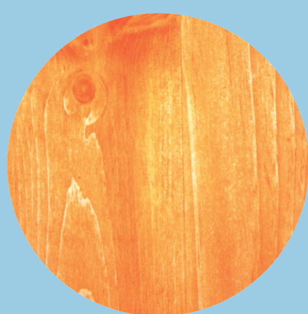
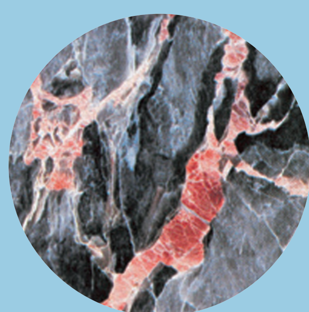
2006
ANNUAL REPORT

BIESSE





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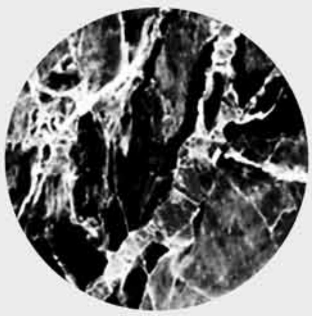


CONTENTS

BIESSE S.p.A.

CONSOLIDATED BALANCE SHEET
FOR YEAR ENDING DECEMBER 31, 2006

Biesse Group

Group Company activities and trademarks

The Biesse Group's core business includes production, marketing and customer services for wood, glass and marble machines and systems. Production operations are concentrated in Italy.

Marketing and customer assistance are organised both through the actual presence of Group companies in the territory as well as through an exclusive network of importers, distributors and agents. The group is also active in other areas, including the precision machining as well as the production of mechanical, electrical, electronic and pneumodynamic components for industrial uses.

> Sky view of the Biesse Headquarters - Pesaro

BIESSE

CNC machines and systems dedicated to panel processing, windows and doors manufacturing;
CNC machining centres for milling, boring and edge banding;
CNC routers

BIESSEEDGE

Edge banding machinery and systems

BIESSESAND

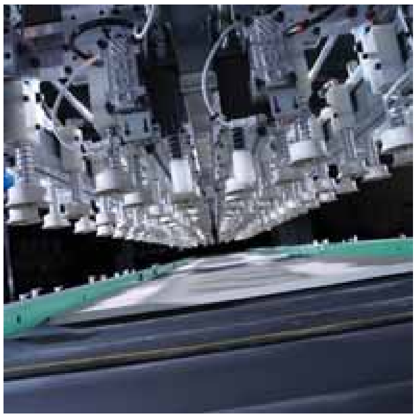
Calibrating and sanding machines

COMIL

Machinery and systems for furniture assembly and packaging

RBO

Handling systems for automated lines in the furniture industry



SELCO

Panel saw machinery and systems

ARTECH

Automatic and manual single sided edge banding machines; manual edge trimming machines, manual boring machines; automatic sanding and calibrating machines; vertical panel saw

Bre.Ma.

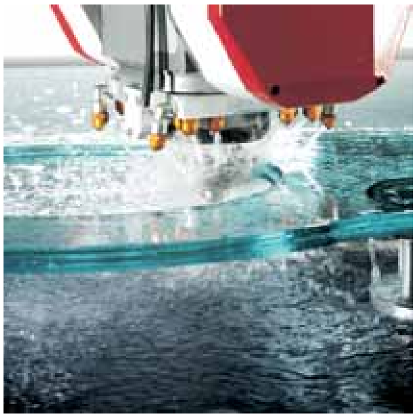
CN Machine for boring, milling, routing and hardware insertion

BIESSE SYSTEMS

Design and consulting services for furniture industry systems

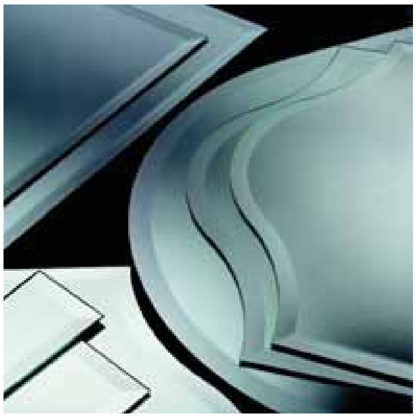
INTERMAC

Machines and systems for glass and natural/synthetic stone processing



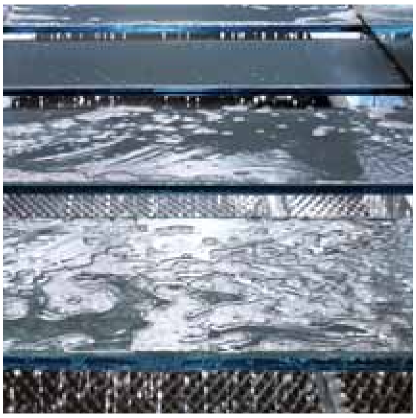
GIEFFE INTERMAC

Semiautomatic machines for glass processing



BUSETTI
INTERMAC

Machines and systems for glass drilling and grinding



diamut

Tools for glass and natural/synthetic stone processing

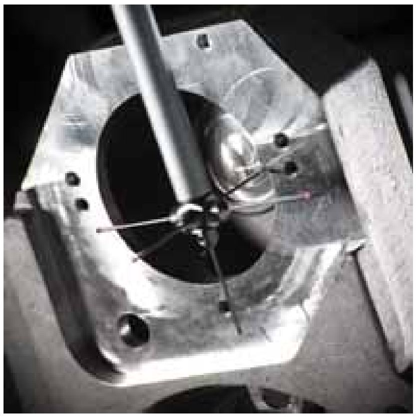
HSD

Mechanical and electronic components for industrial applications

COSMEC

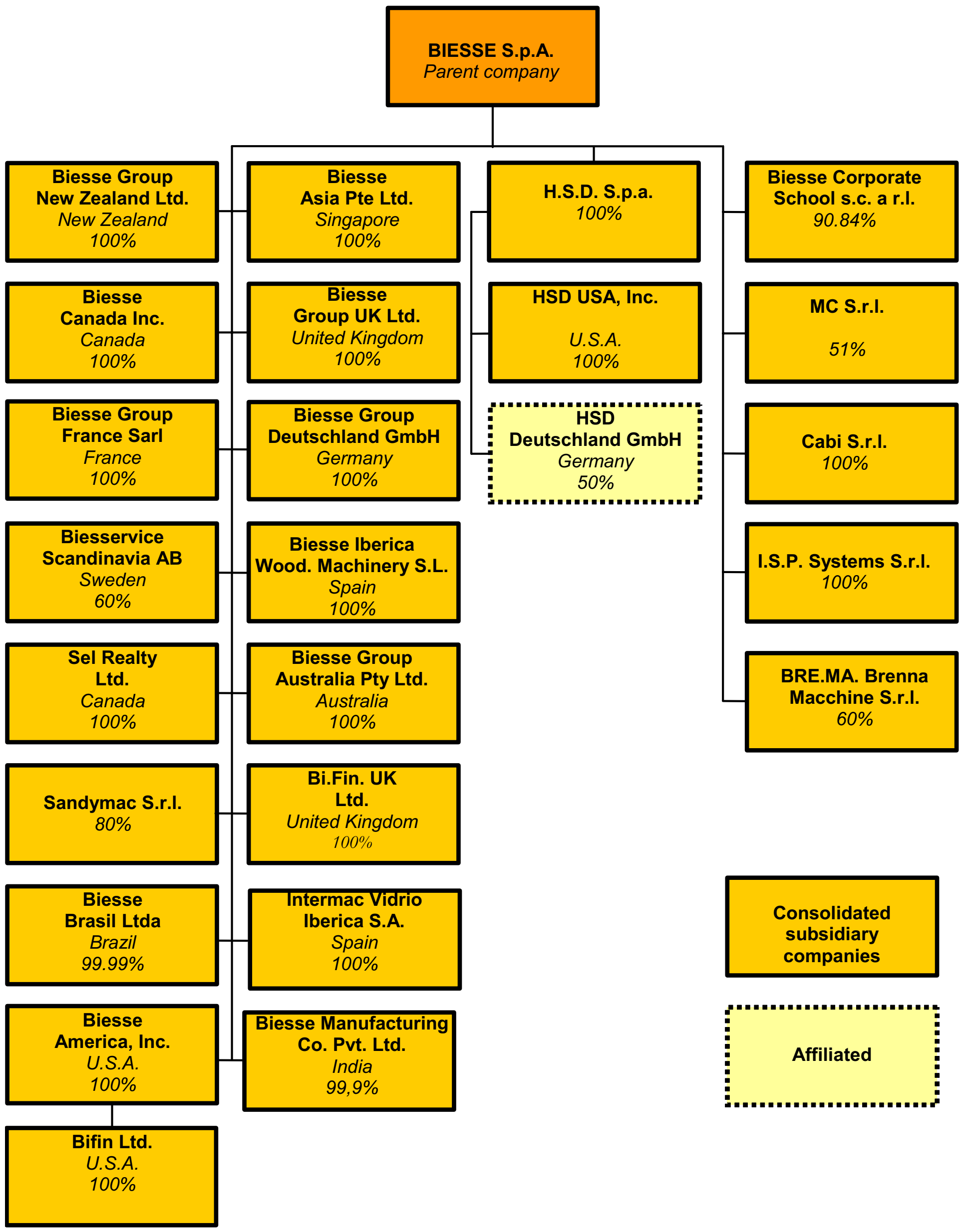
COSTRUZIONI MECCANICHE DI PRECISIONE

High precision machining for mechanical components



GROUP STRUCTURE

The companies belonging to the Biesse Group and included in the consolidation area are the following:



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

With respect to the most recently approved financial statements, the scope of consolidation has changed as a result of the inclusion of:

- Biesse Manufacturing Co. Pvt. Ltd.
- I.S.P. Systems Srl
- Bre.Ma. Brenna Macchine Srl

The company Biesse Manufacturing Co. Pvt. Ltd. was founded in February 2006, with a registered office in Bangalore – India for the purposes of sourcing / production of mechanical components as well as the production of entry level band machinery.

The company I.S.P. Systems Srl, - previously affiliated of the Group by means of a shareholding equal to 25.93% - operating in the area of special project research and development as well as the assembly of sub-groups that are intended for the factories of the Group. In June 2006, the shareholders (Bi.fin. S.r.l. - which held a majority share and Biesse S.p.A.) covered the losses until the end of April 2006; at the same date, the share capital was re-formed and was entirely paid up by the parent company Biesse S.p.A. following a waiver of options rights on the part of Bi.fin Srl. Biesse considered the ownership of this company to be of strategic importance, due to its know-how on projects already in production and under research.

The company Bre.Ma. Brenna Macchine Srl was subject to an acquisition on the part of Biesse S.p.A. for 60% of the share capital on August 1st, 2006. Bre.ma. has a registered office in Alzate Brianza (CO) and - as of 1976 - has been involved in the planning and manufacturing of boring machines with numerical control for machining operations.

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The investment in the affiliated company Hsd Deutschland GmbH is valued with the equity method.

Regarding the company Kernex Automation S.r.l., the minority shareholding and the receivables have been written down due to the declaration of bankruptcy of the company in October 2006.

COMPANY BODIES

Board of Directors

President and Managing Director	Roberto Selci
Managing Director[1]	Giancarlo Selci
Director	Alessandra Parpajola
Director	Stefano Porcellini
Independent director	Leone Sibani
Independent director	Giampaolo Garattoni
Independent director	Salvatore Giordano

Board of Statutory Auditors

Chairman	Giovanni Ciurlo
Statutory auditor	Adriano Franzoni
Statutory auditor	Claudio Sanchioni

External auditing company

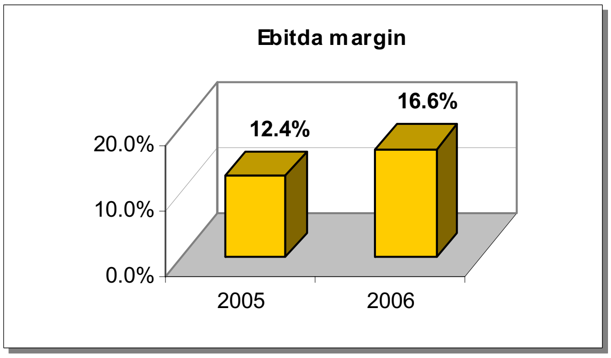
Deloitte & Touche S.p.A.

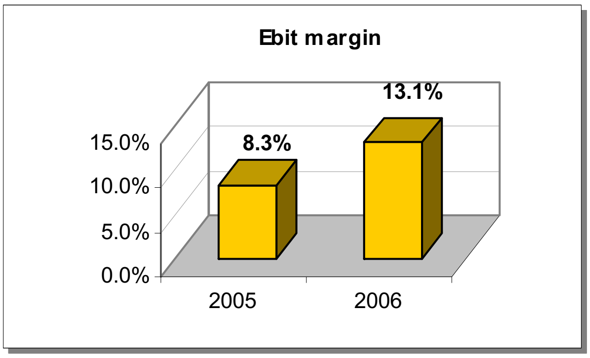
[1] With an exclusive proxy for the strategic planning and co-ordination of the Group

FINANCIAL HIGHLIGHTS

Economic data

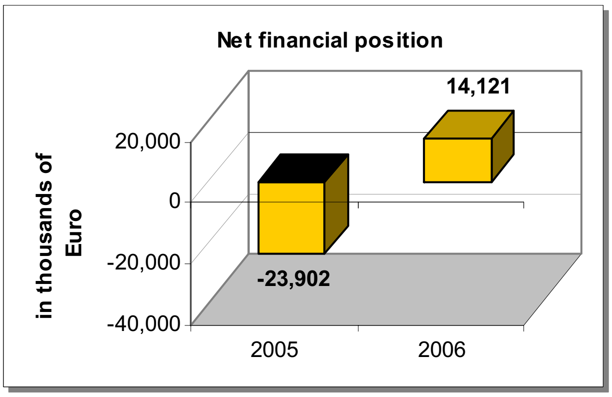
Thousand of Euro	31 December 2006	31 December 2005
Revenues from sales and services	396,733	335,011
Ebitda (Gross operating margin)[(1)]	65,780	41,436
Ebit (Operating result)[(1)]	52,021	27,783
Group result for the year	32,257	16,055

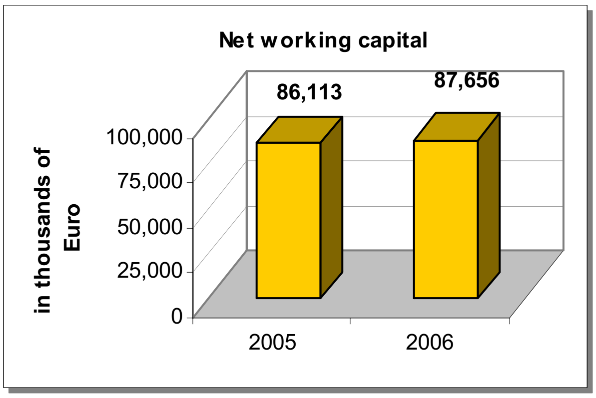




Balance Sheet Figures

Thousands of Euro	31 December 2006	31 December 2005
Invested capital (Shareholders' equity – Net financial position)	120,422	129,538
Shareholders' equity	134,543	105,636
Net financial position [(1)]	14,121	(23,902)
Net working capital (Inventories+ Trade receivables–Trade payables)	87,656	86,113
Gearing (NFP/Equity)	0.10	(0.23)
Assets coverage (Equity/Net assets)	1.52	1.25
Financial leverage (Payables/Equity)	1.60	1.86

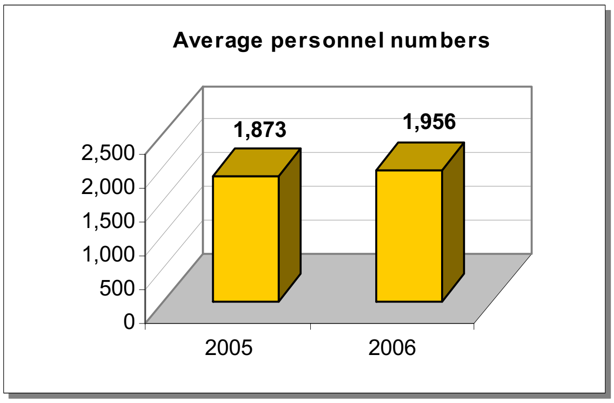


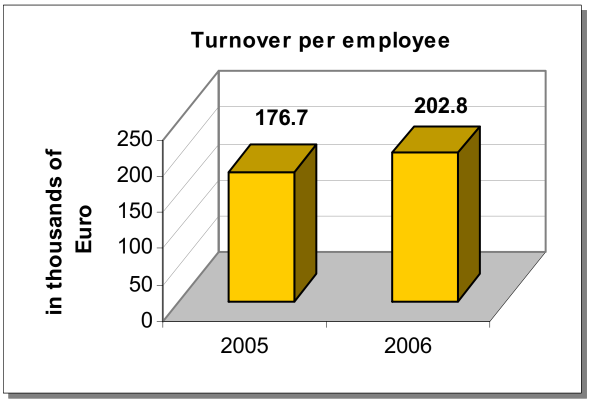


(1) Measures referred to intermediate levels of result and to assets and financial statements, whose determination criterion are explained in the Management Report and in the explanatory notes.

Structural data

	31 December 2006	31 December 2005
Average personnel numbers	1,956	1,873

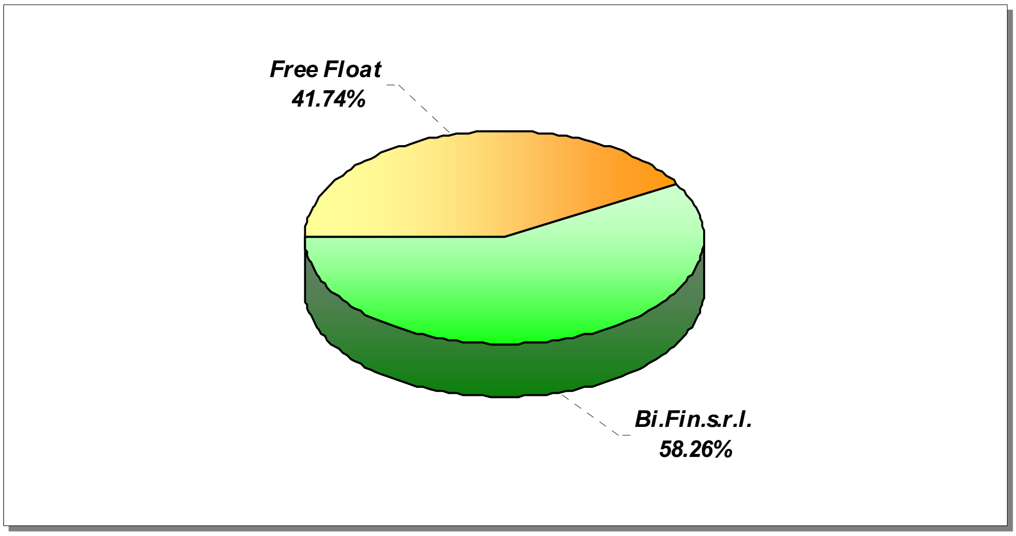




BIESSE ON THE STOCK EXCHANGE

Trend for security as at 27.03.2007

Share Structure as at 27.03.2007



MANAGEMENT REPORT

MANAGEMENT REPORT

GENERAL ECONOMIC CONTEXT

In the year 2006, the global economy reported generalised growth which also extended - to a more significant degree compared to the previous year - to the more mature macroeconomic areas; in particular, Italy as well as central and northern Europe reported a GDP growth of circa 2%. These figures seem to be realistically forecastable even for the year 2007. At the same time, the data relative to *capital equipment* investments continue to report record growth rates compared to previous years and are returning to the levels reported at the end of the 1990's.

In the last part of the year and in the first months of 2007, oil and raw material prices then tended to stabilise after the peak values attained in June 2006. The exchange rate between the dollar and the Euro must be monitored since - if it does not settle at the *"top"* value of 1.33-1.35 - it could result in a weakening of global demand even though - as of the date of this report - no negative impact has been noted with regards to the inflow of orders; the latter remains strong at the global level without exception.

BUSINESS AREA

In accordance with the pre-finalized statements distributed by Acimall in January 2007 - the national trade association for the sector of woodworking machines - 2006 data appear to be very positive, thereby marking a definitive and full recovery of Italian woodworking machinery and technology; total revenues will be close to 1.8 billion Euro with exports just below 1.5 billion Euro, a figure that is very close to the record of 2000.

<< The last twelve months have witnessed a further expansion of the Italian market with an increase in sales of our producers equal to 18%, an increase in imports equal to 12% and apparent consumption growing by 16%>>.

<< Greater caution should be reserved for the year 2007. According to the data provided by the Acimall Data Offices - and on the basis of daily contacts with affiliated companies - it is possible to forecast another period of growth although not to the extent of the percentage figures reported in 2006. The forecast is that the growth rate will be equal to circa 5% although actual trends in the many markets in which the Italian producers operate could cause significant variations in this figure.>>.

ANNUAL REPORT

Summary of economic data

Income statement as of December 31st, 2006

In thousands of Euro	**31 December 2006**	**%**	**31 December 2005**	**%**	**Δ %**
Revenues from sales and services	**396,733**	**100.0%**	**335,011**	**100.0%**	**18.4%**
Variation of stocks of products being manufactured, semifinished and finished	7,998	2.0%	(1,837)	(0.5)%	n/a
Other operating income	6,379	1.6%	5,439	1.6%	17.3%
Value of production	**411,110**	**103.6%**	**338,613**	**101.1%**	**21.4%**
Raw materials, ancillary materials and consumables	(173,424)	(43.7)%	(144,807)	(43.2)%	19.8%
Other operating expenses	(82,715)	(20.8)%	(70,005)	(20.9)%	18.2%
Added value	**154,971**	**39.1%**	**123,801**	**37.0%**	**25.2%**
Personnel expenses	(89,191)	(22.5)%	(82,365)	(24.6)%	8.3%
Gross operating margin	**65,780**	**16.6%**	**41,436**	**12.4%**	**58.8%**
Depreciation	(11,052)	(2.8)%	(10,889)	(3.3)%	1.5%
Provisions	(2,707)	(0.7)%	(2,764)	(0.8)%	(2.1)%
Operating result	**52,021**	**13.1%**	**27,783**	**8.3%**	**87.2%**
Financial income and expenses	(1,804)	(0.5)%	(2,787)	(0.8)%	(35.3)%
Revenues and expenses on currency exchanges	1,141	0.3%	(714)	(0.2)%	n/a
Share of profit/loss of affiliated companies	(230)	(0.1)%	(279)	(0.1)%	(17.6)%
Pre-tax income	**51,128**	**12.9%**	**24,003**	**7.2%**	**113.0%**
Taxes for the period	(18,871)	(4.8)%	(7,949)	(2.4)%	137.4%
Result for the year	**32,257**	**8.1%**	**16,054**	**4.8%**	**100.9%**

The introduction of new products, the widespread commercial network and the energy dedicated to the improvement of productive efficiency have resulted in a significant increase in revenues for the year 2006 as well as a significant recovery in terms of profitability, thereby generating strong cash inflows.

The revenue growth has definitely contributed - as an operational leverage - to the creation of more balanced cost structures in a market where the generalised strong demand has then lessened the pressure on profit margins since the main *players* of the sector have created less leveraging through discounting. Innovation activities relative to the product and the simultaneous rationalisation of product ranges and industrialisation of existing ranges have further contributed to widening the gap between total revenues and cost of sales.

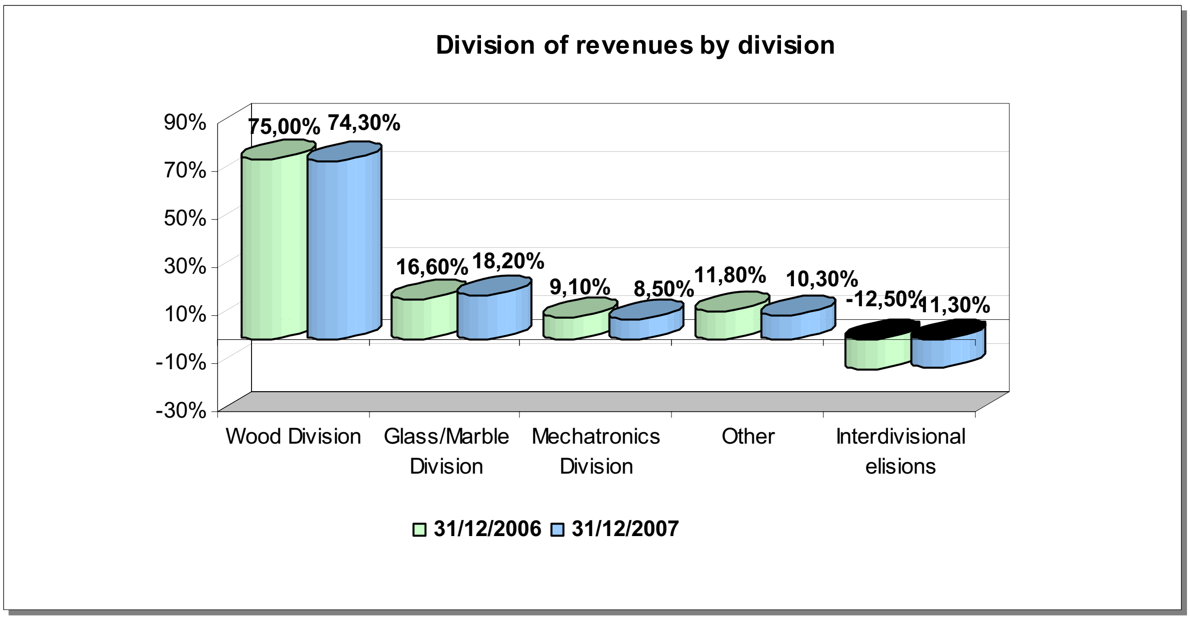
Net revenues in 2006 were equal to € 396,733 thousand compared to the € 335,011 thousand of December 31st, 2005, an 18.4% growth compared to the previous year.

The revenues of the recently acquired subsidiary Bre.Ma. Brenna Macchine S.r.l. - consolidated in August 1st, 2006 - which were equal to € 6,963 thousand also contributed to this result, thereby resulting in a 1.76% increase for the Wood Division of the Group.

The increase in revenues is generalised for all divisions; the Mechatronics division reported a particularly positive performance (+ 28.1%) after two years of stability. With regards to the geographical distribution of sales - details of which are given in the following segment information tables - in the year 2006 it is evident that the trend of the incoming orders has moved away from emerging markets and is now tending towards Western Europe; this has happened mainly due to the return of technology investments, and the replacement of the equipment in central and northern Europe and in Italy after years of inactivity. Finally, note should be made of the excellent results in North America (+ 29.9%) as a result of the performances of the subsidiaries Biesse America, Biesse Canada and HSD Usa.

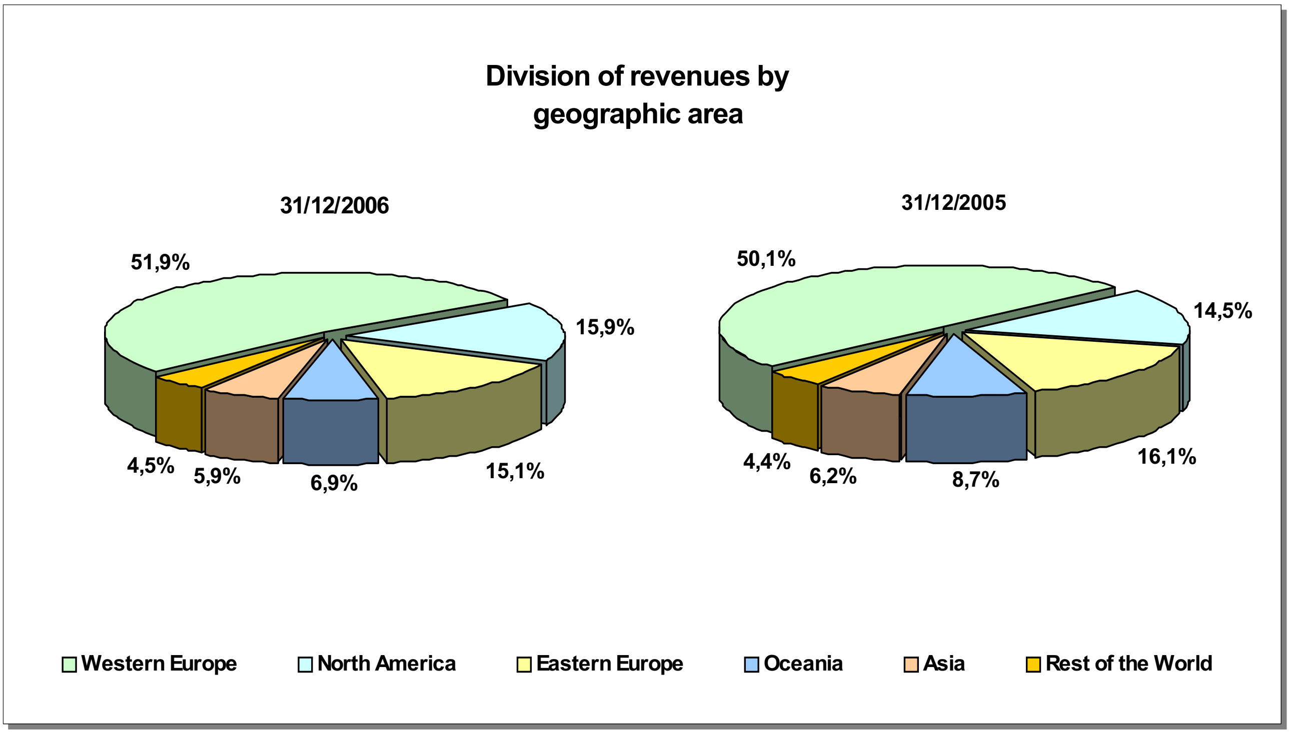
Segment information – Division of revenues by division

In thousands of Euro	31 December 2006	%	31 December 2005	%	Δ %
Wood Division	297,439	75.0%	249,152	74.3%	19.4%
Glass/Marble Division	65,958	16.6%	60,886	18.2%	8.3%
Mechatronics Division	36,295	9.1%	28,335	8.5%	28.1%
Other	46,638	11.8%	34,438	10.3%	35.4%
Interdivisional elisions	(49,597)	(12.5)%	(37,800)	(11.3)%	31.2%
Total	**396,733**	**100.0%**	**335,011**	**100.0%**	**18.4%**



Segment information – Division of revenues by geographic area

Geographic area *In thousands of Euro*	**31 December 2006**	**Weight %**	**31 December 2005**	**Weight %**	**Δ %**
Western Europe	205,761	51.9%	168,003	50.1%	22.5%
North America	62,917	15.8%	48,450	14.5%	29.9%
Eastern Europe	59,817	15.1%	53,826	16.1%	11.1%
Oceania	27,228	6.8%	29,020	8.7%	(6.2)%
Asia	23,300	5.9%	20,813	6.2%	11.9%
Rest of World	17,710	4.5%	14,899	4.4%	18.9%
Group Total	**396,733**	**100.0%**	**335,011**	**100.0%**	**18.4%**



Net revenues as of December 31st, 2006 were equal to € 411,110 thousand compared to the € 338,613 thousand of December 31st, 2005, a 21.4% growth compared to the previous year. Warehouse variations in works in process and finished products totalled € 7,998 thousand compared to a decrease of € 1,837 reported at the end of the year 2005; this growth in stock was necessary in order to cover increased demand and mostly includes finished products which are already subject to confirmed orders on the part of the final user and which will be delivered /installed in the first months of 2007.

Even in light of the cited - and this year, particularly relevant - warehouse variation and in order to more accurately understand Group margins, details on the percentage incidence of costs on total revenues (as opposed to net revenues) are reported below.

In thousands of Euro	**31 December 2006**	**%**	**31 December 2005**	**%**
Value of production	**411,110**	**100.00%**	**338,613**	**100.00%**
Consumption of raw materials and goods	(173,424)	(42.18)%	(144,807)	(42.76)%
Services	(70,252)	(17.09)%	(59,787)	(17.66)%
Leases and rentals	(5,408)	(1.32)%	(5,298)	(1.56)%
Other operating expenses	(7,055)	(1.72)%	(4,920)	(1.45)%
Added value	**154,971**	**37.70%**	**123,801**	**36.56%**

Similarly to the trends of the previous years, the percentage incidence of the Added Value to Total Revenues grew by an annual 1.14% due to increased productivity and efficiency in our facilities as well as the industrialization of the product.

Personnel costs as of December 31st, 2006 were equal to € 89,191 thousand compared to the € 82,365 of December 31st, 2005 - with the percentage on net revenues decreasing from 24.6% of the previous year to 22.5%.

The gross operating margin as of December 31st, 2006 was equal to € 65,780 thousand, a 16.6% incidence on net revenues; this figure reported an increase of 58.8% compared to the previous year (€ 41,436 thousand).

Depreciation/amortization and allocations - totalling € 13,759 thousand - are essentially aligned, in terms of absolute value, over the two compared years: this is the result of the constant balancing between tangible depreciable assets (decreasing) and intangible amortizable assets (increasing) with regards to depreciation/amortization, while provisions for 2006 were again subject to a prudential policy with respect to credit risks and product warranties.

As a result, operating income - equal to € 27,783 thousand on December 31st, 2005 - reported a 2006 value of € 52,021 thousand with an incidence on net revenues that grew to 13.1% from the 8.3% of the previous year, thereby reporting an absolute growth value of more than 87%. With regards to the above, it should be noted that - on the basis of international accounting principles - adjustments were implemented with respect to the results of the subsidiary Bre.Ma in order to take into account the fair value valuation of inventory on the date of acquisition, thereby allocating the operating income of the period to goodwill.

With regards to financial management, it should be noted that the progressive zeroing of the debt exposure of the Group (for more details refer to the subsequent pages) has resulted in a reduction in financial charges with respect to banks and other financial institutions that totalled slightly less than one million Euro compared to the previous year.

As far as currency exchange risk management is concerned, proceeds equal to € 1,141 thousand were reported as of December 31st, 2006; these are mainly due to hedging operations relative to foreign currency revenue flows, in compliance with the Group policy concerning currency exchange risk management.

The share profit of affiliated companies essentially refers to the loss of the company ISP Systems S.r.l., before the abovementioned acquisition of 100% of the share capital in June 2006.

The pre-tax result is therefore positive for € 51,128 thousand (12.9 % on net revenues), an increase of 113% compared to the same period of 2005.

The balance of fiscal components is negative and equal to € 18,871 thousand - including € 15,388 thousand for current income taxes, € 5,504 thousand for IRAP (Italian regional business tax) and other similar local taxes - and net of active deferred taxes totalling € 1,902 thousand and tax refunds from previous years totalling € 119 thousand. In addition, provisions implemented for tax risks relative to official tax audit reports and assessments implemented in previous years and charged to Biesse S.p.A. and other companies of the Group should also be added.

These results in net income of € 32,257 thousand - double the amount compared to the net income of € 16,054 thousand in 2005.

Summary of Balance Sheet Figures

In thousands of Euro	**31 December 2006**	**31 December 2005**
Intangible assets	35,184	23,673
Tangible assets	49,702	59,572
Other non-current assets	10,428	9,100
Real estate investments	2,524	0
Non-current assets	***97,838***	***92,345***
Inventories	88,182	72,798
Sales receivables	113,153	96,987
Other receivables	14,263	8,437
Cash and cash equivalents	36,102	31,210
Current assets	***251,700***	***209,432***
TOTAL ASSETS	**349,538**	**301,777**
Group shareholders' equity	134,223	105,293
Minority interests	320	343
Total equity	***134,543***	***105,636***
Non current bank loans and obligations under finance leases	8,859	31,296
Retirement benefit obligations	15,929	15,090
Other payables	9,899	9,772
Non-current liabilities	***34,687***	***56,158***
Trade payables	113,679	83,672
Other payables	53,507	32,495
Current bank loans and obligations under finance Leases	13,122	23,816
Current liabilities	***180,308***	***139,983***
TOTAL EQUITY AND LIABILITIES	**349,538**	**301,777**

Intangible fixed assets were primarily affected by the acquisition of Bre.Ma. Brenna Macchine Srl, whose consolidation resulted in the registration of more intangibles which refer to the trademark, technology and goodwill and total circa € 9.4 million. It should be noted that - as a result of the more recent interpretations relative to the application of accounting principle IFRS 3, goodwill will not only include the share which was effectively acquired but also the share referring to minorities in light of the put option which was granted to the founding shareholders of Bre.Ma on the residual 40% of their shareholding.

Tangible fixed assets decreased as a result of the combined effect of the transfer of the property of San Giovanni in Marignano and the trend in recent years relative to decreased investments in new assets compared to historical values.

With regards to net working capital, the latter reported changes which were in line with the significant growth of orders and revenues for the period although the final balance essentially remained in a condition of equilibrium.

Net financial position

In thousands of Euro	**31 December 2006**	**30 September 2006**	**30 June 2006**	**31 December 2005**
Short term investments:	36,102	23,592	38,672	31,210
- Cash and cash equivalents	*36,052*	*23,529*	*38,609*	*31,210*
- Receivables from others within 12 months (immediately payable)	*50*	*63*	*63*	*0*
Short-term receivables for financial leases	(2,336)	(6,027)	(3,079)	(3,266)
Short-term bank receivables and other financial receivables	(10,786)	(14,444)	(17,685)	(20,550)
Short term net financial position	**22,980**	**3,121**	**17,908**	**7,394**
Medium/long term receivables for financial leases	(8,217)	(9,240)	(12,546)	(13,942)
Medium-long term payables to banks	(642)	(686)	(7,129)	(17,354)
Medium/long term net financial position	**(8,859)**	**(9,926)**	**(19,675)**	**(31,296)**
Net financial position	**14,121**	**(6,805)**	**(1,767)**	**(23,902)**

The net financial position reported a positive value equal to more than € 14 million, a recovery of circa € 38 million in 12 months resulting from a positive streak initiated in the year 2004, after the distribution of dividends for a total of € 9,861 thousand Euro at the two due dates of May and December 2006.

CORPORATE GOVERNANCE

The corporate governance system of Biesse is essentially in compliance with the principles contained within the Self-Regulation Code: these principles, in fact, serve as the central pillars of corporate policy in relation to governance issues; they contribute towards:

- clarifying the roles, responsibilities and significant parameters of corporate operations;
- improving transparency of financial communications with respect to the market;
- improving the transparency and correctness of operations implemented by correlated parties and relevant entities as well within intragroup relations ;
- improving internal auditing systems;
- increasing the protection and trust of stakeholders;
- maximizing value for shareholders and other stakeholders.

The primary corporate governance documents of Biesse are as follows:

- Articles of Association
- Assembly Regulations
- Internal Dealing Code
- Market Abuse Regulations
- Ethics Code in compliance with Legislative Decree no. 231 of December 8th, 2001.

In order to promote broader knowledge of the governance model adopted by the Company on the part of the market, the documents listed above are available on line (in Italian and English) on the website www.biesse.it.

Ownership structure

The capital stock is made up exclusively of ordinary fully paid shares and assisted by voting rights in ordinary and extraordinary shareholder's meetings. In particular the capital stock amounts to Euro 27,393,042 divided into No. 27,393,042 shares with a nominal value of 1 Euro each.

As of December 31st, 2006 the shareholders holding more than 2% of the underwritten share capital- and represented by shares with voting rights, in accordance with the information set down in the register of shareholders and supplemented by notifications received and by other available information - are as follows:

Bi.Fin S.r.l.	58.263%
Financière de l'Echiquier (F) SA	5,004%
JPMorgan Asset Management (UK) Ltd	2,031%
AIM Advisor (USA) Inc.	2,001%

As regards the Company there are no inter-company agreements between shareholders.

Board of Directors

Its role and composition

The Board of Directors is the central body of the corporate governance system of the Company and is responsible for defining, applying and updating the corporate governance rules in compliance with currently effective regulations in addition developing strategy and implementing the high level management of the Company and the Group (the latter being Biesse and the companies subject to its control, in accordance with the definition provided by Article 2359 of the Italian Civil Code).

The directors act and deliberate in order to pursue the primary objective relative to creating shareholder value while defining the strategies and policies of Biesse S.p.A. and the Group.
As per Art. 16 of the Articles of Association, the Biesse Board of Directors can be composed of a variable number of Directors - from a minimum of two to a maximum of fifteen members who do not have to be partners, in accordance with the decisions of the shareholders meeting. The Board which is currently holding office - following the resolution of the Shareholders' Meeting of December 14th, 2006 - is composed of seven members whose mandate expires on the date of the Shareholders' Meeting for the approval of the financial statements of December 31st, 2008.
The Board includes four executive directors:

- Roberto Selci, Chairman and Managing Director
- Giancarlo Selci, Managing Director [1]
- Alessandra Parpajola
- Stefano Porcellini (appointed dating the Board meeting of 13/11/2006)

Three directors are non-executive and independent, in compliance with the Self-Regulations Code:

- Innocenzo Cipolletta - Independent (resigned on 4/10/2006)
- Leone Sibani - Independent
- Giampaolo Garattoni - Independent
- Salvatore Giordano - Independent (appointed dating the Board meeting of 14/12/2006)

The directors listed above are independent - in accordance with the provisions of the Code - given that:

a) they do not control - directly or indirectly or through subsidiaries, trust corporations or third parties - the issuing entity and they are not capable of exercising a significant influence on the latter nor are they party to shareholder agreements through which one or more parties may exercise control or significant influence on the issuing entity ;
b) they did not hold significant positions over the last three years in the issuing entity, or in a subsidiary of the latter retaining strategic importance or in a company subject to joint control with the issuing entity or in a company or entity which - in conjunction with other parties by means of a shareholder agreement - controls the issuing entity or is capable of exercising a significant level of influence on the latter.;
c) they currently do not nor have had a - direct or indirect - significant commercial, financial or professional relations in the previous year:
    - with the issuing entity or its subsidiary or with any parties holding significant positions in the latter;
    - with a party that - in conjunction with other parties by means of a shareholder agreement - controls the issuing party or, in the case of company or legal entity - with any parties holding significant positions in the latter; nor have they been employees of the these entities in the last three years;
d) they have not received nor are currently receiving - in the past three years - significant compensation from the issuing entity or from a subsidiary or parent company in addition to that received as a “fixed” compensation for the role of non-executive director of the issuing party, including any participation in incentive plans linked to company performance, even if stock based;
e) they have not been directors of the issuing entity for more than nine years in the last ten years;
f) they do not hold the title of executive directors in another company in which the executive director of the issuing entity holds the title of director;
g) they are not shareholders or directors in a company or entity which belongs to the network of the external auditing company of the issuing entity;

[1] With a proxy for the strategic management and co-ordination of the Group and with the explicit exclusion of all and any form of legal representation or active administration

h) they are not close relatives of an individual to whom one of the above conditions may be applicable.

The existence of the prerequisites of the directors in order to be qualified as independent is periodically evaluated by the Board of Directors.

The responsibilities of the administrators in other companies quoted on controlled markets, including abroad, in finance companies, banks, insurance or large companies, are listed below:

In particular, Innocenzo Cipolletta (resigned on 4/10/2006) holds the office of:

- Chairman of UBS Corporate Finance Italy
- Member of the Board of Directors of UBS Giubergia SIM
- Member of the Board of Directors of Ericsson Italia Spa, a company quoted on the Milan Stock Exchange
- Chairman of Il Sole 24 ore, a publishing company not quoted though operating in the field of economic information, and as a result in a sensitive sector.
- Member of the Board of Directors of Indesit (ex-Merloni) a quoted company

In particular, Leone Sibani holds the office of:

- Chairman, SanPaolo IMI Fondi Chiusi SGR
- Director, SanPaolo IMI Investimenti per lo Sviluppo SGR
- Director, SanPaolo IMI Internazionale
- Director, SanPaolo BANCA dell' Adriatico
- Chairman of Neos Banca

Giampaolo Garattoni does not hold any of the specified offices.

Salvatore Giordano does not hold any of the specified offices.

The Board - taking note of the fact that international *best practice* recommends avoiding a concentration of offices held by a single person without adequate counterbalancing of powers, and having noted that in the case of Biesse this concentration (the Chairman is also the Managing Director) is due to organizational requirements - has created the office of Lead Independent Director in order to completely comply with the principles of the Code; Mr. Leone Sibani was appointed for this office. Non-executive directors report to the *Lead Independent Director* in order to contribute to the activities and functioning of the Board.

In particular, the *Lead Independent Director* is entrusted with the following tasks:

- collaborating with the Chairman in order to guarantee complete and timely flows of information to the directors;
- convening - autonomously or upon the request of other directors - special meetings of only independent directors in order to discuss topics which are deemed of interest with respect to the functioning of the Board of Directors or the management of the Company.

<u>Powers of the Board of Directors</u>

The Board of Directors is entrusted with full powers of ordinary and extraordinary administration with the option to carry out any activities it deems necessary and appropriate for reaching company aims, excluding activities that are reserved by law for the Shareholder's meeting.

The Board of Directors has been assigned a strategic and organizational role in addition to the responsibility of verifying the existence of controls that are required for monitoring the operations of the company and the Group.

In particular, the Board is required to:

- supervise general operations with particular attention given to situations of conflict of interest while taking into consideration the information received by executive directors and the Internal Auditing Committee and, in general, periodically comparing attained results with forecasted figures;

- review and approve the budget and the strategic, industrial and financial plans for the company and the Group;
- evaluate and approve the periodic statements required by currently effective regulations;
- examine and approve operations with significant economic and financial impact;
- verify the adequacy of the organizational, administrative and accounting structure of the Company and the Group;
- report to the Shareholders' Meeting;
- determine - by means of mandates granted to the independent director - which proposals to submit to the Shareholders' Meeting and the Board itself relative to the compensation allocated to individual Board Members.
- appoint and determine the salary of one or more General Managers who must implement the resolutions approved by the Board of Directors and - under the delegation of the latter - manage day-to-day administration, propose operations and exercise the permanent or temporary powers which are granted by the Board on a case by case or continual basis;
- assign and revoke proxies to CEOs, executive committee members and, if necessary, to one or more board members with regards to particular tasks;
- provide the Board of Statutory Auditors with reports about their activities and the main economic, financial and equity operations implemented by the company or its subsidiaries; in particular, it will report on operations with potential conflicts of interest. These reports are usually provided during the Board meeting on at least a quarterly basis;

The Board normally meets six times a year to approve the financial statements of the relative period based upon the requirements for remaining in the Star segment of the Italian stock exchange's telematic market.

With regards to Board meetings, members are provided in advance with the documents and information needed by the Board in order to discuss the issues examined.

The Chairman and Delegated Director

The Chairman of the Board of Directors was assigned - by means of the resolution of the Board of Directors of May 15th, 2006 - all powers of ordinary administration with the specification that the range of these ordinary powers must include relations with bank corporations and all powers related to the undersigning of financial declarations of any nature, human resources management, the purchasing or selling of automobiles or any instrumental assets included in the public registry, the underwriting and trading of exchanged stock issued in compliance with Law no. 1329 of November 28th, 1965 (the so called Sabatini Law), and signing leasing contracts. In addition, the Chairman retains powers of legal representation on behalf of the Company.

By means of the resolution approved on November 12th, 2003 - re-proposed and confirmed with the resolution of May 15th, 2006 - the delegated Director Mr. Giancarlo Selci was entrusted with the sole proxy relative to the determination of Group strategy as well as general co-ordination of the Group itself - with the explicit exclusion of any and all powers of legal representation and active administration.

By means of the resolution of May 15th, 2006, the director Ms. Alessandra Parpajola was entrusted with a proxy relative to the following: management of credit risks, the appointment and revocation of attorneys and proxies, representation of the Company in court with broad powers for the settlement and renunciation of disputes, the undersigning of settlements, the granting of postponements and extensions on payments, the undersigning of correspondence and transferring of bank checks, the implementation of wire transfers, the undersigning of tax returns and VAT statements, the undersigning of direct appeals to tax commissions, the recruitment and laying off of employees, the settlement of work disputes, the application of regulatory sanctions and the implementation of all that is required within the realm of the latter company sector.

By means of the resolution of December 14th, 2006, the director Mr. Stefano Porcellini was entrusted with a proxy relative to the following: (i) the supervision, control and administrative co-ordination of subsidiary and affiliated companies - (ii) supervision, control and administrative co-ordination relative to the drafting of the financial statements of the companies of the Group as well as the consolidated financial statements for the years 2006, 2007, 2008 with the right to appoint consultants and experts - - (iii) supervision, control and administrative co-ordination of extraordinary operations, particularly in reference to the acquisition of shareholdings - (iv) representation of Biesse Spa within its correspondence and during relations with customers and suppliers concerning administrative and legal elements, including the right to settle any potential disputes that may arise.

Appointment of Directors and Appointment Proposals Committee

Appointment of Directors

The appointment of directors is implemented in compliance with a transparent procedure that is designed to guarantee adequate and timely information on the *curriculum vitae* of the candidates. As provided for by Article 16 of the Articles of Association, the proposals for the appointment of Director - which include exhaustive information on the personal and professional characteristics of the candidates, including a specification of their potential suitability for the office of independent directors - are registered within the registered office at least ten days before the date of the Shareholders' Meeting.

In order to comply with the provisions of Law no. 262 of December 28th, 2005, Biesse is currently adjusting the articles of association by changing the modalities for the appointment of the directors by including the “list voting” mechanism within the articles of association. This change to the articles of association is already included within the report of the Board of Directors which was drafted in compliance with Attachment 3A of Consob Regulations no. 11971 of 1999 and which will be a topic in the agenda of the day during the first meeting of the extraordinary Shareholders' Meeting of April 30th, 2007 and during the second meeting on May 2nd, 2007. It should be noted that - as part of the implementation of the provisions of the Code - the lists will be registered within the registered office at least fifteen days before the date of the Shareholders' Meeting.

Appointment Proposals Committee

By means of the resolution approved on May 5th, 2003, the Board of Directors has unanimously decided to not proceed with the appointment of an Appointment Proposals Committee given the limited size of the administrative body itself. In light of the imminent introduction of the list voting mechanism, the transparency of the appointment procedure was deemed to be sufficiently transparent and the composition of the Board was assessed as sufficiently balanced.

Remuneration of Directors and Remuneration Committee

In order to attract, retain and motivate directors with the professional qualifications that are required to successfully manage Biesse - and in order to ensure that the interests of the executive directors are aligned with the attainment of the primary objective of creating shareholder value over a medium to long-term time period - a significant portion of the remuneration of executive directors and of the upper level executives of the Group is composed of remuneration that is linked to the attainment of economic results and / or pre-set individual objectives (the so-called *bonuses* or variable incentive systems)

On May 15th, 2003, the Board of Directors created an internal Remuneration Committee that is currently composed as follows:

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

The Committee is entrusted with the task of (i) presenting proposals to the Board relative to the remuneration of the delegated directors while monitoring the application of the decisions adopted by the Board itself; (ii) periodically evaluating the criteria adopted for the remuneration of executives with strategic responsibilities while monitoring their application and presenting general recommendations to the Board. The Committee meets at least twice a year and records the minutes of any decisions that are reached.

Internal auditing system

The Internal Auditing System of the Company - in accordance with more recent control governance policies - is the collection of rules, procedures and organizational structures that are designed to ensure - by means of an adequate process for the identification, measurement, management and monitoring of primary risks - the ethical and appropriate management of the company in accordance with pre-set objectives.

In particular, the system aims to guarantee:

- the efficiency and efficacy of corporate operations;
- the reliability of economic and financial information;
- compliance with laws and regulations;
- and, in general, the protection of corporate assets.

The Board is responsible for the internal auditing system and determines the policy of the latter in addition to verifying the adequacy and the effective functioning of the system - even by means of the Internal Auditing Committee; the Board also describes the system's essential elements within its corporate governance report.

Auditing system

In 2002, the Board initiated a large-scale analysis and valuation project relative to modalities for risk management with the objective of outlining an updated reference framework on the basis of which to formulate an appropriate risk management policy. This policy which was implemented and approved during the course of 2005 contains, in particular, a coherent system of guidelines and structured programs for the management of risk itself and provides for specific instructions relative to monitoring and improvement.

The Board has adopted a work methodology that is based on a “process” approach through a “sequential ” outline of

- identification
- Valuation
- Management
- Monitoring

relative to processes with risk profiles.

After selecting the processes in this manner, the scope of the analysis involved the administrative and accounting effects of the most important processes by identifying the most significant risk typologies; the following was implemented in relation to each of these typologies:

- control objectives were isolated;
- the proper area of responsibility was defined;
- specific guidelines for control policies were proposed.

A synthesis of the activities implemented during the course of the year 2006 on the part of the internal auditing manager in collaboration - for companies with registered offices in Italy - with Human Resources management is provided below.

- BRIEF ANALYSIS OF THE RESULTS OF INTERNAL AUDITING ACTIVITIES CARRIED OUT AT BIESSE SPA, HSD SPA AND OTHER ITALIAN COMPANIES IN THE GROUP

Utilised tool: Corporate Policy Document as well as inspections and field interviews.

- Activities of the administration and control area:
    - during the course of the first months of 2006, the integration of the office of the consolidated financial statements with the general accounting office was implemented and included the short and long-term objectives of redistributing the workloads amongst personnel, increasing and expanding the specialist know-how of the latter, increasing interchanges between staff members and eliminating risky bottlenecks within the procedures that are involved in the drafting of the financial statements of the primary companies of the Group - including the statutory consolidated financial statements.
    - research for improved efficiency and efficacy within the general accounting office by assigning the activities linked to human resources management (mobiles, company cards, highway payment cards, etc..) as well as those related to VAT (triangular trade) and customs paperwork to specific experts; another objective involves the reduction of risks related to wastes and errors.

- management control: creation of written and traceable procedures (saved in specific company servers) concerning the main implemented activities with the objective of reducing problems in the case of turnover (very elevated in recent months) and in the case of training of new personnel;
- management control, quality control system and company management: the creation of corporate instrument panels during the first months of 2006 which synthesise and provide information to the main company players in relation to qualitative and quantitative indicators of corporate trends in the production facilities and in the centralised functions.

- Active cycle: in the second half of 2006, the implementation of the new IT system, EBs Oracle, was initiated with an impact - at least initially - on many activities falling within the active company cycle: Product Configuration, Advanced Product Catalog, Dispatching of Customer Orders, Sales Force Automation (CRM).

- The activities relative to the definition and automated management of company organisational charts - and tasks within the companies of the Group - are being completed; the phase for the collection of competencies of each employee of the group has been initiated.

- Privacy: In compliance with Legislative Decree 196/03 of 2003, the Security Planning Document (SPD) of the Biesse Italia Group has been updated; it was drafted in 2004.

- BRIEF ANALYSIS OF THE RESULTS OF CONTROL ACTIVITIES CARRIED OUT IN BRANCHES OF THE BIESSE GROUP

Below is a list of the main verifications carried out and the results of some improvements being implemented:

- Branch procedures and Program for the unification of Biesse group branch activities

  - spare parts cycle: the spare parts warehouse control activities and slow moving reduction activities have continued.
  - active cycle and passive service: the works for the creation of procedures relative to the activities has led to the issue - in the month of April 2006 - of Revision no. 2 of the Service Manual of the Biesse Group which defines the procedures, rules and flows that should be implemented in the branch office area.
  - reporting: in the beginning of the year, uniform, identical and standardised reports - which may be used for both internal branch office management control (analysis of data and deviations) as well as for the communication of information to the parent company on a periodical basis - were distributed; this allows the branch managers of the parent company to find the same reports and variation analyses - drafted with the same logic - within the branch offices themselves.

Compliance project relative to law no.231/2001

Decree no. 231 of June 8th, 2001 has introduced a new criminal liability profile for companies within our legal code. Biesse has initiated a project - as of February 2007 and whose first phase was completed at the time of the approval of the 2006 financial statements - for the purposes of:

- mapping areas that are potentially exposed to risk;
- creating an organisational and managerial model that is suitable for identifying and preventing crimes of this nature;
- establishing a supervisory body with autonomous powers to initiate control activities and to whom the tasks of supervising over the functioning, compliance and updating of models would be entrusted;
- adopting and extending the company Code of Conduct to all the legal entities of the Group;

Compliance project relative to law no. 262/2005

Biesse - even in light of creating shareholder value given that it believes that it is essential to operate in this manner through an increase of controls relative to the information provided to shareholders - has acted rapidly in order to ensure timely *compliance* with the provisions of the previously cited law no. 262/2005. In particular - and for the purposes of protecting shareholder and *stakeholders* in general - Biesse is implementing procedures which guarantee the truthfulness, correctness and transparency of the data by means of (i) preliminary “scoping” activities aimed at identifying significant classes of transactions as well as transactions that would not be considered *routine* and accounting estimates that would be included within the overall analysis relative to the correlated significant accounts of the consolidated financial statements. These activities would be implemented on the basis of qualitative and quantitative criteria (e.g. materiality, inherent risk, etc..) (ii) risk assessment activities whose objective is to ensure that the processes and sub processes identified in the *scoping* phase are not invalidated by irregularities, errors or omissions - and which were not detected by the internal auditing system or more generally by the *“Corporate Governance”* system; (iii) the potential implementation of new control procedures that are designed to prevent the risks outlined in the preceding point; (iv) planning, programming and implementation activities relative to a cycle of tests on the whole internal auditing system in order to verify the latter's relevance and efficacy as well as the preparation of a *Remediation Plan* for the purposes of completely covering the auditing objectives defined in the *scoping* phase.

Internal Audit Committee

The Board of Directors has appointed an Internal Auditing Committee which is currently composed of three independent, non-executive directors, in compliance with the Code:

- Innocenzo Cipolletta (replaced on 14/12/2007 by Salvatore Giordano) – Independent Director
- Leone Sibani – Independent Director
- Giampaolo Garattoni – Independent Director

The Committee is entrusted with the task of:

1) assessing - in conjunction with the auditors - the correct utilisation of accounting principles as well as their homogeneity during the drafting of the consolidated financial statements;
2) evaluating the proposals formulated by the auditing company in order for the latter to be entrusted with the relative task as well as the auditing work table and the results outlined in the report and in a potential letter with suggestions;
3) supervising over the efficacy of the auditing process;
4) examining the work table prepared by the internal auditing manager;
5) reporting to the Board in relation to implemented activities and the adequacy of the internal auditing system.

In 2006, the Committee regularly established the Internal Auditing function which is currently and *temporarily* implemented by the head of management control of the Group; however, in compliance with the Self-Regulation Code, a completely dedicated and independent Internal Auditing function is being activated. This function will be subordinate to the Auditing Committee and therefore no longer subordinate to the Administration, Finance and Auditing department.
In 2006, the reporting party for internal auditing was identified as the Chairman of the Board of Directors.

Operations with associated parties

During operations with correlated parties - as the latter are defined by law (in particular, Article 2391 *bis* of the Italian Civil Code) and by regulations - the Company complies with the principles of transparency as well as respect for criteria of substantive and procedural ethics.
These are subject to approval on the part of the Board of Directors which may - if required by the characteristics and valuation of the operations - utilise independent experts.
Any directors who retain even indirect interest in these operations must:

- inform the Board of Directors in a timely and thorough manner of the existence of said interest and on the circumstances thereof, regardless of whether or not there is a state of conflict;
- not take part in the discussion and must abstain from voting.

Handling of reserved information

In accordance with the Code, the directors and the auditors are required to maintain confidentiality with respect to the documentation and information that is acquired during the implementation of their tasks while respecting the procedures adopted by the Company for the purposes of internal management and external communication of this documentation and information.

Internal regulations for the management of confidential information and the creation of a registry of staff with access

External communication of documentation and information relative to the Company and /or the Group - particularly with regards to so-called “*price sensitive*” information - is regulated by a procedure which was approved by the Board of Directors during its meeting on February 14th, 2006. These regulations ensure the completeness, truthfulness, clarity,

transparency, timeliness, continuity and maximum distribution of this information concerning the Company and its subsidiaries in addition to ensuring compliance with primary and secondary regulations in force.
Timeliness as well as an assessment on the relevance of information for the purposes of public disclosure is delegated to the Chief Financial Officer (CFO) who utilises the *Investor Relations* function in order to co-ordinate external communications and delegates the following tasks to the latter: (i) ensuring compliance with regulations; (ii) assisting the Board of Directors as well as the other collective bodies and the managers of organisational functions or units for the purposes of properly complying with obligations relative to informational disclosure to the market and to Consob and the Italian stock exchange, thereby also ensuring the circulation of general regulatory and instructional material that is issued by the Supervisory Authorities of the Market and the Italian Stock Exchange; (iii) co-ordination with the Marketing and Communications Division in order to ensure that public disclosure of confidential and relevant information and the marketing activities of the Company do not lead to misleading disclosures; (iv) ensuring that communication to the public occurs in the most synchronised possible manner with respect to all categories of investors and all potential Member states in which the Company has requested or received approval on the trading of its financial instruments within a regulated market.

Code of Conduct for Internal Dealing

On March 27th, 2006, the Board of Directors adopted internal regulations with respect to *Internal Dealing*; these regulations regulate the flows of information on the part of parties affected by Article 114, paragraph 7, of the Unified Text on Finance as well as by those parties which are identified as “relevant” for the Company, Consob and the Market by the regulations themselves. The regulations will be applied to operations as of April 1st, 2006.
The new regulation of *Internal Dealing* is therefore directly applicable to operations relative to the acquisition, sale, underwriting and exchange of shares issued by Biesse or financial instruments which are linked to the latter and implemented by “relevant parties” or by closely affiliated parties of the latter. This last category includes shareholders owning at least 10% of the share capital of the Company as well as the Directors and statutory Auditors of Biesse itself and any parties holding managerial offices or managers with regular access to confidential information or those with the power to adopted managerial decisions that could affect the future development and growth of Biesse
Transparency obligations are applicable with respect to all of the abovementioned operations whose total annual counter value is at least 5,000 Euro - even if implemented by parties that are closely affiliated with the “relevant parties”.

Relations with institutional investors and shareholders

Manager for shareholder relations

Financial communication serves a primary role in Biesse for the creation of Group value: for this purpose, Biesse has adopted a strategy for supplying a constant and accurate flow of information between the financial community, the market and the Company. Biesse has always actively worked to create constant dialogue with institutional investors, shareholders and the market, in compliance with the procedures adopted for external communication of confidential documentation and information. For this purpose, the specific company function of *Investor Relations* was created; this function collaborates with the Board of Directors in order to guarantee the systematic disclosure of complete and timely information by means of press releases, meetings with the financial community and periodical updating of the *internet* site of the Company (www.biessegroup.com).
During the course of 2006, Biesse S.p.A. took part in all the compulsory events organised by Borsa Italiana (Milan and London STAR event) as well as independently creating numerous occasions to meet and compare notes with the Italian and international financial community.

The Internet site

In order to promote financial communication, the Board of Directors of Biesse works to ensure timely and facilitated access to information concerning the Company and which may be relevant to shareholders in order for the latter to exercise their rights. For this purpose, Biesse has deemed it opportune to create - within its Internet site - a dedicated area in which economic and financial information can be located (financial statements, quarterly and half-year reports) as well as data and documentation of interest for the shareholders. The documentation will remain available on the site for at least five years.

Assembly Regulations

As of 2001, the Company has equipped itself with assembly regulations which regulate the orderly and functional course of ordinary and extraordinary shareholder meetings (assemblies) thereby guaranteeing that each shareholder retains the right to participate in the agenda of the day.
It is possible to view these regulations within the relative section of the *internet* site.

Auditors

The Board of Statutory Auditors supervises over the compliance with the law and the articles of association and retains management control functions but not auditing functions; the latter are entrusted to an auditing company which is appointed by the Assembly and selected from those registered in the list held by Consob.

The Articles of Association require that the Board of Statutory Auditors be composed of three statutory and two substitute auditors and that the appointment occur on the basis of lists that are presented by shareholders with at least 2% of shares and holding voting rights in the ordinary assembly. The minority is entitled to elect one statutory auditor and one substitute auditor. No Shareholder, nor the Shareholders in the same group, may present more than one list, nor may he vote for different lists even through a nominee or trust corporation. If this rule is broken, the vote of the Shareholder in question will not be taken into account for any of the lists presented. Each candidate may only be on one list. Failure to comply will mean ineligibility.

The lists must be registered within the registered office of the Company at least ten days before the first meeting of the assembly. It should be noted that the agenda of the day of the extraordinary assembly - which will be held on April 30th, 2007 - includes the modifications to the articles of association in order to raise the abovementioned deadline for the registration of the deadlines from ten to fifteen days, as provided for by the Code.

The proposals will include exhaustive information relating to the candidates' personal and professional characteristics as well as any administration and auditing offices held in other companies and the declarations of the individual candidates where the latter - upon accepting their status as candidates - certify that no causes for ineligibility and incompatibility exist and that they posses the prerequisites for the relative offices, as required by current norms and the articles of association.

The Board of Auditors, which was nominated during the ordinary shareholders meeting of 29 April 2006 and which will be in office until the approval of the balance sheet for the year ending 31 December 2008, is composed of the following members:

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

The offices held by auditors in other companies listed on regulated markets, including abroad markets as well as finance companies, banks, insurance or large companies are listed below:

In particular, Giovanni Ciurlo holds the office of:

• Statutory Auditor,	Banca Del Gottardo Italia Spa
• Statutory Auditor,	Banco Di S. Giorgio Spa
• Statutory Auditor,	Catering Hotellerie& Foodservice Spa
• Chairman Board of Statutory Auditors	Comdata Spa
• Chairman Board of Statutory Auditors	Fafid Spa
• Statutory Auditor,	Stroili Oro Spa
• Statutory Auditor,	Fi.L.S.E. Spa
• Statutory Auditor,	Gottardo Asset Manag. Sgr Spa

- Chairman Board of Statutory Auditors — Gru Comedil Srl
- Statutory Auditor, — Rgi Spa
- Director, — Salmoiraghi &Vigano' Spa
- Statutory Auditor, — Sivori & Partners Sim Spa
- Statutory Auditor, — Vittorio Cauvin Spa

Adriano Franzoni does not hold any of the specified offices;

Claudio Sanchioni does not hold any of the specified offices.

New steps and strategies for 2007

In 2007, the Company will be involved in the complete adjustment of its Governance system in compliance with the Code and will implement the requirements pursuant to Law no. 262 of December 28th, 2005 (Savings Law) and its subsequent amendments.

In addition, the Company - following the adoption of the organizational model and the Ethics Code in compliance with Legislative Decree no. 231 of December 8th, 2001, as described above - will proceed to the next phase consisting in the implementation of a series of procedures in order to cover risks relative to sensitive and instrumental assets linked to the crimes described in the cited decree.

RESEARCH AND DEVELOPMENT ACTIVITIES

The primary research and development activities for 2006 are listed below:

RESEARCH, DEVELOPMENT AND INNOVATION - WOOD DIVISION

BIESSE BRAND

Range "A"
The planning of the entire range and the optional of the Rover A family has been completed.

Range "B" - Nesting Cell -
The planning of the entire range and the optional relative to the panel loading device / manufactured parts unloaded coupled to the Rover B – FT and Rover A range has been completed. This solution falls within the realm of nesting, thereby minimising the intervention of the operator who, moreover, operates while the machines are running.

Rover "S"
The prototyping phase of the new model has been completed; the new model will gradually replace the current Rover 20 range, thereby introducing the significant improvements which were requested by the market relative to entry level machinery.

SELCO BRAND

Compact corner panel saw WNA600 SLC
After introduction on the market of the model SL, Selco has perfected a new version of this machine, combining all the functions of the original model with the market's requests for a reduction in the working space involved.

Double Pusher
Work on this innovative system, which increases machine productivity, has been further developed, with the aim of extending the range on offer.

BIESSEEDGE BRAND / ARTECH BRAND (EDGEBANDING)

X-STREAM project lines
The project - which is in the process of completion - consists of the realisation of squaring and edgebanding machines for the longitudinal and transverse passage of panels, characterised by their high speed movement.
These machines represent the response to the growing need for increased productivity that is being received from the world of industry.

AKRON400 project
The AKRON400 range has finally gone into production. This is Artech's single sided edgebanding machine which will go to satisfy the requests of an extensive market ranging from craftsmen to industries.
AKRON400 edgebanding machines are characterised by their extreme versatility, an excellent performance/purchase price ratio, simplicity of use and limited maintenance requirements.

RBO BRAND

WINNER - Fast Line Project
This project has the aim of developing automation for fast squaring and edgebanding lines, comprising a loading device and an unloading device with lifting tables and dedicated transfers guaranteeing the productivity levels required in this sector.

WINNER - Store
Project development for a matrix carriage jumper with horizontally moving XY axes of the suction cup frames and Z axis moving sampling. The carriage has been designed to meet high levels of productivity and therefore reach significant axis velocity.

Flexible squared edgebanding line
The objective of this project is to develop a flexible square-edging line which implements a complete edgebanding on the four sides of the panel. The line includes the integration of the Biesse Edge squaring and edgebanding machines and the presence of numerous special devices for re-circulation of the panel.

RESEARCH, DEVELOPMENT AND INNOVATION – GLASS & STONE DIVISION

INTERMAC BRAND

Genius LM and Genius Hart
Development of a high range (LM) and medium range (Hart) cutting bench, to cut laminated sheets, mainly used in the building sector, comprising a structure on which it is possible to set up transport belts to move the sheet and carry out cuts of various depths.

Genius 34 LM-E
Development of an entry level cutting table for the division of laminated plates that are primarily used in the building sector.

Stone factory
Automated facilities for the manufacturing of natural and synthetic stone with four machines placed within the facilities for the purposes of manufacturing finished product and a few machines which are required at the beginning of the process for the selection and preparation of goods in progress; each work centre has a fixed tooling table with an automated shuttle for the loading and unloading of pallets which is laser-controlled and primarily involved in the milling and grinding of stone tops for the building sector.. These facilities make use of tooling and de-tooling stations in addition to deposit warehouses as a function of productive requirements.

RESEARCH, DEVELOPMENT AND INNOVATION - MECHATRONICS DIVISION

HSD BRAND

Expansion of the line of bi-rotary electroheads for a machine tool dedicated to the machining of wood, aluminium (for frames) and plastic.

CNI BRAND

New PLC700 Numerical Control for entry level machine tools for wood processing and the creation of basic software for the new PLC700 Numerical Control.

SEV BRAND

Analysis and creation of a family of high-frequency electrospindles for the sector of machine tools specialised in edgebanding of panels, including space optimisation given parity of issued power.

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

in thousands of Euro	*Shareholders' equity 31/12/2006*	*Result of the Financial Year 31/12/2006*	*Shareholders' equity 31/12/2005*	*Result of the Financial Year 31/12/2005*
Shareholders' equity and result for the period of the parent company	**128,037**	**28,203**	**102,615**	**15,538**
Elimination of the load value of the consolidated equity investments:				
Difference between stock value and pro-quota value of the shareholders' equity	14,095		8,804	0
Pro-quota results obtained by subsidiaries		6,137	0	1,490
Cancellation of write-down / write-up of shareholdings	(1,524)	(1,524)	0	476
Elimination of the effects of transactions between consolidated companies:				
Infra-group profits included in the value of final inventories	(5,929)	(710)	(5,219)	(1,493)
Infra-group profits on assets	(481)	297	(778)	0
Valuation of the affiliated companies using the equity method	25	(69)	21	96
Dividends	0	(95)	(150)	(176)
Shareholders' equity and result for the year pertaining to Group	**134,223**	**32,239**	**105,293**	**15,931**
Shareholders' equity and result for the year pertaining to third parties	320	18	343	123
Shareholders' equity and result of the financial year as reported in the consolidated balance sheet	134,543	32,257	105,636	16,054

Positive and negative difference in shareholding values - resulting from the application of the methodologies required by IAS/IFRS - compared to the values of the shareholdings booked in the financial statements of the year have been carefully examined from a prudential perspective while the management of the Company took into account the characteristics of the subsidiary.

As a result, revaluations totalling Euro 1,524 thousand were implemented with respect to the subsidiaries Biesse France Sarl, Biesse Iberica Woodworking Machinery S.L. and Biesse Asia Pte Ltd.

RELATIONS WITH SUBSIDIARIES, AFFILIATED AND COMPANIES SUBJECT TO CONTROL BY PARENT COMPANIES

Following the cancellation of Kernex Automation Srl and the 100% acquisition of I.S.P. Systems Srl in June 2006, the only remaining affiliated company is:

Hsd Deutschland Gmbh, a German trading company, 50% owned by HSD S.p.A., which distributes products from the Mechatronics division and provides customer assistance to the German market.

With reference to HSD Deutschland GmbH, revenues totalled € 1,426 thousand and costs totalled € 6 thousand; at December 31st, 2006, Group receivables were equal to € 486 thousand and payables were equal to € 49 thousand.

As far as relations with the parent company Bi.Fin. Srl during the year 2006 are concerned, the following transactions occurred.

In thousands of Euro	Costs	Revenues	Payables	Receivables
Bi. Fin. Srl	8	10	15,040	1,387

The balance sheet items listed above refer to the transfers of IRES (corporate income tax) and VAT receivables and payables from the subsidiaries Biesse S.p.A., HSD S.p.A., I.S.P. Systems S.r.l. and Cabi S.r.l. to Bi.fin. Srl which serves as the parent company in reference to the National Fiscal Consolidation for the three-year period 2005 to 2007.

RELATIONS WITH OTHER RELATED PARTIES

The following have been identified as related parties: the company Rettifica Modenese S.a.s., a company which is 51% owned by Mr. Roberto Selci and which operates in the sector for mechanical manufacturing (in December of 2006 an agreement was reached relative to the transfer of this shareholding to third parties) and the company Fincobi S.r.l, whose majority shareholding is owned by members of the Selci family.

During the course of the year, relations between the companies from the Biesse Group and the aforementioned company are as follows:

In thousands of Euro	Costs	Revenues	Payables	Receivables
Fincobi S.r.l.	8	1	0	0
Rettifica Modenese S.r.l	166	3	64	20
Total	**174**	**4**	**64**	**20**

We can state that with the above reported relationships, the applied contractual conditions are no different than those that can be theoretically obtained from negotiations with third parties.

PERSONNEL RELATIONS

Through Biesse Corporate School Scarl, the Group constantly oversees improvement of staff training, in both a direct and an indirect manner.

In 2006, the widest ranging training programs concentrated on the following aspects.

Training in the planning sector

A course on reliability planning methodologies was organised in support of organizational actions that are aimed at increasing the focus on product reliability. The course targets the primary managers of the technical offices and was coupled with a broader strategy for updating the operators on project planning software.

Training of newly hired staff

With regards to elevated production volumes, large-scale initial training was structured and implemented by targeting newly hired staff members in the productive functions and by promoting the usage of special funds which finance this department.

Process and tool training

Projects for the adoption of new IT and managerial tools in various company departments have resulted in the large-scale updating of operators. An ad hoc training project was prepared for the timing and methodology department; the latter is subject to a strengthening project.

These programs have been assisted by carefully targeted individual retraining programs for operators in various sectors.

Relationships with the trade unions have included proper discussions about industrial policies, labour organisation and the restructuring plans undertaken.

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

Name and Surname Position	No. share held directly and indirectly as at 12/31/2005	No. sahares sold in 2006	No. shares purchased in 2006	No. share held directly and indirectly as at 12/31/2006	% share capital
Roberto Selci President	540,000	(522,500)	0	17,500	0.06%
Giancarlo Selci Managing Director	15,960,000	0	0	15,960,000	58.26%
Alessandra Parpajola Director	600	0	0	600	0.0%
Stefano Porcellini[1] Director	0	0	0	0	0.0%
Innocenzo Cipolletta[2] Indipendent Member	0	0	0	0	0.0%
Leone Sibani Indipendent Member	0	0	0	0	0.0%
Giampaolo Garattoni Indipendent Member	79,000	(49,000)	0	30,000	0.11%
Salvatore Giordano[3] Indipendent Member	0	0	0	0	0.0%
Giovanni Ciurlo Full Auditor	0	0	0	0	0.0%
Sanchioni Claudio Full Auditor	200	0	0	200	0.0%
Franzoni Adriano Full Auditor	800	(400)	0	400	0.0%

"ATYPICAL AND/OR UNUSUAL" OPERATIONS DURING THE COURSE OF THE YEAR

During the course of 2006, no operations of this nature were reported.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31ST, 2006 AND FORECASTS FOR 2007

The most significant events occurring after December 31st, 2006 were as follows:

- on February 19th, 2007, Biesse American Inc. signed - by means of the *newco* Intermac Inc - a preliminary agreement for the acquisition of the company branch dedicated to the "distribution and assistance of glass/stone machines" from AGM Glass Machinery Inc; the latter has been a distributor of the Intermac brand

[1] Co-opted from13 November 2006
[2] Resigned since 4 October 2006
[3] Appointed in 14 December 2006

(machinery and systems for glass and stone processing) in the US over the last twenty years. The closing date of the operation is forecasted for the first days of April 2007. AGM has a registered office in Charlotte (NC) and has been selling machinery and tools for flat glass processing for 25 years since its year of founding (1982); in the last ten years it has expanded its operations into the rapidly growing sector for the processing of natural and synthetic rock and is today an acknowledged leader in the US market. AGM closed fiscal year 2006 (as of May 31st) with revenues of 31.3 million US dollars and an EBIT margin of 5.5%.; the company branch subject to the agreement includes circa 85% of the original company area in terms of total revenues;

- Biesse Brasil Ltda: the procedural process for the cancellation of the company - which has been inactive for several years - has been completed;
- Bifin UK Ltd: it is almost completed the procedural process for the cancellation of the company - originally the owner of the British property where Biesse UK Ltd was located (the latter has now acquired the direct property) and now without any purpose;
- on March 21st, 2007, the Revenue Corps of Italy initiated an ordinary assessment relative to the 2005 income taxes of the subsidiary HSD Spa.

With regards to 2007 forecasts, there is continued confidence in the possibility of attaining the objectives outlined by the three-year plan that was approved on February 14th, 2007; this expectation was further confirmed by the inflow of orders in the first 12 months of 2007 which are in line with Group forecasts.

DIVIDENDS

The Board of Directors, acknowledging the positive results achieved in 2006, resolved to propose for approval by the Ordinary General Meeting of Shareholders, a dividend of € 0.36 per share. This dividend represents 30.6% of the net profit of Biesse Spa in 2006. The overall outlay deriving from payment of the dividend, as proposed, amount to € 9,861,495.12. The dates proposed by the Board of Directors for detachment of coupon no. 7 and payment of the dividend are 7 May 2007 and 10 May 2007 respectively.

ADDITIONAL INFORMATION

In compliance with that which was decided during the Biesse S.p.A. Shareholders Meeting on 17/12/2001 and again on 29/04/2003, the company had started a stock buyback program, which as of 31 December 2004, and as provided for by the resolutions, has expired.

As at 31 December 2005, the treasury shares amount to 2,453 thousand Euro, equal to 927,202 shares at an average purchase price of € 2.65.

During the course of 2006, these shares were sold in the stock market, while the remaining part was delivered, as a result of the exercise of the option from the ex-partner of HSD Spa (the option was connected with the acquisition of the 20% quote of HSD); therefore on the date of approval of this report, the Biesse Group no longer possesses own shares.

It is also declared that the parent company Biesse S.p.A. does not posses stock/shares of controlling companies, nor did they possess or trade any during the course of 2006. There is not anything to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the civil code.

Pesaro, 27/03/2007.

The President of the Board of Directors
Roberto Selci

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2006

	NOTES	For the year ending 31 December 2006	For the year ending 31 December 2005
		€ '000	€ '000
Revenues	5	396,733	335,011
Other operating income	5 , 7	6,379	5,439
Changes in inventories of finished goods and work in progress		7,998	(1,837)
Raw materials and consumables used		(173,424)	(144,807)
Personnel expenses		(89,191)	(82,365)
Other operating expenses	7	(82,890)	(70,005)
Amortisation expense		(11,052)	(10,889)
Accruals to provisions		(2,707)	(2,764)
Badwill	43	175	0
Operating profit		**52,021**	**27,783**
Share of profit/loss of affiliated companies		(230)	(279)
Financial proceeds	8	698	413
Other gains and losses		4	91
Financial expenses	9	(2,506)	(3,291)
Revenues and expenses on currency exchanges	10	1,141	(714)
Pre-tax income		**51,128**	**24,003**
Taxes for the year	11	(18,871)	(7,949)
Result for the period from continuing operations		32,257	16,054
Result of the year		**32,257**	**16,054**
Attributable to:			
Equity holders of the parent		32,239	15,931
Minority interest		18	123
		32,257	**16,054**
Earnings per share			
Basic (€/cents)	12	118,20	60,28
Diluted (€/cents)	12	118,20	60,28

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006

	NOTES	As at 31 December 2006	As at 31 December 2005
		€ '000	€ '000
ASSETS			
Non-current assets			
Buildings, plants and machinery	13	40,133	52,777
Industrial equipment and other tangible assets	13	9,569	6,795
Real estate investments	14	2,524	0
Goodwill	15	18,539	13,108
Other intangible assets	16	16,645	10,565
Investments in affiliated companies	17	38	107
Deferred tax assets	34	8,874	8,441
Other financial assets and non-current receivables	18	1,516	552
		97,838	**92,345**
Current assets			
Inventories	19	88,182	72,798
Trade receivables	20	113,153	96,987
Receivables from affiliated and parent companies	21	1,873	973
Other receivables	22	11,566	7,464
Derivative financial instruments	39	824	0
Cash and cash equivalents	23	36,102	31,210
		251,700	**209,432**
Total assets		**349,538**	**301,777**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006

	NOTES	As at 31 December 2006	As at 31 December 2005
Capital and reserves			
Share capital	25	27,393	27,393
- Own shares	25	0	(2,453)
Capital reserves	26	36,202	36,202
Hedging and translation reserves	27	(1,633)	(1,225)
Retained earnings	28	40,022	29,445
Result of the period		32,239	15,931
Equity attributable to equity holders of the parent		134,223	105,293
Minority interest		320	343
Total equity		***134,543***	***105,636***
Non-current liabilities			
Retirement benefit obligation	33	15,929	15,090
Deferred tax liabilities	34	8,040	7,886
Bank loans	30	642	17,354
Obligations under finance leases	32	8,217	13,942
Provisions for risks and charge	35	1,859	1,886
		34,687	**56,158**
Current liabilities			
Trade payables	36	113,679	83,672
Payables to affiliated and parent companies	37	15,089	1,079
Other payables	38	25,187	19,081
Current tax liabilities		8,462	7,096
Obligations under finance leases	32	2,336	3,266
Bank overdrafts and loans	30	10,786	20,550
Provisions for risks and charge	35	4,769	4,514
Derivative financial instruments	39	0	725
		180,308	**139,983**
Total liabilities		***214,995***	***196,141***
Total equity and liabilities		***349,538***	***301,777***

SCHEDULE OF MOVEMENTS IN THE SHAREHOLDERS' EQUITY

	Notes	Share Capital	- Own shares	Capital reserves	Hedging and traslation reserves	Other reserves	Profit for the period	Equity aattributable to equity holder of the parent	Minority interest	Total
At 31 December 2004 - restated		**27.393**	**(2.566)**	**36.202**	**(2.020)**	**24.882**	**7.656**	**91.546**	**265**	**91.811**
Destination of the result of the financial year										
-Dividends							(3.170)	**(3.170)**		(3.170)
-Other destinations						4.486	(4.486)	**0**	0	0
Economic items entered in equity										
- Own shares net movements						102		**102**		102
-Hedging reserve adjustment					517			**517**		517
-Translation difference					529			**529**		529
Other variations										
-Variation in own shares			113					**113**		113
-Hedging reserve adjustment					(251)			**(251)**		(251)
-Other movements						(24)		**(24)**	(45)	(69)
Result of the year							15.931	**15.931**	123	16.054
At 31 December 2005		**27.393**	**(2.453)**	**36.202**	**(1.225)**	**29.446**	**15.931**	**105.293**	**343**	**105.636**
Destination of the result of the financial year										
-Dividends	29					(4.931)		**(4.931)**		**(4.931)**
-Other destinations						15.931	(15.931)	**0**		**0**
Economic items entered in equity										
- Own shares net movements	25					4.476		**4.476**		**4.476**
-Hedging reserve adjustment					(12)			**(12)**		**(12)**
-Translation difference					(477)			**(477)**		**(477)**
Other variations										
-Dividend distribution (as stated on Shareholders Meeting dated 14/12/2006)	29					(4.931)		**(4.931)**		**(4.931)**
-Variation in own shares	25		2.453					**2.453**		**2.453**
-Hedging reserve adjustment					81			**81**		**81**
-Other movements						30		**30**	(41)	**(11)**
Result of the year							32.239	**32.239**	18	**32.257**
At 31 December 2006		**27.393**	**0**	**36.202**	**(1.633)**	**40.022**	**32.239**	**134.223**	**320**	**134.543**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2006

		NOTES	For the year ending 31 December 2006	For the year ending 31 December 2005
			€ '000	€ '000
	ORDINARY ACTIVITIES			
+/-	Result of the year		32.257	16.054
+	Ammortisations:			
+	of fixed tangible assets		7.699	8.247
+	of intangible assets		3.353	2.642
+	Accruals:			
+	for employee termination indemnity		3.406	3.307
+	for bad and doubtfoul debts		1.438	1.023
+	for risk and charges		1.269	1.741
-	Capital gain from sales of non-instrumental assets	7	953	0
-	Badwill	43	(175)	0
-/+	Foreign exchange gain/loss unrealized		(976)	386
+	Income tax expenses		18.870	7.949
+	Financial expenses		2.715	1.776
=	**Cash flow from (for) ordinary activities before variation in working capital**		**70.809**	**43.125**
-	Empolyee termination indemnity paid out		(3.132)	(1.900)
-	Use of risk fund		(1.000)	334
+/-	Variation in trade receivables		(17.284)	(6.087)
+/-	Variation in inventories		(12.463)	3.160
+/-	Variation in trade payables		16.633	4.168
+/-	Variation in other non-financial payables		10.216	3.961
	Income tax paid		(5.686)	(4.999)
	Interests paid		(3.101)	(2.175)
=	**NET CASH FLOW FROM (FOR) ORDINARY ACTIVITIES**		**54.991**	**39.587**
	INVESTING ACTIVITIES			
-	Purchase of intangible assets		(4.944)	(6.105)
+	Transfer of intangible assets		0	8
-	Purchase of tangible fixed assets		(5.260)	(2.842)
+	Transfer of tangible fixed assets		4.231	281
	Acquisition of associated quotes	43	(3.758)	0
+/-	Purchase/transfer of other shareholdings and securities		108	302
+/-	Purchase/transfer of other investments		27	83
=	**NET CASH FLOW FROM (FOR) INVESTING ACTIVITIES**		**(9.596)**	**(8.273)**
	FINANCING ACTIVITY			
+/-	Opening/repayment of medium/long-term bank loans		(16.686)	3.916
+	Increase/decrease bank borrowings		(11.219)	(18.009)
	Opening/repayment of other loans		(6.653)	(4.231)
-	Payments on dividends	29	(9.861)	(3.170)
+	Hedging reserve adjustement		0	225
+	Variation in own shares	25	4.170	214
	Other movements in shareholders'equity		0	(68)
=	**NET CASH FLOW FROM (FOR) FINANCING ACTIVITIES**		**(40.248)**	**(21.123)**
=	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**		**5.147**	**10.191**
	CASH AND CASH EQUIVALENT AT YEAR START		**31.210**	**20.567**
+/-	Effect of excahnge rate changes		(255)	452
+	**CASH AND CASH EQUIVALENT AT YEAR END**			
	Cash and cash equivalent		**36.102**	**31.210**

EXPLANATORY NOTES

EXPLANATORY NOTES

1. GENERAL

Biesse S.p.A. is an Italian corporation based in Pesaro. The company is quoted on the Milan stock exchange in the STAR segment.

The asset and liability statement and economic situation as at 31st December 2006 includes the balance sheet for Biesse S.p.A. and its subsidiaries - which it controls either directly or indirectly (from hereon defined as "Group") - and the value of the percentage shareholdings relative to shareholdings in affiliated companies.

The consolidated financial statements of December 31st, 2006 were approved by the Board of Directors' meeting of today (March 27th, 2006).

List of companies included in the consolidation area using the integral method

Name and office	Currency	Capital Stock	Direct Control	In direct Control	Through	Biesse Group
Parent company						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,000,000	100%			100%
MC S.r.l. Via Mario Ricci, 12 Pesaro	Euro	101,490	51%			51%
Cabi S.r.l. P.le Mario Coralloni, 11 Loc. Selva Grossa (PU)	Euro	40,000	100%			100%
Sandymac S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	50,000	80%			80%
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%

Name and office	Currency	Capital Stock	Direct Control	In direct Control	Through	Biesse Group
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US $	1,000,000	100%			100%
Biesse Canada Inc. 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN $	180,000	100%			100%
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	1,000	100%			100%
Biesse Groupe France Sarl Parc d'Affaires de la Vallée de l'Ozon – Chapotin – Chaponnay – 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 - Barcellona – Spain	Euro	1,033,741	100%			100%
Biesse Brasil Ltda Rua Lapò, 975 - Curitiba Paranà – Brasil	Rlb	1,509,628	99,99%			99.99%
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%
Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona – Spain	Euro	60,102	100%			100%
Sel Realty Inc. 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN $	100	100%			100%
Bi. Fin. UK Ltd. Lamport drive – Daventry Northampt. – Great Britain	£ STG	600,000	100%			100%

Name and office	Currency	Capital Stock	Direct Control	In direct Control	Through	Biesse Group
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	47,199,980	100%			100%

With respect to the last approved financial statements, the scope of consolidation was subject to the following changes:

- the Indian company Biesse Manufacturing Co. Pvt. Ltd.- founded in the month of February with a registered office in Bangalore - India was included; the company's scope includes local sourcing and the production of mechanical components as well the production of machines for the entry-level market;
- the company I.S.P. Systems S.r.l. - previously affiliated to the Group through a shareholding of 25.93% - was included. On June 22nd 2006, the shareholders of ISP Systems S.r.l. (Bi.Fin. - which controlled the majority shareholding - and Biesse) covered the accumulated losses until the end of April 2006; at the same date, Biesse S.p.A. acquired the entire share capital of the company, after the previous shareholders waived their option rights. Biesse considered the ownership of this company to be of strategic importance, due to its know-how on projects already in production and under research. For the purpose of entering the effects of the acquisition on the financial statements, it was assumed that control of the company was acquired as of 30th June 2006 given that the result relating to the period between the date on which the partnership capital was paid up and the closing date of the first half of 2006 (8 days) is negligible;
- the company Bre.Ma. Brenna Macchine S.r.l. - for which 60% of its share capital was acquired on August 1st, 2006 - was included. The company has a registered office in Alzate Brianza (CO) and - as of 1976 - has been involved in the designing and manufacturing of boring machines with numerical control for furniture production.

List of holdings in affiliated companies, valued using the equity method

Name and office	Currency	Capital Stock	Direct Control	In direct Control	Through	Biesse Group
HSD Deutschland GmbH Immenreich 6, Gingen, Fils – Germany	Euro	25,000		50%	*Hsd S.p.A.*	50%

At the end of last year, this list included the shareholdings in I.S.P. Systems S.r.l - now reclassified amongst the consolidated shareholdings with the line-by-line method - and Kernex Automation Srl which is no longer included following the closing of the company itself.

2. CONSOLIDATION PRINCIPLES

General principles

The consolidated balance sheet has been drawn up in compliance with International Financial Reporting Standards (IFRS).
The balance sheet has been drawn up based on the principal of historic cost, with the exception of the revaluation of certain financial instruments.
This informational disclosure has been drafted in compliance with the provisions of the National Commission for Companies and the Stock Exchange with particular reference to resolutions no. 15519 and 15520 of 27/07/2006 and communication no. 6064293 of 28/07/2006.

Accounting principles applicable as of January 1st, 2006

In the month of December 2004, IFRIC issued the interpretational document IFRIC-4 - Determining whether an Arrangement contains a Lease. The specific interpretation is that a contract contains a lease if its fulfilment depends

on the usage of a specific asset and grants rights relative to the control and utilisation of this asset. The Group has applied this interpretation as of January 1st, 2006 without noting any significant effects.
In the month of April 2005, IASB issued an amendment of IAS 39 - Financial instruments: Recognition and Measurement - which allows highly probably intragroup operations to be classified as a hedged item - as part of an exchange rate risk cash flow hedge - in the case that the transaction is implemented in a currency other than the standard operating currency of the company which implemented the transaction and if the consolidated financial statements are subject to exchange rate risk. In addition, the amendment specifies that - if the hedging of a forecasted intragroup operation complies with hedge accounting requirements - any profit or loss that is directly booked in shareholders' equity in accordance with IAS 39 rules must be reclassified within the income statement during the period in which the exchange rate risk of the hedged transaction manifests its effects on the consolidated income statement. This amendment is not applicable to the Biesse Group.
In the month of June 2005, IASB issued an amendment of IAS 39 - Financial instruments: Recognition and Measurement - which limits usage of the option to directly allocate any financial asset or liability to the income statement as an item valuated at fair value (the so-called “fair value option”). This revision of the principle limits the use of this option to financial instruments which meet the following conditions:

- allocation by fair value eliminates or significantly reduces booking deficits;
- a group of financial assets or liabilities or both are managed and their performance is assessed on the basis of their fair value in accordance with a documented strategy for risk or investment management; and
- an instrument contains an implicit derivative which satisfies particular conditions.

The Group has applied these amendments to IAS 39 as of January 1st, 2006. In addition, the adoption of these amendments has not had a significant impact on shareholder' equity and the net result of the period.
In the month of August 2005, IASB issued an additional amendment to IAS 39 and IFRS 4 dedicated to the accounting of issued guarantees. On the basis of this amendment, the liability derived from financial guarantee contracts must be recorded in the financial statements of the guarantor and valuated as follows:

- initially at fair value;
- subsequently, at the greater value of (i) the best estimate of the expense required for the fulfilment of the obligation on the date of reference and on the basis of the provisions of IAS 37 - Allocations, contingent liabilities and assets and (ii) the amount which is initially recorded minus any potential accrued depreciation that is recorded in accordance with the requirements of IAS 18 - Revenues.

The application of this amendment has not generated significant effects in these financial statements.

New accounting principles

In the month of August 2005, IASB issued a new accounting principle, IFRS 7 - Financial instruments: disclosures and a complementary amendment to IAS 1 - Presentation of Financial Statements: supplementary information relative to share capital. IFRS 7 contains an updated version of the informational prescriptions which were previously included within accounting principle IAS 32 - Financial instruments: Disclosure and Presentation, requesting supplementary information in order to understand the level of significance of the financial instruments in relation to economic performances and the financial position of the company. The new accounting principle requires a description of objectives and policies as well as strategies that are implemented by management for each type of financial risk (liquidity, market and credit risk) to which the party is exposed, including sensitivity analyses for each type of market risk (exchange rate, interest rate, equity, commodity) in addition to informational reporting on concentrations and the average, minimum and maximum levels of exposure to various types of risk during the reference period in the case that the exposure at the end of the period is not sufficiently representative. The amendment to IAS 1 introduces additional reporting obligations relative to objectives, policies and capital management processes - including a specification of the nature and modalities of this management and any potential consequences resulting from default on compliance in the case that there are capital requirements imposed by third parties. IFRS 7 and the amendment to IAS 1 will be effective as of January 1st, 2007 and include the obligation to report comparative information relative to the year 2006. The Biesse Group is evaluating the impact of this principle in light of its application to the Financial Statements of December 31st, 2007.
On March 3rd, 2006, IFRIC issued the interpretational document IFRIC 9 - Reassessment of Embedded Derivatives in order to specify that a company must evaluate whether embedded derivatives must be separated from the primary contract and recorded as derivative instruments at the time in which this company becomes a party to the contract. Subsequently - and unless there is a modification in contractual conditions resulting in significant cash flow effects which would otherwise be requested by the contract - it is not possible to implement this valuation again. This interpretation will be applicable as of January 1st, 2007; the Group believes that the adoption of this interpretation will not result in significant effects.
On September 30th, 2006, IASB issued the accounting principle IFRS 8 - Operating Segments, which will be applicable as of January 1st, 2009 and will replace IAS 14, Segment Reporting. The new accounting principle

requires that the company base the information which is reported in Segment Reporting on the elements which management uses to implement its operational decisions; it therefore requires the identification of operational segments on the basis of the internal reporting which is regularly reviewed by management for the purposes of resource allocation to the various segments as well as performance analysis. On the date of issue of these financial statements, the Group is assessing the effects derived from the adoption of this principle.
During the course of the month of November 2006, IFRIC issued the interpretational document IFRIC 12 - Service Concession Arrangements (applicable as of January 1st, 2008)- whose impact is currently being evaluated.
It should also be noted that IFRIC 8 (Scope of IFRS 2 - applicable as of January 1st, 2007) - which was issued in 2006 - is not applicable for the Group.

Consolidation criteria

The consolidated balance sheet as at 31st December 2006 includes the balance sheets of the parent company Biesse and the Italian and foreign companies controlled either directly or indirectly by the parent company. A company is said to control another when it has the power to dictate the financial and operating policies of the latter in order to obtain benefits from its activities.

These balance sheets, in the case of significant differences, have been reclassified and adjusted so they conform with the parent company's accounting principles and valuation criteria.

For the compilation of the balance sheet, the asset and liability entries as well as the income and expenditure of the companies included in the consolidation were eliminated in full.

The book value of the investment in a company included in the consolidation is wiped out to offset the corresponding fractions of the shareholders' equity of the shareholdings, attributing their current value on the date of acquisition to the individual elements of the assets and liabilities. Any residual difference, if positive, is entered in the non-current assets, such as goodwill, if negative, it is debited in the income statement.
The economic results of the subsidiaries bought or sold during the financial year are included in the consolidated income statement from the effective date of acquisition until the effective date of sale.
The profit-sharing of the minority shareholders in a bought company is initially valued as being equal to their share of the current values of the assets, liabilities and contingent liabilities entered.

The receivables and payables, income and expenditure, profits and losses that originated from transactions between companies that included in the consolidation are removed. Also eliminated were the relationships between the companies of the Biesse Group and a financial services company outside the Group which acts 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 and considering the negligibility of the effects and the reconstruction difficulties, the profits from the sale of the stock in inventory by Hsd S.p.A., Cabi S.r.l., I.S.P. Systems S.r.l. and, for some productions, by MC S.r.l. to the other manufacturing companies in the Biesse Group were not removed - given that they were semi finished products included in the products being manufactured.
The capital gains and losses deriving from the intercompany sale of instrumental assets were removed, where they were considered to be significant.

The amount of capital and reserves of the subsidiaries that correspond to third party holdings is entered in a shareholder's equity entry called ”minority interest”; the consolidated financial result that corresponds to third party holdings is entered separately in the entry ”Result of the year attributable to minority interest”.

For consolidated balance sheet presentation reasons, the assets and liabilities of foreign subsidiaries, the operating currencies of which are other than the Euro, are converted at the current exchange rates valid on the date of the balance sheet. The income and expenses are converted at the average exchange rate for the period. The emerging exchange differences are recorded in the shareholders' equity entry “Translation reserve”. This reserve is recorded in the income statement as income and expenses for the period in which the relative subsidiary is sold.

<u>Shareholdings in associated companies</u>

An associated company is one in which the group can exercise a significant influence, though without overall or joint control, through participation in the decision-making on the financial and operating policies of the associated company.

The economic results and assets and liabilities for associated companies are set down in the consolidated balance sheet using the shareholders' equity method.

Choice of set of financial statements

In accordance with the provisions of IAS 1, the Group Management has made the following choices as regards the set of financial statements.
The balance sheet includes the separation of current assets/liabilities from non-current ones. An asset/liability is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle;
- is held primarily for the purpose of being traded;
- it is expected that it will be realised within 12 months after the balance sheet date;
- in the absence of all three conditions, the assets/liabilities are classified as non-current.

The income statement distinguishes costs by mature 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 (the latter include costs of non-monetary nature relative to depreciation/amortisation and write-downs of current and non-current assets, net of any potential value adjustments), including capital gains/losses that are generated from the disposal of non-current assets. In order to allow for increased measurability of actual trends in normal operations, specific cost and revenue components which derive from events or operations which - due to their nature and amount - should be considered non-recurrent, are separately indicated.

The schedule of movements in the shareholders’ equity highlights changes in the items of shareholders' equity in relation to:

- the allocation of net income of the period of the parent company and of its subsidiaries to third party shareholders;
- amounts relative to operations with shareholders (purchase and sale of own shares);
- each profit and loss item net of potential tax effects which - as requested by IFRS - are alternatively recorded directly in shareholders' equity (profits or losses from the trading of own shares, actuarial profits or losses generated from the valuation of fixed-benefit plans) or are offset in a shareholders' equity reserve (payments based on shares for stock option plans);
- movements of valuation reserves relative to derivative instruments for the hedging of future cash flows net of any potential fiscal effect;
- movements of valuation reserves relative to financial assets available for sale;
- the effect deriving from potential changes in accounting principles.

The cash flow statement is reported by using the indirect method, as a result, net income is adjusted by the effects of non-monetary operations as well as by any deferment or provision from previous or future cash inflows or by operating payments or revenue or cost elements linked with financial flows deriving from investment or financial activities. Cash and cash equivalent means included in the cash-flow statement include the real balance of that item on the reference date. The cash flows in foreign currency have been converted at the average exchange rate for the period. The income and expenses relating to interests, dividends received and taxes on income are included in the cash flows generated by the ordinary activities.

All the schedules comply with the minimum content foreseen by International Accounting Standards and by the applicable rules foreseen by national legislation and by the public authority responsible for regulating the Italian securities market (Consob).
In particular, it should be noted that - for the purposes of complying with the specifications of Consob Resolution no. 15519 of July 27th, 2006, "Provisions relative to the structure of financial statements", the relative mandatory statements have been reviewed and potentially modified in order to highlight any significant amounts linked to positions or transactions with related parties.

These statements are considered adequate for the purpose of fair representation of the Group's financial and economic situation as well as financial cash flows; in particular, the income statement reclassified by nature provide reliable and relevant information for the purposes of proper representation of the Group's economic trends.

3. VALUATION CRITERIA

The most significant valuation criteria used to draw up the consolidated financial statements as of December 31st, 2006 are illustrated below.

Recognition of revenues

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

The interests charged are recorded by applying the reference period principle, on the basis of the amount financed and the effective applicable interest rate, which represents the rate that discounts the estimated future receipts during the expected life of the financial activity in order to restore them to the initial accountable value of the activity itself.

The dividends are recorded when the right of the shareholders to receive the payment has been established.

Construction contracts

When the result of a construction contract can be calculated in a reliable manner, the revenues and costs relating to the relevant job are set down as revenues and costs, respectively, according to the progress of work on the date of closure of the balance sheet, based on the ratio between the costs sustained for activities carried out up to the date of the balance sheet and the estimated total costs for the job, unless this is not considered to be representative of the actual state of progress of the job itself.
Variations to the contract, revision of prices and incentives are included to the extent they have been agreed with the customer.

When the result of a construction contract can be estimated in a reliable manner, the revenues that refer to the job in question are only set down within the limits of the costs sustained for the job that will probably be recovered. Job costs are set down as expenses for the year in which they were sustained.

When it is probable that the total costs for a job exceed the contractual revenues, the expected loss is immediately set down as a cost.

Operations in foreign currency

In the preparation of the balance sheets of the individual entities, operations carried out in currency other than the Euro are initially recorded at the exchange rate on the date of the operations themselves. On the same date as the balance sheet, the monetary assets and liabilities occurring in the above-mentioned currencies are re-entered at the exchange rate at that date. Non monetary assets expressed at fair value in foreign currency are converted at the exchange rate in force on the date in which said fair value was determined, while non monetary assets and liabilities in foreign currency valued at historic cost are converted using the exchange rate in force at the date of *the operat*ion, except in the case of loss of value due to the effect of the exchange rate.
The differences in the exchange rate, obtained from the adjustment in the monetary and non monetary values and from their re-exposure to current exchange rates at the end of the financial year, are entered in the income statement for that financial year, with the exception of the differences in exchange on non-monetary activities exposed in *fair value*, in which the *fair value* variations are entered directly in the shareholders' equity, as is the exchange component.

In order to cover its exposure to exchange risks, the Group has stipulated *forward* contracts and options (see later for the Group's accounting policies relating to these derived instruments).

Leasing and operating contracts

Leasing contracts are classified as such when the terms of the contract are such that transfer most of the risk and benefits of the property to the lessee. All other leasing contracts are considered as operating contracts.

The activities forming the subject of leasing contracts are recorded as tangible assets of the Group offset against a financial obligation of equal value in the liabilities. The debt is progressively reduced on the basis of a repayment plan of the amortisation quota included in the contracted rents, while the value of the asset is systematically depreciated in accordance with the its technical-economic life.

The rental costs for operating leasing contracts are entered in the income statement at constant rates according to the duration of the contract.

Income taxes

Income taxes represent the sum of the current and deferred taxes.
Deferred taxes are allocated based upon the temporary asset and liability differences between the taxable result and the balance sheet result accounted for in line with the liability method.
The deferred taxes are calculated using the rate that was current at the moment in which the temporary differences originated. The deferred taxes are entered directly in the income statement, with the exception of items recorded directly in the shareholders' equity, in which case, the relative deferred taxes are also recorded in the shareholders' equity.

Active deferred taxes are entered in the balance sheet if the taxes are considered recoverable when considering the taxable results for the periods in which the active deferred taxes occur. The value at which active deferred taxes are entered is reviewed at the end of the year, and reduced if necessary.
Offset between active and passive deferred taxes is only carried out for similar items, and if there is a legal right to offset active and passive taxation; otherwise, credits and debits are set down separately.

As of the year 2005, Biesse S.p.A. participates to the consolidated national taxation system, which includes the parent company Bi.Fin. S.r.l., together with the subsidiaries I.S.P. Systems S.r.l., Cabi S.r.l. and Hsd S.p.a., in compliance with Articles 117 et sequitur of Decree of the President of the Republic 917/86.
Following this option, Bi.Fin. S.r.l. determines the IRES (corporate income tax) of the Group in accordance with the provisions of the abovementioned norm, thereby compensating its net income with the positive and negative taxable amounts of the affected companies. The economic relationships, the responsibilities and the mutual obligations among the aforesaid companies are defined in the "Rule" of the consolidated national taxation system of Group subscribed in date 26/05/2005.

The debt for the tax of group is entered in the entry "tax payables" or "tax receivables" in the balance sheet of the parent company, net of the paid advances. In the balance sheet of the subsidiary and in the present balance sheet of Biesse S.p.A. the specific debt for taxes transferred to the parent company is entered in the entry "Payables toward parent companies". The credits deriving from the transfer of the IRES losses are classified to "Receivables toward parent companies".

Earnings per share

The basic earnings per share is calculated by dividing the gains or losses attributable to the shareholders of the parent company by the weighted mean of the ordinary shares in circulation during the period. The diluted earning per share is calculated by dividing the gain or loss attributable to the shareholders of the parent company by the weighted mean of the shares in circulation, taking into account the effects of all the potential ordinary shares with a diluting effect.

Tangible assets

The tangible assets are entered at their purchase cost or production cost inclusive of any ancillary charges, with the subsequent accumulated amortisation and devaluation due to loss in value deducted.

Ordinary maintenance costs are fully charged to the income statement. Maintenance of an incremental nature are attributed to the asset to which it refers and depreciated using the depreciation allowance that is applicable to the asset in question.

Improvements on third party goods are classified under tangible fixed assets in accordance with the nature of the sustained cost. The depreciation period corresponds to the lower of the residual useful life of the tangible fixed asset and the residual duration of the leasing contract.

Tangible fixed assets - with the exception of lands which are not subject to depreciation - are depreciated on a straight-line basis as a function of their estimated residual useful life from the date in which the asset is available for use or from the date when the asset is potentially capable of supplying the economic benefits that are linked to the asset itself; the following depreciation rates are applied:

Factory buildings 3%	
Plants and machinery 10-20%	
Equipment	12% - 25%
Furniture and fittings:	12 %
Motor vehicles:	25 %

The item also includes goods subject to leasing, which have been entered in the tangible assets using the previously described methods.

Investment property

Investment property - which are represented by properties that are owned for rental and/or speculative purposes - are booked at cost, including the ancillary costs, and deducting the amortisations and impairment losses. Investment property are depreciated on a straight-line basis as a function of their estimated residual useful life, applying the 3% depreciation rate to the buildings and the 10% rate to the plants.

Intangible assets

Intangible fixed assets of indefinite duration are valuated at cost net of any amortization and accumulated value losses.

Goodwill

Goodwill deriving from the acquisition of a subsidiary or branch represents the surplus of the purchase cost with respect to the percentage due to the Group of the *fair value* of the activities, identifiable liabilities and contingent liabilities of the subsidiary or branch acquired on the date of purchase.
Goodwill is not subject to depreciation but is subject to assessment at least once a year, in general on the occasion of the annual closing of the balance sheet for the financial year to check that there has not been any loss in value. Any losses in value are entered immediately in the income statement and are not subject to any subsequent recovery operations.

If a subsidiary or a jointly controlled entity is sold, the amount of the goodwill attributable to it that has not yet been depreciated is included in the determination of the capital gain or depreciation by alienation.

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

Assets generated internally – Research and development costs

The research costs are entered in the income statement in the period in which they were incurred.

The intangible assets generated internally deriving from the development of the Group's products (machine tools for machining wood, glass and marble) are entered in the assets only if all the following conditions have been complied with:

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

These intangible assets are depreciated on a linear basis for the duration of the relative useful lives.

When the internally generated assets cannot be entered in the balance sheet, the development costs are entered in the income statement for the financial year in which they were sustained.

Trademarks, licenses and patents

Trademarks, licenses and patents are initially recorded at their purchase cost and are depreciated systematically on a straight-line basis according to their useful life, and nevertheless within a space of time not exceeding that fixed by the underlying license or purchase contract.

Loss of value of tangible and intangible assets

On each balance sheet date, the Group checks for the existence of events or circumstances that could jeopardise the recovery of the value of tangible and intangible assets with a defined useful life and, in the presence of loss indicators, 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 working life, including goodwill, are checked annually and every time there are indications of a possible loss of value.

In accordance with the reference accounting principles, the check is carried out referring to the individual asset, wherever possible, or to a group of assets (so-called "cash generating units"). The cash generating units have been identified coherently with the organisational and business structure of the Group as single units, which generate incoming cash flows independently through the continuous use of the assets attributable to them.

The recoverability of the values entered in the balance sheet is verified by comparing the accountable value with the larger of either the current value net of the sales costs, where there is an active market, or the usage value. The usage value is determined on the basis of the time-discounting of future cash flows expected from the use of the asset, or the group of assets, and its divestment at the end of its useful life.

In the presence of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if the successive financial years demonstrate a reduction in the motivation for the devaluation.

Non-current assets retained for sale

Non-current assets classified as retained for sale are evaluated at the lesser of either their previous initial value or the market value net of the sales cost.
Non-current assets are classified as retained for sale when it can be seen that their initial value will become recoverable by means of a sales operation as opposed to their use in the operating assets of the company. This condition is only respected when there is a high probability of sale, the asset is available for immediate sale in its as-is condition and the management has made a commitment to sell it, which should occur within twelve months of the date of classification in this entry.

Inventory

Inventories are assessed as the lower of either the cost or the realisation value. The cost includes direct materials and, where applicable, direct labour, general production costs and other costs sustained to transfer the inventories to their current location and condition. The cost is calculated using the weighted average cost method. The net break-up value represents the estimated sale price minus the estimated completion costs and the estimated costs for completing the sale.
Stock that is obsolete or slow moving has been depreciated based upon their possible use or liquidation value.

Financial assets and liabilities

Sales receivables

The receivables are entered at their nominal value which is basically represented by their *fair value*; the nominal value is reduced by the appropriate devaluation to take into account the losses forecast on the receivables. Write-downs are recorded and written off from the financial statements on their date of trading and are initially valuated at cost, including any charges that are directly linked with the acquisition.

Financial assets

The Financial assets are recorded and written-off from the balance sheet on the basis of the negotiation date and is initially valued at cost, inclusive of the charges directly linked to the acquisition.

On the successive dates of the balance sheet, the Financial assets that the Group intends to retain until expiry (securities kept until their expiry) are recorded at the depreciated cost according to the effective interest rate method, net of the devaluations effected to reflect a loss in value.
Financial assets other than those retained until their expiry are classified as retained for negotiation or are available for sale, and are evaluated at the end of each period at their *fair value*. When financial assets are retained for negotiation, the gains and losses deriving from variations in the *fair value* are entered in the income statement for the period. For financial assets available for sale, the gains and losses deriving from variations in the *fair value* are entered directly in the shareholders' equity until they are sold or have suffered a loss in value; at that moment the overall gains or losses previously recorded in the shareholders' equity are entered in the income statement for the period.

Cash and equivalent funds

The item relating to cash and equivalent funds includes cash and bank current and deposit accounts payable on demand and other short-term high-return financial investments that are readily convertible in cash and are subject to negligible value variation risk.

Trade debts

The trade debts are recorded at nominal value.

Financial liabilities and representative instruments of shareholders' equity

Financial liabilities and representative instruments of shareholders' equity issued by the G 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 shareholders' equity. These latter are defined as those contracts that, freed of any incorporated liabilities, give the right to a share of the groups assets.
The accounting principles adopted for specific financial assets and shareholders' equity instruments are indicated below.

Overdrafts and loans with banks and other lenders

Bank overdrafts and loans, consisting of long-term bank loans and overdrafts and debits with other lenders, including liabilities taken on fixed assets acquired through leasing, are recorded on the basis of the amounts collected, net of the costs of the operation, and subsequently evaluated at amortised cost using the effective interest rate method.

Representative instruments of shareholders' equity

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

Own shares

Own shares are entered in the balance sheet at acquisition cost and are entered minus the value of the consolidated shareholders' equity. The gains and losses deriving from the negotiation of own shares, net of the linked taxation effects, are entered in the shareholders' equity reserves.

Derivatives and hedge accounting

The Group's assets are exposed primarily to financial risks caused by variations in the exchange rates and interest rates. The risk linked to the variations in the exchange rates is represented by possible fluctuations in the exchange value of the Euro (or net exposure in foreign currency), consisting of the algebraic result of the payable invoices issued, the orders, the invoices received, the balance of the loans in currency and the available liquidity in the

currency accounts. The risk management policy approved by the board of directors of the parent company specifies that the sum of the hedging must never fall below 70% of the net exposure in currency and that the underlying asset must be identified at the start of each hedging operation. Hedging can be carried out using futures contracts (outright/currency swap) or even using derived instruments (currency option).
The particular nature of the Group's business is that the currency exposure is parcelled in many individual exchange positions (referred to the individual orders and invoices), which complicates (in addition to being anti-economic) a hedging based on points (i.e. with direct correlation between the hedging tool and the underlying asset): for this reason, the hedging is carried out on an aggregate basis and in particular on the matching of all the positions opened in currency. This hedging mode, even though effective from a management point of view, cannot be deemed as such according to the international accounting principles. For this reason, the variations in the *fair values* of the derived instruments are recorded directly in the income statement.
The interest rate risk mainly derives from medium term bank loans, given the consistent reduction in the Group's average indebtedness calculated using a variable parameter (Euribor 3 months). In spite of the change in interest rate trend, which has taken the form of a short term increase in the curve, the company continues to make no further coverage of its debts as, in view of the expected constant cash production, the Group will be extinguishing its bank loans in advance, thus eliminating at source the need to hedge the interest rate risk. For the remainder of the exposure, company policy does not provide for hedging the interest rate risk, instead it relies on the continuing stability at least for the short-term. Use is also made of a hedging instrument designated as cash flow hedge and which refers specifically to a leasing contract.

The derivatives are initially recorded at fair value, on the date of signing and then remeasured at *fair value* on the successive closing date.

The variations in the fair value of the derivatives that are not covered by the hedging are recorded in the income statement for the period in which they occur.

The embedded derivatives included in other financial instruments, or in other contracts, are treated as separate derivatives when their risks and characteristics are not closely linked to those of the contracts containing them, and these latter are not assessed at fair value with the relative gains and losses entered in the income statement.

Benefits to employees following termination of employment

For the defined benefits plan, to which the employee termination indemnities fund is assimilated, the relative cost of the benefits provided is determined using the *Projected Unit Credit Method*, effecting the actuary evaluations at the end of each financial year.
The actuarial gains and losses exceeding 10 per cent of the actual value of the benefit liabilities defined by the Group are depreciated for the period of the estimated average working life of the employees participating in the plan.

The liabilities for employee termination indemnities recorded in the balance sheet represent the actual value of the liabilities for the defined benefit plans adjusted to take into account the actuarial gains and losses not recorded.

Provisions for risks and charges

The provisions for risks and charges are only destined to cover losses or payables of a definite nature, which are certain or probable, but at the end of the financial year either the amount of the contingency or its date cannot be determined.

The provisions are set aside on the basis of the best estimate made by management of the costs required to fulfil the obligations on the balance sheet date, and are actualised when the effect becomes significant.

They include, amongst other things, the product guarantee fund which is allocated in the balance sheet to allow the economic effect of the guarantee costs to be anticipated according to the revenues from sales - guarantee costs correlation principle.

4. VALUATION CHOICES AND USE OF ESTIMATES

The preparation of the balance sheet and relative notes in the application of the IFRS accounting principles requires that the management carries out estimates and makes assumptions that would effect the values of the assets and liabilities of the balance sheet and the information relating to potential assets and liabilities as at the date of the balance sheet itself. The results totalled could be different to these estimates. The estimates are used to valuate tangible and intangible assets subject to impairment tests - as described above - and to determine allocations for

credit risk, warehouse obsolescence, asset write-downs, benefits to employees, taxes and provisions for risk and charges and for the purpose of defining the useful lifetime of tangible fixed assets.
The estimates and assumptions - which are based on data which reflect the current state of available knowledge - are periodically reviewed and the effects of each variation are immediately reflected in the income statement.

In particular and during the process of application of accounting principles, the Management of the Group has implemented a choice with regards to valuation and presentation of the call option granted in 2003, related to the purchase of the minority shares of the subsidiary HSD S.p.A. As noted in the financial statements of December 31st, 2005 - in compliance with the provisions of IAS 27 - the value of the option on December 31st, 2005, equal to € 2.2 million Euro, was included within the consolidated accounts with booking to the appropriate financial statement items; the latter included goodwill for assets and other payables for liabilities. The option was exercised in the February of the current year and the effects are represented in subsequent notes.

With regards to the acquisition of the 60% of the company Bre.Ma. Brenna Macchine S.r.l., it should be noted that the contract provides for a put option in favour of the sellers relative to the residual 40% of the share capital of the company. On the basis of the provisions of IFRS 3 and in accordance with best practice, the option was then valuated in conjunction with the contract for the acquisition of a controlling share of the company, thereby anticipating the effects of a potential exercising of the option within the 2006 financial statements (first year of consolidation of the company); for this purpose, a liability - equal to the actual value of potential future debt for the Group as a result of exercising the option - was booked in the financial statements. After having written off this shareholding from third party assets, the residual amount was recorded as increased goodwill. At the balance sheet date, the changes of value of the potential future debt are accounted as adjustments of the cost of the business combination, related to future events and therefore entered as goodwill adjustments.

Fundamental assumptions regarding the future and other causes of uncertainty when implementing estimates on the reference date of the financial statements - and which may result in significant adjustments to accounting values of assets and liabilities within the next year - primarily refer to the possible value loss of booked goodwill.

5. REVENUES

Analysis of Group revenues is as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Revenue from product sales	382,264	322,217
Revenues from after-sales services	14,469	12,794
Total revenues	**396,733**	**335,011**
Cost recovery	2,978	2,626
Other operating revenues	3,038	2,437
Internal constructions	237	162
Contributions for operating expenses	126	214
Total other operating revenues	**6,379**	**5,439**

As the company has not closed down, 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 in four operating divisions - Wood, Glass & Marble, Mechatronics, Other. These divisions form the bases used by the Group to indicate information by sector according to the primary schedule.
The main activities are as follows:
Wood - production and distribution of panel processing machines and systems,

Glass & Marble - production and distribution of glass and marble processing machines and systems,
Mechatronics - production and distribution of mechanical and electronic components for the industry,
Other - production and distribution of tools and components and other additional precision machining operations
The information on these activity segments is as follows:

Economic data

Year ending 31/12/2006 € '000	Wood	Glass & Marble	Mechatronics	Other	Elision	Group Total
External revenues	296,864	65,917	22,948	11,004		396,733
Inter-segmental revenues	575	41	13,347	35,634	(49,597)	0
Total revenues	297,439	65,958	36,295	46,638	(49,597)	396,733
Segment operating result	**39,691**	**7,899**	**6,034**	**3,313**	**0**	**56,937**
Non-allocated ordinary costs						(4,916)
Operating result						**52,021**
Percentage of profit/loss of affiliated companies			25	(255)		(230)
Segment financial revenues and charges	(132)	(325)	(8)	(85)		(550)
Non-allocated financial revenues and charges						(113)
Pre-tax profits						51,128
Taxes for the period						(18,871)
Profit for the period						**32,257**

Year ending 31/12/2005 € '000	Wood	Glass & Marble	Mechatronics	Other	Elision	Group Total
External revenues	248,782	60,886	17,770	7,573	0	335,011
Inter-segmental revenues	370	0	10,565	26,865	(37,800)	0
Total revenues	249,152	60,886	28,335	34,438	(37,800)	335,011
Segment operating result	**24,782**	**5,821**	**2,083**	**2,975**	**0**	**35,661**
Non-allocated ordinary costs						(7,878)
Operating result						**27,783**
Percentage of profit/loss of affiliated companies	(383)		104			(279)
Segment financial revenues and charges	(162)	(340)	(22)	(349)		(873)
Non-allocated financial revenues and charges						(2,628)
Pre-tax profits						24,003
Taxes for the period						(7,949)
Profit for the period						**16,054**

With respect to the previous year, an increase in volumes (+18% at the Group level) was reported, including a 28% of the Mechatronic Division led by both the intra-segment orders as well as the external orders; the Wood Division increased by 19% while the Glass Division grew by 8%. The Other segment grew by 35% due to increased orders from other segments of the Group (as also reported by the increase in intra-segment elisions).
Margins also increased significantly (+87% at the Group level) with performances that were particularly positive for the Mechatronic and Wood Divisions. The revenue growth has definitely contributed - as an operational leverage - to the creation of more balanced cost structures in a market where the generalised strong demand has then lessened the pressure on profit margins since the main players of the sector have created less leveraging through discounting. Innovation activities relative to the product and the simultaneous rationalisation of product ranges and industrialisation of existing ranges have further contributed to widening the gap between total revenues and cost of

sales.
The consolidation of the company Bre.Ma. Brenna Macchine S.r.l. (included within the Wood segment) had a circa 7 million Euro effect on volumes with a net contribution to consolidated operating income of approximately zero (actually worsening the Ebit margin of the segment); this was the effect of using the purchase method for the booking of the acquisition: after having valuated the company assets at fair value, in fact, a significant portion of the attained margin on sales following the acquisition was absorbed by the allocation of the purchase price.
The company I.S.P. Systems S.r.l. was included within the Other segment and has not resulted in significant changes for the Division.

Balance Sheet Figures

Year ending 31/12/2006 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Elision**	**Group Total**
Fixed assets	46,970	14,470	8,790	15,668	0	85,898
Warehouses	58,895	11,649	9,364	8,274	0	88,182
Commercial receivables and other receivables	87,633	18,372	11,113	11,473	(11,898)	116,693
Shareholdings in associated companies			38			38
Total segment assets	***193,498***	***44,491***	***29,305***	***35,415***	***(11,898)***	***290,811***
Non-allocated assets						***58,727***
Total assets						**349,538**
Provisions for risks	4,503	646	484	112	0	5,745
Retirement benefit obligations	9,976	1,880	1,067	2,007	0	14,930
Commercial payables and other payables	86,989	18,156	9,906	15,935	(11,898)	119,088
Leasing contracts liabilities		8,856	90	1,497		10,443
Total segment liabilities	***101,468***	***29,538***	***11,547***	***19,551***	***(11,898)***	***150,206***
Non-allocated liabilities						***199,332***
Total obligations						**349,538**

Year ending 31/12/2005 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Elision**	**Group Total**
Fixed assets	43,024	13,528	9,553	12,315	0	78,420
Warehouses	47,669	11,176	7,926	6,028	0	72,799
Commercial receivables and other receivables	74,204	17,475	11,105	7,111	(8,241)	101,654
Shareholdings in associated companies	0	0	107	0	0	107
Total segment assets	***164,897***	***42,179***	***28,691***	***25,454***	***(8,241)***	***252,980***
Non-allocated assets						***48,797***
Total assets						**301,777**
Provisions for risks	4,397	1,041	712	16	0	6,166
Retirement benefit obligations	9,108	1,751	1,584	1,749	0	14,192
Commercial payables and other payables	64,854	17,204	9,974	11,889	(8,241)	95,680
Leasing contracts liabilities	3,978	10,301	249	2,555	0	17,083
Total segment liabilities	***82,337***	***30,297***	***12,519***	***16,209***	***(8,241)***	***133,121***
Non-allocated liabilities						***168,656***
Total obligations						**301,777**

The growth of the Group is also highlighted by the balance sheet data which report a growth in assets of 16%; this growth is led, in particular, by the Wood Division (+15% compared to 2005, of which the shareholding derived from the acquisition of Bre.Ma is equal to circa 12 million Euro). Warehouses and receivables grew (given the increased in the portfolio of orders) and were counter-balanced by the increase in trade payables, thereby resulting in an essentially unchanged working capital.

Additional information

Year ending 31/12/2006 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Non-allocated assets**	**Group Total**
Increases in fixed assets	14,386	1,934	353	5,603	325	**22,601**
Depreciation of tangible and intangible fixed assets	5,607	2,442	1,036	1,560	407	**11,052**

Year ending 31/12/2005 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Non-allocated assets**	**Group Total**
Increases in fixed assets	6,012	525	2,645	488	675	**10,345**
Depreciation of tangible and intangible fixed assets	5,194	1,349	1,136	2,305	905	**10,889**

New investments implemented in 2006 primarily refer to acquisitions (Bre.Ma. Brenna Macchine S.r.l./Wood: circa 9.8 million Euro; I.S.P. Systems S.r.l./Other: circa 0.7 million Euro); in addition, there were investments for new production facilities for MC S.r.l. and Biesse Manufacturing Co. Pvt. Ltd., both of which are included within the Other segment (circa € 3.5 million). In addition to investments linked to normal production activities, circa € 3.9 million were reported for development projects (of which € 2.5 million relative to the Wood segment).

ANALYSIS BY GEOGRAPHIC SECTOR

Turnover

Geographic area	**Year ending 31/12/2006**	**%**	**Year ending 31/12/2005**	**%**
Western Europe	205,761	51.9%	168,004	50.1%
North America	62,917	15.9%	48,450	14.5%
Eastern Europe	59,817	15.1%	53,826	16.1%
Oceania	27,228	6.9%	29,020	8.7%
Asia	23,300	5.9%	20,813	6.2%
Rest of World	17,710	4.5%	14,899	4.4%
Group Total	**396,733**	**100.0%**	**335,011**	**100.0%**

Segment assets

Geographic area	**Year ending 31/12/2006**	**%**	**Year ending 31/12/2005**	**%**
Western Europe	262,432	75.1%	226,180	74.9%
North America	36,061	10.3%	32,187	10.7%
Eastern Europe	17,229	4.9%	15,739	5.2%
Oceania	17,715	5.1%	15,556	5.2%
Asia	11,000	3.1%	7,753	2.6%
Rest of World	5,101	1.5%	4,362	1.4%
Group Total	***349,538***	***100.0%***	***301,777***	***100.0%***

Additional information

Increases in fixed assets

Geographic area	**Year ending 31/12/2006**	**Year ending 31/12/2005**
Western Europe	21,437	10,140
North America	105	74
Oceania	197	80
Asia	862	51
Group Total	**22,601**	**10,345**

7. NON-RECURRENT SIGNIFICANT EVENTS AND OPERATIONS

Financial statement data include non-recurrent proceeds totalling € 379 thousand, equal to the estimate - implemented on the basis of a more prudential interpretation - of the contingent asset relative to a recovery of VAT on automobile costs for the years 2003-2004-2005 (in compliance with the verdict of the European Court) and gross of taxes and non-recurrent charges that were equal to € 953 thousand; the latter refer to a capital loss resulting from the sale of the property - and of the fixed facilities within it - located in S.Giovanni in Marignano (RN). The loss was due to a decreased commercial attractiveness of the office area (which represents a significant part of the transfer, equal to 2,700 sq.m.) compared to the production area. The impact of these components on the financial statements are outlined below.

Non-recurrent significant events and operations	**Shareholders' Equity**		**Result of the Period**	
(thousands of Euro)		%		%
Financial Statement values	**134,543**		**32,257**	
Effect of the VAT reimbursement request for 2003-2005	(379)	(0.28%)	(379)	(1.17%)
Effect of the capital loss from the property sale	953	0.71%	953	2.95%
Total effects	574	0.43%	574	1.78%
Gross notional values in financial statements	**135,117**		**32,831**	

No effects on the financial position or on financial flows were recorded.

8. FINANCIAL PROCEEDS

€ '000	**Year ending 31/12/2006**	**Year ending 31/12/2005**
Interest received from bank deposits	399	197
Interest received from customers	299	183
Other	0	33
Total income from investment activities	**698**	**413**

9. FINANCIAL EXPENSES

Details of the financial expenses are reported below:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Interest payable on loans and financing	1,104	1,549
Interest payable on leasing	550	873
Interest payable on current account overdrafts	75	200
Financial discounts to customers	447	377
Other financial expenses	244	41
Total financing costs	**2,419**	**3,040**
IRS losses designated as cash-flow hedging transferred from the hedging reserve	87	251
Total financial expenses	**2,506**	**3,291**

10. REVENUES AND EXPENSES ON CURRENCY EXCHANGES

The value relating to 2006 - positive for an amount of € 1,141 thousand (against a negative value in 2005 of € 714 thousand) - is mainly due to an increase in "flow" hedging operations in compliance with the Group's new policy for managing exchange risks. This phenomenon, in the presence of a redimensioning of the single European monetary unit, has generated more negative exchange differences offset by a more favourable valorisation of the activities expressed in foreign currency (USD-CAD-GBP) at more favourable exchange rates.
In this entry, the value relating to the balance of the non-realised gains and losses, deriving from adjustment of the credit and debit entries expressed in foreign currency to the end of period exchange rate, is negative by € 976 thousand. The component relating to the fair value valuation of exchange rate derivative contracts is positive and equal to € 824 thousand.

11. TAXES FOR THE FINANCIAL YEAR

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Current income tax	15,386	1003
Deferred income taxes	(1,786)	1,622
Tax for the year	**13,600**	**2,625**
IRAP, other lesser taxes and deferred taxes	5,382	4,781
Income tax relating to previous years	(111)	543
Total tax for the year	**18,871**	**7,949**

National income tax (IRES) is calculated at 33 percent (unchanged with respect to 2005) of the taxable income for the year. Tax for other jurisdictions is calculated according to the rates in force in those countries.
IRAP and other lesser taxes, applied in other jurisdictions and calculated using taxable bases other than profits before tax, are set down separately.

Taxes relative to previous years - equal to € 111 thousand - include provisions equal to € 495 thousand that were implemented to cover fiscal risks relative to official tax audit reports and assessments of Biesse S.p.A. and merged companies in previous years; these were compensated with refunds for taxes relative to previous years totalling € 606 thousand.
The amounts set aside for tax for the year can be reconciled with the results for the period, set down on the balance sheet as follows:

€ '000	Year ending 31/12/2006		Year ending 31/12/2005	
Pre-tax profits	51,128		24.003	
Tax at the national rate of 33% (2004: 33%)	16,872	33.00%	7.921	33,00%
Fiscal effect of non deductible costs in determining income	1,268	2.48%	234	0,97%
Fiscal effect of the use of previously unrecognised losses	(4,527)	(8.85)%	(6.856)	(28,56)%
Fiscal effect on losses for the year of certain subsidiaries not set down in the asset and liability statement, and reassessment of current deferred tax	122	0.24%	1.335	5,56%
Effect of the different tax rates relating to subsidiaries operating in under other jurisdictions	(135)	(0.26)%	(9)	(0,04)%
Income tax for the period and effective tax rate	**13,600**	**26.60%**	**2.625**	**10,94%**

In 2006 the effective tax load differed considerably from the theoretical one, due to the use of past losses that had not previously been recognised; this was mainly due to the Parent Company (approximately € 4 million).
In addition to taxes booked in the income statement of the year, current taxes totalling € 735 thousand were directly booked in shareholders' equity; these taxes refer to the sale of treasury shares.
Even in 2005, the effective tax load differed considerably from the theoretical one, due to the use of past losses that had not previously been recognised, mainly due to the Parent Company (approximately € 6.5 million). Thanks to the use of these past losses, and in spite of a pre tax profit of € 16,965 thousand, the Parent Company paid no IRES in 2005. These losses were not set down in the asset and liability statement among the deferred tax receivables, in compliance with the criteria of absolute prudence determined by uncertainty regarding forecasts for future operations.
Moreover, in addition to the tax set down in the income statement for the period, deferred tax payable amounting to € 193 thousand has been set down directly in the shareholders' equity.

12. EARNINGS PER SHARE (EPS)

The basic profit per share as at 31st December 2006 is equal to Euro/cent 118.20 (60.28 in 2005) and is calculated by dividing the profit attributable to shareholders of the parent company, equal to € 32,239 thousand (€ 15,931 thousand at the end of 2005), by the weighted average of the ordinary shares in circulation during the period, corresponding to No. 27.275.181 (No. 26.427.758 in 2005). As there were no dilution effects, the same calculation is also applicable to the determination of the diluted profit. The explanatory prospectuses are reported below:

Profit attributable to the parent company's shareholders

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Basic profit for the year	32,239	15,931
Dilatory effects on the profit for the year	0	0
Diluted profit for the year	32,239	15,931

Weighted average of the ordinary shares in circulation

in thousands of shares	Year ending 31/12/2006	Year ending 31/12/2005
Weighted average number of ordinary shares used to determine the profit per basic share	27,393	27,393
Own shares effect	(118)	(965)
Weighted average of ordinary shares in circulation – for calculating the basic profit	27,275	26,428
Dilatory effects	0	0
Weighted average of ordinary shares in circulation – for calculating the diluted profit	27,275	26,428

As activities did not cease during the year, the profit per share is fully referable to the continuing operations.

13.BUILDINGS, PLANTS, MACHINERY AND OTHER TANGIBLE FIXED ASSETS

€ '000	Property, plant and machinery	Equipment and other tangible fixed assets	Fixed assets under construction and payments in account	Total
Historic cost				
Value at 01/01/2005	79,703	29,331	306	109,340
Additions	1,592	1,882	366	3,840
Exchange differences, reclassification and other variations	1,735	471	(632)	1,574
Disposals	(525)	(1,086)	0	(1,611)
Value at 31/12/2005	82,505	30,598	40	113,143
Additions	1,409	2,274	3,397	7,080
Acquired on acquisition of subsidiaries	296	34	0	330
Exchange differences, reclassification and other variations	(515)	239	(0)	(276)
Disposals	(8,326)	(1,815)	(6)	(10,148)
Reclassified as investment property	(2,972)			(2,972)
Value at 31/12/2006	**72,397**	**31,330**	**3,430**	**107,157**
Amortisation funds				
Value at 01/01/2005	24,597	21,465	-	46,062
Amortisation for the period	4,907	3,341	-	8,248
Exchange differences, reclassification and other variations	248	(986)	-	(738)
Value at 31/12/2005	29,752	23,820	-	53,572
Amortisation for the period	4,952	2,747	-	7,699
Exchange differences, reclassification and other variations	(244)	324	-	81
Disposals	(1,749)	(1,700)		(3,449)
Reclassified as investment property	(448)			(448)
Value at 31/12/2006	**32,264**	**25,191**	**-**	**57,455**

Net accounting value				
Value at 01/01/2006	52,753	6,778	40	59,571
Value at 31/12/2006	**40,133**	**6,139**	**3,430**	**49,702**

In the reference period, investments totalled € 7,410 thousand. In addition to investments linked to the normal replacement of working tools which are required for ordinary production - totalling € 2,237 thousand - note should be made of the quota of investments relative to the acquisition of lands (on the date of acquisition) and the start-up of a project for the construction of a new production facility for the subsidiary Biesse Manufacturing Co. Pvt. Ltd. (€ 824 thousand, located in Bangalore, India). This investment is a result of the strategic choice to initiate the local sourcing of mechanical components; the company - currently in its start-up phase - has initiated its activity by making use of leased productive areas. Besides this investment, the fixed assets under construction include the capitalization of the costs for the construction of the new facilities of MC S.r.l. (€ 2.8 million). As highlighted in note 40 below, the company MC S.r.l. has committed to undersigning a real estate leasing contract relative to a new industrial building located in Pesaro (total value equal to circa € 3.2 million); the transfer of the operational headquarters to this location is currently underway. The investment derives from the need for larger spaces given the growth production requirements (currently based in two different locations, one of which is leased). Completion of the contract is forecasted for the end of April 2007.
As of August 1st, 2006, the production activity of the CNI brand (numerical controls) - previously housed in the Alfonsine (Italy) factory - was transferred to the Pesaro factories: the operation will grant benefits both in terms of synergies on technological development as well as lower fixed costs and higher production efficiency.

The facilities at Alfonsine (relative to the company Hsd S.p.a.) and Pesaro (relative to the company Mc S.r.l.) - which had a net book value of € 2,524 thousand (for buildings and relative fixed facilities) on the date in which production was halted - have been re-classified to the item "Investment property".
On 20/12/2006, the property in San Giovanni in Marignano - along with the relative fixed facilities which were acquired through finance lease contracts - were transferred; their net book value on the date of the sale was equal to € 6,099 thousand (of which € 5,470 thousand are relative to the land and the building). They were depreciated over the year for an amount equal to € 244 thousand. The sale resulted in a capital loss of € 953 thousand; for more details, refer to note 7.

On 04/09/2006, Biesse S.p.A. undersigned a contract concerning the acquisition of a new building in the Italian territory (valuated at circa € 2.5 million); certain productions using the Artech brand will be produced here. In compliance with the purchase agreement, it has been paid a caution money of € 600 thousand, actually re-classified in the other financial assets.

It should be noted that the financial statement include assets acquired by means of finance leasing contracts with a net accounting value of € 13,488 thousand (€ 21,683 thousand in 2005), depreciated by € 1,973 thousand (€ 10,132 thousand in 2005); in particular, the net accounting value refers to industrial buildings valuated at € 9,013 thousand (€ 17,062 thousand at end of 2005), machinery valuated at € 4,416 thousand (€ 4,621 thousand in 2005) and office machinery totaling 59 thousand (acquired during the course of 2006).

There are no mortgages on the lands and buildings; previous mortgages relative to the latter were redeemed (in 2005 guarantees were issued with respect to the mortgages for an amount totalling 21 million Euro).

14. INVESTMENT PROPERTY

This item of the financial statements refers to the depreciated cost of the property owned by the subsidiary MC S.r.l. and which is no longer used for productive activities given that the company has almost completed the transfer of its operational headquarters to another location in Pesaro.
In addition, the residual depreciated cost of the Alfonsine facilities must be added; these facilities were previously used by the CNI business unit. Following the transfer of the latter to the Pesaro facilities, production was halted in the facilities in question.
On the date of approval of these financial statement, both the properties have been rented, for € 60 and € 96 thousand respectively. Both the agreements give the right to the leaseholder the right to purchase the properties at pre-arranged conditions, subject to agreement of the lessor.
On the basis of specifications which were obtained in relation to the real estate market, Management estimates that

the commercial value of the properties in question totals circa 3.2 million Euro.
At the end of the previous year, there were no buildings that could be re-classified in the category in question.

15. GOODWILL

The balance sheet item, equal to € 18.539 thousand is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Acquisition of company Bre.Ma. Brenna Macchine S.r.l.	4,268	0
Acquisition of company Bre.Ma. Brenna Macchine S.r.l. (valuation of Put option)	1,217	0
Acquisition of Diamut company branch	3,940	3,940
Acquisition of H.S.D. S.p.a.	2,939	2,939
Acquisition of company Selco	2,307	2,307
Acquisition of Allwood (Australia) company branch – wood sector	2,036	2,084
Acquisition of CNI company branch	1,226	1,226
Acquisition of SEV company branch	424	424
Acquisition of small company branches (Australia) – glass sector	182	188
Total	**18,539**	**13,108**

The year-end balance changed with respect to 2005 as a result of the change in the exchange rates of the Australian dollar (resulting in a total decrease of Euro 55 thousand) and as a result of the acquisition of the company Bre.Ma. Brenna Macchine S.r.l. (€ 4,268 thousand). Besides this goodwill increase by € 1,217 thousand as counter part account of the recognition in the liabilities of the Put option, included in the purchase agreement and granted to the sellers; the option regard the sale to Biesse S.p.A. of the 40% of the share capital. The former amount was determined after implementing a fair value valuation of the acquired company branch, as illustrated in more detail in note 43; the latter amount is subject to adjustment, since the strike price of the option is linked to the economic and financial performance of the company, such as calculated at the expiry date.
The goodwill listed is allocated, at the date of acquisition, to the cash generating units - CGU, from which benefits are to be expected as a result of aggregation.

The Group will verify the ability to recover goodwill at least once a year, or more frequently if there is any indication of a loss of value. The value recoverable by the CGUs is verified by determination of the value in use. The main assumptions used relate to the rate of discount, the rate of growth and the expected variations in price of sale and the trend for direct costs during the period being calculated. The Group Management has therefore adopted a rate of discount before tax that reflects fair market valuation of the cost of money and specific risk. The growth rates used are based on growth forecasts for the reference industrial sector. Variations in the price of sale and in direct costs are based on experience and on future market expectations.

The Group prepares operating cash flow forecasts deriving from the most recent budget approved by the Board of Directors for the next three years, and extrapolates the flows for the remaining period based on the medium/long term growth rate for the sector, equivalent to 2% in line with that of the sector. The rate of discount used to discount cash flows is 7,9%.

Analysis of the recoverability of goodwill and the values used by the CGUs has shown no need for any devaluation due to loss of value.

16.OTHER INTANGIBLE ASSETS

€ '000	Development costs	Patents, trade marks and other intangible assets	Fixed assets under construction and payments in account	Total
Historic cost				
Value at 01/01/2005	7,738	7,476	0	15,214
Additions	3,818	330	122	4,270
Exchange differences, reclassification and other variations	(868)	(1,944)	(64)	(2,876)
Disposals	0	(18)	0	(18)
Value at 31/12/2005	10,688	5,844	58	16,590
Additions	843	967	3,172	4,982
Acquired on acquisition of subsidiaries	465	4,260	0	4,725
Exchange differences, reclassification and other variations	(524)	(1,660)	404	(1,780)
Disposals	0	(2)	0	(2)
Value at 31/12/2006	**11,472**	**9,409**	**3,634**	**24,515**
Amortisation funds				
Value at 01/01/2005	2,095	3,587	-	5,682
Amortisation for the period	1,456	1,186	-	2,642
Exchange differences, reclassification and other variations	(868)	(1,431)	-	(2,299)
Value at 31/12/2005	2,683	3,342	-	6,025
Amortisation for the period	2,405	948	-	3,353
Exchange differences, reclassification and other variations	(306)	(1,201)	-	(1,508)
Value at 31/12/2006	**4,782**	**3,088**	**-**	**7,870**
Net accounting value				
Value at 01/01/2006	8,005	2,502	58	10,565
Value at 31/12/2006	**6,691**	**6,321**	**3,634**	**16,645**

The intangible fixed assets illustrated have a specified life, and are consequently depreciated during that life.

The development costs refer to products, the marketing of which was started between 2004 and 2005, and it is forecast that the economic returns from these investments will take place on average within a period of 5 years.
The patents, trade marks and other rights are amortised according to their working life, which is estimated on average to be five years.

On the basis of the provisions of IFRS 3, intangible gross fixed assets for € 3.6 million were booked as a result of the allocation of the acquisition price of the company Bre.Ma. Brenna Macchine S.r.l. to the assets of the acquired company; the latter were valuated at fair value. This amount represents the best estimate of the recoverable value of the intangible assets which were gained through the acquisition and refers for € 2.4 million to the brand "Brema", which economic benefits will be given for a period of twenty years; the remaining amount of € 1.2 million is identifiable as the best estimate (obtained applying the royalties method) of the technology asset, expoitable for a period of five years and attributable to an other CGU of the Group.

The increase of the advances item is largely due to the capitalisation of development costs implemented during the course of the year for products whose economic return will manifest in the upcoming years.

17.EQUITY INVESTMENTS IN AFFILIATED COMPANIES

€ '000	**Year ending 31/12/2006**	
	HSD Deutschland	Totale
Cost of purchase	13	13
Quota part of post acquisition profits, net of dividends received	25	25
	38	38
Less: Fund for coverage of losses exceeding shareholders' equity	0	0
Equity investments in affiliated companies	38	38

€ '000	**Year ending 31/12/2005**		
	I.S.P. Systems	HSD Deutschland	Totale
Cost of purchase	0	13	13
Quota part of post acquisition profits, net of dividends received	(576)	94	(482)
	(576)	107	(469)
Less: Fund for coverage of losses exceeding shareholders' equity	576	0	576
Equity investments in affiliated companies	0	107	107

Details of the affiliated companies belonging to the Group as at 31st December 2006 are as follows:

Name	**Headquarters**	**Percentage capital owned**	**Percentage voting rights exercised**	**Main activity**
HSD Deutschland GmbH	Germany	50%	50%	Distribution and post-sales assistance for Mechatronics Division products

The following table shows the main figures for affiliated companies.

€ '000	**Year ending 31/12/2006**	**Year ending 31/12/2005**
Asset and liability statement		
Total assets	896	4,561
Total obligations	(679)	(5,992)
Total net	217	(1,431)
Pro quota attributable to the Group	109	(319)
Effect of elision entries	(71)	(150)
Pro quota attributable to the Group after elision entries	**38**	**(469)**
Profit and loss account		
Revenues	2,273	1,904
Net profit	191	(1,471)
Pro quota attributable to the Group	**96**	**(336)**

With regards to the year 2005, the data refer to HSD Deutschland GmbH and I.S.P. Systems S.r.l while they only refer to the former company in 2006.
As illustrated in more detail in subsequent note 43, the Parent company Biesse S.p.A. increased its holding in the

company I.S.P. Systems S.r.l. on 22nd June 2006, going from 25.93% to 100% of the share capital. For the purposes of these financial statements, the shareholding in this company has been valuated in accordance with the equity method for the period from January 1st - June 30 2006 (given the scarcity of the period between the acquisition date and the date of closing of the first half year of 2006) and consolidated on a line-by-line basis for the period from July 1st - December 31st, 2006.

18. OTHER FINANCIAL ASSETS AND NON-CURRENT RECEIVABLES

The balance sheet item is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Minority shareholdings in other companies and consortia	89	83
Other receivables / Deposits – non-current value	1,427	469
Total	**1,516**	**552**

The increase in the item Other Receivables is largely due to the recording of caution money equal to € 600 thousand; this sum was paid as an acquisition commitment relative to the property intended for production with the Artech brand (refer to note 13).

19. INVENTORY

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Raw materials	51,725	46,660
Semi finished products	7,682	6,588
Finished products and goods	27,429	18,922
Advances	1,346	628
Total	**88,182**	**72,798**

The balance sheet value is net of the obsolescence funds, amounting to € 4,249 thousand for raw materials (€ 3,880 thousand at the end of 2005) and € 1,263 thousand for finished products (€ 1,170 thousand at the end of 2005). The increase in the value of inventory materials compared to 2005 is due to the increase in production as well as supplies of finished products which were increased within the branch offices in order to guarantee deliveries within the deadlines stipulated in the relative sales contracts. The increase in the depreciation funds is due to the generation of obsolete material following the renewal of certain product ranges.

20. TRADE RECEIVABLES

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Receivables from customers - within 12 months	115,050	98,169
Receivables from customers - beyond 12 months	2,645	1,772
Credit devaluation fund	(4,542)	(2,954)
Total	**113,153**	**96,987**

The amount of € 4,542 thousand (€ 2,954 thousand as at December 2005) was set aside to a fund for coverage of

bad receivables. The fund was determined on the basis of historical data relative to losses on receivables and detailed analyses on their potential recovery.
The Management considers that the book value of sales receivables is close to their fair value.
The increase in the value of receivables compared to 2005 is in line with the percentage increase in revenues over the last two years.
These item include also the receivable related to the transfer of the property in San Giovanni in Marignano, still outstanding for € 1.6 million (whose amount due before 12 months is circa equal to € 600 thousand).

21.RECEIVABLES FROM AFFILIATED AND PARENT COMPANIES

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Receivables toward affiliated companies	486	790
Receivables towards parent companies	1,387	183
Total	**1,873**	**973**

The receivables toward affiliates entry is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Hsd Deutschland GmbH	486	612
I.S.P. Systems S.r.l.	0	178
Total	**486**	**790**

The receivables towards affiliates are sales receivables and refer to transactions carried out to transfer goods and/or provide services.
Receivables due to parent companies refer to the transfer of advances, withholdings and receivables for prepaid IRES (corporate income taxes) on the part of Biesse S.p.A., HSD S.p.A. and I.S.P. Systems S.r.l. to the parent company Bi.Fin. S.r.l. as a result of the choice to adhere to the National Consolidated Taxation scheme for the three year period between 2005 and 2007 (see note 46); the VAT receivables transferred from Biesse S.p.A. and HSD S.p.A. to the parent company Bi.Fin. S.r.l. - following the decision to adhere to the regimen relative to Group VAT for the year 2006 - should be added to the above figure.

22.OTHER RECEIVABLES

The other receivables entry is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Receivables for taxes on expenditure	4,282	2,224
Receivables for taxes on income	1,003	1,289
Other receivables from the inland revenue	15	32
Credit notes to be received, prepaid costs and advances to suppliers	3,727	1,930
Other receivables	2,539	1,989
Total	**11,566**	**7,464**

The increase in other receivables is primarily due to the increase in VAT receivables (+ 2,058 thousand relative to the companies MC S.r.l., Bre.Ma. Brenna Macchine S.r.l. and I.S.P. Systems S.r.l.) and the increase of the amount relative to receivable credit notes, pre-paid costs and supplier advances (ascribable to the increase in volumes).

23.CASH AND CASH EQUIVALENTS

These include the liquid assets held by the Group and bank deposits expiring within three months. The book value of these assets approximately represents their fair value.

24.CREDIT RISK

The Group credit risk essentially relates to the amount of sales receivables. The amounts set down on the balance sheet are net of appropriations for bad debts, which have been estimated by the Group's management based on past experience and their valuation in the current economic context.

The credit risk relating to liquid assets and derived financial instruments is limited, as the other parties in question are banks with a high rating, assigned them by primary international rating agencies.

The Group does not have a particular credit risk concentration, as its credit exposure is divided between a large number of other parties and customers (the main customer represents only 3% of the Group's total receivables).

25.SHARE CAPITAL / OWN SHARES

The share capital of the Parent company Biesse S.p.A. is made up of No. 27,393,042 shares with a nominal value of € 1.
On the date of approval of these financial statements, the Group was not in possession of own shares.
At the end of the previous year the Parent Company Biesse S.p.A. held No. 927,202 own shares, set down on the balance sheet at the historic cost of € 2,453 thousand.

With reference to these shares in portfolio, it should be pointed out that a part of these, equal to No. 380.654 (recorded in the financial statements at their historical cost equal to € 1,204 thousand) was held for hedging the option recognised in favour of the ex-shareholder of the subsidiary HSD S.p.a. by virtue of the sales contract of 14th November 2003. The option was exercised in the month of February 2006. The operation did not involve any financial payment, as the payable - equal to € 3,487 thousand - was written off on handing over of the shares in question.

The remaining shares in the portfolio (equal to no. 546,548 and recorded in the financial statements at their historical cost equal to € 1,249 thousand) - previously held as treasury shares - have been entirely transferred in the months of January and February 2006, thereby realising a cash inflow of € 4.17 million gross of the underlying fiscal effect.

26.CAPITAL RESERVES

The balance sheet value, equivalent to € 36,202 thousand (unchanged with respect to 2005) refers to the share premium reserve.

27.HEDGING AND TRANSLATION RESERVES

The balance sheet value is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Coverage reserves	0	69
Translation reserves	1,633	1,156
Total	**1,633**	**1,225**

28. RETAINED EARNINGS

The balance sheet value is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Legal reserve	4,723	4,061
Extraordinary reserve	17,618	12,450
Profits from disposal of shares	4,476	102
Profits brought forward	13,205	12,832
	40,022	**29,445**

29. DIVIDENDS

On 29th May 2006 the Parent company paid shareholders a dividend of 18 Euro cents per share (total dividends amounting to 4.9 million Euro, 12 Euro cents per share in 2005, amounting to a total of 3.2 million Euro). Subsequently, on December 22nd, 2006, an extraordinary dividend of 18 Euro cents per share (total dividends amounting to 4.9 million Euro) was paid following the resolution of the shareholders' meeting of December 14th, 2006.

As regards the financial year that has just ended, the Directors of the Parent Company have proposed payment of a dividend of 36 Euro cents per share. This dividend is subject to the approval of the shareholders during the annual meeting, and for that reason the amount has not been included on the liabilities side of this balance sheet.
The dividend proposed for 2006 is payable to all shareholders listed on the Registry of Shareholders on 30th April 2007. The estimated total dividend to be paid amounts to 9.9 million Euro.

30. BANK OVERDRAFTS AND LOANS

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

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Bank current account overdraft and other short-term loans	10,633	15,767
Mortgages with collateral security – current value	0	4,541
Mortgages without collateral security – current value	154	242
Current liabilities	*10,786*	*20,550*
Medium-term loans	0	22
Mortgages with collateral security – non-current value	0	16,511
Mortgages without collateral security – non-current value	642	821
Non-current liabilities	*642*	*17,354*
Total	**11,428**	**37,904**

Non-current liabilities are reimbursable as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
At sight or within one year	10,786	20,550
Within two years	118	4,781
Within three years	82	4,786
Within four years	84	4,842
Within five years	86	2,241
After the fifth year	272	704
	11,428	**37,904**

Analysis of bank payables by currency

31/12/2006 € '000	**Euro**	**Other**	**Total**
Overdrafts and short-term loans	10,621	11	10,632
Unsecured Loans	796	0	796
Total	**11,417**	**11**	**11,428**

31/12/2005 € '000	**Euro**	**US Dollar**	**Australian Dollar**	**Canadian Dollar**	**New Zealand Dollar**	**Other**	**Total**
Overdrafts and short-term loans	6,527	4,354	3,414	1,172	290	10	15,767
Secured loans	20,913	0	0	139	0	0	21,052
Unsecured Loans	1,063	0	0	0	0	0	1,063
Medium term loans	0	0	0	0	0	22	22
Total	**28,503**	**4,354**	**3,414**	**1,311**	**290**	**32**	**37,904**

All the above mentioned payables have variable interest rate, so that the Group is exposed to interest rate risk. As illustrated in note 3, the company' s decision was to no longer hedge its debt with the exception of the hedge implemented with respect to a payable for a finance lease (see the following note). As a result, the IRS contract which expired during the year was not renewed for the payable relative to the finance lease; given the expectations for constant cash inflows, the Group would proceed with redeeming the bank financing in advance, thereby eliminating the need for hedging interest rate risk at the source. For the remainder of the exposure, company policy does not provide for hedging the interest rate risk, instead it relies on the continuing stability at least for the short-term.

The average interest rates on loans are as follows:

	Year ending 31/12/2006	Year ending 31/12/2005
Bank overdraft and other short-term loans	3.5%	2.6%
Mortgages	3.8%	5.0%

As of December 31st, 2006, the amount relative to unused credit lines totalled 93 million Euro.

31.NET FINANCIAL POSITION

€ '000	31 December 2006	31 December 2005
Short term investments:	36,102	31,210
- Cash and cash equivalents	36,052	*31,210*
- Receivables from others within 12 months (immediately payable)	50	*0*
Short-term receivables for financial leases	(2,336)	(3,266)
Short-term bank receivables and other financial receivables	(10,786)	(20,550)
Short term net financial position	**22,980**	**7,394**
Medium/long term receivables for financial leases	(8,217)	(13,942)
Medium-long term payables to banks	(642)	(17,354)
Medium/long term net financial position	**(8,859)**	**(31,296)**
Net financial position	**14,121**	**(23,902)**

The net financial position reported a positive value equal to more than € 14 million, a recovery of circa € 38 million in 12 months resulting from a positive streak initiated in the year 2004, after the distribution of dividends for a total of € 9,861 thousand Euro at the two due dates of May and December 2006.

32.OBLIGATIONS UNDER FINANCE LEASES

€ '000	Minimum payments due for leasing		Current value of minimum payments due for leasing	
	31/12/2006	**31/12/2005**	**31/12/2006**	**31/12/2005**
Leasing contracts liabilities				
payable within one year	2,728	3,933	2,336	3,266
payable in more than one year, but within five years	8,878	12,279	8,037	10,776
payable in more than five years	180	3,278	180	3,166
	11,785	19,490	10,553	17,208
After deduction of future financial charges	(1,232)	(2,282)	N/A	N/A
Current value of leasing contracts liabilities	10,553	17,208	10,553	17,208
Deduced: payables expiring within one year			(2,336)	(3,266)
Total payable in over 12 months			8,217	13,942

Obligations under finance leases mainly refer to buildings (and relevant plants and machinery - subject to *sale and lease-back* whose current value for minimum repayments due as at 31/12/2006 amounts to € 8,856 thousand (€ 1,593 thousand is the amount due within 12 months). The original duration of these contracts is 10 years while the residual duration is 5 years. As at 31st December 2006 the effective average interest rate for these contracts is 4.2%.
The remaining leasing contracts liabilities refer to contracts for the purchase of machinery, with an average duration of 5 years. As of December 31st, 2006, the effective average interest rate for these contracts is 2.9%.

The interest rates are fixed on stipulation of the contract, and are subject to fluctuation due to the fact that they are connected to the cost of money. All leasing contracts in force are reimbursable by means of a constant instalment plan, and no alterations to the original plan are foreseen by the contract.
It should be noted that - as of June 1st, 2006 - , a hedging instrument (IRS), designated as a cash flow hedge and which refers specifically to a finance lease contract, expired. In accordance with Group policy (summarised in note 3), the hedge was not renewed.

All contracts are in Euros.
Leasing contracts liabilities are guarantee to the lessor by means of rights on the assets under lease.

33.RETIREMENT BENEFIT OBLIGATION

Defined benefit obligation plans
The Biesse Group allocated a value of € 15,929 in its financial statements as the current value of retirement benefit obligations accruing up to the end of the period with respect to employees in the Group's Italian companies; the latter are composed of provisions for employee termination indemnities.

The most recent calculations of the current value of this fund were carried out on 31st December 2006 by Stefano Busatto, an actuary from the service company Mercer Human Resource Consulting S.r.l.

The amounts set down on the income statement can be summarised as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Cost relating to current labour provided	2,183	2,109
Financial expenses	603	597
Net actuary losses set down for the period	0	0
	2,786	**2,706**

The costs for the year have been set down among the staff costs.

Variations for the period in relation to the current value of obligations connected to severance pay are as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Liabilities at the start of the period	15,090	13,671
Current services	2,183	2,109
Financial expenses	603	597
Benefits paid out	(1,947)	(1,287)
Liabilities at the end of the period	**15,929**	**15,090**

The Group has decided to adopt the "corridor method", which allows the component of the cost, calculated according to the method described and represented by the actuarial gains or losses, to remain unknown in the case where it does not exceed 10% of the actual value of the defined benefit obligation. Following application of this method, actuarial profits amounting to 404 thousand Euro (547 thousand Euro in actuarial losses were not booked at the end of 2004) are not accounted for as at 31st December 2006.

Assumptions used for calculations:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Discount rate used to determine the obligation	4.50%	4.00%
Expected rate of salary increase	2.75%	2.75%
Inflation rate	2.00%	2.00%
Discount rate used to determine the cost of social security	4.00%	4.50%

Average employees

The average number of employees for the year 2006 was equal to 1,956 (1,873 in 2005), divided as follows:

	Year ending 31/12/2006	Year ending 31/12/2005
Workers	715	688
Employees	1,203	1,147
Executives	38	38
Total	**1,956**	**1,873**

* provisional workers were not included within these data

34.DEFERRED TAX ASSETS AND LIABILITIES

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Deferred tax receivables	8,874	8,441
Deferred tax payables	(8,040)	(7,886)
Net position	**834**	**555**

The following indicates the main elements making up the deferred tax receivables and payables.

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Appropriation to devaluation and risk funds	3,734	3,452
Infra-group profits included in the value of final inventories	2,252	1,567
Devaluation of holdings deductible in fifths	318	715
Other	2,570	2,707
Deferred tax receivables	**8,874**	**8,441**
Accelerated amortisation	(1,965)	(2,265)
Deferred development costs	(2,140)	(2,853)
Goods under financial leasing	(837)	(1,500)
Other	(3,098)	(1,268)
Deferred tax payables	**(8,040)**	**(7,886)**
Net position	**834**	**555**

At the date of the financial statements, the Group reported unused past losses amounting to approximately 10 million Euro (€ 23 million at the end of 2005). These losses refer to branch offices and there are no reasonable elements to expect a short-term recovery of these amounts.

35.PROVISIONS FOR RISKS AND CHARGES

€ ‘000	Guarantees	Retirement of agents	Other	Total
Value at 01/01/2006	2,894	442	3,064	6,400
Provisions	847	22	1,055	1,924
Use	(61)	0	(1,705)	(1,766)
Differences in exchange and other variations	52	18	(0)	70
Value at 31/12/2006	**3,732**	**482**	**2,414**	**6,628**

	Year ending 31/12/2006	Year ending 31/12/2005
These funds are divided into:		
Current liabilities	4,769	4,514
Non-current liabilities	1,859	1,886
	6,628	**6,400**

The guarantee fund represents the best estimate made by the Group management of the obligations deriving from the two year guarantee granted on products sold by the Group. Appropriation to the fund derives from estimates based on past experience and on analysis of the level of reliability of the marketed products.
Appropriation for retirement of agents refers to the liabilities connected to existing agency agreements.

The item Other funds comprises the following:

€ ‘000	Legal actions	Tax actions	Coverage of losses	Total
Value at 01/01/2006	1,788	700	576	3,064
Provisions	560	495	0	1,055
Use	(1,030)	(99)	(576)	(1,705)
Differences in exchange and other variations	0	0	0	0
Value at 31/12/2006	**1,318**	**1,096**	**0**	**2,414**

The amount relating to legal disputes refers to the best estimate made by the management on future charges (for compensation and legal fees) connected to existing litigation with customers.

The allocation for legal disputes refers to the amount relative to taxes and sanctions deriving from disputes - for which there is a probable risk of loss - with the Regional Internal Revenue Service of Ancona and referring to the audit implemented on the income of the parent company in the year 2002 and 2003 - as well as a dispute with the Revenue Corps in relation to an audit implemented for the years 2000 and 2001 on the Intermac company which was incorporated into Biesse S.p.A. in the year 2002 (for more details, refer to subsequent note 40).
As far as the provisions for tax actions are concerned, they were made after having valued the possible result of the cases, besides relatives to interpretations about non-deductible expenses, and after having received specific opinions, if necessary.
In particular, regarding the Preliminary Tax Audit Report issued on October 21st, 2005 by the Regional Internal Revenue Service of Ancona with respect to Biesse S.p.A. and relative to the years 2002-2003, in compliance with a prudence principle the provisions are determined in € 495 thousand. To this regard, updating what illustrated in the previous financial statements, the Regional Internal Revenue Service notified the tax assessment only for 2002, for which the relatives sanctions have been paid, due to their light entity. Regarding the merits of the assessment, it has been proceeded with an appeal, because there is no agreement on the reasons of the assessment.

Regarding the year 2003, no tax assessment was notified.
It should be noted that - in relation to the query on the claimed non-deductibility of the write-down of the shareholding in Schelling, amounting to € 45,118 thousand, because of its omitted communication, for which no provisions were made, on the basis of a specific opinion received from a primary national tax consultant stating the absence of risks - it is hereby notified that Legislative Decree no. 273 of 30.12.2005, art. 31, paragraph 1, converted into Law No. 51 of 23.2.2006 and published in the Official Gazette no. 49 of 28/2/06, provides for extension of the terms for communications under art. 1, paragraph 4 of Legislative Decree 209/72.
In compliance with these provisions - although in the case in question the obligation is not believed to exist - the notification has in any case been filed on 19/01/2006, the omission of which gave rise to the assessment. There is thus reason to believe that the evaluation of the risk of losing a dispute in relation to this assessment - which was already considered "remote" on the basis of the technical and legal opinion of a primary Tax Office in regard to its merit - is now even less likely based on the fact that omission of the notification requirement has now been remedied.
On the subject, it should be noted that the Financial Act 2007 rectified a similar case of “communication” obligation, relative to the omitted indication of purchases from Black List countries in the tax declaration. Also for this aspect, the legislator mitigated the sourness of the sanctions of the non-deductibility foreseen for these cases (to which Biesse is not involved) also for situations already assessed by the National Internal Revenue Service. This aspect strengthen the belief, although necessary, of fiscal amnesty about the communication obligation, object of the assessment 2003 and of formal nature, as per Legislative Decree no. 273 of 30.12.2005, art. 31, paragraph 1, converted into Law No. 51 of 23.2.2006
There are also further tax cases, of light entity, regarding VAT credits not recognised and elusions disputes. It should be noted that Biesse S.p.A. should appeal against these cases, since we belief there reasons to expect positive results from them.
Finally, the provisions made to cover the losses exceeding shareholders' equity were used in 2006 against the re-capitalization which was implemented with respect to the company I.S.P. Systems s.r.l. for the period preceding the shareholding acquisition.

36.TRADE PAYABLES

The trade payables entry is made up as follows:

€ ‘000	Year ending 31/12/2006	Year ending 31/12/2005
Payable to suppliers - within 12 months	94,425	71,420
Payable to suppliers - over 12 months	1,665	2,458
Advances / Deposits for installation and testing costs	17,589	9,794
Total	**113,679**	**83,672**

37.PAYABLE TO AFFILIATED AND PARENT COMPANIES

The payable to affiliates entry is made up as follows:

€ ‘000	Year ending 31/12/2006	Year ending 31/12/2005
I.S.P. Systems S.r.l.	0	573
HSD Deutschland GmbH	49	4
Kernex Automation S.r.l.	0	1
Total payable to affiliates	**49**	**578**
Bi. Fin. S.r.l.	15,040	501
Total payable to parent companies	**15,040**	**501**
Total payable to affiliates and parent companies	**15,089**	**1,079**

The payables to affiliates are sales payables and refer to transactions carried out to transfer goods and/or provide services.
Payables due to parent companies relate to the transfer of IRES payables on the part of Biesse S.p.A., HSD S.p.A. and Cabi S.r.l. to the parent company Bi.Fin. S.r.l. (see note 46).

38.OTHER PAYABLES

The current value of the other payables entry is made up as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
Social security liabilities	5,122	4,812
Payables to employees	10,135	8,388
Other payables	9,930	5,881
Total	**25,187**	**19,081**

In 2005, the item included the amount of € 3,487 thousand, as the payable related to the HSD purchase, settled in February 2006, by delivery of own shares of Biesse S.p.A. for the same amount.
In 2006, the item includes the payables related to the purchase of Bre.Ma., determined as € 5.7 million (of which the amount related to the valuation of the Put option, granted to the sellers is subject to adjustment, as a consequence of the calculation system).

39.DERIVATIVE FINANCIAL INSTRUMENTS

	Year ending 31/12/2006		Year ending 31/12/2005	
	Assets	Liabilities	Assets	Liabilities
Derivatives on exchanges	824	0	0	615
IRS	0	0	0	110
Total	**824**	**0**	**0**	**725**

Interest rate swap (IRS)

The Group has stipulated an interest rate swap contract to manage the risk deriving from changes in interest rate for lease of the industrial premises located in Pesaro, in via dell'Economia, converting this loan from variable to fixed interest rate.
On date of expiration of the contract, the option was not renewed, as previously illustrated in note 32.
This derivative instrument is designated as an instrument to hedge future cash flows and has proved effective (although it has involved higher charges than would have been sustained if the derivative contract had not been stipulated); as a result the changes in fair value at the end of 2005 have been booked in a shareholders' equity reserve. The amount of € 87 thousand went to increase the cost of interest paid during the period.

Derivatives on exchanges

Derivative contracts on exchanges are not qualified as hedging instruments (see note 3 in this regard) and are represented by sales for the account contracts. The financial instruments acquired are in the currencies of the markets on which the Group operates.
At the date of closure of the balance sheet, the notional amount of set term sales contracts stipulated by the Group can be summarised as follows:

€ '000	Year ending 31/12/2006	Year ending 31/12/2005
US Dollar	20,121	22,040
UK Pound	2,979	5,837
Canadian Dollar	6,871	4,735
	29,971	**32,612**

As at 31 December 2006, the net fair value of the stipulated derivative instruments on exchanges was estimated at approximately € 824 thousand; this amounts was identified as a current asset (at the end of 2005, the fair value amounted to € 615 thousand, identified as a current liability). Given that these instruments cannot be classified as hedging, the relevant changes in fair value are booked in the income statement as exchange rate proceeds and charges.

40. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

Commitments

It should be noted that the contract regulating obligations between Biesse S.p.A. and the minority partner of Sandymac S.r.l., foresees a call option in favour of Biesse S.p.A. and at the same time a put option in favour of the minority partner on the remaining shares of the share capital of the subsidiary. The option may be exercised within sixty days from the date of approval of the financial statements as of 31/12/2008 of Sandymac S.r.l., a date which also represents the expiration date of the abovementioned contract - or, as contractually stipulated between the parties, the duration of the contract and the exercise of the option itself may be anticipated one year (within 60 days from the date of the approval of the financial statements as of 31/12/2007).

On the date of closure of the financial statements - given the contractual methods to be followed to determine the price of the option - no potential liability deriving from the contract in question has been determined. The contract also foresees a non-competition agreement on the part of the other party, against which payment of the amount of € 100 thousand is foreseen.

With regards to the contract undersigned for the acquisition of a majority shareholding in Bre.Ma. Brenna Macchine S.r.l., as previously mentioned in note 15, the existence of a put option issued by Biesse S.p.A. - in favour of sellers and relative to the residual shares of the share capital of the subsidiary - should be noted. The option may be exercised after three years but within five years from the date of underwriting of the abovementioned contract. The effects of a potential exercising of the option have already been included within the financial statements, in accordance with the modalities described in note 4.

In addition, note has been made of contracts undersigned for a counter value of € 4.6 million (of which € 2.5 million refer to an industrial building designed for Artech brand activities, as described in note 13) as well as the commitment of the subsidiary MC Srl to undersign a real estate leasing contract valued at € 3.2 million in relation to a new building which will be used for the operations of the company itself.

Finally, buyback commitments totaling € 1,329 thousand were undersigned in favour of leasing companies in the case of default on the part of certain customers within the Italian market.

Contingent liabilities

With regards to the Preliminary Tax Audit Report issued on October 21st, 2005 by the Regional Internal Revenue Service of Ancona with respect to Biesse S.p.A. and relative to the years 2002-2003, there are no updates to report with respect to that illustrated in the previous financial statements. It should be noted that - in relation to the query on the claimed non-deductibility of the write-down of the shareholding in Schelling, amounting to € 45,118 thousand, and which could reduce the fiscally relevant loss produced in the year 2003 and subsequently could be used in part to compensate for the profits for the years 2004 and 2005 as well as the current year 2006 - it is hereby notified that Legislative Decree no. 273 of 30.12.2005, art. 31, paragraph 1, converted into Law No. 51 of 23.2.2006 and published in the Official Gazette no. 49 of 28/2/06, provides for extension of the terms for communications under art. 1, paragraph 4 of Legislative Decree 209/72.

In compliance with these provisions - although in the case in question the obligation is not believed to exist - the notification has in any case been filed, the omission of which gave rise to the assessment. There is thus reason to believe that the evaluation of the risk of losing a dispute in relation to this assessment - which was already considered "remote" on the basis of the technical and legal opinion of a primary Tax Office in regard to its merit - is now even less likely based on the fact that omission of the notification requirement has now been remedied.

Guarantees issued and received
With regards to issued guarantees, the Group has issued guarantees amounting to € 7,264 thousand. The most relevant components refer to guarantees issued in favour of the Commune of Pesaro in relation to urbanisation charges for the buildings located in this commune (€ 1,468 thousand) as well as guarantees issued in favour of the subsidiaries Biesse Group France Sarl (€ 1,450 thousand) - for a future building construction - and Biesse Group Australia Pty Ltd. (€ 599 thousand) relative to hedging of credit lines.
With regards to received guarantees, it should be noted that the sales contract of the property in San Giovanni in Marignano provides for a conditional sales clause pursuant to Article 1523 et sequitur of the Italian Civil Code, thereby ensuring the parent company with the right to buy back a portion of the building used as office space in the case of default by the counterparty in the payment of the stipulated price. On the date of closing of the financial statements, the uncollected amount relative to the transfer totalled circa 1.6 million Euro.

41. OPERATING LEASE CONTRACTS

Contracts stipulated by the Group as a lessee € '000	**Year ending 31/12/2006**	**Year ending 31/12/2005**
Fee amounts paid during the year	5,408	5,298

As of the date of the financial statements, the amount of fees that were still due by the Group as a result of operating lease contracts were as follows:

€ '000	**Year ending 31/12/2006**	**Year ending 31/12/2005**
Within one year	3,379	3,027
Beyond the second but within the fifth year included	4,802	4,646
After the fifth year	294	18
	8,476	**7,691**

These contracts refer to the rental of cars and office machinery. The leases have an average duration of three years and the fees are fixed over the same period of time.

42. OPERATIONS THAT HAVE NOT INVOLVED CHANGES IN THE CASH FLOW

During the year 2006, no significant investments were implemented through the stipulation of leasing contracts. Instead it has been accounted the balance sheet effects of the valuation of the Put option granted to the sellers of Bre.Ma. Brenna Macchine S.r.l., that are not reflected in the cash flow statement, since they have not involved changes in the cash flows.

43. ACQUISITION OF SUBSIDIARY COMPANIES

During the course of the year, the Group implemented two shareholding acquisitions.
On June 22nd, 2006, the parent company Biesse S.p.A. increased its shareholding in the company I.S.P. Systems S.r.l., increasing from 25.93% to 100% of the share capital by acquiring the shares that were previously held by the parent company Bi.Fin S.r.l. through the complete underwriting of the share capital of ISP and following the settlement of losses reported in the extraordinary financial statements of 30/04/06. The transaction was set down in the accounts using the purchase method.

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

€ '000	Book values of the acquired company	IAS Adjustments	Adjusted values
Net acquired assets			
Equipment and other tangible assets	34	0	34
Other intangible assets	661	(1)	660
Deferred tax receivables	642	0	642
Inventories	199	0	199
Trade receivables	1,016	0	1,016
Cash and cash equivalents	143	0	143
Retirement benefit obligation	(43)	(1)	(44)
Trade debts	(2,368)	0	(2,368)
Other payables	(32)	0	(32)
	251	(2)	249
- Previously held shareholding (25.93%)			(64)
- Negative goodwill (Badwill)			(175)
Acquisition price - fully paid			10

Net cash inflow from acquisition:	
Price paid	(10)
Acquired cash and banks	106
	96

For the purpose of entering the effects of the acquisition on the financial statements, it was assumed that control of the company was acquired as of 30th June , 2006 - given that the result relating to the period between the date on which the share capital was paid up and the closing date of the first half year (8 days) was negligible.
On August 1st, 2006, the parent company Biesse S.p.A. proceeded with the acquisition of 60% of the share capital of the company Bre.Ma. Brenna Macchine S.r.l. The company has a registered office in Alzate Brianza (CO) and - as of 1976 - has been involved in the planning and manufacturing of boring machines with numerical control for machining operations. The transaction was set down in the accounts using the purchase method.

The acquisition cost - equal to a total of € 6,687 thousand - takes into account the stipulation of the agreed upon purchase price, even if the latter will be formally stipulated between the parties before the date of approval of the financial statements (30/04/07) - as provided for in the relative appendix of the acquisition contract dated 22/11/2006 - and includes accessory charges equal to € 67 thousand for the formulation of the acquisition and the implemented due diligence activities.

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

€ '000	Book values of the acquired company	IAS and fair value adjustments	Adjusted values
Net acquired assets			
Plants, machinery, equipment and other tangible fixed assets	106	190	296
Technology, Productive Know-how, customer relations	0	2,400	2,400
Development costs and other intangible assets	54	400	465
Deferred tax receivables	8	0	8
Inventories	3,414	651	4,065
Trade receivables	3,780	0	3,780
Other receivables	1,597	0	1,597
Cash and cash equivalents	28	0	28
Retirement benefit obligation	(641)	98	(543)
Trade debts	(5,564)	0	(5,564)
Deferred tax payables	(17)	(1,344)	(1,361)
Other payables and other liabilities	(343)	(130)	(473)
Financial debts	(1,917)	0	(1,917)
			2,781
- Acquired shareholding (60%)			1,669
- Technological know-how allocated to a CGU of the parent company (net of taxes)			750
- Goodwill			4,269
Acquisition price			6,687

Composed as follows:	
Cash	3,882
Accounts payables	2,805
	6,687

Net cash outflow from acquisition:	
Cash payment	(3,882)
Acquired cash and banks	28
	(3,854)

A put option for the acquisition of the residual 40% of Bre.Ma Brenna Macchine S.r.l. has been granted in favour of the sellers has been granted at the time of undersigning of the acquisition contract. The put option was recorded in the consolidated financial statements in accordance with the criteria described in note 4.

During the period between the acquisition date and the closing date of the year, both companies contributed to the income statement of the Group with revenues totalling € 7,915 thousand and net income after tax equal to € 224 thousand.
If both of the acquisitions had occurred at the beginning of the year 2006, the overall revenues of the Group would have been € 404,115 thousand.

44.ATYPICAL AND UNUSUAL OPERATIONS

During the course of 2006, no operations of this nature were reported.

45. SUBSEQUENT EVENTS

With reference to events subsequent to the date of the balance sheet, reference is made to the relevant note in the Management Report.

46. OPERATIONS WITH RELATED PARTIES

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

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

Commercial operations

During the year, the companies in the group were involved in the following commercial operations with related entities outside the consolidation area.

€ '000	Revenues		Costs	
Affiliated companies	Year ending 31/12/2006	Year ending 31/12/2005	Year ending 31/12/2006	Year ending 31/12/2005
HSD Deutschland GmbH	1,426	1,364	51	21
Parent companies				
Bi. Fin. S.r.l.	10	51	8	0
Other related companies				
Fincobi S.r.l.	1	1	8	0
Rettifica Modenese S.r.l	3	3	166	117
	4	**4**	**174**	**117**

€ '000	Receivables		Payables	
Affiliated companies	Year ending 31/12/2006	Year ending 31/12/2005	Year ending 31/12/2006	Year ending 31/12/2005
HSD Deutschland GmbH	486	612	49	4
Parent companies				
Bi. Fin. S.r.l.	1,387	183	15,040	501
Other related companies				
Fincobi S.r.l.	0	0	0	0
Rettifica Modenese S.r.l	20	35	64	40
	20	**35**	**64**	**40**

The contractual conditions granted to said related parties do not differ from those theoretically obtainable by negotiation with third parties.
It should be noted that the company I.S.P. Systems S.r.l., previously affiliated to the Group, has become a 100% subsidiary of Biesse S.p.A. on June 22nd, 2006.
The related party Rettifica Modenese S.r.l. has been transferred during the course of 2006.
Finally, it must be noted that Biesse S.p.A. participates to the consolidated national taxation system, which includes the parent company Bi.Fin. S.r.l., together with the subsidiaries I.S.P. Systems S.r.l., Cabi S.r.l. and Hsd S.p.a., in compliance with Articles 117 et sequitur of Decree of the President of the Republic 917/86.

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

Remuneration of directors and general managers

In thousands of Euro	*Job description*		*Remuneration* Salary	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Individual	**Position**	**Time in office**				
Selci Roberto	Chairman of the Board	29/04/2009	233	1		121
Selci Giancarlo	Chief Executive Officer	29/04/2009	233	1		121
Parpajola Alessandra	Director	29/04/2009	95	3		
Porcellini Stefano	Board Member	29/04/2009	50	2	31	154
Cipolletta Innocenzo	Board Member**	outgoing	23			
Sibani Leone	Board Member*	29/04/2009	30			
Garattoni Giampaolo	Board Member*	29/04/2009	21			
Giordano Salvatore	Board Member*	29/04/2009	1			
Total			**686**	**7**	**31**	**396**
Ciurlo Giovanni	Auditor	29/04/2009	27			
Franzoni Adriano	Auditor	29/04/2009	14			
Sanchioni Claudio	Auditor	29/04/2009	14			
Total			**55**			

* Indipendent Directors.
** On 4/10/2006 Mr. Cipolletta Innocenzo resigned as Director.
The appointment of the Directors Porcellini Stefano and Giordano Salvatore started on 14/12/2006.

The Strategic Managers of Biesse S.p.A. hold the task of Directors.

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

To the Shareholders of
BIESSE S.p.A.

1. We have audited the consolidated financial statements of BIESSE S.p.A. (and subsidiaries) (the BIESSE Group), which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

   For the opinion on the prior year consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 11, 2006.

3. In our opinion, the consolidated financial statements present fairly the financial position of the BIESSE Group as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Ancona, Italy
April 12, 2007

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

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