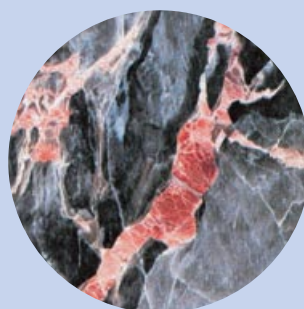
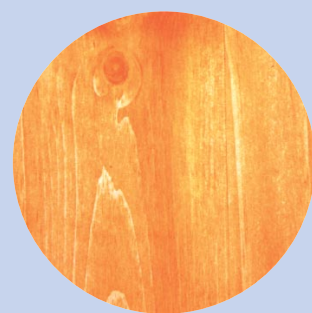


# ANNUAL REPORT 2002





**BIESSE Spa**

Headquarter in Pesaro

Via della Meccanica, 16

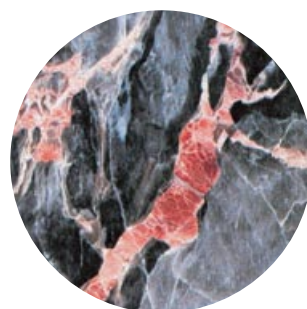
Località Chiusa di Ginestreto

61100 Pesaro - Italy

[www.biesse.it](http://www.biesse.it)

Share Capital Euro 27,393,042

Pesaro Company Register n. 1682



---

## COMPANY OFFICERS OF THE PARENT COMPANY

### ***Board of Directors***

The Board of Directors currently serving is composed of

<b>Giancarlo Selci</b>	Chairman
<b>Anna Gasparucci</b>	Chief Executive Officer
<b>Roberto Selci</b>	Chief Executive Officer
<b>Werner Deuring</b>	Director
<b>Attilio Giampaoli</b>	Director

### ***Board of Statutory Auditors***

The Board of Statutory Auditors currently serving is composed of

<b>Giovanni Ciurlo</b>	Chairman
<b>Adriano Franzoni</b>	Statutory Auditor
<b>Claudio Sanchioni</b>	Statutory Auditor

---

**THE BIESSE GROUP**

- Group Companies page 6
- The Business and Trademarks of the Group Companies page 8

**DIRECTORS' REPORT ON OPERATIONS**

- Report on Operations page 10
- General Economic Context page 12
- Reference Industry page 13
- Research and Development page 13
- Biesse Group Research, Development and Innovation page 13
- Research, Development and Innovation Group Software Coordination page 14
- Personnel Relations page 18
- Corporate Governance page 18
- Relations with Non-consolidated Subsidiaries, Affiliated Companies, Parent Companies and Companies Controlled the Latter page 23
- Relations with Correlated Parties page 24
- Biesse Shares and/or Shares in its Subsidiaries, Held Directly or Indirectly by the Members the Board of Directors, the Board of Statutory Auditors and the General Manager, as well as their Respective Spouses not Legally Separated and by their Underage Children page 24
- Interests of Executives with Respect to the Biesse Group page 25
- Post Balance Sheet Events page 25
- Foreseeable Evolution page 26
- Other Information page 26

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

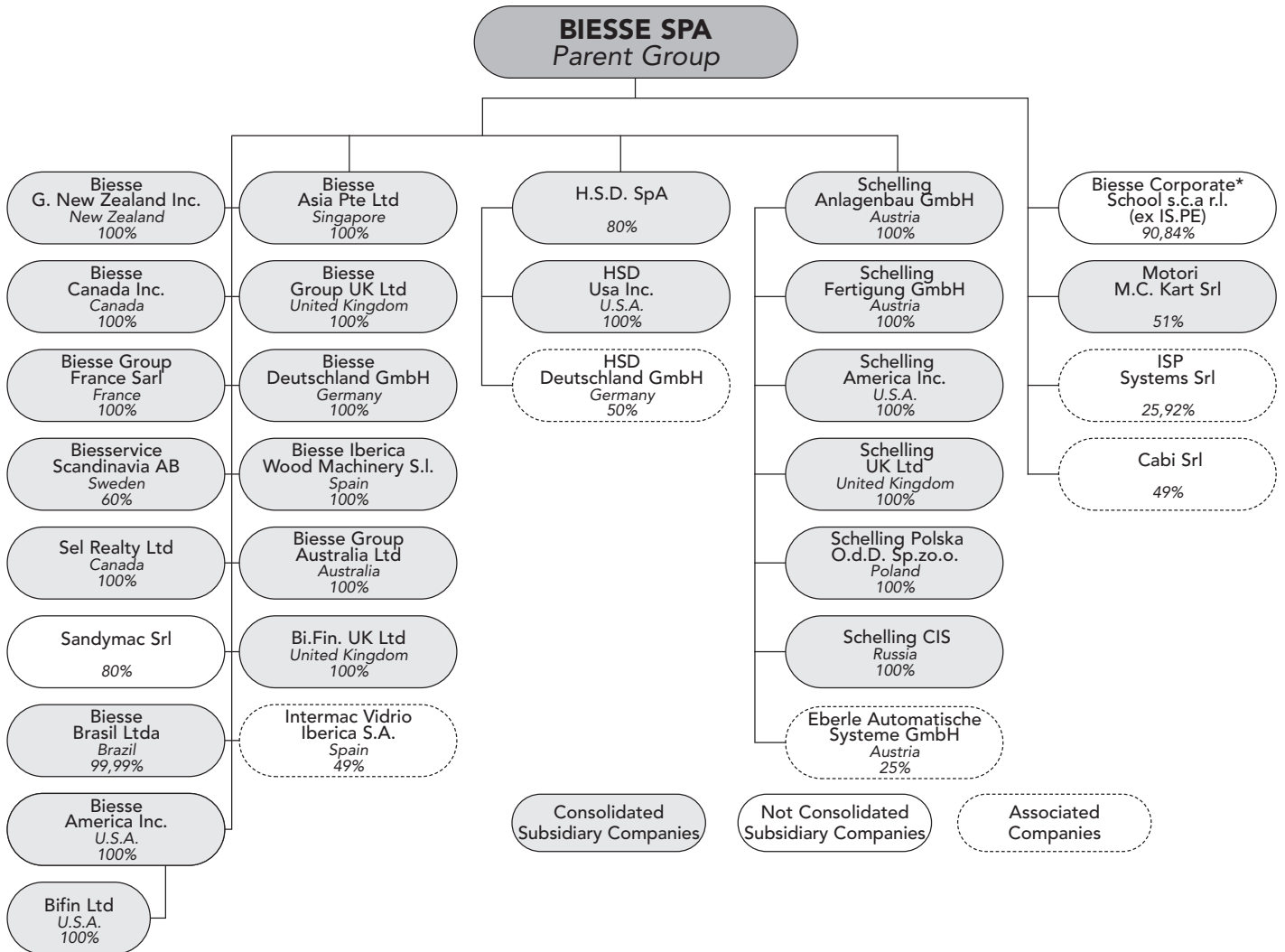
- Consolidated Balance Sheet page 28
- Consolidated Income Statement page 30

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

- General Preparation Criteria page 32
- Consolidation Area page 32
- Assessment Criteria page 35
- Consolidation Principles and Currency Conversion Criteria page 36
- Consolidated Balance Sheet Accounts page 42
- Liabilities and Equity page 52
- Consolidated Income Statement page 60
- Annexes
  - A. Details on the Consolidation Difference page 70
  - B. Consolidated Cash Flow Statement for 2002 page 71
  - C. Independent Auditors' Report page 72

## GROUP COMPANIES

The companies of the Biesse Group included in the consolidation area are listed below:





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

- In financial year 2002 Biesse Group Australia and Biesse Group New Zealand have been consolidated in a line-by-line method; both were established on September 2001 and valued at cost in 2001.
- In financial year 2002 HSD USA Inc., fully owned subsidiary of HSD Spa, have been consolidated in a line-by-line method; it was incorporated in 2001 and then valued at cost.
- on 14 February 2002, the Parent Company Biesse Spa purchased 50% stakes of Mc Kart Srl from the shareholder Giancarlo Selci and another 1% from the other shareholder, thus having majority of 51%; the company is operating in services on a contract basis and manufacturing motors.
- on 3 May 2002, HSD Deutschland GmbH was set up. Its share capital is owned for 50% by HSD Spa and the other 50% is held by a local distributor; the company's purpose is to distribute and to provide after-sales services on the German market for Mechatronic Division products.
- on 28 July 2002, with effects decurring from 1 August 2002 but with fiscal and accounting effects decurring from 1 July 2002, Intermac Spa has been merged into parent company Biesse Spa, as far as it was deliberated by Biesse Spa's General Meeting of Shareholders on 29 April 2002.
- on 30 July 2002, Intermac Spa increased its shareholding in Intermac Vidrio Iberica from 25% up to 49%.
- on 10 September 2002, the Parent Company Biesse Spa purchased 80% stakes of Sandymac Srl, a newly established company involved in designing, manufacturing and selling woodworking machineries.
- on 23 December 2002, Schelling CIS was set up. Its share capital is fully owned by Schelling Anlagenbau GmbH; the company's purpose is to distribute and to provide after-sales services on the eastern Europe markets for Systems Division products.

Shareholdings in controlled companies Biesse Corporate School s.c. a r.l., Sandymac Srl have been valued using the equity method, while shareholding in controlled company Schelling CIS has been valued at cost, given their recent acquisition/incorporation.

Shareholdings in affiliated companies Intermac Vidrio Iberica Sa, Cabi Srl and Eberle GmbH have been valued using the equity method, while shareholding in affiliated companies ISP Systems Srl and HSD Deutschland GmbH have been valued at cost.

### THE BUSINESS AND TRADEMARKS OF GROUP COMPANIES

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

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

*Specifically, the Biesse Group operates using the following trademarks:*

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

---

**DIRECTORS'  
REPORT  
ON OPERATIONS**

*Consolidated  
Financial  
Statements*

## CONSOLIDATED FINANCIAL STATEMENTS

### REPORT ON OPERATIONS

€/1000	31/12/2002	%	31/12/2001	%
Revenues from sales and services	370,733	101.8%	353,760	93.9%
<b>Value of production</b>	<b>364,015</b>	<b>100.0%</b>	<b>376,791</b>	<b>100.0%</b>
Raw material, ancillary, consumable and goods	(159,808)	(43.9%)	(176,466)	(46.8%)
Services	(69,235)	(19.0%)	(71,090)	(18.9%)
Use of third-party assets	(8,562)	(2.4%)	(7,160)	(1.9%)
Other operating expenses	(6,180)	(1.7%)	(6,075)	(1.6%)
<b>Added Value</b>	<b>120,229</b>	<b>33.0%</b>	<b>116,001</b>	<b>30.8%</b>
Personel expenses	(97,973)	(26.9%)	(90,569)	(24.0%)
<b>Gross operating profit</b>	<b>22,256</b>	<b>6.1%</b>	<b>25,432</b>	<b>6.7%</b>
Amortization, depreciation and write-down	(12,499)	(3.4%)	(10,431)	(2.8%)
Provision for risks	(1,744)	(0.5%)	(1,094)	(0.3%)
<b>Operating profit</b>	<b>8,013</b>	<b>2.2%</b>	<b>13,907</b>	<b>3.7%</b>
Financial income and charges	(3,874)	(1.1%)	(4,491)	(1.2%)
Value adjustments of financial assets	(500)	(0.1%)	0	0.0%
Extraordinary income and charges	(5,068)	(1.4%)	(15,408)	(4.1%)
<b>Income before taxation</b>	<b>(1,429)</b>	<b>(0.4%)</b>	<b>(5,993)</b>	<b>(1.6%)</b>
Taxes	(4,334)	(1.2%)	(434)	(0.1%)
<b>Net income/loss for the year</b>	<b>(5,762)</b>	<b>(1.6%)</b>	<b>(6,427)</b>	<b>(1.7%)</b>

The consolidated financial statements as of 31 December 2002 report a € 5,762 thousands loss, net of minority interests, including amortisation and depreciation of € 12,499 thousands and provisions for € 3,744 thousands.

The value of production amounts to € 364,015 thousands, showing a 3.4% decrease compared with the previous year.

The consolidated turnover of € 370,733 thousands, increased by 4.8% compared to the previous year.

Added value has increased from € 116,001 thousands in 2001 to € 120,229 thousands, accounting for 30.8% and 33.0% of the value of production, respectively.

Personnel expenses increased from € 90,569 thousands to € 97,973 thousands, from 24.0% of the value of production in 2001 to the current level of 26.9%.

The gross operating margin decreased from € 25,432 thousands to € 22,256 thousands, down by 12.5% and accounting for 6.7% in 2001 and 6.1% in 2002.

Similarly, the operating result was € 8,013 thousands, down by 42.4% compared with the previous year and accounting for less than last year (2.2% against 3.7%).

The pre-tax loss accounts for € 1,429 thousands, compared with a loss of € 5,993 thousands in 2001; it is primarily due to the provisioning to a restructuring fund for € 2,000 thousands, set up specifically pursuant to the Biesse Spa Board of Directors' resolution on 24 December 2002, for further needs to proceed with streamlining Group operations, and to € 700 thousands related to the official tax remission; readers are reminded that 2001 financial statements were affected by costs related to Stock market listing for € 7,348 thousands, which were entirely charged to 2001 financial period, and by provision to restructuring fund for € 3,553 thousands.

## DIRECTORS' REPORT ON OPERATIONS

€/1000	31/12/2002	31/12/2001	€/1000	31/12/2002	31/12/2001
Fixed assets	128,971	123,876	Equity	131,927	141,512
Current assets	268,889	262,747	Provisions for risks and charges	10,123	9,549
Prepayments and accrued incomes	1,608	1,366	Staff severance indemnity fund	12,931	11,076
			Liabilities	241,845	223,062
			Accrued expense and deferred income	2,643	2,790
<b>Assets</b>	<b>399,468</b>	<b>387,989</b>	<b>Equity and Liabilities</b>	<b>399,468</b>	<b>387,989</b>

€/1000	31/12/2002	30/09/2002	31/12/2001
Liquid assets	36,218	20,356	14,055
Short-term financial liabilities	(2,378)	(2,209)	0
Short-term bank borrowings	(67,263)	(84,834)	(76,952)
<b>Short-term net financial position</b>	<b>(33,424)</b>	<b>(66,687)</b>	<b>(62,897)</b>
Medium- to long-term financial liabilities	(30,716)	(24,063)	0
Medium to long-term bank borrowings	(21,867)	(21,158)	(22,968)
<b>Medium- to long-term net financial position</b>	<b>(52,582)</b>	<b>(45,221)</b>	<b>(22,968)</b>
<b>Total financial position</b>	<b>(86,006)</b>	<b>(111,908)</b>	<b>(85,865)</b>

The net financial position has shifted from € 85,865 thousands in 2001 to € 86,006 thousands this year. The net financial position, substantially unmodified, benefited from the free cash flow generated by the operations, mainly due to reduction of inventories, which compensated the out-flow due to the scheduled investment plan, which amounted to around € 15 million.

The net financial position is almost unmodified, but the balance between short and mid-long term has improved, due to the three sale-and-lease back operations on property buildings, two based in Italy and one based in Austria (readers are reminded that the effects arising from such operations have been reclassified according to International accounting principle IAS 17). These sale and lease back operations have been decided according to the Group plan aiming at re-balancing the net indebtedness; we are still now evaluating the possibility of closing a fourth operation on another building.

	Ebitda	% on	Ebitda	% on	Ebitda	% on
	2002	total	Margin (% on turnover)	2001	total	Margin (% on turnover)
Wood Division	18,575	83%	7.1%	18,325	72%	8.0%
Glass/Stone Division	3,848	17%	6.9%	631	2%	1.0%
Systems Division	(2,333)	(10%)	(5.6)%	3,523	14%	5.4%
Mechatronics Division	2,166	10%	9.3%	3,054	12%	14.0%
<b>Biesse Group</b>	<b>22,256</b>	<b>100%</b>	<b>6.0%</b>	<b>25,432</b>	<b>100%</b>	<b>7.2%</b>

The income of the four divisions shows non homogeneous trends. Wood Division achieved good results, slightly reducing the Ebitda margin, while the Glass/Stone Division showed a good increase, thanks also to the contribution of the newly acquired Diamut business unit (manufacturer of diamond tools).

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

### **GENERAL ECONOMIC CONTEXT**

The world prepares to draw-up the balancesheet of one of the most difficult years for the economy and the uncertainties that dominate the international scenario (the uncertainties geopolitics, those of the labour market and those of real estate) condition the times of the world recovery. In fact, the principal available indicators do not allow to glimpse, at least in the short time, an inversion of tendency. Despite the realization of expansive economic politics to face the economic crisis, the climate of uncertainty in all the markets has compromised the confidence of enterprises and consumers, suggesting so to move forward the return to sustained rates of growth.

It seems the United States have anticipated the resumption in comparison to the European partners thanks to the recovery of the inside demand: in the last quarter the economic superindex of the United States has recorded three consecutive rises, best of the attended ones; unfortunately the most recent indications do not allow to speak of decisive turn toward the phase of expansion yet. The recovery is conditioned from the confidence of the unemployment that compresses the expense to the consumption and, accordingly, the investments.

On the European front, the 2002 rate of growth of the countries of the European Union results clearly inferior to that of 2001. The recent manoeuvres of expansive politics of the BCE will get their effects only beginning from the second semester 2003 and, on the other hand, the good course of the exports has not been enough to stimulate the resumption of the domestic demand that has been weak.

The climate of trust is worsened: both for the enterprises because of the strong appreciation of the unique currency that penalizes the competitiveness both for the consumers because of the international tensions and of not good occupational perspectives.

On the Italian economic scenario the political-military tensions in the Middle East, the consequent effect on the price of the oil that is historically attested to elevated levels in real terms and the appreciation of the European currency that would have contributed to reduce the growth of the Pil have kept on weighing. Besides, the difficulties of the principal commercial partner, Germany, weighs on the short term perspectives of Italy.

The real GDP of Japan is returned to the 1999 levels, burning so in two years the 2000 increase. The industrial production has essentially been directed to satisfy the foreign orders: in fact, in the last months the depreciation of the Yen has kept on sustaining the export that nevertheless suffers of the phase of stalemate of the world demand. The inside demand results instead stagnant yet.

In this picture the group of the virtuosos is represented by the emergent markets of Asia and Europe Center Oriental: in the first ones the growth of the inside demand and the exchanges intra-area have not been mined by the bending of the purses while in the seconds the inside demand and the foreign direct investments have sustained the resumption.

Also for the Biesse Group, the recovery, already started third quarter, has shown decision realizing encouraging results. The company strategy to reach a good efficiency conjugated to the slight resumption of the wood market have allowed to trace a positive trend.

In fact, the optimization of the costs of production and the slimming of the structure of the fixed costs has continued in fact during the whole year, feeding a recovery in the profitability of the Group. On the other hand the actual economic and political context it doesn't allow to formulate too much enthusiastic hypothesis, postponing it to the conclusion of the first half of 2003.

### **REFERENCE INDUSTRY**

As it regards the reference sector, the last quarter underlined good signals of recovery. According to the research conducted by Acimall (Association of Italian manufacturers of woodworking machineries and accessories), orders income showed an increase of 10.8% compared to the same period of the previous year, 70% of which has to be attributed to the foreign orders (that have grown by 12.2%). The domestic market achieved an increase of 7.4%. On the other hand it is important to underline that the comparison with the fourth quarter 2001 appears strongly influenced by the 11 September terrorist attacks therefore heavily depressed. (mestic market orders).

### **RESEARCH AND DEVELOPMENT**

Again in 2002, the company has confirmed its constant commitment to research and development, aimed at providing its customers with products and services in line with the market needs. Within the Biesse Group, the activities of research and development into new products are split between a central R&D function, that is involved in the more innovative topics, common and inter-divisional projects in the entire group and co-ordination activities, and the individual technical management of the production units, which are more operationally involved in the development of new products to launch onto the market in the short to medium term.

The most important projects within these activities are the following:

### **BIESSE GROUP RESEARCH, DEVELOPMENT AND INNOVATION**

- Design activities (family filing) on diverse group machines.
- Innovation activities on the wood boring / drilling product range.
- Co-development of mechanical components and electronics.
- Intermac Master 5 axis range: 5 axis head, tool changer, etc.
- Co-development of the new range of machinery for working marble and glass.
- Study and development of Just in time (high productivity) machines for windows and doors.
- Co-development project for flexible boring.
- Analysis and development of throughfeed in-line machine.

## **RESEARCH, DEVELOPMENT AND INNOVATION GROUP SOFTWARE COORDINATION**

- Development and validation of the new HMI programming for woodworking machinery;

## **RESEARCH, DEVELOPMENT AND INNOVATION - WOOD DIVISION**

### **BIESSE**

#### **1. DESIGN AND DEVELOPMENT OF NEW MACHINERY AND CONTROLS**

##### **1.1 – Machining Centres**

- The design of two new machines has been completed with the objective of implementing the machining centre range into the medium to low market segment.
- For the middle range machining centres, a new version of the working table, named EPS (electronic positioning system) has been introduced.
- A new dust extraction system has been designed for all the boring / drilling machining centres which has the objective of noticeably reducing the chips on the machined panel and eliminating dust as specified by the current norms.
- The edging unit for boring / drilling machining centres has been implemented, which renders more complete the machining of small lots, thereby adding this function to this type of machine.

##### **1.2 – Edgebanders**

- A new machining centre for the application of edges to shaped panels has been designed. The larger working field of this new edgebanding centre meets the objective of maximum flexibility in terms of forms and dimensions.

##### **1.3 – Routers**

- A new compact operating unit was designed for working with 5 axes for the router range of machining centres.
- The new version of the working table, named EPS (electronic positioning system) was introduced.

#### **2 . DEVELOPMENT AND IMPLEMENTATION OF CONTROL HARDWARE/SOFTWARE**

In addition to the support given to these specific projects, the following have also been realised:

- New numerical control with unified architecture and optimised hardware.
- New numerical control for the router series unifying it with the machining centres.

### **SELCO**

- Completion of the first development phase for the new operator interface with the installation of the prototype in the field; more user friendly for the operator, greater productivity and machine interaction, more powerful machine diagnostics.
- Development of software which optimises the work areas unloading.



- Expansion of the performance of the optimiser towards sizing schemes of extra wood.
- Continuation of the new project towards the high range which allows Selco to cover all market segments in panel sizing.
- Completion of the project for the middle range with installation of prototypes in the field.
- Project and production of front loading table which allows for increased productivity on the low range machines.

### **BIESSEEDGE**

- Study, experimentation and optimisation of a series of units) and functional parts including trimming unit, chipping unit, automatic feeding unit, universal milling unit, gluing units and softforming units.
- Study and optimisation of the structural components of the single sided edgebanding range.
- Production of machines (single and double sided) for working edges in aluminium.
- Expansion of the solutions available on all crosswise edgebanders.
- Introduction of a new Numerical Control with open architecture and relative software.

### **POLYMAC**

- Project for a new series of units and functional parts including two finishing units, the loader of thick edges, two edge trimmers, the strip cutter and the pre-milling unit.
- New single sided edgebander for middle market segment.
- Project for new line of entry level single sided edgebanders.

### **COMIL/RBO**

- New manipulation systems for mounting furniture accessories and their integration with flexible boring and inserting machines.
- New flexible boring machining centre for high productivity designed with the internal design unit "Innova".

## **RESEARCH, DEVELOPMENT AND INNOVATION – GLASS DIVISION**

### **INTERMAC**

- Study and development of new family of machining centres with modular structures; the program includes five types of machines and three dimensions for a total of 15 machines in the range. The project was co-managed with Innova.
- Study and development of a new family of cutting table for glass sheets. The project was co-managed with Innova.
- Study and development of new aggregates and functional units including: horizontal cutting, horizontal routing, vertical carving, concave shaping, vertical sanding, engraving decoration with disc, dimensional scanner.
- Study of an innovative machine for cutting sheets of stratified glass.
- Development of software for axes control with adaptable functions.
- Application of new Numerical Control on machining centres and on new sizing machines.

### **BUSETTI**

- Study and development of new transfer.
- Study and development of new machine for edge grinding.
- Study and development of a washer and dryer for glass.
- Study and development of a new family of feeders and stackers.

### **DIAMUT**

- Automated island for the sintering of grinders and diamond tipped tools.
- Creation of a specific binder to penetrate the diamond tools market for the working of ceramics.

## **RESEARCH, DEVELOPMENT AND INNOVATION - SYSTEMS DIVISION**

### **SCHELLING**

- New type of machine for working aluminium.
- Production Planning: completion of the project related to working with small lots.
- Manual Schema: completion of the module relative to the manual schema.

## **RESEARCH, DEVELOPMENT AND INNOVATION - MECHATRONICS DIVISION**

### **HSD**

- Study and production of new liquid cooled electrospindle from 16 KW 4 poli rpm, 2.2. called ES789, with relative electronic component.
- Study and production of new liquid cooled electrospindle from 12 KW 4 poli 12.000 rpm, 2.3 called ES790, applicable for glass and marble working machines.
- Analysis and production of a brushless motor with encoder start and integrated adapter, called SM 140 with incorporated start up, encoder and adapter.
- Design and prototype of two numerical control models called NC320 and NC340 for the lower segment of edgebanders for wood.
- Study of new fieldbus models IP67 directly interfaced on fieldbus which allow for a noticeable reduction on the electrical cables on the machines.

### **CNI**

- Design and prototype of new numerical control called NC1600.
- Design and prototype of new software called WRT for numerical controls of the NC1600 family.

### **SEV**

- Analysis of a new family of rectangular motors called AT and MT.

## **RESEARCH, DEVELOPMENT AND INNOVATION - FUNDED PROJECTS**

Furthermore, in 2002, the Group developed particularly innovative projects for which the Group applied for government funding.

### **1- MARCEL (Biesse/HSD)**

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

#### **Description**

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

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

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

On 22-24 July 2002 the final visit was held in order to evaluate the project under the technical and administrative respect.

### **2-TECNOMARCHE (Biesse)**

**Official title:** "Flexible technological applications"

#### **Description**

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

On 19 April 2002 the visit for the project evaluation was held by the representative technicians from Tecnomarche and MIUR. We are waiting for the final inspection.

### **3- DOUBLE POWER (HSD)**

**Official title:** "Double Power"

#### **Description**

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

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

The project was submitted to the MIUR (Ministry of Higher Education and Research) on 15 February 2001 and funding is pending approval.

### **4-NEW PRODUCTION SYSTEMS – (ISP/ Biesse)**

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

### **Description**

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

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

The project was submitted to the MIUR on 29 May 2001 and on 30 October 2002 the first visit was held by two representatives of San Paolo IMI.

### **5- Emily xp (HSD)**

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

### **Description**

The project primarily involves automation and the robotics industry and aims to realise a technological leap towards research, development and validation in the industrial field of a new generation of numeric control, open to a standard communications protocol that changes according to the consumer uses. The project was submitted to the MIUR on 12 February 2002, and on 19 October 2002 the first visit was held.

## **PERSONNEL RELATIONS**

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

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

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

## **CORPORATE GOVERNANCE**

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

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

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

### **Ownership**

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

### **Board of Directors**

#### ***Role of the Board***

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

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

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

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

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

In particular, the Board of Directors:

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

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

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

### **Appointment, composition and term of office**

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

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

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

The members of the Board of Directors in force at 31 December 2002 were the following:

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

\* Independent director, as required under the Code of Conduct

Readers are reminded that on 14 February 2003 Director Werner Deuring resigned; the Board of Directors, in view of the close renewal of the Board itself, decided not to cooptate a new member.

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

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

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

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

### Internal Control System

On 9 May 2001, the Board of Directors took on the assignment of studying the problems and set up the important paperwork for internal control of the Company.

During financial year 2002 the Board of Directors started an analysis and evaluation project concerning risk management.

The aim of the project is to define the actual situation, in order to define a risk management policy. This policy will have to determine a set of guidelines for the management of the risk itself. Furthermore, it will have to define specific monitoring and improvement actions.

The project has been developed based on a process approach, according to the scheme "identification - evaluation - management - monitoring".

The first analysis did not show significant management lacks, and so the focus was set on the accounting implications of the most important processes.

This is to say that the analysis did not take into consideration the "operational risks" at the moment. Among the selected processes, the analysis aims to identify the more significant risks and, for each of them, to:

- isolate the control objectives;
- define the responsibilities;
- suggest specific guidelines for control policies.

The processes taken into analysis were:

---

#### Liabilities cycle:

Purchase order management >> Invoices receipt/control >> Payables payment

---

#### Assets cycle:

Sales order management >> Shipping and billing >> Receivables income

---

#### Financial cycle:

Foreign currencies hedging >> Treasury management

---

#### Fixed assets cycle:

Capital expenditures >> Depreciation and amortization >> Dismissals >> Management

---

#### Compensation cycle:

Hiring and dismissals >>> Wage packet >>> Wages payment

---

#### Information technology management:

Continuity >> Reliability >> Environmental safety

---

The analysis did not show critical areas. The results of the analysis have been explained to the Board of Directors on 12 December 2002 for their evaluations and for a future approval.

### **Shareholder relations**

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

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

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

### **Code of behaviour on "Internal dealing"**

On 24 December 2002 the Board of Directors of Biesse Spa approved the code of behaviour on internal dealing. The purpose of this code is to ensure the maximum transparency and uniformity of information to the market with regard to individual behaviour concerning Biesse shares held by Relevant Parties within the company, based on their potential access to confidential information concerning the company and its subsidiaries. This code went into effect on 1 January 2003. The company will therefore promptly inform the market about transactions that reach the threshold of € 250 thousand. Within 10 stock-market workdays following the end of each quarter, the company will also inform the market of the transactions completed by each of the relevant parties in the event that they reach the threshold of € 50 thousand.

### **Board of Statutory Auditors**

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

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

Only those shareholders who, on their own or with other shareholders, are holders of voting shares representing at least 2% (two percent) of the share capital are entitled to submit lists in the General Shareholders' Meeting. No individual Shareholder nor any Shareholders belonging to the same group may submit more than one list or vote for different lists, either directly or through proxies or trust companies. In the event of violation of this rule, the vote cast by the Shareholder shall not be counted on any of the lists submitted. Each candidate can be presented on only one list; otherwise, he or she will be declared ineligible.

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



The Board of Statutory Auditors, appointed by the General Shareholders' Meeting on 29 June 2000 and shall remain in office until approval of the financial statements as of 31 December 2002, is composed as follows:

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

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

The non-consolidated Subsidiary companies are:

- Biesse Corporate School (formerly known as Istituto Ispe), a limited liability consortium involved in the organisation and management of training activities for the entire Biesse Group.
- Sandymac Srl, designing, manufacturing and selling woodworking machineries.
- Schelling Russia CIS, trading company incorporated on December 2002 to sell the System Division products on the eastern Europe markets.

Transactions between them and Biesse Group companies are listed below:

	<b>Costs</b>	<b>Revenues</b>	<b>Payables</b>	<b>Receivables</b>
Biesse Corporate School s.c.a r.l.	16,072	20,816	14,500	1,560
Sandymac Srl	0	32,559	0	32,559
Schelling Russia CIS	0	0	0	0

Affiliated companies are represented by:

- Isp System Srl, in which there is a 25.93% stake, is a company formed at the end of 2000 whose purpose is to design innovative solutions for the woodworking machinery industry: currently, it is still in the start-up phase.
- Cabi Srl, owned for 49%, is a company set up in October 2001 with the purpose of designing and building specific electronic, pneumatic, and hydraulic components for the woodworking machinery industry.
- Eberle Automatische Systeme GmbH, Austrian company, held 25% by the Schelling Anlagenbau GmbH, that makes software.
- InterMac Vidrio Iberica SA, Spanish concern held 25% by InterMac Spa and was formed with the purpose of supplying post-sales services to Iberian Peninsula customers.
- HSD Deutschland GmbH, trading company whose purpose is to sell Mechatronic Division products on German market.

## CONSOLIDATED FINANCIAL STATEMENTS

Transactions between them and Biesse Group companies are listed below:

	<b>Costs</b>	<b>Revenues</b>	<b>Payables</b>	<b>Receivables</b>
Isp System Srl	866	720,327	3,820	361,192
Cabi Srl	1,396,998	519,998	937,076	623,196
Eberle Automatische Syst. GmbH	657,961	0	42,719	0
Intermac Vidrio Iberica SA	111,661	199,462	35,215	85,519
HSD Deutschland GmbH	171	234,146	171	206,449

Biesse Group companies did not have any transaction with holding companies Bifin Srl, Biesse Finance Bv and Biesse Holding Spa.

### RELATIONS WITH CORRELATED PARTIES

The following companies are defined as correlated parties:

- Bicom Srl, a company held 90% by Mr. Giancarlo Selci but sold during 2002, operating in the furniture accessories marketing sector.
- Rettifica Modenese Sas, a company held 51% by Mr. Roberto Selci, operating in the field of mechanical machining.

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

	<b>Costs</b>	<b>Revenues</b>	<b>Payables</b>	<b>Receivables</b>
Bicom Srl	0	0	0	0
Rettifica Modenese Sas	328,497	2,512	99,701	42,640

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

Furthermore, on 14 February 2002 the Board of Directors of Biesse Spa approved the acquisition of 50% of the share capital in the Mc Kart Srl from Mr. Giancarlo Selci, company operating in mechanical machining and with which Biesse developed good supplier relationships. The amount paid was particularly advantageous to Biesse Spa.

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

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

Name Office	No. of shares held directly or indirectly at 31 December 2001	No. of shares sold during the year	No. of shares bought during the year	No. of shares held directly or indirectly at 31 December 2002
Giancarlo Selci - Chairman	16,500,000	0	0	16,500,000
Anna Gasparucci - Chief Executive Officer	0	0	0	0
Roberto Selci - Chief Executive Officer	0	0	0	0
Werner Deuring (*) - Director	1,305,042	0	0	1,305,042
Attilio Giampaoli (*) - Director	0	0	0	0

(\*) Including shares held by respective spouses.

Readers are reminded that General Manager Mr. Claudio Granuzzo holds 20% of the share capital of the controlled company HSD Spa. On 12 October 2000, and subsequently amended on 6 June 2002, an agreement between Biesse and Mr. Claudio Granuzzo as CEO of HSD Spa was signed, whose purpose was to assign Mr. Granuzzo a put option whose price will be settled by a number of Biesse Spa shares determined on the average of the daily price of Biesse share on Italian stock exchange in the month of July 2002, and a call option in favour of Biesse on the amount held by Mr. Granuzzo in HSD Spa, whose price will be determined in the same way. This contract will remain valid for a period of five years starting from 12 October 2000.

## INTERESTS OF EXECUTIVES WITH RESPECT TO THE BIESSE GROUP

### *Information relating to stock option plans:*

On 25 September 2000, the Biesse Spa Board of Directors implemented a stock option plan. This year, no option rights were assigned due to non achievement of company targets set out for year 2002. Option rights can be exercised after 1 July 2004 at a price of € 10.81 per share, for a quantity of 25% of the rights accrued respectively within one, four, eight or twelve months from the initial term. The stock option plan is controlled by a committee appointed by the board of directors and the relevant regulation can be modified with the approval of the board of directors of the company and as many beneficiaries making up at least 51% of the option rights assigned.

## POST BALANCE SHEET EVENTS

Post Balance Sheet Events were:

- on 11 February 2003 Werner Deuring ceased as Managing Director of the controlled companies Schelling Anlagenbau GmbH and Biesse Deutschland GmbH; Mr. Thomas Bok has been appointed as new Managing Director. Mr. Deuring also ceased as Managing Director of the controlled companies Schelling USA Inc and Schelling UK Ltd;
- on 14 February 2003 Mr. Werner Deuring resigned as member of the Board of Directors of Biesse Spa;
- on 25 February 2003 Biesse Spa underwrote a 25% share capital increase of Kernex Automation Srl, located in Virgilio (MN), developing and distributing software;

- In the month of March 2003 Biesse Spa signed a contract with the consulting firm Kaizen Institute. This contract, lasting two year, aims to introducing new ways of management in order to recover efficiency and profitability.

### **FORESEEABLE EVOLUTION**

As regards the outlook for the year, we inform readers that the volumes of business expressed by the company in early 2002 do not allow to make a clear forecast for this year results. The long-lasting uncertainty on the political and economic scenario do not allow to have a clear picture on a mid/long term. Obviously, in case of a quick upturn in the overall situation, it should be possible that economy starts to grow again in the second half of 2003. In this case we believe that your Company can potentially improve the kinds of results it accomplished in 2002.

### **OTHER INFORMATION**

According to what approved by ordinary general shareholding meeting on 17 December 2001, the company has activated a share buy back plan amounting at the end of 2002 to € 1,743,458.54, equal to 589,000 ordinary shares at an average buying price of € 2.96. The share buy back plan is still going on even after end of year 2002.

As of 31 December 2002, the parent company Biesse Spa does not hold shares or investments in its holding companies, nor has it owned or transacted these during the 2002 financial period. Therefore, there is nothing to declare in compliance with Art. 2428 paragraph 2, commas 3 and 4 of the Italian Civil Code.

*Pesaro, 15 March 2002*

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

---

# **CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended  
31 December 2002*

## FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET (Euro)

	31.12.2002	31.12.2001
<b>ASSETS</b>	<b>399,632,118</b>	<b>387,988,683</b>
<b>A. CALLED UP SHARES CAPITAL NOT PAID</b>	<b>0</b>	<b>0</b>
<b>B. FIXED ASSETS</b>	<b>128,971,186</b>	<b>123,875,886</b>
<b>I Intangible assets</b>	<b>32,354,914</b>	<b>31,986,281</b>
1 Start-up and expansion costs	172,214	88,628
2 Research, development and advertising costs	771,623	946,742
3 Patents and intellectual property rights	219,321	119,056
4 Concession, licences, trademark and similar	1,397,367	1,314,625
5 Goodwill	8,707,727	7,340,844
6 Intangible assets under construction and advance payments	167,206	11,569
7 Other intangible assets	802,850	709,492
8 Consolidation difference	20,116,607	21,455,324
<b>II Tangible fixed assets</b>	<b>91,657,084</b>	<b>84,665,932</b>
1 Land and buildings	59,413,404	47,301,489
2 Plant and machinery	14,462,309	14,049,909
3 Industrial and commercial equipment	3,819,396	3,770,591
4 Other tangible fixed assets	8,441,192	9,298,831
5 Fixed assets under construction and advance payments	5,520,783	10,245,112
<b>III Financial fixed assets</b>	<b>4,959,187</b>	<b>7,223,673</b>
1 Shareholdings in:	350,674	3,816,855
a non-consolidated subsidiaries	140,666	3,407,694
b affiliated companies	126,227	170,443
c other companies	83,782	238,719
2 Receivables	3,314,824	3,300,154
b receivables from affiliated companies due within one year	120,000	120,000
b1 receivables from affiliated companies due within one year	120,000	120,000
d receivables from others	3,194,824	3,180,154
d1 receivables from others due within one year	2,489,303	0
d2 receivables from others due after one year	705,521	3,180,154
3 Other securities	90,055	106,665
4 Own shares (total n.v. € 380,654)	1,203,634	0
<b>C. CURRENT ASSETS</b>	<b>269,053,187</b>	<b>262,747,072</b>
<b>I Inventories</b>	<b>90,607,523</b>	<b>105,603,897</b>
1 Raw material ancillary and consumable materials	56,860,669	60,350,452
2 Work in progress and semi-finished goods	10,536,216	12,002,822
4 Finished products and goods	22,620,095	32,619,275
5 Payments on account	590,543	631,348
<b>II Receivables</b>	<b>144,716,427</b>	<b>143,087,848</b>
1 Trade receivables	123,335,527	121,232,761
2 Receivables from subsidiaries	34,118	1,347,416
3 Receivables from affiliated companies	1,276,356	309,892
4 Receivables from parent companies	1,116	16,789
5 Receivables from others	20,069,310	20,180,990
<b>III Financial assets not fixed</b>	<b>539,824</b>	<b>9,084</b>
2 Shareholding in affiliated companies	0,000	9,084
4 Own shares (total nom. v. € 208,346)	539,824	0
<b>IV Cash and cash equivalent</b>	<b>33,189,413</b>	<b>14,046,242</b>
1 Bank and Postal deposit	33,024,196	13,825,493
3 Cash	165,217	220,749
<b>D. PREPAYMENTS AND ACCRUED INCOME</b>	<b>1,607,745</b>	<b>1,365,725</b>
1 Accrued income	323,268	168,787
2 Prepayments	1,284,476	1,196,938

## CONSOLIDATED BALANCE SHEET (Euro)

	31.12.2002	31.12.2001
<b>LIABILITIES</b>	<b>399,632,118</b>	<b>387,988,683</b>
<b>A. TOTAL SHAREHOLDERS' EQUITY</b>	<b>131,926,794</b>	<b>141,512,042</b>
<b>EA GROUP SHAREHOLDERS' EQUITY</b>	<b>131,087,532</b>	<b>140,820,373</b>
I Share capital	27,393,042	27,393,042
II Share premium reserve	85,519,888	89,506,458
IV Legal reserve	3,796,567	3,796,567
V Own shares reserve	1,743,459	0,000
VII Other reserves	18,395,658	26,725,929
VIII Net income (loss) carried forward	0	0
IX Net income (loss) for the year	(5,761,083)	(6,601,624)
<b>Shareholders' equity pertaining to minority interests</b>	<b>839,262</b>	<b>691,669</b>
Share capital and reserves pertaining to minority interests	840,398	517,069
Net income for the year pertaining to minority interests	(1,135)	174,600
<b>B. PROVISION FOR RISK AND CHARGES</b>	<b>10,122,658</b>	<b>9,549,016</b>
1 Provision for pension retirement and similar	498,461	915,565
2 Provision for taxes	2,727,336	2,058,243
3 Other provisions	6,896,861	6,575,208
<b>C. STAFF SEVERANCE INDEMNITY RESERVE</b>	<b>12,930,508</b>	<b>11,075,587</b>
<b>D. LIABILITIES</b>	<b>242,009,631</b>	<b>223,062,219</b>
3 Payables to banks	89,130,246	99,920,138
a due within one year	66,786,894	76,952,167
b due after one year	22,343,352	22,967,971
4 Payables to other financial institutions:	33,141,554	205,022
a due within one year	2,423,906	205,022
b due after one year	30,717,648	0
5 Advance:	9,125,018	7,487,981
a due within one year	9,125,018	7,487,981
6 Trade payables	80,355,218	84,574,022
a due within one year	78,587,618	83,292,088
b due after one year	1,767,600	1,281,934
8 Payables to subsidiaries	14,500	44,200
a due within one year	14,500	44,200
9 Payables to affiliated companies	1,019,001	60,958
a due within one year	1,019,001	60,958
10 Payables to parent companies	0	133,031
a due within one year	0	133,031
11 Tax payable	10,416,852	5,048,017
a due within one year	10,341,233	4,976,779
b due after one year	75,619	71,238
12 Payables to social insurance	4,981,380	4,946,041
a due within one year	4,981,380	4,946,041
13 Other payables	13,825,862	20,642,809
a due within one year	12,669,174	20,436,226
b due after one year	1,156,688	206,583
<b>E. ACCRUED EXPENSE AND DEFERRED INCOME</b>	<b>2,642,527</b>	<b>2,789,819</b>
1 Accrued expense	645,877	396,847
2 Deferred income	1,996,650	2,392,972
<b>MEMORANDUM ACCOUNTS</b>	<b>58,140,630</b>	<b>79,845,074</b>
2 LEASING COMMITMENTS	11,561,547	12,755,471
3 PRIV. ON GOODS SABATINI LAW	20,467	0
5 GUARANTEES AND ENDORSEMENTS	13,410,052	14,002,362
6 BILLS IN CIRCULATION	10,302,861	9,935,031
7 OTHER MEMORANDUM ACCOUNTS	22,845,703	43,152,209

## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT (Euro)

	31.12.2002	31.12.2001
INCOME STATEMENT	0,000	0,000
<b>A. VALUE OF PRODUCTION</b>	<b>364,014,920</b>	<b>376,791,199</b>
1 Revenues from sales and services	370,733,239	353,759,817
2 Change in inventories of work in progress and semi-finished goods	(13,507,713)	16,754,294
4 Increase in asset value for internal work	89,914	81,800
5 Other revenues and income	6,699,480	6,195,288
5a Miscellaneous	6,445,437	5,858,952
5b Contributions for operating expenses	254,043	336,336
<b>B. COST OF PRODUCTION</b>	<b>(356,001,887)</b>	<b>(362,884,545)</b>
6 Raw material, ancillary, consumable and goods	(157,093,005)	(180,737,613)
7 Services	(69,235,185)	(71,089,646)
8 Use of third-party assets	(8,562,426)	(7,159,767)
9 Personnel expense	(97,972,587)	(90,569,020)
9a Wage and salaries	(74,133,487)	(68,457,348)
9b Social security charge	(19,716,127)	(18,410,519)
9c Severance indemnity	(3,593,261)	(3,329,993)
9d Pension retirement and similar	(181,895)	(384,000)
9e Other personnel expense	(347,817)	(370,776)
10 Amortization, depreciation and write-down	(13,722,693)	(11,011,045)
10a Amortization of intangible fixed assets	(3,963,003)	(3,259,736)
10b Depreciation of tangible fixed assets	(8,536,045)	(7,171,502)
10d Write-down of receivables included in current assets and cash equivalent	(1,223,645)	(579,807)
11 Change in raw material ancillary consumable and goods	(2,715,285)	4,271,423
12 Provisions for risk	(292,206)	0
13 Other provisions	(228,096)	(513,916)
14 Other operating expenses	(6,180,404)	(6,074,960)
<b>A-B DIFF. BETWEEN VALUE AND COSTS OF PRODUCTION</b>	<b>8,013,033</b>	<b>13,906,655</b>
<b>C. FINANCIAL INCOME AND CHARGES</b>	<b>(3,873,798)</b>	<b>(4,491,093)</b>
15 Income from equity investments	1,010,502	103,045
16 Other financial income	5,387,978	5,138,735
17 Interest and other financial charges	(10,272,277)	(9,732,873)
<b>D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>	<b>(499,508)</b>	<b>0</b>
18 Write-ups	33,200	0
19 Write-downs	(532,708)	0
<b>E. EXTRAORDINARY INCOME AND CHARGES</b>	<b>(5,068,276)</b>	<b>(15,408,418)</b>
20 Extraordinary income	440,689	69,416
21 Extraordinary charges	(5,508,965)	(15,477,833)
<b>D+E TOTAL EXTRAORDINARY INCOME AND CHARGES</b>	<b>(5,567,784)</b>	<b>(15,408,418)</b>
<b>INCOME BEFORE TAXES</b>	<b>(1,428,548)</b>	<b>(5,992,856)</b>
22 Income taxes	(4,333,670)	(434,168)
<b>NET INCOME FOR THE YEAR</b>	<b>(5,762,218)</b>	<b>(6,427,024)</b>
Net income for the year pertaining to minority interest	(1,135)	174,600
Net income for the year pertaining to the Group	(5,761,083)	(6,601,624)

*Chairman of the Board of Directors  
Giancarlo Selci*



---

**NOTES  
ON BIESSE Spa  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

*For the year ended  
December 2002*

### **GENERAL PREPARATION CRITERIA**

The consolidated report of the Biesse Spa as of 31 December 2002 has been prepared in accordance with the standards issued by Commissione Nazionale per le Società e la Borsa (Consob) in its regulation included in decision n°11971 of May 14th, 1999, as amended by decision n°12475 of April 6th, 2000. Thus the consolidated accounts and those of the parent company Biesse Spa (see annexes) are presented, while the notes are referred only to the consolidated accounts.

### **CONSOLIDATION AREA**

The consolidated accounts of the Biesse Group include the financial and economic position of the parent company and those of the Italian and foreign companies for which the Biesse Spa directly or indirectly holds the majority of the voting rights during the shareholders' meetings. The companies included in the consolidated accounts as of 31 December 2002 using the line-by-line consolidation method are the following:

Company and headquarters	Currency	Share Capital	Direct	Indirect	Intermediary	Biesse Group
<b>Parent company</b>						
<b>Biesse Spa</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (Pesaro) - Italy	€	27,393,042				
<b>Italian subsidiary companies:</b>						
<b>HSD Spa</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (Pesaro) - Italy	€	1,000,000	80.00%			80.00%
<b>Motori MC Kart Srl</b> Strada Selva Grossa, 15/7 Pesaro - Italy	€	101,490	51.00%			51.00%
<b>Foreign subsidiary companies:</b>						
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive Charlotte NC 28208 - USA	US \$	1,000,000	100.00%			100.00%
<b>Biesse Canada Inc.</b> 1845 Rue Jean Monnet - Terrebonne (Quebec) - Canada	CAN \$	180,000	100.00%			100.00%
<b>Biesse Asia Pte. Ltd.</b> Zagro Global Hu 5 Woodlands - Terr. - Singapore	S \$	1,150,000	100.00%			100.00%
<b>Biesse Group UK Ltd.</b> Lampport Drive - Daventry Northampt. - Great Britain	£ STG	1,000	100.00%			100.00%
<b>Biesse Groupe France Sarl</b> Parc d'Affaires de la Vallée de l'Ozon Chapotin - Chaponnay - France	€	144,000	100.00%			100.00%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6 - Elchingen (Ulm) - Germany	€	1,432,600	100.00%			100.00%
<b>Biesservice Scandinavia AB</b> Maskinvagen 1 - Lindas - Sweden	SKR	200,000	60.00%			60.00%
<b>Biesse Iberica Woodworking Machinery s.l.</b> Cl. Pedrosa C., 9 - Barcelona - Spain	€	1,033,741	100.00%			100.00%
<b>Biesse Brasil Ltda</b> Rua Lapò, 975 - Curitiba Paraná - Brazil	Rib	400,000	99.99%			99.99%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road Wetherill Park - Australia	Aud	800,000	100.00%			100.00%
<b>Biesse Group New Zealand Ltd.</b> UNIT 7/519 - Rosebank Avondale - Auckland New Zealand	Nzd	200,000	100.00%			100.00%
<b>HSD Usa Inc.</b> 3764 SW 30th Avenue - Hollywood, Florida - USA	Usd	10,000		100.00%	HSD Spa	80.00%
<b>Sel Realty Ltd.</b> 1845 Rue Jean Monnet - Terrebonne (Quebec) - Canada	CAN \$	100	100.00%			100.00%
<b>Bi. Fin. UK Ltd.</b> Lampport drive - Daventry Northampt. - Great Britain	£ STG	600,000	100.00%			100.00%
<b>Bifin Ltd.</b> 233, Peachtree St., NE Harris Tower - Atlanta, GA 30303 (USA)	Usd	10,000		100.00%	Biesse America Inc.	100.00%
<b>Schelling Anlagenbau GmbH</b> Gebhard-Schwarzler Strasse 34 Schwarzach - Austria	€	1,000,000	100.00%			
<b>Schelling Fertigungstechnik GmbH</b> Grosse Wies 21 - Altach - Austria	€	37,000		100.00%	Schelling Anlagenbau GmbH	100.00%
<b>Schelling America Inc.</b> 3201 Glenwood Ave. - Wake County Raleigh, North Carolina - USA	US \$	1,000		100.00%	Schelling Anlagenbau GmbH	100.00%
<b>Schelling Uk Ltd.</b> Schelling House, West Yorkshire, Sandbeck Way, Wetherby - Great Britain	£ STG	1,000		100.00%	Schelling Anlagenbau GmbH	100.00%
<b>Schelling Polska Odd Sp.Zo.o.</b> Ul. Pradzynskiego 24, PL - 63-000 Sroda Wlkp Poland	Zpl	388,000		100.00%	Schelling Anlagenbau GmbH	100.00%

## CONSOLIDATED FINANCIAL STATEMENTS

The only variation in the scope of consolidation compared with 31 December 2001 is the inclusion of the companies Biesse Group Australia Pty Ltd., Biesse Group New Zealand Ltd., HSD Usa Inc., and Motori MC Kart Srl. The first two companies (established in September 2001) were not included in the 2001 consolidated accounts using the line-by-line consolidation method, because of the short time between their foundation date and the consolidated financial statement date and giving the unavailability of the 2001 financial statements. Further to HSD Usa, founded in 2001, it was not included in the 2001 consolidated accounts using the line-by-line consolidation because of the relatively small revenue contribution. Finally, referring to Motori MC Kart, the company has been purchased on 11 April 2002 and it has been included in the consolidation area.

It has to be remarked that the company InterMac Spa it is no more included in the consolidation area, because of the merger of the company in Biesse Spa, made on 1 July 2002. The economic position of the company of the first six months of the year has been considered in the consolidated financial statement.

### **Equity investments in non-consolidated fully owned subsidiaries:**

<b>Company and headquarters</b>	<b>Currency</b>	<b>Share capital</b>	<b>Direct</b>	<b>Indirect</b>	<b>Intermediary</b>	<b>Biesse Group</b>
<b>Biesse Corporate School srl.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto - Pesaro - Italy	€	10,920	66.67%	24.17%	HSD Spa Schelling An.	87.84%
<b>Sandymac Srl</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto - Pesaro - Italy	€	50,000	80.00%			80.00%
<b>Schelling CIS</b> Chaussee Entusiastow 17 111024 Mosca - Russia	Rbl	20,000		100.00%	Schelling Anlagenbau GmbH	100.00%

In particular, the equity investment in the subsidiary company Biesse Corporate School srl. (ex I.S.P.E.) has not been fully consolidated, but evaluated with the equity method because of its very modest volumes of business, realised in the company training.

Sandymac Srl belongs to the Biesse Group from 10 September 2002, giving the purchase of the 80% of the shares; it is involved in the production and commercialisation of calibration and sander machines. In the period from its foundation date and the end of the year, it has worked on prototypes development and on internal organisation. Since the company is still in the start-up phase and it has not realised any turnover, it deems irrelevant the full consolidation method, using rather the equity method evaluation.

Schelling CIS, founded on 23 December 2002, is involved in the commercialisation and post-sale assistance of the Schelling machines for the markets of East Europe. The investment has been evaluated at cost, since there has not been made a financial report for 2001, due to the shortness of the period of activity.

**Equity investments in affiliated companies:**

<b>Company and headquarters</b>	<b>Currency</b>	<b>Share capital</b>	<b>Direct</b>	<b>Indirect</b>	<b>Intermediary</b>	<b>Biesse Group</b>
<b>CABI Srl</b> Nuova Strada di Lottizzazione, s.n. Località Selva Grossa - Pesaro - Italy	€	99,000	49.00%			49.00%
<b>Eberle Automatische Systeme GmbH</b> Stieglingen 7a, 6850 Dorunbirn - Austria	€	36,336		25.00%	Schelling Anlagenbau GmbH	25.00%
<b>HSD Deutschland GmbH</b> Immenreich 6, Gingen, Fils - Germany	€	25,000		50.00%	HSD Spa	40.00%
<b>Intermac Vidrio Iberica SA</b> C/Muntaner 531, 3-4 Barcelona - Spain	€	60,102	49.00%			49.00%
<b>I.S.P. Systems Srl</b> Via F.lli Rosselli 46 - Pesaro - Italy	€	14,040	25.92%			25.92%

The investments in Eberle GmbH and Intermac Vidrio Iberica have been evaluated with the equity method; further to the other companies, the investment has been evaluated at cost, because their financial reports are not available.

No companies have been consolidated using the proportional consolidation method.

**Equity investments in other companies**

Equity investments in other companies are recorded in the financial statements according to the cost adjusted for write downs method, under article 2426 of the Italian Civil Code, as further indicated in the details of the investments of these notes.

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

**ASSESSMENT CRITERIA**

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

### **CONSOLIDATION PRINCIPLES AND CURRENCY CONVERSION CRITERIA**

The evaluation of the financial statement items has been done using the guidance of the general criteria of prudence and competence, considering the future prospect of continuing the business.

In preparing the consolidated financial statements, assets and liabilities, as well as income and charges of the companies included in the consolidation have been reported in full. The payables and receivables, the income and charges, and the gains and losses originating from intra-group transactions have been eliminated. It has been eliminated also the intercompany transactions between the Biesse Group companies and the Confirmecc Group companies, included in the "Four partite agreement".

Departing from this general rule and in consideration of the modest relevance of the associated effects and the difficulty in reconstruction, the company did not eliminate the income deriving from goods in inventory sold by the HSD Spa and Motori MC Kart Srl companies to the other companies included in the Biesse Group, since these are semi-finished goods included in the works in progress.

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

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

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

#### ***Balance sheets:***

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

#### ***Income statements:***

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

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

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

Currency	exchange rate 2002		exchange rate 2001	
	Average	31 Dec.2002	Average	31 Dec.2001
US Dollar / €	0.9456	1.0487	0.8896	0.8813
Canadian dollar / €	1.4838	1.6550	1.3832	1.4077
Singapore dollar / €	1.6912	1.8199	1.5979	1.6306
Pound Sterling / €	0.6288	0.6505	0.6180	0.6085
Swedish Crone / €	9.1611	9.1528	9.2826	9.3012
Polish Zloty / €	3.8574	4.0210	3.6355	3.4953
Brazilian Real /€	2.7883	3.6944	2.0700	2.0454
Australian Dollar / €	1.7377	1.8556	-	-
New Zealand Dollar / €	2.0366	1.9975	-	-

The accounting principles and the assessment criteria have been applied uniformly to all the consolidated companies. The assessment criteria adopted by the Parent company Biesse Spa in the consolidated financial statements and disseminated at the Biesse Group companies are in conformity with the aforementioned legislative instructions in force, integrated and interpreted by the Accounting Principles issued by the National Accountant Councils.

The assessment criteria used for the principle postings of the consolidated financial statements are the following:

#### **Intangible fixed assets**

The intangible fixed assets are recorded at the purchase or production cost, including any accessory charges and amortized in account at a constant rate.

The plant and expansion costs are recorded under the appropriate asset heading and are depreciated for the entire duration of their useful economic life, and in any event, for five years at the most.

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

Industrial patents and intellectual property rights are amortised based on their presumed life, and in any case not greater than the time established by the licensing contracts.

The concessions, licenses, trademarks and similar rights recorded under the assets have been amortised based on their presumed life, and in any case not greater than the time established by the purchase contracts; in case the useful life cannot be determined or there is not contract, the life is fixed at five financial periods.

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

## CONSOLIDATED FINANCIAL STATEMENTS

---

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

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

### **Tangible fixed assets**

The tangible fixed assets are recorded at the purchase or production cost including accessory charges, exception made for monetary revaluation made in compliance with the law.

In preparing the consolidated financial statements, the contracts of financial sale & lease back stipulated in the period, that refers to some buildings and plants, have been reported according to the IAS 17. Therefore, these assets have been included between the tangible fixed assets and amortized with the same criteria used for the owned assets. It has been also included the accounts payables towards the leasing company, the amortization quotas and the financial interests.

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

The depreciation rates used are the following:

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



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

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

### ***Financial fixed assets***

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

The equity investments in non-consolidated subsidiary companies and affiliated companies where the Group has a significant influence due to the amount of voting rights – between 20% and 50% - and the other equity investments are assessed according to the equity method, after the consolidation adjustments. The write-ups and the write-downs originated by the application of the equity method have been reported in the corresponding Income Statement accounts.

The small companies, whose dimensions are not relevant or whose financial reports are not available in due time, have been evaluated at cost.

The long term financial receivables are recorded in the financial statements at cost.

The own shares are assessed according to the cost method, adjusted where necessary by write downs for permanent loss of value.

If in the successive periods the reasons for the devaluations are no longer valid, the cost will be restored.

### ***Receivables and payables***

The receivables have been recorded at their nominal value and reduced to the presumed salvage value by using the special bad debt provision. The payables are recorded at their nominal value.

The receivables and payables in currency other than euro have generally been calculated and posted in the Financial Statements at the historic exchange rate pertaining to the day of posting. Should these items give rise to negative differences when converted to the exchange rate valid at the closing date of the period and considering the relative coverage contracts, the company has provisioned a corresponding amount to the risk and contingency reserve. The receivables and payables in foreign currency covered specifically against exchange rate risks have been posted at the exchange rate defined by the coverage operation.

### ***Financial current assets***

Financial current assets include securities and own shares for sale and/or other financial instruments held in order to use monetary surplus.

These assets are assessed at a lesser value between the purchase cost and the corresponding market value as of the date of consolidation.

### **Inventories**

With regards to the final inventories, the evaluation criteria envisaged by article 2426 of the Italian Civil Code have been observed. In particular, the inventories in the warehouse have been assessed at the lesser value between the cost and the market value.

The cost configuration adopted is the following:

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

The utilisation of the LIFO configuration had not given relevant differences respect the current costs configuration.

The obsolete or slow-moving inventories are devalued in relationship to their possibility of use or realization.

### **Accruals and Deferrals**

Only the income and expenses from the period which have an effect in the successive financial periods, and the revenues and costs earned or incurred before the closing date of the period, but pertaining to successive financial periods have been posted under the items covering the accruals and deferrals. Only costs and proceeds shares pertaining to two or more financial periods are included under such items. Their amount varies depending on the period of time.

### **Provisions for risks and charges**

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

In particular, the allocations made to the Product warranty provision enable the economic effect of the warranty costs to be anticipated, according to the principle of correlation between sales revenues – costs for the warranty.

The Corporate restructuring provision is constituted by an allocation against the charges still to be incurred connected with the Biesse Group reorganisation plan, initiated in 2001 and adjusted at the end of 2002.

### **Staff severance indemnity reserve**

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

***Risks, commitments and guarantees***

The risks for which a liability is probable are described in the explanatory notes and allocated for according to the congruence criteria in the risk reserves. The risks for which a liability is merely possible are described in the explanatory notes, without making provisions to the risk reserves, in accordance with the reference accounting principles. Risks of a remote nature are not considered. The commitments and guarantees are indicated in the memorandum accounts at their contractual value. The memorandum accounts include the commitments relating to derivative contracts in existences predominantly for the purpose of guarding the Biesse Group from exchange risks on trade transactions. These commitments are recorded in the Memorandum accounts based on the exchange rates at the end of the financial period. The discounts and premiums on derivative contracts are reflected in the Income Statement according to pertinence. If the derivative contracts are not strictly identifiable as coverage transactions, even in view of a strict reading of the reference accounting principles, any loss or gain deriving from these contracts at year-end is charged to the Income Statement.

Moreover the Group undersigns derivative contracts for the coverage of the interest rate risk (IRS), deriving from floating rate debts.

***Revenues, income and charges postings***

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

***Income taxes***

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

The deferred tax reserve is calculated based on the rates in use at the time in which the interim differences arise. If the net balance of the deferred taxes is positive and the taxes can be recovered, the deferred tax assets are recorded under the item Other Receivables.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET ACCOUNTS

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

#### Fixed assets

##### Intangible fixed assets:

Description	Historic value as of 31/12/2001	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Purchases	Transfers	Reclas sifications	Other transactions and conversion differences	Historic value as of 31/12/2002
Plant and expansion costs	194	(11)	124	70	(42)	0	(13)	322
Research, development and advertising costs	1,996	(216)	266	92	0	0	0	2,138
Industrial patents and intellectual property rights	489,000	(239)	0	274	0	0	0	524
Concessions, licences, trade-marks and similar rights	3,185	(316)	10	704	(39)	0	(6)	3,538
Goodwill	7,769	0	2,266	0	0	0	(5)	10,030
Fixed assets in progress and advances	12	0	0	207	(51)	0	(1)	167
Other intangible fixed assets	1,824	(504)	38	414	0	0	0	1,772
Consolidation differences	24,622	0	117	0	0	0	0	24,739
<b>Total</b>	<b>40,091</b>	<b>(1,286)</b>	<b>2,821</b>	<b>1,761</b>	<b>(132)</b>	<b>0</b>	<b>(25)</b>	<b>43,230</b>

##### Depreciation fund:

Description	Amortization reserve as of 31/12/2001	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Depreciation for the year	Balance in transfer reserve	Reclas sifications	Other transactions and conversion differences	Amortization reserve as of 31/12/2002
Plant and expansion costs	(105)	11	(4)	(72)	0	0	20	(150)
Research, development and advertising costs	(1,049)	216	(80)	(453)	0	0	0	(1,366)
Industrial patents and intellectual property rights	(369)	239	0	(173)	0	0	0	(304)
Concessions, licences, trade-marks and similar rights	(1,870)	316	(4)	(591)	4	0	5	(2,140)
Goodwill	(428)	0	(5)	(875)	1	0	(15)	(1,322)
Other intangible fixed assets	(1,115)	504	(16)	(344)	0	0	1	(969)
Consolidation differences	(3,167)	0	0	(1,456)	0	0	0	(4,622)
<b>Total</b>	<b>(8,103)</b>	<b>1,286</b>	<b>(109)</b>	<b>(3,693)</b>	<b>5</b>	<b>0</b>	<b>11</b>	<b>(10,873)</b>

**Net value:**

Description	Historic value as of 31/12/2001	Amortization reserve as of 31/12/2001	Net value as of 31/12/2001	Historic value as of 31/12/2002	Amortization reserve as of 31/12/2002	Net value as of 31/12/2002
Plant and expansion costs	194	(105)	89	322	(150)	172
Research, development and advertising costs	1,996	(1,049)	947	2,138	(1,366)	772
Industrial patents and intellectual property rights	489	(369)	119	524	(304)	219
Concessions, licences, trade-marks and similar rights	3,185	(1,870)	1,315	3,538	(2,140)	1,397
Goodwill	7,769	(428)	7,341	10,030	(1,322)	8,708
Fixed assets in progress and advances	12	0	12	167	0	167
Other intangible fixed assets	1,824	(1,115)	709	1,772	(969)	803
Consolidation differences	24,622	(3,167)	21,455	24,739	(4,622)	20,117
<b>Total</b>	<b>40,091</b>	<b>(8,103)</b>	<b>31,986</b>	<b>43,230</b>	<b>(10,873)</b>	<b>32,355</b>

The plant and expansion costs relate mainly to notary charges for increases in capital and other corporate transactions. The increase is mainly due to the inclusion in the consolidation area of the subsidiary company Biesse Group Australia Pty Ltd. (€ 124 thousand) and to the opening of the representative office of Dubai.

Both plant and expansion costs and R&D costs increases for the inclusion in the consolidation area of the company Motori MC Kart.

The increase of the item Industrial patents and intellectual property rights refers to costs for new national and international patents and rights.

The item concessions, licenses, and trademarks has an historic value as at 31 December 2002 of € 3.538 thousand. The increase is mainly due to expenses for registration of the Biesse trademark around the world, purchase of accounting and control software to standardise and centralise computer systems of the foreign branches, personalising the existing licenses and purchasing new office software licenses used for new machining centres.

As regards goodwill, increases in the period refer chiefly to the surplus arising on acquisition of the corporate business unit of Allwood Machinery Co. Pty Ltd made by Biesse Group Australia Pty Ltd on 2001.

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

Other intangible fixed assets have an historic value of € 1,772 thousand. The item decreases of € 504 thousand due to the charge off of fully amortised assets; the increase of € 414 thousand is due to the capitalization of costs for hardware and software services for € 101 thousand, to the planning of the Web site for € 83 thousand and to contributions to the suppliers for the construction of new models and matrices for raw materials.

The consolidation difference of € 24,739 thousand, whose relative amortisation reserve is € 4,622 thousand, derives from the consolidation of the equity investments as highlighted in detail in Annex A and is written down over ten years. Exception is taken for the equity investment made in the Schelling Anlagenbau GmbH, which the company believed better to amortise over a period of 20 years, considering the strategic importance of the acquisition.

Despite the negative result of Schelling during 2002, Biesse has not devalued the outstanding consolidation difference, according to the positive outlook arising from the 2003 budget and the 2004-2005 business plan.

## CONSOLIDATED FINANCIAL STATEMENTS

### Tangible fixed assets

#### Intangible assets:

Description	Historic value as of 31/12/2001	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Purchases	Transfers	Reclas sifications	Other transactions and conversion differences	Historic value as of 31/12/2002
Land and buildings	52,943	0	5	14,787	(150)	0	(1,088)	66,497
Plants and machinery	22,421	(249)	204	2,772	(256)	10	(64)	24,838
Industrial and commercial equipment	11,259	(156)	43	1,795	(3,155)	724	(1)	10,509
Other tangible assets	20,621	(399)	424	2,071	(432)	(734)	(571)	20,980
Fixed assets in progress and advances	10,245	0	0	8,977	(13,702)	0	1	5,521
<b>Total</b>	<b>117,489</b>	<b>(804)</b>	<b>676</b>	<b>30,402</b>	<b>(17,695)</b>	<b>0</b>	<b>(1,723)</b>	<b>128,345</b>

#### Depreciation fund:

Description	Amortization reserve as of 31/12/2000	Charge off of fully amortised assets	Variations for adjustments in the consolidation area	Depreciation for the year	Balance in transfer reserve	Reclas sifications	Other transactions and conversion differences	Amortization reserve as of 31/12/2001
Land and buildings	(5,641)	0	(1)	(1,589)	1	0	146	(84)
Plants and machinery	(8,371)	249	(23)	(2,490)	205	(1)	56	(10,375)
Industrial and commercial equipment	(7,489)	156	(22)	(1,909)	2,809	(235)	0	(6,690)
Other tangible assets	(11,322)	399	(98)	(2,548)	371	236	424	(12,538)
<b>Totale</b>	<b>32,823</b>	<b>804</b>	<b>(144)</b>	<b>(8,536)</b>	<b>3,386</b>	<b>0</b>	<b>626</b>	<b>(36,387)</b>

#### Net value:

Description	Historic value as of 31/12/2000	Amortization reserve as of 31/12/2000	Net value as of 31/12/2000	Historic value as of 31/12/2001	Amortization reserve as of 31/12/2001	Net value as of 31/12/2001
Land and buildings	52,943	(5,641)	47,301	66,497	(7,084)	59,414
Plants and machinery	22,421	(8,371)	14,050	24,838	(10,375)	14,462
Industrial and commercial equipment	11,259	(7,489)	3,771	10,509	(6,690)	3,819
Other tangible assets	20,621	(11,322)	9,299	20,980	(12,538)	8,441
Fixed assets in progress and advances	10,245	0	10,245	5,521	0	5,521
<b>Total</b>	<b>117,489</b>	<b>(32,823)</b>	<b>84,666</b>	<b>128,345</b>	<b>(36,687)</b>	<b>91,657</b>

Land and buildings have an historic value of € 66,497 thousand; the item increased during the year for € 13,554 thousand. Land and building increased for the purchase of land and building in San Giovanni in Marignano (€ 10.992 thousand), for the purchases of a new building in Pesaro owned by Motori MC Kart Srl (€ 1.221 thousand) and for the to capitalization of costs for restructuring the factory of Biesse Spa.

The amount of 66.497 thousand includes the buildings previously owned by Schelling Anlagenbau (€ 6,152 thousand) and by Biesse Spa in San Giovanni in Marignano and in Pesaro (respectively for € 10,829 thousand and € 10,197 thousand); during the period the buildings have been sold following the "sale and lease back" contract. In the Financial Statement the buildings are valued at the historical cost.

The item plant and machinery shows an increase of € 2,772 thousand arising for € 1,855 thousand on purchases by Biesse Spa of new machining centres for the production unit in San Giovanni in Marignano, for € 917 thousand from the purchases of new plant and machinery. The item includes plant and machinery previously owned by Biesse Spa (€ 4,193 thousand) and involved in the “sale and lease back” operation.

Industrial and commercial equipment have an historic value of € 10,509 thousand; the increase of € 1,795 thousand is due to acquisition by Biesse Spa of ordinary operating equipment necessary for assembling and testing machine tools and the construction of moulds and matrices for raw materials .

The increase in the value of Other tangible assets for € 2,701 thousand is due to acquisition of new fixtures and furnishings for € 352 thousand, vehicles for € 215 thousand, office electronic and electromechanical machinery of increasingly sophisticated and modernised products intended for information systems (servers, USCSI discs, etc.), office design (PWS, plotters, scanners) and all the indirect functions for realising new work stations and partially for replacing obsolete machinery (PC, printers, photocopiers, etc.).

Fixed assets under construction and advance payments (€ 5,521 thousand) is represented by advances on work to finish, referring to sites for refurbishing and expansion of already operating plant, construction of a new plant. The increase for € 8,977 thousand is due to advance payments to complete the buildings in San Giovanni in Marignano (€ 4,541 thousand) and in Pesaro (Via della Meccanica) for € 847 thousand, to build a new factory in Alfonsine for Mechatronic Division, to buy new lands in Chiusa di Ginestreto (Pesaro) and to complete the building in Via dell’Economia (Pesaro). The decrease of € 13,702 thousand, is mainly due to the factory in San Giovanni in Marignano now included into the item land and building; therefore the item includes capitalization of costs for extension works in the buildings in Pesaro.

## Investments

### *Shareholdings in non-consolidated subsidiaries:*

<b>Company</b>	<b>Share capital</b>	<b>Value entered</b>	<b>Share held by the Biesse Group</b>
<b><i>Biesse Corporate School srl.</i></b> Via della Meccanica 16, Loc. Chiusa di Ginestreto - Pesaro - Italy	€ 10,920	€ 14,018	87.84%
<b><i>Sandymac Srl</i></b> Via della Meccanica 16, Loc. Chiusa di Ginestreto - Pesaro - Italy	€ 50,000	€ 125,923	80.00%
<b><i>Schelling CIS</i></b> Chaussee Entusiastow 17 111024 Moscow - <b>Russia</b>	Rib 20,000	€ 725	100% (indirectly through Schelling Anlagenbau GmbH)
<b>Total</b>		<b>€ 140,666</b>	

## CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2002 the shareholdings not included in the area of consolidation, as irrelevant to the purposes of the truthful and correct representation of the financial situation and the economic result of the Group, are the followings:

- shareholding in the company Schelling CIS, which has been constituted at 23 December 2002, to develop activity of marketing and post-sale assistance of the Schelling machines on the east Europe markets; the company has decided to not draw a balance sheet, because of the proximity of the date of constitution in comparison to the date of closing of the balance; therefore the shareholding has been valued with the cost method;
- shareholding in the company Biesse Corporate School s.c.r.l., has not been consolidated according to the integral method but valued with the equity method, considering that the modest volumes of activity developed in the area of business formation, make irrelevant the consolidation of the company;
- shareholding in the company Sandymac Srl that deals with the production and marketing of calibration and sanders machines, valued with the equity method, because not yet fully operational. In fact it has been constituted during the first months of 2002 and its shares have been acquired in 10 September 2002.

In comparison to the previous period it was been included in the area of consolidation the companies HSD Usa Inc., Biesse Group Australia Pty Ltd and New Biesse Group Zealand Ltd.

### *Shareholdings in associated companies:*

<b>Company</b>	<b>Share capital</b>	<b>Value entered</b>	<b>Shareholding by the Biesse Group</b>	<b>Share held by the Biesse Group</b>
<b>I.S.P. System Srl</b> Via Fratelli Rosselli, 46 Pesaro - Italy	€ 14,040	€ 13,446	25.92%	25.92%
<b>CABI Srl</b> Nuova Strada di Lottizzazione, s.n. Località Selva Grossa Pesaro - Italy	€ 99,000	€ 48,512	49.00%	49.00%
<b>Intermac Vidrio Iberica SA</b> C/Muntaner 531, 3-4 Barcelona – Spain	€ 60,102	€ 12,794	49.00%	49.00%
<b>Eberle Automatische Systeme GmbH</b> Stieglingen 7a, 6850 Dorunbirn- Austria	€ 36,336	€ 38,975	25.00% (indirectly through Schelling Anlagenbau GmbH)	25.00%
<b>HSD Deutschland GmbH</b> Immenreich 6, Gingen, Fils – Germany	€ 25,000	€ 12,500	50.00% (indirectly through HSD Spa)	40.00%
<b>Total</b>		<b>€ 126,227</b>		

Shareholdings in the companies Eberle GmbH and Interamac Vidrio Iberica have been valued with the equity method; for the companies CABI Srl. and I.S.P. System Srl. it was made the evaluation at the cost method because the consolidated financial statements have not been made available at the closing date of the balance sheet of the Parent Company.



In comparison to the previous exercise the company HSD Deutschland has entered into the Biesse Group. It has been constituted on 3 May 2002 and held to 50% by affiliated HSD Spa to develop activity of marketing of the products of the Mechatronic Division on the German markets; for such company it was made the evaluation at the cost method because the company financial report was not available.

The shareholding in Eberle Automatische Systeme GmbH that was in the preceding exercise included among the financial activities not immobilized, has been put among the financial immobilizations because we do not foresee to sell such shareholding in short period.

#### Shareholdings in other companies:

Shareholdings in other companies as of 31 December 2002, valued using the cost method and adjusted for writedowns as per article 2426 of the Civil Code, are composed as follows:

<b>Company</b>	<b>Value entered</b>	<b>Share held by the Biesse Group</b>
<b>Banca delle Marche Spa</b> Via Menicucci, 4/6 - Ancona - Italy	€ 65,313	*
<b>Tecnomarche Scrl</b> Piazza Simonetti, 36 - Ascoli Piceno - Italy	€ 10,329	4.00% (directly)
<b>Consorzio Internazionale Marmi Macchine Carrara</b> Via Galilei, 133 - Carrara Marina (MS) - Italy	€ 5,165	*
<b>Formark Srl</b> Corso Mazzini, 151 - Ascoli Piceno - Italy	€ 779	*
<b>Cosmob Spa</b> Galleria Roma - Pesaro - Italy	€ 1,033	*
<b>Consorzio Energia Assindustria Pesaro Urbino</b> Via Curiel, 35 - Pesaro - Italy	€ 1,033	*
<b>Caaf Interregionale Dip. Srl</b> Via Ontani, 48 - Vicenza - Italy	€ 129	*
<b>Total</b>	<b>€ 83,781</b>	

\* symbolic or associative equity investments.

#### Financial receivables:

<b>Item</b>	<b>Value of previous period</b>	<b>Increases/Decreases</b>	<b>Value at year-end</b>
From affiliated companies	120	0	120
From others (falling due within 12 months)	0	2,489	2,489
From others (falling due after 12 months)	3,180	(2,475)	706
<b>Total</b>	<b>3,300</b>	<b>15</b>	<b>3,315</b>

#### Receivables from affiliated companies

The value of € 120 thousands refers to an advance in favour of the associated company Interamac Vidrio Iberica SA.

## CONSOLIDATED FINANCIAL STATEMENTS

### Receivables from others

The receivables from others due within 12 months refer to an interest-bearing financing granted to third parts by Biesse Spa, for € 2,489 thousand.

The receivables from others due after 12 months (€ 706 thousand) are predominantly constituted by advance payments of employee severance indemnity as per Law 140 issued on 28 October 1997 for € 144 thousand, to the Fideuram Vita, Fideuram caf and Ras funds for € 214 thousand, from security deposits paid by Biesse Spa for € 155 thousand, by Biesse France for € 24 thousand, by Biesse Iberica for € 19 thousand and by HSD USA for € 16 thousand.

### Other:

Description	Value of previous period	Increases/ Decreases	Value at year-end
Other securities	107	(17)	90
Own shares	0	1,204	1,204
<b>Total</b>	<b>107</b>	<b>1,187</b>	<b>1,294</b>

The Other securities have not suffered relevant variations in comparison to the previous exercise. The Own shares amount to € 1,204 thousand, and relate to the purchase of 380,654 shares.

The purchase of own shares has been made after authorization of the Meeting of the Shareholders with deliberation of 17 December 2001, to the senses of the art. 235 of the Italian Civil Code and of the art. 73 of the rule Consob n° 11971 of 14/05/99; it has not provided their write-down in the measure equal to the difference among the purchase average value equal to € 3.162 and the average value of December 2002 equal to € 2.591, because we deem the loss of value not lasting and similarly we do not consider the actual course of the title Biesse representative of the real value of the Group.

We decided to include such shares among the financial immobilizations, in order to cover the amount foreseen by the contract of undersigned put/call among Biesse Spa and Mr. Claudio Granuzzo, relatively to the stock share held by Mr. Granuzzo in HSD Spa.

### Working capital

#### Inventories:

Item	Value of previous period	Increases/ Decreases	Value at year-end
Raw materials, ancillary, consumer goods	61,881	(2,845)	59,036
(Raw materials write-down reserve)	(1,530)	(584)	(2,114)
Net raw materials, ancillary, consumer goods	60,351	(3,429)	56,922
Work in progress and semi-finished goods	12,003	(1,467)	10,536
Finished goods and merchandise	33,716	(10,295)	23,421
Finished goods write down reserve	(1,097)	296	(801)
Net finished goods and merchandise	32,619	(9,999)	22,620
Advances	631	(41)	591
<b>Total</b>	<b>105,604</b>	<b>(14,996)</b>	<b>90,608</b>

The value of the inventories of raw material and semi-finished goods shows a decrease due to the optimization of the inventories.

The value of the inventories of finished goods has a decrease equal to € 10,295 thousand in comparison to the previous exercise, due both to the fact that at the end of the 2001 exercise the level of produced finished stock reached a higher value in comparison to the physiological level, because of the request to postpone the delivery dates of the machines by some consumers primarily located in North America, both to the effect produced by the Italian Tremonti Law (Tax benefits on Investments), by which the Italian customers asked for the deliveries within the exercise. The effect produced by the change of the area of consolidation is equal to € 3,287 thousand.

The total result of the difference in the inventories equal to € 14,996, is remarkable even more if it is kept in mind of the fact that, on 31 December 2001, the branches Biesse Australia, Biesse New Zealand HSD USA and Motori MC Kart were not included in the area of consolidation. At the end of 2001, their value was equal to € 4,635 thousand.

The inventories also include the materials and the products that physically were not present in our establishments to the date of closing of the balance sheet, but were found in third parties stocks as not invoiced goods.

### Receivables

The item has an amount of € 144,096 thousands (the value at 31/12/2001 is of € 141,030 mila) and is so composed:

Description	Value of previous exercise	Increases/ Decreases	Value at year-end
From customers	123,242	2,991	126,233
(Bad debt reserve)	(2,009)	(888)	(2,897)
<b>From customers, net</b>	<b>121,233</b>	<b>2,103</b>	<b>123,336</b>
From non-consolidated subsidiaries	1,347	(1,313)	34
From affiliated companies	310	966	1,276
From parent companies	17	(16)	1
From others	20,180	(111)	20,069
<b>Total</b>	<b>143,087</b>	<b>1,629</b>	<b>144,716</b>

### Credits toward clients

They amount to € 123,336 thousand, net of the bad debt provisions of € 2,897 thousand and they are related to commercial transactions. The writedowns of the credits have been made for covering the inherent risks of losses in the doubtful credits.

The increase of the receivables toward clients, net of the bad debt provision, is equal to € 2,103 thousand. This increase is mainly due to the inclusion in the consolidation area of the companies Biesse Group Australia, New Biesse Group Zealand, HSD Usa and Motori MC Kart, whose total net value of the receivables from customers is € 4,377 thousand, and to the decrement of the credits of the Schelling Group (€ 6,343) following the reduction of the sales in comparison to the previous year.

## CONSOLIDATED FINANCIAL STATEMENTS

### *Detail receivables from customers:*

<b>Description</b>	<b>Value of previous exercise</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
From customers within one year	122,187	3,471	125,658
(Bad debt reserve within one year)	(2,004)	(893)	(2,897)
From customers within one year	120,183	2,578	122,761
From customers after one year	1,055	(481)	575
(Reserve bad debts after one year)	(5)	5	0
From customers after one year	1,050	(475)	575
Total from customers	123,242	2,991	126,233
(Total bad debt reserve)	(2,009)	(888)	(2,897)
<b>Total from customers (net of the bad debt reserve)</b>	<b>121,233</b>	<b>2,103</b>	<b>123,336</b>

### **Receivables from subsidiary companies**

The value of € 56 thousand refers to receivables that the Parent Company, Biesse Spa is owed from subsidiary companies not included in the consolidation area and in particular from Sandymac Srl for € 54 thousand.

### **Receivables from affiliate companies**

The amount of € 1.090 thousand refers to receivables of the Parent Company, Biesse Spa from Cabi Srl for € 382 thousand, from I.S.P. System Srl for € 416, from HSD Deutschland for € 207 thousands and from Intermac Vidrio Iberica SA for € 85 thousand.

### *Detail receivables from others:*

<b>Description</b>	<b>Value of previous exercise</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
<b>Receivables from others</b>	<b>20,181</b>	<b>(112)</b>	<b>20,069</b>
<b>Receivables from others within one year</b>	<b>19,693</b>	<b>(1,607)</b>	<b>18,086</b>
Receivables from others within one year	11,495	(2,463)	9,032
Rec. for prepaid taxes	8,197	856	9,054
<b>Receivables from others after one year</b>	<b>488</b>	<b>1,495</b>	<b>1,983</b>
Rec. from others after one year	488	1,495	1,983

No rectifications of value were made on these receivables.

The Receivables from other within one year, equal to € 9,032 thousand are mainly composed by different credits toward the national revenue, credit notes to receive from suppliers, anticipated costs.

The Receivables from other after one year mainly include active deferred taxes.

There are no receivables falling due after 5 years.

**Financial current assets:**

<b>Description</b>	<b>Value of previous exercise</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Equity investments in affiliated companies	9	(9)	0
Own shares with total nom. value	0	540	540
<b>Total</b>	<b>9</b>	<b>531</b>	<b>540</b>

The value related to the shareholdings in affiliated companies was equal to € 9 thousand at the end of the previous period; it refers to the shareholding of 25% held by Schelling Anlagenbau GmbH in the company Eberle Automatische Systeme GmbH; such shareholding has been included in the investments because their sale is still not planned.

The own shares amount to € 540 thousand, and they correspond to 208.346 shares purchased during 2002, devalued for € 232 thousand, equal to the difference among the average price of purchase of € 3,71 and the average of the month of December of € 2,59.

The purchase of own shares has been made after authorisation of the Meeting of the Shareholders with deliberation of December 17 th 2001, to the senses of the art. 235 of the Italian Civil Code and of the art. 73 of the rule Consob n° 11971 of 14/05/99.

**Liquid assets:**

<b>Description</b>	<b>Value of previous period</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Bank and post office accounts	13,825	19,199	33,024
Cash in hand and cash equivalents	221	(56)	165
<b>Total</b>	<b>14,046</b>	<b>19,143</b>	<b>33,189</b>

The amount of Bank and post office accounts increases in comparison to the last exercise for an amount equal to € 19,199 thousand. Such increase is referable to the ordinary liquidity produced in the last days of the exercise, and to the sale and lease back operation made on 31 December 2002 by Schelling Anlagenbau that has brought an increase of the banking account of the Austrian affiliated equal to € 10,200 thousand. The effect brought by the new companies included in the consolidation area is equal to € 785 thousand.

**Working Capital:**

<b>Description</b>	<b>Value of previous period</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Inventories	105,604	(14,997)	90,608
Trade receivables	122,907	1,576	124,483
Other receivables	18,123	1,490	19,613
Trade payables	84,812	(3,587)	81,225
Other payables	38,125	(233)	37,892
Prepaid expenses and accrued income	1,366	242	1,608
Accrued expenses and deferred income	2,790	(147)	2,643
<b>Net current assets</b>	<b>122,273</b>	<b>(7,720)</b>	<b>114,552</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### Accrued income:

Description	Value of previous period	Increases/ Decreases	Value at year-end
Interest receivable	0	78	78
Miscellaneous	169	76	245
<b>Total</b>	<b>169</b>	<b>154</b>	<b>323</b>

The increase of the interest receivable equal to € 79 thousand primarily refer to the differences in changes produced by the contracts of coverage of trading.

### Prepaid expenses:

Item	Value of previous period	Increases/ Decreases	Value at year-end
Interest payable	677	16	693
Miscellaneous	424	124	548
Multiyear miscellaneous	96	(53)	43
<b>Total</b>	<b>1,197</b>	<b>87</b>	<b>1,284</b>

Prepaid expenses refer to lease contracts, service and consultation contracts.

## LIABILITIES AND EQUITY

### Shareholders' equity

#### Schedule of the transactions in the Consolidated Shareholders' equity items (€/1,000):

	Balance as at 31 Dec 2001	Transfer result	Con- version difference	increase in Capital	Dividends	Other tran- saction	Result of the period	Balance as a 31 Dec 2001
<b>Net shareholders' equity pertaining to the Group</b>								
Capital	27,393							27,393
Share premium reserve	89,506	(3,987)						85,519
Legal reserve	3,797							3,797
Own shares reserve	0					1,743		1,743
Surplus reserve	17,717				(2,431)	(3,153)		12,133
Consolidation reserve	65							65
Conversion difference reserve	45		(1,212)					(1,167)
Other reserves:								
- Merger surplus	1,736	(1,736)						0
- Reserve for special tax regime	2,993	(569)				1,409		3,833
Income carried forward and other reserves	4,170	(310)				(327)		3,533
Result of the period	(6,602)	6,602					(5,761)	(5,761)
<b>Total shareholders' equity of Group</b>	<b>140,820</b>	<b>0</b>	<b>(1,212)</b>	<b>0</b>	<b>(2,431)</b>	<b>(328)</b>	<b>(5,761)</b>	<b>131,088</b>
<b>Shareholders' equity pertaining to minorities</b>								
Capital and reserves pertaining to minority interests	517	175			148		840	
Income (loss) pertaining to minority interests	175	(175)					(1)	(1)
<b>Total shareholders' equity pertaining to minority interests</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148</b>	<b>(1)</b>	<b>839</b>
<b>Total</b>	<b>141,512</b>	<b>0</b>	<b>(1,212)</b>	<b>0</b>	<b>(2,431)</b>	<b>(180)</b>	<b>(5,762)</b>	<b>131,927</b>

**Share premium reserve**

The item, equal to € 85,519 thousand decreased of € 3,987 thousand to cover the 2001 loss.

**Own shares reserve**

The Own shares reserve, equal to € 1,743 thousand refers to the own shares purchased by the Parent Company, Biesse Spa, through the operation of buy-back. The amount was previously included in the Surplus reserve.

The purchase, authorised by the Shareholders' Meeting held on 17 December 2001, cannot exceed 18 months starting from the date of resolution and it refers to no more than 10% of the authorised issued capital.

**Surplus reserve**

The item, equal to € 12,133 thousand, has decreased by the resolution of dividends distribution (€ 2,431 thousand), the provision of the Own shares reserve (€ 1,743 thousand) and the destination to the accelerated depreciation reserve (€ 1,410 thousand).

**Conversion differences reserve**

The Conversion differences reserve, negative for € 1,167 thousand, is provisioned to make up for the differences in the financial statements expressed in the currency of non euro countries (USA, Canada, Singapore, Poland, Brasil, Australia, New Zealand). It decreased € 1,212 thousand over the period.

**Other reserves**

The merger surplus reserve, previously amounting to € 1,736 thousand was used to cover the 2001 loss.

The Other reserves item amounting to € 3,833 thousand refers to the accelerated depreciation reserve, composed of the accelerated depreciation done in the previous periods measured only in preparing the income tax returns; the reserve increased by € 1,409 thousand compared with December 2001.

The funds as per Art. 55 of Presidential Decree 597/917 and the reserve under Law 696/83 – Law 399/17, equal to € 569 thousand at the close of the previous period, were used to cover the 2001 loss.

**Income carried forward and other reserves of the subsidiary companies**

The value of € 3,533 thousand decreased by € 637 thousand for the allocation of the consolidated loss of the previous period and for the inclusion in the consolidation area of the subsidiary companies Biesse Group Australia Pty Ltd, Biesse Group New Zealand Ltd and HSD Usa Inc.

**Result of the period**

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

## CONSOLIDATED FINANCIAL STATEMENTS

	2002	2001
Profit/(loss) charged to the shareholders (€/1,000)	(5,761)	(6,602)
Average number of shares in circulation	27,393,042	22,617,428
Profit/(loss) for share (expressed in Euro per share)	(0.21)	(0.29)

Reconciliation between the Parent Company and the Consolidated Financial statements (€/1,000).

	Equity 2002	results 2002	Equity 2001	Result 2001
Shareholders' equity and income of the period as recorded in the parent company interim financial statement	132,529	(1,890)	136,900	(6,242)
<b>Elimination of the stock value of the consolidated equity investments</b>				
Difference between stock value and pro-quota value of the shareholders' equity	(15,963)		(12,215)	
Pro-quota results achieved by the held companies		(6,502)		(5,060)
Consolidation difference	20,117	(1,456)	21,455	(3,221)
Surplus attributed to buildings	482	(16)	498	(16)
Consolidation reserve	65		65	
Elimination of the write down of the equity investments		4,360		9,503
<b>Elimination of the effects of transactions between consolidated companies</b>				
Intra-group profits included in the value of final inventories	(3,574)	1,531	(5,106)	(1,566)
Intra-group profits on fixed assets	(778)		(778)	
Evaluation of the affiliated companies with equity method	(170)	(170)	97,052	
Application of the IFRS 17	(1,619)	(1,619)	1,001	
Shareholders' equity and income of the period pertaining to the Group	131,087	(5,761)	140,820	(6,602)
Shareholders' equity and income of the period pertaining to minority interests	839	(1)	692	175
Shareholders' equity and income of the period as recorded in the consolidated interim financial statement	131,927	(5,762)	141,511	(6,427)

### Fund for risks and charges

The item is equal to € 10,123 thousand (€ 7,491 thousand at the end of year 2001) and it is composed as follows:

#### Supplementary indemnity reserve for customers

The item is equal to € 498 thousand, while amounting € 915 thousand at the end of the previous period. The variation of greater account is determined by the decrease of the fund of € 446 thousand, because of its adjustment to the real risk, following detailed analysis of the contracts of agency and of the historical data about the payments made to the agents, in case of rescission of the agency contract.

#### Provision for taxes

The amount equal to € 2,727 thousand include predominantly deferred taxes of the parent company Biesse Spa for € 1,854 thousand, calculated on accelerated amortizations and on residual quotas of accrued profits and a provision made in accordance to the Italian Tax Law 289/2002 (Tax Condonation); the Board of Directors decided to make this provision as a prudence measure.



**Others provisions:**

<b>Item</b>	<b>Value of previous year</b>	<b>Changes in consolidation area</b>	<b>Decrease and other movements</b>	<b>Provisions of the period</b>	<b>Value at year-end</b>
Provision for exchange risks	0	0	0	239	239
Product warranty provision	2,771	44	(13)	228	3,030
Provision for future risks and charges	3,804	0	(2,468)	2,292	3,628
<b>Total</b>	<b>6,575</b>	<b>44</b>	<b>(2,481)</b>	<b>2,759</b>	<b>6,897</b>

It has been made a provision for exchange risks to adequate the receivables and payables in currency other than euro posted at the historic exchange rate to the exchange rate valid at the closing date of the period.

The product warranty provision is equal to € 3,030 thousand (€ 2,771 thousand at the end of the previous period), decreased of € 259 thousand to reflect the real liability for warranty.

Provision for future risks and charges includes the amount of € 3,092 thousand, related to the Corporate Restructuring provision of the Parent Company, Biesse Spa, equal to € 3,046 thousand, the Corporate Restructuring provision of the subsidiary company Biesse Deutschland, equal to € 46 thousand. The provision has been decreased of € 2,462 thousand for the merger of Intermac Spa and for the rationalization of the company organization. In order to face the persistent stagnation of the market of reference, the Biesse Spa Board of directors has deliberated to continue in the activity of rationalization of the business, through a complete re-examination of the whole chain of the value. For this purpose, it has been made a provision of € 2,000 thousand, that will be used during 2003 and 2004, together with the residual provision.

The other provision equal to € 292 thousand refers to likely charges rising from a dispute with an English retailer of the Glass Division and to other smaller risks.

**Staff severance indemnities reserve:**

<b>Reserve at the beginning of the financial</b>	<b>11,076</b>
Changes in the consolidation area	182
Payments made during the period	(1,921)
Amount accrued in tje period	3,593
<b>Reserve at the end of the financial period</b>	<b>12,931</b>

**Accounts payable**

**Notes payable due to banks:**

<b>Description</b>	<b>Value of previous period</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Current accounts and short term loans	75,444	(9,970)	65,474
Medium term loans	19	(8)	11
Mortgages with collateral	8,680	453	9,133
<i>Within one year</i>	412	(136)	276
<i>After one year</i>	8,268	589	8,857
Mortgages without collateral	15,777	(1,265)	14,512
<i>Within one year</i>	1,096	(58)	1,038
<i>After one year</i>	14,681	(1,207)	13,474
<b>Total</b>	<b>99,920</b>	<b>(10,790)</b>	<b>89,130</b>

The widening of the consolidation area determined an increase of € 1,796 thousand, given by the notes payable to banks of Motori MC Kart; these refer to short term loans for € 600 thousand and to mortgage with collateral with Medio Credito Fondiario Centroitatia for € 1,196 thousand.

In comparison to the previous year, there is a general improvement of € 10,790 thousand, mainly due to the decrease of the short term indebtedness. We invite to read the consolidated cash flow statement for further information.

**Payables falling due after 5 years:**

<b>Description</b>	
Schelling Anlagenbau Hypo vereins bank	3,633
Biesse Spa Loan law 46/82	1,533
Mortgage Medio Credito Fondiario Centroitatia	692
Mortgage BCI Bank Montreal	84
Mortgage BCI Bank Toronto	49
Biesse Spa Loan law 394/81	25
<b>Total</b>	<b>6,016</b>

The mortgages taken out with collateral are detailed as follows:

<b>Company</b>	<b>Amount</b>	<b>Credit institution</b>	<b>Description of the collateral</b>
Schelling Anlagenbau	3,633	Mortgage Hypo vereins bank	Collateral based on land in Schwarzach (Austria)
Bifin Ltd	1,554	Mortgage BCI Comit NY	Collateral based on the industrial building in Charlotte (USA)
Biesse Spa	1,519	EIB loan	Collateral based on the 75,000 sqm area, site of the building in Pesaro, Località Chiusa di Ginestreto (Pesaro), constituted by 7 plant buildings
Motori MC Kart	1,196	Mortgage Mediocredito Fondiaro Centroitalia	Collateral based on the industrial building in Pesaro, Strada Selva Grossa
Schelling America Inc.476		Bank of Austria	Collateral based on inventories and equipments
Biesse Spa	413	Mortgage Mediocredito Fondiaro Centroitalia	Collateral based on the building located in Via della Meccanica, s.n. Chiusa di Ginestreto (Pesaro)
Sel Realty Inc.	163	Mortgage BCI Comit Canada	Collateral based on the industrial building in Montreal (Canada)
Schelling Fertigungstechnik	99	Mortgage Creditanstalt	Collateral based on industrial equipments
Sel Realty Inc.	80	Mortgage BCI Comit Canada	Collateral based on the industrial building in Toronto (Canada)
<b>Total</b>	<b>9,133</b>		

We inform the reader that the land on which is based the collateral with Hypo Vereins Bank is the same on which it rises the productive establishment, interested in the sale and lease back operation of the Schelling Group.

#### **Notes payable due to other financial sources**

The notes payable due to other financial sources equal to € 33,142 thousand, increase of € 32,937 thousand over the period, because of the sale and lease back operations made during the year. The leasing contracts have been undersigned with Intesa Leasing (€ 14,599 thousand, with reference to the building situated in Pesaro, via dell'Economia), Cardine Leasing and Locafit (€ 9,712, with reference to the building situated in S. Giovanni in Marignano) and LD-Leasing GmbH (€ 8,782 thousand), with reference to the building situated in Schwarzach, (Austria).

#### **Advances**

This item equal to € 9,125 thousand refer to advances received from customers as of December 31 2002; the Wood and Glass & Marble Divisions increase the item of € 1,637 thousand, while the Systems Division does not change its figures, in comparison with the previous year.

## CONSOLIDATED FINANCIAL STATEMENTS

### **Trade payables:**

<b>Description</b>	<b>Value of previous year</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Trade payables	84,574	(4,219)	80,355
Payables to non-consolidated companies	44	(30)	15
Payables to affiliated companies	61	958	1,019
Payables to parent companies	133	(133)	0
<b>Total</b>	<b>84,812</b>	<b>(3,423)</b>	<b>81,389</b>

The trade payables include € 1,768 thousand, related to payables due after one year. The decrease is due to the optimization of the inventories and to the improvements of the productive efficiency, in terms of reduction of supply costs.

The change in the consolidation area contributed to the total amount for € 2,066 thousand.

The increase in the payables to affiliated companies is referred to Cabi Srl.

### **Tax and social insurance payable:**

<b>Description</b>	<b>Value of previous year</b>	<b>Increases/ Decreases</b>	<b>Value at year-end</b>
Tax payables	5,048	5,369	10,417
Social insurance payables	4,946	35	4,981
<b>Total</b>	<b>9,994</b>	<b>5,404</b>	<b>15,398</b>

The increase of the tax payables is mainly due to the VAT position of the parent company (that was in credit at the end of the previous year) and to the increase of the VAT payable of the affiliated Schelling Anlagenbau (€ 1,804 thousand).

### **Other payables**

The item is equal to € 13,826, decreasing of € 6,817 respect the end of December 2001; this is mainly due to the advance payments made in relation with the purchase of the branch of activity of Diamut and Cni.

It includes the payables towards the staff for salaries and wages of December 2002, the outstanding payables relating to the purchase of Diamut Srl and CNI line of activity and finally to the payable to the Allwood Machinery shareholders, for the purchase of the Biesse Group Australia branch of business.

The amount falling due beyond 12 months amounting to € 1,157 thousand, increases of € 950 thousand with reference to the previous year. It is determined by the payable to the Allwood Machinery shareholders (€ 718 thousand), and by other payables connected with the purchase of Diamut line of activity (€ 232 thousand) and the association in investment contract, connected to the take over of Buseti Srl (€ 207 thousand).

**Accruals and deferred Income**

The item is broken down as follows as of 31 December 2002:

**Accrued expenses:**

Description	Value of previous year	Increases/Decreases	Value at year-end
Interest payables	185	43	228
Miscellaneous	212	206	418
<b>Total</b>	<b>397</b>	<b>249</b>	<b>646</b>

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

**Deferred income:**

Description	Value of previous year	Increases/Decreases	Value at year-end
Interest received	1,525	(688)	838
Deferred incomes for installation and testing	838	321	1,159
Miscellaneous	30	(30)	0
<b>Total</b>	<b>2,393</b>	<b>(396)</b>	<b>1,997</b>

**Memorandum accounts:**

The memorandum accounts are described as follows:

Description	Value of previous year	Value at year-end
Leasing commitments	12,755	11,562
Collateral given for guarantees/endorsements	13,923	13,410
Bills in circulation	9,935	10,303
Other memorandum accounts	43,152	22,866
<b>Total</b>	<b>79,765</b>	<b>58,141</b>

The leasing commitments equal to € 11,562 thousand and refer to the total amount of instalments and purchase price to pay to the leasing companies in order to acquire the property of the leased good. In case that the leasing contracts were recorded according to the financial method, instead of that allowed by the law, the Material Assets historic cost at the end of December 2002 would have been higher for about € 7,484 thousand, while the accumulated depreciation would have been higher for about € 1,548 thousand; the financial debts would have been higher for about € 5,319 thousand, the deferred charges would have been lower for about € 309 thousand. The depreciation charge of the period would have been higher for about € 883 thousand, the financial charges higher for about € 297 thousand, while the correctly charged expenses for use of third-party assets would have decreased by about € 1,347 thousand. The loss for the period would have been lower for about € 97 thousand, the equity higher for about € 219 thousand.

## CONSOLIDATED FINANCIAL STATEMENTS

The Other memorandum accounts mainly refer to forward exchange rate agreements, made at the end of the period and evaluated at the exchange rate at the end of the period; the agreements are made in order to protect the operating margin on future sales of the Parent Company, Biesse Spa, by the fluctuations of the exchange rates.

The parent company Biesse Spa made an I.R.S. agreement (interest rate swap), in order to cover the interest rate risk, rising from the sale and lease back contract, stipulated on the building situated in Pesaro, via dell'Economia.

### CONSOLIDATED INCOME STATEMENT

**Detailed information and the variations occurring in the consistency of the principal costs and revenues items.**

*(All the values are in thousand euro)*

#### Value of production

Despite the increase of 4,8% of the sales, the Value of production, amounting to € 363,482 thousand, decreases of 3,5% in comparison to the exercise 2001 because of the company strategy of stock reduction.

#### Sales of goods and services

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

Product segment	Value of previous year	%	Value at year-end	%	Change	Change %
Wood Division	228,971	64.70%	259,800	70.10%	30,829	13.50%
Glass and Stone Division	52,749	14.90%	55,654	15.00%	2,905	5.50%
Systems Division	65,352	18.50%	41,909	11.30%	(23,443)	(30.40)%
Mechatronics Divison	21,798	6.20%	23,387	6.30%	1,589	7.29%
<b>Aggregate total</b>	<b>368,870</b>	<b>104.30%</b>	<b>380,750</b>	<b>102.70%</b>	<b>11,880</b>	<b>3.22%</b>
Intra-division elimination	15,110	4.30%	10,017	2.70%	(5,093)	(33.71)%
<b>Total consolidated revenues</b>	<b>353,760</b>	<b>100.00%</b>	<b>370,733</b>	<b>100.00%</b>	<b>16,973</b>	<b>4.80%</b>

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

Geographic area	Value of previous year	%	Value at year-end	%	Change	Change %
EU	228,120	64.5%	213,255	57.5%	(14,865)	(6.52)%
North America	64,553	18.2%	66,841	18.0%	2,288	3.54%
Rest of the world	61,087	17.3%	90,637	24.4%	29,550	48.37%
<b>Total consolidated revenues</b>	<b>353,760</b>	<b>100.0%</b>	<b>370,733</b>	<b>100.0%</b>	<b>16,973</b>	<b>4.80%</b>

The analysis of the sales for division underlines the good performance of the Wood Division that represents over 70% of the consolidated revenues, in increase of 13.5% in comparison to the previous exercise.

The situation of both the Glass and Marble Division and of the Mechatronics Division is substantially stable; their weight on the consolidated revenues is attested to the levels of the exercise 2001. Particularly, in absolute value the Glass and Marble Division presents a 5.5% increase in comparison to the 2001 revenues while the Mechatronics Division had a 7.3% increase.

The Systems Division still accuses the suffering due to the difficult economic trend that characterizes the principal world markets even if the progress of the orders of the first months of the year allows to formulate encouraging forecasts for 2003.

The course of the sales for geographical area reflects the different economic and market situations of the different geographical realities, underlining a stagnation of the North American area, whose weight on the total consolidated revenues is substantially stable while the European Union maintains on lower levels respect those of the previous period. Good results keep instead on reaching from the Rest of the World with particular reference to the East Europe area.

The widening of the consolidation area has not brought meaningful effects in the sale of products, as some of the acquired companies (HSD Usa, Biesse Group Australia and Biesse New Zealand) develop activity of retailers in the markets previously covered by third retailers, while the company Motori MC Kart develops collateral activity for some productive units of the Group.

For further explanations we refer to the Directors' Report on Operations.

#### **Other revenues and income:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Contributions to period account	336	254	(82)
Other revenues	5,859	6,445	586
<b>Total</b>	<b>6,195</b>	<b>6,699</b>	<b>504</b>

The item shows an amount of € 6,699 thousand in light increase in comparison to the previous exercise. The item Other revenues and incomes is mainly composed by recovery of shipping packaging and material repairs expenses, commissions receivables, royalties, leases on owned buildings and surpluses on ordinary management where it is included the contribution for the Marcel project (Italian Law n.1089/1968 and successive amendments and riders: Funds for applied search) closed in the year 2002.

#### **Costs of production**

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

This item has a balance of € 157,093 thousand, with a decrease of 15.1% in comparison to the exercise 2001. Despite the widening of the consolidation area, with its connected greater costs for raw material, the achieved consumptions rationalization of the other group companies has allowed to have a clear decrement of the amount in comparison to the exercise 2001.

## CONSOLIDATED FINANCIAL STATEMENTS

The incidence of such costs on the value of production combined with the incidence of the variation of the stocks (positive in 2001, negative in 2002), has passed since 46.9% of 2001 to 43.5% of 2002. If on one hand the improvement of the incidence of the costs of the materials is however explainable with a rationalization on the front of purchases, on the other hand it is necessary to consider the impact on the numerator of the relationship (value of the production) of the item related to the variation of the raw materials, of finished products and semifinished goods. In fact, the presence of a positive value in 2001, obviously valorized at industrial cost and therefore not comprehensive of the latent margin, has caused a lower amount for such value with consequent greater incidence of the consumption of raw materials. Normalizing the amount related to 2001, simulating the exploitation of the variation of the stock of finished products not to the cost but to the sale value and therefore making homogeneous the two denominators, a substantial alignment is gotten in the incidence of the consumptions.

### Service costs:

Description	Value of previous year	Value at year end	Change
Outsourcing	14,038	10,712	(3,326)
Utilities	1,277	1,502	225
Maintenance	2,159	2,275	116
Tech., legal and admin. Consulting	4,323	5,680	1,357
Commissions expenses	8,717	8,596	(121)
Trade show and advertising	7,443	8,207	764
Business trips and travel expenses	9,135	8,752	(383)
Postage and telephone costs	2,175	2,581	406
Transportation costs	9,871	10,275	404
Other service expenses	11,950	10,654	(1,296)
<b>Total</b>	<b>71,090</b>	<b>69,235</b>	<b>(1,855)</b>

The costs for services amount to € 69,235 thousand; they do not include the connected costs with the activity of corporate restructuring for an amount of € 820 thousand, not transited to the economic account but decreased in the specific balance sheet account. The principal variation in comparison to the exercise 2001 lies in the cost for outsourcing, that decreases from € 14,038 thousand to € 10,712 thousand.

In one year of moderate growth of the sales, also the workmanships made by third-party have proportionally stirred.

Additionally, the Group has chosen to manage internally the workmanships, that in periods of higher growth of the sales were given outside.

About this matter we inform the reader that the company Motori MC Kart, entered in the Group Biesse in 2002, has developed activity of workmanship for the other productive units for an equivalent of € 7,875 thousand (in 2001 the purchases of the Group toward Motori MC Kart were € 7,690 thousand).

The item Trade shows and advertising suffered an increase of € 764 thousand, justified by the costs sustained for the show event "Ready to run" happened to the Velodromo Vigorelli in Milan.



The item Other services expenses, equal to € 10,654 thousand, decreases in comparison to the exercise 2001: it includes the expenses of insurance, costs for services to the personnel (costs for the recruitment, costs of training, canteen, uniforms for the employees, medical visits for the employees etc...), commercial and industrial services (vigilance services, building cleaning...). There are also included fees paid by the Group to the directors for € 365 thousand (€ 348 thousand in 2001) and compensation to auditors for € 73 thousand (€ 60 thousand in the previous exercise).

**Use of third-party assets:**

Description	Value of previous year	Value at year end	Change
Rental costs	4,311	5,703	1,392
Licenses	6	19	13
Leasing payments	2,842	2,840	(2)
<b>Total</b>	<b>7,159</b>	<b>8,562</b>	<b>1,403</b>

In comparison to the exercise 2001 the main variation is on the Rental costs that had an increase of € 1,392 thousand. They include the rents on industrial and commercial property, the rental of the office equipment, the rental of the company cars and of the inside transport vehicles and other rentals.

The increase is essentially due to the passage of the management of the car-park from owned car to long time rented cars. The amounts of the Lease payments refer to office equipments, to inside transport vehicles and to industrial equipments.

**Personnel costs:**

Description	Value of previous year	Value at year end	Change
Wages and salaries	68,457	74,133	5,676
Social security charges	18,411	19,716	1,305
Severance indemnity and benefits	3,330	3,775	445
Other costs	371	348	(23)
<b>Total</b>	<b>90,569</b>	<b>97,972</b>	<b>7,403</b>

The increase of the cost of the personnel is essentially due to the item Wages and salaries, partly for the effect of the acquisitions that have widened the consolidation area and increased the number of staff people, partly for the wage increases prepared in the exercise 2002. The total amount is net of € 1,388 thousand that represents the use of the Corporate Restructuring provision for the relevant amount.

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

Description	Value of previous year	Value at year end	Change
Executives	43	41	(2)
Middle managers	3	2	(1)
White-collar	1,121	1,214	93
Blue-collar	958	874	(84)
<b>Total</b>	<b>2,125</b>	<b>2,131</b>	<b>6</b>

## CONSOLIDATED FINANCIAL STATEMENTS

The number of the average employees is determined on the basis of the real presences in service; the main differences in the composition of the staff are due, as concerning the indirect personnel, to the effects of the acquisitions made during the year 2001 (Allwood, Cni) in which the component of indirect employees prevails; from the side of the direct personnel, from the reductions of organic mainly effected in the Austrian establishments of the Systems Division for facing the strong reduction intervened on the volume of production in the last 18 months.

The widening of the area of consolidation has contributed for a total of 93 people, of which 47 workers and 46 employees.

### **Amortisation, depreciation and write-downs:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Amortisation of intangible assets	3,260	3,963	703
Depreciation of tangible assets	7,171	8,536	1,365
Writedowns on receivables included in the current assets and cash on hand	580	1,224	644
<b>Total</b>	<b>11,011</b>	<b>13,723</b>	<b>2,712</b>

The amortizations of the intangible and tangible assets have not seen remarkable variations.

Among the variations of the intangibles assets, the goodwill amortization has an increase of € 592 thousand. In particular, € 493 thousand are related to the goodwill amortization of the Diamut Srl branch of activity (acquired at the end of 2001), while € 97 thousand are related to the goodwill amortization of the Allwood Machinery branch of business acquired by Biesse Group Australia Pty Ltd.

As concerning the voice Research & Development, the difference with the previous exercise is represented by the amortization quotas of Motori Mc Kart, consolidated by this exercise.

In the item Amortizations for Costs of plant and expansion, the only meaningful difference in comparison to the preceding exercise concerns the quota related to Biesse Group Australia for an amount equal to € 30 thousand. The remainder difference in comparison to the year 2001 has to be referred to the new investments.

Inside the tangible assets it is included the amortisation of the new assets situated in S. Giovanni in Marignano and in Pesaro, Via dell'Economia (€ 897 thousand), and of new plants and machineries for the same building and for other already existing buildings.

The remainder difference in comparison to the exercise 2001 is referred to the amortizations of the companies not consolidated before, that is Motori Mc Kart, Biesse Group Australia, HSD Usa and Biesse New Zealand (respectively for € 97 thousand, € 70 thousand, € 10 thousand and € 7 thousand).

As concerning the writedowns on receivables included in the current assets and cash on hand, the reader can find further explanation in the above section of the balance sheet.

### **Provisions**

Provision of € 292 thousand is referred to likely litigations with an ex English retailer of the glass division and to generic risks for likely litigations related to clients of the French market.

**Sundry operating costs:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Bad debt losses	(51)	(49)	2
Miscellaneous tax expenses	(201)	(84)	117
Unexpected losses	(47)	(122)	(75)
Representational costs	(552)	(835)	(283)
Membership fees	(5)	(170)	(165)
Other operating expenses	(5,218)	(4,921)	297
<b>Total</b>	<b>(6,074)</b>	<b>(6,181)</b>	<b>(107)</b>

The Sundry operating costs includes accessories costs related to the personnel, fuel costs associated with vehicle management, national and local taxes not on the revenue.

**Financial income and charges****Income from equity investments**

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

**Other financial income**

The details of the amount of € 5,388 thousands is the following:

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Income from securities recorded under fixed assets that do not reflect equity investments	101	125	24
Income from securities recorded under current assets that do not reflect equity investments	99	3	(96)
Other income	4,939	5,260	321
<i>Other income</i>	<i>1,867</i>	<i>922</i>	<i>(945)</i>
<i>Income on exchange differentials</i>	<i>3,071</i>	<i>4,338</i>	<i>1,267</i>
<b>Total</b>	<b>5,139</b>	<b>5,388</b>	<b>249</b>

Income from receivables entered in fixed assets refers to interest income on financial advances and to revaluation on advance payment of severance indemnities and to legal interest on the application of reimbursement of the VAT (Tax of Added Value) made by Intermac Spa.

Income from securities booked to working capital, that are not long term assets, equal to € 3 thousand, refers to interest on the insurance company RAS fund. Such fund comes from the merger of RBO Biesse Engineering Srl made in 1999.

Other miscellaneous income refers mainly to interests received according to the Sabatini Law. The increase in the voice Income on exchange differentials is due to increased volumes of the coverage operations and in general of the financial flows in currency managed by Biesse Spa with the purpose to centralize in the parent company the management of the exchange rate risk.

## CONSOLIDATED FINANCIAL STATEMENTS

To such purpose it is decided to issue invoices in local currency towards the principal subsidiaries of the Group and at the same time to receive them with the currency of the country of origin.

### **Interest and other financial charges:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Interest charges from banks and on advances	1,354	1,493	139
Interest charges on loans	2,456	2,670	214
Interest charges on debenture loans	2,052	1,973	(79)
Interest charges on other debts	742	352	(390)
Discounts and other financial expenses	167	101	(66)
Unrealised exchange losses	2,963	3,444	481
Provision for exchange risks	0	239	239
<b>Total</b>	<b>9,733</b>	<b>10,272</b>	<b>539</b>

The amount of the voice Interests and other financial charges is substantially maintained in line with that of the previous year.

### **Value Adjustments of financial assets**

#### **Write-ups**

The voice refers to write-ups of the shares Biesse Corporate School (€ 3 thousand) and Eberle Automatische Systeme (€ 30 thousand), consequent to the evaluation of the relative shares with the equity method.

#### **Write-downs**

The voice includes the devaluation equal to € 232 thousand, reported to the own shares held in portfolio and included between the liquid assets and the devaluation of € 17 thousand, related to titles of the working capital, held as guarantee of the indemnities that it will have to be paid to the Schelling Anlagenbau employees.

Finally we point out the devaluations of the investments in Sandymac (€ 79 thousand), I.S.P. Systems (€ 93 thousand), Intermac Vidrio Iberica (€ 111 thousand), effected in consequence of the evaluation with the equity method.

### **Extraordinary income and charges**

#### **Extraordinary income:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Capital losses on property sale	(3)	(87)	(84)
Taxes relating to previous periods	(75)	(809)	(734)
Other exceptional charges	(15,400)	(4,613)	10,787
<b>Total</b>	<b>(15,478)</b>	<b>(5,509)</b>	<b>9,969</b>

The exercise 2001 showed a high amount of € 15,478 thousand mainly because of the charges associated with stock exchange listing and entirely reimbursed in the year 2001.

In the item Capital Losses on property sale have been included the sales operated by Biesse Asia, Schelling America and Biesse, respectively for € 7 thousand, 6 thousand and 74 thousand.

The item Other exceptional charges refers to the provision for Company Restructuring provision of € 2.000 thousand, of which greater details are given in the special section of the Passive, to returns of previous years sales of € 931 thousand, to rectifications of costs of the previous exercises of € 674 thousand, charges related to the process of Company restructuring of € 145 thousand and to other ordinary losses for € 62 thousand.

**Income taxes:**

<b>Description</b>	<b>Value of previous year</b>	<b>Value at year end</b>	<b>Change</b>
Income taxes	5,603	9,519	(3,916)
Deferred/pre-paid taxes	(5,169)	(5,185)	(16)
<b>Total</b>	<b>434</b>	<b>4,334</b>	<b>3,900</b>

Deferred taxes have been enrolled relatively to the recovery of the loss of exercise of Schelling Anlagenbau GmbH because from the analysis of the 2003 budget and of the triennial plan compiled by the same company rises the extraordinariness of the loss and the possibility of a quick return to the profitability with consequent possibility to recover the fiscal benefit.

**Income (loss) for the year**

The result for the year is negative for € 5,762 thousand, net of the amount pertaining to minority interest, negative for € 1 thousand.

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

**Evolution in the capital:**

<b>Evolution in the capital</b>	<b>Number</b>	<b>Nom.value</b>	<b>Share Capital</b>
Ordinary shares at beginning of year	27,393,042	€ 1	€ 27,393,042
Ordinary shares at year-end	27,393,042	€ 1	€ 27,393,042

CONSOLIDATED FINANCIAL STATEMENTS BILANCIO CONSOLIDATO

**Further information**

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

€/'000		Office held		Emoluments		
Name	Office	Duration	Fee	Non-monetary benefits	Bonus and other incentives	Other compensation
Selci Giancarlo	Chairman of the Board of Directors	29-06-2003	77.5	1		
Gasparucci Anna	Chief Executive Officer	29-06-2003	77.5	1		
Selci Roberto	Chief Executive Officer	29-06-2003				
Deuring Werner	Director	29-06-2003				269
Giampaoli Attilio	Director	29-06-2003	36			
<b>Total</b>			<b>191</b>	<b>2</b>		
Ciurlo Giovanni	Auditor	29-06-2003	24			
Sanchioni Claudio	Auditor	29-06-2003	13			
Franzoni Adriano	Auditor	29-06-2003	13			
<b>Total</b>			<b>50</b>			<b>269</b>

Pesaro, 27 March 2003

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

---

# **ANNEXES**

*to the Consolidated Financial  
Statements of Biesse Spa  
for the year ended  
31 December 2002*

ANNEX "A"  
DETAILS ON THE CONSOLIDATION DIFFERENCE

€/1000	Consolidation difference at 31/12/2001	Cumulated amortisation provisions at 31/12/2001	Net value at 31/12/2001	Variations in 2002	Consolidation difference at 31/12/2002	Amortisation share 2002	Cumulated amortisation provisions at 31/12/2002	Net value at 31/12/2002
SELCO SRL	4,220	(1,069)	3,151		4,220	(422)	(1,491)	2,729
BIESSE CANADA LTD	56	(45)	11		56	(6)	(51)	6
SEL REALTY LTD	5	(4)	1		5	(0)	(4)	0
BIESSE GROUP UK LTD.	13	(5)	8		13	(1)	(6)	6
BIESSE GROUPE FRANCE SARL	26	(13)	13		26	(3)	(16)	10
MOTORI MC KART SRL				117	117	(9)	(9)	108
SCHELLING ANLAGENBAU GMBH	20,302	(2,030)	18,271		20,302	(1,015)	(3,045)	17,256
<b>TOTAL</b>	<b>24,622</b>	<b>(3,166)</b>	<b>21,456</b>	<b>117</b>	<b>24,739</b>	<b>(1,456)</b>	<b>(4,622)</b>	<b>20,117</b>



**ANNEX "B"**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002**

(thousands/euro)	31 December 2002	31 December 2001
<b>ORDINARY ACTIVITIES</b>		
+/- Income (loss) for the year	(5,762)	(6,427)
+ Amortisation and depreciation:		
+ of tangible fixed assets	8,536	7,172
+ of intangible assets	3,963	3,260
+ Provisions		
+ staff severance indemnity	3,593	3,330
+ for bad and doubtful debts	1,224	580
+ for risk and charges	5,485	3,882
+ Consolidation difference write-down	0	1,774
<b>= SUBTOTAL</b>	<b>17,039</b>	<b>13,569</b>
- Staff severance indemnity paid out	(1,738)	(1,739)
- Use of risk fund	(2,853)	(788)
+/- Variation in current assets	(4,910)	(26,621)
+/- Variation in inventory	14,996	(21,027)
+/- Variation in prepayments and accrued income	(242)	(129)
+/- Variation in accruals and deferred income	(147)	(981)
+/- Variation in trade payables	(4,219)	(3,480)
+/- Variation in other non-financial payables	1,020	(876)
<b>= CASH FLOW FROM (FOR) ORDINARY ACTIVITIES</b>	<b>18,414</b>	<b>(42,072)</b>
<b>INVESTING ACTIVITIES</b>		
- Purchase of intangible assets	(4,437)	(8,304)
+ Transfer of intangible assets	49	139
- Purchase of tangible fixed assets	(18,143)	(36,242)
+ Transfer of tangible fixed assets	2,670	3,539
Purchase (transfer) of other shareholdings and securities	2,279	(3,601)
<b>= CASH FLOW FROM (FOR) INVESTING ACTIVITIES</b>	<b>(17,582)</b>	<b>(44,470)</b>
<b>FINANCING ACTIVITY</b>		
+/- Increase/decrease in financial receivables	(15)	(1,284)
+/- Opening/repayment of medium/long-term bank loans	(625)	1,338
+ Opening/repayment of other loans	0	(14,108)
+ Increase/decrease bank borrowings	(10,165)	1,970
Variation in payables to other lenders	32,937	98
- Payments on dividends	(2,431)	(3,734)
+ Capital increase	0	100,400
Other movements in shareholders' equity	(178)	(391)
<b>= CASH FLOW FROM (FOR) FINANCING</b>	<b>19,523</b>	<b>84,288</b>
+/- Variation in reserve from conversation of financial statements	(1,212)	(622)
<b>= CASH FLOW</b>	<b>19,143</b>	<b>(2,876)</b>
+ Net cash on hand at period start	14,046	16,922
+ Net cash on hand at period end	33,189	14,046
<b>Variations in financial items that do not involve cash flow movements</b>		
- conversion of debenture loan	0	14,108
<b>Total</b>	<b>0</b>	<b>14,108</b>

ANNEX "C"  
INDEPENDENT AUDITORS' REPORT

Deloitte & Touche S.p.A.  
Revisione e organizzazione contabile  
Viale della Vittoria, 7  
60123 Ancona  
Italia

Tel: +39 071 20 69 55  
Fax: +39 071 20 69 35  
R.E.A. Ancona n. 111173  
www.deloitte.it

**Deloitte  
& Touche**

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

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

We have audited the consolidated financial statements of the Biesse Group as of December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

For the opinion on the consolidated financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by us on April 9, 2002.

In our opinion, the consolidated financial statements present fairly the financial position of the Biesse Group as of December 31, 2002, and the results of its operations for the

**Deloitte  
Touche  
Tohmatsu**

Milano Ancona Bari Bergamo Bologna Cagliari Firenze  
Genova Napoli Parma Padova Roma Torino Treviso Vicenza  
Sede legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano - Cap. Soc. Euro 4.412.815,68 (versato Euro 4.252.792,18)  
Partita IVA / Codice Fiscale / Registro delle Imprese Milano n. 03009430152 - R.E.A. Milano n. 945128

ANNEX "C"  
INDEPENDENT AUDITORS' REPORT

2

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

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Carlo Beciani  
Partner

Ancona, April 9, 2003

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

*Editing*  
Biesse Spa

*Overall Coordination*  
Marsteller Advertising  
for Burson-Marsteller Financial

*Printing*  
XXXXXXXXXXXXXXXXXXXXXX

*Translated by*  
Koinè



**BIESSE Spa**

Via della Meccanica, 16  
Località Chiusa di Ginestreto  
61100 Pesaro - Italy

Phone: +39 0721 439100  
Fax: +39 0721 453248

[www.biesse.it](http://www.biesse.it)