as a percentage of Value of Production fell by 1.9 percentage points compared with the previous year, a figure which was substantially tied to the strong inflation of raw material costs recorded in the first 9 months of the year and to the different configuration of demand for equipment that was focussed – as is often the case in periods of economic slowdown – on more economical, and therefore lower margin, product lines.

Personnel costs in 2008 were € 110.917 million, compared with € 103.859 million in the year ended 31 December 2007, which, expressed as a percentage of net sales, was 24.4% compared to 22.3% in the previous year.

This growth related primarily to cost inflation in the Italian operations of the Group, deriving from the national collective labour contract (CCNL - Contratti Collettivi Nazionali di Lavoro), as well as the "drag effect" on new personnel added during 2007 and fully "on board" for all of 2008; in addition the global figure is affected by the inclusion in the Group of the Portuguese subsidiary Machinery Portugal Lda, of the Chinese subsidiary Biesse Trading (Shanghai) Co. Ltd. and HSD Mechatronic (Shanghai) Co. Ltd.

To these new additions must be added the significant strengthening of the Indian subsidiary Biesse Manufacturing Co. Pte Ltd, of Bangalore which in December 2008 added a further 71 employees.
The comparison with the previous period is adversely impacted by the so-called curtailment effect of 2007, the impact of actuarial adjustments relating to the reform of the TFR in Italy, which resulted in € 1.660 million of non-recurring income in the previous period.

The **Gross operating margin (Ebitda)** was € 56.576 million, representing a margin of 12.5% of net revenues, a decline of 28.5% compared with the previous year, equal to a 4 percentage points less in terms of the margin on net revenues due essentially to the aforementioned loss of profitability at the level of value added (1.9 percentage points from the inflationary impact of raw materials and the unfavourable product mix) and the higher incidence of personnel costs (2.2 percentage points). Two important valuations carried out by management affected these financial statements, valuations athat are directly connected to the potential effects/implications on forthcoming periods of the current severe crisis: the impairment of Intermac Inc. (Usa) and Bre.ma. Brenna macchine Srl, and the extraordinary provision made to credit risk reserves.
In these changed circumstances in order to carry out the impairment test on the assets of the Group it was decided to write-down the intangible assets of Intermac Inc. (now merged with Biesse America Inc.) relating to the value attributed to the personnel taken on as part of the acquisition of the US distributor, AGM Inc.; in addition on the basis of the results emerging from the analysis of prospective cash flows, it was decided to make a partial write-down of the goodwill of Bre.Ma. arising from its acquisition in August 2006.
These two impairment write-downs amount to € 4.238 million.

Management also decided to make a **provision** of € 3.503 million which was taken to the **credit risk reserves**; Biesse is exposed to different concentrations of credit risk in its reference markets - mitigated however by the fact that credit exposure is spread over a large number of clients and counterparties – in spite of this, trade receivables are today particularly exposed to the adverse conditions pertaining to the market and to credit which increases the possibility of insolvency on the part of client counterparties.
Following this provision the reserve for credit risk is now equal to € 6.625 million.

It follows that the **operating result (Ebit)**, which was € 65.399 million in the previous year, fell to € 35.042 million, representing a margin on net revenues of 7.7%.
Net of the write-downs for impairment and provisions to the credit risk reserves this figure would be € 42.548 million, representing a margin of 9.4% of revenues.
In terms of financial management, the slight increase in the use of short term credit by the Group resulted in an increase of € 629,000 in financial charges payable to banks and other financial institutions compared with the financial year 2007.
Exchange rate risk management expenses in 2008 were € 1.937 million; hedging operations relating to foreign currency revenues only partially protected Biesse from the very high volatility of all currencies against the Euro; over half of these losses are attributable to unrealised losses of the Australian and New Zealand subsidiaries which experienced a sudden decline in the value of their respective currencies against the Euro which was not fully covered in terms of duration because of the sharp slowdown in sales in the last quarter of the year.

Pre-tax profit, therefore, was € 31.321 million, halved in comparison with 2007.

The **balance of tax items** was negative at € 11.581 million. Of this, current taxes amounted to € 13.587 million, the main determinant of which is represented by IRES provisions of € 10.531 million and IRAP provisions of € 4.198 million. Total tax expenses include the positive adjustment on prior year tax provisions (€ 930,000) and by contingent assets relating to tax credits recognised on research and development activities (€ 844 mila). Finally, the provision for current taxes includes foreign company income taxes of € 632,000. The component relating to deferred taxes was positive for € 2.005 million. The difference between effective tax expenses (calculated net of the components relating to IRAP and to contingent items relating to previous periods and tax credits) equal to 29.4%, and the notional tax rate (27.5%) is primarily due to the existence of non-deductible expenses, including, first and foremost, the write down of goodwill relating to Bre.Ma. Brenna Macchine S.r.l.
In the previous year the tax charge benefited from the application of Law no. 244 of 24 December 2007, the so-called Finanziaria 2008, which introduced a subsitute tax, for IRES and IRAP purposes, aimed at bringing into line the tax value of goods and other assets with their book values (e.g.: accelerated depreciation, provisions and other value adjustments, the effects of applying IAS). The Biesse Group (and in particular the companies Biesse S.p.A., HSD S.p.A., MC S.r.l. and Brema Brenna Macchine S.r.l.) calculated the total of taxes to be franked to be equal to € 4.774 million (of which € 4.296 million relates to IRES and € 478,000 relates to IRAP), while the total substitute tax amounted to € 2.122 million. This operation had a net positive effect on taxes of € 2.652 million.

The **net profit** of the Group therefore was € 19.739 million, representing a margin of 4.3% of net revenues.

SUMMARY BALANCE SHEET DATA

BALANCE SHEET AT 31 DECEMBER 2008

€ '000	31 December 2008	31 December 2007
Intangible fixed assets	40,106	43,146
Tangible fixed assets	61,236	57,641
Non current assets	10,115	9,285
Investment property	-	2,426
Non current assets	**111,458**	**112,498**
Inventories	103,678	104,192
Trade receivables	99,804	109,981
Other receivables	13,799	8,415
Other current financial assets	565	372
Cash and equivalents	22,173	36,488
Current assets	**240,020**	**259,449**
TOTAL ASSETS	**351,478**	**371,947**
Net Equity of the Group	152,208	151,699
Minority interests	1,103	794
Net Equity	**153,311**	**152,493**
Bank debt and M/L term finance leases	9,198	10,390
Retirement benefit liabilities	12,718	13,331
Other payables and M/L term liabilities	4,195	4,967
Non current liabilities	**26,112**	**28,688**
Trade payables	98,611	119,464
Other short term payables	33,809	46,050
Bank debt and short term finance leases	39,635	25,252
Current liabilities	**172,055**	**190,765**
TOTAL LIABILITIES AND NET EQUITY	**351,478**	**371,947**

The value of Intangible fixed assets reflect the effects of the previously described impairment charges on Intermac Inc. and Bre.Ma. Brenna Macchine S.r.l.

The value of Tangible fixed assets increased slightly as a result of the completion of investments commenced during 2008, notably the new factory in Bangalore (India), the new headquarters of Biesse Canada in Quebec, and the restructuring of part of the offices at the Pesaro headquarters.

Net working capital, when compared with the situation at December 2007, mainly reflects the impact of the sharp reduction in commercial payables, only partially related to the lower level of purchases and rather more due to the effect of the reduction in the average days payable to suppliers, affected by the liquidity crisis. This trend was not offset by the trend of payables for which, predictably, payment terms lengthened, and inventories which did not fall proportionately as expected because of the slowdown in demand, but on which the Group will concentrate its greatest efforts in 2009.

NET FINANCIAL POSITION

€ '000	31 December 2008	30 September 2008	30 June 2008	31 December 2007
Financial assets:	22,173	26,613	29,313	36,861
Current financial assets	*-*	*647*	*562*	*372*
Liquidity	*22,173*	*25,967*	*28,751*	*36,488*
ST finance lease liabilities	(2,602)	(2,667)	(2,735)	(2,756)
Bank and other ST financial debt	(37,033)	(36,077)	(26,373)	(22,571)
Net Short Term Financial Position	**(17,462)**	**(12,131)**	**206**	**11,534**
M/L term finance lease liabilities	(7,426)	(8,465)	(8,614)	(9,866)
M/L term bank debt	(1,772)	(1,798)	(442)	(524)
Net M/L Term Financial Position	**(9,199)**	**(10,262)**	**(9,055)**	**(10,390)**
Total Net Financial Position	**(26,661)**	**(22,393)**	**(8,850)**	**1,143**

At 31 December 2008 the Group had net debt of € 26.7 million, a deterioration with respect to the value reported at 30 September 2008 and at year end 2007 respectively of € 4.3 million and € 27.8 million. Net debt at end 2008 was influenced –in addition to the progressive deterioration of all the working capital variables – by extraordinary factors such as the dividend payment of € 12 million and the buy-back of € 6.8 million. Investment in the period totaled € 17.4 million.

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

Risks relating to general economic conditions

The economic, capital and financial situation of the Group is influenced by various factors that make up the macro-economic scenario - including the trend of global and national 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. In 2008, and particularly in the last quarter of the year, financial markets were characterised by particularly marked volatility with severe repercussions for several financial institutions and, in general, for the whole economy. The significant and widespread deterioration in market conditions was exacerbated by severe and generalised difficulty in gaining access to credit, both for consumers of finished goods (furniture, fixtures and finishings) that our machinery helps to construct and for client businesses, and began to result in a scarcity of credit that was reflected definitively in the industrial development of many sectors, amongst which, and in particular, those in which the Group operates.

The growing weakness of the general conditions affecting the economy and the sectors in which Biesse operates and the progressive deterioration of the credit market are reflected, particularly since the fourth quarter of 2008, in a significant decline in demand in the reference markets of the Group. There is no certainty that the measures put in place by governments and monetary authorities in response to the current situation will stabilise conditions for a return to normal conditions within a reasonable timescale. The timing of a return to normal market conditions therefore remains extremely uncertain and many countries are aware that they face a severe and prolonged economic recession. The activities, the strategy and the prospects of the Group may be negatively influenced by a significantly prolonged period of marked weakness and uncertainty with a consequent negative impact on the economic, capital and financial situation of the Group.

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 born 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 economic 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 financial requirements

The evolution of the financial situation 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.
Even in the current market environment, the Group expects to maintain sufficient capacity to generate financial resources from management of operations. The actions taken to contain costs, the reduction of investments and the cotainment of working capital should permit only modest debt requirements during 2009 which is entirely compatible with the Biesse Group's high credit rating. However, further relevant and/or persistent unexpected reductions in sales volumes could have negative implications on the cash generating capacity of managed operations, which would require the Group to seek additional financing in less favourable market circumstances, with limited availability of certain sources of funding and an increase in financial expenses.

Credit Risk

The Group faces different concentrations of credit risk in the different markets in which it operates, mitigated, however, by the fact that credit exposure is spread across a large number of counterparties and clients. Nevertheless, trade receivables are currently particularly exposed to adverse market and credit conditions which raises the possibility of insolvency on the part of client counterparties.
Financial assets are reported in the balance sheet net of write-downs calculated on the basis of the risk of counterparty non-payment, determined according to the the available information on the solvency of clients and considering historic data.

Risks relating to exchange rate fluctuations

The Biesse Group, which operates in several markets at a world level, is naturally exposed to market risks relating to the fluctuation of interest and exchange rates. Its exposure to exchange rate risk is related primarily to the geographical divesrification of its commercial operations, which leads to revenues 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 and Sterling). Consistent with its policy of risk management, 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 economic results of the Group.

Risks relating to interest rate fluctuations

Biesse Group utilizes 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.

Risks relating to relations with employees

In several countries in which the Group operates, its employees are protected by various lasws and/or collective labour contracts that guarantee them, through local and national representation, the right to be 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 outwith 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 sales in international markets and exposure to changeable local conditions

A significant part of the productive activity and sales of the Group take place outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political factors and to the possible imposition of political restrictions on imports and/or exports. In addition the Biesse Group is exposed to several different tax regimes in particular as regards transfer pricing.
In particular, the Biesse Group operates in several emerging markets such as India, Russia, China and Brazil. The Group's exposure to the economic trends of these countries has increased in the recent past such that any possible unfavourable political or economic development in these areas could have a negative impact on the prospects and activities as well as on the economic results of the Group.

research and development activity

The following list details research and development initiatives undertaken in 2008:

WOOD DIVISION

Biesse Brand

GANTRY machining centre
Design work has begun on a range of machinery dedicated to panel nesting processing. This range incorporates integrated loading and unloading systems aimed at automating panel handling as well as the panel labelling device.

FTT 800 with Dowel Inserter
The development of the FTT800 with dowel insertion module has been completed. Two new horizontal boring and dowel insertion modules have been integrated.

TECHNO One boring machine
Design was completed and a prototype prepared of a linear boring machine for medium/large batches in integrated lines or lines dedicated to upstream panel sizing and square-edgebanding.

ROVER A machining centre
Development work was completed which resulted in the implementation - on this machine – of groups of optional products dedicated to the working of doors and windows.

ROVER C machining centre
Development commenced on groups of optional products for the handling and completion of solid panel processing operations in the 'work cell' configuration.

WinProf profiling machine for windows and doors
Development was completed on the WinProf profiling module for windows and doors. This module forms part of the Biesse Multicentri range and produces a significant increase in productivity.

Multi-head EXCEL machining centre
Development has commenced on adding more operating groups to this machine that are all capable of working simultaneously thereby improving productivity.

Nesting Cells
Tests were completed regarding the addition of optional groups for panel labelling and handling. In addition the range was completed by the introduction of a cell for panels of up to 6 feet.

TECHNO B-Cubed boring machine
Development was completed of a linear boring machine aimed at processing of medium/large batches as part of lines dedicated to or integrated with the upstream processes of panel sawing and squaring and edgebanding.

NEXT Step
Design was completed and a prototype built of an innovative panel saw, squaring and boring (nesting) system all 'on board' a single machine. This is a solution aimed at specialised processing functions in large industries or as the principal machine of a small producer of furniture.

SKIPPER 130 Flexible borer
Design was completed and a prototype built of the new Skipper 130 boring machine conceived in response to the production requirements not just of kitchen manufacturers but also of producers of bedrooms/small rooms and offices.

Comil Brand

MATRIX boring-dowel inserting machine
Design completed and a prototype built of a compact and modular linear boring-dowel inserting machine. The machine was designed for boring and finishing with accessories (hinges, drawer guides etc.) of furniture panels.

INSIDER B - WRT boring-dowel inserting machine
Design completed on a flexible linear boring-dowel inserting machine for drilling and attaching cabinet doors, frontal elements and furniture frameworks. The machine – to satisfy the flexibility demands of production to order – is equipped with a modern processing control and management system.

Selco Brand

WN750 panel saw
Development continues on the new range of WN750 panel saws, with the design of a new turntable and the new lateral twin pusher.

EB630-650 panel saw
Development commenced on the design of a new range of EB630-650 entry level panel saws, characterised by high performance and completeness of the high end WN750 panel saw range.

Suction loader
Design started of a new automatic suction loader integrated into the panel saw characterised by high performance and versatility.

EB 95 panel saw
Design was completed on the versions with square fence on the right.

Automatic blade changer and regulator
Design was completed on the innovative automatic blade changing system aimed at the high end panel saw range (prevalently angular panel sizing equipment). It is characterised by significantly lower blade changing times disguised by the panel sizing cycle. Design was completed of a new laser pointing system for the automatic regulation of the scoring blade.

Optiplanning
Development continues on the optimiser and of new algorithms that will be useful for increasing productivity and reducing waste.

BiesseEdge Brand

STREAM/OMNIA squaring and edgebanding machines
The group completed the design and produced a pilot line of operator groups (including loader/unloader) for the industrial production of door and window fittings.

Rbo Brand

ASTER Pluris loader
Design of a loader for flexible boring and dowel insertion lines.

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

BOS Project
Development was completed for a prototype of a complete plant for the production of semi-finished goods for panels. The plant is for the production of unfinished core panel bars for continuous process production of high volume furniture panels.

WINNER loader/unloader and GPK "B-Cubed"piece turner
Design was completed on the loading/unloading bridges and the panel rotation device on flexible panel processing lines. An innovative system of management and control of the movement axes and integration with the linear machining centre.

BiesseArtech Brand

AKRON edgebanding line
The develpoment and introduction of the gPOD pre-melting (Glue On Demand) unit with hermetically sealed tank for use with (Pur) moisture reactive polyurethane on automatic single-sided edgebanding machines.
The AKRON 400 range was widened with the design of the con AKRON 445 model.
The new RBK 503 double beam compact edge scraper was designed and introduced.

SKILL machining centre
Development has been completed of an economic machining centre, for working panels and solid panels of limited thickness, which is expected to represent the "first purchase" for craftsmen.

LEVIA sanding machine
The entry level sanding range was completed with the introduction of constructive solutions and specialised equipment for the upper level segment (electronic cylindrical pads, fixed worktable etc.) These machines are characterized by an extremely favourable price/performance ratio and are primarily for use in small work-shops.

Sezionatrici SEKTOR panel saw
Design was completed of an entry-level panel saw aimned at satisfying the requirements of customers such as craftsmen and small businesses. The SEKTOR series panel saws are characterised by a high degree of versatility, an excellent price/performance ratio, simplicity of operation and reduced maintenance.

FSE230 boring and dowel insertion machine
Design was completed on a semi-automatic boring-insertion machine for drilling and insertion of wooden dowels. The machine allows the completion of processing of panels where dowels are non-linear or in working irregular shaped panels.

BiesseSand Brand

REGAL 500 sanding machines
The group completed the development of the REGAL 500 range through the definition of equipment which broadens the market offer (posterior cross units, superfinishers, differentiated pressure pads, electronic centre distance section pads etc.). A PC configuration was introduced and a "made in BIESSE" CN solution completed characterised by a high degree of usability and maximum attention to the HMI (Human-machine interface), thanks to the innovative Interaction Design approach.

REGAL Line sanding machines
Design began on the REGAL Line sander range, capable of developing an "over and under" sanding process which is characterised by the fact that the processing occurs simultaneously on both sides of the panel.

Levigatrici REGAL 800 sanding machines
Design began on the new REGAL 800 range characterised by heavy duty capabilities and aimed, therefore, at industrial applications. The REGAL 800 range completes the BIESSESAND sander range.
A PC configuration was introduced and a "made in BIESSE" CN solution completed characterised by a high degree of usability and maximum attention to the HMI (Human-machine interface), thanks to the innovative Interaction Design approach.

GLASS AND MARBLE DIVISION

Intermac Brand

GENIUS 37 LM cutting bench
Development was completed on an entry-level cutting bench for laminated sheets, primarily for use in the construction sector. The LM series cutting benches comprise an innovative single head structure, which allows protection of the cutting cycle and reduces times, making it possible to make cuts of various thicknesses. An system for edgebanding and definition of the first cut is also available for this machine.

GENIUS 37 LM-A cutting bench
Design of a high end cutting bench for cutting laminated sheets. This model also includes the automatic system for first cut and related traverse, through an optional automated process, that may be required for in-line production.

GENIUS 37 CT-RS monolithic cutting bench
Development of an entry-level cutting bench for monolithic sheets. The product incorporates CT series cutting charactersitics, which allows clients to obtain high level performance at a competitive price.

PRIMUS 184 water jet cutter
Development of a high pressure water cutter for cutting glass, stone, steel, aluminium and plastics, which, if necessary can use sand for cutting extremely hard materials. Water jet cutters allow cutting of complex profiles and combines flexibility and cut quality without requiring subsequent runs to clean off residue which occur in other metal cutting processes.

Busetti Brand

F 10 - F12 double edging machines (flat edge)
Development of a flat profile double edging machine with modular characteristics for industrial use to combine the multiple requirements of quality, profile form and sheet dimension in the context of a product that may be equipped with optionals in order to obtain a single machine or a plant that may also be fully automatically managed.

MECHATRONIC DIVISION

Hsd Brand

Birotary electroheads
The rationalization of the HS 652/653 model with the HS 655 was completed, which combines the performance of preceding models simplifying the adoption of the different motorized axes. The applications other than the milling of wood and aluminium for windows and doors, extends also to the milling of light wooden structures (train floors,aviation components). The launch of the HS 678 model was completed which is adapted for high velocity milling centres in the sector for moulds, models and in the aeronautic sctor (alluminium, carbon fibre).

High frequency motors
Rationalisation was completed onthe "Estrusi" series motors with research continuing on a new ES 959 family. The new range will be equipped with high energy efficient motors. It is aimed at equipping operator groups on new generation machine tools. Activity was completed on electro-spindles for stone-glass machining centres. The new ES 796 model increases performance in terms of power, couple and rigidity of the support cushion. The new characteristics allow an increase in productivity and long-term reliability. The new model is extremely flexible and designed to be applied on 3 and 5 axis machines.

BH6XX System electronic card series
Development was completed on peripheral cards belonging to the system based on the EtherCat protocol.

SOFTWARE PLATFORMS AND COMPONENTS

Software for the BH660/670 electronic card series
The BH660 project was completed, with the adoption of the *EtherCat* protocol as the principal fieldbus. This fieldbus provides technical instruments that allow the production of highly sophisticated automated systems. The project involved the development of a new software master and relative firmware for slave devices. The new architecture also allows plant diagnostics which simplify problem identifaction.

Family Feeling
The *Family Feeling* project was started. Its objectives are:
- to strengthen branding and consolidate the look of the graphic interfaces of all software produced by Biesse;

- increase the degree of usability of products to facilitate consistency of user methodology and workflow;
- promote the re-use of software components, reducing costs and increasing reusability of the products.

B-CubedLine
This project is related to the realisation of wood production plants. Amongst its multiple objectives are the experimentation of innovative solutions in terms of motorisation and other electronic components which lead to a reduction in production and maintenance time and costs.
These objectives are, in more detail:

- Reduction in HW and SW design, mounting, cabling and testing times;
- Reduction in the total cost of the distributed activity;
- *Energy Saving* on inverter and motorisation;
- Standardized Cabinet layout;
- Standardization of machine components;
- Reduction of obstacles;
- Opening towards machines / lines requiring hybrid technology;
- Use of Ethernet Real-time technology.

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

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

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

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

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

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

Independent spindle boring heads
Definition and design of a new standard for new generation boring heads to offer greater performance and reliability. This phase permitted the start of a process of unification and rationalisation of internal components of the boring heads as well as the final configurations available.

Black Box
Design of a monitoring kit for independent spindle boring head which facilitates understanding of methods of use by end users (clients) and to interpret the cause of any breakdown or malfunction. This is an integrated diagnostic system with a functional group that facilitates the FMEA/FMECA appraoches.

Wireless tilting
Design of a new operating group capable of varying automatically the inclination of the tool (numerically controlled command) providing notable benefits in terms of flexibility and productivity (when compared with manual solutions).

Aggregate Line
Optimisation and rationalisation began on the line of standard aggregates (operating groups fitted with standard work centre equipment).

Aggregate Line for metal
Design work began on a new range of products for working metals.

Aggregate Line for motorised towers
Design work began on a new range of products for working metals for turning.

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

€ '000	Shareholders' equity 31/12/2008	Result for the year 31/12/2008	Shareholders' equity 31/12/2007	Result for the year 31/12/2007
Net shareholders' equity and parent company result for the year	**136,944**	**16,657**	**139,013**	**34,869**
Elimination of carrying value of consolidated shareholdings:				
Difference between carrying value and value of share of net equity	23,070		19,936	
Pro-quota results contributed by investments		655		10,789
Cancellation of write-downs/revaluations of investments		3,364		(3,329)
Elimination of the effects of transactions between subsidiaries:				
Infragroup profits included in final inventories	(7,098)	(601)	(6,497)	(277)
Infragroup profits on tangible and intangible assets	(709)	44	(753)	(272)
Valuation of associated companies on a net equity basis	0	0		35
Dividends	0	(132)		(96)
Net shareholders' equity and result for the year attributable to the Group	**152,208**	**19,987**	**151,699**	**41,719**
Net shareholders' equity and result for the year attributable to third parties	1,103	(248)	794	(51)
Net shareholders' equity and result for the year as reported in the Consolidated Accounts	153,311	19,739	152,493	41,668

TRANSACTIONS WITH ASSOCIATE COMPANIES CONTROLLING ENTITIES AND COMPANIES CONTROLLED BY THEM

No significant transactions were carried out with regard to the controlling entity Bi.Fin. Details of transactions are as follows.

€ '000	Receivables	Payables	Revenues	Costs
Bi. Fin. Srl	12	-	10	40

It should be noted that the controlling entity Bi.Fin. S.r.l. elected to apply the regulations regarding the Consolidated National Tax agreement (Consolidato Fiscale Nazionale) for the three year period 2005/2007; this consolidated tax area, in addition to Bi.Fin., includes the companies Biesse S.p.A., HSD S.p.A., Cabi S.r.l. (already merged with HSD S.p.A.) and I.S.P. Systems S.r.l.
On 16 June 2008, the option to apply the regulations regarding the consolidated tax agreement was exercised by the parent company Biesse S.p.A. and no longer by Bi.Fin. S.r.l; in addition to Biesse S.p.A., the subsidiaries HSD S.p.A., ISP Systems s.r.l., Bre.Ma. Macchine S.r.l., MC S.r.l. and Digipac S.r.l. will also adhere to the consolidated tax.

OTHER RELATED PARTY TRANSACTIONS

The following have been identified as related parties: the Board of Directors, the Board of Statutory Auditors and Fincobi S.r.l, a company that is majority owned by the Selci family. During the year the transactions between Biesse and the aforementioned company were as follows:

€ '000	Receivables	Payables	Revenues	Costs
Fincobi S.r.l.	-	-	1	10
Edilriviera Srl	-	83	-	5
Board members	1	35	-	1,306
Statutory auditors	-	71	-	71
Other related parties	-	7	-	286
TOTAL	1	195	1	1,678

In addition to the transactions reported in the table, Edilriviera carried out extraordinary maintenance activities on property belonging to the Group. The relevant costs of € 64,000 have been capitalised.
We can confirm that the transactions disclosed above were carried out under contractual conditions that were no different to the conditions that would normally apply to transactions with third parties.
In addition to the transactions reported above, details of transactions with directors, managing directors and managers with strategic responsibilities are disclosed in note 44 of the explanatory notes to the accounts.

REPORT ON PERSONNEL RELATIONS

During 2008, the Company Management Development programme begun in 2007 continued and was re-inforced, various training projects were developed consistent with the Human Resource department's central strategy of personnel development.

The management training programme continued and involved a wide range of company managers. In total the programme was aimed at about 80 managers – from Head Office, Marketing and other business units – and was composedof two main initiatives. The first is a leadership development programme for top management. The second initiative, called the "Leadership Development Program", is aimed at divisional managers and focuses on the managerial skills necessary to meet the new organisational challenges. Great attention is given to training support for "Change Management" capabilities, geared to the significant changes in terms of operating structure and working methods being developed by the Company.

An important training event focusing on the growing importance of Company Management occurred in November during the Annual Meeting of all the World-Wide Marketing Subsidiaries. The training event included the participation of a professor from the Sda Bocconi business school and the multi-championship winning volleyball trainer Pierpaolo Montali, who, in his speech, summarised the importance of "Team Play" and the dynamics that are developed in a winning team.

An important training initiative was conducted in 2008 on the training of company appointees and extending the programme to about 90 people as part of the project to create a Security Culture.

At the start of 2008 the Second Level Contact initiative was renewed (Integrativo Aziendale) valid for the three year period 2008/2010. In a constructive atmosphere of reciprocal trust between the Company's management and the various Union Organisations, an agreement was signed leeding to an agreement between the Company and Unions on subjects relating both to improving the corporate wellbeing of Company life, and on aspects of fixed and variable components of wages (through the consolidation of the Result Premium mechanism which is already available and which is intended to reward and incentivize productivity, profitability, efficiency and quality).

The Lean Company project continued to be implemented. The project to transform Biesse into a Lean Company continues to generate innovations and change through the extensive involvement of and contributions from all employees. In 2008 the application of the Lean Organisation methodology was also presented for comparison with the Union Organisations at all levels in order to continue the path taken to develop a positive climate of sharing and empowerment regarding the common objectives.
In addition training course continued, both for the growing number of employees directly involved and the the wide target of company managers, who took part in the courses at the headquarters of Porsche Consulting of Stuttgart.
Training of apprentices also continued, through participation in courses set up with the co-operation of recognised training authorities.

The strong bonds between Biesse and the World of Training saw Biesse involved in numerous initiatives during 2008:

- partnership with Regional Professional Technical Institutes: embedding young diploma students in Tutoring courses in the various technical departments of the Company;
- partnership with the University of Pesaro – Ancona (Engineering Faculty): for the insertion of young undergraduates and graduates in training courses/professional training schemes within the Biesse Lean Organization Team and in various Company departments;
- Biesse participation in various university "Career Days" in Bologna, Ancona, Pesaro, Urbino and others and participation in the BIP in Como, which is a congress of Businesses and the Placement Departments of the major Italian and European Universities.

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

	No. of shares held directly and indirectly at 31/12/2007	Shares sold in 2008	Shares acquired in 2008	No. of shares held directly and indirectly at 31/12/2008	% of share capital
Roberto Selci Chairman	31,944	-	-	31,944	0.12%
Giancarlo Selci Managing Director	16,000,000	-	15,000	16,015,000	58.46%
Alessandra Parpajola Director	600	-	-	600	-
Stefano Porcellini Director	1,000	(320)	-	680	-
Salvatore Giordano Independent Director	200	-	-	200	-
Leone SIbani Independent Director	500	-	-	500	-
Giampaolo Garattoni Independent Director	23,000	-	7,000	30,000	0.11%
Giovanni Ciurlo Acting statutory auditor	-	-	-	-	-
Claudio Sanchioni Acting statutory auditor	200	-	-	200	-
Adriano Franzoni Acting statutory auditor	-	-	-	-	-

ATYPICAL AND/OR UNUSUAL OPERATIONS OCCURRING IN THE FINANCIAL PERIOD

During the course of 2008 no operations of this nature were reported.

SIGNIFICANT POST BALANCE SHEET EVENTS AND OUTLOOK FOR 2009

On 1 February 2009, Biesse Schweiz Gmbh became operative. This is a new subsidiary of the Group's Wood Division for the Swiss market where Biesse has an installed base of about 600 machines. The objective of this subsidiary is to increase commercial penetration in German speaking markets by exploiting commercial and service synergies with the subsidiary Biesse Deutschland Gmbh which owns 100% of the capital of the company.

At the present time procedures are being completed for the opening of Biesse's representative office in Dubai which is intended to support the Group's commercial activities in the Arabian peninsula. The office will be fully operational from Aprile 2009.

With reference to the outlook for 2009, the Board of Directors of Biesse has today approved the new three year industrial plan. While conscious of the unprecedented difficulties of making forecasts in the present conditions of volatility and economic instability, the directors of Biesse expect - in view of the order intake of the last quarter of 2008 and of the first two months of the current year – a decline in revenues of 35% in 2009 compared with 2008.
In the following two years, 2010 and 2011 - on the basis of the most dependable macro scenarios- a recovery in volumes and profitability should take shape.

The first two quarters of 2009 are expected to be particularly difficult for which - with respect to the 35% decline in revenues expected for the full year- an even greater decline in sales is expected due to the reduced backlog and the effects of temporary lay-off schemes on production capacity, which is moreover a function of the recovery in the order portfolio.

This number could change significantly in the second half of the year, depending on the potential fluctuations in demand , fluctuations that could also be sudden given the sensitivity of the mechanical goods sector to changes in the business confidence indicators which currently all indicate negative sentiment. Equally, a return to liquidity in the financial and banking sector could revive agreements and contracts with clients which are currently suspended owing to the difficulty of accessing investment finance, particularly for small and medium sized clients.

Given this scenario which commenced in November 2008, Biesse has focussed on cost cutting measures, such as activating the ordinary temporary lay-off scheme. The current trend of orders in the sector (equally common to all of Biesse's principal competitors) suggests that the use of social security support schemes is likely to continue at least for all of 2009.

This will allow the Group to limit the effects of lower revenues on its profitability, which is nevertheless expected to decline dramatically, with Ebit estimated at zero for the full year 2009.

The directors of Biesse are however convinced that the strategy, organization, management and financial solidity of the
company puts it in a strong position to face up to the severe conditions in this phase of the cycle because of the strength of its.

DIVIDENDS

The Board of Directors of the Parent Company, given the negative economic environment in which Biesse is currently operating and given its view that the recession is likely to be severe and will continue at least through 2009, has decided to propose to the Ordinary Shareholders' meeting that no dividend should be distributed with regard to the 2008 financial year.

OTHER INFORMATION

In accordance with the resolution approved by the Biesse shareholders' meeting of 21 January 2008, the company has activated a share buy-back programme that at 31 December 2008 amounted to € 6,838,930.73, equal to 711,359 shares (2.6% of the share capital) at an average purchase price of € 9.61. No further movement has occurred at the date of the present report.
Finally it must be noted that the parent company, Biesse S.p.A. does not own shares or shareholdings in controlling companies, nor did it own or trade any shares or shareholdings in controlling companies during the course of 2008. There is nothing to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the Civil Code.

Pesaro, 16/03/2009

Chairman of the Board of Directors
Roberto Selci

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31/12/2008

€ '000	Note	31 December 2008	31 December 2007
Revenues	5	454,320	466,007
Other operating income	5	3,024	5,230
Change in inventories of finished and semi-finished goods and work in progress		3,635	8,245
Consumption of raw materials and consumables		(200,005)	(199,840)
Personnel costs		(110,917)	(103,859)
Other operating expenses	7	(93,482)	(96,667)
Depreciation and amortisation		(12,991)	(11,789)
Provisions		(4,286)	(1,900)
Impairment		(4,256)	(27)
Operating Profit		35,042	65,399
Dshare of associates' profit/loss		-	34
Financial income	8	849	905
Financial expenses	9	(2,633)	(1,904)
Foreign exchange gains/losses	10	(1,937)	(1,709)
Pre-tax Profit		31,321	62,725
Tax	11	(11,581)	(21,057)
Profit for the period		19,739	41,668
Net profit for the period		19,739	41,668
Attributable to:			
Controlling shareholder		19,987	41,719
Minority shareholders		(248)	(51)
		19,739	41,668
Earnings per share			
Basic (€/cents)	12	74.04	152.30
Diluited (€/cents)	12	74.04	152.30

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

€ '000	Note	31 December 2008	31 December 2007
ASSETS			
Non current assets			
Property, plant and machinery	13	52,306	47,983
Equipment and other tangible fixed assets	13	8,930	9,659
Investment property	14	-	2,426
Goodwill	15	17,168	21,473
Other intangible assets	16	22,939	21,673
Deferred tax assets	32	9,546	8,857
Other financial assets and non current receivables	17	569	428
		111,458	**112,498**
Current assets			
Inventories	18	103,678	104,192
Trade receivables from third parties	19	99,792	109,969
Trade receivables from related parties	20	13	13
Other current assets	21	13,799	8,415
Derivative instrument financial assets	37	565	322
Cash and cash equivalents	22	22,173	36,539
		240,020	**259,449**
TOTAL ASSETS		**351,478**	**371,947**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

€ '000	Note	31 December 2008	31 December 2007
NET EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	23	27,393	27,393
(Own shares)	23	(6,839)	(0)
Capital reserves	24	36,202	36,202
Hedging and translation reserves	25	(2,885)	(2,190)
Other reserves	26	78,349	48,575
Profit for the period		19,987	41,719
Equity attributable to parent company shareholders		152,208	151,699
Minority interests	26	1,103	794
NET EQUITY		**153,311**	**152,493**
NON CURRENT LIABILITIES			
Retirement benefit obligations	31	12,718	13,331
Deferred tax liabilities	32	2,987	3,656
Bank debt and other financial liabilities	28	1,772	524
Finance lease obligations	30	7,426	9,866
Provisions for risks and charges	33	1,208	1,311
		26,112	**28,688**
CURRENT LIABILITIES			
Trade payables	34	98,416	119,355
Trade payables to related parties		195	108
Other current liabilities	35	26,445	32,134
Other current liabilities to related parties	36	-	5,033
Tax payables		1,634	3,124
Finance lease liabilities	30	2,602	2,756
Bank overdrafts and loans	28	37,033	22,497
Provisions for risks and charges	33	5,711	5,684
Derivative instrument financial liabilities	37	18	75
		172,055	**190,765**
LIABILITIES		**198,167**	**219,454**
TOTAL NET EQUITY AND LIABILITIES		**351,478**	**371,947**

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

€ '000	December 2008	of which related parties	% of total entry	December 2007	of which related parties	% of total entry
Revenues	454,320	-	-	466,007	-	-
Other operating revenues	3,024	11	0.4%	5,230	14	0.3%
Change in inventories of finished and semi-finished goods	3,635	-	-	8,245	-	-
Consumption of raw materials and consumables	(200,005)	-	-	(199,840)	-	-
Personnel costs	(110,917)	(182)	0.2%	(103,859)	(189)	0.2%
Other operating expenses	(93,482)	(1,502)	1.6%	(96,667)	(1,490)	1.5%
Depreciation and amortisation	(12,991)	-	-	(11,789)	-	-
Provisions	(4,286)	-	-	(1,900)	-	-
Impairment	(4,256)	-	-	(27)	-	-
Operating Profit	**35,042**	**(1,673)**	**(4.8)%**	**65,399**	**(1,666)**	**(2.5)%**
Share of associate's profit/losses	-	-	-	34	-	-
Financial income	849	-	-	905	-	-
Financial expenses	(2,633)	(34)	0.3%	(1,904)	-	-
Foreign exchange gains/losses	(1,937)	-	-	(1,709)	-	-
Pre-tax Profit	**31,321**	**(1,707)**	**(5.5)%**	**62,725**	**(1,666)**	**(2.7)%**
Tax	(11,581)	-	-	(21,057)	-	-
Profit for the period	**19,739**	**(1,707)**	**(8.6)%**	**41,668**	**(1,666)**	**(4.0)%**

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

€ '000	31 December 2008	of which related parties	% of total entry	31 December 2007	of which related parties	% of total entry
ASSETS						
Non current assets						
Property, plant and machinery	52,306	-	-	47,983	-	-
Equipment and other tangible assets	8,930	-	-	9,659	-	-
Investment property	-	-	-	2,426	-	-
Goodwill	17,168	-	-	21,473	-	-
Other intangible assets	22,939	-	-	21,673	-	-
Deferred tax assets	9,546	-	-	8,857	-	-
Other financial assets and non current receivables	569	-	-	428	-	-
	111,458	**-**	**-**	**112,498**	**-**	**-**
Current assets						
Inventories	103,678	-	-	104,192	-	-
Trade receivables from third parties	99,792	-	-	109,969	-	-
Trade receivables from related parties	13	13	100.0%	13	13	100.0%
Other current assets	13,799	-	-	8,415	-	-
Derivative instrument financial assets	565	-	-	322	-	-
Cash and cash equivalents	22,173	-	-	36,539	-	-
	240,020	**13**	**-**	**259,449**	**13**	**-**
TOTAL ASSETS	**351,478**	**13**	**-**	**371,947**	**13**	**-**

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

€ '000	31 December 2008	of which related parties	% of total entry	31 December 2007	of which related parties	% of total entry
NET EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Share capital	27,393	-	-	27,393	-	-
(Own shares)	(6,839)	-	-	-	-	-
Capital reserves	36,202	-	-	36,202	-	-
Hedging and translation reserves	(2,885)	-	-	(2,190)	-	-
Other reserves	78,349	-	-	48,575	-	-
Profit for the period	19,987	-	-	41,719	-	-
Net equity attributable to parent company shareholders	152,208	-	-	151,699	-	-
Minority interests	1,103	-	-	794	-	-
NET EQUITY	**153,311**	**-**	**-**	**152,493**	**-**	**-**
NON CURRENT LIABILITIES						
Reirement benefit obligations	12,718	-	-	13,331	-	-
Deferred tax liabilities	2,987	-	-	3,656	-	-
Bank debt and other financial liabilities	1,772	-	-	524	-	-
Finance lease liabilities	7,426	-	-	9,866	-	-
Provisions for risk and charges	1,208	-	-	1,311	-	-
	26,112	**-**	**-**	**28,688**	**-**	**-**
CURRENT LIABILITIES						
Trade payables	98,416	-	-	119,355	-	-
Trade payables to related parties	195	195	100.0%	108	108	100.0%
Other current liabilities	26,445	-	-	32,134	-	-
Other current liabilities to related parties	-	-	-	5,033	5,033	100.0%
Tax payables	1,634	-	-	3,124	-	-
Finance lease liabilities	2,602	-	-	2,756	-	-
Bank overdrafts and loans	37,033	-	-	22,497	-	-
Provisions for risks and charges	5,711	-	-	5,684	-	-
Derivative instrument financial liabilities	18	-	-	75	-	-
	172,055	**195**	**0.1%**	**190,765**	**5,141**	**2.7%**
LIABILITIES	**198,167**	**195**	**0.1%**	**219,454**	**5,141**	**2.3%**
TOTAL NET EQUITY AND LIABILITIES	**351,478**	**195**	**0.1%**	**371,947**	**5,141**	**1.4%**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2008

€ '000	Note	Share capital	Own shares	Capital reserves	Hedging and traslation reserve	Retained earnings: Other reserves	Retained earnings: Own shares reserve	Result for the period	Net equity attributable to parent company shareholders	Minority interests	Total
BALANCE AT 31 DECEMBER 2006		27,393	-	36,202	(1,633)	40,022	-	32,239	134,223	320	134,543
Allocation of result for 2006											
Dividend distribution	27					(9,861)			(9,861)		(9,861)
Other allocations						32,239		(32,239)	-		-
Economic component recognised directly in net equity											
Translation difference					(559)	114			(445)		(445)
Other changes											
Dividend distribution (as per EGM of 14/11/2007)	27					(13,697)			(13,697)		(13,697)
Other movements						(240)			(240)	525	285
Result for the period								41,719	41,719	(51)	41,668
BALANCE AT 31 DECEMBER 2007		27,393	0	36,202	(2,192)	48,577	0	41,719	151,699	794	152,494
Allocation of result for the period 2007											
Dividend distribution	27					(11,972)			(11,972)		(11,972)
Other allocations						41,719		(41,719)	-		-
Economic component recognised directly in net equity											
Profits (losses) imputed directly to cashflow hedge reserve					116				116		116
Tax effect of profits (losses) imputed directly to cashflow hedge reserve					(32)				(32)		(32)
Translation difference					(777)				(777)		(777)
Other changes											
Purchase/sale of own shares	23		(6,839)			(6,839)	6,839		(6,839)		(6,839)
Increase in net equity arising from the revaluation of the fair value of investments held prior to acquisition of control in 2007	26					189			189		189
Other movements	26					(163)			(163)	557	394
Result for the period								19,987	19,987	(248)	19,739
BALANCE AT 31 DECEMBER 2008		27,393	(6,839)	36,202	(2,885)	71,511	6,839	19,987	152,208	1,103	153,312

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31/12/2008

€ '000	Note	31 December 2008	31 December 2007
OPERATING ACTIVITIES			
+/- Profit (loss) for the period		19,739	41,668
+ Depreciation and amortisation:			
of tangible assets		7,595	7,295
of intangible assets		5,397	4,521
+ Provisions:			
Increase/decrease in provision for TFR		959	1,032
Increase/decrease in provisions for credit write-down reserve		2,427	680
Increase/decrease in provisions for inventory write-down reserve		(1,883)	850
Increase/decrease in provisions for risk reserves		751	1,220
Other non-financial changes in reserves		(890)	(394)
Gains/losses from sales of property,plant and machinery		(754)	(649)
Income from TFR revaluation (curtailment)		-	(1,660)
Goodwill write-down		2,723	-
Write-downs of other intangible assets		1,534	-
Contingent liabilities on intangible assets		693	-
Income from investment activity		(849)	(905)
Unrealised gains/losses on foreign exchange		1,512	2,064
Income tax		11,581	21,057
Financial expenses		2,633	1,904
SUBTOTAL OPERATING ACTIVITIES		53,167	78,684
TFR paid		(1,545)	(2,003)
Risk provisions utilised		(232)	(14)
Change in working capital receivables		5,621	2,079
Change in inventories		560	(14,260)
Change in trade payables		(20,171)	6,834
Change in other payables		(1,552)	741
Income tax paid		(24,316)	(32,300)
Interest paid		(2,185)	(1,886)
Cash flow from operating activities		9,346	37,875
INVESTMENT			
Acquisition of property, plant and machinery		(12,341)	(11,513)
Sales of property, plant and machinery and other tangible assets		3,730	3,761
Acquisition of patents, brands and other intangible assets		(8,455)	(7,350)
Sales of intangible assets		-	4
Acquisitions of shareholdings in subsidiaries	41	(1,399)	(9,588)
Acquisitions/increases in other financial assets		(153)	223
Income received from financial assets held for trading		237	193
Interest received		613	552
Cash flow used in investment activity		(17,768)	(23,717)
FINANCIAL OPERATIONS			
New bank loans received	28	4,409	-
Loans repaid	28	(118)	(154)
Finance leasing payments	30	(2,598)	(2,063)
Change in bank overdrafts	28	11,544	11,703
Change in current derivative instrument financial assets/liabilities		247	824
Dividends paid	27	(12,103)	(23,558)
Purchase/Sale of own shares	23	(6,839)	-
Cash flow from/(used in) financial operations		(5,458)	(13,248)
Net increase/(decrease) in cash and cash equivalents		(13,881)	910
Cash and cash equivalents at start of year		36,539	36,102
Foreign exchange differences		(486)	(473)
Cash and cash equivalents at end of year			
Cash and cash equivalents		22,173	36,539

Explanatory notes

1. general

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

The capital and economic situation of the company at 31 December 2008 includes the financial statements of Biesse S.p.A. and its subsidiaries – which it controls directly or indirectly (hereinafter defined as "Group") and the value of its shareholdings, in proportion to the percentage held, in associate companies.

The consolidated financial statements to 31 December 2008 were approved by the meeting of the Board of Directors' held today (16 March 2008).

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

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

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Parent company						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,040,000	100%			100%
MC S.r.l. Via Mario Ricci, 12 Pesaro	Euro	101,490	51%			51%
Biesse Corporate School S.c.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,920	75.83%	15.01%	HSD S.p.a	90.84%
I.S.P. Systems S.r.l. Via F.lli Rosselli 46 – Pesaro	Euro	14,000	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			60%
Digipac S.r.l. Via Gutenberg, 5 Santarcangelo di Romagna (RN)	Euro	33,333	55%			55%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Foreign subsidiaries						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US $	11,500,000	100%			100%
Biesse Canada Inc. 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN $	180,000	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	S $	2,655,000	100%			100%
Biesse Group UK Ltd. Lamport Drive – Daventry Northampt. Great Britain	£ STG	655,019	100%			100%
Biesse Groupe France Sarl 4, Chemin de Moninsable Brignais – France	Euro	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germany	Euro	1,432,600	100%			100%
Biesservice Scandinavia AB Maskinvagen 1 Lindas - Sweden	SKR	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 Barcelona - Spain	Euro	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 7/519– Rosebank Avondale Auckland – New Zealand	Nzd	334,262	100%			100%
Hsd Usa Inc. 3764 SW 30th Avenue – Hollywood Florida – Usa	Usd	10,000		100%	Hsd S.p.A.	100%
HSD Dutschland GmbH Brükenstrasse,2 – Gingen Germany	Euro	25,000		100%	Hsd S.p.A.	100%
Sel Realty Inc. 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN $	100	100%			100%
Bifin Ltd. 233, Peachtree St., NE – Harris Tower Atlanta, GA 30303 (Usa)	Usd	10,000		100%	Biesse America Inc.	100%
Biesse Manufacturing Co. Pvt. Ltd. #63, 1st Main, 2nd Stage, Yeshwantpur Indl. Suburb Bangalore -India	Inr	100,814,500	100%			100%
WMP-Woodworking Machinery Portugal, Unipessoal Lda. Sintra Business Park, 1, São Pedro de Penaferrim, Sintra-Portugal	Euro	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	1,000,000		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%

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

MERGERS:

- On 25 September 2008 MC Meccanica S.r.l. was merged by incorporation into MC S.r.l. (with effect from 1 January 2008); it should be noted that, on 4 June 2008, before proceeding with this merger MC S.r.l. had acquired from its associate T2000 S.r.l. a shareholding of 49% in this company giving it a controlling shareholding; the transaction involved a total cost of € 691,000, of which € 146,000 has already been paid, while the remainder will be paid in four annual tranches beginning in 2009.
- On 16 October 2008 Intermac Inc. was merged by incorporation into Biesse America Inc. (with effect from 1 January 2008).

Both of these operations were carried out with the objective of rationalising the corporate structure of the Group and to take advantage of significant industrial and commercial synergies between proximate entities.

INCLUSIONS:

- As of January 2008 the consolidation area includes the company Woodworking Machinery Portugal Lda, operating as a subsidiary of Biesse Iberica in the marketing and provision of after sales services in Portugal for the Group's machinery.
- In October and November 2008 respectively the companies Biesse Trading (Shanghai) Co. Ltd. and HSD Mechatronic (Shanghai) Co. Ltd. became operational, the former constituted by Biesse Asia Pte. Ltd., and the latter by HSD S.p.a. These companies are engaged in marketing and after sales services for machinery, mechanical components and electronics for the industry.

As indicated in note 4 below, the Group, while not formally having total control Bre.Ma. Brenna Macchine S.r.l, has however evaluated the effect of exercising the put option on the outstanding 40%. For further details on the effect of this valuation please refer to note 35.

2. principles of consolidation

General principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board ("IASB") and ratified by the European Union, as well as the provisions issued in application of article 9 of Decree Law 38/2005.
The financial statements have been prepared on an historic cost basis with the exception of the revaluation of certain financial instruments, and on a going concern basis.
This information was prepared in accordance with the provisions of CONSOB (Commissione Nazionale per le Società e la Borsa), with particular reference to resolutions no. 15519 and 15520 of 27/07/2006 and to communication no. 6064293 of 28/07/2006.

Consolidation criteria

The Consolidated Financial Statements for the year ended 31 December 2008 include the financial statements of the parent company Biesse and the Italian and foreign companies which it controls directly and indirectly. When a company is in a position to determine the financial and operational policies of an entity in such a way as to obtain a benefit from its activities it is defined as having control of that entity.
Where material differences occur, these financial statements are reclassified and adjusted as necessary to conform to the accounting principles and valuation criteria adopted by the parent company.
In the preparation of the financial statements, all assets and liabilities, expenses and income of companies included in the consolidation are entirely eliminated.

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

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

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

The average and period end exchange rates are as follows:

Currency	31 December 2008		31 December 2007	
	Average	Final	Average	Final
USA Dollar / Euro	1.4708	1.3917	1.3705	1.4721
Singapore Dollar / Euro	2.0762	2.0040	2.0636	2.1163
Canadian Dollar / Euro	1.5594	1.6998	1.4678	1.4449
Sterling / Euro	0.7963	0.9525	0.6843	0.7334
Swedish Krone / Euro	9.6152	10.8700	9.2501	9.4415
Australian Dollar / Euro	1.7417	2.0274	1.6348	1.6757
New Zealand Dollar / Euro	2.0770	2.4191	1.8627	1.9024
Indian Rupee / Euro	63.7343	67.6360	56.5716	58.0210
Chinese Renmimbi Yuan / Euro	10.2236	9.4956	-	-

Shareholdings in Associated Companies

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

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

Format of Financial Statements

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

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

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

The schedule of changes in net equity illustrates the changes in items which make up shareholders' funds in relation to:

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

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

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

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

3. valuation criteria

The most significant valuation criteria used in preparing the financial statements for the year ended 31 December 2008 are illustrated below.

Revenue recognition

Sales of goods are recognised when goods are dispatched and the company has transferred to the buyer all major risks and benefits associated with ownership of the goods.

Interest income is reported on an accruals basis, according to the amount subject to financing and the effective rate of interest, which represents the rate used to discount estimated future cash inflows during the expected life of the financial asset to calculate a current book value for the asset.

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

Construction contracts

When the result of a construction can be reliably calculated, the revenues and costs relating to the relevant contract are reported respectively as revenues and costs in relation to the proportion of work completed at the balance sheet date. These are calculated on the basis of the ratio between costs incurred for work carried out up till the balance sheet date and the total estimated costs of the contract, except where this is not considered to be representative of the state of progress of the contract.
Changes to the contract, price revisions and incentives are included to the extent that they have been agreed with the customer.
When the result of a contract cannot be reliably estimated, the revenues relating to the contract are reported only to the extent that costs incurred in the contract are likely to be recovered. Contract costs are reported as expenses in the period in which they are incurred.
When it is probable that the total costs of a contract may exceed the revenues from the contract, the expected loss is immediately reported as an expense.

Foreign currency transactions

In preparing the financial statements of individual entities, transactions in currencies other than the Euro are initially recorded at exchange rates prevailing at the time of the transaction. At the balance sheet date the monetary assets and liabilities denominated in these currencies are re-entered at the exchange rate prevailing at the balance sheet date. Non-monetary assets expressed at fair value in foreign currency are translated at exchange rates prevailing at the time at which fair value was determined, while non-monetary non-Euro assets and liabilities valued at historic cost are translated using the exchange rate prevailing at the date of the transaction, except in the case of losses in value due to exchange rate factors.
Foreign exhange differences arising from monetary and non-monetary adjustments and from re-exposure to current exchange rates at the end of the financial year are written into the Income Statement for the period, with the exception of the exchange rates on non-monetary assets expressed in fair value. In this case changes in fair value are imputed directly to net equity as is the exchange rate component.
In order to cover its exchange rate risk, the Group has taken out some forward futures and option contracts (see later the Group's accounting policies relating to these derivative instruments).

Finance and Operating Lease contracts

Leasing contracts are classified as Finance leases whenever the terms of the contract transfer substantially all risks and benefits of the property to the lessee. All other leases are considered as operating leases.
The assets that are subject to Finance Leases are reported as tangible assets of the Group with a corresponding financial liability of equal value. The liability is progressively reduced on the basis of the repayment plan of the capital element of the contractual leasing fees, while the value of the asset is systematically amortised on the basis of the technical-economic life of the asset.
The leasing expenses relating to operating leases are imputed to the Income Statement at constatnt rates according to the length of the contract.

Income taxes

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

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

From the 2008 financial year the parent company, Biesse Spa will participate in the National Consolidated Tax agreement, as controlling entity in accordance with articles 117 and subsequent of Presidential Decree DPR 917/86 together with its subsidiaries Hsd Spa, Bre.ma. Brenna Macchine S.r.l, ISP Systems Srl, MC S.r.l.and Digipac S.r.l. As a result of adopting this option, Biesse Spa will determine the Group's IRES corporation tax in accordance with the aforementioned law, settinmg against its own result the positive and negative taxable items of the selected companies. The economic reports, the responsibilities and reciprocal obligations between the aforementioned companies are defined in the "Regulation" of shareholdings in the consolidated tax treatment of the Group.

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

Earnings per share

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

Tangible fixed assets

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

Ordinary maintenance costs are fully charged to the Income Statement. Incremental maintenance expenses are allocated against the asset to which they relate and depreciated according to the depreciation rate applicable to the asset.
Improvements to third party (leased) assets are classified under tangible assets, in accordance with the nature of the expense incurred. The depreciation period corresponds to the lower of residual useful life of the fixed asset and the residual term of the lease.

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

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

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

Investment property

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

Goodwill and other intangible assets

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

Goodwill

Goodwill deriving from the acquisition of a subsidiary or business division represents the surplus of acquisition cost over the proportion of fair value due to the Group of the assets, liabilities and identifiable potential liabilities of the subsidiary or business division acquired at the date of acquisition.
Goodwill is not subject to amortisation, but is subject to valuation, at least once a year, usually at the balance sheet date, to verify that there has been no impairment. Any losses of value are immediately charged against the Income Statement and are not subject to subsequent revaluations.

In the event of sale of a subsidiary or of a jointly-owned entity, the amount of unamortised goodwill attributable to the asset is included in the calculation of capital gain or loss on sale.
Goodwill deriving from acquisitions made prior to the date of the start of the transition to IFRS accounting principles are maintained at the values arising from the application of Italian accounting principles at that date and are allocated to units generating financial flows in order that they may be subject to impairment tests.

Internally produced assets – Research and development costs

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

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

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

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

Brands, licences and patents

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

Losses of value of tangible or intangible assets

At each balance sheet date, the Group verifies the existence of events or circumstances that may jeopardize the value of tangible or intangible assets with a defined useful life and, where losses are indicated, it estimates the recoverable value of the assets in order to determine whether there has been a loss in value.
Intangible fixed assets with an indefinite useful life, including goodwill are instead verified annually and whenever there is any indication of a possible loss of value.
In accordance with the relevant accounting principles, the test of impairment is carried out with reference to the individual asset, where possible, or to a group of assets (the so-called cash generating unit). The cash generating units have been identified consistently with the business and organizational structure of the group as single units that generate independent cash flows through the continuous use of the assets attributable to them.
The recoverability of the balance sheet values is verified by comparing the book value with the greater of the current market value net of sales expenses, where an active market exists, or the value in use. The value in use is determined according to the present value of future cash flows expected from the asset or group of assets and from its divestment at the end of its useful life.
In the event of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if subsequent financial years show a reduction in the reasons for the write-down.

Non-current assets held for sale

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

Inventories

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

Financial Assets and Liabilities

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

Loans and Financing

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

Financial assets held to expiry

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

Financial assets held for trading

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

Available for sale financial assets

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

Trade payables

Trade payables are reported at nominal value.

Financial liabilities and instruments representing net equity

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

Payables to banks and other financiers

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

Instruments representing net equity

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

Derivative instruments and hedge accounting

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

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

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

Own shares

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

Benefits to employees following termination of employment

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

Provisions for risks and charges

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

New accounting principles

On 30 November 2006 the IASB issued accounting principle IFRS 8 – Operating Segments, which is applicable from 1 January 2009 and which substitutes IAS 14 – Sector reporting. The new accounting principle requires the company to base sector information on the criteria used by management in making its operational decisions, and therefore requires the identification of the operating segment on the same basis as the internal reports that are regularly reviewed by management in order to allocate resources to the segment and assess its performance.

On 29 March 2007 the IASB issued a revised version of IAS 23 – Borrowing costs, which is applicable from 1 January 2009. The new version of the principle removes the second option which allowed a company to immediately recognise as an expense in the income statement the borrowing costs relating to assets that take a substantial period of time to get ready for use or sale. The principle will be applicable on a prospective basis to borrowing costs relating to goods capitalised from 1 January 2009.

On 6 September 2007 the IASB issued a revised version of IAS 1 – Presentation of Financial Statements, which is applicable from 1 January 2009. The new version of the principle requires the company to present a statement of changes in equity showing all capital transactions with shareholders. All transactions with third parties ("comprehensive income") must instead be shown in a single statement of "comprehensive income" or alternatively in two statements (the income statement and the statement of "comprehensive income"). In each case the differences generated by transactions with third parties may not be reported in the statement of changes in net equity.

On 10 January 2008 the IASB issued an updated version of IFRS 3 – Business combinations. The main changes proposed to IFRS 3 concern in particular the elimination of the requirement to value the individual assets and liabilities of the subsidiary at fair value in each subsequent acquisition, in the case of step acquisitions. The goodwill in each case will be determined as the difference between the value of the equity interest immediately before the acquisition, the consideration for the transaction and the value of the net assets acquired. In addition, in cases where the company does not acquire 100% of the equity interest, the minority share of net equity can be valued either at fair value or using the methodology prescribed by IFRS 3. The revised version of the principle also provides for recognition in the income statement of all costs connected with the business combination and the reporting of contingent consideration at the date of acquisition.

On the same date the IASB also amended IAS 27 – Consolidated and separate financial statements, establishing that the changes in the shareholding that do not constitute a loss of control (partial disposal) must be treated as an equity transaction and therefore must be recognised by a corresponding entry in net equity. In addition it was established that when a company relinquishes control in one of its own investments but maintains a shareholding in the company it must value the investment in the balance sheet at fair value and recognise in the income statement any eventual gains or losses deriving from the loss of control. Finally the amendment to IAS 27 requires that all losses attributable to minority shareholders should be allocated to the minority share of net equity, even where these exceed their share of the capital of the investment. The new rules will be applicable on a prospective basis from 1 January 2010.
At the date of publication of the present financial statements the relevant authorities of the European Union have not yet completed the ratification procedures necessary for the application of this amendment.

On 17 January 2008 the IASB issued an amendment to IFRS 2 – Vesting conditions and cancellations on the basis of which, in order to value share based remuneration schemes only the conditions of service and performance conditions can be considered vesting conditions of the plans. In addition the amendment clarifies that, in the event of cancellation of the plan, on must apply the same accounting treatment, whatever the cause.

On 14 February 2008 the IASB issued an amendment to IAS 32 – Financial instruments: presentation, and to IAS 1– presentation of financial statements – Financial instruments with put options and obligations arising at the moment of liquidation. In particular, the principle requires the company to reclassify puttable financial instruments and financial instruments that impose an obligation on the company to consign to a third party a share in the assets of the company as an equity instrument. This amendment must be applied from 1 January 2009.

On 22 May 2008 the IASB issue a series of amendments to the IFRS; the following list shows only those indicated by the IASB as changes that require a change in presentation, recognition and valuation in the accounts and does not include those which involve only a change in terminology.

- **IFRS 5** – Non current assets held for sale and discontinued operations. The amendment, which must be applied by 1 January 2010, establishes that if a company is engaged in a programme of divestment which involves the loss of control of a subsidiary, all of the assets and liabilities of the subsidiary must be reclassified amongst the assets held for sale even if the entity retains a non-controlling interest in its former subsidiary after sale.
- **IAS 1** – Presentation of financial statements. The amendment, which must be applied on a prospective basis from 1 January 2009 establishes that the assets and liabilities deriving from derivative financial instruments not held for trading must be disclosed in the balance sheet and must distinguish between the current and non-current components.

- **IAS 16** – Property, plant and equipment. The amendment, which must be applied from 1 January 2009, establishes that entities whose core business is renting must reclassify in inventories those goods which have ceased to be leased and which are destined for sale. Consequently the consideration arising from their sale must be recognised as revenues. The consideration paid to build or purchase goods to be rented to others, as well as the consideration received from the subsequent sale of these items, constitutes, for cash flow purposes, cash flows deriving from operating assets (and not from investments).
- **IAS 19** – Employee benefits. The amendment must be applied on a prospective basis from 1 January 2009 to changes in benefits occurring after that date. It clarifies the definition of cost/income regarding past service and establishes that in the event of a reduction in a plan, the impact to be recognised immediately in the income statement must only be that of the reduction of benefits relating to future periods, while the impact deriving from possible reductions tied to past service periods must be considered a negative cost relating to previous service.
- **IAS 20** – Accounting for Government grants and disclosure of government assistance. The amendment, which must be applied on a prospective basis from 1January 2009, establishes that the benefits deriving from government loans carrying an interest rate that is significantly lower than market rates must be treated as a government grant and therefore must follow the disclosure regulations established by IAS 20.
- **IAS 23** – Borrowing costs. The definition of borrowing costs has been revised. The amendment must be applied from 1 January 2009.
- **IAS 28** – Investments in associates. The amendmant, which must be applied even if only on a prospective basis from 1 January 2009 establishes that in the case of investments valued on a net equity basis, any future loss of value must not be allocated to the individual items (particularly goodwill) that make up the carrying value of the investment, but to the value of the investment as a whole. However, where conditions exist for a subsequent restoration of value the write-up must be fully recognised.
- **IAS 28** – Investments in associates and IAS 31 Interests in joint ventures. These amendments which must be applied from 1 January 2009 provide that additional information must be provided for investments in associate companies and joint ventures valued at fair value in accordance with IAS 39. Consequently IFRS 7 – Financial instruments: disclosures and IAS 32 – Financial instruments: presentation, have also been modified accordingly.
- **IAS 29** – Financial reporting in hyperinflationary economies. The preceding version of the principle did not reflect the fact that some assets and liabilities could be valued in the financial statements on the basis of current value instead of historic cost. The amendment, to take this possibility into account, must be applied from 1 January 2009.
- **IAS 36** – Impairment of assets. The amendment, which must be applied from 1 January 2009 requires that additional information must be provided in the event that the company calculates the recoverable value of the cash generating unit utilising the discounted cash flow methodology.
- **IAS 38** – – Intangible assets. The amendment, which must be applied from 1 January 2009 establishes the recognition in the income statement of promotional and advertising expenses. It establishes in addition that in the event that the business sustains expenses which will generate future economic benefits without generating intangible assets, these must be recognised in the income statement when the company gains rights of access to the benefits, if it relates to the purchase of goods, or when the service is provided, if it relates to the acquisition of services. Finally the principle has been modified to allow companies to adopt the units of production methodology to determine the amortisation of intangible assets with finite lives.
- **IAS 39** – Financial instruments:recognition and measurement. The amendment, which must be applied from 1 January 2009, clarifies how to value the new effective rate of interest of a financial instrument on termination of a fair value hedging policy. In addition it clarifies that the prohibition on reclassification of financial instruments into the fair value through profit and loss category must not be applied to derivative financial instruments that may not be classified as hedging instruments or that become hedging instruments. Finally to avoid conflicts with the new IFRS 8 – Operating segments, it eliminates any reference to the designation of a sector hedging instrument.
- **IAS 40** – Investment property. The amendment, which must be applied on a prospective basis from 1 January 2009, establishes that investment property under construction falls within the scope of IAS 40 rather than IAS 16.

On 3 July 2008 IFRIC issued interpretation IFRIC 16 – Hedges of a net investment in a foreign operation, which eliminated the possibility of applying hedge accounting to a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. In addition, the interpretation clarifies that in the case of a hedging operation of a shareholding in a foreign company the hedging instrument may be held by any company forming part of the Group, and that, in the event of a sale of the investment, IAS 21- The effects of changes in foreign exchange rates, is the appropriate principle to apply in determining of the reclassification value from net equity to the income statement. The interpretation must be applied from 1 January 2009. At the date of issue of the present financial statements the relevant authorities of the European Union had not yet completed the necessary process of ratification to allow this interpretation to be applied.

On 31 July 2008 the IASB issued an amendment to IAS 39 – Financial instruments: recognition and measurement, which must be applied retrospectively from 1 January 2010. The amendment clarifies the application of the principle for the definition of the underlying hedging object in particular circumstances. At the date of issue of the present financial statements the relevant authorities of the European Union had not yet completed the necessary process of ratification to allow this interpretation to be applied.

Finally it should be noted that during 2007 the following interpretations were issued which refer to cases and items which do not apply to the Group:

- **IFRIC 12** – Service concession arrangements (applicable from 1 January 2008);
- **IFRIC 13** – Customer loyalty programmes (applicable from 1 January 2009);
- **IFRIC 15** – Agreements for the construction of real estate (applicable from 1 January 2009).

4. valuation choices and use of estimates

The preparation of the balance sheet and related notes in the application of IFRS requires that management makes estimates and assumptions that have an effect on the value of assets and liabilities in the balance sheet and on information relating to potential assets and liabilities at the balance sheet date. The actual outcome may differ from these estimates. The estimates and assumptions are reviewed periodically and the effect of any resulting change is reflected in the income statement of the period in which the revision occurs if the revision has an impact in that year only, or also in subsequent periods if the revision affects both the current year and future years.

In this context it should be noted that the circumstances created by the current economic crisis has led to the necessity of making assumptions regarding the future which is characterised by significant uncertainty, because of which it cannot be ruled out that the results achieved in the coming year may differ from those estimated and may therefore need to be subjected to possibly significant adjustments to the items in the financial statements that are obviously are not predictable or capable of being estimated. The main items in the financial statements affected by this uncertainty are the credit write-down reserves, and inventory write-down reserves, non-current assets (yangible and intangible), the product guarantee reserve and potential liabilities.

There follows a summary of the critical valuation procedures and the key assumptions made by management in applying the accounting principles regarding the future and which could possibly have a significant impact on the values reported in the consolidated financial statements or where there exists risks that might possibly lead to significant adjustments to the accounting values of assets and liabilities in the financial period following the period to which the financial statements relate.

Credit write-down reserve

The credit write-down reserve reflects management's estimates of the losses relating to the portfolio of receivables from final clients and the sales network. The estimate of the credit write down reserve is based on losses expected by the Group, calculated on the basis of past experience of similar receivables, of current and historic expiry rates, of losses and payments received, of the careful monitoring of credit quality and of projections of economic and market conditions. The continuation and the possible worsening of the current economic and financial crisis could result in a further deterioration in the financial situation of the Group's debtors compared to the worsening already taken into consideration in quantifying the reserves contained in the financial statements.

Inventory write-down reserve

The inventory write-down reserve reflects management's estimate of the losses in value expected by the Group and are calculated on the basis of past experience and the historic and expected trends of the market for replacement parts and used equipment. The current financial and economic crisis could lead to a further deterioration in market conditions compared with the deterioration already taken into consideration in quantifying the reserves contained in the financial statements.

Recoverable value of non-current assets (including goodwill)

Non current assets include property, plant and equipment, intangible assets (including goodwill), shareholdings and other financial assets. Management periodically revises the book values of the non-current assets it owns and uses and the assets that are to be divested, when facts and circumstances require such revisions to be made. This activity is carried out using estimates of cash flows expected from the utilisation or the sale of the good and appropriate discount rates are applied to calculate their present value. When the book value of a non-current asset has suffered a loss in value, the Group reports a write-down for the difference in value between the book value of the good and the value recoverable through utilisation or sale of the same, calculated with reference to the most recent plans of the Group.
Given the current financial and economic crisis, the considerations that the Group has undertaken regarding its prospects are as follows:

- in this context, in order to prepare the Financial Statements to 31 December 2008, and particularly in carrying out impairment tests on tangible and intangible assets, the various Divisions of the Group have taken into consideration the expected trends for the years 2009 - 2011, with reference to the industrial plan approved today by the Board of Directors of the Parent Company. On the basis of the figures in the plan, ne need emerged to make signicant impairment charges, with the exception of CGU Bre.Ma., for which a partial write-down has been made both to the brand value contained in the financial statements in the purchase price allocation phase and to goodwill. In the case of the brand, the write-down was necessary to align the residual value of the intangible with its recoverable value (reduced due to a change in prospects regarding future sales which can reasonably be applied to CGU given the current circumstances). In addition to this impairment, there was a partial write-down of goodwill, regarding the non-recoverable portion of the future cash flows of CGU. It should also be noted that the management retained it necessary to write down a part of the intangible assets booked by Intermac Inc. (now merged into Biesse America Inc.), at the time of the purchase price allocation of the AGM business division and relating to the value attributed to the workforce acquired from the vendor: following a partial reduction in the workforce of the company – due to the organisational rationalisation made necessary as a result of the prolonged crisis affecting the entire US market – the book value of this intangible asset was amended to re-align the real size of the labour force originally acquired from the vendor and that still in service with the Group; apart from this write-down, the model of the future cash flows of CGU does not indicate a materially critical situation regarding its cash flow generating capacity, necessary to cover the remaining intangible assets and associated goodwill of CGU;
- In addition, in the absence of a significant deterioration in the economic scenario compared to the already serious current situation, the following should be noted:

  - With reference to intangible assets with a finite useful life (essentially development costs), these relate to recently introduced models/products, with a high technological content, that makes them competitive in the current economic climate. However, even though in the short term the company's reference markets are amongst the most severely affected by the current crisis, it is considered highly probable that the life cycle of these products can be prolonged, extending into the period of a more gradual economic recovery, which would permit the Group to generate adequate flows of profits to cover the investment made in these models/products, although over a longer time frame.
  - However, with regard to capitalised goodwill, the analysis indicates with regard to CGU, with the exception of Bre.Ma. (whose book value at 31/12/08 was Euro 1,546,000) that it should be able to recover its value.

Product Guarantees

At the moment a product is sold, the Group makes a provision to reserves relating to the estimated cost of guaranteeing the product. Management establishes the value of these reserves on the basis of historical information regarding the nature, frequency and average cost of the guarantee terms. The Group is working to improve product quality and to minimse the cost of guarantee operations.

Potential liabilities

The Group is subject to legal and fiscal claims regarding a wide range of issues that are within the jurisdiction of various countries. Given the uncertainties inherent in these issues, it is difficult to predict with certainty the possible payments that may derive from these disputes. The claims and disputes against the Group frequently arise from complex and difficult legal issues, characterised by different degrees of uncertainty, including the facts and circumstances relating to each clause, the jurisdiction and the different laws applicable to each case. In the normal course of business, the management consults its own legal advisors and legal and tax experts. The Group recognizes a liability with regard to these disputes when the magnitude of the losses arising from them can be reasonably estimated. Where a financial payment becomes possible but where the amount cannot be determined, the fact is reported in the notes to the accounts.

Treatment of the Bre.Ma. put option

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 shate 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 valued together with the contract to acquire the outstanding controlling shareholding in the company, anticipating the effects of possible exercise of the option already in the 2006 financial statements (the first year of consolidation of the company), writing in to the balance sheet the liability thus estimated amongst the other debts counterbalanced by a reduction in the corresponding share of net equity and, with regard to the difference, increasing the value of goodwill booked in the balance sheet. On the basis of the latest forecasts available at the close of the present financial period, it is believed that the option will not be exercised by the counterparty and therefore the related liability already booked in 2006 has been reversed, with the corresponding adjustments made to minority interests and goodwill.

5. revenues

The analysis of Group revenues is as follows:

€ '000	31 December 2008	31 December 2007
Revenue from sale of goods	434,840	447,522
Revenue from services	18,603	17,228
Other revenue	877	1,257
Total revenue	**454,320**	**466,007**
Lease and rental income	21	246
Commissions and royalties	57	65
Income related grants	58	10
Capital gains from disposals	716	760
Other income and contingent assets	2,172	4,149
TOTAL OTHER OPERATING REVENUES	**3,024**	**5,230**

Please refer to the Directors' Report for the discussion of the trend of revenues.
It should be noted, with regard to the item Other Operating Revenue, that from 2008 there has been a reclassification of revenues from recovery of costs written off against the relevant items in the income statement, in order to provide a representation of revenues and above all of the value of production (the sum of sales and changes in inventory, finished and semi-finished goods) which corresponds more accurately to the real situation of Biesse Group. As requested by accounting principles, the reclassification has also been made with reference to the figures for the year to 31 December 2007, to allow a consistent comparison. As a result, the item Recovery of costs, which amounted to € 3.207 million in last year's financial statements, has been cancelled, and the matching items have been reduced in Consumption of Raw Materials (€ 87,000) and Other Operating Expenses (€ 3.120 million), within which the most significant item is composed of recovery of transport costs (€ 1.527 million).

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

6. analysis by business segment and geographic sector

Analysis by business segment

For the purposes of management control, the Group is currently organised into four operating divisions – Wood, Glass and Marble, Mechatronics and Other. These divisions constitute the bases used by the Group to report sector information according to the primary schedule.
The principal activities are as follows:
Wood – production and distrbution of panel processing machines and systems
Glass & Marble – production and distribution of glass and marble processing machines and systems
Mechatronics – production and distribution of mechanical and electronic components for industry
Other – production and distribution of tools and components and other precision machining accessories, production and distribution of packaging equipment

The information relating to these business segments is as follows:

INCOME STATEMENT DATA

Year ending 31/12/2008 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
External revenues	331,975	85,861	27,280	9,203		454,320
Inter-segmental revenues	1,371	33	23,309	41,691	(66,404)	0
Total revenue	**333,346**	**85,894**	**50,589**	**50,895**	**(66,404)**	**454,320**
Operating result of segment	**27,979**	**7,649**	**7,683**	**2,229**	**0**	**45,541**
Unallocated ordinary costs						(10,499)
Operating result						**35,042**
Share of profit/loss of associates						0
Financial income/expense of segment	55	(384)	186	(245)		(389)
Unallocated financial income/expense						(3,332)
Pre-tax profit						31,321
Tax for the period						(11,582)
Profit for the period						**19,739**

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

Net revenues for 2008 were € 454.320 million, compared with € 466.007 million for the year to 31 December 2007, representing a decline of 2.5% compared with the previous year.
The slight decline in revenues is entirely attributable to the difficult final quarter of 2008 for the Wood Division which registered a 5.7% decline in revenues for the full year, while the Glass/Marble Division delivered a respectable increase of 11.2% and Mechatronic Division revenues held out with growth of 6.1%.
The negative trend in margins reported at the Group level (-46.4% y-o-y) was common to all divisions: the Wood Division reported a fall in margins of – 45.9%, Glass and Marble -11.5%, Mechatronics -3.2% (without considering the "Other" segment which represents little more than 2% of revenues and 4.9% of the operating result).
Consequently the margins expressed as a percentage of revenues also fell, particularly in the Wood Division (8.4% comapred to 14.6%) and the Glass and Marble Division (8.9% compared to 11.2%), while the Mechatronics Division suffered a less marked decline (15.2% compared to 16.6%).

As already highlighted in the Directors' Report, this performance was determined by a reduction in Added Value largely due to the sharp inflation in raw material costs in the first 9 months of the period and to the different composition of demand for machinery, which focused – as is often the case in periods of economic

slowdown – on more economical, and therefore lower margin product lines. To this must be added the increase in personnel costs, mainly related to the inflation in the Italian operations of the Group, deriving from the national collective labour contract (CCNL - Contratti Collettivi Nazionali di Lavoro), as well as the "drag effect" on new personnel added during 2007; in addition the global figure was affected by the Group's expansion (the Portguese subsidiary Woodworking Machinery Portugal Lda, the Chinese subsidiaries Biesse Trading (Shanghai) Co. Ltd. and HSD Mechatronic (Shanghai) Co. Ltd.) and the significant strengthening of the Indian subsidiary Biesse Manufacturing Co. Pte Ltd, of Bangalore which in December 2008 had 71 employees. Finally, the margins in 2008 were affected by extraordinary/unusual items: impairment of the intangibles of Biesse America Inc. (deriving from the allocation of an acquisition price to the AGM business unit), for € 505,000 and of a portion of the goodwill and intangibles of Bre.Ma. Brenna Macchine S.r.l., for a total of € 3.733 million; provisions to the credit write-down reserve for € 3.503 million, compared with € 609,000 in 2007, which were made to reflect the adverse market and credit conditions which increase the possibility of insolvencies amongst the Group's clients.
Changes arising from the expansion of the Group's consolidation area are negligible.

BALANCE SHEET DATA

Year ending 31/12/2008 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
Fixed assets	55,018	16,547	8,338	18,249	0	98,152
Inventories	69,025	15,419	10,582	8,518	0	103,544
Trade and other receivables	74,609	15,820	11,344	9,484	(12,631)	98,626
Total segment assets	***198,653***	**47,785**	**30,264**	**36,251**	**(12,631)**	**300,321**
Unallocated assets						**51,157**
Total assets						**351,478**
Risk reserves	4,015	1,712	533	77	0	6,337
Retirement benefit liabilities	8,276	1,486	903	1,263	0	11,928
Trade and other payables	69,014	17,177	9,721	12,422	(12,631)	95,703
Finance leasing liabilities	0	6,218	0	3,810	0	10,029
Total segment liabilities	**81,306**	**26,594**	**11,156**	**17,571**	**(12,631)**	**123,996**
Unallocated liabilities and net equity						**227,482**
Total liabilities and net equity						**351,478**

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

The trends highlighted in the Directors' Report regarding the balance sheet correspond to the segment information. Total assets were down by 5.5%, largely due to the decline in receivables (-10.3%). This reductionis largely attributable to the sharp slowdown in sales registered in the last quarter of 2008 (which normally contrinbutes the receivables recorded at the year end to the total figure). In detail, Wood Division receivables fell 11.9%, Mechatronic Division receivables fell by 19.1%, while those for the Glass and Marble Division and "Other" rose by 3.3% and 21.9%respectively.
Fixed assets and inventories were substantially stable at the Group level. In detail for each division, the decline in fixed assets (- 0.4%) was common to all divisions with the exception of the Wood Division where they rose by 3.6%, due to the completion of the new production facility of Biesse Manufacturing Co. Pvt. Ltd., while the reduction ininventories (-0.6% at the gropup level) is primarily attributable to the Mechatronics Division (-15.4%), given that stock levels in the Wood Division and the Glass and Marble Division rose (+1.9% e +6.2% respectively). Amongst the liabilities, the sharp decline in trade and other payables (-19,9%) was notable, largely due to the reduction in average payment days for suppliers, affected by the liquidity crisis. The divisional detail shows that the reduction was -19.9% for the Wood Division, -14.8% for the "Other" Division, -14% for the Mechatronics Division and -10.5% for the Glass and Marble Division.
The net working capital trend reflects the situation previously highlighted, with a general deterioration, with the exception of the Mechatronics Division which registered an improvement compared with the previous year, largely due to the improvement in inventories.

Changes arising from the expansion of the Group's consolidation area are also negligible for balance sheet items.

OTHER INFORMATION

Year ending 31/12/2008 € '000	Wood	Glass & Marble	Mechatronics	Other	Unallocated assets	Group Total
Increase in fixed assets	13,319	2,938	1,598	3,180	969	**22,003**
Depreciation of tangible and intangible fixed assets	7,167	2,143	1,078	1,910	693	**12,991**

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

At the end of 2008, the most significant increases were in the Wood Division, which included the completion of the Indian production plant and the start of construction on the new headquarters of the Canadian subsidiary. The remaining items showing an increase relate to share of capitalisation of new product development attributable to the 2008 year and the purchase of new machione tools for internal use (Other segment).

Analysis by geographical area

REVENUES

Geographical area	Year ending 31/12/2008	%	Year ending 31/12/2007	%
Western Europe	**232,924**	**51.3%**	232,771	50.0%
Eastern Europe	**83,836**	**18.5%**	85,622	18.4%
North America	**55,020**	**12.1%**	66,512	14.3%
Australasia	**26,089**	**5.7%**	29,178	6.3%
Asia	**25,559**	**5.6%**	25,356	5.4%
Rest of the World	**30,891**	**6.8%**	26,568	5.6%
GROUP TOTAL	**454,320**	**100.00%**	**466,007**	**100.0%**

SEGMENT ASSETS				
Geographical area	Year ending 31/12/2008	%	Year ending 31/12/2007	%
Western Europe	258,473	73.5%	273,729	73.6%
North America	36,094	10.3%	39,746	10.7%
Eastern Europe	18,468	5.3%	20,232	5.4%
Australasia	16,659	4.7%	20,360	5.5%
Asia	14,996	4.3%	11,723	3.2%
Rest of the World	6,788	1.9%	6,158	1.7%
GROUP TOTAL	351,478	100.0%	371,947	100.0%

Other information

INCREASE IN FIXED ASSETS		
Geographical area	Year ending 31/12/2008	Year ending 31/12/2007
Western Europe	15,979	25,331
North America	1,967	4,616
Australasia	143	184
Asia	3,918	716
GROUP TOTAL	22,003	30,847

7. other operating expenses

Remuneration paid to directors, statutory auditors and the independent audit company are included in “Other operating expenses” As required by art.149-duodecies of the Consob regulations for issuers, there follows a detailed list of services provided by the independent audit company:

Type of service	Service provider	Services provided to	Payment (€’000)
Accounting audit	Deloitte & Touche S.p.A.	Biesse S.p.A.	189
	Deloitte & Touche S.p.A.	Subsidiaries	78
	Rete Deloitte	Subsidiaries	118
Other servizi	Rete Deloitte	Subsidiaries	5
TOTAL			390

8. financial income

€ ‘000	31 December 2008	31 December 2007
Income from financial receivables	237	193
Interest on bank deposits	291	352
Interest from clients	161	171
Capital gains on sales of shares and investments	0	156
Other financial income	160	32
TOTAL FINANCIAL INCOME	849	905

The item “Capital gains on sales of shares and investments” registered in 2007 refers to the capital gain generated by Biesse S.p.A. following the sale of shares in Banca delle Marche S.p.A.

9. financial expenses

Details of financial expenses are reported below:

€ ‘000	31 December 2008	31 December 2007
Bank, mortgage and financing interest	1,205	429
Finance lease interest	643	479
Bills discounted	228	146
Other interest	41	21
Financial discounts to clients	431	490
Other financial expenses	86	341
TOTAL FINANCIAL EXPENSES	2,633	1,904

The increase in financial expenses is due both to increases in the rates of interest during 2008 and to the increase in the net debt of the group.

10. foreign currency income and expense

The value for 2008, negative for € 1.937 million, (negative for € 1.709 million in 2007), is mainly due to the effect of the depreciation of the Australian and New Zealand Dollars against the Euro in the last quarter of the year.

The Group’s activities are exposed primarily to financial risks relating to currency fluctuations. The risk management policy approved by the Board of Directors of the Parent Company provides that the amount of hedging in place must never fall below the level of 70% net exposure in foreign currency and that the underlying asset must be identified at the outset of any hedging transaction. Hedging may take place using fixed term contracts (outright/currency swap) or also with derivative instruments (currency option).
The particular nature of the Group’s business is such that its currency exposure can be packaged in many individual currency positions (relating to individual orders and invoices), that make it complicated (as well as uneconomic) to engage in hedging on an exact basis (i.e. with a direct correlation between the hedging instrument and the underlying asset): for this reason, hedging is carried out on an aggregate basis and in particular on matching of all the open positions in foreign currency. As of the second half of the year, the Group partially modified its operating procedures regarding foreign currency hedging techniques, in order to comply with the provisions of IAS 39 as regards hedge accounting. Consequently, the part of the operations that satisfies the Hedge accounting rules, insofar as it relates to hedging having passed the efficacy test, has been accounted in accordance with the provisions of IAS 39. In particular negative differences on foreign exchange amounting to € 98,000 have been reclassified in the “Revenues” line, while € 85,000 of positive differences on foreign exchange net of tax effects have been suspended in net equity reserves. As far as the remaining cover goes, though effective from a managerial perspective, it cannot be considered as such in the context of international accounting standards. For this reason, changes in the fair value of derivative instruments have been recognised directly in the income statement leading to income from valuation of € 520,000.

Finally it must be noted that the item, Foreign Exchange Income and Expenses includes the value relating to the balance of unrealised profits and losses, arising from restating at period end exchange rate the amounts of receivables and payables denominated in foreign currency (negative for € 1.423 million).

11. taxes for the financial year

€ '000	Year ending 31/12/2008	Year ending 31/12/2007
Ires and other current taxes	11,163	19,172
Ires and other deferred taxes	(1,942)	(4,829)
Ires and other taxes for the year	**9,221**	**14,343**
IRAP and other current taxes	4,198	5,623
IRAP and other deferred taxes	(63)	(503)
Income tax relating to previous years.	(929)	(528)
Other taxes	(844)	2,122
TOTAL TAX FOR THE YEAR	**11,581**	**21,057**

National taxes (IRES) are calculated at 27.5% (33% in 2007) on the taxable income for the year. The deferred IRES taxes are calculated at 27.5%. Taxes for other jurisdictions are calculated in accordance with the applicable rates in those countries. Deferred IRES taxes do not include the amount € 32,000 imputed directly to net equity in relation to the proportion of profits on foreign currency included in reserves deriving from the valuation at period end of open hedging contracts. IRAP and other minor taxes, applied in other jurisdictions and calculated on taxable bases different from pre-tax profit are shown separately.
Taxes relating to previous years show a positive balance of € 929,000 made up from income of € 1.092 million deriving from IRES and IRAP tax adjustments relating to previous years, from the cost of provisions to adjust risk reserves relating to disputes regarding PVC and from further adjustments for verification carried out on behalf of the Group. The item "other taxes" for 2008 refers to tax credits (on research and development spending and property restructuring) and amounts to € 844,000. With reference to the figure for the previous year, it must be recalled that the Biesse Group had exercised the possibility provided by the 2008 Financial Law, to frank a portion of its reserves in tax suspension, through payment of a substitute tax totaling € 2.122 million. This amount was not present in the reconciliation of tax provisions, both because it did not relate exclusively to IRES, and because the methodology utilized to calculate it was not consistent with the normal practices observed in determining current income taxes. However, this amount must be taken into account in order to value correctly the total tax charge for 2007.

The tax provision for the year can be reconciled with the result for the period shown in the financial statements as follows:

€ '000	Year ending 31/12/2008		Year ending 31/12/2007	
Pre-tax profit	**31,321**		62,725	
National income tax rate 27.5% (2007: 33%)	**8,613**	**27.50%**	20,699	33.00%
Fiscal effect of non-deductible costs/exempt profit in determining income	**1,322**	**4.22%**	282	0.45%
Fiscal effect of elimination of tax suspense reserve	**-**	**-**	(4,296)	(6.85)%
Fiscal effect of the use of previously unrecognised losses	**(835)**	**(2.66)%**	(1,851)	(2.95)%
Reduction of deferred tax assets/liabilities, due to change in the national rate	**-**	**-**	(426)	(0.68)%
Fiscal effect on losses for the year of certain subsidiaries not included in the balance sheet, and reassessment of current deferred tax	**326**	**1.04%**	(56)	(0.09%)
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	**(206)**	**(0.66)%**	(9)	(0.01)%
Income tax for the period and effective tax rate	**9,221**	**29.44%**	**14,343**	**22.87%**

In order to analyse the data for 2008, the regulations applicable to Biesse S.p.A. and HSD S.p.A. must be taken into account (which both present IAS financial statements and account for almost all of the consolidated tax expense), having reference to article 83 and subsequent of the consolidated income tax (Tuir- testo unico delle imposte sui redditi), as amended by Law no. 244 of 24 December 2007, article 1, paragraph 58 and subsequent (2008 Financial Law), which have not yet become definitive, the activating decree not yet having been issued. Therefore the calculation of the tax charge might not reflect the real expense which will be established during the declaration of income. There is also a certain degree of possible imprecision regarding the tax credit relating to research and development expenditure, insofar as the changes introduced by the so-called Anti-Crisis Decree Law (DL 28.11.2008, n. 185) have not yet been exactly defined as the relevant Regulation has not yet been issued.

12. earnings per share (eps)

Basic earnings per share for the year ended 31 December 2008 are Euro/cent 74.04 (152.30 in 2007) and is calculated by dividing profit attributable to shareholders, equal to € 19.987 million (€ 41.719 million in 2007), by the average weighted number of ordinary shares in circulation during the period, which amount to 26,996,715 shares (27,393,042 in 2007). The number of shares in circulation is lower than the total number of shares issued, because the parent company bought back its own shares in the stock exchange during the year, in accordance with the approval granted by shareholders on 21 january 2008. At 31 December 2008 the number of own shares held in treasury was 711,359, with an average weighted number for the year of 396,327. As there were no dilutive effects, the same calculation is also applicable to the calculation of diluted earnings per share. The calculations are illustrated in the following tables:

PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS

€ '000	Year ending 31/12/2008	Year ending 31/12/2007
Profit for the year	**19,987**	41,719
Discontinued operations	**0**	0
Profit for the year from continuing operations	**19,987**	**41,719**

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

in thousands of shares	Year ending 31/12/2008	Year ending 31/12/2007
Weighted average number of ordinary shares used to calculate basic earnings per share	**27,393**	27,393
Effect of treasury shares	**(396)**	0
Weighted average number of shares in issue – for the calculation of basic earnings	**26,997**	**27,393**

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

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

	Property, plant and equipment	Equipment and other tangible assets		Total
		Equipment and other tangible goods	Property under construction and prepayments	
HISTORIC COST				
Value at 01/01/2007	72,397	31,330	3,430	107,157
Increase	12,266	3,382	443	16,090
Disposals	3,767	3,604	0	7,370
Change in consolidation area	1,530	408	0	1,938
Foreign exchange differences, reclassifications and other	783	96	(1,331)	(452)
Value at 31/12/2007	**83,208**	**31,613**	**2,541**	**117,362**
Increase	7,452	3,414	1,647	12,514
Disposals	408	591	57	1,055
Foreign exchange differences, reclassifications and other	1,598	1	(2,821)	(1,222)
Value at 31/12/2008	**91,850**	**34,437**	**1,312**	**127,599**
DEPRECIATION FUND				
Value at 01/01/2007	32,264	25,191	0	57,455
Depreciation in the period	4,434	2,756	0	7,190
Closure of fund for disposals	1,812	3,401	0	5,213
Change in consolidation area	302	124	0	426
Foreign exchange differences, reclassifications and other	37	(175)	0	(138)
Value at 31/12/2007	**35,225**	**24,495**	**0**	**59,721**
Depreciation in the period	4,576	2,993	0	7,569
Closure of fund for disposals	108	372	0	480
Foreign exchange differences, reclassifications and other	(150)	(298)	0	(448)
Value at 31/12/2008	**39,544**	**26,818**	**0**	**66,362**
NET BOOK VALUE				
Value at 31/12/2007	**47,983**	**7,117**	**2,541**	**57,641**
Value at 31/12/2008	**52,306**	**7,618**	**1,312**	**61,236**

Investments in the period under review were € 12.514 million. This amount is primarily composed of investments relating to acquisition or construction of new commercial and production sites. The following in particular should be noted:

- Completion of the new production facility of the subsidiary Biesse Manufacturing Co. Pvt. Ltd. (€ 3.284 million, in Bangalore, India);
- The land and planning phase for the construction of a new headquarters for the commercial operations of the subsidiary Biesse America Inc. The Biesse Group, through the US company Bifin Ltd bought new land in Charlotte (USA) for USD 650,000 (€ 442,000) for the construction of a new headquarters; in addition it has already incurred expenses of € 650,000, classified as property under construction and prepayments, which refers to payments and expenses paid to professionals involved in the planning of the new site;
- The start of construction work on the new headquarters for the commercial subsidiary Biesse Canada Inc., through the subsidiary Sel Realty Inc. (€ 889,000).

To these investments must be added the acquisition of new automatic operating machinery for € 1.938 million and substitution of working instruments and other tangible assets required for normal production activity.

It should be noted that the balance sheet includes assets acquired using finance leasing contracts, for a net book value of € 14.174 million (€ 15.355 million in 2007), ammortised in the period for € 1.181 million (€ 1.155 million in 2007); in particular the net book value relates to land and industrial buildings for € 11.760 million (€ 12.106 million at end 2007), to equipment for € 2.382 million (€ 3.204 million in 2007) and to office equipment of € 32,000 (€ 46,000 at end 2007).

The item Property, plant and equipment includes land, not subject to depreciation, with a value of € 6.169 million (€ 5.616 million at the end of the previous year).

There are no mortgages on land and buildings.

14. investment property

At the end of the previous year, this item referred to the amortised cost of property held by the subsidiary MC S.r.l. (€ 1.097 million) and buildings held by Alfonsine, previously utilized by the CNI business unit, part of the subsidiary HSD S.p.A. (for € 1.328 million).
The first property was sold on 29/02/2008 for a consideration of € 1.430 million, with a net capital gain of € 329 mila. The Alfonsine property was sold on 15/05/2008 for a consideration of € 1.730 million, with a net capital gain of € 353,000.

15. goodwill

The balance sheet item, equal to € 17.168 million is made up as follows:

€ '000	31 December 2008	31 December 2007
Acquisition of Diamut business unit	**3,940**	3,940
Acquisition of H.S.D. S.p.a.	**2,939**	2,939
Acquisition of Selco	**2,307**	2,307
Acquisition of AGM Glass Machinery Inc. business unit	**1,825**	1,726
Acquisition of Allwood (Australia) – Wood sector business unit	**1,800**	2,031
Acquisition of Bre.Ma. Brenna Macchine S.r.l.	**1,546**	4,268
Acquisition of Bre.Ma. Brenna Macchine S.r.l. (Put option)	**0**	1,217
Acquisitiuon of CNI business unit	**1,226**	1,226
Acquisition of HSD Deutschland GmbH	**603**	679
Acquisition of SEV business unit	**424**	424
Acquisition of MC Meccanica S.r.l.	**408**	408
Acquisition of minor business units (Australia) – Glass division	**150**	181
Acquisition of Digipac S.r.l.	**0**	127
TOTAL	17,168	21,473

In addition to the usual variations caused by exchange rate fluctuations (leading to a reduction € 163,000), the year end balance has changed because of the changes relating to Bre.Ma. Brenna Macchine S.r.l. The impairment test conducted on the relevant cash generating unit indicated the need to write down the stated goodwill at the purchase price allocation stage for a total of € 2.722 million. To this reduction, transferred to the income statement, is added the elimination of the portion of goodwill of € 1.217 million, relating to the valuation of the Put option included in the purchase contract for the share of the business in question on behalf of the vendors and regarding the sale to Biesse of the remaining 40% of the capital. Following the revision of the value of the option, as indicated in note 4 above, it was estimated that the probability of this option being exercised was minimal, and therefore the debt to minority shareholders previously written into the balance sheet was cancelled and the minority net equity value was restored. Both the write-down of goodwill and the substantial write off of the value of the put, became necessary following an analysis of the most recent cash flow models relating to the company, which is suffering particularly severely the effects of the negative economic climate.
With regard to Digipac S.r.l. and HSD Deutschland GmbH, the reduction (€ 127,000 and € 77,000 respectively) is due to the allocation of a definitive acquisition price to the two companies in respect of the activities acquired, as detailed in note 41 below.

The amounts of goodwill listed above are allocated, at the acquisition date, to the appropriate cash generating units (CGU), which are expected to generate benefits relating to the business combination.
The Group verifies the recoverability of goodwill once a year or more frequently if there are indications of a loss of value. The recoverable value of the CGU is verified through a calculation of value in use. The main assumptions utilised relate to the discount rate, growth rate and expected changes in selling prices and trends in direct costs during the time horizon assumed for the calculation. Group management has therefore adopted a discount rate net of tax that reflects the correct market value of the cost of money and the specific risk. The growth rates adopted are based on growth forecasts for the relevant industrial sector. Changes in selling prices and direct costs are based on past experience and future expectations for the market.
Operating cash flows are taken from the most recent budget approved by the Board of Directors for the next three years and extrapolated over the remainder of the period on the basis of a medium/long term growth rate for the sector of 1.5%. The discount rate used to discount the cash flows over the period is equal to 9.7%.

The analsyis of the recoverability of goodwill and values in use by the CGU do not indicate any reason that would result in a loss of value, with the exception of the aforementioned circumstances regarding the Bre. Ma CGU.

Finally it is important to clarify that the estimates and budget figures applying to the previously indicated parameters are calculated by the Group's management on the basis of past experience and expectations about the development of the markets in which the Group operates. It should accordingly be noted that the negative demand scenario of various sectors during the last quarter of 2008, together with the pessimistic forecasts for 2009, have induced the management to reconsider the growth rates expected for sales and profits that were incorporated in the business plan prepared in past periods and lead it today to endorse a more cautious plan. The new plan foresees a slower route to the achievement of the objectives that were previously incorporated. Nevertheless the estimates of recoverable value of cash generating units requires discretion and the use of estimates by management. The Group cannot guarantee that there wil be no loss of value of goodwill in future periods. In fact various factors relating to the evolution of the difficult market conditions could demand a review of the value of goodwill. The Group will continue to monitor the circumstances and the events that could result in future checks on the possible existence of losses of value.

16. other intangible assets

	Development costs	Licences, brands and other intangible assets	Property under construction and prepayments	Total
HISTORIC COST				
Value at 01/01/2007	12,447	9,680	3,634	25,760
Increase	234	830	6,473	7,537
Disposals	0	4	0	4
Change in consolidation area	127	2,216	0	2,343
Foreign exchange differences, reclassifications and other	3,176	(819)	(3,621)	(1,264)
Value at 31/12/2007	**15,983**	**11,903**	**6,485**	**34,371**
Increase	20	1,372	7,246	8,638
Change in consolidation area	230	0	0	230
Foreign exchange differences, reclassifications and other	1,422	(47)	(4,578)	(3,204)
Value at 31/12/2008	**17,656**	**13,227**	**9,154**	**40,036**
DEPRECIATION FUND				
Value at 01/01/2007	5,755	3,359	0	9,114
Depreciation in period	3,162	1,331	0	4,494
Foreign exchange differences, reclassifications and other	(175)	(762)	0	(937)
Value at 31/12/2007	**8,743**	**3,928**	**0**	**12,670**
Increase	3,441	1,956	0	5,397
Foreign exchange differences, reclassifications and other	(1,537)	(976)	0	(2,513)
Value at 31/12/2008	**10,647**	**4,907**	**0**	**15,554**
WRITE DOWNS FOR LOSS OF VALUE				
Write-downs recognised in year ended 31/12/2008	**0**	**1,544**	**0**	**1,544**
NET BOOK VALUE				
Value at 31/12/2007	**7,241**	**7,975**	**6,485**	**21,701**
Value at 31/12/2008	**7,009**	**6,776**	**9,154**	**22,939**

The intangible assets illustrated have an finite useful life and are consequently amortised over that useful life. Development costs refer to products, the marketing of which commenced between 2004 and 2008 and on which economic returns are expected over an average period of 5 years.
Patents, brands and other rights are depreciated in relation to their useful life which is estimated, on average to be five years.
On the basis of the provisions of IFRS 3, gross intangible fixed assets with a value of € 2 million have been included in this item, including the amount resulting from the allocation of an acquisition price for AGM Glass Machinery Inc. by Intermac Inc. to the acquired assets valued at fair value. This amount represents the best estimate of the recoverable value of the intangible asset, the control of which was acquired by this transaction and relates in equal parts to non-competition clauses (of five years duration) and restrictive covenants regarding ex AGM employees (of ten years duration) both of which were signed by the seller. At the end of 2008 this value was revised to reflect the continuing difficulties affecting the North American market: in particular there was a partial write-down of the value allocated to the labour force acquired with the US distributor, AGM Inc. and no longer with the Group (€ 505,000 net of accumulated goodwill) . In addition, the property booked as a consequence of the allocation of an acquisition price to Bre.Ma. Brenna Macchine S.r.l., was subjected to an assessment of fair value and, on the basis of the results of the latest model, the value of the brand was partially written down by € 1.010 million,net of accumulated goodwill.

The increase relating to Changes in the consolidation area was € 849,000 arising from the application of IFRS3 to the acquisitions of HSD Deutschland GmbH (€ 619,000, relating to the valuation of the client portfolio) and Digipac S.r.l. (€ 230,000, relating to the valuation of technical know-how). These acquisitions took place in 2007, but at the end of last year the effects of the acquisitions were accounted for provisionally. Please refer to note 41 for more detail.
The increase in the item Property under construction and prepayments is largely due to the capitalisation the costs of development in progress during the year regarding products which are expected to generate an economic return in future years.

17. other financial assets and non-current receivables

The details of this balance sheet item are as follows:

€ '000	31 December 2008	31 December 2007
Small shareholdings in other businesses and consortia	**25**	25
Other receivables / Guarantee deposits - non-current portion	**544**	402
TOTAL	**569**	**428**

18. inventories

€ '000	31 December 2008	31 December 2007
Raw materials, accessory products and consumables	**54,204**	57,029
Work in progress and semi-finished goods	**6,709**	9,102
Finished products and goods	**41,230**	35,685
Prepayments	**1,535**	2,377
INVENTORIES	**103,678**	**104,192**

The balance sheet value is net of the obsolescence provision equal to € 3.464 million for raw materials and replacement parts (€ 4.582 mila a fine 2007) and € 468,000 (€ 1.556 million at end 2007) for finished products. The reduction in the reserve is partly the result of the corporate re-organisation and renewal programme that the Group initiated over a year ago, with the objective of transforming its production operations into "Lean Companies" capable of reducing costs while at the same time improving the provision of services and product quality to provide total satisfaction to its clients. Meanwhile at the end of 2008 the Parent Company carried out a revision of the realisable value of some classes of goods in stock (raw materials and slow moving replacement parts, used equipment), and obtained an independent estimate: as a consequence it updated the historic cost of the related stocks and reduced the related obsolescence reserve to zero.
The general trend of inventories was notable for the reduction in stocks of raw materials and replacement parts, as a result both of the improvements achieved in the purchasing and management of stocks and the reduction in orders received in the last quarter of 2008. The reduction in orders received had implications both for semi-finished goods (down by € 2.393 million) and for finished goods (up by € 5.545 million). The increase in the latter category was greater for the subsidiaries due to the sharp contraction in orders received from September 2008 as a consequence of the progressive deterioration of the global economic and financial situation.
It should be noted that part of the inventories and trade receivables of the Canadian subsidiary was subject to credit line guarantees granted to the subsidiary, equal to Canadian Dollars 2 million (€ 1.2 million at end 2008); at 31 December 2008 these lines had not been utilized.

19. trade receivables from third parties

€ '000	31 December 2008	31 December 2007
Trade receivables within 12 months	**102,096**	110,334
Trade receivables beyond 12 months	**4,320**	3,943
Credit write-down reserve	**(6,625)**	(4,308)
TRADE RECEIVABLES FROM THIRD PARTIES	**99,792**	**109,969**

The management believes that the book value of trade receivables reflects their fair value.
This item includes the portion subject to deferral – of receivables arising from the sale of the factory of San Giovanni in Marignano, equal to € 448,000 (€ 1.013 million at 31/12/2007) in existence at 31/12/2008.

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

	31 December 2008	31 December 2007
Opening balance	**4,308**	4,542
Provisions in the period	**3,503**	609
Utilised	**(1,077)**	(757)
Write off of surplus proportion of fund	**0**	(61)
Change in perimeter	**0**	6
Exchange rate difference	**(84)**	(31)
Closing balance	**(25)**	0
OPENING BALANCE	**6,625**	**4,308**

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

8.302 million, following a write-down of € 5.217 million (net receivables of € 2.215 million following specific write-downs of € 3.168 million, at 31 December 2007). The write-downs recognized in the Income Statement are primarily carried out indirectly through provisions made to the credit write-down reserve.
Specific write-downs are determined mainly by valuation of receivables which are the subject of specific legal disputes and are generally supported by relevant legal advice.

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

	31 December 2008	31 December 2007
Overdue by 1 to 30 days	**5,313**	7,323
Overdue by 30 to 180 days	**10,351**	6,868
TOTAL	**15,664**	**14,191**

The ageing of receivables that are overdue but not written down is less than 180 days; these receivables have not been written down because of the characteristics of the sales to which they relate. These relate primarily to plant or complete production lines on which there are usually payment deferrals without which there would be an effective risk of not being able to realise the credit at all.
Please refer to the previous note for details of the amount of receivables granted in guarantee of third parties and financial institutions.

20. trade receivables from related parties

€ '000	31 December 2008	31 December 2007
Trade receivables from related parties	**1**	1
Trade receivables from subsidiaries	**12**	12
TOTAL	**13**	**13**

21. other current assets

Other current assets are detailed as follows:

€ '000	31 December 2008	31 December 2007
Consumption tax receivables	**6,112**	5,039
Income tax receivables	**6,726**	1,799
Other receivables from third parties	**961**	1,577
	13,799	**8,415**

Other current assets consists largely of purchase tax credits and prepayments relating to income taxes.
The increase in credits for income taxes is largely due to the fact that from 2008 some of the Italian companies of the Group (in particular HSD S.p.a., Bre.Ma. Brenna Macchine S.r.l., MC S.r.l., ISP Systems S.r.l. and Digipac S.r.l.) chose to adhere to the national tax consolidation referring to Biesse S.p.a. At the end of the previous year the national tax consolidation only related to Biesse S.p.A., HSD S.p.A. and ISP Systems S.r.l., but referred to the controlling company Bi.Fin. S.rl. Consequently the IRES receivables now shown as income tax credits are no longer included in the items relating to transactions with the controlling company Bi.Fin. S.rl.

22. cash and cash equivalents

This includes the liquidity held by the Group and bank deposits which expire within three months. Bank balances include € 500,000, relating to tied deposits for a period of less than three months against guarantees issued in favour of clients.
The book value of these assets reflects their fair value.

23. share capital / own shares

The share capital of the parent company Biesse S.p.A. is made up of 27,393,042 ordinary shares of nominal value €1. At the date on which the present financial statements were approved, the Group held 711,359 of its own shares at an average carrying value of € 9.61 per share.
As indicated in note 12 above, the shareholders' meeting of Biesse S.p.A. on 21 January 2008 approved a share buy-back scheme. The scheme relates to the buy-back of up to 2,739,304 ordinary Biesse shares equal to 10% of the share capital, each of € 1 nominal value, to be purchased on regulated markets for a maximum period of 18 months beginning 22 January 2008.
The approval granted by the meeting stipulates that the purchases may be carried out at a proice of no more than 10% and no less than 20% of the average weighted official price of the shares reported by Borsa Italiana S.p.A. in the 3 days preceding each individual purchase transaction, in accordance with the limits established by the relevant regulations in force. The buy-back programme is principally motivated by the opportunity to intervene on the market, in accordance with the provisions in force, in order to guarantee the liquidity of Biesse shares particularly during periods of excessive volatility. The Group believes that it is moreover opportune to invest part of its reserves in the purchase of its own shares when there is a significant divergence between the market price and the fair value of the shares.
At the end of the previous year the Parent Company Biesse S.p.A. did not hold any of its own shares.

24. capital reserves

The balance sheet value of € 36.202 million (unchanged compared with 2007) relates to the share premium reserve.

25. hedging and translation reserves

The balance sheet value is made up as follows:

€ '000	31 December 2008	31 December 2007
Reserve for conversion of foreign currency accounts	**(2,970)**	(2,190)
Reserve for profits (losses) on foreign exchange cash flow hedging derivatives	**85**	0
TOTAL	**(2,885)**	**(2,190)**

The foreign currency translation reserves in the balance sheet,negative for € 2.970 million, incorporate the differences arising from translation of the financial statements denominated in foreign currencies of countries that do not belong to the Euro zone (United States, Canada, Singapore, United Kingdom, Sweden, Australia, New Zealand, India and China) and rose by € 780,000 during the year.

26. retained earnings and minority interests

Retained earnings

The balance sheet value is made up as follows:

€ '000	31 December 2008	31 December 2007
Legal reserve	**5,479**	5,479
Extraordinary reserve	**51,129**	3,921
Reserve for own shares held	**6,839**	0
Retained earnings	**14,903**	39,175
Other reserves	**78,349**	**48,575**

As shown in the statement of changes in net equity, the item "Other Reserves" has changed for the allocation of 2007 profits (€ 41.719 million), the distribution of dividends by the Parent Company (€ 11.972 million); to this is added the adjustments relating to the redermination of assets and liabilities at fair value of the shareholding in HSD Deutschland GmbH (which resulted in an increase in net equity of € 189,000), the adjustment arising from accounting for the acquisition of 49% of the share capital of MC Meccanica S.r.l. (reduction in net equity of € 125,000) and other minor changes.
The extraordinary reserve of the Parent Company, which had a value of € 51.129 million, was increased by € 22.898 million as a result of the allocation of the 2007 profit, by the allocation of the item "Retained earnings and other reseves" for € 30.599 million (of which € 9.421 million from the transition to IAS) and for the allocation of "Hedging reserve for unrealized foreign exchange gains" for € 550,000 and was reduced by € 6.839 million for the share of unavailable reserves equal to the value of shares allocated to the "Reserve for own shares in treasury".

Minority interests

Amongst the changes to net equity of minority interests, the most important include the increase of equity attributable to the minorities of Bre.Ma. Brenna Macchine S.r.l. (€ 1.112 million), due to the cancellation of the liability deriving from the valuation of the put option, attached to the contract to acquire the majority stake in the company. Please refer to note 15 for more detail.

27. dividends

On 10 May 2008 the Parent company paid shareholders a dividend of 44 Eurocents per share (total dividends of € 11.97 million). In 2007 an ordinary dividend of 36 Eurocents per share (for a total amount of € 9.8 million), to which at year end was added an extraordinary dividend of 50 Eurocents per share (total amount of €13.7 million).
The Board of Directors of the Parent Company, taking into consideration the negative economic environment in which Biesse currently finds itself and given the likelihood that this recession will be severe and prolonged, at least through the full year 2009, will propose to the Ordinary Shareholders' Meeting that no dividend for the 2008 financial year should be distributed.

28. overdrafts and bank loans

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

€ '000	31 December 2008	31 December 2007
Bank overdrafts and financing	**36,951**	22,378
Mortgages without guarantees	**82**	118
Current liabilities	**37,033**	**22,497**
Financing	**1,331**	0
Mortgages without guarantees	**442**	524
Non-current liabilities	**1,772**	**524**
TOTAL	**38,806**	**23,021**

These liabilities are payable as follows:

€ '000	31 December 2008	31 December 2007
Immediately or within one year	**37,033**	22,497
Within two years	**84**	83
Within three years	**419**	84
Within four years	**754**	86
Within five years	**423**	88
Beyond five years	**93**	183
	38,806	**23,021**

ANALYSIS OF BANK DEBT BY CURRENCY		
€ '000	31 December 2008	31 December 2007
Euro	**34,514**	23,021
Sterling	**2,392**	0
Indian Rupee	**1,481**	0
New Zealand Dollar	**413**	0
US Dollar	**5**	0
	38,806	**23,021**

The average interest rates on loans is as follows:

	31 December 2008	31 December 2007
Bank overdrafts and other short term loans	**4.9%**	4.3%
Mortgages	**2.4%**	2.5%

At 31 December 2008, the value of unutilised credit lines was about € 63 million.
Compared with the financial statements for the year ended 31 December 2007, the financial debts of the Group (principally composed of finance leasing liabilities and mortgages on property and equipment for the non-current portion and overdrafts and current account advances, for the current portion) registered a net increase of about € 13 million (€ 15.8 million excluding finance leasing liabilities). The long-term portion rose due to the opening of unsecured financing taken out by Biesse Manufacturing Pvt. Co. Ltd. relating to the financing of its own property. Changes in the short term portion are largely attributable to greater recourse to short term financing, net of repayments of medium term loans of € 83,000 and payment of finance leases of € 2.594 million. Please refer to the Directors' Report for more detail regarding the trend in the net financial position and the analysis of the cash flow statement.

29. net financial position

€ '000	31 December 2008	31 December 2007
Financial assets:	**22,173**	36,539
Current financial assets	**0**	50
Liquidity	**22,173**	36,488
Short term finance lease liabilities	**(2,602)**	(2,756)
Short term bank and other financial liabilities	**(37,033)**	(22,497)
Short Term Net Financial Position	**(17,462)**	**11,287**
M/L term finance lease liabilities	**(7,426)**	(9,866)
M/L term bank debt	**(1,772)**	(524)
Medium/Long Term Net Financial Position	**(9,199)**	**(10,390)**
Net Financial Position	**(26,661)**	**896**

At 31 December 2008 the Net Financial Position of the Group showed net debt of € 26.7 million, a deterioration compared with the value of € 27.8 million reported at the end of 2007. Net debnt at the end of 2008 was also affected – in addition to the progressive deterioration in all of the net working capital variables – by extraordinary factors such as the dividend payment of € 12 million and the buy-back programme of € 6.8 million. Investment expenditure in the period was € 17.4 million.

30. finance lease liabilities

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Minimum payments due for leasing		Present value of minimum payments due for leasing	
Exercisable within a year	**2,996**	3,214	**2,602**	2,756
Exercisable after one year but within five years	**6,023**	8,456	**5,181**	6,847
Exercisable beyond the fifth year	**2,694**	3,127	**2,245**	3,020
	11,713	14,797	**10,028**	12,622
Charges deducted for future financial expenses	**(1,685)**	(2,175)	**0**	0
	10,028	12,622	**10,028**	12,622
Deducted: debt expiring within one year			**(2,602)**	(2,756)
Amount of debt over 12 months			**7,426**	9,866

Finance lease liabilities mainly relate to buildings (and related plant and equipment) the current minimum payment value of which due at 31/12/2008 was € 10.028 million (of which € 2.602 million due within 12 months).
The balance sheet figure relates mainly to two contracts relating to the acquisition of buildings: the first of ten years duration, signed by Biesse S.p.A., with are residual liability of € 5.601 million, expiring in June 2012 and with an effective average rate of 4.4%; the second with original duration of 12 years, signed by MC S.r.l., which has a residual liability of € 3.457 million, expiring in December 2019 and with an effective average rate of 5.7%. In addition to this are contracts, of minor individual value, relating to the purchase of machine tools for internal use by Biesse S.p.A. and MC S.r.l., with an average duration of five years and an average effective rate of 3%.

The rates of interest are set at he date the contracts are signed and are subject to fluctuation as they are tied to the trend of the cost of money. All existing leasing contracts are repayable through a constant rate plan and contractually no changes are expected to the original plan. All contracts are denominated in Euro. Finance lease liabilities are guaranteed to the issuer through rights on the goods leased.

31. retirement benefit obligation

Defined contribution plans

As a result of the Social security reform the proportion maturing from 1 January 2007, at the discretion of employees will be assigned to pension funds or transferred to the public treasury fund managed by INPS and will, once the employees choice has been formalized, be categorized as a defined contribution scheme (and therefore no longer subject to actuarial valuation). Because of the above mentioned circumstances the total expenses provided for at year end amount to € 4.172 million.

Defined benefit plans

The Biesse Group made provision in its accounts to the value of € 12.718, this being the present value of retirment benefir liabilities, due at the year end to employees of the Italian companies of the Group and composed of provisions to the employement termination benefit fund (TFR).

€ '000	31 December 2008	31 December 2007
Costs relating to current labour provided	**357**	381
Financial expenses	**602**	654
	959	**1,035**

The costs for the year are included in personnel expenses.
The differences in the period relating to the present value of obligations relating to employment termination benefits are as follows:

€ '000	31 December 2008	31 December 2007
Opening liabilities	**13,331**	15,929
Current services	**357**	381
Financial expenses	**602**	654
Benefits paid out	**(1,572)**	(2,003)
Curtailment	**0**	(1,660)
Change in consolidation	**0**	30
Closing Liabilities	**12,718**	**13,331**

Assumptions made in the calculation:

€ '000	31 December 2008	31 December 2007
Discount rate used to determine the obligation	**4.69%**	5.50%
Expected rate of wage inflation	**3.0%**	2.75%
Inflation rate	**1.5%**	2.00%

Average number of employees

The average number of employees in the 2008 financial year was (including temporary staff) was 2,491 (2,300 in 2007), detailed as follows:

	31 December 2008	31 December 2007
Manual workers	**925**	889
Office staff	**1,527**	1,373
Managers	**40**	38
TOTAL	**2,491**	**2,300**

32. deferred tax assets and liabilities

€ '000	31 December 2008	31 December 2007
Deferred tax assets	**9,546**	8,857
Deferred tax liabilities	**(2,987)**	(3,656)
Net position	**6,559**	**5,201**

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

Provisions to risk and write-down reserves	**3,555**	3,135
Infragroup profits included in the value of inventories at year end	**2,647**	2,352
Recoverable tax losses	**479**	0
Other	**2,864**	3,370
Deferred tax assets	**9,546**	**8,857**
Amortisation	**885**	626
Capitalised costs	**854**	1,223
Goods under finance lease	**40**	18
Other	**1,208**	1,789
Deferred tax liabilities	**2,987**	**3,656**
Net position	**6,559**	**5,201**

At the balance sheet date the Group had unutilised prior year tax losses of about € 10 million (€9 million at the end of the previous year). These losses relate to subsidiaries and there are no reasonable grounds to expect a recovery of these amounts in the short term.
In addition to the deferred taxes recognised in the income statement for the year, deferred tax liabilities of € 32,000 were imputed directly to net equity (at the end of the previous year no deferred taxes were directly imputed to net equity)

33. provisions for risks and charges

€ '000	Guarantees	Retirment of agents	Other	Total
Value at 31/12/2007	**4,867**	**542**	**1,586**	**6,995**
Provisions	370	29	554	953
Utilised	(573)	-	(397)	(970)
Exchange rate and other differences	(240)	-	181	(59)
Value at 31/12/2008	**4,424**	**571**	**1,924**	**6,919**

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

The agent retirement reserve refers to the liabilities connected to existing agency agreements.
The item "Other provisions" is composed of the following:

€ '000	Legal disputes	Tax disputes	Total
Value at 31/12/2007	**1,053**	**533**	**1,586**
Provisions	389	165	554
Utilised	(318)	(79)	(397)
Exchange rate and other differences	218	(37)	181
Value at 31/12/2008	**1,342**	**582**	**1,924**

These funds are subdivided between:

	31 December 2008	31 December 2007
Current liabilities	**5,711**	5,684
Non current liabilities	**1,208**	1,311
	6,919	**6,995**

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

The provision for legal disputes relates to the amount relative to taxes and sanctions deriving from disputes – for which there is a probable risk of loss, with the Regional Revenue Authority of Ancona and refers to the audit carried out on the income of the parent company in 2002 and 2003 and with the Revenue Corps, relating to the audit carried out on the returns the years 2000 and 2001 made by Intermac which was incorporated in Biesse in 2002.
In particular, in relation to Preliminary Tax Audit (PVC) of the Regional Revenue Authority of Ancona of 21/10/2005, with respect to the parent company Biesse S.p.A. relating to the years 2002-2003, the provisions are valued, in accordance with the principle of prudence, at € 537,000.
On 2/12/2008 the Regional Revenue Authority of Ancona gave notice of an inspection also for 2003. The communication also gave official notice that the Tax Administration has abandoned its investigation into the 2005 tax year, pertaining to the omission of a communication of a capital loss relating to the sale of the investment in the subsidiary Schelling Anlagenbau GmbH, completed in December 2003. The subsequent investigation carried out in 2008 into the reasonableness and economic nature of the transaction and the validity of the deductibility of the capital loss resulted in a favourable outcome for the Group. Having considered the report as a remote possibility there had been no provisions to risk reserves and therefore the

conclusion of this specific episode has no impact on the financial statements. The investigation notice into the 2002 tax return issued by the Regional Revenue Authority of Ancona was promptly challenged. The Provincial Tax Authority has partially accepted the appeal rejecting the challenge in relation to Dual Income Tax (Dit) and accepting all of the disputes relating to other reports. Given this adverse decision, on the only point rejected by the Provincial Tax Authority in relation to Dit, an immediate appeal was proposed to the Regional Tax Authority.
With regard to the 2003 tax year, the company immediately sent a reassessment request relating to the contested reports which are however for modest amounts and included amongst provisions to the reserves.
With regard to existing tax disputes pertaining to failure to recognise IVA credits and to challenges relating to avoidance it is communicated that the outcome of the Appeal was in favour of the Company with regard to the recognition of IVA credits, but was contested by the Regional Revenue Authority of Ancona which propose an appeal to the Court of Cassation. Having been granted a favourable result with regard to these reports, no provision was made to the Risk reserve.
The appeal relating to the alleged avoidance was instead rejected. Given this adverse result, which is considered to be unjust, an appeal to the Court of Cassation is being prepared. Provisions for taxes and sanctions have been made to the Risk Reserves in relation to this negative outcome.

34. trade payables

The details of trade payables are as follows:

€ '000	31 December 2008	31 December 2007
Trade payables to suppliers	**84,159**	98,977
Deposits/prepayments for installation and testing costs	**14,256**	20,379
TOTAL	**98,416**	**119,355**

Trade payables to third parties refer primarily to payables to suppliers for the provision of materials delivered in the closing months of the year. It should be noted that trade payables are payable within the subsequent period and it is believed that their book value at the balance sheet date is equal to their fair value.
Compared with the previous period, there has been a sharp decrease in trade payables, attributable to the changed eceonomic conditions affecting the sector in which the Group operates, arising from the financial crisis that began in October 2008. Greater rigidity in the capital market severely impacted on order intake in the last quarter of the year, with obvious repercussions on production (and therefore on the supply of materials) and on the amount of prepayments received from clients. The worsening credit market conditions compelled the Group to support its own suppliers and to allow them more favourable payment terms.
With regard to prepayments received from clients it should be noted that in relation to specific cases the Group has released guarantees in favour of certain clients, the duration of which is directly related to the period between receipt of the advance payment and the delivery of the machinery. For further detail please refer to note 38.

35. other current liabilities

The details of other current liabilities is as follows:

€ '000	31 December 2008	31 December 2007
Tax liabilities	**8,135**	7,153
Social security liabilities	**6,293**	6,768
Other payables to employees	**9,651**	11,917
Other current liabilities	**2,366**	6,297
TOTAL	**26,445**	**32,134**

The item Other Current Liabilities was reduced largely as a result of the elimination of the liability to the vendors of the majority stake in Bre.Ma. Brenna Macchine S.r.l. (€ 2.6 million), tied to the value of the Put option granted to the minority shareholder. As indicated in note 15 above, following the periodical review of the value of the Put option, it was decided that the probability that it would be exercised was remote, given the current conditions of the market in which the company operates. The liability to minority shareholders previously recognised in the accounts was therefore cancelled, and the goodwill relating to this valuation was eliminated and the value in net equity of minorities was restored.
Finally it should be noted that the item Other Current Liabilities haschanged also because of flows relating to recent acquisitions: debt relating to the acquisition of the remaining 50% of HSD Deutschland was extinguished (originally calculated as € 823,000 and then definitively stated as € 804,000), signed at the end of 2007; with regard to the acquisition of MC Meccanica S.r.l., the residual debt relating to the purchase of the first tranche in 2007 was extinguished (€ 425,000) and payment made of € 146,000, relating to the acquisition of the remaining portion of the share capital, while the balance of the purchase price (€ 545,000) was included in other payables and will be paid in four annual tranches beginning in 2009.

36. other current payables to related parties

At the end of 2007, the balance related to payables to the controlling shareholder and, in particular to the transfer of IRES liabilities by Biesse S.p.A. and HSD S.p.A. to the controlling shareholder Bi.Fin. S.r.l., as a consequence of adhesion to the National Consolidated Tax scheme for the three year period 2005/2007 (see note 44).

€ '000	31 December 2008	31 December 2007
Bi. Fin. S.r.l.	**0**	5,033

37. financial instruments – derivatives

€ '000	31 December 2008		31 December 2007	
	Asset	Liability	Asset	Liability
Foreign exchange derivatives	**565**	**(18)**	322	(75)
TOTALE	**565**	**(18)**	**322**	**(75)**

Exchange rate derivatives

Beginning from the 2008 financial year a portion of the derivative instruments on foreign currencies relates to orders for sales and therefore qualify as hedging instruments. The value of open contracts at the year end was € 565,000 and is split between hedging contracts of € 42,000 and non-hedging contracts of € 524,000. The valuation of hedging contracts is accounted in accodance with the hedge accounting methodology, while the non-hedging contracts are accounted as trading transactions (please refer to note 3 for more detail).At the balance sheet date the notional amount of fixed term foreign exchange contracts entered into by the Group can be summarized as follows:

€ '000	31 December 2008	31 December 2007
US Dollar	**16.250**	21.738
Sterling	**1.837**	3.409
Canadian Dollar	**1.177**	4.152
	19.264	**29.299**

38. commitments, contingent liabilities, guarantees and risk management

Commitments

In relation to purchase commitments it should be noted that the contract signed in 2006 to acquire the majority shareholding in Bre.Ma. Brenna Macchine S.r.l., includes a Put option in favour of the vendors of the remaining share capital of the subsidiary. The option may be exercised not earlier than three years and no later than five years from the signing of the aforementioned contract. As previously stated the valuation of the put option at the balance sheet date following he application of the methodology provided for by IAS/IFRS, considering that the exercise price is less than the fair value of the residual shareholding of Brema, did not require the inclusion of a liability in the balance sheet.

It should also be noted that on the 25 July 2008 Biesse SpA signed an exclusive option for the purchase by September 2009 of 60% of B.H.T. s.r.l., a company involved in the design, construction and management of plant for the processing of safety glass (tempering furnaces). This operation is consistent with the development and growth startegy, by internal and external means, of the Glass Division. The aim of the project is to progressively widen the range of products offered through targeted and synergistic inetgartions with technologies that complement those already possessed by the company.
The Biesse Group also aims to achieve the productive integration of B.H.T. in its own production and distribution structure, with the intention of rapidly bringing strong benefits in terms of volume and profitability to the company based in Vasto (CH). B.H.T.(www.bht.it) can provide plant forthe curving and tempering of glass for applications in various fields such as the automobile, construction, furnishing and electrodomestic industrie. Bearing in mind that BHT revenues are related to large orders, and that such orders may flow unevenly between different periods, in the past two years BHT has generated average annual revenues of about € 6 million, with an EBIT margin of 9.1%.
On exercise of the option, Biesse's investment for 60% of the share capital of BHT wil amount to at least €1.8 million, payable in 2 tranches in 2009 and 2010.

At the present balance sheet date, there were material commitments of € 600,000 from the subsidiary Sel Realty Ltd. for the completion of the new commercial headquarters of the subsidiary Biesse Canada Inc, which began construction in 2008, leading to a disbursement of € 889,000.

Finally, repurchase commitments were signed for € 527,000, in favour of leasing companies, in the event of non-fulfilment by clients of the Group.

Contingent liabilities

The Parent Company and some subsidiaries are parties to various legal actions and disputes. It is considered however, that resolution of these disputes should not generate liabilities additional to those already provided for in the relevant Risk reserves. Please refer to note 33 for details of potential liabilities relating to tax risks.

Guarantees issued and received

The Group has issued guarantees equal to € 5.554 million. The most important components relate to guarantees issued to clients regarding their normal operating activities (about € 3.3 million), the guarantee, accompanied by liens on inventories and trade receivables, issued to financial institutions regarding lines of credit agreed with the Canadian subsidiary (€ 1.2 million) and the guarantee issued to the Pesaro Regional Authority regarding urbanization charges for buildings located in this province (€ 1.030 million).
As for guarantees received, it should be noted that the sale contract for the property in San Giovanni in Marignano, signed in December 2006, provides for a conditional sales clause pursuant to article 1523 et sequitur of the Civil Code, assuring the parent company the rightv to reacquire a portion of the building used as office space in the event of the failure of the counterparty to pay the agreed price. At the balance sheet date the uncollected amount relating to the sale is equal to € 448,000.

Risk management

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

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

With regard to risk connected with the fluctuation of raw material prices the Group tries to transfer the management and the economic impact to its own suppliers by freezing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of Group products does not exceed 1.5% of the total including ancillary work (folding-welding-painting etc.)

Exchange rate risk

The risk relating to exchange rate variations is represehted by the possible fluctuation in the value of the Euro against currency positions or net exposure to other currencies, constituted by the algebraic result of sales invoices issued, orders in portfolio, purchasing invoices received, of the financial balance in foreign currency and of cash held in foreign currency. The risk management policy approved by the Board of Directors provides that the amount of cover must not fall below 70% of the net foreign currency exposure and that the initiation of any hedging operation must be tied to an underlying asset. Hedging can be carried out using forward contracts (*outright/currency swap*) or also using currency derivatives (*currency option*).

Exchange rate risk is expressed mainly in the following currencies:

	Financial assets		Financial liabilities	
€ '000	31/12/2008	31/12/2007	31/12/2008	31/12/2007
US dollar	16,322	22,538	832	2,179
Canadian dollar	1,778	1,471	685	252
Sterling	1,652	1,366	190	15
Other currencies	1,380	296	4,536	7,210
Total	140	2,249	4,511	5,428
US dollar	21,272	27,989	10,754	15,616

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

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

	Impact on Income Statement	
€ '000	If exchange rate > 15%	If exchange rate < 15%
US Dollar	(2,020)	2,324
Canadian Dollar	(143)	164
Sterling	(191)	219
Australian Dollar	412	(473)
TOTAL	(1,942)	2,233

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

OUTRIGHT CONTRACTS IN FORCE AT 31/12/2008	Nominal value	Average forward rate	Maximum duration
US Dollar	22,615	1.3793	July 2009
Canadian Dollar	2,000	1.5621	May 2009
Sterling	1,750	0.8050	May 2009

OUTRIGHT CONTRACTS IN FORCE AT 31/12/2007	Nominal value	Average forward rate	Maximum duration
US Dollar	32,000	1.4599	May 2008
Canadian Dollar	6,000	1.4581	April 2008
Sterling	2,500	0.7161	March 2008

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

	Impact on Income Statement	
€ '000	If exchange rate > 15%	If exchange rate < 15%
US Dollar	2,266	(2,291)
Canadian Dollar	257	(73)
Sterling	576	(61)
Total	**3,099**	**(2,303)**

Interest rate risk

The Group is exposed to fluctuations in interest rates with reference to financial expenses relating to bank debt and to leasing companies for the acquisition of assets made via finance leasing contracts.
Interest rate risks derive primarily from medium term bank lending given the continuing reduction in long term debt. Despite the changing trend in interest rates, reflected in an increase in the short term curve, the company's choice remains not to carry out further hedging of its own debt as expectations are that the trend of interest rates remains downwards or at least substantially stable.
The sensitivity analysis to evaluate the potential impact of a hypothetical immediate and unfavourable change of 10% in the level of short term interest rates on financial instruments (typically liquidity and part of financial liabilities) disponibilità liquide e parte dei debiti finanziari) reveals no significant impact on the results or on net equity.

Credit risk

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

With reference to trade creditors there are no identifiable risks of concentration insofar as no single client accounts for more than 5% of sales. The book value of financial assets, expressed net of write-downs for expected losses represents the maximum exposure to credit risk. For other information on the methodology of determining risk provisions on receivables and on the characteristics of overdue credit please refer to note 19 on trade receivables.

Liquidity risk

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

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

31/12/2008 € '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Over 5 years	Total
Trade and other payables	29,689	70,007	563	39	0	**100,299**
Financial leasing liabilities	275	1,335	1,413	6,035	2,694	**11,752**
Overdrafts and bank loans	36,951	95	0	1,710	95	**38,850**
TOTAL	**66,914**	**71,437**	**1,976**	**7,784**	**2,789**	**150,900**

31/12/2007 € '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Over 5 years	Total
Trade and other payables	58,457	58,716	305	292	0	**117,770**
Financial leasing liabilities	12	1,666	1,537	8,455	3,127	**14,797**
Overdrafts and bank loans	21,939	638	0	379	190	**23,146**
TOTAL	**80,408**	**61,020**	**1,842**	**9,126**	**3,317**	**155,713**

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

The amount of trade receivables and the conditions attached to them combine to provide a balance of working capital and, in particular, coverage of payables to suppliers.
The Group has available credit lines for cash recall (short term financing) equal to a total of € 97 million – of which € 34 million has been utilised – provided by leading Italian credit institutions.

Classification of financial instruments

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

€ '000	31 December 2008	31 December 2007
FINANCIAL ASSETS		
Valued at fair value with matching entry in income statement		
Derivative instrument financial assets	*565*	*322*
Financing and receivables valued at amortised cost:		
Trade receivables	*99,804*	*109,981*
Other assets	835	1,360
- other Financial assets and non current receivables	*544*	*402*
- other current assets	*290*	*958*
Cash and cash equivalents	22,173	*36,488*
FINANCIAL LIABILITIES		
Valued at fair value with matching entry in income statement		
Derivative instrument financial liabilities	*18*	*75*
Valued at amortised cost:		
Trade payables	*84,355*	*99,085*
Bank debt, finance lease and other financial liabilities	48,834	35,643
Other current liabilities	*15,944*	*18,685*

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

39. operating lease contracts

Contracts involving the Group as lessee

€ '000	31 December 2008	31 December 2007
Rent paid during the year	6,706	6,639
TOTAL	6,706	6,639

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

€ '000	31 December 2008	31 December 2007
Within one year	4,629	3,884
Between one and five years	4,582	6,040
Beyond five years	41	418
TOTAL	9,253	10,342

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

Contracts involving the Group as lessor

€ '000	31 December 2008	31 December 2007
Rent received during the year	21	246
TOTAL	21	246

40. operations that have not involved changes in cash flow

In 2008 there were no transactions that did not involve changes in cash flow, with the exception of the purchase in the residual stake in the share capital of MC Meccanica S.r.l. (see following note).
During 2007 there were investments in plant and equipment for producing precision machinery of € 3.777 million, financed by enetering into new leasing contracts. In addition, the cash flow statement showed no cash disbursement relating to the purchase of theresidual stake in HSD Deutschland GmbH (value € 823,000, later definitively fixed at € 804,000), since on the basis of the agreement the balance of the consideration was to be paid in the first half of 2008.

41. acquisition of subsidiary companies

There were no acquisitions of companies or business units during the year. The only operation which had an impact on the consolidation area was the purchase of the outstanding share capital of MC Meccanica S.r.l. by the subsidiary MC S.r.l.. Following this operation, the share of control rose from 51% to 100%. The acquisition, completed on 4 June 2008 cost € 691,000 (of which € 146,000 was paid at the time of signing, while the balance, reclassified in other payables, will be paid in four annual tranches beginning in 2009); a lien on the outstanding shareholding to be acquired was granted regarding the deferred payment. The difference between purchase price and net equity acquired, equal to € 124,000 was deducted from the net equity of the Group. Following the acquisition of the residual quota it was agreed to merge MC Meccanica S.r.l. into MC S.r.l., which occurred at the end of September to become effective on 1 January 2008. This operation had no effect on consolidated net equity.
It should be remembered, from the financial perspective, that on 29 February 2008, MC S.r.l. paid off its residual debt of € 425,000, regarding the acquisition of 51% of the share capital of MC Meccanica Sr.l., in 2007 at a cost of € 852,000; on 16 May 2008, MC Meccanica S.r.l. paid dividends to outgoing shareholders of € 24,500 (included at the end of the cash flow statement together with payments in relation to the acquisition of the shareholding)
Compared to the financial statements to 31 December 2007, there was an adjustment to the fair value provisionally allocated to the assets and liabilities of Digipac s.r.l. and HSD Deutschland GmbH at the date of acquisition of control, permitting a more precise definition of the net value of the assets acquired.
The effects of the adjustments made to the provisional values recognised in the 2007 financial statements are illustrated below, where the impact on the result for the period to 31/12/2007 are negligible.

Digipac S.r.l.

The recalculation at fair value of the assets and liabilities of Digipac S.r.l., led to the recognition of new intangible assets, relating to the cost of new product development. Consequently the value already provisionally recognised in goodwill (equal to € 127,000) was reallocated to development costs (€ 230,000), gross of the related tax impact (€ 70,000).

HSD Deutschland GmbH

On 13 March 2008, the subsidiary HSD S.p.A. paid € 804,000, for the purchase of the outstanding share capital HSD Deutschland GmbH. The company was already fully consolidated at 31/12/2007, since sub-

stantive control had been acquired in December 2007.
The recalculation of fair value of the assets and liabilities acquired, together with the redetermination of the purchase price, led to the recognition of new intangible assets of € 619,000, relating to the valuation of the sales network of the company. In addition to these assets deferred tax liabilities of € 241,000 were also recognised. Consequently the value of goodwill relating to the acquisition of the shareholding was reduced by € 77,000, taking it to € 603,000.
The recalculation of the fair value of the assets and liabilities acquired at the date of acquisition of control led to an increase in net equity of € 189,000 relating to the shareholding (50%) previously owned by the Group, which was taken to an increase in the Group's net equity.

42. atypical and unusual transactions

During the course of 2008 no operations of this nature were reported.

43. post balance sheet events

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

44. related party transactions

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

Transactions between Biesse S.p.A. and its subsidiaries, which are entities related to the parent company, have been eliminated from the consoloidated balance sheet and are not illustrated in these notes. Details of the operations between the Group and other related entities are indicated below.

€ '000	Costs 2008	Costs 2007	Revenue 2008	Revenue 2007
Controlling company				
Bifin SRL	40	8	10	10
Other related companies				
Fincobi S,r,l,	10	10	1	1
Edilriviera Srl	5	-	-	-
Members of the Board of Directors				
Members of the Board of Directors	1,306	1,256	-	3
Members of the Statutory Auditors				
Members of the Statutory Auditors	71	68	-	-
Other related parties				
Other related parties	286	337	-	-
Total related party transactions	1,718	1,680	11	14

€ '000	Receivables 2008	Receivables 2007	Payables 2008	Payables 2007
Controlling company				
Bifin SRL	12	12	-	5,043
Other related companies				
Edilriviera Srl	-	-	83	-
Members of the Board of Directors				
Members of the Board of Directors	1	1	35	31
Members of the Statutory Auditors				
Members of the Statutory Auditors	-	-	71	68
Other related parties				
Other related parties	-	-	7	-
Total related party transactions	13	13	195	5,141

The contractual terms agreed with the aforementioned related parties are in line with those theoretically obtainable in negotiations with third parties.
In addition to the transactions shown in the presceding table , Edilriviera carried out extraordinary maintenance on property belonging to the Group. The related cost of € 64,000 have been capitalised.
It should be noted that the controlling shareholder Bi.Fin. S.r.l. has elected to take advantage of the regulations regarding the National Consolidated Tax scheme for the three years 2005/2007; those companies coming within the ambit of the scheme include, in addition to Bi.Fin., Biesse S.p.A., HSD S.p.A., Cabi S.r.l. (already merged into HSD S.p.a.) and I.S.P. Systems S.r.l. At 31/12/2007, payables to Bi.Fin. were largely due to the transfer of IRES tax balances relating to 2007 on the part of Biesse S.p.A. and HSD S.p.A.
On 16 June 2008, the option to take advantage of the regulations regarding the consolidated tax was exercised by the Parent Company, Biesse S.p.A. and no longer by Bi.Fin. S.r.l; the following companies will participate in the scheme, in addition to Biesse S.p.A., the subsidiaries HSD S.p.A., ISP Systems s.r.l., Bre. Ma. Macchine S.r.l., MC S.r.l. and Digipac S.r.l.

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

No relevant transactions were reported in relation to the controlling shareholder Bi.Fin. Srl

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

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

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

POSITION			REMUNERATION			
€ (000)			Salary	Non monetary benefits	Bonuses and other incentives	Other remuneration
Name	Position	Duration of mandate				
Selci Roberto	Chairman	29/04/2009	421	1		
Selci Giancarlo	Managing Director	29/04/2009	375	1		
Parpajola Alessandra	Director	29/04/2009	163	3		
Sibani Leone	Board member*	29/04/2009	36			
Garattoni Giampaolo	Board member*	29/04/2009	24			
Giordano Salvatore	Board member*	29/04/2009	23			
Porcellini Stefano	Board member	29/04/2009	60	1	28	154
TOTAL			**1.102**	**6**	**28**	**154**
Ciurlo Giovanni	Statutory auditor	29/04/2009	35			
Franzoni Adriano	Statutory auditor	29/04/2009	18			
Sanchioni Claudio	Statutory auditor	29/04/2009	18			
TOTALE			**71**			

* Independent directors.

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

Pesaro, 16/03/2009

IChairman of the Board of Directors
Roberto Selci

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

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

- the pertinence in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the consoliudated financial statements during the 2008 financial year.

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

3. In addition they testify that the financial statements to 31 December 2008:
a) correspond to the results of the accounting books and records;
b) are prepared in conformity with the international accounting principles issued by the International Accounting Standards Board, adopted by the European Commission according to the procedures provided for by art. 6 of Resolution (CE) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and in accordance with art 9 of Decree Law no 38/2005, according to which it is required to provide a true and correct representation of the capital, financial and economic situation of the issuer and of the group of entities included in the consolidation.

Pesaro 16 march 2009

Chairman and Managing Director
Roberto Selci

Chief Financial Officer
Stefano Porcellini

Deloitte.

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AUDITORS' REPORT
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the Shareholders of
BIESSE S.p.A.

1. We have audited the consolidated financial statements of BIESSE S.p.A. and subsidiaries (the "BIESSE Group"), which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Directors of BIESSE S.p.A. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 10, 2008.

3. In our opinion, the consolidated financial statements present fairly the financial position of the BIESSE Group as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of BIESSE S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree n. 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of the BIESSE Group as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 8, 2009

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

Progetto grafico **bloom**comunicazione

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