
BIESSE S.p.A.

FIRST-HALF REPORT

AT JUNE 30TH, 2007

BIESSE S.p.A.

**FIRST-HALF CONSOLIDATED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

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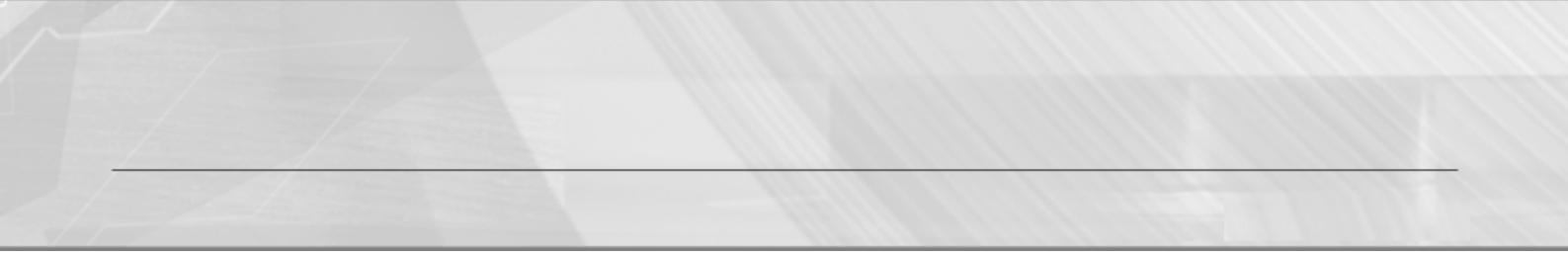
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Biesse Group

Group Company activities and trademarks

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

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



> Sky view of the Biesse Headquarters - Pesaro

BIESSE



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



BIESSEEDGE



Edge banding machinery and systems



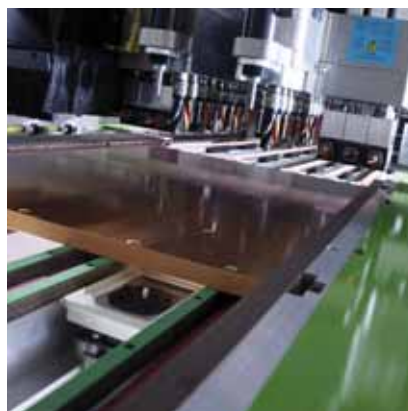
BIESSESAND

Calibrating and sanding machines



COMIL

Machinery and systems for furniture assembly and packaging



RBO

Handling systems for automated lines in the furniture industry



SELCO

Panel saw machinery and systems



ARTECH

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



Bre.Ma.

CN Machine for boring, milling, routing and hardware insertion

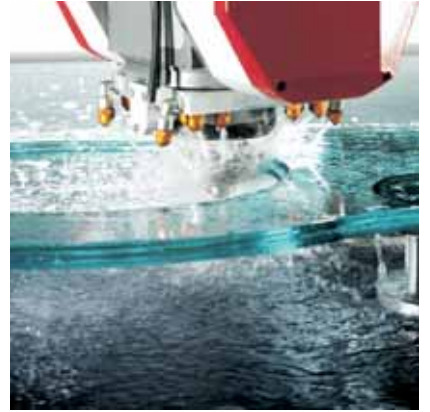


BIESSE SYSTEMS

Design and consulting services for furniture industry systems

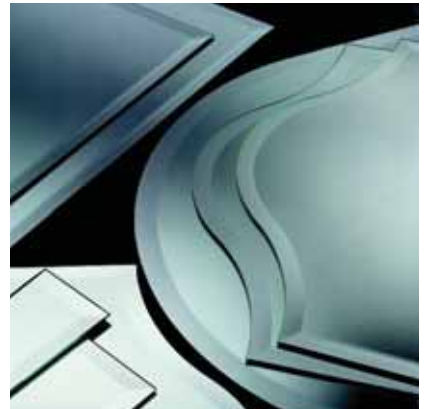
INTERMAC

Machines and systems for glass and natural/synthetic stone processing



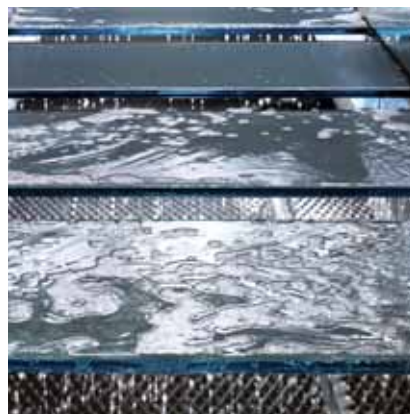
GIEFFE INTERMAC

Semiautomatic machines for glass processing

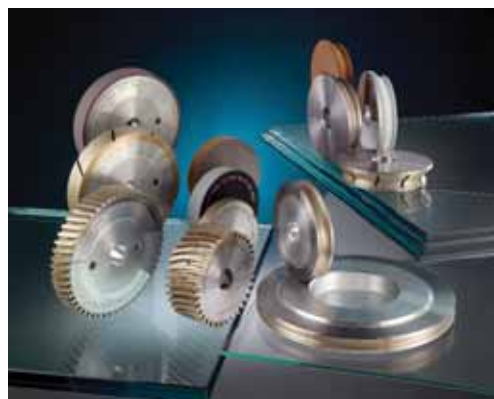




Machines and systems
for glass drilling and
grinding



Tools for glass and natural/synthetic stone processing



HSD

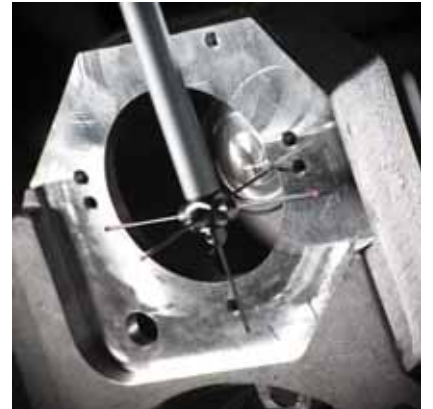
Mechanical and electronic components for industrial applications



COSMEC

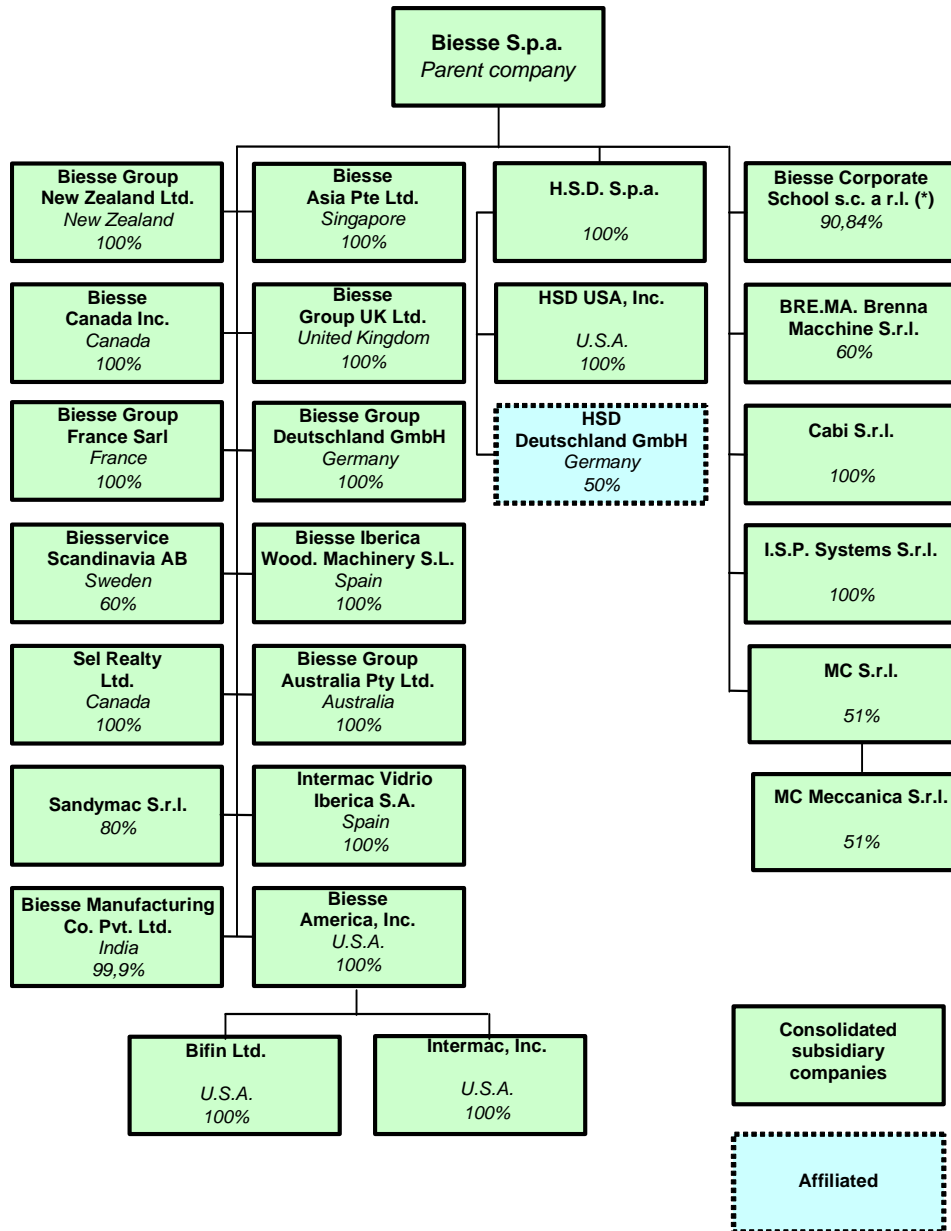
COSTRUZIONI MECCANICHE DI PRECISIONE

High precision machining for mechanical components



GROUP STRUCTURE

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



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

Compared with the most recently approved financial statements, the consolidation area changed pursuant to Biesse Brasil Ltda leaving the area, as its operations were ended on January 10th 2007 and the addition of Intermac, Inc., formed in February by the subsidiary, Biesse America, Inc. On April 2nd, 2007, the new company acquired the "distribution and assistance" business unit of AGM Glass Machinery Inc., which has been distributing the Intermac brand for twenty years (Intermac produces machinery and systems for glass and stone processing) in the United States.

In addition, the consolidation area changed pursuant to the addition of MC Meccanica S.r.l., acquired for 51% by the subsidiary MC S.r.l. on 8 June 2007, for a total value of € 850 thousand. MC Meccanica is a company which absorbed the business unit of a pre-existing small sized company (at January 2nd, 2007, its assets amounted to € 550 thousand, with 2006 revenue of € 1 million, in large part earned with MC) operating in the area of precision mechanical processing for third parties.

The participation in the subsidiary, HSD Deutschland GmbH, was valued using the net equity method.

COMPANY BODIES

Board of Directors

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

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

Board of Statutory Auditors

Chairman	Giovanni Ciurlo
Statutory auditor	Adriano Franzoni
Statutory auditor	Claudio Sanchioni

Internal Audit Committee - Remuneration Committee

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano

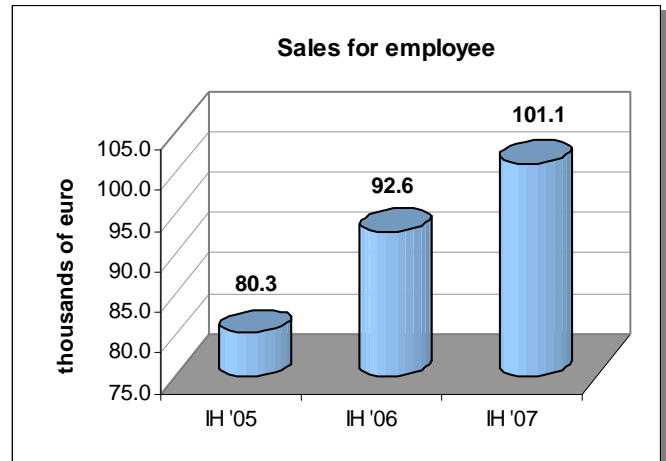
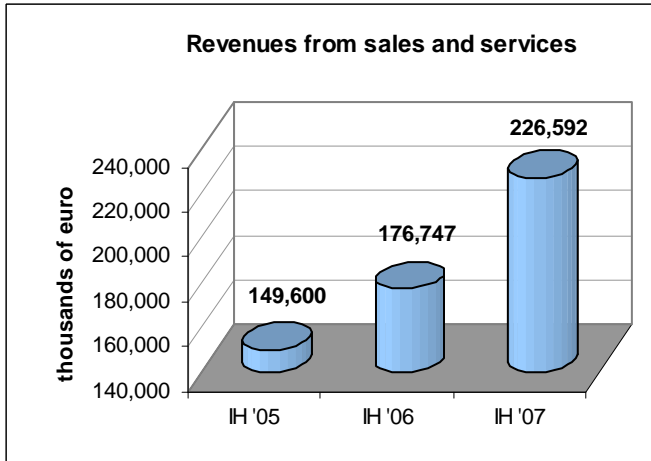
Supervisory Body

Leone Sibani
Giampaolo Garattoni
Salvatore Giordano
Fabrizio Imperatori
Elena Grassetti

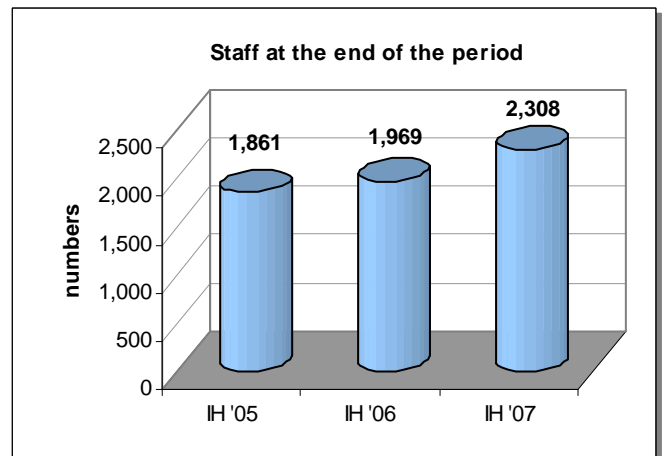
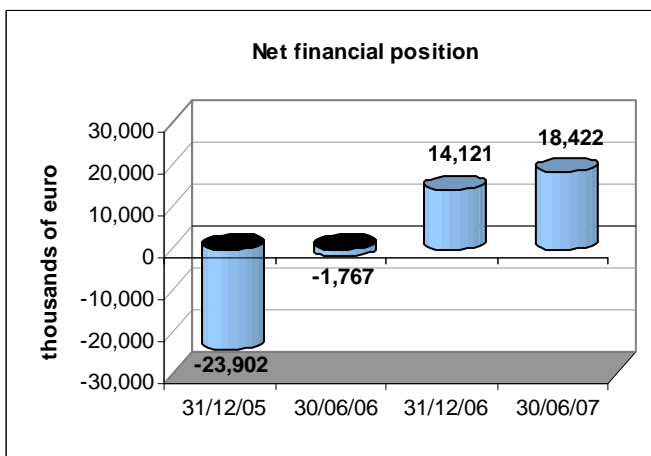
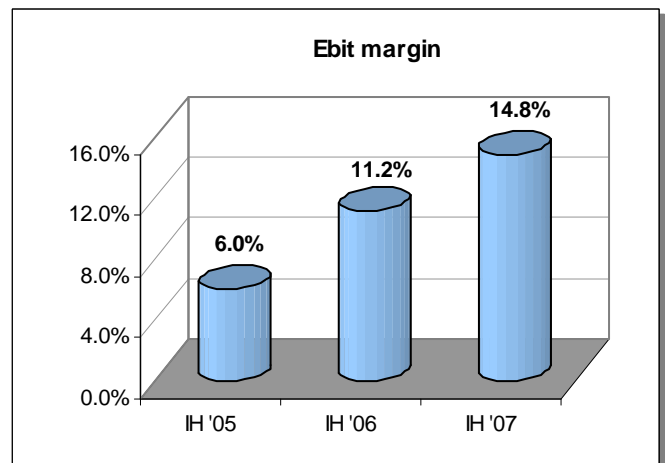
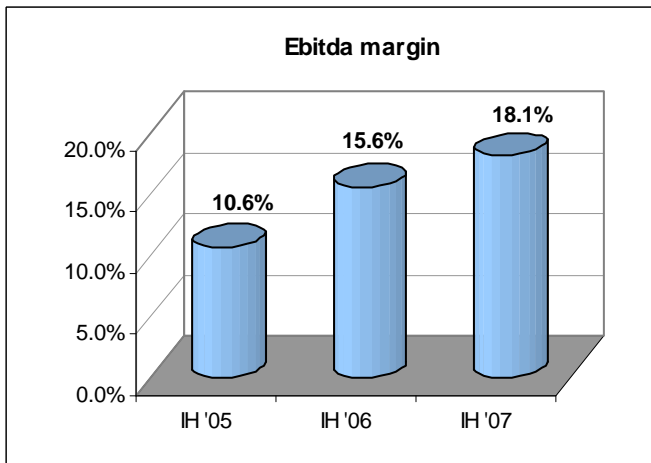
External auditing company

Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS



Temporary employees are included



Temporary employees are included

MANAGEMENT REPORT
FOR THE PERIOD ENDED
30 JUNE 2007

MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2007

GENERAL ECONOMIC CONTEXT

The world economy has continued on the path of sustained growth throughout the first half of 2007. In Western European and in developing economies (BRIC countries), the growth rate of demand for capital equipment reached record levels, while some signs of weakness were noted from the macroeconomic data of the United States, especially in the housing segment.

The potential instability arising from the peaks recorded in the euro/dollar exchange rate and the price of oil – both exceeding historic high levels - remain the key critical points which require careful and continuous monitoring to evaluate the growth potential of the world economy and, as a result, global demand. At the present time, demand remains high for the Biesse Group.

BUSINESS AREA

According to the figures published by Acimall - the national category association for woodworking machinery – in its press release last July 31st, there was “a significantly positive trend for the second quarter 2007. In a nutshell, this is the analysis of the orders received from the Italian woodworking machinery and utensil industry”.

“According to the sample object of the survey - continued the Acimall research office - the overall increase with respect to the same period in 2006 was 15.1%, thanks to the good performance on the Italian market (+11.9%) and the foreign markets (+ 16%)”. As already mentioned in previous years, Biesse generously over-performs these indices.

Some other figures: “from January to June 2007, prices increased by 1.9%, while the months of guaranteed production, at the end of the first half year, remained at 3.5 compared to the 3.4 months reported at March 31st. The quality survey relating to the quarter from April to June reported that 57% of the persons interviewed show a stationary trend in production, 40% report growth and only 3% reported declines. Inventories are stable in 70% of the companies surveyed, down in 10% and up in the remaining 20%.”

“As regards the outlook for the coming period, Acimall found that the companies responding to the survey feel that foreign orders will be stable in 53% of the cases, 33% expect to see some growth and 14% expect declines (positive balance of +19). As regards the domestic market, the indications for the coming months

show a situation similar to the current situation in 70% of the cases, rising in 13%, and decreasing in the remaining 17% (negative balance of 4)".

FIRST-HALF REPORT

Condensed Income Statement at June 30th, 2007

€ '000	30 June 2007	% on revenues	30 June 2006	% on revenues	Δ %
Revenues from sales and services	226,592	100.0%	176,747	100.0%	28.2%
Variation of stocks of products being manufactured, semi finished and finished products	17,791	7.9%	15,536	8.8%	14.5%
Other revenue and income	4,233	1.9%	2,593	1.5%	63.2%
Value of production	248,616	109.7%	194,876	110.3%	27.6%
Raw materials, ancillary materials and consumables	(107,678)	(47.5%)	(85,013)	(48.1%)	26.7%
Other operating expenses	(48,555)	(21.4%)	(38,210)	(21.6%)	27.1%
Added value	92,383	40.8%	71,653	40.5%	28.9%
Personnel expenses	(52,999)	(23.4%)	(44,131)	(25.0%)	20.0%
Non recurrent revenues (<i>Curtaiment / TFR reform</i>)	1,574	0.7%	---	---	---
Gross operating margin	40,958	18.1%	27,522	15.6%	48.8%
Depreciation	(5,559)	(2.5%)	(5,161)	(2.9%)	7.7%
Provisions	(1,922)	(0.8%)	(1,846)	(1.0%)	4.1%
Impairment loss	---	---	(888)	(0.5%)	---
Non recurrent revenues and expenses	---	---	175	0.1%	---
Operating result	33,477	14.8%	19,803	11.2%	69.0%
Financial income and expenses	(475)	(0.2%)	(947)	(0.5%)	(49.8%)
Foreign exchanges gains and losses	360	0.2%	928	0.5%	(61.2%)
Share of profit of associates	63	0.0%	(245)	(0.1%)	---
Pre-tax income	33,425	14.8%	19,539	11.1%	71.1%
Taxes for the period	(14,046)	(6.2%)	(6,560)	(3.7%)	114.2%
Results for the period	19,379	8.6%	12,979	7.3%	49.3%

In the first half of 2007, the Group reported excellent growth in turnover (+28.2%) in addition to robust growth in profits related to the effect of "operating lever" (EBIT +69%). Since the order book at the end of the half-year is still at high levels (valued at € 127 million compared to € 108 at June 30th 2006), it is clear that the early part of the year was particularly positive for the Biesse Group.

Net revenues in the first half of 2007 came to € 226.592 million against the € 176.747 million at June 30th 2006, marking respectable year-on-year growth of 28.2%. The increase in revenue is particularly positive (see paragraph 4 of the subsequent Explanatory Notes) for the Wood Division (+34.1%), while growth in the other divisions - Glass/Marble and Mechatronics - were somewhat less stellar (increasing by around 17%), but still outperforming average trends of the reference sectors.

As regards the geographic distribution of sales, in this period of the financial year 2007, there was a driving expansion (in absolute values) of the orders from the European Community and Eastern Europe, while the North American market remained important, despite the disadvantageous exchange rate and the questionable health of the US economy. The performance of the Asia and Pacific markets was also good, while exceptional performance was reported by South America, Turkey and the Middle East.

Value of production in the first half 2007 amounted to € 248.616 million, against € 194.876 million at June 30th 2006, with year on year growth of 27.6%. The semi-finished and finished products warehouse delta was € 17.791 million, € 2.2 million more than the same period a year earlier, growth that was necessary to cope with the higher demand. Thanks to the good performance of orders, this increase will be largely reabsorbed with turnover in the second half year.

Even in virtue of the aforementioned "warehouse delta" effect, see details of the percentage of costs on the value of production for more information on Group profits.

(in thousands of euros)	First half of 2007	%	First half of 2007	%
Value of production	248,616	100.0%	194,876	100.0%
Raw materials, ancillary materials and consumables	(107,678)	(43.3%)	(85,013)	(43.6%)
Services	(41,617)	(16.7%)	(32,865)	(16.9%)
Leases and rentals	(3,251)	(1.3%)	(2,690)	(1.4%)
Other operating expenses	(3,687)	(1.5%)	(2,655)	(1.4%)
Added value	92,383	37.2%	71,653	36.8%

The value added on the value of production improved, with respect to the first half-year of the previous year, by 0.4%, in virtue of the better productivity and efficiency of our factories.

Personnel expenses in the first half 2007 came to € 52.999 million, against the € 44.131 million at June 30th 2006, accounting for 23.4% of net revenue, which marks a decrease compared with the 25% posted a year earlier. In addition to the hirings made to cope with the considerable growth of the Group, there was a significant increase in the absolute value (just under € 9 million) due to inclusion of the staff of Bre.ma. Brenna Macchine S.r.l. and ISP Systems S.r.l. (for the entire half year) and Intermac Inc. (only for the second quarter) - which were outside of the Group consolidation area at June 30th of last year -, which together account for 120 staff members and incurred a cost of € 2.6 million.

Gross operating margin (EBITDA) of the first half 2007 amounted to € 40.958 million, accounting for 18.1% of net revenue, representing an increase of 48.8% with respect to a year earlier, while the **operating result** (EBIT), which reported a balance of € 19.803 million in the first half of 2006, jumped to € 33.477 million, accounting for 14.8% of revenue versus the 11.2% a year earlier and representing a rise in absolute values of 69%.

Non-recurring income of € 1.574 million arising from the so-called curtailment contributed to reaching this exceptional result, which was the result of effect on actuarial calculations from application of the recent reforms in Italy regarding employee severance indemnity. Thus, after adjusting the figure to achieve uniformity with the previous year, the result was EBITDA in the first half of 2007 of 17.4% (from 15.6% at June 30th 2006) and EBIT in the first half of 2007 at 14.1% (from 11.2% - although with non-recurring charges of € 700 thousand - at June 30th 2006).

This also takes into account the slight growth in amortization and depreciation and after having allocated provisions of € 1.922 million to sundry risk funds, to cover the risk of doubtful accounts and product warranty reserves, with a decreasing incidence on net revenue due the significant upswing in revenue.

With reference to financial management, the gradual elimination of bank borrowings of the Group (a detailed breakdown can be found in the notes below) has led to a consequent reduction in the financial charges toward banks and other financial institutions of € 472 thousand on a period-on-period basis.

As regards the Company's exchange rate risk management policy, in the first half of 2007, there were forex gains of € 360 thousand, related to the hedge transactions to cover currency transactions, in compliance with the matters laid down in exchange rate risk management policies.

Pre-tax income amounted to € 33.425 million (14.8% of net revenue), which increased by 71.1% compared with the same figures in 2006.

The estimated tax balance is preceded by a minus sign for a total of € 14.046 million, of which € 2.865 million refers to IRAP and € 11.986 million refers to current income taxes, net of deferred tax assets of € 805

thousand.

This leads to estimated **net income** on the order of € 19.379 million. This figure represents a rise of 8.6% in net revenue and an increase of 49.3% compared to a year earlier. The tax rate was positively impacted by the tax losses carried forward from past years.

Summary of Balance Sheet Figures

	30 June 2007	31 December 2006
Intangible assets	41,031	35,184
Tangible assets	53,293	49,702
Other non-current assets	11,878	10,428
Real estate investments	2,132	2,524
Non-current assets	108,334	97,838
Inventories	115,557	88,182
Sales receivables	106,174	113,153
Other receivables	12,091	14,263
Cash and cash equivalents	35,705	36,102
Current assets	269,527	251,700
TOTAL ASSETS	377,861	349,538
Group shareholders' equity	144,161	134,223
Minority interests	246	320
Total equity	144,407	134,543
Non current bank loans and obligations under finance leases	11,074	8,859
Retirement benefit obligations	14,055	15,929
Other payables	10,596	9,899
Non-current liabilities	35,725	34,687
Trade payables	131,331	113,679
Other payables	60,189	53,507
Current bank loans and obligations under finance leases	6,209	13,122
Current liabilities	197,729	180,308
TOTAL EQUITY AND LIABILITIES	377,861	349,538

Intangibles assets posted an increase pursuant to the effects of the acquisition of AGM USA, the consolidation of which determined higher assets booked of about € 4 million as well as, to a smaller degree (€ 0.7 million), the effects of the acquisition of MC Meccanica S.r.l. by the subsidiary, MC S.r.l.

These amounts have been included generically in this item, while waiting for the exact measurement and allocation of its fair value, currently still in the process of verification in compliance with the IFRS 3, due to the relatively recent date of acquisition.

Making a slight contribution to the increase of the intangible assets is the further capitalisation of research and development costs.

Current assets, - in comparison with December 2006 -, were affected by seasonal fluctuations, especially as regards the amount of inventory. Specifically, finished product inventories increased to replenish the warehouses of the foreign subsidiaries which had been drastically reduced in December. This reduction was offset by the decrease of the commercial receivables and to a larger degree by the increase in commercial payables.

For more detailed information about the key balance sheet items, refer to the attached explanatory notes.

Net financial position

<i>(in thousands of Euros)</i>	30 June 2007	31 March 2007 ⁽¹⁾	31 December 2006	30 June 2006
Short term investments:	35,704	50,997	36,102	38,672
- Cash and cash equivalents	35,654	50,947	36,052	38,609
- Receivables from others within 12 months (immediately payable)	50	50	50	63
Short-term receivables for financial leases	(2,554)	(5,121)	(2,336)	(3,079)
Short-term bank receivables and other financial receivables	(3,654)	(13,616)	(10,786)	(17,685)
Short term net financial position	29,496	32,260	22,980	17,908
Medium/long term receivables for financial leases	(10,550)	(8,092)	(8,217)	(12,546)
Medium-long term payables to banks	(524)	(524)	(642)	(7,129)
Medium/long term net financial position	(11,074)	(8,616)	(8,859)	(19,675)
Net financial position	18,422	23,644	14,121	(1,767)

(1) Not audited

Net financial position recorded a positive balance of € 18.422 million, posting a decrease of € 5.222 million

with respect to March 31st 2007. Total extraordinary income and charges influenced this figure for a total of € 19.8 million, which included dividends for € 9.8 million (paid in May 2007) and other investments made in the quarter for a total of € 10 million: acquisition of the AGM USA business unit, the balance of the acquisition in the controlling shareholding in Bre.Ma and other minor real-estate transactions.

Note that in the first days of July 2007, an additional € 19 million was paid to the tax authorities as the balance for 2006 and advances on year 2007 IRES income taxes, only for the Italian companies.

CORPORATE GOVERNANCE

The corporate governance system of Biesse fully complies with the principles contained in the Self-Governance Code (Code); these principles represent the central pillars of corporate policy in relation to governance issues, contributing to:

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

Key corporate governance documents of Biesse are the following:

- Articles of Association
- By-laws governing General Meetings of shareholders
- Code of Conduct on Internal Dealing
- Market Abuse Regulations
- Code of Ethics in accordance with Leg. Decree 231 of 8 December 2001

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

Ownership structure

The share capital is formed exclusively by ordinary shares, entirely free and each carrying one voting right in the ordinary and extraordinary General Meetings. The share capital amounts to € 27,393,042 divided into a total of 27,393,042 shares with a nominal value of one euro each.

As of June 30th, 2007, shareholders holding more than 2% of the subscribed share capital- and represented by shares with voting rights, in accordance with the information set down in the register of shareholders and supplemented by notifications received and by other available information - are as follows:

Bi.Fin S.r.l.	58.263%
Financiere de l'Echiquier (F) SA	4.848%
JPMorgan Asset Management (UK) Ltd	2.031%
Explora Capital Management ASA	2.022%
AIM Advisor (USA) Inc.	2.001%

The Company has no knowledge of any shareholders' agreements signed between shareholders.

Board of directors

Its role and composition

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

Company directors act and deliberate with a view to pursuing the primary objective of creating shareholder value while defining the strategies and policies of Biesse S.p.A. and the Group.

As under Art. 16 of the Articles of Association, the Biesse Board of Directors may be composed of at least two directors to as many as fifteen members, who may or may not be shareholders, in accordance with the decisions of the General Meeting. Pursuant to the resolution of the General Meeting on December 14th, 2006, the Board of Directors currently in office is composed of seven members whose term of office expires on the date of the General Meeting for the approval of the financial statements of December 31st, 2008.

The Board includes four executive directors:

- Roberto Selci, Chairman and Managing Director

- Giancarlo Selci, Managing Director ¹
- Alessandra Parpajola
- Stefano Porcellini

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

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

The independent directors listed above meet the criteria of independence, in accordance with the provisions of the Code, as:

- a) they do not control – directly, indirectly or through subsidiaries, trust corporations or third parties - the issuing entity nor are they able to exercise a significant influence on the latter nor are they party to shareholder agreements through which one or more parties may exercise control or significant influence on the issuing entity;
- b) they do not hold, and have not held over the last three years, significant positions in the issuing entity, or in a subsidiary of the latter having strategic importance, or in any company subject to joint control with the issuing entity, or in any company or entity which - in conjunction with other parties by means of a shareholder agreement - controls the issuing entity or is capable of exercising a significant degree of influence on the latter;
- c) they currently do not nor have had a - direct or indirect - significant commercial, financial or professional relations in the previous year:
 - with the issuing entity, its subsidiary, or with any parties holding positions of influence in the latter;
 - with a party that controls the issuing entity, alone or in conjunction with other parties, by means of a shareholder agreement or, in the case of company or legal entity, with any parties holding positions of influence; nor have they been employees of these entities in the last three years;
- d) they are not currently receiving, and have not received in the past three years, significant compensation from the issuing entity or from a subsidiary or parent company over and above the

¹ Holding a mandate for the strategic guidance and co-ordination of the Group and with the explicit exclusion of any form of legal representation or active administration of the Company

amount received as a “fixed” compensation for the role of non-executive director of the issuing entity, including any participation in incentive plans linked to company performance, including stock based;

- e) they have not been directors of the issuing entity for more than nine years of the last ten years;
- f) they do not hold the office of executive director in another company in which the executive director of the issuing entity holds the title of director;
- g) they are not shareholders or directors in a company or entity which belongs to the network of the independent auditors of the issuing entity;
- h) they are not close relations of an individual to whom one of the above conditions may be applicable.

The existence of the requirements of independence of directors is periodically evaluated by the Board of Directors.

Below is a list of the responsibilities of the directors in other companies listed on regulated markets, including abroad, in financial companies, banks, insurance or large companies:

Specifically, Leone Sibani holds the office of:

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

Giampaolo Garattoni does not hold any office described above.

Salvatore Giordano does not hold any office described above.

In acknowledging the fact that international best practice recommends avoiding any situation where several offices are held by a single person (in the absence of adequate checks and balances) and in finding that this concentration in Biesse (the Chairman is also the Managing Director) is due to organizational requirements, the Board of Directors has established the office of Lead Independent Director in order to completely comply with the principles of the Code. Leone Sibani was appointed to this office. Non-executive directors report to the Lead Independent Director in order to make a more effective contribution to the business and operations of the Board of Directors.

The Lead Independent Director is responsible for fulfilling the following tasks:

- working together with the Chairman in order to ensure complete and timely flows of information to the directors;
- calling - by own initiative or upon the request of other directors - special meetings of independent directors in which to discuss topics that are deemed of interest with respect to the functioning of the Board of Directors or Company operations.

Powers of the Board of Directors

The Board of Directors is vested with every power of ordinary and extraordinary administration of the Company, with the faculty to execute any action it deems necessary and appropriate for reaching company objectives, except for actions that are reserved by law for the Shareholder's meeting.

The Board of Directors is assigned the role of strategic and organisational guidance and is responsible for overseeing the existence of the necessary controls for monitoring the performance of the Company and the Group.

The Board, in particular, is required to:

- supervise general operations with particular attention given to situations of conflict of interest while taking into consideration the information received from executive directors and the Internal Control Committee and, in general, periodically comparing results attained with forecasted figures;
- examine and approve the budget and the strategic, industrial and financial plans of the Company and the Group it leads;
- examine and evaluate the periodic reports required under prevailing law;
- examine and approve transactions having a significant impact on the company's profitability, assets and liabilities or financial position;
- verify the adequacy of the organizational, administrative and accounting structure of the Company and the Group;
- report to the shareholders at the General Meeting;
- decide on the proposals to submit to the General Shareholders' meeting and the Board, pursuant to a mandate entrusted to the independent director, regarding compensations to distribute to the members of the Board of Directors;
- appoint and set the compensation of one or more General Managers of the Company to implement the

resolutions taken by the Board of Directors and on delegation thereof, supervise company current events, propose operations and exercise any other power granted to them, either continuously or from time to time by the Board;

- delegate and revoke powers to the Managing Directors, the executive committee and one or more directors as regards particular assignments;
- provide the Board of Statutory Auditors a comprehensive report on the work done and on the most important financial operations and transactions on assets and liabilities performed by the Companies or by their subsidiaries; specifically, it will report on operations with potential conflicts of interest. These reports are usually provided during Board meetings and on at least a quarterly basis.

The Board generally meets at least six times a year, for approval of the periodic financial statements, pursuant to the requirements of listing on the High Requisites Securities Segment (STAR) of the Italian Stock Exchange.

In view of upcoming Board meetings, directors will be provided ahead of time with all the documentation and information needed for the Board to express an informed view on the matters it is required to examine and approve.

Chairman and Executive Director

Pursuant to resolution of the Board of Directors' meeting on May 15th, 2006, the Chairman of the Board of Directors has been vested with all powers of ordinary administration, with special notation that these ordinary powers must include relations with banks and all powers related to the execution of tax declarations of any nature, human resources management, the purchasing or selling of automobiles or any instrumental assets registered in public registries, executing contracts and trading of bills of exchange issued in compliance with Italian Law no. 1329 emanated November 28th, 1965 (the so called Sabatini Law), and entering into leasing contracts. In addition, the Chairman holds the power of legal representation of the Company.

The Board of Directors resolved to confer a mandate on the Executive Director, Giancarlo Selci, on November 12th, 2003, subsequently re-proposed and confirmed with the resolution of May 15th, 2006, exclusively for laying down the strategic policies of the Group in addition to general co-ordination of the Group, with the explicit exclusion of any and all powers of legal representation and active administration.

By means of the resolution approved on May 15th, 2006, the Board of Directors conferred Alessandra Parpajola with the following mandate: management of credit risks; appointment and revocation of attorneys and proxies; representation of the Company before the court with broad powers to settle disputes and waive

them; entering into compromise agreements; granting of postponements and extensions on payments due; signing correspondence and endorsing bank checks; ordering wire transfers; signing income tax returns and VAT statements; signing appeals addressed to tax commissions; taking steps to hire and lay off employees; settling labour disputes; applying disciplinary sanctions; and taking every other step that may be required within the scope of this latter company area.

By means of the resolution approved on December 14th, 2006, the Board of Directors conferred Stefano Porcellini with the following mandate: (i) supervision, control and administrative co-ordination of subsidiary, associated and affiliated companies - (ii) supervision, control and administrative co-ordination relating to the preparation of the financial statements of the Group companies as well as the consolidated financial statements for the years 2006, 2007, 2008 with the ability to appoint consultants and experts - (iii) supervision, control and administrative co-ordination of extraordinary operations, particularly in reference to the acquisition of shareholdings - (iv) representation of Biesse Spa in correspondence and during relations with customers and suppliers concerning administrative and legal elements, including the right to settle any potential disputes that may arise.

Appointment of Directors and Nominations Committee

Appointment of Directors

Directors are appointed in compliance with a procedure of full disclosure that is designed to guarantee adequate and timely information on the curriculum vitae of the candidates to the position. As laid down under Article 16 of the Articles of Association, candidature proposals for the office of Director, complete with comprehensive information on the personal and professional characteristics of the candidates, including a specification of their potential qualification for the office of independent directors, must be filed at the registered office at least ten days before the date of the Shareholders' Meeting.

In order to comply with the provisions of Italian Law 262 of December 28th, 2005, the General Meeting of Biesse resolved last May 2nd, 2007 to adapt the Company Articles of Association by changing the modalities for the appointment of the directors by including the "list voting" method as part of the articles of association.

Nominations Committee

The Board of Directors passed unanimous resolution on May 5th, 2003 to not proceed with the appointment of a Nominations Committee in view of the limited size of the administrative body itself. In view of the recent introduction of the list voting method, the appointment procedure was deemed to be sufficiently transparent and the composition of the Board was assessed as sufficiently balanced.

Compensation of Directors and Remuneration Committee

In order to attract, retain and motivate directors with the professional qualifications required to successfully manage Biesse - and in order to ensure that the interests of the executive directors are aligned with the achievement of the primary objective of creating shareholder value over the medium to long-term time period - a significant portion of the compensation of executive directors and of the higher ranking executives of the Group is composed of performance-linked compensation (either economic results and/or individual objectives, which can include bonuses or variable incentive systems).

On May 15th, 2003, the Board of Directors set up a Remuneration Committee, which is currently made up of:

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

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

Internal Control System

The Internal Control System of the Company, in agreement with the most recent lines of control governance, is the set of regulations, procedures and organizational structures that make it possible to use a process of identification, measurement, management and monitoring of the main risks, for company operations that are sound, correct and comply with set objectives.

More specifically, the system aims to guarantee:

- the efficiency and efficacy of company transactions;
- the reliability of the economic and financial information;
- compliance with laws and regulations;
- and in general, protection of company wealth and equity.

The Board is responsible for maintaining the internal control system and determines its policies; periodically verifying the adequacy and the effective functioning of the system - including by means of the Internal

Control Committee; and describing the system's essential elements in its corporate governance report.

Below is a brief overview of the key activities performed during the first half of 2007.

In order to lend full implementation of the regulation (Code of Conduct and Law 262 of December 28th, 2005), the Group is implementing the Internal Control System related to the regulations and procedures for preparing administrative accounting documents (hereunder also ICFR, the Internal Control over Financial Reporting System) supported by an external consultant (KPMG Advisory). As there is no specific provision for implementation in Italy, the ICFR System that Biesse is developing uses the Co.S.O. (SOXA) model as a framework. The guidelines of this model were issued by the PCAOB (Public Company Accounting Oversight Board) in order to attain compliance of the Sarbanes-Oxley Act issued in the United States in 2002 and are considered international best practices; participation in the Co.S.O. model will ensure complete implementation of the matters set forth under Italian law. This project will make it possible to obtain not only a complete map of the controls, but also a formal organization of all the Biesse accounting procedures that will also lead to greater operating standardization on a Group level.

The roll-out activity at Biesse America, selected as the "test" branch, is currently in progress.

Since May 2007, the "internal audit" function was further implemented by hiring a full-time employee dedicated to that office; this has allowed the company to set up an office that was completely independent and which could represent a reference point for the activities of changing, monitoring, and supervising the internal control system that the Committee aims to do.

Directors also point out the main points of development of the bill of Leg. Decree 262/05 which are expected to be passed into law in the coming months; these activities will represent an essential part of the responsibilities of the Internal Control Officer for the year 2008 :

- completion of the work of measuring the controls conducted at the foreign branches (the so-called roll-out phase);
- drafting a Manual of the ICFR System (so-called "Compliance Plan") in order to define the internal procedures for its updating and application;
- preparation of a working plan (Audit Plan) of the control activities: which processes will be controlled, when and in what Group companies;
- preparation of the individual tests of control activities (Audit Program);
- update of the company's risk management policy;
- new Group Account Manual.

Note that in order to obtain better and more efficient management of the consolidation process, the company

has implemented a new software platform based on the Hyperion application, one of the best management software programmes currently available on the market. This system will make it possible to monitor all the phases of the process of closing the consolidated Group financial statements through a unit especially dedicated to meeting the requirements envisaged by the provisions on administrative procedures.

Compliance with law n. 231/2001

Italian Law 231 of 8 June 2001 introduced into our system a new profile of criminal responsibility on the part of companies. Biesse commenced a project in February 2007 - finalized in the first phase with the current approval of the 2006 budget, - designed to:

- chart the areas potentially exposed to risk;
- design and adopt an organizational and management model that can identify and prevent crimes of this nature;
- set up a supervisory committee with appropriate independent powers of initiative and control which can undertake the responsibility of overseeing the functioning and observance of the models and handle updates;
- adopt and extend the Company Code of Ethics to all the legal entities of the Group.

On 27 March 2007, the Board of Directors of Biesse S.p.A. approved the organizational model pursuant to Legislative Decree 231/01 (hereinafter also the Model) and a Code of Ethics was also introduced. On 26 July 2007, the Supervisory Board met for the first time.

In the coming months, the work group will concentrate on the activities to update and improve the company organization charts and related responsibilities, as well as the related system of proxies and mandates.

Related party transactions

In the transactions with related parties, - whereby the term "related parties" denotes those defined by law (in particular, Article 2391-bis Civil Code) and by the regulations -, the Company complies with the requirements of transparency and respect for the criteria of correctness in the substance and procedure.

These transactions are reserved to the approval of the Board of Directors, which can take advantage of independent experts, if the characteristics and the value of the transactions call for it.

Directors who have a direct or indirect interest in these operations must:

- provide prompt and comprehensive information to the Board of Directors on the existence of interest and on the circumstances of such interest, independently from the existence of a conflict;

- not participate in the discussion and abstain from voting.

Handling confidential information

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

Internal regulation for the handling confidential information and the institution of a registry of staff with access

External communication of documentation and information related to the Company and/or the Group - particularly with regards to so-called "price sensitive" information - is regulated by a procedure which was approved by the Board of Directors during its meeting on February 14th, 2006. These regulations ensure the completeness, truthfulness, clarity, transparency, timeliness, continuity and maximum dissemination of information regarding the Company and its subsidiaries, while also ensuring compliance with primary and secondary regulations in force.

Timeliness as well as an assessment on the relevance of information for the purposes of public disclosure is delegated to the Chief Financial Officer (Administration, Finance and Control Officer) who utilizes the Investor Relations function to co-ordinate external communications and delegates the following tasks to the latter: (i) ensuring compliance with regulations; (ii) assisting the Board of Directors as well as the other company bodies and the heads of organizational functions or units for the purposes of properly complying with obligations relative to informational disclosure to the market and to Consob and the Italian stock exchange, thereby also ensuring the circulation of general regulatory and instructional material that is issued by the Supervisory Authorities of the Market and the Italian Stock Exchange; (iii) co-ordination with the Marketing and Communications Division in order to ensure that public disclosure of confidential and relevant information and the marketing activities of the Company do not lead to misleading disclosures; (iv) ensuring that communication to the public is as synchronized as possible with respect to all categories of investors and all potential Member states in which the Company has requested or received approval on the trading of its financial instruments on a regulated market.

Code of Conduct on Internal Dealing

On March 27th, 2006, the Board of Directors adopted the internal regulations regarding Internal Dealing. These regulations regulate the flows of information on the part of parties affected by Article 114, sub-section

7, of the Unified Financial Law as well as by parties identified by the Regulations as “relevant” for the Company, Consob and the Market. The Code of Conduct applies to transactions executed as of April 1st, 2006.

The new regulation of Internal Dealing is therefore directly applicable to transactions related to acquisition, sale, subscribing and trading shares issued by Biesse or financial instruments which are linked to the latter and implemented by “relevant parties” or by persons closely affiliated with them. This category includes shareholders owning at least 10% of the share capital of the Company as well as the Directors and Statutory Auditors of Biesse and any other parties playing managerial roles or managers with regular access to confidential information or those with the power to adopt managerial decisions that could affect the future development and growth of Biesse.

Obligations of transparency are applicable with respect to all of the abovementioned transactions whose total annual value is at least € 5,000 - even if executed by parties that are closely affiliated with the “relevant parties”.

Relations with Institutional Investors and shareholders

Director of shareholder relations

Financial communication plays a key role in Biesse for the creation of Group value: for this purpose, Biesse has adopted a strategy for supplying a constant and accurate flow of information between the financial community, the market and the Company. Biesse has always actively worked to create constant dialogue with institutional investors, shareholders and the market, in compliance with the procedures adopted for external communication of confidential documentation and information. The specific company division of Investor Relations was created to serve this role. This office collaborates with the Board of Directors in order to guarantee the systematic disclosure of complete and timely information by means of press releases, meetings with the financial community and periodical updating of the internet site of the Company (www.biessegroup.com).

In the first half of 2007, Biesse S.p.A. took part in all the compulsory events organized by Borsa Italiana (Milan and London STAR event) as well as independently creating numerous occasions to meet and compare notes with the Italian and international financial community.

The company web site

Also with a view to fostering financial communication, the Biesse Board of Directors takes steps to speed up and facilitate access to information concerning the Company and relevant to shareholders for complete

exercise of their rights. For this purpose, Biesse has deemed it opportune to create a dedicated area on its web site where economic and financial information can be located (financial statements, quarterly and half-year reports) as well as data and documentation of interest for the shareholders. The documentation will remain available on the site for at least five years.

By-laws governing the Shareholders' Meetings

As of 2001, the Company has established and implemented regulations to govern the orderly and functional progress of ordinary and extraordinary General Meetings of shareholders, thereby guaranteeing that each shareholder will have the right to participate in every item of discussion on the agenda.

These regulations can be viewed at the related section of the web site.

Statutory Auditors

The Board of Statutory Auditors supervises compliance with the law and the articles of association and retains management control functions; Statutory Auditors do not hold auditing functions, which are assigned to an independent auditing company which is appointed by the General Meeting and selected from those registered in the list held by Consob.

The Articles of Association require that the Board of Statutory Auditors be composed of three standing and two alternate auditors and that appointment of auditors take place on the basis of slates that are presented by shareholders with at least 2% of shares and holding voting rights in the ordinary General Meeting. The minority shall elect a standing auditor and an alternate auditor. No shareholder or group of shareholders may submit, neither their own nor by proxy or trust companies, more than one slate nor may they vote on different slates. In the event of violation of this rule, the vote cast by that shareholder shall not be counted on any of the slates submitted. Each candidate may be listed in a single slate, otherwise they will be declared ineligible.

The slates must be registered at the registered office of the Company at least fifteen days before the first meeting of the General Meeting.

Nominations will be submitted together with the personal and professional characteristics as well as any administration and auditing offices held in other companies and the declarations of the individual candidates where the latter - upon accepting their status as candidates - certify that no causes for ineligibility and incompatibility exist and that they possess the prerequisites for the relative offices, as required by current norms and the articles of association.

The Board of Statutory Auditors, which was appointed by the ordinary General Meeting during the meeting on April 29th 2006 and which will remain in office until the approval of the Annual Report for the year ending December 31st 2008, is composed of the following members

- Giovanni Ciurlo, Chairman
- Adriano Franzoni, Standing auditor
- Claudio Sanchioni, Standing auditor
- Daniela Gabucci, Alternate Auditor
- Cristina Amadori, Alternate Auditor

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

In particular, Giovanni Ciurlo covers the role of:

- | | |
|--------------------------------------|---|
| - Standing auditor | Banca Del Gottardo Italia Spa |
| - Standing auditor | Banco Di S. Giorgio S.p.A. |
| - Standing auditor | Catering Hotellerie & Foodservice S.p.A |
| - Chairman of the Statutory Auditors | Comdata S.p.A |
| - Chairman of the Statutory Auditors | Fafid S.p.A |
| - Standing auditor | Stroili Oro S.p.A |
| - Standing auditor | Fi.L.S.E. S.p.A. |
| - Standing auditor | Gottardo Asset Manag. Sgr S.p.A. |
| - Chairman of the Board of Auditors | Gru Comedil S.r.l. |
| - Standing auditor | Rgi S.p.A |
| - Director | Salmoiraghi & Vigano' S.p.A |
| - Standing auditor | Sivori & Partners Sim S.p.A. |
| - Standing auditor | Vittorio Cauvin S.p.A |

Adriano Franzoni does not hold any of the specified offices;

Claudio Sanchioni does not hold any of the specified offices.

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

At the present time, the only related company is :

- HSD Deutschland GmbH, a German operating company, 50% owned by HSD S.p.A., which distributes products from the Mechatronics division and provides post-sales customer assistance to the German market.

With reference to HSD Deutschland GmbH, the company earned revenue in the amount of € 1.753 million and costs incurred totalled € 0.5 thousand in the course of the first half year 2007; at June 30th, 2007, Group receivables from this company were equal to € 1.183 million and payables were equal to € 0.5 thousand.

As far as relations with the parent company, Bi.Fin. S.r.l., during the first half of 2006 are concerned, the following transactions were executed: the parent company holds a receivable from the Group for € 24.605 million and payables for € 765 thousand; both balance sheet positions arise from transfer of IRES receivables and payables and VAT of the subsidiaries, Biesse S.p.A., HSD S.p.A. and I.S.P. Systems S.r.l., as a result of joining the National Fiscal Consolidation for the three years from 2005/2007. Bi.Fin., Biesse S.p.A., HSD S.p.A., Cabi S.r.l. and I.S.P. Systems S.r.l. are all part of the consolidated fiscal area.

RELATIONS WITH OTHER RELATED PARTIES

The following companies have been identified as related parties: Fincobi S.r.l, a subsidiary company whose majority shareholding is owned by members of the Selci family.

During the six-month period, transactions between Biesse and the company listed above were are not very relevant.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30TH, 2007 AND PERSPECTIVES FOR THE END OF THE YEAR

Below is a short summary of the most important events taking place after the end of the first half 2007.

In July, 2007 Biesse S.p.A. acquired the controlling share (55%) of a company founded in 2006 on the initiative of packaging sector technicians which produce and sell machinery for packaging, called Digipac Sistemi S.r.l.. In particular, Digipac operates in the area of extensible film packaging and produces innovative solutions for "pallet wrapping" machines for the food and beverage sectors. The contract signed on July 19th 2007 entailed payment by Biesse S.p.A. of the amount related to the increase in the share capital of € 18

thousand and a share premium of € 139 thousand.

In the same period, Biesse S.p.A. executed the mergers for incorporation of the subsidiary Cabi S.r.l. into HSD S.p.A. and the Spanish subsidiary, Intermac Vidrio Iberica S.A. into Biesse Iberica Wood Machinery S.L.. The two transactions were executed to streamline the company landscape of the Group, as well as take advantage of industrial and commercial synergies between contiguous realities.

Also in the month of July, the subsidiaries Biesse Group France Sarl and Biesse Manufacturing Co. Pvt. Ltd. (India) began works for construction of the respective new offices in Lyon (total investment of around € 1.750 million) and Bangalore (total investment of around € 2.4 million)

In August 2007, Biesse S.p.A. acquired a building of 5,000 m² in Secchiano (Novafeltria – PU) intended to play host to production of Artech, for a value of € 2.450 million.

In the same period, the Group reorganized its property holdings in North America selling a property owned by Sel Realty (Canada) - seat of the Canadian registered office - for an amount of Canadian \$ 3,200,000, in order to evaluate new and more profitable investments in Ontario (where Biesse does not have its own registered office) and in Quebec. In addition, through the American subsidiary Bifin Ltd, the Group signed a preliminary agreement for purchase, for a value of USD 650,000, in Charlotte (USA), for a new parcel of land for construction of a new registered office that will play host to the US affiliates of the Wood Division (Biesse America Inc.) and Glass/Marble (Intermac Inc.).

In early September 2007, Biesse S.p.A. acquired from Tecnimpresa a 20% shareholding in the subsidiary Sandymac S.r.l. - thus also acquiring total control - for a total value of € 200 thousand.

In the same period Biesse S.p.A. acquired 1,956 m² of land from the parent company, Bi.fin. S.r.l., for a total amount of € 155 thousand. This parcel is adjacent to the Biesse property (main site of Chiusa di Ginestreto) and will be developed as a parking area to alleviate the problem of the current congestion of spaces in the Group headquarters.

As regards the outlook for the rest of the year, Directors confirm their confidence that the objectives (revised upward) will be attained for the year 2007 mainly due to the exceptional performance of the first half and the situation of the order book, making it possible to look with absolute peace of mind at the end of the year.

ADDITIONAL INFORMATION

At the date of approval of the half-year report, there were no treasury shares in the Biesse S.p.A. portfolio.

Note that the parent company, Biesse S.p.A. does not own shares or quotas in holding companies, nor did it undertake any purchases or disposals of the same during the year 2007. As a result, there is nothing further to note in accordance with Article 2428 sub-section 2, points 3 and 4 of the Civil Code.

Pesaro, 09/20/2007

Chairman of the Board of Directors
Roberto Selci

DECLARATION OF THE ACCOUNTING DOCUMENT DRAFTING OFFICER IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 154-BIS SUB-SECTION 2 OF LEG. 58/1998 (UNIFIED FINANCIAL LAW)

The undersigned Stefano Porcellini, Chief Financial Officer and Member of the Board of Directors of Biesse S.p.A., in the capacity of Accounting Document Drafting Officer, declares to the best of his knowledge that the consolidated half-year interim Report at June 30th 2007 of Biesse S.p.A., subject to a limited audit - drafted pursuant to the instructions provided by CONSOB (in compliance with the provisions of Article 82 and Article 82-bis of the "Regulation bearing the implementation criteria of Leg. Decree 58/1998 no. 58 in relation to issuers") and in compliance with the accounting standards and policies established by the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure of Article 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and Council of July 19th 2002 - corresponds to the accounting entries.

September 20th, 2007

/signature/

Stefano Porcellini
Chief Financial Officer

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	For the six months ended	
		06/30/2007	06/30/2006
		€ '000	€ '000
Continuing operations			
Revenues		226,592	176,747
Other operating income		4,233	2,593
Changes in inventories of finished goods and work in progress		17,791	15,536
Raw materials and consumables used		(107,678)	(85,013)
Personnel expenses		(52,999)	(44,131)
- non recurrent revenues	6	1,574	0
Other operating expenses		(48,555)	(38,210)
Amortisation expense		(5,559)	(5,161)
Accruals to provisions		(1,922)	(1,846)
Impairment loss		0	(888)
Badwill		0	175
		33,477	19,803
Operating profit			
Share of profit/loss of affiliated companies		63	(245)
Investment revenues		328	301
Other gains and losses		4	3
Financial expenses		(807)	(1,251)
Revenues and expenses on currency exchanges		360	928
		33,425	19,539
Pre-tax income			
Taxes for the period	8	(14,046)	(6,560)
Result for the period from continuing operations		19,379	12,979
		19,379	12,979
Result of the period			
Attributable to:			
Equity holders of the parent		19,585	12,928
Minority interest		(206)	51
		19,379	12,979
Earnings per share			
Basic (€/cents)	9	71.50	47.61
Diluted (€/cents)	9	71.50	47.61

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	NOTES	As at 30 June 2007	As at 31 December 2006
		€ '000	€ '000
ASSETS			
Non-current assets			
Buildings, plants and machinery	11	44,822	40,133
Industrial equipment and other tangible assets	11	8,471	9,569
Real estate investments		2,132	2,524
Goodwill	12	20,393	18,539
Other intangible assets	12	20,638	16,645
Investments in affiliated companies		5	38
Deferred tax assets		10,148	8,874
Other financial assets and non-current receivables		1,725	1,516
		<u>108,334</u>	<u>97,838</u>
Current assets			
Inventories	13	115,557	88,182
Trade receivables		106,174	113,153
Receivables from affiliated and parent companies	19	1,948	1,873
Other receivables		10,056	11,566
Derivative financial instruments		87	824
Cash and cash equivalents		35,705	36,102
		<u>269,527</u>	<u>251,700</u>
Total assets		<u>377,861</u>	<u>349,538</u>

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	NOTES	As at 30 June 2007	As at 31 December 2006
		€ '000	€ '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	27,393	27,393
Capital reserves		36,202	36,202
Revaluation reserves		102	0
Hedging and translation reserves	15	(1,082)	(1,633)
Retained earnings	16	61,961	40,022
Result of the period		19,585	32,239
Equity attributable to equity holders of the parent		144,161	134,223
Minority interest		246	320
Total equity		144,407	134,543
Non-current liabilities			
Retirement benefit obligation		14,055	15,929
Deferred tax liabilities		8,818	8,040
Bank loans		524	642
Obligations under finance leases		10,550	8,217
Provisions for risks and charge		1,778	1,859
		35,725	34,687
Current liabilities			
Trade payables		131,331	113,679
Payables to affiliated and parent companies	19	24,605	15,089
Other payables		23,624	25,187
Current tax liabilities		5,531	8,462
Obligations under finance leases		2,554	2,336
Bank overdrafts and loans		3,655	10,786
Provisions for risks and charge		6,150	4,769
Derivative financial instruments		279	0
		197,729	180,308
Total liabilities		233,454	214,995
Total equity and liabilities		377,861	349,538

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

	NOTES	06/30/2007	06/30/2006
		€ '000	€ '000
= NET CASH FLOW FROM (FOR) ORDINARY ACTIVITIES		32,989	27,563
- Purchase of intangible assets		(3,044)	(1,901)
+ Transfer of intangible assets		0	0
- Purchase of tangible fixed assets		(5,080)	(2,796)
+ Transfer of tangible fixed assets		391	105
Acquisition of associated quotes	7	(7,658)	96
Acquisition of associated quotes in Bre.Ma. Brenna Macchine S.r.l.		(2,805)	0
+/- Purchase/transfer of other shareholdings and securities		(118)	(40)
+/- Increase/decrease of receivables		(54)	25
		(18,368)	(4,512)
= NET CASH FLOW FROM (FOR) INVESTING ACTIVITIES		(18,368)	(4,512)
+/- Increase/decrease financial receivables		(118)	0
+ Opening /repayment of medium/long-term bank loans		0	(11,296)
+/- Increase/decrease bank borrowings		(7,132)	0
Increase/decrease of payables to others		1,566	(1,100)
- Payments on dividends		(9,861)	(1,580)
+ Capital increase		0	(4,931)
+ Transfer of own shares		0	3,574
		(15,545)	(15,333)
= NET CASH FLOW FROM (FOR) FINANCING ACTIVITIES		(15,545)	(15,333)
= NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(924)	7,717
CASH AND CASH EQUIVALENT AT PERIOD START		36,102	31,210
+/- Effect of exchange rate changes		510	(256)
+ CASH AND CASH EQUIVALENT AT PERIOD END		35,688	38,672
Cash and cash equivalent		35,688	38,672

SCHEDULE OF MOVEMENTS IN THE SHAREHOLDERS' EQUITY

	Notes	Share Capital	- Own shares	Capital reserves	Revaluation reserves	Hedging and translation reserves	Other reserves	Profit for the period	Equity attributable to equity holders of the parent	Minority interest	Total
At 31 december 2005		27,393	(2,453)	36,202	0	(1,225)	29,446	15,931	105,293	343	105,636
Destination of the result of the financial year											
- Dividends	10						(4,931)		(4,931)		(4,931)
- Other destinations							15,931	(15,931)	0		0
Economic items entered in equity											
- Own shares net movements							4,608		4,608		4,608
- Hedging reserve adjustment						69			69		69
- Translation difference						(698)			(698)		(698)
Other variations											
- Dividends	10								0		0
- Own shares net movements			2,453						2,453		2,453
- Hedging reserve adjustment									0		0
- Other movements							33		33	(46)	(13)
Result of the period								12,928	12,928	51	12,979
- At 30 june 2006		27,393	0	36,202	0	(1,854)	45,087	12,928	119,755	348	120,103
At 31 december 2006		27,393	0	36,202	0	(1,633)	40,022	32,239	134,223	320	134,543
Destination of the result of the financial year											
- Dividends	10							(9,861)	(9,861)		(9,861)
- Other destinations							550	21,828	(22,378)	0	0
Economic items entered in equity											
- Own shares net movements									0		0
- Hedging reserve adjustment					102				102		102
- Translation difference						1	112		113		113
Other variations											
- Own shares net movements									0		0
- Hedging reserve adjustment									0		0
- Other movements									0	148	148
Result of the period								19,585	19,585	(207)	19,378
- At 30 june 2007		27,393	0	36,202	102	(1,082)	61,962	19,585	144,162	261	144,423

**EXPLANATORY NOTES
AS AT 30 JUNE 2007**

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2007

1. GENERAL

Biesse S.p.A. is a company incorporated under Italian law, based in Pesaro. The company is listed on the STAR segment of the Milan Stock Exchange.

The financial statements at 30 June 2007 include the financial statements of Biesse S.p.A. and the subsidiaries it directly or indirectly controls (hereinafter the "Group") and the value of its equity investments in associated companies.

The financial statements at 30 June 2007, including Appendix A, relative to the statements of the Parent Company Biesse S.p.A., have been approved today (20 September 2007) by the Board of Directors.

Companies included in consolidation on a line-by-line basis

Name and office	Currency	Capital Stock	Direct control	Indirect control	Through	Biesse Group
<i>Parent company</i>						
Biesse S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
<i>Italian subsidiaries:</i>						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,000,000	100%			100%
MC S.r.l. Via Mario Ricci, 12 Pesaro	Euro	101,490	51%			51%
Cabi S.r.l. P.le Mario Coralloni, 11 Loc. Selva Grossa (PU)	Euro	40,000	100%			100%
Sandymac S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	50,000	80%			80%
Biesse Corporate School S.c.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,920	75.83%	15.01%	HSD S.p.a	90.84%
I.S.P. Systems S.r.l. Via F.lli Rosselli 46 Pesaro	Euro	14,000	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, snc Alzate Brianza (CO)	Euro	70,000	60%			60%

Name and office	Currency	Capital Stock	Direct control	Indirect control	Through	Biesse Group
MC Meccanica S.r.l. Via Liguria, 15 Sant'Angelo in Lizzola (PU)	Euro	30,000		51%	MC S.r.l.	26.01%
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US \$	1,000,000	100%			100%
Biesse Canada Inc. 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN \$	180,000	100%			100%
Intermac Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US \$	500,000		100%	Biesse America Inc.	100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. - Singapore	S \$	2,655,000	100%			100%
Biesse Group UK Ltd. Lampton Drive – Daventry Northampt. – Gran Bretagna	£ STG	1,000	100%			100%
Biesse Groupe France Sarl Parc d'Affaires de la Vallée de l'Ozon – Chapotin – Chaponnay – Francia	Euro	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 – Elchingen (Ulm) – Germania	Euro	1,432,600	100%			100%
Biesservice Scandinavia AB Maskinvagen 1 – Lindas – Svezia	SKR	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. C/Montserrat Roig, 9 - Barcellona – Spagna	Euro	1,033,741	100%			100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park – Australia	Aud	5,046,547	100%			100%
Biesse Group New Zealand Ltd. UNIT 7/519– Rosebank Avondale Auckland – New Zealand	Nzd	334,262	100%			100%
Hsd Usa Inc. 3764 SW 30 th Avenue – Hollywood, Florida – Usa	Usd	10,000		100%	Hsd S.p.A.	100%
Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona – Spagna	Euro	60,102	100%			100%
Biesse Manufacturing Co. Pvt. Ltd. #63, 1st Main, 2nd Stage, Yeshwantpur Indl. Suburb Bangalore -India	Inr	21,404,000	100%			100%
Sel Realty Inc. 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN \$	100	100%			100%
Bi. Fin. UK Ltd. Lampton drive – Daventry Northampt. – Gran Bretagna	£ STG	600,000	100%			100%
Bifin Ltd. 233, Peachtree St., NE – Harris Tower – Atlanta, GA 30303 (Usa)	Usd	10,000		100%	Biesse America Inc.	100%

List of equity investments in associated companies, accounted for with the equity method

Name and office	Currency	Capital Stock	Direct control	Indirect control	Through	Biesse Group
HSD Deutschland GmbH Immenreich 6, Gingen, Fils – Germania	Euro	25,000		50%	Hsd S.p.A.	50%

2. REFERENCE DATA AND PRINCIPLES OF CONSOLIDATION AND CONVERSION

The financial statements at 30 June, prepared in condensed form as provided from IAS 34, comprise mandatory consolidated statements (the balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement) and accompanying notes.

Carrying values are in thousands of euro.

Accounting policies conform to those adopted for the financial statements at 31/12/2006, to which reference is made. In addition, the following should be noted:

- the interim statements have been prepared according to the criterion of the separation of periods, on the basis of which the reference period is considered as an independent accounting period: the interim income statement therefore reflects the economic components of the period in compliance with the principle of accrual;
- the accounts on which consolidation is based have been prepared by subsidiaries with reference to 30/06/2007 and adjusted, where necessary, to take into consideration the Group's accounting policies;
- no estimated data of a significant amount are included in these financial statements.

It should be noted that following the changes in the regulation in the matter of post-employment benefit plan ("TFR") provided for in Italian Law No. 296 of 27 December (the "2007 Budget Law") and the subsequent implementation Decrees and Regulations, the accounting criteria applied to post-employment amounts accrued at 31 December 2006 and those to be accrued from 1 January 2007 were accordingly modified starting from the fiscal year of reference in compliance with IAS 19 and the interpretations given by the Italian national competent technical committees last July.

Following to the changes introduced through the Reform of the complementary social security funds provided for in the afore mentioned Decree, the amounts relative to the post-employment benefit plan accrued until 31 December 2006 will continue to be kept by the company in a specifically defined benefit plan (with an obligation for the already accrued benefits to be subject to actuarial valuation), while the amounts accrued from 1 January 2007, based on the choice of the employee in the period, will be allocated to complementary social security plans or transferred by the company to a treasury fund

directly managed by the Italian National Social Security Institute (INPS) starting from the moment in which an employee makes the choice, as defined contribution plans (which are no longer subject to actuarial valuation).

As a result of the newly enforced regulations, it was necessary to re-calculate the amount of the liability accrued at 31 December 2006 in order to adjust the actuarial valuation model previously implemented (projected unit credit method) to determine the amount due by the company according to the new actuarial method (a revaluation rate, specifically set by law for this balance sheet item, replaces the salary increase projections). Due to the fact that this liability has totally come to maturity, the new method does not take anymore into account the pro-rata service provided by the employee on the entire expected employment period. In accordance with the provisions set forth in paragraph 109 of IAS 19, such re-calculation implied a curtailment of a non recurrent proceed entered to reduce personnel.

It should also be noted that the financial and equity changes generated as a result of the application of the new method were entered in the Group's income statement starting from the second quarter of the fiscal year under investigation, given the uncertain interpretation framework of the new regulation and the impossibility of assessing the impact of employee decisions at the end of the first quarter.

Average exchange rates and exchange rates at the end of the period are as follows:

Currency	30 June 2007		31 December 2006		30 June 2006	
	Average	Final	Average	Final	Average	Final
US Dollar / Euro	1.3291	1.3505	1.2556	1.3170	1.2296	1.2713
Singapore Dollar / Euro	2.0314	2.0664	1.9941	2.0202	1.9773	2.0137
Canadian Dollar / Euro	1.5078	1.4245	1.4237	1.5281	1.3999	1.4132
Pound Sterling / Euro	0.6746	0.6740	0.6817	0.6715	0.6870	0.6921
Swedish Crown / Euro	9.2228	9.2525	9.2544	9.0404	9.3259	9.2385
Brazilian Real / Euro	-	-	2.7331	2.8133	2.6965	2.7575
Australian Dollar / Euro	1.6446	1.5885	1.6668	1.6691	1.6549	1.7117
New Zealand Dollar / Euro	1.8517	1.7502	1.9373	1.8725	1.9126	2.0864
Indian Rupee / Euro	56.7239	55.0153	56.9098	58.2975	55.2594	58.5514

3. VALUATION CHOICES AND USE OF ESTIMATES

The preparation of the financial statements and relative notes pursuant to IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used to evaluate tangible and intangible assets *tested for impairment*, as described above, as well as to determine the useful life of tangible fixed assets, provisions for bad debts, obsolete inventories, impairment of assets, employee benefits, taxes and allocations to provisions for liabilities and charges.

The estimates and assumptions, based on data that reflect current available knowledge, are reviewed periodically and the effects of any changes are immediately entered in the income statement.

With reference to the 60% acquisition of the company Bre.Ma. Brenna Macchine S.r.l., occurred during 2006, the agreement includes a Put option in favour of the sellers, relative to the remaining 40% of share capital of the company. As provided for by IFRS 3 and as recommended by best practices, the option has been accounted for along with the acquisition agreement of the majority holding in the company, anticipating the effects of a possible accounting period from as early on as the 2006 financial statements (first year of consolidation of the company); to this end, a liability equal to the current value of the liability expected at the date of the possible accounting period has been entered in the financial statements, and, after entering the relevant portion as a reversal of equity attributable to minority interest, the remaining portion has been entered as greater goodwill. Changes to the value of liabilities expected at the date of the accounting period of the option have been treated as cost adjustments of a business combination subject to future events with a consequent adjustment to the goodwill entered in the financial statements.

The fundamental assumptions made concerning the future and other causes of uncertainty in making estimates at the reference date of the financial statements, which may lead to significant adjustments to the book values of assets and liabilities within the following year mainly refer to the possible impairment loss of goodwill recorded in the financial statements.

At 30 June 2007 the book value of goodwill was equal to EUR 20.4 million. Goodwill was tested in an annual *impairment* test, with reference to 31 December 2006, while at 30 June 2007, the existence of events or other circumstances such as to indicate potential impairment losses (the so-called "*impairment indicators*") was verified; no *impairment* indicators came to light from the analysis.

4. ANALYSIS BY BUSINESS SEGMENT AND GEOGRAPHIC SECTOR

ANALYSIS BY BUSINESS SEGMENT

For the purposes of management control, the Group is organised at present into four operating divisions – Wood, Glass & Marble, Mechatronics, Other. These divisions form the basis on which the Group discloses sector information according to a main format.

Key activities are as follows:

Wood - manufacture and distribution of panel processing machines and systems,

Glass & Marble - manufacture and distribution of glass and marble processing machines,

Mechatronics - manufacture and distribution of mechanical and electronic components for industry,

Other - manufacture and distribution of tools and components and other peripheral precision

manufacturing processes.

The following information is given on these sectors of activity:

€ '000	Revenues		Operating result	
	1 st half-year 2007	1 st half-year 2006	1 st half-year 2007	1 st half-year 2006
Wood	170,265	126,954	25,646	14,350
Glass & Marble	38,116	32,516	5,104	3,700
Mechatronics	25,428	21,613	4,397	3,967
Other	25,365	17,196	2,742	1,673
(Interdivisional eliminations)	(32,582)	(21,532)	-	-
	226,592	176,747	37,889	23,690
Non-allocated corporate costs			(4,412)	(3,887)
Operating result			33,477	19,803

As already discussed in the report on operations, sales increased significantly in the first half of 2007 (+28.2%), with a strong surge in profits too, related to the "operating lever" effect (operating profit + 69% approximately). The increase in revenues was particularly positive for the Wood Division (+34.1%), while the other divisions were basically in line with average growth trends of the reference sectors. Analysis of operating income points to an excellent performance in the Wood Division (+ 78%), while the other segments consolidated the good results achieved in the previous half-year period.

As regards the geographic distribution of sales, driving increases in orders were reported from the European Community and Eastern Europe in the first half of 2007, while the important North American market remained steady, despite the penalizing exchange rate and the debatable health of the U.S. economy. Performance in Asia and the Pacific was good, while an exceptional performance was reported by South America, Turkey and the Middle East.

Following the industrial reorganisation of the Mechatronics Division, operations of the company Cabi S.r.l. were made a part of this division as from 2007 (they were previously a part of the Others division). A pro-forma version of results from the first half of 2006 has been prepared, in order to make the two periods comparable.

ANALYSIS BY GEOGRAPHIC SECTOR

€ '000	Revenues			
	1 st half-year 2007	%	1 st half-year 2006	%
Western Europe	112,809	49.8%	90,271	51.1%
North America	32,823	14.5%	31,083	17.6%
Eastern Europe	43,414	19.2%	25,765	14.6%
Oceania	12,719	5.6%	11,388	6.4%
Asia	11,678	5.1%	10,392	5.9%
Rest of the World	13,149	5.8%	7,848	4.4%
Group Total	226,592	100.0%	176,747	100.0%

5. SEASONALITY

The business sectors in which the Biesse Group operates are affected by a relative seasonality, as demand for machine tools is usually concentrated in the second half of the year (and particularly in the last quarter). This is related to the purchasing habits of end clients, considerably influenced by expectations of policies to boost investments, as well as expectations of the economic trend of reference markets.

The above is also compounded by the particular structure of the Group, whose overseas branches (USA, Canada, Australia) account for approximately one fifth of total turnover. In view of the time needed to deliver machine tools to these markets, and the fact that end users are particularly concerned about prompt deliveries against purchase orders, these branches are forced to restock in the first half of the year for end-of-year sales.

This seasonality has an impact on financial balances, causing an increase in stock levels and trade receivables (related to higher sales at the end of the year), and consequently an increase in net working capital, leading to a higher absorption of Group liquidity. On the other hand, trade payables are subject to less fluctuation, as production is distributed fairly uniformly throughout the year.

6. NON-RECURRENT SIGNIFICANT EVENTS AND OPERATIONS

The Personnel expenses are positively affected from a non-recurrent event, referable to the changes in the regulation in the matter of post-employment benefit plan ("TFR") provided for in Italian Law No. 296 of 27 December (the "2007 Budget Law") and the subsequent implementation Decrees and Regulations. As already stated in the section containing the principles of consolidation, the amounts relative to the post-employment benefit plan accrued until 31 December 2006 will continue to be kept by the company in a specifically defined benefit plan (with an obligation for the already accrued benefits to be subject to actuarial valuation), while the amounts accrued from 1 January 2007, based on the choice of the employee in the period, will be allocated to complementary social security plans or transferred by the company to a treasury fund directly managed by the Italian National Social Security Institute (INPS) starting from the moment in which an employee makes the choice, as defined contribution plans (which are no longer subject to actuarial valuation).

it was necessary to re-calculate the amount of the liability accrued at 31 December 2006, equal to EUR 15,9 million, in order to adjust the actuarial valuation model previously implemented (projected unit credit method) to determine the amount due by the company according to the new actuarial method (a revaluation rate, specifically set by law for this balance sheet item, replaces the salary increase projections). Due to the fact that this liability has totally come to maturity, the new method does not take anymore into account the pro-rata service provided by the employee on the entire expected employment

period. Such re-calculation implied a curtailment of a non recurrent proceed entered to reduce personnel for EUR 1.6 million.

7. ACQUISITION OF SUBSIDIARIES

During the first semester the Group made the acquisition of two branches of activity, through new companies. The effects of the acquisitions are described below, signalling that the allocations of the fair value of the branches has made on a provisional way, in the respect of the principle IFRS 3, due to the relatively recent date of acquisition.

On 7 February 2007, the subsidiary Biesse America Inc. established the company Intermac, Inc. On 2 April 2007 the new company took over the “distribution and service” branch of AGM Glass Machinery Inc, a distributor of the Intermac brand (stone and glass processing machines and systems) in the States for 20 years.

The transaction has been accounted for on a *purchase method* basis.

The values of net assets acquired (converted into euro at the exchange rate in effect at the end of the period) are given below:

€ '000	Acquiree's carrying amount before combination	IAS adjustments	Fair value
Net assets acquired			
Non compete agreement	0	2,221	2,221
Inventories	3,684	0	3,684
Trade receivables	1,740	0	1,740
Trade payables	(2,611)	0	(2,611)
- Partnership owned (100%)			5,034
- Goodwill			1,777
Acquisition price – totally paid			6,811
			6,811
Net cash inflow arising on acquisition:			
Cash consideration paid			(6,811)
Cash and cash equivalents acquired			0
			(6,811)

During the period between the incorporation date and the closing date of the interim consolidated financial statement, Intermac Inc. contributed to the income statement of the Group with revenues totalling € 3,9 thousand and net losses after tax estimated at € 567 thousand.

On 8 June 2007, the subsidiary MC S.r.l. acquired 51% of the company MC Meccanica S.r.l. The company branch of an existing small business, operating in the sector of mechanical precision processing for third parties, was transferred to this newly established company.

The values of net assets are given below:

€ '000	Acquiree's carrying amount before combination	IAS adjustments	Fair value
Net assets acquired			
Equipments and other tangible assets	33	471	504
Intangible assets	9	0	9
Inventories	7	0	7
Trade receivables	311	0	311
Other receivables	220	(6)	214
Cash and cash equivalent	1	0	1
Retirement benefit obligation	(61)	0	(61)
Trade payables	(53)	0	(53)
Deferred tax liabilities	0	(18)	(18)
Other payables	(209)	0	(209)
Financial debts	0	(423)	(423)
			<u>281</u>
Partnership owned (51%)			143
Other intangible assets			707
Acquisition price			<u>850</u>
Consisting of:			
Cash			425
Payables			<u>425</u>
			850
Net cash inflow arising on acquisition			
Cash consideration paid			(425)
Cash and cash equivalents acquired			<u>(422)</u>
			(847)

If the acquisition had taken place at the start of the 2007 financial year, total revenues of the Group would have amounted to EUR 226,673 thousand and net income would have amounted to EUR 19,355 thousand.

MC Meccanica S.r.l., from the constitution to the closing of the first half report, has contributed to the Group's income statement with revenues amounted to EUR 158 thousand and an estimated result of the period equal to EUR 50 thousand.

8. TAXES

National taxes (IRES - corporate income state) are calculated at 33 per cent (the same as 2005) on taxable income of the year regarding the Parent Company and Italian subsidiaries. Taxes for other countries are calculated according to local tax rates in force. In order to estimate taxes for the period, the tax rate for final expected results has been adopted to calculate tax on interim profit.

9. EARNINGS PER SHARE (EPS)

Basic earnings per share at 30 June 2007 amounted to 71.50 euro/cent (47.61 in 2006), calculated by dividing the profit attributable to Parent Company shareholders, equal to EUR 19,585 thousand (EUR 12,928 thousand in 2006), by the weighted average of ordinary shares in circulation during the period, corresponding to 27,393,042 (27,155,366 in 2006). As there are no dilution effects, the same calculation is also applicable to determine diluted earnings. Tables are given below:

Profit attributable to Parent Company shareholders

€ '000	2 nd quarter		period ending	
	2007	2006	06/30/2007	06/30/2006
Basic profit for the period	13,425	8,908	19,585	12,928
Dilutory effects on the profit for the period	0	0	0	0
Diluted profit for the period	13,425	8,908	19,585	12,928

Weighted average of ordinary shares in circulation

in thousands of shares

	2 nd quarter		period ending	
	2007	2006	06/30/2007	06/30/2006
Weighted average number of ordinary shares used to determine the profit per basic share	27,393	27,393	27,393	27,393
Own shares effect	0	0	0	(238)
Weighted average of ordinary shares in circulation – for calculating the basic profit	27,393	27,393	27,393	27,155
Dilutory effects	0	0	0	0
Weighted average of ordinary shares in circulation – for calculating the diluted profit	27,393	27,393	27,393	27,155

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

10. DIVIDENDS

On 10 May 2007 the Parent Company paid shareholders a dividend of 36 eurocents per share (total dividends equal to EUR 9.9 million). In the first half of 2006 an ordinary dividend of 18 eurocents per

share was paid out (for a total of EUR 4.9 million), in addition to an extraordinary dividend at the end of the year amounting to 18 eurocents per share (total 4.9 million).

11. PROPERTY, PLANT, EQUIPMENT AND OTHER TANGIBLE FIXED ASSETS

In addition to increases arising from the consolidation of MC Meccanica S.r.l. (approximately EUR 800 thousand relative to industrial equipment), investments were made during the reference period amounting to approximately EUR 6 million. Besides the component relating to the normal replacement of work equipment required for ordinary production activities, investments were also used for the construction and completion of new production sites of the subsidiary Biesse Manufacturing Co. Pvt. Ltd. (EUR 297 thousand, located in Bangalore, India) and the Parent Company Biesse S.p.A. (EUR 310 thousand, relative to the site for production of the Artech brand) respectively.

Investments in new equipment for mechanical precision processing were considerable, amounting to approximately EUR 1.6 million, thus enabling productivity at the Cosmec site to be improved.

Lastly, as already discussed in the report on operations, during the period building work began for the new offices of the French branch (investments at the reference date equal to EUR 375 thousand).

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Following consolidation of the newly established Intermac Inc., goodwill increased by EUR 1,777 thousand, while other intangible assets increased by EUR 2,221 thousand, in addition to EUR 707 thousand, arising from the consolidation of MC Meccanica S.r.l.. The latter value has been provisionally reclassified under goodwill and other intangible assets, while the fair value is being determined and allocated more precisely, and in fact to date, the fair value is still being verified in compliance with IFRS 3, as consolidation took place recently.

Other intangible assets include investments for development activities, amounting to EUR 6,990. In the reference period, operations for the design of new products continued, involving new investments of EUR 2,259 thousand (EUR 1,745 thousand in 2006).

13. INVENTORY

Due to obsolete inventories of raw materials and finished goods, a net impairment loss of EUR 606 thousand was recorded in the income statement.

14. SHARE CAPITAL

The share capital of the Parent Company Biesse S.p.A. comprises 27,393,042 shares of a par value of EUR 1.

At the date of approval of this interim report, the Group did not possess own shares.

15. HEDGING AND TRANSLATION RESERVES

The carrying value is broken down as follows:

€ '000	06/30/2007	12/31/2006
Hedging reserve	0	0
Translation reserve	1,082	1,633
Total	1,082	1,633

16. PROFIT CARRIED FORWARD

The carrying value is broken down as follows:

€ '000	06/30/2007	12/31/2006
Legal Reserve	5,479	4,723
Extraordinary reserve	17,618	17,618
Retained earnings	38,864	17,681
	61,961	40,022

17. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments

On 10 September 2007, a new agreement was signed between Biesse S.p.A. and the minority shareholder Sandymac S.r.l., for the acquisition of remaining portions of share capital of the subsidiary. The new agreement replace the previous one, that acknowledged a Call option in favour of Biesse S.p.A. and a Put option in favour of the minority shareholder for the acquisition of remaining portions of share capital of the subsidiary. The option could be taken up within sixty days from the approval of the balance sheet of Sandymac S.r.l. at 12/31/2008, expiration date of the agreement.

On the basis of the new agreement, the Parent Company acquired 20% of the company for EUR 200,000 (fully paid up). As provided for in the previous agreement, the other party was paid the sum of EUR 100,000 for a non-competition agreement, valid for 2008, 2009 and 2010.

As concerns the agreement signed for the acquisition of the majority holding in Bre.Ma. Brenna Macchine S.r.l., a Put option was issued by Biesse S.p.a. in favour of the sellers for the remaining portions of share capital of the subsidiary. The option may be exercised after three and no more than five years from the date the agreement was signed. The effects of exercising the option have already been accounted for in these financial statements, according to the procedures described in note 3.

At June 30, 2007 the purchase commitments regarding new commercial and production buildings results considerable. In particular, we notice:

- the Biesse S.p.A purchase commitment regarding a factory, placed in Italy (Secchiano/Novafeltria, PU); in August Biesse S.p.A. acquired the asset for a value of EUR 2.450 million. Biesse S.p.A. undersigned also a purchase agreement for a new working machinery for mechanical precision machining (EUR 900 thousand);
- the Bifin Ltd. purchase commitment regarding the new commercial building that will play host to Biesse America Inc. and Intermac Inc. (in replacement of the previous ones); at the end of June 2007, it has been undersigned a preliminary purchase agreement for the land (subject to suspension clause connected to geological study) for about USD 650 thousand;
- Biesse Groupe France Sarl construction commitment regarding the new commercial building, where the activity will be moved, for EUR 1.4 million;
- Biesse Manufacturing Co. Pvt. Ltd. construction commitment for the new operating premises, for about 100 million rupees (about EUR 1.9 million).

Lastly, buy-back commitments for EUR 998 thousand, in favour of leasing companies, have been signed, in the event of default by some Italian clients.

Contingent liabilities

With reference to the Preliminary Part of the Notification issued on 21 October 2005 by the Regional Tax Authority of Ancona to Biesse S.p.A., concerning the 2003 financial year, no further developments have taken place in addition to information already disclosed in the previous financial statements. As concerns the assessment relating to the alleged non-deductibility of the write-down of the Schelling holding, calculated to be EUR 45,118 thousand, which would potentially reduce the tax relevant loss of 2003, subsequently used in part to offset profit from 2004, 2005 and 2006, it should be noted that Law Decree 273 of 30.12.2005, article 31, sub-section 1, converted into Law 51 of 23.2.2006 and published in the Gazzetta Ufficiale no.49 of 28.02.2006 has provided for an extension of terms for disclosing information, as of article 1, sub-section 4 of Law Decree 209/72.

In compliance with this provision, despite considering that an obligation does not exist, information was filed, the alleged omission of which led to the assessment. It is reasonably believed however that evaluation of the risk of losing the claim, already considered "remote" on the basis of technical and legal opinions from a leading Tax Advisory Company, is further backed up by the legal provision extending the terms for obligations to disclose information.

Guarantees furnished and received

With reference to guarantees furnished, the Group has issued sureties equal to EUR 6,685 thousand.

The most significant items concern guarantees furnished in favour of the Local Authorities of Pesaro, relative to costs for urbanisation works on buildings located in the municipality of Pesaro (EUR 1,468 thousand), sureties issued in favour of the subsidiaries Biesse Group France Sarl (EUR 1,450 thousand) for the future construction of a building and to Biesse Group Australia Pty Ltd. (EUR 629 thousand) for credit line hedging.

As concerns guarantees received, the contract for the sale of the property at San Giovanni in Marignano, signed during December 2006, includes a property reserve clause pursuant to article 1523 and subsequent of the Civil Code, giving the Parent Company the right to buy back the portion of building, designated for office use, in the event the other party fails to pay the agreed on price. At the close of the financial statements, the amount still not collected relative to the sale amounted to approximately EUR 1.3 million.

18. SUBSEQUENT EVENTS

As concerns events subsequent to the date of the financial statements, reference is made to the relative note in the Report on Operations.

19. OPERATIONS WITH RELATED PARTIES

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

Operations between Biesse S.p.A. and its subsidiaries, that are related parties of the Parent Company, have been eliminated in the consolidated financial statements and not indicated in these notes. Details of operations between the Group and other related parties are set out below.

Operations of a commercial nature

During the year, group companies were involved in the following operations of a commercial nature with related parties, excluded from the scope of consolidation.

€ '000	Revenues		Costs	
	Period ending 06/30/2007	Period ending 06/30/2006	Period ending 06/30/2007	Period ending 06/30/2006
Parent companies				
Bi. Fin. S.r.l.	-	-	-	-
Affiliated companies				
I.S.P. Systems S.r.l.*	-	127	-	608
HSD Deutschland GmbH	1,753	753	1	2
	1,753	753	1	2

	Crediti		Debiti	
	Period ending 06/30/2007	Period ending 12/31/2006	Period ending 06/30/2007	Period ending 12/31/2006
Other related companies				
Fincobi S.r.l.	-	1	-	5
	-	1	-	5
€ '000				
Parent companies				
Bi. Fin. S.r.l.	765	1,387	24,605	15,040
Affiliated companies				
I.S.P. Systems S.r.l.*	-	-	-	-
HSD Deutschland GmbH	1,183	486	1	49
	1,183	486	1	49
Other related companies				
Fincobi S.r.l.	-	1	-	3
	-	4	-	3

* Company consolidated from June 22, 2006, date of the acquisition of the entire capital from Biesse S.p.A.

Contract terms with the aforesaid related parties do not differ from terms which in theory may be negotiated with third parties.

The controlling company Bi.Fin. S.r.l. has chosen to apply regulations concerning the Consolidated National Tax Return for the 2005/2007 three-year period; the scope of the consolidated national tax return includes, in addition to Bi.Fin., the companies Biesse S.p.A., HSD S.p.A., Cabi S.r.l. and I.S.P. Systems S.r.l. Payables to Bi.Fin. S.r.l. refer to the transfer of sums of corporate income tax advanced and withheld, by the subsidiary I.S.P. Systems S.r.l., while payables are mainly due to the transfer of corporate income tax payable, by the subsidiaries Biesse S.p.A., HSD S.p.A. and Cabi S.r.l.

Relations with HSD Deutschland GmbH are of a commercial nature, as they concern transactions carried out for the sale of assets and/or provision of services.

Payables to related parties are of a commercial nature and refer to transactions carried out for the sale of assets and/or provision of services.

Pesaro, 09/20/2007

APPENDICES

APPENDIX "A"

FINANCIAL STATEMENTS OF THE PARENT COMPANY BIESSE S.p.A.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	For the six months ended	
	06/30/2007	06/30/2006
	€ '000	€ '000
Continuing operations		
Revenues	185,420	145,748
Other operating income	4,712	2,723
Changes in inventories of finished goods and work in progress	8,235	12,429
Raw materials and consumables used	(104,199)	(86,600)
Personnel expenses	(34,828)	(29,818)
- non recurrent revenues	1,374	0
Other operating expenses	(26,573)	(21,617)
Amortisation expense	(3,998)	(4,128)
Accruals to provisions	(1,082)	(1,049)
Impairment loss	0	(370)
Operating profit	29,061	17,318
Share of profit/loss of affiliated companies	0	0
Financial revenues	784	726
Other gains and losses	0	54
Financial expenses	(616)	(1,163)
Dividends	4	0
Revenues and expenses on currency exchanges	(60)	947
Pre-tax income	29,173	17,882
Taxes for the period	(12,466)	(5,437)
Result for the period from continuing operations	16,707	12,445
Result of the period	16,707	12,445
Earnings per share		
Basic (€/cents)	60.99	45.83
Diluted (€/cents)	60.99	45.83

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	As at 30 June 2007	As at 31 December 2006
	€ '000	€ '000
ASSETS		
Non-current assets		
Buildings, plants and machinery	34,258	34,161
Industrial equipment and other tangible assets	4,621	3,910
Goodwill	6,247	6,247
Other intangible assets	12,617	11,252
Investments in affiliated companies	21,375	20,925
Deferred tax assets	5,201	4,637
Other financial assets and non-current receivables	1,644	1,436
	<u>85,963</u>	<u>82,568</u>
Current assets		
Inventories	61,176	51,140
Crediti commerciali	64,082	72,114
Receivables from affiliated and parent companies	54,077	45,190
Trade receivables	5,192	5,028
Other financial receivables from related parties	25,552	22,998
Derivative financial instruments	87	824
Cash and cash equivalents	18,404	15,293
	<u>228,570</u>	<u>212,587</u>
Total assets	<u>314,533</u>	<u>295,155</u>

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	As at 30 June 2007	As at 31 December 2006
	€ '000	€ '000
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	27,393	27,393
- Own shares	0	0
Capital reserves	36,202	36,202
Hedging reserves	652	0
Retained earnings	54,030	36,239
Result of the period	16,707	28,203
Total equity	134,984	128,037
Non-current liabilities		
Retirement benefit obligation	12,178	13,731
Deferred tax liabilities	6,262	5,567
Bank loans	524	642
Obligations under finance leases	7,125	8,217
Provisions for risks and charge	5,763	2,235
	31,852	30,392
Current liabilities		
Trade payables	87,543	78,836
Payables to affiliated and parent companies	38,802	26,221
Other payables	15,727	15,932
Current tax liabilities	2,268	3,299
Bank overdrafts and loans	790	7,488
Obligations under finance leases	2,288	2,137
Provisions for risks and charge	0	2,813
Derivative financial instruments	279	0
	147,697	136,726
Total liabilities	179,549	167,118
Total equity and liabilities	314,533	295,155

AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 PURSUANT TO ART. 81 OF CONSOB REGULATIONS APPROVED WITH RESOLUTION N. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS

To the Shareholders of
BIESSE S.p.A.

1. We have reviewed the accompanying interim consolidated financial statements, consisting of the consolidated balance sheet, income statement, statement of change in equity and cash flow statements (the "accounting schedules") and related explanatory notes which are included in the Interim consolidated financial information of BIESSE S.p.A. (the holding company) for the six-month period ended June 30, 2007. These interim financial information is the responsibility of the Directors of Biesse S.p.A.. Our responsibility is to issue a report on these Interim consolidated financial information based on our review. In addition, we have verified the consistency of the management discussion and analysis with the other data contained in the above Interim consolidated financial information.
2. Our review was carried out in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly Interim consolidated financial information.
3. As far as comparative figures related to the year ended December 31, 2006 and the six-month period ended June 30, 2006 are concerned, reference should be made to our auditors' report dated April 12, 2007 and our auditors' review report dated September 27, 2006, respectively.

4. Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated accounting schedules and related explanatory notes of BIESSE S.p.A., as set forth in paragraph 1 above, in order for them to be in conformity with the International Accounting Standard 34 and the criteria provided by art. 81 of Consob Regulations for the preparation of the half-yearly interim financial information approved with Resolution n° 11971 of May 14, 1999 and subsequent modifications.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
October 1, 2007

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