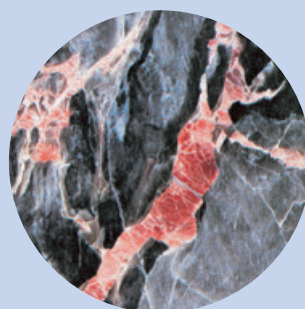
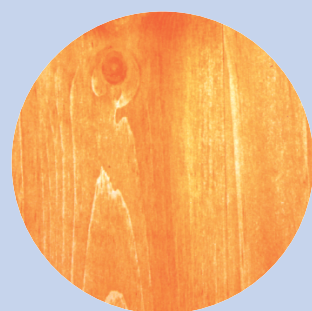


Consolidated Annual Report 2001



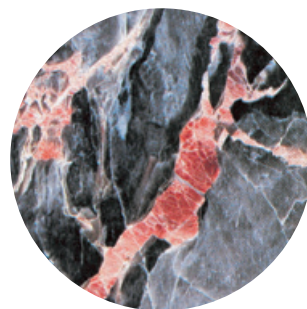


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COMPANY OFFICERS OF THE PARENT COMPANY

Board of Directors

The Board of Directors currently serving is composed of

| | |
|--------------------------|-------------------------|
| Giancarlo Selci | Chairman |
| Anna Gasparucci | Chief Executive Officer |
| Roberto Selci | Chief Executive Officer |
| Werner Deuring | Director |
| Attilio Giampaoli | Director |

Board of Statutory Auditors

The Board of Statutory Auditors currently serving is composed of

| | |
|--------------------------|-------------------|
| Giovanni Ciurlo | Chairman |
| Adriano Franzoni | Statutory Auditor |
| Claudio Sanchioni | Statutory Auditor |

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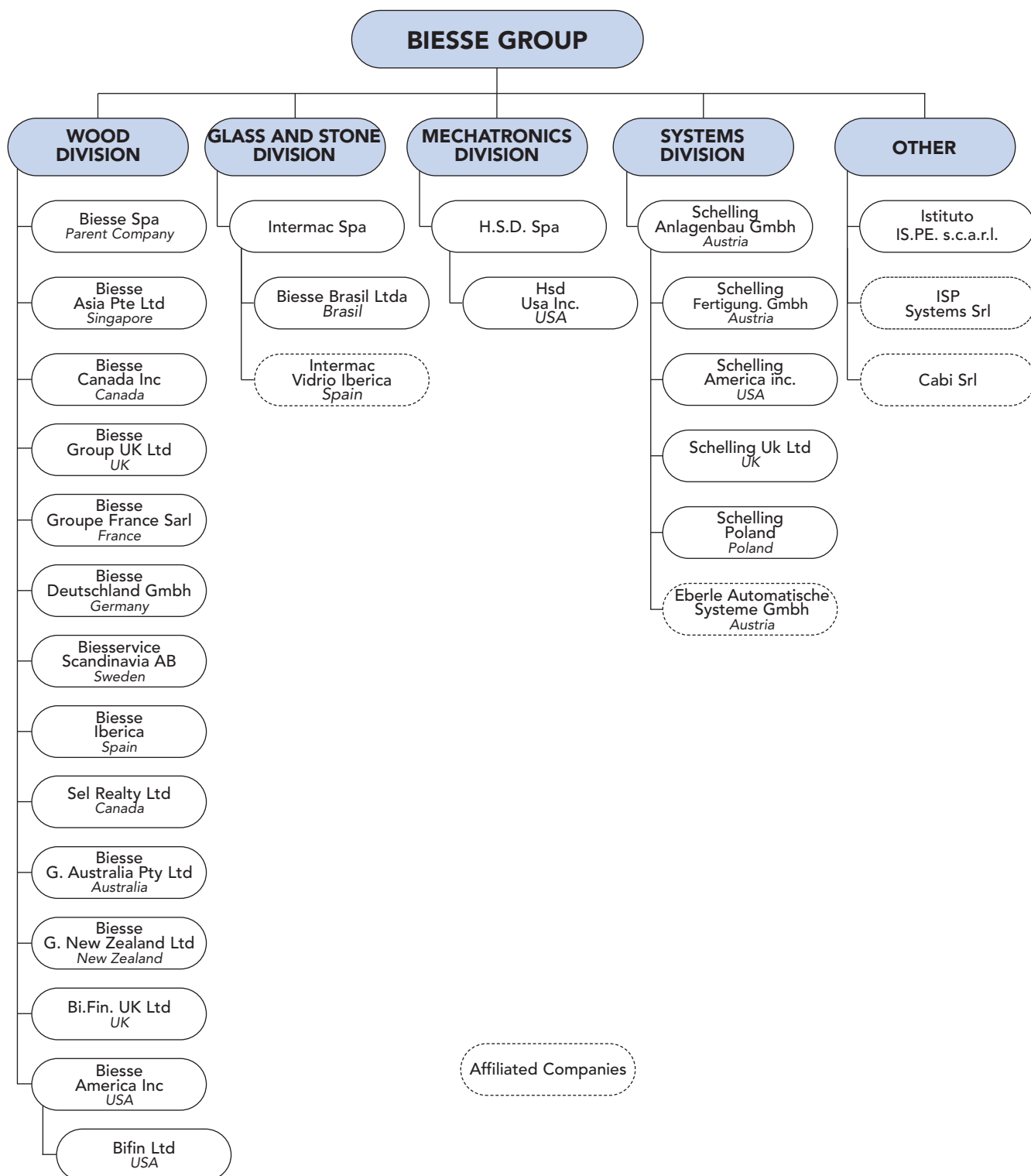
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GROUP COMPANIES

The main companies of the Biesse Group included in the consolidation area are listed below, grouped by business sector:



With respect to the closing date of the previous year, the Group structure is composed of a different number of companies. In particular:

- on 21 January 2001, the merger of Biesse Triveneto Srl into Biesse Spa was approved;
- on 12 March 2001, HSD USA Inc. was set up. This is a fully owned subsidiary of HSD Spa, whose purpose is to provide after-sales assistance on the North American market (the company is not consolidated in a line-by-line method, but at cost since it was only recently incorporated and conducted reduced volumes of business in 2001);
- on 21 March 2001, the Parent Company Biesse Spa increased its stake in ISP Systems to 25%; the company is involved in the design and construction of industrial woodworking lines;
- on 31 July 2001 the merger by incorporation of Schelling Asia into Biesse Asia took effect, with the purpose of streamlining the distribution structure in a market already served by a Group subsidiary;
- on 1 September 2001, the Intermac Vidrio Iberica was set up. Its share capital is held for 25% by Intermac Spa. The company's purpose is to provide after-sales services on the Spanish market of machinery for the glass and stone sectors;
- on 11 September 2001, Biesse Group Australia and Biesse Group New Zealand were set up, both wholly owned subsidiaries of the Parent Company Biesse Spa (these two companies have not been consolidated using the line-by-line method, but have been valued at cost);
- on 11 October 2001, Cabi Srl was set up. Its share capital is owned for 49% by Biesse Spa, and the company specializes in designing and producing electrical, pneumatic and hydraulic installations and equipment.

It is also noted that in addition to the above-mentioned transactions, the following acquisitions were finalised in 2001:

- on 31 October 2001, a line of business of Cni Srl was purchased by HSD Spa;
- on 4 December 2001, a line of business of Allwood Machinery Co. Pty Ltd and Allwood Machinery NZ Limited, were acquired, respectively, by Biesse Group Australia and Biesse Group New Zealand;
- on 20 December 2001, with effect starting on 31/12/2001, a line of business of Diamut Srl was purchased by Intermac Spa.

As regards Cni Srl and Diamut Srl, both companies are leaders in their respective market niches, represented by the production and marketing of numeric controls and the production and marketing of diamond tools. These companies were already suppliers to the Biesse Group, to different degrees.

Aggregation of these companies offers a good opportunity, with beneficial effects in terms of reducing production costs and increasing synergetic development in technology and sales. Allwood Machinery is a company that has traditionally been present on the Australian and New Zealand markets as a woodworking machinery retailer, selling products made by Biesse Group companies and other manufacturers. In this case, the advantage lies in having purchased a consolidated distribution network, to facilitate sales in the Wood Division and the other Divisions as well. Furthermore, it contributes to the consolidation area resale profits and a percentage of sales realised with different manufacturers, operating on types of products that do not compete with those of the Biesse Group.

THE BUSINESS AND TRADEMARKS OF GROUP COMPANIES

The Biesse Group is predominantly involved in the production, marketing and after-sales service of machinery and systems for the wood, glass and stone sectors. Manufacturing activities are concentrated in Italy and Austria.

Sales, marketing and services are organised through the direct geographic presence of Group companies in the importing countries, as well as through a select network of importers, distributors, and agents. The Group is also involved in other businesses, such as precision mechanical machining and the production of mechanical and electronic industrial components.

Specifically, the Biesse Group operates using the following trademarks:

| | |
|---------------------------|--|
| Selco | Machinery and systems for sizing wood boards |
| Comil | Machinery and systems for assembling and packaging furniture |
| RBO | Handling systems for automatic lines for the furniture industry |
| Polymac | Machines for edging, sizing, rubber edgebanding, and single head manual borers; unilateral automatic edging machines |
| Protec | Works centres for numerically controlled milling and drilling |
| Biessedge | Machinery and systems for edging |
| Cosmec | Precision mechanical processing |
| H.S.D. | Mechanical and electronic components for industry |
| Sev | Mechanical and electronic components for industry |
| Cni | Mechanical and electronic components for industry |
| Intermac | Machinery and systems for machining glass and stone |
| Busetti | Machinery and systems for machining glass |
| Diamut | Tools for machining glass and stone |
| Biesse Engineering | Woodworking machinery and systems |
| Schelling | Woodworking machinery and systems |

**DIRECTORS'
REPORT
ON OPERATIONS**

*Consolidated
Financial
Statements*

REPORT ON OPERATIONS

The consolidated financial statements as of 31 December 2001 report a L12,783 million loss, net of minority interests, including amortisation and depreciation of L20,198 million and provisions for L8,998 million.

The value of production amounts to L729,569 million, showing a 6.8% increase compared with the previous year.

The consolidated turnover of L684,975 million, increased by 2.8% compared to the previous year.

Added value has fallen slightly from L228,483 million in 2000 to L224,609, accounting for 33.4% and 30.8% of the value of production, respectively.

Personnel expenses increased from L141,300 million to L175,366 million, from 20.7% of the value of production in 2000 to the current level of 24.0%.

The gross operating margin decreased from L87,183 million to L49,242 million, down by 43.5% and accounting for 12.8% in 2000 and 6.7% in 2001.

Similarly, the operating result was L26,927 million, down by 59.8% compared with the previous year and accounting for less than last year (3.7% against 9.8%).

The pre-tax loss of L11,604 million is primarily due to costs relating to the stock market listing of L14,288, including the fees paid to the global coordinator/sponsor, which the parent company has decided to charge entirely to the current financial period, as well as provisioning to a restructuring fund for L6,880 million, set up specifically pursuant to the Biesse Spa Board of Directors' resolution on 14 November 2001, for further needs to proceed with streamlining Group operations. This held especially true for the merger of the subsidiary Interamac Spa, in order to act proactively on structure costs, in view of the slowdown on international markets.

The net financial position has shifted from L181,601 million in 2000 to L166,257 million this year. The net financial position benefited from the capital increase for the company's listing on the stock exchange in June 2001, equal to L167,085 million before deducting respective charges. Vice-versa, absorption of company cash flow was affected by the growth in net current assets, primarily due to the increase in inventories and trade receivables, as well as completion of the scheduled investment plan.

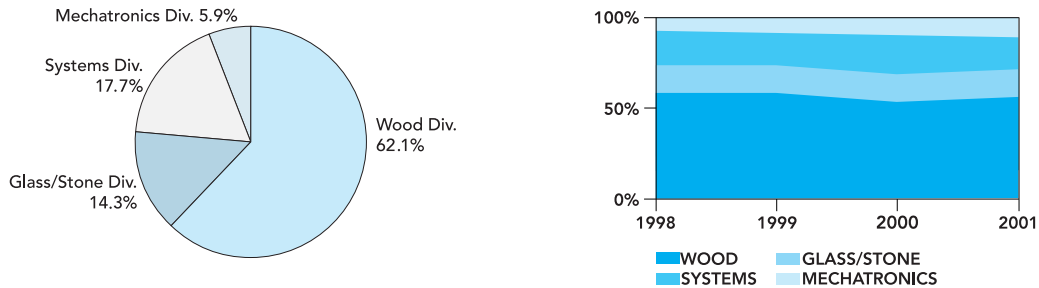
The ratio of loans to own resources improved after the capital increase relating to the initial public offering of subscription, decreasing from last year's 1.85 to the present 0.61. Below, the table shows details of the net financial position:

DIRECTORS' REPORT ON OPERATIONS

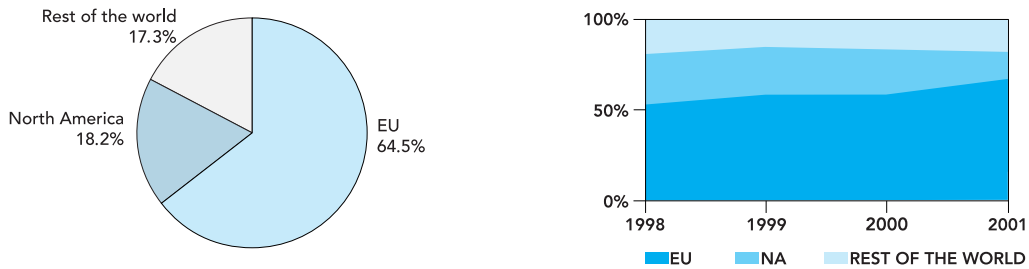
| L million | 31 December 2001 | 31 December 2000 |
|--|------------------|------------------|
| Liquid assets | 27,215 | 32,782 |
| Short-term financial liabilities | 0 | (27,315) |
| Short-term bank borrowings | (149,000) | (145,187) |
| Short-term net financial position | (121,785) | (139,720) |
| Medium- to long-term financial liabilities | 0 | 0 |
| Medium to long-term bank borrowings | (44,472) | (41,881) |
| Medium- to long-term net financial position | (44,472) | (41,881) |
| Total financial position | (166,257) | (181,601) |

The schedule below shows the break-down of sales by geographic area and by business division for the 2001 period and also shows changes between 1998-2001. The graph illustrates the drastic reduction in percentage weight of North America (from 27% to 18%), a result of the profound decline hitting the North American market.

By business



By geographical area



The income of the four divisions, with the exception of the Mechatronics Division, show the repercussions caused by the slowdown and progressive worsening of the reference market on company profitability. The Wood, Glass/Stone, and Systems Divisions are burdened by the contraction in production and sales volumes, the consequent lower use of operating leverage, the higher level of finished product stock which led to a reduction in contribution margin and the erosion of the profits due to the greater pressure on sales prices.

CONSOLIDATED FINANCIAL STATEMENTS

| | 2001 | % on total | EBITDA Margin | 2000 | % on total | EBITDA Margin | % change on prev. period |
|--------------------------|--------|------------|---------------|--------|------------|---------------|--------------------------|
| Wood Division EBITDA | 35,482 | 72% | 8.0% | 63,548 | 73% | 15.3% | -44% |
| Glass/Stone Div. EBITDA | 1,028 | 2% | 1.0% | 4,915 | 6% | 5.2% | -79% |
| Systems Div. EBITDA | 6,822 | 14% | 5.4% | 14,970 | 17% | 10.0% | -54% |
| Mechatronics Div. EBITDA | 5,911 | 12% | 14.0% | 3,750 | 4% | 12.9% | +58% |
| Consolidated EBITDA | 49,242 | 100% | 7.2% | 87,183 | 100% | 13.1% | -44% |

GENERAL ECONOMIC CONTEXT

In a net change from last year, characterised by a steady growth in the world economy and in the main macroeconomic indicators, the year just ended had to cope with an abrupt slowdown on all the main international markets.

The general world economy, already facing a difficult situation starting with the North American market, which showed progressive weakening starting in the second quarter, was heavily hit by the consequences deriving from last September's terrorist attacks, with a sudden decline in the general economic scenario.

The last months of 2001 confirmed the recession that has been burdening the United States, with production down in November for the fourth consecutive month, sliding by -5.9%. Likewise, the rate of use of plant and systems declined. Again in November, it reached the lowest level since 1983. However the data on spending and the positive trends in the primary consumer confidence indicators, especially as regards the NAPM indicators (manufacturing and non-manufacturing) uphold the theory of those who predict the re-absorption of the negative American cycle in the first six months of 2002. However, it is important to keep a hold on the enthusiasm and await the results of the first 3-4 months of 2002 in order substantiate whether a true reversal of this trend is to be expected. If coming results show a less pessimistic view by consumers, the expected economic recovery in the second half of 2002 would be more likely.

The above-described scenario would confirm that minimum levels of the US economic cycle have already been reached.

Less positive signs are coming from the Japanese economy, that has published a GDP projection on an yearly basis of -2.2%. On analysis of GDP components, the economic contraction can be traced to the combined weakness of domestic and foreign demand.

Moving on to an analysis of the European Union, the figures available reveal a fairly weak economic situation, both in terms of actual and future prospects. The current state of the economy is burdened above all by the situation in Germany, Europe's most vulnerable country in relation to the world economy. While America has started to send out feeble signals that point to growing confidence in a potential short-term recovery, there is a general feeling of apprehension in Europe as whether or not the economy is entering a recession. If America successfully recovers in the expected period, Europe might manage to follow this upswing and avoid a recession, keeping its growth rate out of the negative figures. However, if the opposite scenario should materialise, Europe will be unable to avoid entering a negative cycle.

Finally, as regards the performance of the Italian economy, based on forecast on annualised GDP, Italy ranks third with a +1.8% figure, behind only the United Kingdom (+2.1%) and France (+2%). Figures relating to the fourth quarter confirm the signs of weakness that characterise the uncertain Italian scene, where growth is sustained primarily by the increase in inventories, while the manufacturing sector is still showing signs of difficulties. In fact, on the supply side, signs of a slowdown persist, while on the demand-side, both domestic and foreign, these signals are fairly weak. Overall, the dynamics of the Italian economy continue to transmit contradictory signals: on the one hand, the effects of the international economic slowdown are prolonged, while not aggravating the weak phase in the manufacturing segment. On the other hand, consumer confidence would seem to lean towards positive signals on the future prospects of our country.

The scenario described above has had a substantial impact on the manufacturing industry, which has acutely felt the effects of the freeze on the purchase of durable investment goods.

THE REFERENCE INDUSTRY

As regards the woodworking machinery sector, the year 2001 has reported a slight decrease of 3% compared with the record figures reported in 2000, standing at L3,500 billion. More specifically, exports have waned (-4%, or 79% of the total production), while domestic sales have shown more a more limited decline (-1% with respect to 2000).

In particular, the most negative figure is represented by the last quarter, where the economic slowdown was encapsulated in the psychological impact of the 9/11 terrorist attacks, with orders falling 13.5% compared with same period last year (-19.8% of foreign orders, and +3.7% of domestic market orders).

RESEARCH AND DEVELOPMENT

Again in 2001, the company has confirmed its constant commitment to research and development, aimed at providing its customers with products and services in line with the market needs. Within the Biesse Group, the activities of research and development into new products are split between a central R&D function, that is involved in the more innovative topics, common and inter-divisional projects in the entire group and co-ordination activities, and the individual technical management of the production units, which are more operationally involved in the development of new products to launch onto the market in the short to medium term.

The most important projects within these activities are the following:

RESEARCH, DEVELOPMENT AND INNOVATION - WOOD DIVISION

THE BIESSE TRADEMARK

1. DESIGN AND DEVELOPMENT OF NEW MACHINERY

1.1 - Machining centres

Biesse completed design phases of the new Rover 22-24-35-37 model machines, whose objective is to implement the range of options, in order to cover the needs of some specific market niches, and standardise and unify the mechanical and electrical components making up the machinery. Some of these optional items include liquid cooling systems on the 12 and 15 kW electronic spindles, that enable reliable use in even the harshest use conditions, and the multistore tool storage that is capable of storing 60 tools and enhances the flexibility of the machining centres, thereby reducing machine set up times.

1.2 – Throughfeed boring machines

Work was also completed on the range of Techno 2000 boring machines with the design of optional features, some of which include innovative solutions, such as boring heads with belt drives, the rapid lock unit of the head, the 8-track filleting unit, and the transmission axes with brushless motors on field-bus.

1.3 – Millennium Evo

On the Millennium Evo edgebanding machine, Biesse engineers designed a pantograph and boring unit that work "from below" and through which it is possible to edge a panel as well as bore after the edging operations, thereby completing machining on a single unit.

1.4 – Pantographs

ATS work surfaces have been added to the Arrow model thus enhancing its flexibility, a typical feature of Rover work centres.

Other added optional elements include the milling unit, for horizontal machining; the tilting axis to add an interpolable axis to the basic machine; and the NC1000 numeric control that enables the customer to move a pantograph using the same software as a Rover work centre.

2. DEVELOPMENT AND IMPLEMENTATION OF CONTROL HARDWARE/SOFTWARE

Software development has been consistent with the introduction of the new products and completion of the range, generating increasingly modular and programmable solutions.

In the research into innovative solutions, we should mention the projects related to the application of linear motors on boring centres, digital technology in guiding brushless motors, control of five-axis machinery, automation of the positioning of work surfaces, and control of information on machine tools by means of miniaturised chips.

THE SELCO TRADEMARK

- Continuation with the first field tests of the software project of the new "OSI" interface operator for the range of single line machinery and Selco systems. The objective of this project is to make the machinery more user-friendly for the operator, more productive and more interactive. Particular attention during development is given to machine diagnostics, grasping the new opportunities offered by the Web;
- Software development of a cutting optimiser dedicated to panel sizing. This enables minimisation of the scraps and of the cycle time, ensuring the 3D simulation of the cycle;
- Software development of a "safe" remote control for long distance monitoring of some controls of the sizing machine. Its development permits further advancements towards safer and more user-friendly machines;
- Design of a vacuum cup loader to be integrated into the machine, particularly ideal for the large formats typical of panel sizing systems and machinery. This enables improved flexibility in applications with returns in terms of time-savings;
- Completion of the EB range with the EB100 and EB/EBT121 products. These products complete the medium and low range of products;
- Plan of a new unloading surface. This product sets a new state of the art in terms of comfort, noise reduction, and material support.

THE BIESSEEDGE TRADEMARK

- Consolidation of the technology perfected for the new family of STREAM edgebanding and squaring machines. The modularity of solutions proposed has been redesigned with a view to cutting product costs.
- Consolidation of the technology perfected for the new family of OMNIA edgebanding and squaring machines. While retaining the specific nature of these machines (no restrictions in terms of configuration, adopting a market driven strategy) the standardisation has been enhanced similarly to the STREAM series (for example, electrical cabinets). The range of unilateral edging machines (OMNIA B1) has also been expanded.
- Consolidation of the operating units: a facing tool in the IT series (including expansion of the range with introduction of a short version with a small size); universal milling machine in the FB series (the foundation has been laid for an advanced execution, characterised by automatic tool change); storage for the vertical accumulation of panels in the line (0°) and corner (90°) executions.
- Consolidation of the PU glue applicator (heat melting, polyurethane, water-reactive glue). It is particularly useful for gluing edge pieces on manufactured pieces that must withstand high relative humidity or water (counter tops and other kitchen elements, bathroom cabinetry, etc.). Design of a specific solution to combine with the softforming machining and machines in the CROSSBand series.
- Design of a new range of machinery (FLEXA B, SB series) characterised by a high degree of flexibility and average production capacity. This product meets the needs of a market that puts a premium on smaller sized production batches as one response to the growing differentiation and custom design of the product.

- Design of devices that perform - on appropriately configured machinery - so-called SOFTFORMING machining.
- Design of a bilateral edgebanding machine (CROSSBand) for the "grain crossing". It carries out the simultaneous edgebanding of two different panels (head of the first and tail of the second) depending on the cut of the bars (straight edges, softformed, post-formed). The design emerged from the extreme flexibility required by the production lines, driven by semi-finished goods deriving from bars.
- Design of a contrast and thrust device of the panels machined on single sided edgebanding machines of the STREAM/OMNIA series. It allows the panels to remain perfectly guided and stable in the direction of movement of the chain and during execution of the machining necessary.
- New user interface on PC in a Windows NT environment. In the scope of this project, specific solutions were implemented that – via the Internet – enable remote data transmission and the ability to monitor machining (with a webcam), also offering the operator long-distance troubleshooting assistance. The capability of controlling the SW control of the machine in remote format enables actuation of evolved forms of remote and/or tele-assistance service.

THE POLYMAC TRADEMARK

- Design of a new device that can melt grains of glue depending on the needs of the edgebanding machine. The technique used detects the level of glue by means of a temperature probe. ID code QM 700.
- Design of a new device to perform trimming on edges from 0.5 to 5 mm in thickness, previously applied on a variety of panel profiles. ID code CR200.
- Design of a new device to perform rounding on edges from 0.5 to 5 mm in thickness, previously applied to panels. ID code CR401.
- Design of a new device to perform precise cuts on edges from 0.5 to 22 mm in thickness, previously applied to panels. ID code IN 701.
- Design of a new device to perform precise cuts on edges from 0.5 to 8 mm in thickness, previously applied to panels. ID codes IN 501 and IN 701.
- Application of the HSD NC405 numeric control to the ERGHO line of edgebanding machines.
- Introduction of the HSD P246 management card, through a field-bus, of the temperature control of the glue on the edgebanding machines equipped with NC405.

THE RBO TRADEMARK

- Vacuum cups with double effect chamber for picking up panels in porous material.
- Device for detaching panels on bridge feeders.
- Winner bridge feeder with two independent structures.
- Feeding/stacking robot for the Rover series borers.
- Use of a robot for feeding and stacking the operating machinery, mounted on tracks to serve several machines on a single machining island.
- Parametric design for horizontal handling: The design integrates and involves all the company areas, with the objective of achieving "automatic" management of the documentation from the sales confirmation right up to shipping the machine.

THE COMIL TRADEMARK

- Development of optimising software for the line supervisor of several Insider machines.
- Realisation of Multi-NC software that enables use of a single control for several machines of the Insider family.
- Design and production of a Borer of the Insider FT2-1300 line.
- Design of positioning surfaces controlled by NC: belt conveyor units, with relative vacuum cups, are positioned according to the size of the panel and the boring diagram.
- Design and production of the KB2 borer with a monolithic structure and boring from above.
- Design and production of the bridge feeder for feeding the retractable guides on Insider machines. The bridge feeder technology was applied in order to automate and give more flexibility to retractable feeder guides of different sizes and orientation on inserting machines.
- Design and production of the rotating feeder for traditional guides on Insider machines. The core innovation lies in the chain buffer that constantly keeps the entire range of useable guides available to the gripping and feeding component.
- Seaming robot for assembling cabinets: an evolution in the previous product that reaches the highest degree of reliability.
- Design of a new milling machine for light alloys, characterised by the moveable pallet.

RESEARCH, DEVELOPMENT AND INNOVATION – GLASS DIVISION

Research and development work continued in the year just ended in order to generate know-how that will enable design and construction of state-of-the-art products in the glass and stone working sector.

Research and development activities carried out in 2001 have enabled Biesse to meet the main requests coming from the end users as well as anticipate possible future requests, by introducing new products able to complete new kinds of processing and increase and complement the level of performance of the systems already available.

The most important projects were the following:

THE INTERMAC TRADEMARK

- Design and production of a modular machining centre that enables programming the operating head to meet the customer's needs (PRO model in the 3-axis EDGE, 4-axis EDGE T, 5-axis EDGE T-C, 5-axis BEVEL and 6-axis BEVEL C) on moveable bridge or gantry structures. Design where the most up-to-date control technologies have been introduced, using digital numeric controls and power digital drives for achieving the highest performance and greater machining precision. Great emphasis was placed on safeguards and the design, enhancing the functions, comfort and appearance.
- Design and production of automatic feeders for sheets of glass (standard 3760 x 2700 mm format) to complete the range of these machines, began last year with the model for large sheets (6100 x 3210 mm), with optimisation of the mechanical, systems and operating solutions.
- Implementation of digital technology (numeric controls and automatic activation) in the existing range of machining centres for reaching more advanced functional levels.

- Design and production of a family of telescopic vacuum cups (equipment for holding stone or glass sheets using a vacuum) sufficient for processing on alternating high and low levels with respect to the work surface in order to enable reduced processing times and decrease material scraps.
- Design and realisation of a special operating disc-holding head for cutting stone slabs or thick sheets of bullet-proof glass.
- Design of a machine for cutting large sheets of laminated glass, equipped with automation for measuring and rotating the sized parts.
- The study of a proprietary CAD and CAM (Computer Aided Design and Computer Aided Manufacturing) software package was initiated, in order to use all the functional characteristics and protect and safeguard the expertise involved as real corporate asset.
- Design and production of an automatic detection device in the machine on the size of the tools for predetermining the size and precision of the pieces to machine.
- Design and production of the "CUTMATE" software for optimising cutting the glass sheets in a Computerised Numerically Controlled environment, with the purpose of minimising scrap.
- Study and realisation of a software package that allows Biesse to conduct remote diagnostics and servicing for its machines.
- Extension of the performance of a software to the market (Alphacam by Licom) for three-dimensional machining moulds or masters to holding up curved glass during machining on Intermac 5 axes interpolated centres.
- Study, design and production of the CAD-CAM for Windows for working glass sheets on machining centres.
- Study and realisation of software for acquisition of the casual position of glass sheets on the operating surface of an operating centre; with automatic adjustment of the coordinates for machining.

In conjunction with the Group R&D Department, the following projects have been developed:

- Design of the guards for the new Intermac JET and PRO machining centres.
- Setting characteristics of the C axis developed for Intermac by HSD.
- Further development and study of a co-axial reducer for the disc-holder tool for the Intermac machining centre.
- Calculation with FEM software of some structural organs for Intermac machining centres.
- New guards for the new bilateral machine for the Bergamo factory.
- Study of the safety bumper design for the boring machine at the Bergamo factory.
- Study of the safety bumper design for the Jet machining centres.

THE BUSETTI TRADEMARK

- Design and production of a spindle for grinding the edge of the sheet, equipped with orbital movement, deriving from a motorised camshaft, all mounted on a special slide device that transmits to it the oscillating motion. This application enables elimination of the "footprint" effect (traced by the grinding wheel) on the machined glass.
- Design and production of a device enabling positioning of the glass supporting arm of the feeders by using pre-programmed values on the NC panel or by self programming systems.

- Design and production of a gleaning unit applied on the bilateral machines (F or P), with movement of the slide controlled by numeric controls as opposed to the current pneumatic controls.
- Design and production of polishing wheels with felt grinding wheels and forced lubrication of liquid cerium oxide.
- Design and production of a edgebanding unit, comprised of a unit with two diagonal carriages on which a spindle is applied with horizontal positioning of the axis.
- Design and production of plastic presser guides
- Design and production of the "Roll-dry", a closed-cell rubber roller substituting the blower device, whose purpose is to limit the water deposited on the upper side of the sheet during bilateral machining processes.
- Design and production of the "Quick-set" device found at the outlet of the bilateral machine whose purpose is to detect the actual dimensions of the machined sheet. It is comprised of two roller feelers applied on two pneumatic insertion slides able to detect the actual amount of contact between the feeler and the sheet using a magnetic band encoder.

RESEARCH, DEVELOPMENT AND INNOVATION – SYSTEMS DIVISION

Research and Development continued in 2001 in the Systems Division. The work concentrated on making constant improvements in the technological solutions offered to the customers. The following projects were developed and completed in 2001.

Research and development of mechanical constructions

- FT-M - Directional rotating platform. The FT-M rotating platform will be used especially in the metalworking industry to cut large and small pieces. To facilitate machining small pieces, the platform can be adjusted laterally and used as an air coat or as a transversal alignment unit. An air coat is available as an additional optional. This construction principle is also applied to the AT-H. A squaring tool in combination with a rotating platform or with an additional air coat. The square is installed directly onto the machinery, that is, it is possible to use one square in combination with a rotating platform or an additional air coat.
- FX-H. This machine, with package height of 80 mm, offers new construction features. In its development, engineers wanted to combine and use Schelling and Selco parts/components. This machine was designed in order to meet the needs of the lower market segment and will be used in the wood sizing industry.
- FT-H - Development of the FT system. While the FT-M machine is used in the metal and plastic working industry in particular, the FT-H machine that employs the same modular system concept, will also be used in the wood sizing industry. The FT-H corresponds conceptually with the FT-M but with some exceptions (i.e. lower speed of the aggregate and feeder). Our purpose was to use as far as possible the same components and parts.
- AT-H. Development of the system: essentially, standard versions of types of performance are defined for this modular construction principle: the single sizing machine or the sizing system. The purpose was to patent systems and single sizing machines in terms of parts and components. This makes the composition of the system possible with standard modules, varying according to the needs of the customer.

The presser, the bench, and the cover of the AT and AS machines (whether the right or left versions) are all identical. Furthermore, the presser, bench and cover of the FT-H, FT-M, FS-M and FS-H machines are all identical. The bench of the AT, AS, FT, FS, FM machines is equipped with the same welding parts. The cable guides and the powder elimination system are the same for all the machines.

Research and development of software

- Format selection for repeat machining. This programme was developed by aeronautics industries of Central Europe, with diverse applications and optimisations. It enables tracking and identification of the individual parts by means of a very transparent construction procedure. It is particularly important for tracing formats for repeated machining (grooves, windows).
- Production Planning. If minimum batches are machined (1 board/surface) with different types of boards, our automatic sizing machine would require continuous stack changes. Thus, the production planning programme calculates the appropriate "multicoloured" stacks of boards defined beforehand by different specifications. Therefore, these stacks can be pre-consigned and can improve the efficiency of the machine. "Multicoloured" means with different dimensions and different types on the same stack.
- Manual Diagram. The form for the manual diagram of the MCS programme has been redesigned. The interface issuer has been adapted to the customer needs in terms of easier use and self-explanatory symbols (ideal for the metal- and woodworking industry). For example, it is possible to browse the screen using only the keyboard (shortcuts), without the mouse.
- Output CPOut from the Optimiser. There is a demand on the American market in particular for the capability to read the CPOut on their machinery. Therefore, this is especially useful in the case of customers with an old machine manufactured by the competition who want to use our optimiser, either on our machine or on the one they already own.
- Manual stacking terminal. The support manual stacker by the optimiser of HSP stacks requires a terminal for displaying the specifications of these stacks. Furthermore, in this way, it is possible to complete the printing of packing labels.
- Software to facilitate board reservations. This programme monitors board reservation by means of a barcode reader. The label printer prints barcodes for inventories. With this label, inventories can be easily reserved inside the table data base by means of a barcode. In this way, the table reservation programme can file the inventories with a unique and individual number.

RESEARCH, DEVELOPMENT AND INNOVATION MECHATRONICS DIVISION

In 2001, the Mechatronics Division also continued its process of acquiring new technological knowledge, by further developing its research and development done by the various Technical and Design departments present in the manufacturing units in Pesaro, Caselette (TO), Anzola (BO) and Alfonsine (RA).

These activities have led to realisation of new products by implementing study and design projects, typified by an intensive process of technological innovation, distinguished by interdisciplinary exchange of projects initiated by the different technical departments. This led not only to new products but also to new product lines.

The Electromechanical Department in Caselette began production of new products with greatly innovative work, with a significant contribution made by the Software Departments in Pesaro, Anzola and Alfonsine and the Electronics Department in Pesaro. All this meshed well with the already established enterprise, but was also further enhanced by the experiences contributed to the Fluid dynamics of the Mechanical Department in Pesaro and Caselette.

The main projects developed include:

- New line of two-axis head for five-axis machines BH650.
- New ES779 spindle with liquid cooling, 10 kW, 4 poles and relative electronic part.
- New ES721 spindle with liquid cooling, 15,000 rpm, 12 kW, 4 poles, equipped with the new "C" MK350 and MK351 axes.
- New line of high-speed AT1042, AT1055, AT1073, MT1073, AT1090, MT1090, MT1120 motors.
- New SM137 brushless motor with integrated encoder and reducer actuation.
- New high-speed BH640 boring head.
- New benches for experimentation of high-speed boring (FSS series).
- New XN600 numeric control.
- New NC405 numeric control.
- New P170-P171 encoder.
- New very high speed rotors and stators (280,000 revolutions).
- Design of a flexible command of a sheet metal production line for transformers.
- Design of specialised numeric controls for electroerosion machines.
- Design of motion control for programming and control of winding machinery.
- Measuring device for springs using a video camera integrated into the numeric controls controlling the machine.
- New electronic card for controlling the IOSLK2 numeric control axes.

The various projects have been realised by implementing sequential study, research, design, development and testing phases of the main components of the new products, prototyping, refining and final testing.

Realisation of these new projects has achieved important objectives, such as:

- a) new possibilities for integrating functions at lower costs with two-axis heads, giving customers easier migration towards realising 5-axis machinery;
- b) new automation possible at sustainable costs and size with smart motors, achieving automation in the auxiliary handling at previously impossible costs and sizes;
- c) power densities even 100% greater than what is available on the market with new high-speed motors, allowing customers to increase by a size, making more compact, lightweight and faster units;
- d) increased capacity to validate products, thereby attaining even higher product quality;
- e) increased ability to penetrate new industrial sectors with numeric controls;
- f) standardisation of axes cards for the NC type XNC, with reduction in the number of components and costs and improvement in the system and higher reliability.

The industrial repercussions have been positive and have enabled the Division to significantly expand its market shares.

RESEARCH, DEVELOPMENT AND INNOVATION – FUNDED PROJECTS

Furthermore, in 2001, the Group developed particularly innovative projects for which the Group applied for government funding.

1- MARCEL (Biesse/HSD)

Official title: "Advanced technologies applied to a manufacturing robotized cell for the production of shaped parts for furniture"

Description

The project has involved (date of end of project 31/01/2002) the study, design and realisation of a machining island for producing wood panels having different shapes.

The machining island is configured with the following main machining modules:

- manipulation module;
- multi-functional module for boring, milling and bordering. This module encompasses a large part of the research activities, including introduction of linear electrical motors and use of structures made up of composite materials;
- module of flexible edgebanding;
- quality control module of the machining accomplished.

2-TECNOMARCHE (Biesse)

Official title: "Flexible technological applications"

Description

The project involves realisation of a five interpolating axis machining centre for 3D processing. Biesse partner ENEA will use some of these innovative applications that consist is a virtual CAD and a visual quality control system for machining done (project end date, 18/02/2002).

3- DOUBLE POWER (HSD)

Official title: "Double Power"

Description

This project chiefly involves the electronic spindle for working with wood and light alloys but can have important repercussions on the entire asynchronous high-speed motor sector.

The project involves in-depth research on all the components that comprise the electronic spindle, in order to increase the power per unit of volume, improve performance without impacting on costs and expanding the range of speed by 40 - 60%.

The project was submitted to the MIUR (Ministry of Higher Education and Research) on 15/02/01 and funding is pending approval.

4-NEW PRODUCTION SYSTEMS – (ISP/ Biesse)

Official title: "New production systems for woodworking. Design methodologies and instruments and virtual prototyping – Systems – Plant – Machinery of the future"

Description

The project aims to develop and realise a new generation of highly-flexible manufacturing systems, providing high productivity and reliability thereby reducing the time-to-market while keeping up with the trends in furnishings and furniture design.

The objective will be pursued through development of simulation and virtual prototype tools of plant, system, installation and processes. These instruments, applied to the manufacturing lines, will allow pursuit of a real "transparency" in the plant, the type of furniture, the product dimensions and the batch dimensions.

The project was submitted to the MIUR on 29/05/01 and funding is pending approval.

5- Emily xp (HSD)

Official title: "Emily xp – New generation of open architecture automation and numeric control systems"

Description

The project primarily involves automation and the robotics industry and aims to realise a technological leap towards research, development and validation in the industrial field of a new generation of numeric control, open to a standard communications protocol that changes according to the consumer uses. The project was submitted to the MIUR on 12/02/02, the funding is pending approval.

PERSONNEL RELATIONS

The company continued its human resource development policy during 2001 with particular attention paid to strategically relevant positions, in order to enrich the Group structure with new and increasingly qualified figures in the managerial roles.

Training programmes were conducted with the objective of improving professional skills, by pursuing a motivational policy to identify the high-potential resources inside each area.

Relations with the trade union organisations have been characterised by negotiations on subjects relating to the industrial policies and the labour organisation, in accordance with the objectives that the Biesse Group has set for itself.

CORPORATE GOVERNANCE

The system of corporate governance in place at Biesse Spa is inspired and aims to achieve the standards contained in the Code of Conduct for Listed Companies, with the recommendations formulated by CONSOB on these matters.

This system of company government aims to ensure open and transparent work of the management and a timely disclosure of information for the market and for the investors.

In this sense, a revised version of the Company Articles of Association has been published, approved by the Extraordinary Shareholders' Meeting on 21 March 2001.

Ownership

The share capital is formed exclusively by fully paid-up ordinary shares, each carrying one voting right in the General and Extraordinary Shareholders' Meetings.

Board of Directors

Role of the Board

The Board of Directors has all the powers of ordinary and extraordinary administration, excluding those reserved by law for the General Shareholders' Meeting.

The Board of Directors is assigned the role of strategic and organisational guidance as well as supervision of the necessary controls for monitoring the performance of the Company and the Group.

Except for matters laid down by the regulations in force, meetings are normally convened by the Chairman on his own initiative or, in the event of his absence or impediment, by the Chief Executive Officer (s), or on request of at least two-thirds of the Directors or the Board of Statutory Auditors.

The meeting of the Board of Directors is considered validly convened with the presence of the majority of its members in office and resolution is passed with the favourable vote of the majority of those present. In the event of a tie, the Chairman shall cast the final vote.

The Board shall convene ordinarily at least six times a year, for approval of the financial statements of the period requested, based on the requirements of the High Requisites Securities Segment (STAR) of the Italian Stock Exchange. In 2001, a total of seven meetings were convened. During Board meetings, the directors shall be sent all the documentation and information needed for the Board to express an informed view on the matters it is required to examine and approve.

In particular, the Board of Directors:

- supervises the general performance of the Company, and periodically compares the results achieved with those planned;
- examines and approves the Company's strategic, industrial and financial plans of the Group;
- examines and evaluates the periodic reports provided for by the prevailing law;
- delegates and revokes powers to the Chief Executive Officers, the Executive Committee and one or more directors for particular assignments;
- provides the Board of Statutory Auditors a comprehensive report on the work done and on the most important financial operations and transactions performed by the Companies or by the subsidiaries, if any; in particular, the Board shall also provide adequate information on transactions that have potential conflict of interest; this notification is made during Board meetings and on at least a quarterly basis;
- appoints and sets the compensation of one or more General Managers of the Company, who shall implement the resolutions taken by the Board of Directors and on delegation thereof, supervise the current events, propose operations and exercise any other power granted to them, either continuously or from time to time by the Board;
- examines and approves transactions having a significant impact on the Company's profitability, assets and liabilities or financial position;
- checks the adequacy of the general organisational and administrative structure of the Company and the Group;

- reports to the shareholders at the General Shareholders' Meeting;
- decides, by means of a mandate entrusted to the independent director, the proposals to submit to the General Shareholders' Meeting and the Board regarding compensations to distribute to the members of the Board of Directors.

As regards this last point, a significant part of the Directors' remuneration and the other higher company executives is made up of emoluments linked to the achievement of preset objectives or economic and financial results by the Company. Furthermore, the Shareholders' Meeting carried a motion on 9 October 2000, which was signed by the higher company executives, approving a stock option plan. The specific section of this Report on Operations provides further details on this issue.

Appointment, composition and term of office

As provided for in Article 16 of the Company Articles of Association, the Biesse Board of Directors can be composed of a variable number of members, from a minimum of two to a maximum of fifteen members, including non-shareholders, depending on the decision reached by the Shareholder's meeting.

The Board of Directors is ordinarily appointed by the General Shareholders' Meeting which must indicate beforehand the number of members to appoint to the Board. Proposals for the position of director, accompanied by detailed information on the personal traits and professional qualifications of the candidates, shall be deposited by the shareholders at the Company's registered office at least ten days before the scheduled Shareholders' Meeting.

The Board of Directors in office, composed of five members, was appointed by the ordinary Shareholders' Meeting on 29 June 2000 and shall remain in office until approval of the financial statements as of 31 December 2002.

The members of the Board of Directors are the following:

| | | |
|-------------------|-------------------------|---------------|
| Giancarlo Selci | Chairman | Executive |
| Anna Gasparucci | Chief Executive Officer | Executive |
| Roberto Selci | Chief Executive Officer | Executive |
| Werner Deuring | Director | Executive |
| Attilio Giampaoli | Director* | Non-Executive |

* Independent director, as required under the Code of Conduct

The members of the Board of Directors are domiciled for the purposes of their office at the Biesse registered office in Pesaro, in Via della Meccanica, 16.

The Board of Directors, on 5 July 2000 has been granted the following powers:

- The Chairman, Giancarlo Selci, is granted all the powers of ordinary administration, except for those powers delegated to the manager of the manufacturing unit centres (Biesse) and those attributed to the industrial manager;

- The Chief Executive Officer, Anna Gasparucci, is granted all the powers of ordinary and extraordinary administration of the Company, including the powers to handle relationships with credit institutes and every power relating to the signing and filing tax documents of any sort, handling and supervising personnel, purchase and sale of vehicles and assets registered in the public registers, subscribing and negotiating bills issued according to the Law 1329/65 (Sabatini Law), and stipulating lease contracts;
- The Chief Executive Officer, Roberto Selci, is granted all the powers of ordinary administration of the Company, except for the powers exclusively and specifically delegated to other members of the Board of Directors or third party directors or service managers.

Internal Control System

On 9 May 2001, the Board of Directors took on the assignment of studying the problems and set up the important paperwork for internal control of the Company. In this regard, it is carrying out a work plan for managing, reporting, monitoring, and supervising the company risks; this plan shall soon lead to definition of a policy for the management of company risk and an integrated system of reporting and monitoring such risk.

Shareholder relations and procedures for handling confidential information

In order to maintain consistent and uniform lines of communication with the financial market, institutional investors and shareholders and to ensure the complete and timely disclosure of relevant information regarding Company activities, the Company has designated an investor relator who shall be in charge of maintaining a constant flow of reports through press releases, meetings with the financial community and institutional investors and frequently updating the appropriate section on the Company web site.

The Board of Directors shall also take measures to approve a specific set of procedures for handling and controlling confidential information.

In addition, the Shareholders' Meeting also approved a set of rules on 21 March 2001, to ensure orderly and effective running of the Company's ordinary and extraordinary shareholders' meetings.

Board of Statutory Auditors

The Board of Statutory Auditors is composed of three acting auditors and two alternate auditors, elected by the Shareholders' Meeting, which also decides on compensation. The minority shall elect an Acting Auditor and an Alternate Auditor.

Appointment of the Board of Statutory Auditors is done on the basis of lists submitted by the Shareholders. The Shareholders belonging to voting syndicates shall be entitled to submit a single list.

Only those shareholders who, on their own or with other shareholders, are holders of voting shares representing at least 2% (two percent) of the share capital are entitled to submit lists in the General Shareholders' Meeting. No individual Shareholder nor any Shareholders belonging to the same group may submit more than one list or vote for different lists, either directly or through proxies or trust companies. In the event of violation of this rule, the vote cast by the

Shareholder shall not be counted on any of the lists submitted. Each candidate can be presented on only one list; otherwise, he or she will be declared ineligible.

Each list must be deposited along with the professional qualifications of each candidate and declarations in which they certify the candidature and attest, under their own responsibility, the non-existence of any reasons for ineligibility or incompatibility, as well as the existence of the regulatory and statutory requisites prescribed for the respective offices.

The Board of Statutory Auditors, appointed by the General Shareholders' Meeting on 29 June 2000 and in office until 30 June 2003, is composed as follows:

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

RELATIONS WITH NON-CONSOLIDATED SUBSIDIARIES, AFFILIATED COMPANIES AND PARENT COMPANIES, AND COMPANIES CONTROLLED BY THE LATTER

The non-consolidated Subsidiary companies are:

- Istituto Ispe, a limited liability consortium involved in the organisation and management of training activities for the entire Biesse Group (L15 million revenues and L23 million costs for the Group, L18 million receivables and L28 million payables);
- HSD U.S.A. Inc., a marketing company set up in March 2001 whose purpose is to provide after sales assistance in the North American market to customers of the Mechatronics Division (L2,023 million revenues and L58 million costs for the Group, L2,572 million receivables and L58 million payables);
- Biesse Group Australia and Biesse Group New Zealand, marketing companies set up in September 2001, with the purpose of including the corporate business unit of Allwood Machinery and acting as a commercial branch and post-sales assistance on the Australian and New Zealand markets (with Biesse Australia L312 million revenues for the Group, L312 million receivables; with Biesse New Zealand, L6 million revenues for the Group, L6 million receivables).

Affiliated companies are represented by ISP System Srl, Cabi Srl, Eberle Automatische Systeme GmbH and Intermac Vidrio Iberica S.A.; the first, in which there is a 25.93% stake, is a company formed at the end of 2000 whose purpose is to design innovative solutions for the woodworking machinery industry: currently, it is still in the start-up phase and as such, relationships with the Biesse Group companies have been minimal (L385 million revenues for the Group and L403 million receivables). The second, owned for 49%, is a company set up in October 2001 with the purpose of designing and building specific electronic, pneumatic, and hydraulic components for the woodworking machinery industry: it is still in the start-up phase and as such, relationships with the Biesse Group companies have been minimal (L46 million revenues for the Group and L52 million receivables).

The third is an Austrian company, held 25% by the Schelling Anlagenbau GmbH, that makes software and whose contribution of the Group has been small. The fourth company is a Spanish concern held 25% by Intermac Spa and was formed with the purpose of supplying post-sales services to Iberian Peninsula customers.

Group companies have paid a total of L1,725 million to Biesse Holding Spa for management fees relating to centralised functions that were carried out by the parent company until 28 February 2001, in addition to revenues totalling L32 million (at year-end, outstanding receivables amount to L33 million and payables total L258 million). Starting in March 2001, at the same time that the company was listed on the stock exchange, Biesse Holding Spa personnel in charge of the aforesaid functions, was relocated to Biesse Spa.

RELATIONS WITH CORRELATED PARTIES

The most important transactions between Group companies and related parties have been set out below:

● ***Bicam Srl***

Bicam Srl, a company held 90% by Mr. Giancarlo Selci, operates in the furniture accessories marketing sector, and has carried out the following transactions with the Biesse Group: revenues for L307 million; costs for L52 million.

● ***Rettifica Modenese S.a.s.***

Rettifica Modenese S.a.s., a company held 51% by Mr. Roberto Selci, operating in the field of mechanical machining, has had the following relationships with the Biesse Group: L341 million in costs.

● ***Motori MC Kart Srl***

Motori MC Kart Srl, a company in which Mr. Giancarlo Selci holds a 50% stake, operates in the field of services on a contract basis and manufactures motors, and has carried out the following transactions with the Biesse Group: L8,446 million in revenues and L14,132 million in costs.

We can affirm that in the cases mentioned above, the contractual conditions are not significantly different from the conditions theoretically obtainable from trading with independent parties.

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

The schedule below indicates the shares in the Company and/or companies controlled by it held directly or indirectly by members of the Board of Directors or by the General Manager at the date of closure of the financial statements. At the same date, no member of the Board of Statutory Auditors directly or indirectly holds shares in the Company or in companies controlled by it.

DIRECTORS' REPORT ON OPERATIONS

| <i>Name Office</i> | <i>No. of shares held directly or indirectly at 31 December 2000</i> | <i>No. of shares sold during the year</i> | <i>No. of shares bought during the year</i> | <i>No. of shares held directly or indirectly at 31 December 2001</i> |
|---|--|---|---|--|
| Giancarlo Selci - Chairman | 16,500,000 | 0 | 0 | 16,500,000 |
| Anna Gasparucci - Chief Executive Officer | 0 | 0 | 0 | 0 |
| Roberto Selci - Chief Executive Officer | 0 | 0 | 0 | 0 |
| Werner Deuring (*) - Director | 0 | 0 | 1,305,042 | 1,305,042 |
| Attilio Giampaoli (*) - Director | 0 | 0 | 0 | 0 |

(*) Including shares held by respective spouses.

At year end, General Manager Piero Valentini was given 10,771 options as part of the stock option plan mentioned previously.

INTERESTS OF EXECUTIVES WITH RESPECT TO THE BIESSE GROUP

Information relating to stock option plans:

On 25 September 2000, the Biesse Spa Board of Directors implemented a stock option plan. This year, 203,280 option rights were assigned, increasing by 20%, due to the Company being listed on the Stock Exchange. The total number now stands at 243,936. Option rights can be exercised after 1 July 2001 at a price of Euro 10.81 per share, for a quantity of 25% of the rights accrued respectively within one, four, eight or twelve months from the initial term. The stock option plan is controlled by a committee appointed by the board of directors and the relevant regulation can be modified with the approval of the board of directors of the company and as many beneficiaries making up at least 51% of the option rights assigned.

Significant shareholdings owned by Biesse Group executives

The following list reports the shares held by managers of the Biesse Group in Biesse Spa or in its subsidiaries.

| <i>Name</i> | <i>% Shareholding</i> | <i>Company</i> |
|------------------|-----------------------|----------------|
| Claudio Granuzzo | 20% | HSD Spa |

Readers are reminded that on 12 October 2000, an agreement between Biesse, the CEO of HSD Spa, Claudio Granuzzo (who holds 20% of the share capital of HSD Spa) and HSD Spa was signed, whose purpose was to assign Mr. Granuzzo a put option whose price will be determined based on a preset formula that accounts for the value of HSD Spa resulting from the financial statements of the three most recent periods, and a call option in favour of Biesse on the amount held by Mr. Granuzzo in HSD Spa, whose price will be determined in a similar way.

This contract will remain valid for a period of five years starting from 12 October 2000. At the due date, Mr. Granuzzo will have the right to either renew the agreement, or not to renew it and instead enter into any other stock incentive plan in place at the due date in favour of company employees. If he opts for the latter solution, Mr. Granuzzo shall be entitled to receive as many option rights as the number of shares in the Company that he would purchase, according to the parameters of the stock incentive plan in effect at the due date, with income deriving from the put option described above.

POST BALANCE SHEET EVENTS

Post Balance Sheet Events were:

- in February 2002, Biesse began its own share buy-back plan, as approved by the ordinary Shareholders' Meeting of the parent company, Biesse Spa, on 17 December 2001. This plan shall last 18 months and include up to 10% of the share capital, in compliance with the Civil Code. The purpose is keep the share value steady and reduce its volatility, keeping volumes up and at the same time, giving a strong sign of confidence of the management in the future of the Company;
- on 14 February 2002, the Biesse Spa Board of Directors approved the acquisition of 50% of the share capital in the Mc Kart Srl from Mr. Giancarlo Selci. Mc Kart is a company operating in mechanical machining and with which the Company developed good supplier relationships during the year. The amount paid was particularly advantageous to Biesse Spa. Furthermore, the purchase of another 1% from another shareholder was approved, giving Biesse Spa control for 51% of Mc Kart Srl;
- in early 2002, the Intermac Spa's purchase of another 24% stake in Intermac Vidrio Iberica S.A., was underway, giving Intermac a 49% shareholding. Vidrio is a Spanish company set up in order to provide post-sales services to the Spanish market.

FORESEEABLE EVOLUTION

As regards the outlook for the year, we inform readers that the volumes of business expressed by the company in early 2002 are on the rise compared with the last part of the previous year. If the signs of recovery seen on several markets prove to be accurate and the economy starts to grow again in the second half of 2002, we believe that your Company can potentially soon again achieve the kinds of results it accomplished in 2000.

OTHER INFORMATION

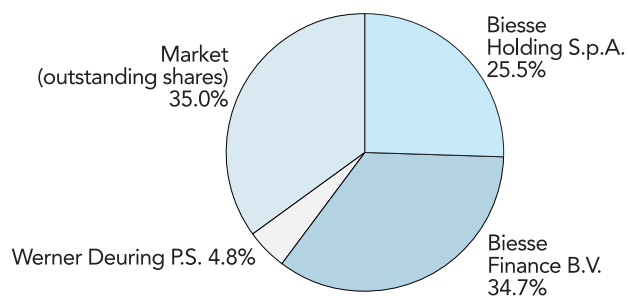
Introduction of the single European currency

With reference to Legislative Decree 25/06/1998 No. 213 enacted to implement European Community directives regarding the changeover to the single European currency, the Group has adopted the Euro as its official currency as of 1 January 2002. For the consolidated financial statements for the year ended 31 December 2001, the Biesse Group has attached the prospectuses in Lire, with conversion to the Euro.

As of 31 December 2001, the parent company Biesse Spa does not hold treasury shares nor shares or investments in its subsidiaries, nor has it owned or transacted these during the 2001 financial period. Therefore, there is nothing to declare in compliance with Art. 2428 paragraph 2, commas 3 and 4 of the Italian Civil Code.

The shareholding position at year-end 2001 is set forth below.

Number of ordinary shares: 27,393,042



Readers are reminded that after the end of the period, two institutional investors contacted CONSOB in accordance with disclosure requirements on significant equity investments, notifying they exceeded the limit of 2% of the share capital.

Pesaro, 15 March 2002

Chairman of the Board of Directors
Giancarlo Selci

CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended
31 December 2001
(Lire)*

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (Lire million)

| | 31 December 2001 | 31 December 2000 |
|---|------------------|------------------|
| ASSETS | 747,266 | 596,486 |
| A. CALLED UP SHARE CAPITAL NOT PAID | 0 | 0 |
| B. FIXED ASSETS | 239,857 | 174,897 |
| 1 Start-up and expansion costs | 172 | 233 |
| 2 Research, development and advertising costs | 1,833 | 1,734 |
| 3 Patents and intellectual property rights | 231 | 302 |
| 4 Concession, licences, trademark and similar | 2,545 | 2,167 |
| 5 Goodwill | 14,214 | 1,599 |
| 6 Intangible assets under construction and advance payments | 22 | 55 |
| 7 Other intangible assets | 1,374 | 2,001 |
| 8 Consolidation difference | 41,543 | 47,780 |
| II Tangible fixed assets | 163,936 | 114,499 |
| 1 Land and buildings | 91,588 | 72,581 |
| 2 Plant and machinery | 27,204 | 19,706 |
| 3 Industrial and commercial equipment | 7,301 | 4,446 |
| 4 Other tangible fixed assets | 18,005 | 12,052 |
| 5 Fixed assets under construction and advance payments | 19,837 | 5,715 |
| III Financial fixed assets | 13,987 | 4,528 |
| 1 Shareholdings in: | 7,390 | 487 |
| a non-consolidated subsidiaries | 6,598 | 21 |
| b affiliated companies | 330 | 0 |
| c other companies | 462 | 466 |
| 2 Receivables | 6,390 | 3,903 |
| b receivables from affiliated companies due within one year | 232 | 0 |
| d receivables from others due within one year | 0 | 21 |
| d1 receivables from others due after one year | 6,158 | 3,882 |
| 3 Other securities | 207 | 137 |
| C. CURRENT ASSETS | 504,764 | 419,195 |
| I Inventories | 204,478 | 163,763 |
| 1 Raw materials ancillary and consumable materials | 116,855 | 107,766 |
| 2 Work in progress and semi-finished goods | 23,241 | 16,873 |
| 3 Work in progress | 0 | 0 |
| 4 Finished products and goods | 63,160 | 35,424 |
| 5 Payments on account | 1,222 | 3,700 |
| II Receivables | 273,071 | 222,649 |
| 1 Trade receivables | 234,739 | 199,939 |
| 2 Receivables from subsidiaries | 2,609 | 0 |
| 3 Receivables from affiliated companies | 600 | 0 |
| 4 Receivables from parent companies | 33 | 2,561 |
| 5 Receivables from others | 35,091 | 20,149 |
| III Financial assets not fixed | 18 | 18 |
| 2 Shareholding in affiliated companies | 18 | 18 |
| 3 Other shareholdings | 0 | 0 |
| 5 Other securities | 0 | 0 |
| IV Cash and cash equivalent | 27,197 | 32,765 |
| 1 Bank and Postal deposits | 26,770 | 32,342 |
| 2 Cheques | 0 | 0 |
| 3 Cash | 427 | 423 |
| D. PREPAYMENTS AND ACCRUED INCOME | 2,644 | 2,394 |
| 1 Accrued income | 327 | 279 |
| 2 Prepayments | 2,318 | 2,115 |

BALANCE SHEET

CONSOLIDATED BALANCE SHEET (Lire million)

| | 31 December 2001 | 31 December 2000 |
|--|------------------|------------------|
| LIABILITIES | 747,266 | 596,486 |
| A. TOTAL SHAREHOLDERS' EQUITY | 274,006 | 98,053 |
| GROUP SHAREHOLDERS' EQUITY | 272,666 | 97,052 |
| I Share capital | 53,040 | 31,948 |
| II Share premium reserve | 173,309 | 0 |
| IV Legal reserve | 7,351 | 6,390 |
| VII Other reserves | 51,749 | 33,578 |
| VIII Net income (loss) carried forward | 0 | 0 |
| IX Net income (loss) for the year | (12,783) | 25,136 |
| Shareholders' equity pertaining to minority interests | 1,339 | 1,001 |
| Share capital and reserves pertaining to minority interests | 1,001 | 640 |
| Net income for the year pertaining to minority interests | 338 | 361 |
| B. PROVISION FOR RISKS AND CHARGES | 14,504 | 8,514 |
| 1 Provision for pension retirement and similar | 1,781 | 1,718 |
| 2 Provision for taxes | 0 | 0 |
| 3 Other provisions | 12,723 | 6,796 |
| C. STAFF SEVERANCE INDEMNITY RESERVE | 21,445 | 18,364 |
| D. LIABILITIES | 431,909 | 464,252 |
| 2 Convertible debenture: | 0 | 27,316 |
| a due within one year | 0 | 27,316 |
| b due after one year | 0 | 0 |
| 3 Payables to banks: | 193,472 | 187,067 |
| a due within one year | 149,000 | 145,187 |
| b due after one year | 44,472 | 41,881 |
| 4 Payables to other financial institutions: | 397 | 207 |
| a due within one year | 397 | 207 |
| b due after one year | 0 | 0 |
| 5 Advance: | 14,499 | 33,967 |
| a due within one year | 14,499 | 33,967 |
| b due after one year | 0 | 0 |
| 6 Trade payables: | 163,758 | 170,497 |
| a due within one year | 161,276 | 168,920 |
| b due after one year | 2,482 | 1,576 |
| 7 Payables connected to certificates of indebtedness | 0 | 0 |
| a due within one year | 0 | 0 |
| b due after one year | 0 | 0 |
| 8 Payables to subsidiaries: | 86 | 0 |
| a due within one year | 86 | 0 |
| b due after one year | 0 | 0 |
| 9 Payables to affiliated companies: | 118 | 0 |
| a due within one year | 118 | 0 |
| b due after one year | 0 | 0 |
| 10 Payables to parent companies: | 258 | 1,297 |
| a due within one year | 258 | 1,297 |
| b due after one year | 0 | 0 |
| 11 Tax payable: | 9,774 | 10,219 |
| a due within one year | 9,636 | 10,102 |
| b due after one year | 138 | 117 |
| 12 Payables to social insurance: | 9,577 | 7,683 |
| a due within one year | 9,577 | 7,683 |
| b due after one year | 0 | 0 |
| 13 Other payables: | 39,970 | 25,999 |
| a due within one year | 39,570 | 25,999 |
| b due after one year | 400 | 0 |
| E. ACCRUED EXPENSE AND DEFERRED INCOME | 5,402 | 7,302 |
| 1 Accrued expense | 768 | 3,481 |
| 2 Deferred income | 4,633 | 3,821 |
| MEMORANDUM ACCOUNTS | 154,602 | 189,278 |
| 1 BANKS FOR OUR GUARANTEES | 0 | 0 |
| 2 LEASING COMMITMENTS | 24,698 | 10,283 |
| 5 GUARANTEES AND ENDORSEMENTS | 27,112 | 33,683 |
| 6 BILLS IN CIRCULATION | 19,237 | 21,884 |
| 7 OTHER MEMORANDUM ACCOUNTS | 83,554 | 123,428 |

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (Lire million)

31 December 2001 31 December 2000

INCOME STATEMENT

| | | |
|--|------------------|------------------|
| A. VALUE OF PRODUCTION | 729,569 | 683,428 |
| 1 Revenues from sales and services | 684,975 | 666,001 |
| 2 Change in inventories of work in progress and semi-finished goods | 32,441 | 10,157 |
| 3 Change in work in progress | 0 | 0 |
| 4 Increase in asset value for internal work | 158 | 82 |
| 5 Other revenues and income | 11,996 | 7,188 |
| 5a Miscellaneous | 11,345 | 6,375 |
| 5b Contributions for operating expenses | 651 | 813 |
| B. COST OF PRODUCTION | (702,642) | (616,364) |
| 6 Raw material, ancillary, consumable and goods | (349,957) | (325,500) |
| 7 Services | (137,649) | (130,255) |
| 8 Use of third-party assets | (13,863) | (10,150) |
| 9 Personnel expense | (175,366) | (141,300) |
| 9a Wage and salaries | (132,552) | (106,728) |
| 9b Social security charge | (35,648) | (29,642) |
| 9c Severance indemnity | (6,448) | (4,605) |
| 9d Pension retirement and similar | (1) | (11) |
| 9e Other personnel expense | (718) | (314) |
| 10 Amortization, depreciation and write-down | (21,320) | (19,154) |
| 10a Amortization of intangible fixed assets | (6,312) | (6,397) |
| 10b Depreciation of tangible fixed assets | (13,886) | (11,310) |
| 10c Other amortization and depreciation of fixed assets | 0 | 0 |
| 10d Write-down of receivables included in current assets and cash equivalent | (1,123) | (1,446) |
| 11 Change in raw material, ancillary, consumable and goods | 8,271 | 23,315 |
| 12 Provision for risks | 0 | 0 |
| 13 Other provisions | (995) | (965) |
| 14 Other operating expenses | (11,763) | (12,355) |
| A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION | 26,927 | 67,064 |
| C. FINANCIAL INCOME AND CHARGES | (8,696) | (8,583) |
| 15 Income from equity investments | 200 | 52 |
| 16 Other financial income | 9,950 | 6,757 |
| 17 Interest and other financial charges | (18,845) | (15,392) |
| D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS | 0 | (273) |
| 18 Write-ups | 0 | 0 |
| 19 Write-downs | 0 | (273) |
| E. EXTRAORDINARY INCOME AND CHARGES | (29,835) | (233) |
| 20 Extraordinary income | 134 | 1,145 |
| 21 Extraordinary charges | (29,969) | (1,379) |
| D+E TOTAL EXTRAORDINARY INCOME AND CHARGES | (29,835) | (507) |
| INCOME BEFORE TAXATION | (11,604) | 57,974 |
| 22 Income taxes | (841) | (26,350) |
| NET INCOME FOR THE YEAR | (12,444) | 31,623 |
| Net income for the year pertaining to minority interests | 338 | 361 |
| Net income for the year before acquisition | 0 | 6,126 |
| Net income for the year pertaining to the Group | (12,783) | 25,136 |

Chairman of the Board of Directors
Giancarlo Selci

CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended
31 December 2001
(Euro)*

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (Euro thousand)

| | 31 December 2001 | 31 December 2000 |
|---|------------------|------------------|
| ASSETS | 385,930 | 308,059 |
| A. CALLED UP SHARE CAPITAL NOT PAID | 0 | 0 |
| B. FIXED ASSETS | 123,876 | 90,327 |
| I Intangible assets | 31,986 | 28,854 |
| 1 Start-up and expansion costs | 89 | 121 |
| 2 Research, development and advertising costs | 947 | 895 |
| 3 Patents and intellectual property rights | 119 | 156 |
| 4 Concession, licences, trademark and similar | 1,315 | 1,119 |
| 5 Goodwill | 7,341 | 826 |
| 6 Intangible assets under construction and advance payments | 12 | 28 |
| 7 Other intangible assets | 709 | 1,034 |
| 8 Consolidation difference | 21,455 | 24,676 |
| II Tangible fixed assets | 84,666 | 59,134 |
| 1 Land and buildings | 47,301 | 37,485 |
| 2 Plant and machinery | 14,050 | 10,177 |
| 3 Industrial and commercial equipment | 3,771 | 2,296 |
| 4 Other tangible fixed assets | 9,299 | 6,224 |
| 5 Fixed assets under construction and advance payments | 10,245 | 2,952 |
| III Financial fixed assets | 7,224 | 2,338 |
| 1 Shareholdings in: | 3,817 | 252 |
| a non-consolidated subsidiaries | 3,408 | 11 |
| b affiliated companies | 170 | 0 |
| c other companies | 239 | 241 |
| 2 Receivables | 3,300 | 2,016 |
| b receivables from affiliated companies due within one year | 120 | 0 |
| d receivables from others due within one year | 0 | 11 |
| d1 receivables from others due after one year | 3,180 | 2,005 |
| 3 Other securities | 107 | 71 |
| C. CURRENT ASSETS | 260,689 | 216,496 |
| I Inventories | 105,604 | 84,576 |
| 1 Raw materials, ancillary and consumable materials | 60,350 | 55,656 |
| 2 Work in progress and semi-finished goods | 12,003 | 8,714 |
| 3 Work in progress | 0 | 0 |
| 4 Finished products and goods | 32,619 | 18,295 |
| 5 Payments on account | 631 | 1,911 |
| II Receivables | 141,030 | 114,989 |
| 1 Trade receivables | 121,233 | 103,260 |
| 2 Receivables from subsidiaries | 1,347 | 0 |
| 3 Receivables from affiliated companies | 310 | 0 |
| 4 Receivables from parent companies | 17 | 1,323 |
| 5 Receivables from others | 18,123 | 10,406 |
| III Financial assets not fixed | 9 | 9 |
| 2 Shareholding in affiliated companies | 9 | 9 |
| 3 Other shareholdings | 0 | 0 |
| 5 Other securities | 0 | 0 |
| IV Cash and cash equivalent | 14,046 | 16,922 |
| 1 Bank and Postal deposits | 13,825 | 16,703 |
| 2 Cheques | 0 | 0 |
| 3 Cash | 221 | 218 |
| D. PREPAYMENTS AND ACCRUED INCOME | 1,366 | 1,236 |
| 1 Accrued income | 169 | 144 |
| 2 Prepayments | 1,197 | 1,092 |

CONSOLIDATED BALANCE SHEET (Euro thousand)

| | 31 December 2001 | 31 December 2000 |
|--|------------------|------------------|
| LIABILITIES | 385,930 | 308,059 |
| A. TOTAL SHAREHOLDERS' EQUITY | 141,512 | 50,640 |
| GROUP SHAREHOLDERS' EQUITY | 140,820 | 50,123 |
| I Share capital | 27,393 | 16,500 |
| II Share premium reserve | 89,506 | 0 |
| IV Legal reserve | 3,797 | 3,300 |
| VII Other reserves | 26,726 | 17,342 |
| VIII Net income (loss) carried forward | 0 | 0 |
| IX Net income (loss) for the year | (6,602) | 12,982 |
| Shareholders' equity pertaining to minority interests | 692 | 517 |
| Share capital and reserves pertaining to minority interests | 517 | 331 |
| Net income for the year pertaining to minority interests | 175 | 186 |
| B. PROVISION FOR RISKS AND CHARGES | 7,491 | 4,397 |
| 1 Provision for pension retirement and similar | 920 | 887 |
| 2 Provision for taxes | 0 | 0 |
| 3 Other provisions | 6,571 | 3,510 |
| C. STAFF SEVERANCE INDEMNITY RESERVE | 11,076 | 9,484 |
| D. LIABILITIES | 223,062 | 239,766 |
| 2 Convertible debenture: | 0 | 14,108 |
| a due within one year | 0 | 14,108 |
| b due after one year | 0 | 0 |
| 3 Payables to banks: | 99,920 | 96,612 |
| a due within one year | 76,952 | 74,983 |
| b due after one year | 22,968 | 21,630 |
| 4 Payables to other financial institutions: | 205 | 107 |
| a due within one year | 205 | 107 |
| b due after one year | 0 | 0 |
| 5 Advance: | 7,488 | 17,543 |
| a due within one year | 7,488 | 17,543 |
| b due after one year | 0 | 0 |
| 6 Trade payables: | 84,574 | 88,054 |
| a due within one year | 83,292 | 87,240 |
| b due after one year | 1,282 | 814 |
| 7 Payables connected to certificates of indebtedness: | 0 | 0 |
| a due within one year | 0 | 0 |
| b due after one year | 0 | 0 |
| 8 Payables to subsidiaries: | 44 | 0 |
| a due within one year | 44 | 0 |
| b due after one year | 0 | 0 |
| 9 Payables to affiliated companies: | 61 | 0 |
| a due within one year | 61 | 0 |
| b due after one year | 0 | 0 |
| 10 Payables to parent companies: | 133 | 670 |
| a due within one year | 133 | 670 |
| b due after one year | 0 | 0 |
| 11 Tax payable: | 5,048 | 5,278 |
| a due within one year | 4,977 | 5,217 |
| b due after one year | 71 | 60 |
| 12 Payables to social insurance: | 4,946 | 3,968 |
| a due within one year | 4,946 | 3,968 |
| b due after one year | 0 | 0 |
| 13 Other payables: | 20,643 | 13,427 |
| a due within one year | 20,436 | 13,427 |
| b due after one year | 207 | 0 |
| E. ACCRUED EXPENSE AND DEFERRED INCOME | 2,790 | 3,771 |
| 1 Accrued expense | 397 | 1,798 |
| 2 Deferred income | 2,393 | 1,973 |
| MEMORANDUM ACCOUNTS | 79,845 | 97,754 |
| 1 BANKS FOR OUR GUARANTEES | 0 | 0 |
| 2 LEASING COMMITMENTS | 12,755 | 5,311 |
| 5 GUARANTEES AND ENDORSEMENTS | 14,002 | 17,396 |
| 6 BILLS IN CIRCULATION | 9,935 | 11,302 |
| 7 OTHER MEMORANDUM ACCOUNTS | 43,152 | 63,745 |

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (Euro thousand)

31 December 2001 31 December 2000

INCOME STATEMENT

| | | |
|--|------------------|------------------|
| A. VALUE OF PRODUCTION | 376,791 | 352,961 |
| 1 Revenues from sales and services | 353,760 | 343,961 |
| 2 Change in inventories of work in progress and semi-finished goods | 16,754 | 5,245 |
| 3 Change in work in progress | 0 | 0 |
| 4 Increase in asset value for internal work | 82 | 42 |
| 5 Other revenues and income | 6,195 | 3,712 |
| 5a Miscellaneous | 5,859 | 3,293 |
| 5b Contributions for operating expenses | 336 | 420 |
| B. COST OF PRODUCTION | (362,885) | (318,326) |
| 6 Raw material, ancillary, consumable and goods | (180,738) | (168,107) |
| 7 Services | (71,090) | (67,271) |
| 8 Use of third-party assets | (7,160) | (5,242) |
| 9 Personnel expense | (90,569) | (72,975) |
| 9a Wage and salaries | (68,457) | (55,120) |
| 9b Social security charge | (18,411) | (15,309) |
| 9c Severance indemnity | (3,330) | (2,378) |
| 9d Pension retirement and similar | 0 | (5) |
| 9e Other personnel expense | (371) | (162) |
| 10 Amortization, depreciation and write-down | (11,011) | (9,892) |
| 10a Amortization of intangible fixed assets | (3,260) | (3,304) |
| 10b Depreciation of tangible fixed assets | (7,172) | (5,841) |
| 10c Other amortization and depreciation of fixed assets | 0 | 0 |
| 10d Write-down of receivables included in current assets and cash equivalent | (580) | (747) |
| 11 Change in raw material, ancillary, consumable and goods | 4,271 | 12,041 |
| 12 Provision for risks | 0 | 0 |
| 13 Other provisions | (514) | (499) |
| 14 Other operating expenses | (6,075) | (6,381) |
| A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION | 13,907 | 34,636 |
| C. FINANCIAL INCOME AND CHARGES | (4,491) | (4,433) |
| 15 Income from equity investments | 103 | 27 |
| 16 Other financial income | 5,139 | 3,490 |
| 17 Interest and other financial charges | (9,733) | (7,950) |
| D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS | 0 | (141) |
| 18 Write-ups | 0 | 0 |
| 19 Write-downs | 0 | (141) |
| E. EXTRAORDINARY INCOME AND CHARGES | (15,408) | (12) |
| 20 Extraordinary income | 69 | 592 |
| 21 Extraordinary charges | (15,478) | (712) |
| D+E TOTAL EXTRAORDINARY INCOME AND CHARGES | (15,408) | (262) |
| INCOME BEFORE TAXATION | (5,993) | 29,941 |
| 22 Income taxes | (434) | (13,609) |
| NET INCOME FOR THE YEAR | (6,427) | 16,332 |
| Net income for the year pertaining to minority interests | 175 | 186 |
| Net income for the year before acquisition | 0 | 3,164 |
| Net income for the year pertaining to the Group | (6,602) | 12,982 |

Chairman of the Board of Directors
Giancarlo Selci

**NOTES
ON BIESSE Spa
CONSOLIDATED
FINANCIAL
STATEMENTS**

*For the year ended
December 2001*

GENERAL CRITERIA

The consolidated financial statements of the Biesse Spa as of 31 December 2001 have been prepared in accordance with the standards issued by the Legislative Decree No. 127 on 9 April 1991 in actuation of the VII Directive of the European Community Council, and in compliance with the Accounting Principles issued by the National Board of Commercial Lawyers and Accountants.

The purpose of these supplementary notes is to integrate and explain the data already shown in the consolidated balance sheet and consolidated income statement of the Biesse Spa through a descriptive, explicative and detailed analysis of the data and other complementary information.

CONSOLIDATION AREA

The consolidated financial statements of the Biesse Group include the financial statements of the parent company and those of the Italian and foreign companies for which the Biesse Spa directly or indirectly holds the majority of the voting rights during the shareholders' meetings. The following companies have been included in the consolidated financial statements at 31 December 2001 using the line-by-line method:

NOTES

| Company and headquarters | Currency | Share Capital | Direct | Indirect | Intermediary | Biesse Group |
|---|----------|---------------|---------|----------|---------------------------|--------------|
| Parent company | | | | | | |
| Biesse Spa Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS) | Euro | 27,393,042 | | | | |
| Italian subsidiary companies: | | | | | | |
| H.S.D. Spa Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS) | Euro | 1,000,000 | 80.00% | | | 80.00% |
| Intermac Spa Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PS) | Euro | 1,250,000 | 100.00% | | | 100.00% |
| Foreign subsidiary companies: | | | | | | |
| Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 - USA | US \$ | 1,000,000 | 100.00% | | | 100.00% |
| Biesse Canada Inc. 1845 Rue Jean Monnet - Terrebonne (Quebec) - Canada | CAN \$ | 180,000 | 100.00% | | | 100.00% |
| Biesse Asia Pte. Ltd. 100 Cecil Street - The Globe Singapore | S \$ | 1,150,000 | 100.00% | | | 100.00% |
| Biesse Group UK Ltd. Lampport Drive Daventry Northampt. - Great Britain | £ STG | 1,000 | 100.00% | | | 100.00% |
| Biesse Groupe France Sarl Parc d'Affaires de la Vallée de l'Ozon Chapotin - Chaponnay - France | Euro | 144,000 | 100.00% | | | 100.00% |
| Biesse Group Deutschland GmbH Gewerberstrasse, 6 - Elchingen (Ulm) Germany | Euro | 1,432,600 | 100.00% | | | 100.00% |
| Biesservice Scandinavia AB Maskinvagen 1 - Lindas - Sweden | SKR | 200,000 | 60.00% | | | 60.00% |
| Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 - Barcellona - Spain | Pte | 172,000,000 | 100.00% | | | 100.00% |
| Biesse Brasil Ltda Rua Lapò, 975 - Curitiba Paraná - Brasil | Rib | 400,000 | | 99.99% | Intermac Spa | 99.99% |
| Sel Realty Ltd. 1845 Rue Jean Monnet Terrebonne (Quebec) - Canada | CAN \$ | 100 | 100.00% | | | 100.00% |
| Bi. Fin. UK Ltd. Lampport drive Daventry Northampt. - Great Britain | £ STG | 600,000 | 100.00% | | | 100.00% |
| Bifin Ltd. 233, Peachtree St., NE Harris Tower - Atlanta, GA 30303 (USA) | Usd | 10,000 | | 100.00% | Biesse America Inc. | 100.00% |
| Schelling Anlagenbau GmbH Gebhard-Schwarzler Strasse 34 Schwarzach - Austria | Euro | 1,000,000 | 100.00% | | | |
| Schelling Fertigungstechnik GmbH Grosse Wies 21 - Altach - Austria | Euro | 37,000 | | 100.00% | Schelling Anlagenbau GmbH | 100.00% |
| Schelling America Inc. 3201 Glenwood Ave. - Wake County Raleigh, North Carolina - USA | US \$ | 1,000 | | 100.00% | Schelling Anlagenbau GmbH | 100.00% |
| Schelling Uk Ltd. Schelling House, West Yorkshire, Sandbeck Way, Wetherby - Great Britain | £ STG | 1,000 | | 100.00% | Schelling Anlagenbau GmbH | 100.00% |
| Schelling Polska Odd Sp Zo.o. Ul. Pradzynskiego 24, PL - 63-000 Sroda Wlkp Poland | Zpl | 388,000 | | 100.00% | Schelling Anlagenbau GmbH | 100.00% |

CONSOLIDATED FINANCIAL STATEMENTS

The consolidation area has changed over the past year, for the following reasons: the merger of the subsidiary Biesse Triveneto Srl into Biesse Spa, which took place on 21 February 2001; acquisition of the subsidiary Schelling Asia Pacific Pte Ltd. by Biesse Asia Pte Ltd. for a symbolic value US\$1 that took place on 31 July 2001, by means of transfer of the assets and liabilities at their book value; and voluntary liquidation of Schelling Asia, emptied of all its value, as per the prevailing law in Singapore. None of these extraordinary transactions produced an effect on the consolidated financial statements, since the incorporating companies were already included in the consolidation area.

On 31 October 2001, the corporate business unit of CNI Srl was purchased by Hsd Spa; on 20 December 2001 the corporate business unit of Diamut Srl was purchased by Intermac Spa. These acquisitions influenced the comparability of the year's figures with those of last year. Please see the Report on Operations for the most significant effects.

List of other shareholdings in subsidiary companies valued at cost:

| Company and headquarters | Currency | Share capital | Direct | Indirect | Intermediary | Biesse Group |
|---|-----------------|----------------------|---------------|-----------------|---------------------|---------------------|
| Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park - Australia | Aud | 800,000 | 100.00% | | | 100.00% |
| Biesse Group New Zealand Ltd. P.O. Box 71045 - Rosebank Auckland New Zealand | Nzd | 200,000 | 100.00% | | | 100.00% |
| Hsd Usa Inc. 233 Peachtree Street, Suite 2308, Harris Tower, Atlanta - USA | Usd | 10,000 | | 100.00% | Hsd Srl | 100.00% |
| IS.PE soc. cons. a r.l. Via della Meccanica 16, Loc. Chiusa di Ginestreto - Pesaro (Italy) | Euro | 10,920 | 66.66% | 33.34% | Intermac Spa | 100.00% |

The only change with respect to the previous year was the addition among non-consolidated subsidiaries of the Hsd USA Inc., set up on 12 March 2001, Biesse Group Australia and Biesse Group New Zealand, both set up on 11 September 2001.

The aforementioned companies were valued at cost, given their recent incorporation and the unavailability of the 2001 financial statements by the preparation of the consolidated financial statements (Biesse Group New Zealand and Biesse Group Australia), the relatively small revenue contribution (Hsd USA) and the business that is not homogeneous with the industrial activities carried out by the Group (Is.pe. s.c.a r.l.).

For more detailed information on the formation of these new companies, please refer to the Directors' Report on Operation.

List of the other shareholdings in affiliated companies, valued at cost:

| Company and headquarters | Currency | Share capital | Direct | Indirect | Intermediary | Biesse Group |
|--|----------|---------------|--------|----------|---------------------------|--------------|
| CABI Srl Nuova Strada di Lottizzazione, s.n. Località Selva Grossa (PU) | Euro | 99,000 | 49% | | | 49% |
| Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona - Spain | Euro | 60,102 | | 25% | Intermac Spa | 25% |
| Eberle Automatische Systeme Gmbh Stieglingen 7a, 6850 Dorunbirn Austria | Ats | 500,000 | | 25% | Schelling Anlagenbau Gmbh | 25% |
| I.S.P. Systems Srl Via F.lli Rosselli 46 - Pesaro | Lit | 27,000,000 | 25.92% | | | 25.92% |

List of the other shareholdings, valued at cost:

Shareholdings held in the companies:

- Diamut Srl
- Tecnomarche Scrl
- Banca delle Marche Spa
- Formark Srl
- Cosmob Spa
- Consorzio Internazionale Marmi Macchine Carrara
- Caaf Interregionale Dip. Srl
- Consorzio Energia Assindustria Pesaro-Urbino

the investments have been assessed according to the cost adjusted by write-downs method, as per article 2426 of the Civil Code, and as indicated in the details of the long term financial investments in these notes.

REFERENCE DATE AND CONSOLIDATION PRINCIPLES

The financial statements used for consolidation of the parent company and of the subsidiaries included in the consolidation area are the ones for the year ended 31 December 2001 of the individual companies. These financial statements have been suitably reclassified and adjusted in order to standardise them with the accounting principles and the evaluation criteria of the parent company in case of significant differences. The structure adopted for the consolidated financial statements is the one envisaged for industrial companies.

The evaluation of the financial statement items has been done using the guidance of the general prudence and accruals criteria, considering the future prospect of continuing the business. Income has only been included if realised before the closing date of the accounting period. Income and charges pertaining to the period were considered, regardless of the date of collection or payment, and the risks and losses have been considered, even if known after the closure. Assets and liabilities have been evaluated separately. Assets intended to be used for more than one year have been posted under the fixed assets. Accounting principles are the ones generally used in the financial statements of the parent company Biesse Spa.

CONSOLIDATED FINANCIAL STATEMENTS

In preparing the Consolidated Financial Statements, assets and liabilities, as well as income and charges of the companies included in the consolidation have been reported in full. Payables and receivables, income and charges, and gains and losses originating from transactions between Group companies have been eliminated. Departing from this general rule and in consideration of the modest relevance of the associated effects and the difficulty in reconstruction, the company did not eliminate the income deriving from goods in inventory sold by the HSD Spa company to the other companies included in the Biesse Group, since these are semi-finished goods included in the works in progress.

The capital gains and losses deriving from intra-group sales of instrumental assets are included, wherever deemed significant.

The effects having a fiscal nature of all the adjustments made have been considered for the purposes described previously.

The accounting value of the equity investments in companies included in the consolidation was zeroed out by the corresponding fractions of the shareholders' equity of subsidiaries. The difference between the book value of the equity investments, zeroed out, and the corresponding quota of shareholders' equity, is entered as an adjustment to the consolidated shareholders' equity. In the case of acquisitions, the difference mentioned above is charged to the asset and liability elements of the companies included in consolidation. Any surplus, if negative, is recorded under the item called "Consolidation Reserve", or, when it refers to expectations of unfavourable economic results, under the item called "Consolidation reserve for future risks and charges"; any positive surplus is recorded with the intangible fixed assets, as "Consolidation difference".

The amount of the share capital and the reserves of the subsidiary companies corresponding to equity investments pertaining to minority interests is recorded under an item in the shareholders' equity called "Share capital and reserves pertaining to minority interests"; the part of the consolidated income of minority interests is recorded under the item "Net income for the year pertaining to minority interests".

CURRENCY CONVERSION CRITERIA

The financial statements of the foreign companies included in the consolidation area, originally expressed in foreign currency, have been converted into Italian Lire by using the following conversion method:

Balance sheets:

Every balance sheet has been converted by applying the exchange rate valid at the close of the financial period, with exception made for postings to the shareholders' equity which have been converted at the historic exchange rate.

Income statements:

Every income statement has been converted by applying the average exchange rate of the period.

The differences in exchange rate originating from the conversion in Italian Lire of the financial statements expressed in foreign currency have been charged to the item under the Consolidated shareholders' equity included among the Other Reserves such as "Consolidation differences reserve".

The average exchange rates and rates at the end of the 2001 and 2000 periods are the following:

| Currency | Exchange rate 2001 | | Exchange rate 2000 | |
|------------------------------|--------------------|-------------|--------------------|-------------|
| | Average | 31 Dec.2001 | Average | 31 Dec.2000 |
| Lire / US dollar | 2,176.50 | 2,197.06 | 2,110.47 | 2,080.89 |
| Lire / Canadian dollar | 1,399.88 | 1,375.49 | 1,417.87 | 1,386.51 |
| Lire / Singapore dollar | 1,211.72 | 1,187.46 | 1,220.17 | 1,198.55 |
| Lire / Pound Sterling | 3,133.30 | 3,182.04 | 3,186.68 | 3,102.50 |
| Lire / French franc (*) | 295.18 | 295.18 | 295.18 | 295.18 |
| Lire / Swedish krona | 208.59 | 208.17 | 228.54 | 219.25 |
| Lire / German mark (*) | 989.99 | 989.99 | 989.99 | 989.99 |
| Lire / Spanish peseta (*) | 11.64 | 11.64 | 11.64 | 11.64 |
| Lire / Austrian shilling (*) | 140.71 | 140.71 | 140.71 | 140.71 |
| Lire / Polish Zloty | 532.60 | 553.96 | 483.32 | 497.29 |
| Lire / Brazilian real | 935.40 | 946.65 | 1,151.56 | 1,067.12 |

(*) Euro equivalence.

ASSESSMENT CRITERIA

The accounting principles adopted by the Parent Company Biesse Spa in the consolidated Financial Statements and by the Biesse Group companies comply with the above-mentioned legislative provisions in force, integrated and interpreted by the Accounting Principles issued by the National Boards of Commercial Lawyers and Accountants.

Some items in the consolidated financial statements have been reclassified in order to offer better understanding of their contents; consequentially, the same items in the previous period have been reclassified according to Art. 2423 ter of the Civil Code.

The accounting principles used for the most important postings of the consolidated Financial Statements are the following:

Intangible fixed assets

Intangible fixed assets are recorded at purchase or production cost, including any accessory charges, and amortised at a constant rate.

Plant and expansion costs are recorded under the appropriate asset heading and are depreciated for the entire duration of their useful economic life, and in any event, for a maximum of five years.

R&D and advertising costs are usually fully entered in the Income Statement for the financial year in which they were incurred. Exception is made for costs relating to the production lines developed by new production units, since these offer reasonable future income and are limited to costs strictly inherent to the product development. Development and advertising costs recorded under the assets are amortised over five financial periods.

Industrial patents and intellectual property rights are amortised based on their presumed life, and in any case for no longer than the time established by the licensing contracts.

Concessions, licenses, trademarks and similar rights recorded under the assets have been amortised based on their presumed life, and in any case not greater than the time established by the purchase contracts; in case the useful life cannot be determined or there is no contract, the life is fixed at five financial periods.

Goodwill has been recorded under the assets only if acquired as holder for value, or to the extent of the cost incurred, and is amortised in a period not exceeding the duration of its use, or if this cannot be determined, for a period not exceeding ten years.

Consolidation differences emerge in preparation of the consolidated financial statements when the book values of the equity investments are eliminated against the corresponding fractions of the shareholders' equity of the subsidiaries. Any surplus, not attributable to the individual elements of the assets of the companies included in consolidation, is charged to the adjustment in the consolidated shareholders' equity, or, should there be valid reasons for doing so, is recorded on the asset side under the item "Consolidation difference". This item is amortised over the period of time that the company believes it can profit from economic elements of same, generally defined as ten years. Exception is made in the case of the Schelling Group acquisition, whose consolidation difference is amortised over 20 years, due to the fact that the company believes a 20-year amortisation period more coherent to represent the future utility of the investment. In this case, too, the amortisation has been effected in compliance with the civil and fiscal regulations.

Assets whose economic value at the close of the period is significantly lower than the depreciated cost according to the principles shown are written down to the extent of their economic value. If in successive periods the reasons for this devaluation are no longer valid, the original value will be restored.

Tangible fixed assets

Tangible fixed assets are recorded at the purchase or production cost including accessory charges, with the exception of monetary revaluation in compliance with the law.

Depreciation has been calculated with reference to the cost, systematically and according to the residual possibility for use. For the financial period in which the asset is acquired, the depreciation is reduced by 50% in the belief that this represents a reasonable approximation of the time distribution of the purchase over the course of the period.

The depreciation rates used are the following:

| | |
|--|------|
| Industrial buildings: | 3 % |
| Permanent equipment: | 25 % |
| Equipment for trade shows: | 12 % |
| Ordinary machinery and plants: | 10 % |
| Furniture and fixtures: | 12 % |
| Motor-vehicles: | 25 % |
| Electronic and electromechanical office machinery: | 20 % |

Fixed assets whose economic value at the close of the period is significantly lower than cost that has not yet been depreciated are depreciated to the extent of their economic value. If in the successive periods the reasons for this devaluation are no longer valid, the cost will be restored.

The recurrent maintenance costs are charged in full to the income statement. The incremental maintenance costs are charged to the fixed asset to which they apply and are depreciated according to the depreciation rates established for that asset.

Financial fixed assets

Financial fixed assets include the equity investments in non-consolidated subsidiary companies, equity investments in affiliated companies, and investments in other companies, in addition to the long term loans granted.

The equity investments in non-consolidated subsidiary companies and affiliated companies where the Group has a significant influence due to the amount of voting rights – between 20% and 50% – and the other equity investments are assessed according to the cost method, adjusted where necessary by write downs for permanent loss of value. Valuation was made at cost since these companies are small and volumes are either not very significant or unavailable during the time necessary for preparing the consolidated financial statements of the subsidiaries.

Financial receivables under fixed assets and securities are entered in the financial statements at cost and written down in the event of permanent loss of value.

Receivables and payables

Receivables have been entered at their nominal value and reduced to the presumed salvage value by allocating special bad-debt provisions. Payables are recorded at their nominal value.

Receivables and payables in currency other than Italian Lire, or in any event, non-European Monetary Union currency, have generally been calculated and posted in the Financial Statements at the historic exchange rate pertaining to the day of posting. Should these items give rise to negative differences when converted to the exchange rate valid at the closing date of the period and considering the relative coverage contracts, the company has provisioned a corresponding amount to the reserve for risks and charges. Receivables and payables in foreign currency covered specifically against exchange rate risks have been posted at the exchange rate defined by the coverage operation.

Financial current assets

Financial current assets include securities for sale and/or other financial instruments held in order to use monetary surplus. These assets are assessed at a lesser value between the purchase cost and the corresponding market value as of the date of consolidation.

Inventories

With regard to final inventories, the accounting principles envisaged by Article 2426 of the Civil Code have been observed. In particular, inventories have been assessed at the lesser value between the cost and the market value.

The cost configuration adopted is the following:

| | |
|--------------------------------|---|
| Raw materials and merchandise: | LIFO (last in, first out) |
| Work in progress: | industrial production cost, depending on the state of progress |
| Finished products: | industrial production cost |

Use of LIFO for valuing the inventory of raw materials has not caused significant differences with respect to valuation of current costs. Obsolete and slow-moving inventories are written down according to the likelihood of them being used and sold, based on the average length of the production cycle.

Accruals and deferrals

Only the income and expenses from the period which have an effect in subsequent financial periods, and the revenues and costs earned or incurred before the closing date of the period but pertaining to subsequent financial periods have been posted under the items covering the accruals and deferrals.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover known or likely losses or debts, the timing and amount of which cannot be determined at year-end. Included here are the Reserve for exchange risks, the Product warranty reserve, and the Corporate restructuring reserve.

In particular, the allocations to the product warranty provision make it possible to anticipate the economic effect of the warranty costs, according to the principle of correlation between sales revenues-costs for the warranty.

The Company restructuring reserve that was formed with a provision to cover charges incurred in relation to the Biesse Group reorganisation plan, initiated in 1998, was completely utilised. It was also increased, considering the need to complete corporate restructuring, with particular reference to modernisation efforts on the manufacturing sites and their improvement to increase production efficiency and to cope with staff reorganisation.

Staff severance indemnity reserve

The staff severance indemnity reserve is stated in the financial statements to cover the entire amount of the compensation accrued in favour of the employees according to their seniority and in virtue of the regulations in force regarding collective contracts in each country where the consolidated companies do business.

Risks, commitments and guarantees

The risks for which a liability is probable are described in the notes on the financial statements and allocated for according to the congruence criteria in the provision for risks. The risks for which a liability is merely possible are described in the notes, without making provisions to the risk reserves, in accordance with the reference accounting principles. Risks of a remote nature are not considered.

The commitments and guarantees are indicated in the memorandum accounts at their contractual value.

The memorandum accounts include the commitments relating to derivative contracts in existence predominantly for the purpose of guarding the Biesse Group from exchange risks on trade transactions. These commitments are recorded in the Memorandum accounts based on the exchange rates at the end of the financial period. The discounts and premiums on derivative contracts are reflected in the income statement according to the accruals concept. If the derivative contracts are not strictly identifiable as coverage transactions, even in view of a strict reading of the reference accounting principles, any loss or gain deriving from these contracts at year-end is charged to the Income Statement.

Revenues, income and charges postings

Revenues and income, costs and charges are recorded in the financial statements net of returns, discounts, allowances and premiums as well as any taxes directly connected with the sale of products and services. Sales revenues are acknowledged at the time the products change ownership, usually when the goods are shipped or delivered. Revenues having a financial nature are acknowledged on the basis of when the transactions occur.

Income taxes

Income taxes are determined on the basis of the taxable income of each consolidated company according to the taxation structures in force in each country. Deferred taxes are allocated based on the positive and negative interim differences between the taxable result and the result of the financial statements of the individual companies; furthermore, deferred taxes are allocated in the consolidated financial statements based on the interim differences between the taxable results of the consolidated companies and those of the financial statements used for consolidation.

The deferred tax reserve is calculated based on the rates in use at the time in which the interim differences arise. If the net balance of the deferred taxes is positive and the taxes can be recovered, the deferred tax assets are recorded under the item Other Receivables. Tax benefits arising from fiscal losses are credited to the Income Statement only in the financial period these losses are used to balance income. In any event, the compensation between the deferred tax assets and the deferred tax liabilities is limited to similar situations and the legal possibility for such balance.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Detailed information and variations occurring in the consistency of the principal asset and liability items.

Fixed assets

Intangible fixed assets:

| <i>L million</i> | | | | Variations for | | | Other | |
|---|---------------------------------|--------------------------------------|--|----------------|-----------|--------------------|---|---------------------------------|
| Description | Historic value as of 31/12/2000 | Charge off of fully amortised assets | Variations for adjustments in the consolidation area | Purchases | Transfers | Reclas sifications | transactions and conversion differences | Historic value as of 31/12/2001 |
| Plant and expansion costs | 371 | (16) | 0 | 11 | 0 | 0 | 0 | 366 |
| Research, development and advertising costs | 3,312 | (101) | | 917 | | | (263) | 3,865 |
| Industrial patents and intellectual property rights | 1,353 | (588) | 0 | 200 | 0 | 0 | (19) | 946 |
| Concessions, licences, trade-marks and similar rights | 5,133 | (482) | 0 | 1,334 | 0 | 145 | 37 | 6,166 |
| Goodwill | 1,873 | 0 | 0 | 13,170 | 0 | 0 | 0 | 15,042 |
| Fixed assets in progress and advances | 55 | 0 | 0 | 127 | 0 | (160) | 0 | 22 |
| Other intangible fixed assets | 4,306 | (632) | 0 | 320 | 0 | 15 | (478) | 3,532 |
| Consolidation differences | 52,196 | 0 | 0 | 0 | 0 | 0 | (4,521) | 47,675 |
| Total | 68,599 | (1,818) | 0 | 16,079 | 0 | 0 | (5,245) | 77,615 |

| <i>L million</i> | | | Variations for | | | | Other | |
|---|---------------------------------------|--------------------------------------|--|---------------------------|-----------------------------|--------------------|---|---------------------------------------|
| Description | Amortization reserve as of 31/12/2000 | Charge off of fully amortised assets | Variations for adjustments in the consolidation area | Depreciation for the year | Balance in transfer reserve | Reclas sifications | transactions and conversion differences | Amortization reserve as of 31/12/2001 |
| Plant and expansion costs | (138) | 16 | 0 | (72) | 0 | 0 | 0 | (195) |
| Research, development and advertising costs | (1,578) | 101 | 0 | (817) | 0 | 0 | 263 | (2,032) |
| Industrial patents and intellectual property rights | (1,051) | 588 | 0 | (271) | 0 | 0 | 19 | (715) |
| Concessions, licences, trade-marks and similar rights | (2,966) | 517 | 0 | (1,140) | 0 | (31) | (1) | (3,621) |
| Goodwill | (274) | 0 | 0 | (549) | 0 | 0 | (6) | (829) |
| Fixed assets in progress and advances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other intangible fixed assets | (2,305) | 597 | 0 | (660) | 0 | 31 | 179 | (2,159) |
| Consolidation differences | (4,416) | 0 | 0 | (2,802) | 0 | 0 | 1,087 | (6,131) |
| Total | (12,728) | 1,818 | 0 | (6,312) | 0 | 0 | 1,542 | (15,681) |

| <i>L million</i> | Historic value as of | Amortization reserve as of | Net value as of | Historic value as of | Amortization reserve as of | Net value as of |
|--|----------------------------|----------------------------------|--------------------|----------------------------|----------------------------------|--------------------|
| Description | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2001 | 31/12/2001 | 31/12/2001 |
| Plant and expansion costs | 371 | (138) | 233 | 366 | (195) | 172 |
| Research, development and advertising costs | 3,312 | (1,578) | 1,734 | 3,865 | (2,032) | 1,833 |
| Industrial patents and intellectual property rights | 1,353 | (1,051) | 302 | 946 | (715) | 231 |
| Concessions, licences, trade-marks and similar rights | 5,133 | (2,966) | 2,167 | 6,166 | (3,621) | 2,545 |
| Goodwill | 1,873 | (274) | 1,599 | 15,042 | (829) | 14,214 |
| Fixed assets in progress and advances | 55 | | 55 | 22 | | 22 |
| Other intangible fixed assets | 4,306 | (2,305) | 2,001 | 3,532 | (2,159) | 1,374 |
| Consolidation difference | 52,196 | (4,416) | 47,780 | 47,675 | (6,131) | 41,544 |
| Total | 68,599 | (12,728) | 55,871 | 77,615 | (15,681) | 61,934 |

The plant and expansion costs relate chiefly to notary charges for increases in capital and other corporate transactions.

Research, development and advertising costs are fully entered in the Income Statement of the financial year they were incurred. Exception is made for costs relating to the production lines developed by new production units, since these offer reasonable future income and are limited to costs strictly inherent to the product development. Development and advertising costs stated under the assets are amortised over five financial periods.

Both plant and expansion costs and R&D costs are stated in the asset side, as these have multi-year benefits and are destined to generate their economic effect over the course of several financial periods. These costs are amortised at a constant rate over a period corresponding to their residual possibility for use, or more precisely, with their residual possibility to bring utility to the operations progress. In any case, their life is limited to five years.

The item concessions, licenses, and trademarks show an increase of L1,479 million due mainly to expenses for registration of the Biesse trademark around the world, purchase of accounting and control software to standardise and centralise computer systems of the foreign branches, purchase of software from Biesse Holding pursuant to moving all the service functions to Biesse Spa, personalising the existing licenses and purchasing new office software licenses used for new machining centres.

As regards goodwill, increases in the period refer chiefly to the surplus of L9,537 million arising on acquisition of the corporate business unit of Diamut Srl made by Interamac Spa on 20 December 2001, with legal effect as of 31 December 2001 (this surplus is justified in the higher strategic positioning and market value given to this production unit as part of the diamond tools production for working glass and marble and granite stone), the surplus of L3,390 million deriving on acquisition of the corporate business unit of CNI Srl made by HSD Spa (this amount is justified by the strategic importance attributed to the acquisition of the production unit, that enables internalisation of the numeric control production relevant for our production and commercial processes).

The item fixed assets in progress and advances includes all the advances invoiced by the suppliers for realisation or customisation of software; on conclusion of the various operating projects of a certain value, these were transferred to the relevant book items.

Other intangible fixed assets includes an increase of L335 million due mainly to accessory costs incurred for installation of machinery purchased through leasing contracts.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidation difference of L47,675 million gross of the relative amortisation reserve of L6,131 million derives from the consolidation of the equity investments as highlighted in detail in Annex A and is written down over ten years. Exception is taken for the equity investment made in the Schelling Anlagenbau GmbH, which the company believed better to amortise over a period of 20 years, considering the strategic importance of the acquisition.

The reduction of both the differences arising on consolidation for L4,521 million and the relative reserve for amortisation and depreciation for L1,087 million (inserted among other transactions) is due to the effects of devaluation on the amortisable amount of the consolidation differences of the Intermac Spa for L2,161 million, the Biesse Triveneto Srl for L238 million and the former Buseti Srl for L1,035 million.

Write down of the outstanding amortizable balance of the consolidation difference as of 31 December 2000 relating to the investment in Biesse Triveneto Srl, which was merged into the parent company Biesse Spa, includes the amount made by the same parent company when allocating the merger deficit. As regards the write down of the outstanding amortisable balance as of 31 December 2000 of the consolidation difference relating to the shareholdings in Intermac Spa and the former Buseti Srl (already merged into Intermac Spa in 2000), the write down is due to losses suffered by Intermac Spa in the 2001 financial period and the decision taken by the Board of Directors of the Parent Company, Biesse Spa, was to carry out a complete merger of Intermac during 2002.

Tangible fixed assets:

| <i>L million</i> | | | | | | | | |
|---------------------------------------|---------------------------------|--------------------------------------|--|---------------|-----------------|-------------------|---|---------------------------------|
| Description | Historic value as of 31/12/2000 | Charge off of fully amortised assets | Variations for adjustments in the consolidation area | | | | Other transactions and conversion differences | Historic value as of 31/12/2001 |
| | | | | Purchases | Transfers | Reclassifications | | |
| Land and buildings | 81,279 | 0 | 0 | 21,897 | (5,683) | 4,015 | 1,003 | 102,512 |
| Plants and machinery | 33,852 | 0 | 0 | 11,890 | (1,608) | (881) | 161 | 43,413 |
| Industrial and commercial equipment | 15,683 | 0 | 0 | 5,424 | (147) | 932 | (91) | 21,801 |
| Other tangible assets | 30,443 | 0 | 0 | 10,705 | (1,665) | (51) | 496 | 39,928 |
| Fixed assets in progress and advances | 5,715 | 0 | 0 | 20,259 | (2,073) | (4,015) | (49) | 19,837 |
| Total | 166,972 | 0 | 0 | 70,175 | (11,176) | 0 | 1,520 | 227,492 |

| <i>L million</i> | | | | | | | | |
|---------------------------------------|---------------------------------------|--------------------------------------|--|---------------------------|-----------------------------|-------------------|---|---------------------------------------|
| Description | Amortization reserve as of 31/12/2000 | Charge off of fully amortised assets | Variations for adjustments in the consolidation area | Depreciation for the year | Balance in transfer reserve | | | Amortization reserve as of 31/12/2001 |
| | | | | | | Reclassifications | Other transactions and conversion differences | |
| Land and buildings | (8,699) | 0 | 0 | (2,318) | 327 | 0 | (233) | (10,923) |
| Plants and machinery | (14,146) | 0 | 0 | (3,615) | 1,308 | 430 | (186) | (16,209) |
| Industrial and commercial equipment | (11,237) | 0 | 0 | (3,231) | 259 | (232) | (59) | (14,500) |
| Other tangible assets | (18,390) | 0 | 0 | (4,722) | 1,491 | (198) | (104) | (21,923) |
| Fixed assets in progress and advances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (52,472) | 0 | 0 | (13,886) | 3,385 | 0 | (582) | (63,556) |

| <i>L million</i> | Historic value as of | Amortization reserve as of | Net value as of | Historic value as of | Amortization reserve as of | Net value as of |
|---------------------------------------|----------------------------|----------------------------------|--------------------|----------------------------|----------------------------------|--------------------|
| Description | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2001 | 31/12/2001 | 31/12/2001 |
| Land and buildings | 81,279 | (8,699) | 72,580 | 102,512 | (10,923) | 91,588 |
| Plants and machinery | 33,852 | (14,146) | 19,706 | 43,413 | (16,209) | 27,204 |
| Industrial and commercial equipment | 15,683 | (11,237) | 4,446 | 21,801 | (14,500) | 7,301 |
| Other tangible assets | 30,443 | (18,390) | 12,052 | 39,928 | (21,923) | 18,005 |
| Fixed assets in progress and advances | 5,715 | 0 | 5,715 | 19,837 | 0 | 19,837 |
| Total | 166,972 | (52,472) | 114,499 | 227,492 | (63,556) | 163,936 |

Land and buildings have increased during the year, net of disposals, for L21,233 million, including L18,955 million in the purchase of land and realisation of the new mill in Pesaro, owned by Intermac Spa (an internal transfer was made to the item Fixed assets in progress and advances for L4,015 million relating to advances on construction work of the new factory). Land and buildings have increased by L964 million pursuant to capitalisation of costs for restructuring the factory of Biesse Spa, for L 2,955 million for renovation and expansion of the headquarters of Biesse Canada, for L387 million for restructuring work on the Schelling Anlagenbau plant and land for L600 million due to purchase of the corporate business unit of CNI Srl by the HSD Spa.

The item plant and machinery shows a net increase of L9,561 million arising for L1,810 million on purchases by Biesse Spa of new machining centres for the Cosmec production unit, for L5,556 million from the purchase by Intermac Spa of plant for the new industrial factory in Pesaro, for L569 million on acquisition of the corporate business unit of Diamut Srl by Intermac Spa, for L364 million on acquisition of new machinery by HSD Spa, for L412 million on refurbishing equipment in the employee canteen.

Industrial and commercial equipment increased by L6,118 million, net, due mainly to acquisition by Biesse Spa of ordinary operating equipment necessary for assembling and testing machine tools and the construction of moulds and matrices for raw materials for L2,833. Industrial and commercial equipment increased further on the acquisition of new equipment by HSD Spa for L1,010 million and by Intermac Spa for L747 million, while purchase of the corporate business units of CNI Srl and Diamut Srl have led to increases in Industrial and commercial equipment respectively for L204 million and L324 million.

The net increase in the value of Other tangible assets for L9,485 million is due to acquisition of new fixtures and furnishings for L3,096 million, vehicles for L1,015 million, and internal transportation for L642 million. Acquisition of the corporate business units of CNI Srl and Diamut Srl have led to an increase in Other tangible assets respectively for L342 million and L398 million. The balance consists of the purchase of office electronic and electromechanical machinery for L2,271 million of increasingly sophisticated and modernised products intended for information systems (servers, USCSI discs, etc.), office design (PWS, plotters, scanners) and all the indirect functions for realising new work stations and partially for replacing obsolete machinery (PC, printers, photocopiers, etc.).

Fixed assets under construction and advance payments is represented by advances on work to finish, referring to sites for refurbishing and expansion of already operating plant, construction of a new plant in San Giovanni in Marignano (RN) which will be the future site of Biesse Group machining, and advance payments on land to purchase in Chiusa di Ginestreto (PU) intended for construction of new manufacturing plant.

CONSOLIDATED FINANCIAL STATEMENTS

Schedule of the revaluation:

| <i>L million</i> | | BIESSE SpA | TOTAL |
|--------------------------------|------------------|-------------------|--------------|
| Buildings | Under Law 72/83 | 315 | 315 |
| Buildings | Under Law 413/91 | 244 | 244 |
| Plants and machinery | Under Law 72/83 | 134 | 134 |
| Industrial and comm. equipment | Under Law 72/83 | 1 | 1 |
| Other assets | Under Law 72/83 | 7 | 7 |
| Total | | 701 | 701 |

Investments

Shareholdings in non-consolidated subsidiaries

Shareholdings in subsidiaries excluded from the comprehensive consolidation are recorded in the financial statements according to the cost adjusted for writedown method, under article 2426 of the Civil Code.

| Company | Share capital | Value entered | Share held by the Biesse Group |
|---|----------------------|------------------------|---|
| Hsd Usa Inc. 233 Peachtree Street, Suite 2308, Harris Tower, Atlanta - USA | Usd 10,000 | L million 611 | 100% (indirectly through HSD Spa) |
| Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park - AUS | Aud 800,000 | L million 5,660 | 100% |
| Biesse Group New Zeland Ltd. P.O. Box 71045 Rosebank Auckland - NZ | Nzd 200,000 | L million 301 | 100% |
| Istituto IS.PE. soc. cons. a r.l. Via della Meccanica, 16 Località Chiusa di Ginestreto (PS) | Euro 10,920 | L million 26 | 100% (66.67% directly; 33.33% indirectly through Intermac Spa) |
| Total | | L million 6,598 | |

These are newly formed companies, set up during 2001, with the exception of IS.PE. a r.l., already operational.

Shareholdings in associated companies:

Shareholdings in affiliated companies are recorded in the financial statements according to the cost adjusted for writedown method, under article 2426 of the Civil Code.

| Company | Share capital | Value entered | Share held by the Gruppo Biesse |
|--|----------------------|----------------------|--|
| I.S.P. System Srl Via Fratelli Rosselli, 46 Pesaro | L 27,000,000 | L million 207 | 25.92% |
| CABI Srl Nuova Strada di Lottizzazione, s.n. Località Selva Grossa (PU) | Euro 99,000 | L million 94 | 49% |
| Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona - Spain | Euro 60,102 | L million 29 | 25% (indirectly through Intermac Spa) |
| Total | | L million 330 | |

Shareholdings in other companies:

Shareholdings in other companies as of 31 December 2000, valued using the cost method and adjusted for writedowns as per article 2426 of the Civil Code, are composed as follows:

| Company | Value entered | Share held by the Biesse Group |
|--|----------------------|--|
| Diamut Srl Via Cairoli, 9 S. Agata sul Santerno (RA) | L million 300 | 10% (indirectly through Intermac Spa) |
| Banca delle Marche Spa Via Menicucci, 4/6 - Ancona | L million 126 | * |
| Tecnomarche Scrl Piazza Simonetti, 36 - Ascoli Piceno | L million 20 | 4% (directly) |
| Consorzio Internazionale Marmi Macchine Carrara Via Galilei, 133 - Carrara Marina (MS) | L million 10 | * |
| Formark Srl Corso Mazzini, 151 - Ascoli Piceno | L million 2 | * |
| Cosmob Spa Galleria Roma - Pesaro | L million 2 | * |
| Consorzio Energia Assindustria Pesaro Urbino Via Curiel, 35 - Pesaro | L million 2 | * |
| Caaf Interregionale Dip. Srl Via Ontani, 48 - Vicenza | | * |
| Total | | L million 462 |

* symbolic or associative equity investments.

Shareholdings in the Diamut Srl amount to 10% of the share capital. Readers are reminded that Intermac Spa purchased the corporate business unit of Diamut Srl specialising in the production of diamond tools designed to work glass and natural and synthetic stone on 20/12/2001, having legal effect as of 31/12/2001. The acquisition will enable Intermac to strengthen its presence on the market, integrating the production of machines and machining centres while also having control over an important element for the complete offer package to the customer, and supervision of a strategic link in the Biesse technology.

CONSOLIDATED FINANCIAL STATEMENTS

Financial receivables:

| <i>L million</i> | Value of | Increases/ | Value |
|---|--------------|--------------|--------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| From affiliated companies | | | |
| (falling due within one year) | 0 | 232 | 232 |
| From others (falling due within one year) | 21 | (21) | 0 |
| From others (falling due after one year) | 3,882 | 2,276 | 6,158 |
| Total | 3,903 | 2,487 | 6,390 |

The value of L232 million refers to an advance made by the subsidiary Intermac Spa in favour of the associated company, Intermac Vidrio Iberica S.A.

Receivables from others falling due beyond 12 months includes mainly an interest-bearing loan granted to third-party suppliers, by the parent company Biesse Spa, for L4,854 million, to advance payments of employee severance indemnity as per Law 140 issued on 28 October 1997 for L611 million, to the RAS fund for L300 million and security deposits paid for L393 million.

Other:

| <i>L million</i> | Value of | Increases/ | Value |
|------------------|------------|------------|-------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| Other securities | 137 | 70 | 207 |
| Total | 137 | 70 | 207 |

Working capital

Inventories:

| <i>L million</i> | Value of | Increases/ | Value |
|--|----------------|---------------|----------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| Raw materials, ancillary, consumer goods | 110,353 | 9,465 | 119,818 |
| (Raw materials write-down reserve) | (2,587) | (376) | (2,963) |
| Net raw materials, ancillary, consumer goods | 107,766 | 9,089 | 116,855 |
| Works in progress and semi-finished goods | 16,873 | 6,368 | 23,241 |
| Finished goods and merchandise | 36,665 | 28,619 | 65,284 |
| (Finished goods write down reserve) | (1,241) | (883) | (2,125) |
| Net finished goods and merchandise | 35,424 | 27,736 | 63,160 |
| Advances | 3,700 | (2,478) | 1,222 |
| Total | 163,763 | 40,715 | 204,478 |

The increase can be traced back to finished products and is due to postponement of delivery dates of the orders already in the order book, as per customer requests pursuant to the psychological consequences of 9/11 events.

Acquisition of the corporate business unit by Intermac Spa of Diamut Srl and by HSD Spa of C.N.I. Srl have produced, respectively, an increase in the raw materials for L433 million and L247 million, semi-finished products for L770 million and L859 million, and finished merchandise for L660 million and L193 million.

Receivables:*L million*

| Item | Value of previous period | Increases/ Decreases | Value at year-end |
|--|---|---------------------------------|------------------------------|
| From customers | 204,040 | 34,590 | 238,630 |
| (Bad debt reserve) | (4,101) | 210 | (3,890) |
| From customers, net | 199,939 | 34,800 | 234,739 |
| From non-consolidated subsidiaries | 0 | 2,609 | 2,609 |
| From affiliated companies | 0 | 600 | 600 |
| From parent companies | 2,561 | (2,528) | 33 |
| From others | 20,149 | 14,942 | 35,091 |
| Total (net of the bad debt reserve) | 222,649 | 50,422 | 273,071 |

The increase in trade receivables is due mainly to granting extensions of payments, made necessary after market conditions changes which took place at the end of the third quarter, and approved due to the fact that these are guaranteed payments.

The total balance of receivables falling due beyond one year is L2,034 million, net of the bad-debt provision. The bad-debt provision, standing at L4,101 million at the end of the prior year, was used for L1,334 million and increased with provisions made for L1,123 million bringing the final balance to L3,890 million.

Receivables due from non-consolidated subsidiaries refer to non-consolidated companies and in particular, to receivables of the subsidiary HSD Spa from its subsidiary HSD U.S.A. for L2,023 million, and receivables of the parent company, Biesse Spa, from its subsidiaries Biesse Australia Pty for L586 million, both of which are newly set up companies.

Receivables due from affiliated companies falling due within one year for L600 million refer to receivables that the Parent Company, Biesse Spa is owed from I.S.P. Srl for L403 million and Cabi Srl for L52 million and receivables that the subsidiary Intermac Spa is owed from its associated company Intermac Vidrio Iberica S.a. for L145 million.

Receivables from others falling due within one year total L34,145 million and refer chiefly to receivables for prepaid taxation for L11,887 million, net of the receivables for deferred tax assets for L2,059 million, on VAT receivables for L6,091 million, receivables for IRPEG paid for L5,739, trade receivables for L2,498 and advance costs for L557 million.

Receivables from others due beyond one year stand at L945 million and refer to due from tax authorities.

There are no receivables falling due after 5 years.

CONSOLIDATED FINANCIAL STATEMENTS

Trade receivables:

| <i>L million</i> | Value of | Increases/ | Value |
|---|-----------------|---------------|----------------|
| Item | previous period | Decreases | at year-end |
| Trade receivables due within one year | 202,096 | 34,490 | 236,586 |
| (Bad debt reserve within one year) | (4,091) | 210 | (3,881) |
| Net trade receivables due within one year | 198,005 | 34,701 | 232,705 |
| Trade receivables due after on year | 1,944 | 99 | 2,043 |
| (Bad debt reserve after one year) | (9) | 0 | (9) |
| Net trade receivables due after one year | 1,935 | 99 | 2,034 |
| Total trade receivables | 204,040 | 34,590 | 238,630 |
| (Total bad debt reserve) | (4,101) | 210 | (3,890) |
| Total net trade receivables | 199,939 | 34,800 | 234,739 |

Financial current assets:

| <i>L million</i> | Value of | Increases/ | Value |
|--|-----------------|------------|-------------|
| Item | previous period | Decreases | at year-end |
| Equity investments in affiliated companies | 18 | (0) | 18 |
| Total | 18 | (0) | 18 |

The relative value of the shareholdings in affiliated companies, totalling L18 million, refers to the 25% stake held by Schelling Anlagenbau GmbH in the Eberle Automatische Systeme GmbH company, inserted with the current assets since the company plans to sell these assets.

Liquid assets:

| <i>L million</i> | Value of | Increases/ | Value |
|-----------------------------------|-----------------|----------------|---------------|
| Item | previous period | Decreases | at year-end |
| Bank and post office accounts | 32,342 | (5,572) | 26,770 |
| Cash in hand and cash equivalents | 423 | 4 | 427 |
| Total | 32,765 | (5,568) | 27,197 |

Working Capital:

| <i>L million</i> | Value of | Increases/ | Value |
|--------------------------------------|-----------------|----------------|----------------|
| Item | previous period | Decreases | at year-end |
| Inventories | 163,763 | 40,715 | 204,478 |
| Trade receivables | 202,501 | 35,480 | 237,981 |
| Other receivables | 20,149 | 14,942 | 35,091 |
| Trade payables | 205,761 | (41,542) | 164,219 |
| Other payables | 44,108 | 30,109 | 74,217 |
| Prepaid expenses and accrued income | 2,394 | 250 | 2,644 |
| Accrued expenses and deferred income | 7,302 | (1,900) | 5,402 |
| Net current assets | 131,636 | 104,720 | 236,356 |

The significant increase in net working capital during 2001 is due to the changed market conditions that had an unexpected and drastic effect on totals at the end of the third quarter. On the one hand, the request to postpone delivery of machinery by some customers, primarily located in North America, has created amounts of finished stock that exceeded the physiological levels. On the other hand, the situation created in the industry sector has caused the company to accept more flexible, postponed payments and special guarantees on the payments, thereby increasing the level of trade receivables at year-end. Finally, the uneven distribution of the purchases by suppliers, although reduced in the latter part of the year due to a slowdowns in domestic production, have led to a reduction at year-end in the trade payables.

Prepaid Expenses and Accrued Income

As of 31 December 2001 the breakdown is as follows:

Accrued income

L million

| Item | Value of previous period | Increases/ Decreases | Value at year-end |
|---------------------|--------------------------------|-------------------------|----------------------|
| Interest receivable | 13 | (13) | 0 |
| Miscellaneous | 266 | 61 | 327 |
| Total | 279 | 48 | 327 |

Prepaid expenses:

L million

| Item | Value of previous period | Increases/ Decreases | Value at year-end |
|-------------------------|--------------------------------|-------------------------|----------------------|
| Interest payable | 454 | 856 | 1,310 |
| Miscellaneous | 1,554 | (1,368) | 186 |
| Multiyear miscellaneous | 106 | 715 | 822 |
| Total | 2,115 | 202 | 2,318 |

Prepaid expenses refer to lease contracts, service contracts and product warranty policies.

CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' equity

Schedule of the transactions in the Consolidated Shareholders' equity items

L million

| | Balance at 31 Dec 2000 | POC conv ersion | Transfer result | Con version difference | Capital increase | Dividends approved | Other move= ments | Income (loss) for the year | Balance at 31 Dec 2001 |
|--|---------------------------|-----------------------|--------------------|------------------------------|---------------------|-----------------------|-------------------------|----------------------------------|------------------------------|
| Net shareholders' equity pertaining to the Group | | | | | | | | | |
| Capital | 31,948 | 2,527 | | | 18,565 | | | | 53,040 |
| Share premium reserve | 0 | 24,789 | | | 148,520 | | | | 173,309 |
| Legal reserve | 6,390 | | 961 | | | | | | 7,351 |
| Extraordinary reserve | 22,979 | | 11,239 | | | | 86 | | 34,304 |
| Consolidation reserve | 126 | | | | | | | | 126 |
| Conversion differences reserve | 1,291 | | | (1,204) | | | | | 87 |
| Other reserves: | | | | | | | | | |
| Merger surplus | 3,362 | | | | | | | | 3,362 |
| Reserve for special tax regimes | 2,895 | | 2,987 | | | | (86) | | 5,796 |
| Income carried forward | 2,926 | | 9,949 | | | (4,042) | (758) | | 8,074 |
| Income (loss) for the year | 25,136 | | (25,136) | | | | | (12,783) | (12,783) |
| Total shareholders' equity pertaining to the Group | 97,052 | 27,316 | 0 | (1,204) | 167,085 | (4,042) | (758) | (12,783) | 272,666 |
| Shareholders' equity pertaining to minority interests | | | | | | | | | |
| Capital and reserves pertaining to minority interests | 640 | | 361 | | | | | | 1,001 |
| Income (loss) pertaining to minority interests | 361 | | (361) | | | | | 338 | 338 |
| Total shareholders' equity pertaining to minority interests | 1,001 | 0 | 0 | 0 | 0 | 0 | 0 | 338 | 1,339 |
| Total | 98,053 | 27,316 | 0 | (1,204) | 167,085 | (4,042) | (758) | (12,445) | 274,005 |

Share capital

The amount of L53,040 million has undergone an increase of L2,527 million due to the conversion of the debenture loan for Euro14,107,500 and L18,565 million due to the IPO of 9,588,000 shares of 1 Euro each in the Italian market, made in June 2001.

Share premium reserve

The amount of L173,309 million refers to the effect of the IPO for L148,520 and conversion of the aforementioned debenture loan for L24,789 million.

Legal reserve

The legal reserve increases on 31 December 2000 due to allocation of parent company's profits in 2000 for L961 million.

Extraordinary reserve

The extraordinary reserve for L34,304 million has been increased by L11,239 million due to allocation of the profit of the parent company, used for L502 million for formation of the reserve as per Law 399/87, increased by L576 million for the amount of depreciation made in 2001 corresponding to accelerated depreciation made as a reversal effect and increased by L12 million due to the charge off of the accelerated depreciation reserve pursuant to divestment of some fixed assets.

Consolidation reserve

The consolidation reserve remained unchanged and is based on the difference between the price paid for the purchase of shares in the subsidiary Bifin Ltd by Biesse America and the shareholders' equity as of the purchase date.

Conversion differences reserve

The conversion differences reserve of L87 million is based on the conversion differences in the financial statements expressed in the currency of non-Euro countries (United States, Canada, Singapore, United Kingdom, Poland, Brazil and Sweden). It decreased L1,204 million over the period.

Other reserves

Other reserves for L17,233 million is comprised of the merger surplus for L3,362 million, the reserve as per Art. 55 of the Presidential Decree 597/917 for L323 million, the reserve as per Law 696/83 - Law 399/87 for L779 million, the reserve for accelerated depreciation for L 4,693 million, composed of accelerated depreciation made in past periods calculated when preparing income tax documents.

The increase on 31 December 2000 is due to L2,987 million for allocation of the 2000 profits to an accelerated depreciation reserve, setting up the reserve as per Law 399/87 for L502 million, decrease of L576 million for the amount of depreciation charged in 2001 and decreases of L12 million due to divestment of assets which were subject to accelerated depreciation in the previous periods.

Surplus income

The total of L8,074 million is also due to the allocation of Group profits in 2000 net of the value earned by the parent company for L9,949 million, decrease for dividends approved on the 2000 profits for L4,042 million and other movements for L758 million.

Net income (loss) for the period

This includes the period results.

As recommended by Accounting Principle No. 28 of the CNDC and CNR, the result by share is computed by dividing the loss by the average number of shares in circulation. It considers the increases in capital taking place during the year, weighted over time.

| | 2001 |
|---|-------------|
| Profit/(loss) charged to the shareholders (L million) | (12,783) |
| Average number of shares in circulation | 22,617,427 |
| Profit/(loss) for share (expressed in Lire per share) | (565) |

As far as the Parent Company, Biesse Spa is concerned, readers are reminded that the general shareholders' meeting held on 17 December 2001 approved earmarking up to L25,000 million to purchasing treasury shares, to be done by using available reserves and in particular the Extraordinary reserve and the Merger surplus reserve.

Therefore, the Special reserve of Biesse Spa, incorporates this allocation that was not yet allocated to the specific Treasury shares reserve since, as of 31 December 2001, no treasury shares were traded by the Company.

CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation between the Financial Statements of the Parent Company and the Consolidated Financial Statements (L1,000,000).

The following is a comparison between shareholders' equity, includes the profit (loss) for the period, as taken from the Parent Company, Biesse Spa financial statements as of 31 December 2001 and 2000 and the consolidated shareholders' equity at the same dates, as well as the connection between the corresponding data:

| | Shareholders' equity 2001 | Income (loss) for 2001 | Shareholders' equity 2000 | Income (loss) for 2000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Shareholders' equity and income (loss) for the year as recorded in the parent company financial statements | 265,076 | (12,086) | 86,804 | 19,230 |
| Elimination of the stock value of the consolidated equity investments | | | | |
| Difference between stock value and pro-quota value of the shareholders' equity | (23,653) | | (30,368) | |
| Pro-quota income (loss) achieved by the held companies | | (9,797) | | 15,977 |
| Consolidation difference | 41,544 | (6,236) | 47,780 | (3,254) |
| Surplus attributed to property | 963 | (31) | 994 | (31) |
| Consolidation reserve | 126 | | 126 | |
| Changes in consolidation area | | | | (6,126) |
| Elimination of the write down of the equity investments | | 18,400 | | 1,884 |
| Elimination of the effects of transactions between consolidated companies | | | | |
| Intra-group profits included in the value of final inventories | (9,886) | (3,032) | (6,779) | (1,039) |
| Intra-group profits on fixed assets | (1,505) | | (1,505) | (1,505) |
| Other postings | | | | |
| Shareholders' equity and income (loss) for the year pertaining to the Group | 272,665 | (12,782) | 97,052 | 25,136 |
| Shareholders' equity and income (loss) for the year pertaining to minority interests | 1,339 | 338 | 1,001 | 361 |
| Shareholders' equity and income (loss) for the period as recorded in the consolidated financial statements | 274,004 | (12,444) | 98,053 | 25,497 |

Reserve for risks and charges

Pensions and similar benefits

The reserve stands at L1,781 million and refers to liabilities accrued against supplementary indemnity of customers towards agents with whom the Biesse Group has stipulated contractual relationships. Provision for the year was L118 million while the utilisation was L55 million.

Others provisions

| <i>L million</i> | Value of previous year | Changes in consolidation area | Use of the reserve | Provisions made during the year | Value at year-end |
|---|------------------------------|-------------------------------------|--------------------------|---------------------------------------|----------------------|
| Provision for exchange risks | 2 | 0 | 0 | 0 | 2 |
| Product warranty provision | 5,018 | 0 | 524 | 871 | 5,365 |
| Provision for future risks and charges | 1,777 | 119 | 1,420 | 6,881 | 7,357 |
| Total | 6,797 | 119 | 1,944 | 7,752 | 12,723 |

The amount relative to the reserve for exchange rate risks has not changed compared to the prior year, considering the modest amount arising from the analysis of receivables and payables in foreign currency. If the balances were aligned with year-end exchange rates, the payables would be reduced by L93 million and the receivables would be reduced by L65 million.

The reserve for future risks and charges includes L6,881 million relative to the Corporate restructuring provision allocated by the Parent Company Biesse Spa for L6,300 million and by Biesse Germany for L581 million.

The corporate restructuring provision amounted originally to L 1,323 million. In 2001, it was fully used pursuant to completion of the corporate reorganisation relating to the Wood Division; the provision was reintegrated in 2001 for L6,300 million with a view to reorganising the company with particular reference to the corporate restructuring decision by the Biesse Spa that includes merger of Intermac Spa and further modernisation to the manufacturing sites and their improvement to increase manufacturing efficiency.

Biesse Germany allocated provisions to the Corporate restructuring reserve for L581 million in order to reorganise the business, primarily focussing on reduction of personnel costs.

The item includes a reserve for risks of the Biesse Spa taxed for L250 million that has not undergone changes with respect to the previous year and a reserve for risks and charges provisioned by Intermac Spa for L100 million.

The Group companies felt that no "probable" risk element of tax audit existed that would make setting up special risk funds necessary.

In this regard, readers are reminded that on 27 July 2001 the tax audit was concluded with the Marche Regional Tax Authorities. Following this tax audit, the Company was notified of some tax deficiencies, only two of which proved to be significant, although certainly objectionable according to the opinion of independent consultants, an opinion shared also by the Board of Statutory Auditors. It should be pointed out that if these deficiencies are confirmed by the appropriate tax offices and the Company should lose its appeal, the tax authorities could levy a penalty on the Company for about L3 billion.

Staff severance indemnities reserve

L million

| | |
|---|---------------|
| Reserve at the beginning of the financial year | 18,364 |
| Payments made during the period | (5,454) |
| Amount accrued and allocated in the consolidated income statement | 6,448 |
| Provision for acquisition of Diamut's business line | 398 |
| Provision for acquisition of CNI's business line | 1,689 |
| Reserve at the end of the financial year | 21,445 |

CONSOLIDATED FINANCIAL STATEMENTS

Accounts payable

Convertible bonds:

| <i>L million</i> | Value of previous period | Increases/ Decreases | Value at year-end |
|--|--------------------------------|-------------------------|----------------------|
| Convertible bonds maturing within one year | 27,316 | (27,316) | 0 |
| Convertible bonds maturing after one year | 0 | 0 | 0 |
| Total | 27,316 | (27,316) | 0 |

In 2001, the company converted a debenture loan for Euro 14,107,500 with issue of 14,107,500 bonds to the bearer for Euro 1 at an exchange rate of 1 nominal share of Euro 1 for every 10.81 bonds subscribed by the Werner Deuring Privatstiftung.

Payables to banks:

| <i>L million</i> | Value of previous period | Increases/ Decreases | Value at year-end |
|---------------------------------------|--------------------------------|-------------------------|----------------------|
| Current accounts and short term loans | 140,325 | 5,755 | 146,080 |
| Medium-term loans | 42 | (6) | 36 |
| Mortgages with collateral | 10,109 | 6,697 | 16,806 |
| within one year | 1,169 | (372) | 797 |
| after one year | 8,940 | 7,069 | 16,009 |
| Mortgages without collateral | 36,592 | (6,042) | 30,550 |
| within one year | 0 | 2,123 | 2,123 |
| after one year | 36,592 | (8,165) | 28,427 |
| Total | 187,067 | 6,404 | 193,472 |

Loans have been taken out by the companies at both floating and fixed rates. All the loans include amortization/pre-amortization plans with half-yearly or yearly rates. The interest payments for loans accrued in 2001 amount to L4,755 million.

The table below shows a detail of the payables with due date beyond 5 years:

| Description | L million |
|---|---------------|
| Financing as per Law 46/82 (contract 2222/93) | 124 |
| Financing as per Law 46/82 (contract 656/98) | 1,494 |
| Financing as per Law 46/82 (contract 657/98) | 397 |
| BCI Bank Montreal loan | 227 |
| BCI Bank Toronto loan | 111 |
| Schelling Anlagenbau Hypo vereins bank | 15,072 |
| Schelling Fertigungstechnik Creditanstalt | 273 |
| Total | 17,698 |

The mortgages taken out with collateral are detailed as follows:

L million

| Company | Principal | Credit institution | Description of the collateral |
|--------------------------------|------------------|---|--|
| Schelling Anlagenbau | 7.333 | Hypovereins bank | Mortgage on land in Schwarzach (Austria) |
| Bifin Ltd | 4.158 | Mutuo BCI - Comit NY | Mortgage on the industrial building in Charlotte (USA) |
| Biesse Spa | 1.200 | Mutuo Mediocredito Fondiaro Centroitatia | Mortgage taken on the building in Via della Meccanica, sn Chiusa di Ginestreto (PS) |
| Biesse Spa | 3.075 | Finanziamento BEI | Mortgage taken on the 75,000 sq. m area, site of the buildings in Pesaro, Località Chiusa di Ginestreto (PS), constituted by 7 plant buildings. |
| Schelling Fertigungstechnik | 436 | Creditanstalt | Mortgage on mechanical plants |
| Sel Realty Ltd. | 405 | Mutuo BCI Comit Canada | Mortgage on the industrial building in Montreal (Canada) |
| Sel Realty Ltd. | 199 | Mutuo BCI Comit Canada | Mortgage on the industrial building in Toronto (Canada) |
| Total | 16.806 | | |

Payables due to other financial sources:

As of 31 December 2001, the payables to other financial sources stood at L397 million and fall due within one year. The entire amount of this item includes security deposits received from customers.

Advances:

This item includes advances received from customers as of 31 December 2001 for L14,499 million, down by L19,468 million compared with the previous year.

Reductions in advances from customers is due primarily to dwindling orders relating to the Systems Division, for which orders for plants having a very large unit value naturally include the management of high collection and advances amounts.

Trade payables:

L million

| Item | Value of previous period | Increases/ Decreases | Value at year-end |
|--|---|---------------------------------|------------------------------|
| Trade payables | 170,497 | (6,738) | 163,758 |
| Payables to non-consolidated companies | 0 | 86 | 86 |
| Payables to affiliated companies | 0 | 118 | 118 |
| Payables to parent companies | 1,297 | (1,039) | 258 |
| Total | 171,793 | (7,660) | 164,134 |

CONSOLIDATED FINANCIAL STATEMENTS

Trade payables to third-party suppliers include L2,482 relating to trade payables falling due beyond one year. The decrease in the debt is due to uneven distribution of purchases, reduced in the latter part of the year, due to the slow down of domestic production.

Social insurance and taxes payable:

| <i>L million</i> | Value of | Increases/ | Value |
|------------------------------|---------------|--------------|---------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| Tax payables | 10,219 | (445) | 9,74 |
| Payables to social insurance | 7,683 | 1,894 | 9,577 |
| Total | 17,902 | 1,449 | 19,351 |

Other payables:

As of 31 December 2001, Other payables stands at L39,970 million. This includes debts accrued to employees for wages and salaries in the month of December 2001 for L14,183 million, the debt relating to purchases of corporate business units of Diamut Srl for L13,394 million and CNI Srl for L2,717 as a balance. Other payables arising on acquisition of the corporate business unit of Diamut Srl for L1,047 and for CNI Srl for L695 million. The amount falling due beyond 12 months refers to the association in investment contract, connected to the take over of Busetti Srl. At the end of the last financial year, the item Other payables amounted to L25,999 million.

Accruals and deferred Income

The item is broken down as follows as of 31 December 2001:

Accrued expenses:

| <i>L million</i> | Value of | Increases/ | Value |
|------------------|--------------|----------------|-------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| Interest paid | 1,296 | (938) | 358 |
| Miscellaneous | 2,185 | (1,775) | 410 |
| Total | 3,481 | (2,713) | 768 |

Accrued expenses refer to interest charges on loans accrued during the year.

Deferred income:

| <i>L million</i> | Value of | Increases/ | Value |
|---|--------------|--------------|--------------|
| Item | previous | Decreases | at year-end |
| | period | | |
| Interest received | 683 | 1,345 | 2,028 |
| Advance revenues for installation and testing | 988 | 739 | 1,727 |
| Miscellaneous | 60 | 6 | 66 |
| Total | 1,731 | 2,090 | 3,821 |

Memorandum accounts:

The memorandum accounts amount to a total of L154,602 million and are described as follows:

L million

| Description | Value of previous period | Value at year-end |
|--|---------------------------------|--------------------------|
| Leasing commitments | 10,283 | 24,698 |
| Collateral given for guarantees/endorsements | 33,683 | 27,112 |
| Bills in circulation | 21,884 | 19,237 |
| Other memorandum accounts | 123,428 | 83,554 |
| Total memorandum accounts | 189,278 | 154,602 |

Outstanding commitments for payments of financial lease contracts amount to L24,698 million and refer to leases for overhead travelling cranes, servers, machinery, graphic stations and vehicles.

In order to protect the operating profit from the exchange rate risk deriving from the changes in exchange rates, the parent company Biesse Spa has implemented a policy of hedging risks against future sales. The open transactions at 31 December 2001 are constituted by forward currency sales contracts, considered trading operations, for CAD 4,400,000, GBP 2,500,000 and USD 14,000,000 for an value at the year-end 2001 exchange rate of L44,766 million. Also included here is an option for US 4,000,000 (L8,788 million) and a Forward Rate Agreement for L30,000 million to fix the interest rate on one part of the borrowings for three months.

With reference to the financial technique of accounting for the leasing contracts provided by international accounting principle (IAS) 17, its possible application would have a fairly insignificant impact on the financial statements for 2001.

CONSOLIDATED INCOME STATEMENT

Detailed information and the variations occurring in the consistency of the principal asset and liability items.

Value of production

This item of the income statement shows a balance of L729,569 million, with an increase of 6.7% with respect to December 2000.

CONSOLIDATED FINANCIAL STATEMENTS

Sales of goods and services

The breakdown of sales of goods and services by division is the following:

| <i>L million</i> | Value | | Value at | | Change |
|------------------------------------|------------------|---------------|----------------|---------------|---------------|
| Product segment | of previous year | % | year-end | % | |
| Wood Division | 413,949 | 62.2% | 443,354 | 64.7% | 29,405 |
| Glass and Stone Division | 93,725 | 14.1% | 102,137 | 14.9% | 8,412 |
| Systems Division | 150,159 | 22.5% | 126,538 | 18.5% | (23,621) |
| Mechantronics Division | 29,156 | 4.4% | 42,204 | 6.2% | 13,048 |
| Aggregate total | 686,989 | 103.2% | 714,232 | 104.3% | 27,244 |
| Intra-division eliminations | (20,988) | -3.2% | (29,257) | -4.3% | (8,269) |
| Total consolidated revenues | 666,001 | 100.0% | 684,975 | 100.0% | 18,975 |

The breakdown of the revenues for sales and services by geographic area and destination is the following:

| <i>L million</i> | Value | | Value at | | Change |
|------------------|------------------|---------------|----------------|---------------|---------------|
| Geographic area | of previous year | % | year-end | % | |
| EU | 372,000 | 55.9% | 441,707 | 64.5% | 69,707 |
| North America | 182,272 | 27.4% | 124,987 | 18.2% | (57,285) |
| Rest of world | 111,729 | 16.8% | 118,281 | 17.3% | 6,552 |
| Total | 666,001 | 100.0% | 684,975 | 100.0% | 18,974 |

The slowdown on the Italian and international economies has had a great impact on Group revenues in 2001, negatively influencing the results of the third and fourth quarters.

The Wood Division proved to be the driving force behind the Group (64.7% of total consolidated revenues, representing an increase of 7.1%), while the Mechatronics Division reported the best performance on an annualised basis (+44.8%). The Glass and Stone Division increased by 9%, while revenues in the Systems Division decreased by 15.7%.

The analysis by geographic area shows that the 9/11 terrorist attacks, along with the more generalised phase of economic slowdown, have weighed particularly heavily on the Wood and Systems Division, which have seen sales on the North American market drop by 38.6 and 34.6% respectively. In the case of the Glass and Stone and Mechatronics Division, North America showed an increase of 64.4% and 77.1% respectively compared with December 2000. As regards the other regions, the EU has contributed to the large part of growth for all the divisions, with the sole exception of Glass and Stone, while in the rest of the world, the divisions that have reported the best performance were Mechatronics (+95.9%) and the Glass and Stone Division (+44.4%).

Other revenues and income:*L million*

| Description | Value of previous year | Value at year end | Change |
|---------------------------------|---------------------------------------|------------------------------|---------------|
| Contributions to period account | 813 | 651 | (162) |
| Other revenues | 6,375 | 11,345 | 4,969 |
| Total | 7,188 | 11,996 | 4,807 |

Other revenues and income is composed prevalently by recovery of shipping, packaging and material repairs expenses, commissions receivables and surpluses on ordinary management where the contribution in the capital account for the Marcel project, equal to L2,599 million (Law No. 1089/1968 and successive amendments and riders: Funds for applied research).

Costs of production**Costs of raw, ancillary and consumable materials and goods**

This item has a balance of L349,957 million, with an increase of L24,457 million (+7.5%) in line with the increase in sales.

Furthermore, it was found that, by effect of the acquisitions of the corporate business unit of CNI Srl and Diamut Srl, the acquisition cost of the materials regarding inventories increased at the date of purchase, by L1,299 million and L1,863 million, respectively; these acquisitions took place at year end.

Service costs*L million*

| Description | Value of previous year | Value at year end | Change |
|------------------------------------|---------------------------------------|------------------------------|---------------|
| Outsourcing | 21,324 | 27,182 | 5,858 |
| Utilities | 2,149 | 2,473 | 323 |
| Maintenance | 3,878 | 4,180 | 303 |
| Tech., legal and admin. consulting | 8,100 | 8,371 | 272 |
| Commissions expenses | 20,011 | 16,879 | (3,132) |
| Trade shows and advertising | 13,712 | 14,412 | 700 |
| Business trips and travel expenses | 16,831 | 17,688 | 857 |
| Postage and telephone costs | 3,843 | 4,211 | 369 |
| Transportation costs | 11,981 | 19,113 | 7,132 |
| Other service expenses | 28,427 | 23,140 | (5,287) |
| Total | 130,255 | 137,649 | 7,393 |

Costs of services for L137,649 million are net of the use of the corporate restructuring reserve for an amount equal to L707 million, not entered in the income statement, but leading to a decrease in the specific reserve.

CONSOLIDATED FINANCIAL STATEMENTS

Other costs of services are comprised of insurance, marketing and industrial services, and personnel services costs. It also includes fees paid by the Group to directors for L674 million (L1,154 million in 2000) and compensation to auditors for L116 million (L186 million in 2000): the decrease is due to mergers taking place in 2000, that have led to the reduction in the control and management organisation of the Biesse Group.

Use of third-party assets

L million

| Description | Value of previous year | Value at year end | Change |
|------------------|------------------------|-------------------|--------------|
| Rental costs | 4,857 | 8,347 | 3,491 |
| Licenses | 38 | 13 | (25) |
| Leasing payments | 5,256 | 5,503 | 247 |
| Total | 10,150 | 13,863 | 3,713 |

Use of third-party assets refers primarily to rents on industrial and commercial property, apartments for personnel and long-term leasing of vehicles. The increase of L3,491 million is due to the auto fleet changing management strategy, from company-owned cars to long-term leasing contracts.

The other cost items remained for the most part at 2000 levels.

The amount of the lease payments refers to assets such as industrial equipment and office machinery.

Personnel costs

L million

| Description | Value of previous year | Value at year end | Change |
|----------------------------------|------------------------|-------------------|---------------|
| Wages and salaries | 106,728 | 132,552 | 25,824 |
| Social security charges | 29,642 | 35,648 | 6,005 |
| Severance indemnity and benefits | 4,615 | 6,449 | 1,833 |
| Other costs | 314 | 718 | 404 |
| Total | 141,300 | 175,366 | 34,067 |

The increase in personnel costs compared with the previous period is due to the increase in the staff necessary for shoring up the corporate structure, both to the passage of personnel that provide their contribution in the function of centralised Group services, previously provided by the parent company Biesse Holding Spa and as reclassified in the financial statements relating to previous periods in costs for services, whose value in 2000 was L7,856 million. The total is net of L616 million for use of the corporate restructuring reserve for the relevant amount.

Detail of the average number of employees in the companies included in the consolidation area:

| <i>L million</i> | Value of previous year | Value at year end | Change |
|--------------------|---------------------------------------|------------------------------|---------------|
| Description | | | |
| Executives | 33 | 43 | 10 |
| Middle managers | 6 | 3 | (3) |
| White-collar | 854 | 1,121 | 267 |
| Blue-collar | 805 | 958 | 153 |
| Total | 1,698 | 2,125 | 427 |

Amortisation, depreciation and write-downs

| <i>L million</i> | Value of previous year | Value at year end | Change |
|--|---------------------------------------|------------------------------|---------------|
| Description | | | |
| Amortisation of intangible assets | 6,397 | 6,312 | (85) |
| Depreciation of tangible assets | 11,310 | 13,886 | 2,576 |
| Writedowns on receivables included in the current assets and cash on hand | 1,446 | 1,123 | (324) |
| Total | 19,154 | 21,320 | 2,167 |

Amortisation of intangible assets includes the amount of straight line amortisation of the consolidation differences, for an amount of L2,802 million, less compared with the previous year for the write down in the outstanding amortizable amount of the consolidation differences attributed to the Intermac Spa, formerly Busetti Srl and Biesse Triveneto Srl, charged to extraordinary charges.

Depreciation of tangible assets includes the amount of depreciation on the consolidation differences charged to "Buildings" for the surplus arising on acquisition of the Schelling Group for L34 million. Among the most significant changes, we point out the depreciation relating to industrial and commercial equipment (+56%) and the other tangible assets (+53%).

Provisions

Provisions for L995 million refer to L763 million for provisions to the Product Warranty Reserve, and for the difference of L232 million for provisions to the Reserve for risks and charges.

Sundry operating costs

| <i>L million</i> | Value of previous year | Value at year end | Change |
|----------------------------|---------------------------------------|------------------------------|---------------|
| Description | | | |
| Bad debt losses | 20 | 99 | 79 |
| Miscellaneous tax expenses | 695 | 390 | (305) |
| Unexpected losses | 864 | 91 | (773) |
| Representational costs | 588 | 1,069 | 481 |
| Membership fees | 214 | 10 | (203) |
| Other operating expenses | 9,975 | 10,104 | 129 |
| Total | 12,355 | 11,763 | (592) |

CONSOLIDATED FINANCIAL STATEMENTS

Other management costs include the costs for stationery and printed material, losses on assets and fuel costs associated with vehicle management. Taxes payables refer to local property taxes and other taxes.

Financial income and charges

Income from equity investments

The amount for the year is L200 million and refers to income from shareholdings in other companies, referring to dividends and the relative tax credit that Intermac Spa earned from Diamut Srl.

Other financial income

L million

| Description | Value of previous year | Value at year end | Change |
|--|---------------------------------------|------------------------------|---------------|
| Other income from long term receivables | 58 | 196 | 138 |
| Income from securities recorded under fixed assets that do not reflect equity investments | 21 | 0 | (21) |
| Income from securities recorded under current assets that do not reflect equity investments | 200 | 192 | (8) |
| Other income | 6,477 | 9,562 | 3,085 |
| Income on exchange differentials | 2,963 | 5,946 | 2,983 |
| Other income | 3,514 | 3,616 | 101 |
| Total | 6,757 | 9,950 | 3,193 |

Income from receivables entered in fixed assets refers to interest income on financial advances and the revaluation on advance payment of severance indemnities.

Income from securities booked to working capital, that are not long term assets, refer to interest income on the Fideuram Vita investment, redeemed during the year, and from interest on the RAS fund for employee firings.

Other miscellaneous income refers mainly to interest on items subject to the Sabatini Law, interest on bank deposits and interest from customers for extension of payments.

Increases in positive exchange rate differences, however offset by a sizeable increase in negative exchange rate differences, is due to increased volumes in hedging transactions and financial flows in foreign currency handled by Biesse Spa after the decision to issue invoices in foreign currency to the larger Group subsidiaries.

Interest and other financial charges*L million*

| Description | Value of previous year | Value at year end | Change |
|---|---------------------------------------|------------------------------|---------------|
| Interest charges from banks and on advances | 2,057 | 2,556 | 499 |
| Interest charges on loans | 4,614 | 4,755 | 140 |
| Interest charges on debenture loans | 158 | 0 | (158) |
| Interest charges on other debts | 2,785 | 3,973 | 1,188 |
| Discounts and other financial expenses | 1,126 | 1,825 | 699 |
| Unrealised exchange losses | 4,651 | 5,736 | 1,085 |
| Provision for exchange risks | 2 | 0 | (2) |
| Total | 15,392 | 18,845 | 3,453 |

Compared with last year, financial charges account for about the same percentage of the value of production. Financial charges recorded under the assets of the consolidated balance sheet are not calculated.

Extraordinary income and charges**Extraordinary income***L million*

| Description | Value of previous year | Value at year end | Change |
|----------------------------|---------------------------------------|------------------------------|----------------|
| Capital gains from sales | 706 | 0 | (706) |
| Other extraordinary income | 439 | 134 | (305) |
| Total | 1,145 | 134 | (1,011) |

Extraordinary charges*L million*

| Description | Value of previous year | Value at year end | Change |
|------------------------------------|---------------------------------------|------------------------------|---------------|
| Capital losses on property sale | 67 | 6 | (61) |
| Taxes relating to previous periods | 5 | 146 | 141 |
| Other exceptional charges | 1,306 | 29,818 | 28,512 |
| Total | 1,379 | 29,969 | 28,591 |

Other extraordinary expenses include mainly: charges associated with stock exchange listing for L14,228 million, that the Parent Company has decided to charge comprehensively to the year rather than amortise over five years as is allowed by the accounting principles; the provision for future restructuring charges for L6,880 million; write down of the amortisable balance on the consolidation differences arising relative to the subsidiary Intermac Spa for L2,160 million, the former Buseti Srl for L1,035 million and Biesse Triveneto Srl (involved in the merger into Biesse Spa) for L238 million whose reasons are indicated in the part relating to financial fixed assets.

CONSOLIDATED FINANCIAL STATEMENTS

Income taxes

L million

| Description | Value of previous year | Value at year end | Change |
|-------------------------|------------------------|-------------------|-----------------|
| Provision for IRPEG | 23,183 | 4,810 | (18,373) |
| Provision for IRAP | 5,618 | 6,040 | 421 |
| Deferred/pre-paid taxes | (2,451) | (10,009) | (7,558) |
| Total | 26,350 | 841 | (25,510) |

The negative results attained by the consolidated companies is the reason for the decrease in tax provisions.

Increase in the deferred and prepaid taxes is due to greater provisions to prepaid taxes over liabilities that the Parent Company, Biesse Spa has calculated on product warranty fund, obsolete inventory write down, corporate restructuring, customer indemnity and general risks and to the positive effect caused by the elimination of income on Group transactions including values of final inventories.

Income (loss) for the year

The result for the year is negative for L12,444 million, net of the amount pertaining to minority interest, which is positive for L338 million.

The number and nominal value of each category of shares in the parent company and the number and nominal value of the new shares in the parent company subscribed during the period (article 2427 paragraph 1 No.17 Civil Code):

| Evolution in the capital | Number | Nom.value | Share Capital |
|--|------------|-----------|-----------------|
| Ordinary shares at beginning of year | 16,500,000 | Euro 1 | Euro 16,500,000 |
| Conversion of debenture loan | 1,305,042 | Euro 1 | Euro 1,305,042 |
| Ordinary shares subscribed during year | 9,588,000 | Euro 1 | Euro 9,588,000 |
| Ordinary shares at year-end | 27,393,042 | Euro 1 | Euro 27,393,042 |

Further information

The amount of salaries and fees due to the administrators and auditors of the parent company for fulfilling their duties, including towards companies included in the consolidation, is as follows:

| <i>L million</i> | | Office held | | Emoluments | | | |
|-------------------|------------------------------------|--------------------|------------|------------------------------|-------------------------------------|---------------------------|--|
| Name | Office | Duration | Fee | Non-monetary benefits | Bonuses and other incentives | Other compensation | |
| Selci Giancarlo | Chairman of the Board of Directors | 29-06-2003 | 150 | 1 | | | |
| Gasparucci Anna | Chief Executive Officer | 29-06-2003 | 150 | 1 | | | |
| Selci Roberto | Chief Executive Officer | 29-06-2003 | | | | | |
| Giampaoli Attilio | Director | 29-06-2003 | 70 | | | | |
| Deuring Werner | Director | 29-06-2003 | | | | 509 | |
| Total | | | 370 | 2 | | 509 | |
| Ciurlo Giovanni | Auditor | 29-06-2003 | 27 | | | | |
| Sanchioni Claudio | Auditor | 29-06-2003 | 18 | | | | |
| Franzoni Adriano | Auditor | 29-06-2003 | 18 | | | | |
| Total | | | 63 | | | 0 | |

The values in the column "compensation for the office" refer to fees received by Biesse Group companies.

Introduction of the single European currency

With reference to Legislative Decree 213 issued on 25 June 1998 in order to implement the European Community directives as regards conversion to the single European currency, the parent company and the subsidiaries did not adopt the Euro as the official currency for accounting purposes in the transition phase, rather, deciding only to enclose accounting schedules with the conversion in euro.

The costs incurred for 2001 for this issue – overcome without any major practical problem – were L91 million.

Information about relations with Group companies and the related parties is given in the Directors' Report on Operations.

More complete information about the asset and financial situation of the Group is provided in the enclosed Cash Flow Statement (Annex 1).

Post balance sheet events are reported in the Directors' Report on Operations.

Pesaro, 15 March 2002

***Chairman of the Board of Directors
Giancarlo Selci***

ANNEXES

*to the Consolidated Financial
Statements of Biesse Spa
for the year ended
31 December 2001*

ANNEX "A"
DETAILS ON THE CONSOLIDATION DIFFERENCE

| L million | Consolidation difference at | | Cumulated amortisation provisions at | | Variations in 2001 | | Write-down | | Consolidation difference at | | Amortisation share provisions at | | Cumulated amortisation provisions at | |
|---------------------------|-----------------------------|----------------|--------------------------------------|---------------|--------------------|----------------|----------------|---------------|-----------------------------|-------|----------------------------------|-------|--------------------------------------|------------|
| | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2000 | 31/12/2001 | 31/12/2001 | 2001 | 31/12/2001 | 2001 | 31/12/2001 | 31/12/2001 |
| SELCO SRL | 8,172 | (1,253) | 6,919 | 8,172 | 0 | 0 | 0 | 0 | 0 | (817) | (2,071) | 6,101 | | |
| BIESSE TRIVENETO SRL | 284 | (46) | 238 | 238 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| BIESSE CANADA LTD | 109 | (76) | 33 | 109 | 109 | (11) | (87) | 22 | 22 | | | | | |
| SEL REALTY LTD | 9 | (7) | 3 | 9 | 9 | (1) | (7) | 2 | 2 | | | | | |
| BIESSE GROUP UK LTD. | 25 | (7) | 17 | 25 | 25 | (2) | (10) | 15 | 15 | | | | | |
| BIESSE GROUPE FRANCE SARL | 50 | (20) | 30 | 50 | 50 | (5) | (25) | 25 | 25 | | | | | |
| INTERMAC SPA | 3,088 | (926) | 2,161 | 3,088 | 2,161 | 0 | 0 | 0 | 0 | | | | | |
| BUSETTI SRL | 1,150 | (115) | 1,035 | 1,150 | 1,035 | (0) | (0) | (0) | (0) | | | | | |
| SCHELLING ANLAGENBAU GMBH | 39,309 | (1,965) | 37,344 | 39,309 | 39,309 | (1,965) | (3,931) | 35,378 | 35,378 | | | | | |
| TOTAL | 52,196 | (4,416) | 47,780 | 52,196 | 47,675 | (2,802) | (6,131) | 41,544 | 41,544 | | | | | |

ANNEX "B"
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

| <i>(L million)</i> | 31 December 2001 | 31 December 2000 |
|--|------------------|------------------|
| ORDINARY ACTIVITIES | | |
| +/- Income (loss) for the year | (12,444) | 25,497 |
| + Amortisation and depreciation: | | |
| + of tangible fixed assets | 13,886 | 11,310 |
| + of intangible assets | 6,312 | 6,397 |
| + Provisions | | |
| + staff severance indemnity | 6,448 | 4,605 |
| + for bad and doubtful debts | 1,123 | 1,446 |
| + for risks and charges | 7,516 | 1,405 |
| + Consolidation difference write-down | 3,434 | 141 |
| =SUBTOTAL | 26,274 | 50,801 |
| - Staff severance indemnity paid out | (3,366) | (2,415) |
| - Use of risk fund | (1,526) | (2,580) |
| +/- Variation in current assets | (51,545) | (83,189) |
| +/- Variation in securities included in current assets | 0 | 2,099 |
| +/- Variation in inventory | (40,715) | (62,949) |
| +/- Variation in prepayments and accrued income | (250) | (251) |
| +/- Variation in accruals and deferred income | (1,900) | 4,370 |
| +/- Variation in trade payables | (6,738) | 55,519 |
| +/- Variation in other non-financial payables | (1,695) | 32,910 |
| = CASH FLOW FROM (FOR) ORDINARY ACTIVITIES | (81,463) | (5,686) |
| INVESTING ACTIVITIES | | |
| - Purchase of intangible assets | (16,079) | (1,040) |
| + Transfer of intangible assets | 269 | 277 |
| - Purchase of tangible fixed assets | (70,175) | (54,427) |
| + Transfer of tangible fixed assets | 6,852 | 0 |
| Delta purchase (transfer) of shareholdings in subsidiaries represented by: | 0 | 0 |
| intangible assets | 0 | (1,171) |
| tangible fixed assets | 0 | (26,971) |
| financial fixed assets | 0 | 0 |
| current assets | 0 | (11,350) |
| payables | 0 | 28,541 |
| consolidation difference | 0 | (39,309) |
| surplus attributed to material assets | 0 | (1,025) |
| consolidation reserve | 0 | 126 |
| +/- Variation in third-party capital | 0 | (407) |
| Purchase (transfer) of other shareholdings and securities | (6,972) | 192 |
| = CASH FLOW FROM (FOR) INVESTING ACTIVITIES | (86,105) | (106,565) |
| FINANCING ACTIVITY | | |
| +/- Increase/decrease in financial receivables | (2,487) | 1,241 |
| +/- Opening/repayment of medium/long-term bank loans | 2,591 | 30,630 |
| + Opening/repayment of other loans | (27,316) | 26,316 |
| + Increase/decrease bank borrowings | 3,814 | 65,364 |
| Variation in payables to other lenders | 189 | (223) |
| - Payment of dividends | (7,230) | 0 |
| + Capital increase | 194,401 | 0 |
| Other movements in shareholders' equity | (758) | 0 |
| = CASH FLOW FROM (FOR) FINANCING | 163,204 | 122,087 |
| +/- Variation in reserve from conversion of financial statements | (1,204) | 502 |
| = CASH FLOW | (5,568) | 10,337 |
| + Net cash on hand at period start | 32,765 | 21,186 |
| + Net cash on hand at period end | 27,197 | 32,765 |
| <i>Variations in financial items that do not involve cash flow movements</i> | | |
| - conversion of debenture loan | 27,316 | 10,000 |
| - dividends deliberated and not paid | 0 | 3,188 |
| Total | 27,316 | 13,188 |

ANNEX "C"
INDEPENDENT AUDITORS' REPORT

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**Deloitte
& Touche**

**AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 156 OF
LEGISLATIVE DECREE OF FEBRUARY 24, 1998, N. 58**

**To the Shareholders of
BIESSE S.p.A.**

We have audited the consolidated financial statements of the Biesse Group as of December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Stock Exchange Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, 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 consolidated financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by us on March 29, 2001.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as of December 31, 2001, and the results of its operations for the year then

**Deloitte
Touche
Tohmatsu**

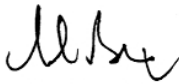
Milano Ancona Bari Bergamo Bologna Cagliari Firenze
Genova Napoli Parma Padova Roma Torino Treviso Vicenza
Sede legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano - Capitale Sociale Euro 3.354.488,80 i.v.
Partita IVA / Codice Fiscale / Registro delle Imprese Milano n. 03009430152 - R.E.A. Milano n. 945128

ANNEX "C"
INDEPENDENT AUDITORS' REPORT

2

ended, and comply with the principles which regulate the preparation of financial statements in Italy.

DELOITTE & TOUCHE S.p.A.



Carlo Beciani
Partner

Ancona, April 9, 2002

This Auditor's report and the accompanying consolidated financial statements are English translations of the Italian auditor's report and consolidated financial statements prepared for and used in Italy. The consolidated financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in Italy and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Italy. The standards, procedures and practices utilised to audit such consolidated financial statements are those generally accepted and applied in Italy.

ANNEX "D"

Auditors' Report

(as per Art. 153 of Legislative Decree 58/98 and Art. 2429 Paragraph 3 of the Italian Civil Code)

To the Shareholders' Meeting of Biesse S.p.A.

Shareholders,

During the financial year which ended on December 31, 2002, we performed the activity of supervision required by the law according to the principles of behavior of Boards of Auditors recommended by the National Council of Certified Public Accountants and Financial Consultants.

Our activity for the period from the beginning of the year under examination until the listing of the shares of the company on the Electronic Share Market (MTA) controlled by the Italian Stock Exchange Spa, which occurred on June 22, 2001, was carried out in compliance with the provisions contained in Articles 2403 and thereafter of the Civil Code. We therefore proceeded to control the administration of the company, its observance of the provisions of the law and By-laws, the regularity of the book entries of the company's accounting; we also proceeded to control the amount of cash on hand and the existence of valuables and securities owned by the company or received by the company as collateral, deposits or in custody, as well as all other controls required by the law or deemed advisable for any reason.

Since the date of listing of the shares of the company on the MTA, our activity has been carried out in respect of the provisions of section V of Legislative Decree 58/98. Consequently, this report is also drawn up on the basis of the provisions of Art. 153 of Legislative Decree 58/98 that sanctions the requirement of the Board of Auditors to report to the General Shareholders' Meeting, convened to approve the Financial Statements for the year, on its activities of supervision and on the omissions and censurable facts observed, as well as the faculty to make proposals regarding the Financial Statements and their approval, or any other matters falling within its competence. In drawing up this report the Board of Auditors made reference also to the instructions imparted by the Consob and contained mainly in communication No. 1025564 of April 6, 2001.

1. Considerations on the most significant economic, property and financial operations

We are reasonably certain that the operations carried out by the company during the financial year ended December 31, 2002, were carried out in conformity with the law and the By-laws, and that they were not blatantly imprudent or risky, or in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to jeopardize the integrity of the company property. We also acknowledge that the Board of Directors, in its Report on Operations, adequately illustrated the main operations carried out by the company during the course of the year.

ANNEX "D"**2. Unusual or atypical operations and/or operations with related parties**

As far as our competence extends, during the year under examination we did not observe any operations carried out by the company with related parties or with third parties that, for their significance, importance, nature of the other parties, object of the transaction, method of determination of the price of transfer or timing of the event could give rise to doubts with regard to the correctness or completeness of the information in the Financial Statements, conflicts of interest, safeguarding of the company property, safeguarding of the minority shareholders.

The operations with related parties of an ordinary nature concerned operations of purchase and sale of goods and services with other companies owned by the Selci family at prices in line with those of the market. These operations gave rise to costs for purchases in the amount of about Euro 7.5 million and income for sales in the amount of about Euro 4.5 million.

3. Adequacy of information furnished by the Directors' Report on Operations

We acknowledge that the operations performed by the company with related parties of an ordinary nature have been adequately illustrated by the Board of Directors in its Report on Operations.

4. Observations on the Independent Auditors' Report

We can report that the Independent Auditors, called upon to certify the Company Financial Statements and the Consolidated Financial Statements for the year ended December 31, 2001, did not indicate any deficiencies or lack of information regarding those statements. We can also report that the Financial Statements and the Consolidated Financial Statements for the year, also taking account of the professional opinions expressed by the Independent Auditors, comply with the rules of law on the subject.

5. Presentation of claims as per Art. 2408 of the Civil Code

We report that during the year the Board of Auditors received a claim as per Art. 2408 of the Civil Code from a shareholder. The investigation carried out by the Board of Auditors proved that the statements contained in the claim were completely groundless.

6. Presentation of complaints

We report that during the year the company received a complaint from a shareholder who reported irregularities in the company's correspondence; the Board of Auditors, in determining that the irregularities were purely formal, was able to verify that they were promptly and spontaneously corrected by the company.

7. Assignment of further contracts to the Independent Auditors

We observe that the company and some of its subsidiaries have stipulated further contracts with the Auditing Company relative to operations of accounting audit (as regards the due diligence clause) regarding the process of listing and also regarding the companies that were purchased during the year. The relative costs, amounting to a total of euro 844.2 thousand are, in the opinion of the Board adequate with reference to the assignments made.

ANNEX "D"

8. Assignment of contracts to companies related to the Independent Auditing Company

As expressly declared by the Directors and as far as we know, no contracts for continuous business were assigned to companies related to the Auditing Company.

9. Opinions issued according to the terms of the law during the course of the year

In conformity with the provisions of Art. 159, Paragraph 1 of Legislative Decree 58/98 and articles 80 and 146 of the Consob Regulation per resolution No. 11971 of May 14, 1999, we issued our favorable opinion as regards assignment of the contract for auditing the Financial Statements and Consolidated Financial Statements for the year to the Auditing Company Deloitte & Touche. This assignment was also later resolved by the Shareholders' Meeting on March 21, 2001.

10. Indication of the frequency and number of meetings of the Board of Directors and Board of Auditors

We certify that we participated in all seven meetings held by the Board of Directors during the course of the year and we held five meetings of the Board of Auditors, the first two prior to listing of the company shares on the MTA.

11. Observations on respect of the principles of correct administration

As far as our competence extends, in the course of our activity we were able to observe respect of the principles of correct administration.

12. Observations on the adequacy of the organizational structure

On the basis of the company procedures and as observed directly during the course of our activity we can certify with reasonable certainty that the organizational structure is potentially adequate for the type of business performed and the size of the company.

13. Observations on the adequacy of the internal control system

We can report that the company disposes of a sufficiently adequate internal control system. We have to add, however, that at our request and with the aid of the Independent Auditors, a study has been undertaken for the purposes of making it more consistent with the indications contained in the Code of Conduct. This process will be expressed in three main stages:

- a) control and possible redefinition of goals;
- b) new identification of the organizational structure;
- c) redefinition of the procedures and reporting system.

We also report that the Board of Directors has reserved for itself the specific task of analyzing the problems and preparing the documents necessary for company control in compliance with the provisions of Art. 2.2.3 of the Rules issued by the Italian Stock Exchange for companies that have obtained the "Star" status.

14. Observations on the adequacy and reliability of the administrative and accounting system

As far as our competence extends and on the basis of the controls carried out and information obtained from the managers of the respective functions, we can report that the administrative and accounting system appears adequate and reliable for purposes of correctly representing the facts of operations.

ANNEX "D"**15. Observations on the adequacy of the instructions imparted by the Independent Auditors**

As far as our competency extends, we confirm that the instructions imparted by the company to its subsidiaries in order to obtain timely and adequate information appear, in our opinion, to be sufficient also for the purpose of drawing up the Consolidated Financial Statements.

16. Observations on any important aspects emerging during meetings held with the Independent Auditors

We can certify that, since the date of listing of the company shares on the MTA, we have held several meetings with the Independent Auditors. During these meetings no censurable aspects relative to the company management or important information emerged that should be highlighted in this report.

In these meetings we also performed a joint examination of the existing internal control system, involved in the process of study and audit described above.

17. Notice of the company's acceptance of the Code of Conduct

As mentioned by the Board of Directors in its Report on Operations, the system of corporate governance of the company is being adapted to the standards contained in the Code of Conduct of the companies listed on the Stock Exchange. In this connection, we can report that the company has already complied with those provisions of the Code of Conduct required to be granted "Star" status.

18. Concluding comments on the subject of the activities of supervision performed

In the course of the activities performed in the financial year ended December 31, 2001, as described above, no significant facts emerged of a nature to be reported to the operational surveillance committees or mentioned in this report.

19. Proposals to the meeting of shareholders, if any

We call your attention to the fact that the Board of Directors has suggested that the loss for the year be covered by using part of the existing reserves and, in consideration of the largely extraordinary character of that loss, to resolve to distribute a dividend of euro 0.09 per share by drawing on the available residual reserve funds. As far as we are concerned, we can assure you that the amount of the dividend in question respects the limit according to Art. 2426, Paragraph 1 No. 6 of the civil code and that what has been proposed by the Board of Directors is, in our opinion, worthy of approval.

Pesaro, April 9, 2002

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