



bilancio consolidato  
bilancio di esercizio  
2009





## index

<b>THE BIESSE GROUP</b>	
Company Office Holders	11
Group Structure	12
Financial Highlights	14
The Group	16
Biesse Wood Division	18
Intermac Glass & Stone Division	22
HSD Mechatronic Division	24
<b>REPORT ON OPERATIONS</b>	
The market	28
Events	32
Employees	36
Customers	37
Corporate Governance	39
Summary of financial data	44
Summary balance sheet data	49
Principal risks and uncertainties to which Biesse SpA and the Group are exposed	51
Research and development activity	53
Reconciliation between the parent company balance sheet and the consolidated balance sheet	59
Transactions with associate companies, controlling entities and companies controlled by them	60
Other related party transactions	60
Report on personnel relations	60
Shares in Biesse and/or of companies controlled by Biesse, held directly and indirectly by members of the Board of Directors, the Board of Statutory Auditors and the General Manager, as well as by their respective spouses where not legally separated and by their children	62
"Atypical and/or unusual" operations occurring in the financial period	62
Significant post-balance sheet events and outlook for 2010	62
Review of operations Biesse S.p.A.	63
Dividends	67
Other information	67
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Income statement	70
Statement of comprehensive income	70
Statement of financial position	71
Income statement in accordance with Consob regulation no.15519 of 27 July 2006	73
Statement of financial position in accordance with Consob regulation no.15519 of 27 July 2006	74
Statement of changes in equity	76
Cash flow statement	77
<b>EXPLANATORY NOTES</b>	
Explanatory notes	79
Certification of the Consolidated Financial Statements in accordance with art. 81-ter of Consob Resolution no. 11971 of 14 May 1999	131
Independent Auditors Report for the year ending 31/12/2009	132



The Founder: Giancarlo Selci



The Chairman: Roberto Selci





Dear Shareholders,  
 we have emerged from a very hard year for our clients, which presented us with a difficult macro-economic scenario worldwide which most severely affected the more cyclical sectors, such as the capital goods sector. This segment, in which the trend of demand is a direct function of industrial confidence and the availability of adequate sources of finance, suffered, at least in the first half of 2009, a very sharp contraction of investment, in a severely recessionary climate. The first signs of a reversal of this trend began to show through in the second half of 2009, which, while not enough to re-balance the results for the full year, allowed us to achieve important indications of recovery especially in significant regions for us, such as the Asia - Pacific, Continental Europe and Latin America. But 2009, for the Biesse Group was also a year which centred on the implementation of new organisational processes and the development of management leadership skills. We are working in accordance with new, high performance organisational principles and with a new system of enhancing Group leadership.

The new organisation by activity developed during the year is based on four Business Divisions; Biesse Wood Division, Intermac Glass & Stone Division, HSD Mechatronic Division and the Service Division, supported by across the board functions for the whole Group. The objective of the Business Divisions is to maximise profit, generating cash and increasing market share in all world markets, through the development of new products, of the product portfolio range and strengthening commercial distribution. The Group functions are focused on the definition and standardisation of operating procedures, allowing us to be more efficient and consistent in carrying them out, training our professionals and allowing them to specialise and realising economies of scale. We are operating in an increasingly competitive industrial environment, in which reduction of delivery times, obsession with product quality and after-sales service and cost reduction are key growth factors. The Lean Manufacturing methodology implemented in recent years, will bring further benefits as volume grows. The new methodology allows us to produce better quality high technology, solutions that allow our clients to reduce costs, resources and the space devoted to production, thereby improving internal flows and processes. In the production area alone, Lean Manufacturing has led to an increase of over 23% in productivity, reducing by up to 57% the time required to cross work spaces and cutting re-processing and defective products by up to 45%.

Our process is structured to reduce costs, and is particularly focused on production costs that are not driven by innovation; both are an absolute priority. We are continuing our investment in the production facility in Bangalore, in India, in order to increase production of products aimed at more competitive world markets, while guaranteeing standards of quality and innovation of the Made in Biesse products produced in Italy. The Indian Headquarters is a hub of 6,000 sq m total production area, 120 employees, a dedicated Tech Center, an inventory of machines in stock for rapid delivery throughout the world. We therefore have direct and widespread coverage of Asian markets, at competitive prices and high quality, which can also rely on excellent after-sales service. Biesse's global network is today made up of 30 subsidiaries and commercial offices, 300 distributors and agents and covers 100 countries.

At the same time we are strengthening the direct and indirect distribution network by improving quantitative and qualitative regional coverage. Investments are under way to reinforce our network in China, India, North Africa, the Middle East and Eastern Europe with plans for a qualitative review of the distribution network in mature markets such as North America and Europe in 2010.

In parallel with this commercial reinforcement, we have accelerated our product development process and widened the new product area. In 2009 we continued to invest in renewing and broadening our product range, confirming our leadership in the panel sector and launching a new range of window and door manufacturing products and technologies, with the aim of establishing a presence in this market in Italy and Europe. We have reviewed our organisation and after sales service and support processes. In the year just ended we made efforts to improve our technical service to promote and develop more direct client relationships. We structured ourselves to manage integrated processes and more quickly guarantee value in our clients' production processes during the life cycle of our products.

In addition we launched a fibre optic broadband project aimed at reorganising our global IT. It is an important step in improving the efficiency of the whole system and the slimming down of processes, accelerating information sharing between Biesse's subsidiaries throughout the world. We will completely redesign the infrastructure with a Worldwide Group standard for IT services.

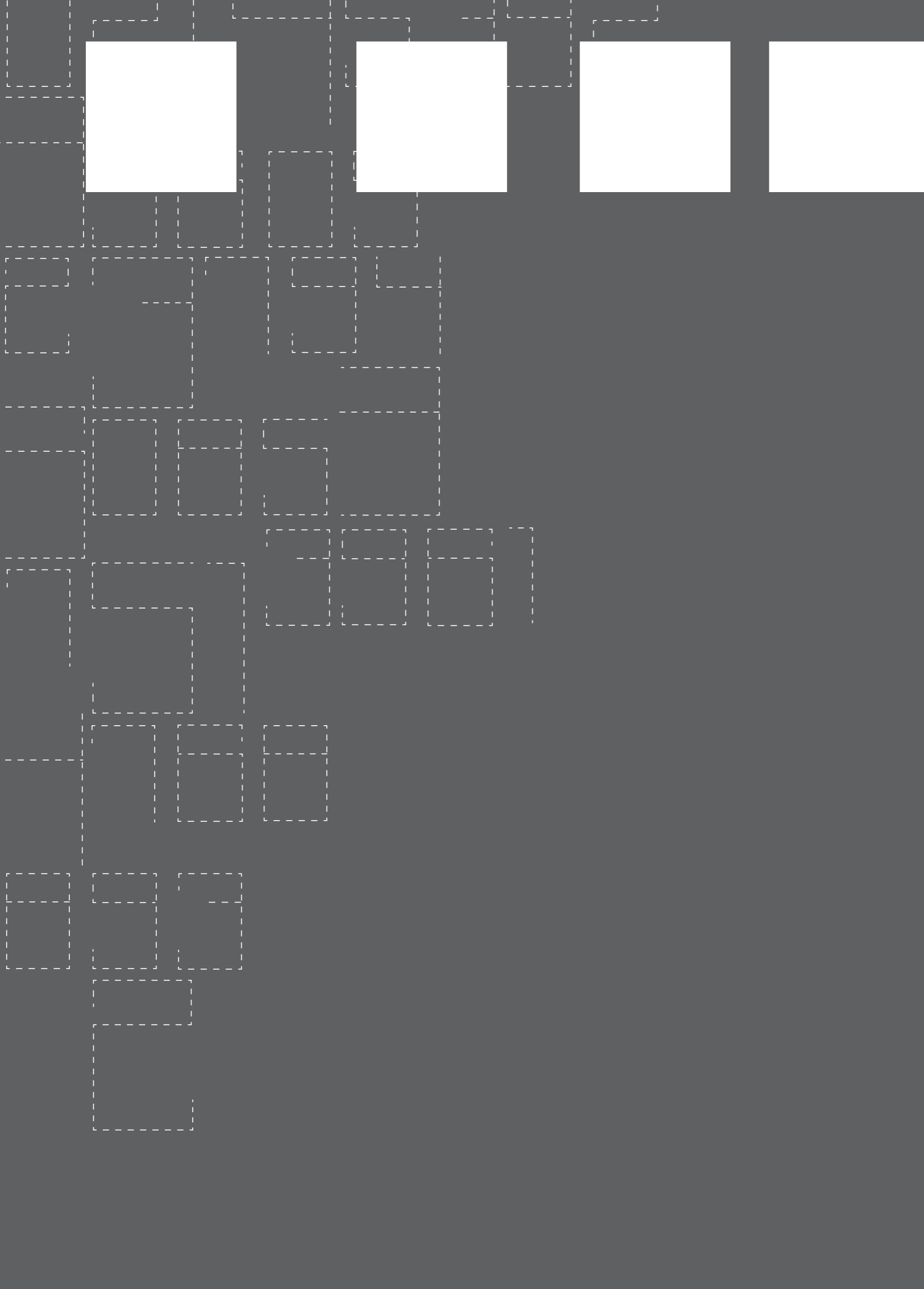
The continuation of the negative trend of the international markets in which we operate and the negative prospects for our core sectors forced us to employ all of the instruments at our disposal to safeguard our continuity and the development of our Group through greater flexibility in labour costs. For this reason we activated a subsidised temporary lay-off scheme (Cassa Integrazione). This scheme in 2009 involved 1,500 people across the board in all professional categories of the Biesse Group. However, since we operate under the conviction that people are the fundamental capital of the company we have resolved to reduce the number of people involved in the temporary lay-off scheme in 2010, which currently affects 500 employees.

Given that the economic environment undermined the financial situation of the entire industrial sector, the Biesse Group concentrated its efforts in the second half on generating cash. Cash flow generated in this period was about € 24 million, (of which almost € 20 million in the last quarter alone) compared with a negative balance of about € 30 million for the first half of 2009. In line with a discrete return to investment in our markets we have experienced a significant improvement in our order intake, particularly in the 4th quarter, maintaining the promise made to our investors to radically reverse the trend of the economic result- which was significantly negative in the 1st half of 2009: in the period July - December we succeeded in bringing the Group substantially to break even at the Gross Operating Margin level. In our three year industrial plan 2010-2012 - approved on 22 February - we focus on product costs, on commercial distribution, on substantial investment in innovation, renewal and broadening of our product range, on our efforts to improve our technical service to clients, together with attention on the development of management leadership skills, with an investment budget totalling € 32.2 million, equal to 3.1 % of average expected revenues for the period. We will continue to focus our attention on cash generation and improving net debt.

Our three year objective is to end 2012 with a Group net financial position, net of budgeted investment, that is substantially neutral. We want to generate at least € 30 million of free cash flow in the period from traditional activities. The short term outlook is moderately positive taking 2010 as a year of transition, with a modest recovery which we intend to capitalise on with a significant development of our product range and the refinement of new organisational processes, from which we should extract greater efficiencies, incorporated in the objectives of the three year plan. The investment we have decided to make in new products will allow us to launch 22 new technological solutions in the two year period 2010-2011, of which 16 are wood-working machines targeted at small and medium sized companies and the industry, 6 are Intermac and HSD technology and software solutions. We are determined to continue to grow generating returns for shareholders, value and payback for the clients we serve throughout the world; we have clear objectives for improvement that we will carry out in the 2010-2012 industrial plan, in order to grow our client base and value for our shareholders.

Chairman  
 Roberto Selci

Chief Executive Officer  
 Giovanni Barra



the biesse group





company office holders



**Board of Directors**

Chairman  
 Chief Executive Officer <sup>1</sup>  
 Chief Executive Officer  
 Executive Director  
 Executive Director  
 Independent Director  
 Independent Director  
 Independent Director

*Roberto Selci*  
*Giancarlo Selci*  
*Giovanni Barra*  
*Alessandra Parpajola*  
*Stefano Porcellini*  
*Leone Sibani*  
*Giampaolo Garattoni*  
*Salvatore Giordano*

**Board of Statutory Auditors**

Chairman  
 Statutory Auditor  
 Statutory Auditor  
 Alternate Auditor  
 Alternate Auditor

*Giovanni Ciurlo*  
*Adriano Franzoni*  
*Claudio Sanchioni*  
*Daniela Gabucci*  
*Cristina Amadori*

**Internal Control Committee  
 Remuneration Committee**

*Leone Sibani*  
*Giampaolo Garattoni*  
*Salvatore Giordano*

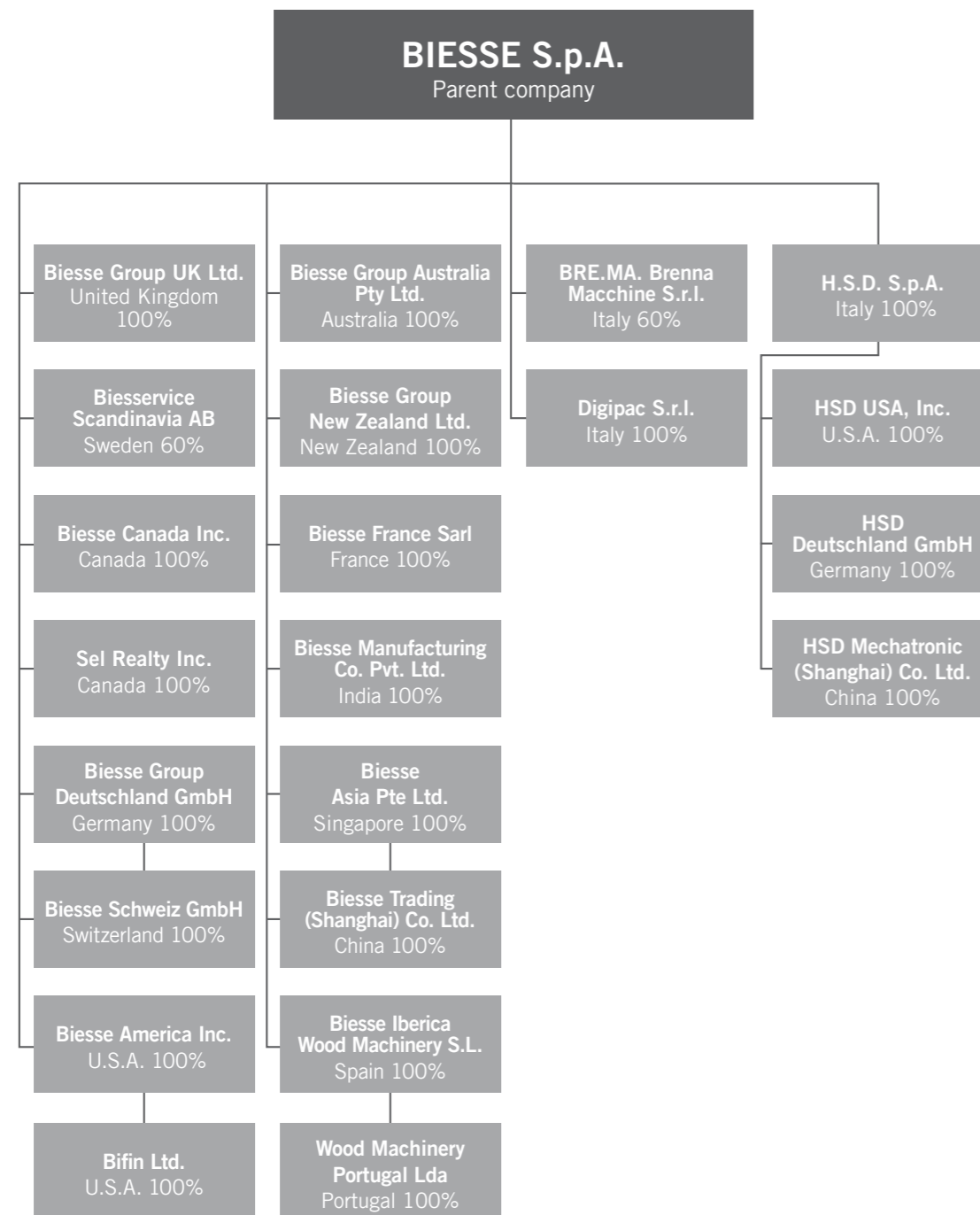
**Supervisory body**

*Leone Sibani*  
*Giampaolo Garattoni*  
*Salvatore Giordano*  
*Cristian Berardi*  
*Elena Grassetti*

**Independent auditors**

Deloitte & Touche S.p.A.

<sup>1</sup> With exclusive mandate for the strategic direction and co-ordination of the Group.



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

#### Inclusions:

- The inclusion of Biese Schweiz GmbH, operational from January 2009 as a subsidiary of Biese Deutschland GmbH for the marketing of and after-sales service relating to the Group's machines in Switzerland.

#### Mergers:

- The merger by incorporation of Mc Srl into Hsd Spa. This operation was completed by the signing of the merger agreement on 14 December 2009, by deed of Notary Luisa Rossi in Pesaro, with legal effect postponed until 31 December 2009 while the tax effect was backdated to 1 January 2009. This extraordinary transaction was the culmination of a re-organisation strategy that, in May 2009, involved the acquisition by the controlling company Biese of full control of MC S.r.l. (previously 51% owned) by the acquisition of a minority shareholding (49%), in exchange for no. 225,000 of its own shares which were already held in treasury; once full ownership of Mc Srl had been obtained, the process was started to incorporate the company within Hsd Spa which is also 100% owned.
- The merger by incorporation of Isp Systems Srl into Biese Spa. This operation was completed by the signing of the merger agreement on 16 October 2009, by deed of Notary Luisa Rossi in Pesaro, with legal effect postponed until 31 October 2009 while the tax effect was backdated to 1 January 2009. This extraordinary transaction was the culmination of a re-organisation strategy.

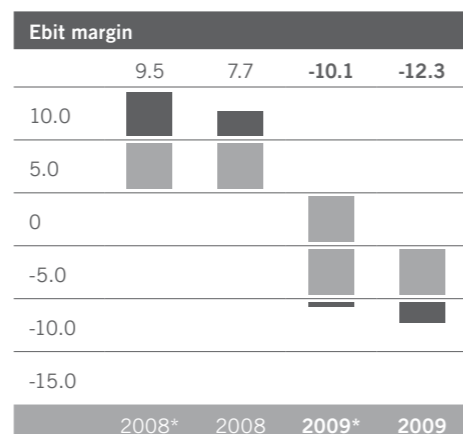
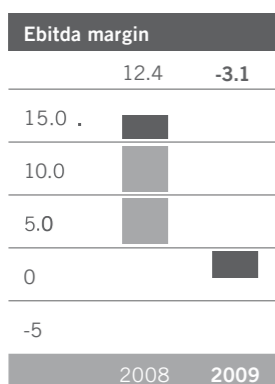
#### Voluntary liquidation:

- The voluntary liquidation of Biese Corporate School S.c.a r.l. The Shareholders' Meeting of 15 September 2009, agreed to the early winding up of the company and to put it into liquidation, as it could identify no further entrepreneurial reasons for continuing its activity. The process of liquidating the company was completed on 31 October 2009.

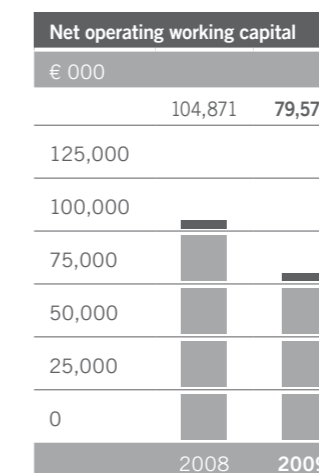
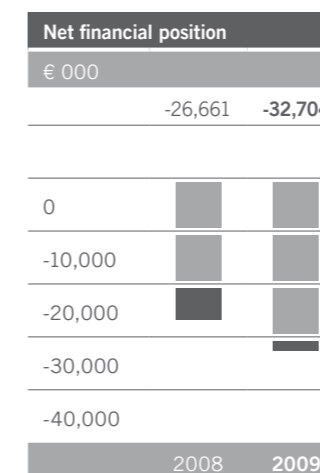
During 2009 the controlling company Biese Spa acquired full control of Digipac srl by cancelling the loss for 2008 relating to Digipac srl, restoring its share capital, both in regard to its own shareholding and with regard to minority shareholders as the latter had relinquished the option rights available to them.



INCOME STATEMENT DATA		
€ 000	31 December 2009	31 December 2008
Revenues from sales and services	268,006	454,320
Ebitda (Gross operating margin <sup>(1)</sup> )	(8,432)	57,269
Normalised Ebit (Operating result) <sup>(1)*</sup>	(27,069)	43,241
Ebit (Operating result) <sup>(1)</sup>	(32,974)	35,042
Group net result for the year	(27,193)	19,739

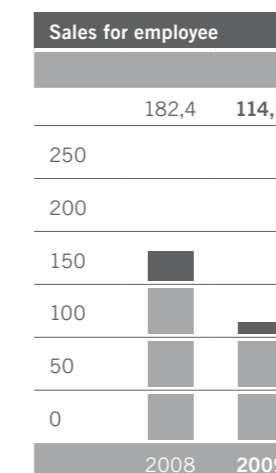
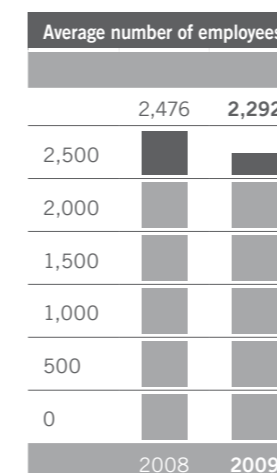


BALANCE SHEET DATA		
€ 000	31 December 2009	31 December 2008
Invested Capital (Shareholders' funds - Net financial position)	159,155	179,972
Total net equity	126,850	153,311
Net financial position <sup>(1)</sup>	(32,704)	(26,661)
Net operating working capital (Inventories + Trade receivables - Trade payables)	79,572	104,871
Gearing (net financial position/net equity)	(0.26)	(0.17)
Fixed asset cover (net equity/net fixed assets)	1.29	1.51
Financial leverage (debt/net equity)	1.36	1.29



STRUCTURAL DATA		
€ 000	31 December 2009	31 December 2008
Average number of employees *	2,292	2,476

\* data includes temporary staff



(1) Notes explaining the criteria for determining amounts relating to intermediate results and aggregate capital and financial data are contained in the Review of Operations and the Explanatory Notes.



The **Biesse Group**, with Headquarters in Pesaro, is primarily engaged in the production, marketing and after-sales service of machines and systems for the wood, glass and stone processing sectors. Production activity is concentrated in Italy and in India. Marketing and after-sales support are organised both through the direct geographical presence of companies belonging to the Group which is composed of 30 subsidiaries and commercial offices, and through a select network of 300 importers, distributors and agents. The Group is composed of four main business divisions each of which is highly specialised in its own sector:

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

The Group is also involved in other activities such as the production of precision mechanical, electrical, electronic and pneumodynamic industrial components.



## BIESSE

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



## BIESSEEDGE

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



## RBO

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



## SELCO

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



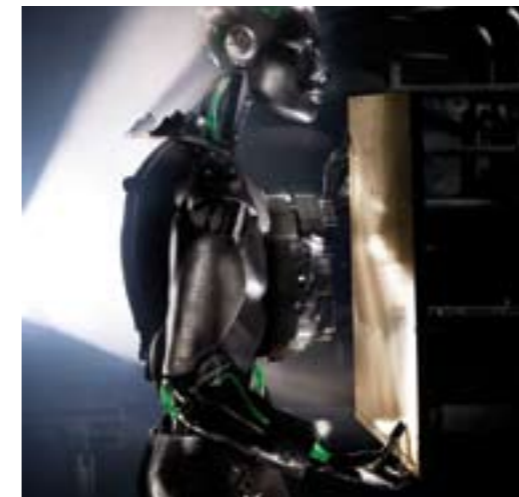
## BIESSESAND

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



## COMIL

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



## Bre.Ma.

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



## DIGIPACSYSTEMI

Specialised in the design and production of automatic stretch film wrapping machines to protect and stabilise pallet loads.





## biesse systems

Offers its clients design services, integrated production lines and turn-key solutions for large scale furniture producers, including integrated drilling and insertion features. It designs turn-key systems and plants for wood-working activities and follows the clients' projects from conception to plant completion. It provides engineering systems and solutions for the resolution of complex production, technology and logistical issues in the panel processing and furniture manufacturing industries.



Photo by Stefano Cattelan

## biesseartech

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





**INTERMAC**

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

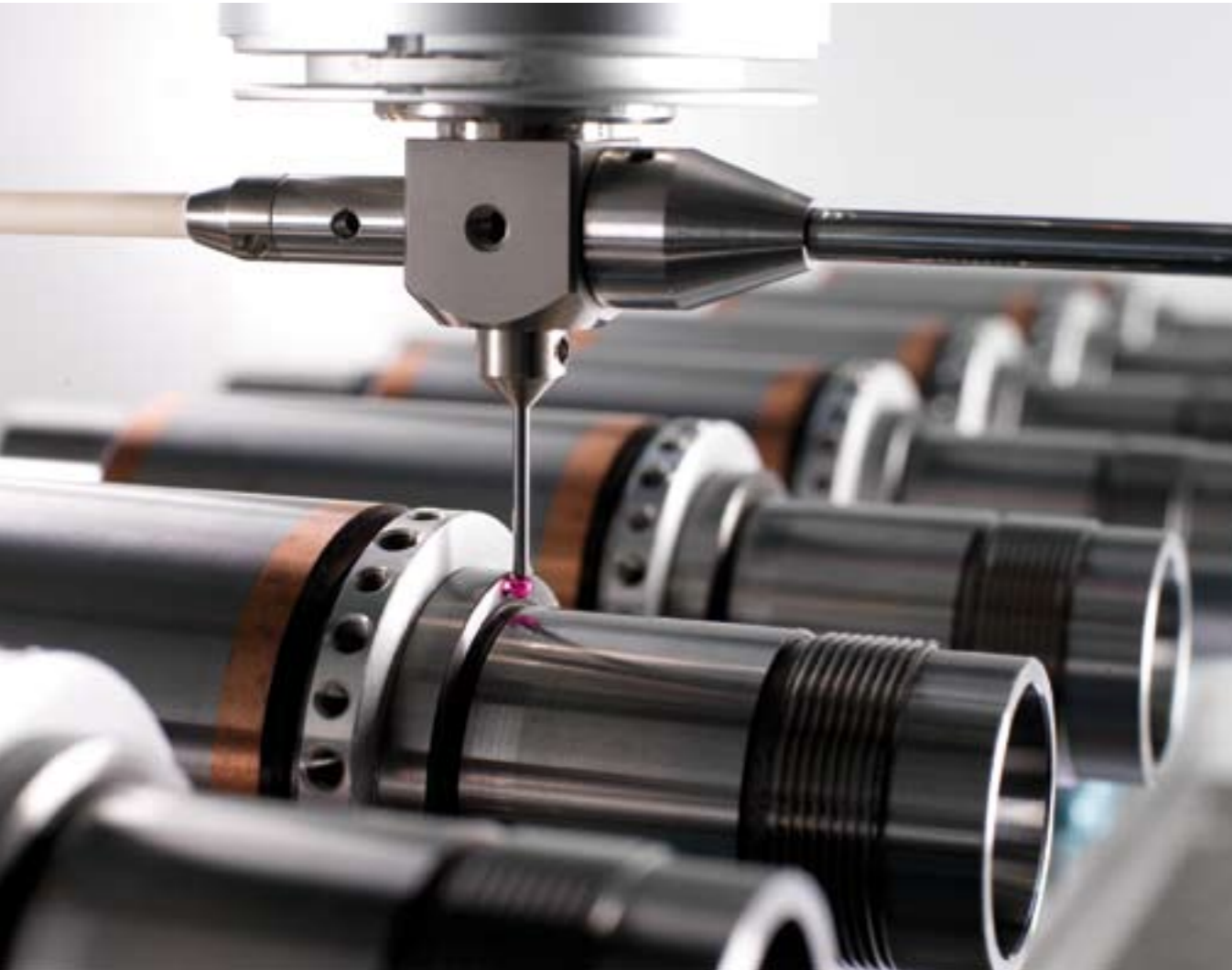
**BUSETTI**

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

**DIAMUT**

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





## HSD mechatronic division

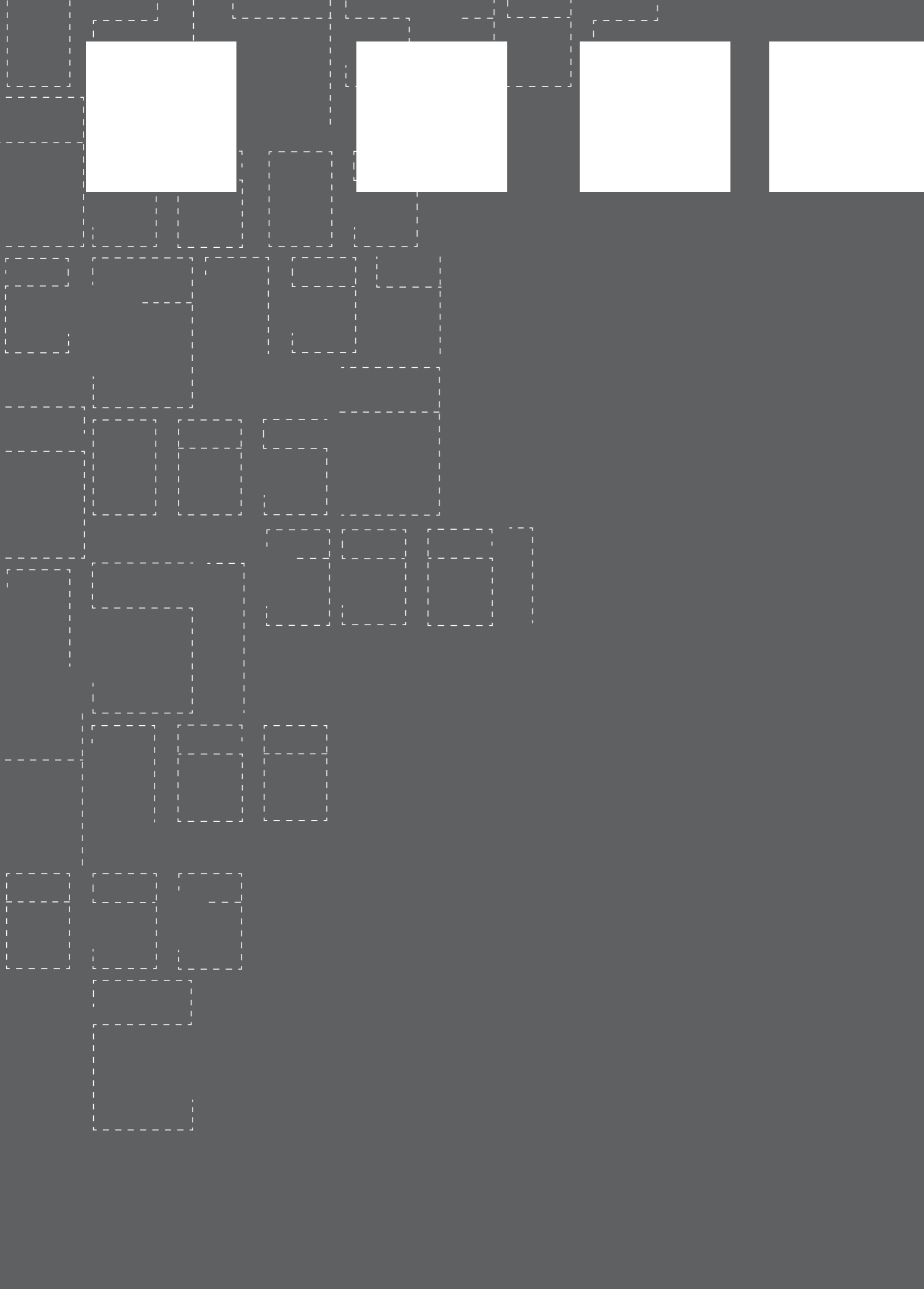
The Mechatronic Division supplies and manufactures high precision mechanical and electronic components for machines and systems designed for the Biesse Group and other companies. "Mechatronics" means the integration of machine and electronics, for which HSD supplies highly sophisticated, high precision, reliable products.



## COSMEC

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





report on  
operations





### General economic overview

The 2009 financial year unfolded during the most violent systemic crisis since the Second World War; every available adjective has been used up in describing the severity of the recession and its spread worldwide. The impact of this recession was particularly significant for the most cyclical sectors, such as the manufacturing sector, with even greater impact in the capital goods sector for which demand is a direct function of business confidence and access to sources of financing, availability of which is subject to the impact of the full-blown credit crunch phenomenon. The first half of the year was characterised by an unprecedented slowdown in investment and international trade, then in July and September - and in particular the

last quarter of 2009 - there were signs of a reversal of the negative trend in the Asia-Pacific region, in continental Europe and in South America. Industrial sector confidence in Italy rose to 83.2 in January 2010 from 82.4 in December 2009; although the scenario depicted is not uniform, it is better in the sector in which Biesse operates: confidence has in fact improved in the capital goods sector while it is stable for intermediate goods and declining in the consumer goods sector. According to the usual quarterly surveys, companies are showing an increase in capacity utilisation and hours worked, but the indicators are still a long way from pre-crisis levels; it shows a picture, therefore that is consistent with expectations of positive industrial growth in 2010, although it also confirms that the exit from recession will be gradual.



## Industrial sector review

According to data published by Acimall - the national trade association for the woodworking machinery sector - in its press release of 26 January "the preliminary report for 2009 leaves no room for doubt or interpretation: Italian production fell by 48.3% compared with 2008. There was a similar trend for exports -48.7%, a particularly significant figure given the importance of the export market for Italian companies". As for 2010 - Acimall stated - "...we expect growth of between 5% and 10% compared with 2009, primarily due to the recovery expected in several foreign markets (above all the USA, Spain and Russia) which were particularly severely impacted by the economic crisis last year". In its subsequent press release of 11 February based on the final figures for 2009, Acimall confirmed that "the fourth quarter of 2009 revealed the first signs of an economic recovery in the woodworking machinery and tools sector; positive news that, while still relatively modest, encourages us to be more optimistic about the forecasts for 2010. The increased level of confidence in foreign markets suggests that an improvement over the coming months is plausible, even though a return to pre-crisis production levels should be considered a long term objective, which will necessarily involve implementation of programmes of both structural and strategic innovation".

According to the research office of UCIMU, the trade association for Italian producers of machine tools, robot and automated equipment, order intake in the fourth quarter of 2009 "was down 8.8%, compared with the same period of the previous year; which confirms the continuing declining trend of the order intake for Italian machine tool producers, which has now been fallen in six consecutive quarters" "Although the rate of decline appears to be moderating"- Ucimu stated - "the recovery appears to be slow and difficult. It should be noted that for the first time in eighteen months, the report reveals different trends for the domestic market and the international market: the international market order intake index for Italian producers revealed a decline of 22.8% compared with the same period

of the previous year, while the domestic market order intake index returned to growth of 12.1% sustained, as forecast, by the Tremonti-Ter capital allowances effect".

The full year show that orders received fell by 46.9% compared with 2008, taking the absolute value of the statistical index to 60.6 (base 2005 = 100) similar to the level reported in 1993.

The annual orders/sales report of the German association VDMA on the sub-segment "Holzbearbeitungs-maschinen" (wood processing machinery) revealed a fall of 44% in total order intake in 2009 - an improvement over previous quarters when they fell by as much as 65%- and a decline of 42% in total sales compared with 2008. Both of these figures were largely the result of domestic demand.

## Trend of the financial year 2009

The context in which Biesse operated in 2009 is clearly illustrated by the sector data reported in the preceding paragraph; data which accurately describes the *annus horribilis* for the industry both in Italy and at a global level, and in particular in Germany, the country with the greatest exposure to manufacturing industry in the West and also the country in which the Group's main competitors are based and who suffered a similar collapse in sales. The backlog inherited from the 2008 financial year suffered from the poor order intake of the fourth quarter which, after the collapse of Lehman, was already down by more than 35% compared with the average order intake of previous periods.

Then, in the first half of 2009 machinery orders collapsed compared with the same period of 2008 with a decline of more than -60%; the Group reacted promptly and with determination to reduce costs through a programme of structural initiatives - currently being completed - such as the simplification of the corporate perimeter, the relocation of peripheral production activities to the central production site, a profound organisational re-organisation aimed at simplification of the structure, reduction of the number of employees on flexible contracts and in foreign locations, which was

combined with a drastic programme of temporary lay-offs (Cassa Integrazione Ordinaria), beginning in November 2008, continued throughout 2009, and flowed into the temporary lay off (CIGS) programme currently being implemented. Further more drastic cost "cuts" would have threatened the Group's future: Biesse's Directors did not want to dismantle the strategic projects and organisational structure that should allow it to be prepared for the recovery. These initiatives limited the scale of losses and cash absorption to acceptable limits (which were impacted also by objectives and a generalised slowdown in receivables collection, given the severe limitations of liquidity available to clients), but these initiatives could not offset the suddenness of the loss of € 110 million of revenues and the related contribution margin (compared with the first half of 2008); The first half therefore ended with a negative Ebitda of € 8.4 million and net debt which rose by € 29.8 million compared with the position at 31 December 2008, though this increase is no cause for concern.

At the same time as these cost reduction initiatives were being implemented the Group also took commercial action to increase market share in emerging markets and in the more active Western markets, in spite of the difficult environment in which it had to operate.

Order intake began to show the first signs of recovery between July and September, which was confirmed in the positive trend of the last quarter: cumulative order intake for machinery and systems in the second half of 2009 was up 39.5% compared with the cumulative figure reported between January and June. This resulted in a significant recovery in sales in the last quarter of the year, allowing the Group to beat the guidance given to the market on 22 July, later ratified in the industrial plan of 7 August 2009; this plan, conceived during the most severe phase of the recession and in a period of unprecedented volatility, was intended to provide greater transparency with regard to the particularly negative economic trend, in order to reassure stakeholders about the current and prospective financial and capital solidity of the Group.

With regard to the financial and capital situation, the Directors have taken rigorous action on working

capital regarding delays and guarantees relating to new sales and renegotiating payment terms with suppliers, while taking selective action in support of the most deserving and strategic partners negatively affected by the rigidity of the banking system towards smaller companies.

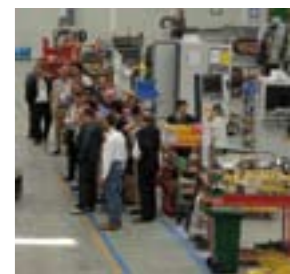
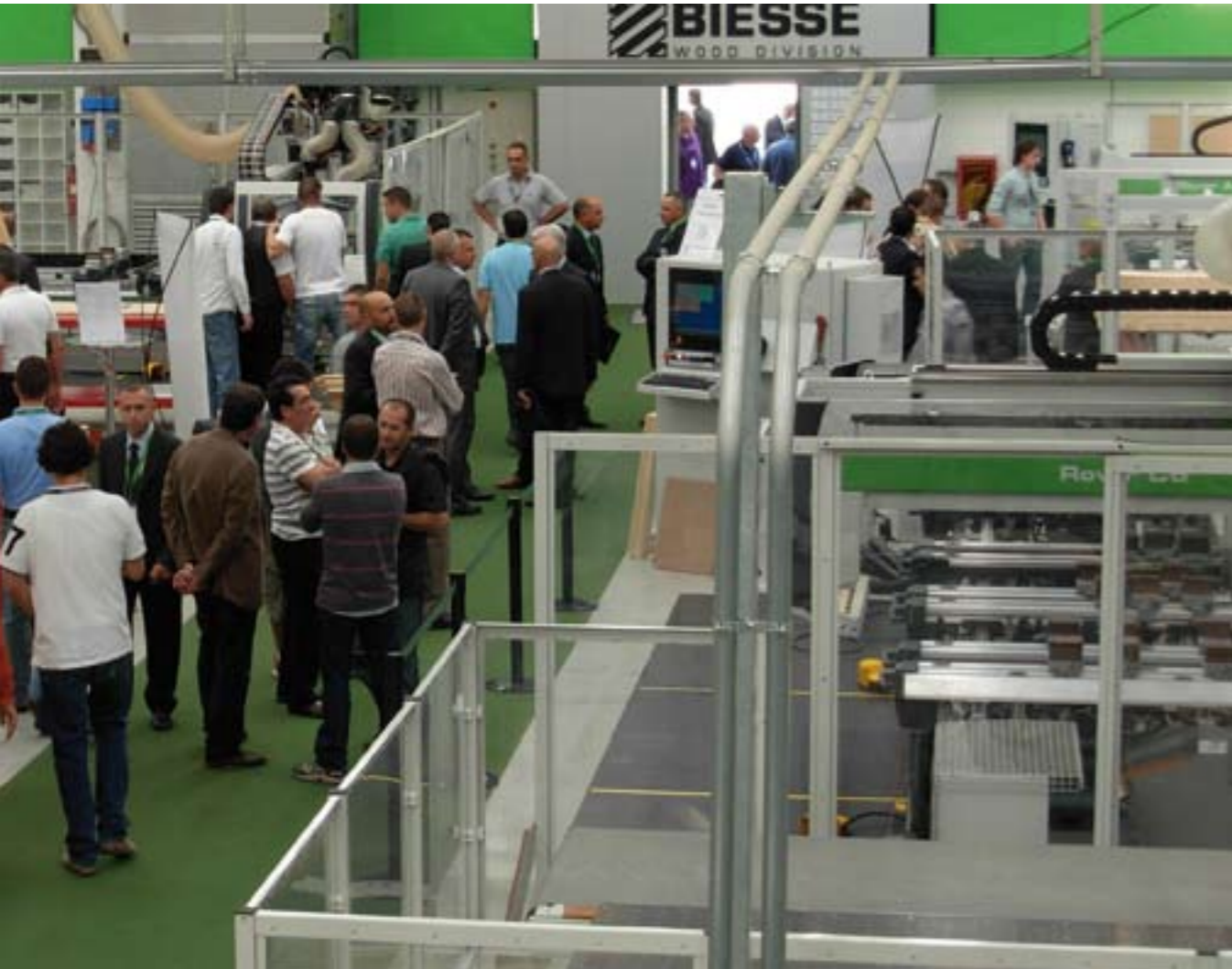
The most incisive and most successful action was that taken to reduce the Group's inventories of raw materials and finished goods in Italy and in foreign subsidiaries: in the second half of 2009 the net value of inventories fell from the € 93.6 milioni reported at 30 June to € 65.6 million at 31.12.2009. While this action required reasonable sacrifices in terms of the contribution margin it was decisive, not just in achieving cash-flow objectives, but also in renewing the offer in show rooms and in the inventories of overseas subsidiaries at the start of 2010.

While the research and development investment programme was unchanged, cash generation in the second half of 2009 was about € 23.8 million, which largely compensated for the € 29.8 million absorbed between January and June.

Consequently, net debt at 31.12.2009 was € 32.7 million against Net equity of € 126.8 million (gearing = 0.26) with full availability of credit lines in relation to the current requirements of the Group, carrying no covenant or mortgage guarantees over the Group's assets.

This allows the Directors - in view of the positive order trend which continued through the first weeks of the new financial year - to look forward with confidence to achieving the achievement of the objectives contained in the Industrial Plan published on 22 February which aims for revenue growth of 13% in 2010 and for the Group substantially to break even at the Ebit level.

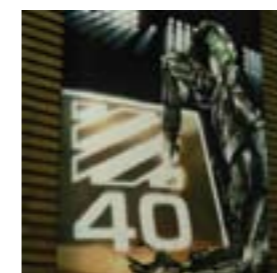




bieseinside

The initiative is promoted by the Biesse Wood Division to “open” the doors to the world of Biesse woodworking processes and technology to customers and operators in the woodworking sector from all over the world. A direct link with the market, providing a live demonstration of the Group's potential and the innovations in products and processes. The state-of-the-art Biesse machines were on display in the brand new Tech Centre, the new area measuring 3,000 sq m with 32 machines constantly in operation and over 100 demonstrations carried out on the entire Biesse range: processing centres, line boring machines, manual, automatic and line edgebanding machines, panel saws and sanding machines. BiesseInside is a unique, strategic initiative for the Biesse Group, calling the attention of both Italian and foreign analysts and investors. A week dedicated to technology and innovation, which saw the participation in 2009 of approximately 9,000 people from over 50 different countries.





exhibitions  
tech tour  
open house

The Biesse Group sponsors and promotes over 150 events around the globe, such as exhibitions, openhouse and tech tours showing customers our knowhow, technology and innovation. The Group reinforces partnerships with its customers by giving them the possibility to touch and test the machine portfolio and cutting-edge solutions available in multiple showrooms throughout the 30 worldwide subsidiaries and commercial offices.





## employees

**Our most valuable asset: people.**

The **more than 2,300 employees** in our production plants and subsidiaries all over the world are critical to the process of continuing success that has taken Biesse to the highest levels of our industry. Certain in the belief that each individual has the potential to make a uniquely valuable contribution, Biesse constantly invests in employee training through the Biesse Corporate School, established to develop skills and provide hands-on training. Furthermore, by applying an efficient organizational model, compliant with the Code of Ethics and Company Governance, Biesse can count on employees with a strong **sense of belonging and responsibility**.

## customers

The satisfaction and success of our customers is paramount. We strive to earn the trust of our customers with effective service and support, combined with the excellence of products *Made in Biesse*. Regardless of where our customers may be, **Biesse is there - always**. Years of experience achieved in every corner of the globe makes Biesse the ideal partner, one that is able to anticipate market demands, satisfy customer needs, supply the right solution and offer consulting, services and products with high added value.



## corporate governance

### Premise

The Biesse Group adheres to and complies with the Self-Regulatory Code for Italian quoted companies published in March 2006, with the additions and adjustments applicable to the characteristics of the Group. In accordance with regulatory requirements it annually prepares its "Corporate Governance Report" which contains a general description of the system of corporate governance adopted by the Group and which provides information on the ownership structure and compliance with the Self-Regulatory Code, including the main governance procedures applied and the characteristics of the systems of risk management and internal control relating to financial information processes. The aforementioned Report, which may be accessed on the company website, [www.biessegroup.it](http://www.biessegroup.it), in the Investor Relations section, is composed of three segments: the first provides information on the ownership structure, the second contains a description of the governance structure, the third contains summary tables. The following sections summarise the relevant aspects relating to the present Directors' Report. The Self-Regulatory Code may be accessed on the website of Borsa Italiana S.p.A. [www.borsaitaliana.it](http://www.borsaitaliana.it).

### Activity of direction and coordination

Biesse S.p.A. is controlled by BI.FIN S.r.l., which is not itself subject to control, in accordance with article 93 of Decree Law 58/1998, by any legal person. The controlling shareholder of BI.FIN S.r.l. exercises activity of direction and coordination over the Issuer.

In accordance with article 2497bis Italian Civil Code, almost all of the Italian companies directly controlled by Biesse S.p.A. have declared the latter as the entity which exercises direction and control on them. This activity consists of providing general strategic and operating objectives for the Group and is active in defining and supervising the internal control system and the governance model of the company structures, in issuing a Code of Conduct adopted at Group level and in the preparation of general policies for managing human resources and financing requirements, procurement of the factors of production, marketing and communication. In addition Group coordination involves the centralised management, through dedicated companies, of treasury, corporate and administrative services and the internal audit.

The aforementioned practices allows controlled companies, which retain full managerial and operational autonomy, to benefit from economies of scale and to take advantage of professional and specialist services with growing levels of quality and to concentrate their resources on the management of their core businesses.

### Board of directors

The appointment of Directors takes place according to transparent procedures, which are also aimed at guaranteeing adequate and prompt information regarding the curriculum vitae of the candidates for each post. As stated in article 16 of the Company's Articles of Association, the nominations for the position of Director must be accompanied by exhaustive information regarding the personal and professional credentials of the candida-



tes, with indications, if required, of their suitability to qualify as Independent Directors.

In order to comply with Law no. 262 of 28 December 2005, the Issuer has amended its Articles of Association to change the procedures for appointing Directors by including a "list voting" mechanism in the Articles. This amendment is contained in the report of the Board of Directors prepared in accordance with Appendix 3A of Consob Regulation no. 11971 of 1999 and was approved by the Extraordinary Shareholders' Meeting of 2 May 2007. In implementation of the provisions of the Code, lists are deposited at the company's registered offices at least fifteen days prior to the date set for the Shareholders' Meeting.

The Articles state that only those shareholders who, jointly or severally, represent at least 2.5% (two point five percent) of the ordinary share capital have the right to present lists, which corresponds to the shareholding determined by Consob in accordance with article 144 quater of the Issuers' Regulation.

No shareholder can present in person, in combination with others, by proxy, nominee or through other third parties more than one list or to vote for more than one list.

Elections to the Board of Directors proceed as follows:

- a) names are drawn from the list which has obtained the greatest number of votes at the Shareholders' Meeting in the order in which they are presented on the list, and as many directors as represent the totality of those to be elected less one are selected;
- b) the remaining director is drawn from the second list which has obtained the greatest number of votes in the Shareholders' Meeting and is the first named candidate on this list.

The candidate named in first place on the list which has obtained the greatest number of votes in the Shareholders' Meeting will be appointed Chairman of the Board of Directors

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

In the absence of lists, the Board of Directors will be appointed by the Shareholders' Meeting according to the majorities established by law.

In accordance with article 16 of the Articles of Association, the Board of Directors may be composed of a variable number of Directors, from a minimum of two to a maximum of fifteen members, including non-shareholders, as determined by the Shareholders' Meeting. The current Board of Directors is composed of eight members whose mandate will expire with the approval of the Financial Statements for the year ending 31 December 2011: of these, seven members were appointed by the approval of the Shareholders' Meeting of 28 April 2009 on the basis of the sole list presented by the Shareholder Bi.Fin. S.r.l., while the eighth member (Giovanni Barra) was appointed following the Shareholders' Meeting of 12 November 2009.

In applying the provisions of the Articles the Board of Directors has, as in the past, adopted a model of delegation that confers full operating powers on the Chairman and Chief Executive Officer. They may consequently, severally, carry out all acts of ordinary and extraordinary administration that are part of the company's objects and that are not reserved by law or otherwise delegated or attributed by the Board of Directors. In practice, where the Board of Directors is concerned, the Chairman exercises a role of strategic coordination and direction while the Chief Executive Officer is responsible for the executive management of the Group.

With regard to related party transactions, by which is meant related parties as defined by law (in particular article 2391 bis Italian Civil Code) and by the regulations – the Company complies with the principles of transparency and respect for the criteria of material and procedural correctness.

These transactions must be approved by the Board of Directors which can, if so dictated by the nature and value of the transactions, make use of independent experts.

Directors having an interest, even indirect, in such transactions must:

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

In accordance with the Articles – and in compliance with Law no. 262 of 28 December 2005 - on 14 May 2007 the Board of Directors, at the Chairman's proposal, having received the opinion of the Board of Statutory Auditors, unanimously appointed the Director for Administration, Finance and Control, Mr. Stefano Porcellini, as Manager Responsible for Preparing the Company's Accounts, having satisfied themselves as to the aforementioned person's professional credentials and personal integrity as required by regulations in force regarding the carrying out of this sensitive role.

The Manager was also granted all necessary powers, as defined in article 154 bis Decree Law no. 58 24/2/1998, as introduced by article 14 paragraph 1, no. 262, by way of example and not exhaustively:

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

At 31 December 2009 the Board of Directors was composed of five executive Directors and three non-executive Directors, not holders of specific duties or directional functions in the Company or in the Group and recognised as independent in accordance with the requirements indicated by the Shareholders' meeting of 28 April 2009, as previously adopted. A sufficient presence of Independent Directors constitutes an essential element for the protection of shareholders' interests, in particular those of minority shareholders and third parties.

The independence requirements of Directors are confirmed annually and relate to the inexistence or non-relevance over the previous three years of economic relationships, of shareholdings or of any other kind held directly, indirectly or through third parties, with the Company, its executive Directors and Managers with strategic responsibility, its controlling shareholder(s) or subsidiaries or any person however related to the Company. The outcome of these investigations is reported in the Corporate Governance Report.

The Executive Directors do not hold similar positions in other companies quoted on regulated markets, in financial companies, banks, insurance companies or companies of a significant size, while those for Independent Directors are shown in the following list of positions held:

- a) Leone Sibani – Chairman of the Board of Directors SANPAOLO IMI FONDI CHIUSI SPA SGR, Chairman of the Board of Directors CASSA DI RISPARMIO DI SAN MARINO, Chairman of the Board of Directors IMI INVESTIMENTI SPA, Director BANCA DELL'ADRIATICO;
- b) Giampaolo Garattoni - Director Aksia Group SGR SpA, Sole Director Regatta Srl, Onboard Srl Sole Director, Sole Director Welcome Srl;
- c) Salvatore Giordano – Central Chairman GPA S.p.A., Executive Director ASSINDUSTRIA Consulting Srl

For organisational reasons the Chairman is also Managing Director, therefore Biesse S.p.A., in order to comply fully with the Principles of the Code, has set up the position of Lead Independent Director and has appointed the independent Director Mr. Leone Sibani to this position. The Non-Executive Directors report to the Lead Independent Director to provide a better contribution to the activity and functioning of the Board of Directors.

The Lead Independent Director has the following specific responsibilities:

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

During 2009 the Lead Independent Director was responsible for convening:

- meetings of the Internal Control Committee;
- the meeting of the Remuneration Committee.

## Committees established by the board of directors

The Board of Directors set up the Internal Control Committee and the Remuneration Committee, with consultative responsibilities regarding remuneration.

The Board of Directors decided not to set up an Appointments Committee because of the modest size of the said administrative body and the statutory provisions governing the voting lists mechanism, which guarantee the transparency of appointment procedures and the balanced composition of the Board of Directors.

## Internal control system

The Board of Directors has prepared "Guidelines for the Internal Control System" which became operative on 1 January 2003 and which also incorporate the amendments introduced by the Self Regulatory Code.

An essential part of the Internal Control System is the Code of Conduct – which from 2010 incorporates the Code of Ethics adopted in 2002 – and the Organisational Model, adopted by the Board of Directors in implementation of the regulations regarding the "Discipline regarding the administrative management of organisations" in accordance with Decree Law no. 231/2001 and subsequent amendments. The Code of Conduct expresses the principles of corporate conduct that Biesse recognises as its own and which it requires Directors, Statutory Auditors, employees, consultants and partners to observe.

During the year the Group updated its Management and Control Organisational Model pursuant to Decree Law no. 231/01 and the "Guidelines" for adoption of the Model by the Italian companies of the Biesse Group, in line with the developments taking place in the regulations and the law. The amendments that it made incorporate new categories of potential offences and the identification of the relevant sensitive procedures. In particular it recognises offences relating to the subject of "Organised Crime offences", "Fraud relating to money, credit cards, stamped documents and in identification instruments or signs", "Crimes against industry and commerce", "Crimes relating to violation of authors' rights" and "Inducements to withhold declarations or to provide false statements to judicial authorities." The Supervisory Body, a collective body, is composed of Independent Directors, the Manager of the Legal affairs office of Biesse and by the Internal Auditing Manager, has its own Internal Regulations and operates on the basis of a specific Supervisory Programme. It meets at least once a quarter and reports to the Board of Directors, directly and also through the Internal Control Committee, and to the Board of Statutory Auditors.

Biesse has defined a system of risk management and internal control with regard to the processing of financial information that is based on the standard model "COSO Report", according to which "the Internal Control System may be defined as a combination of mechanisms, procedures and instruments aimed at ensuring the achievement of company objectives". In relation to the processing of financial information, these objectives may be identified by their reliability, accuracy, credibility and promptness of the said information. The activity of risk management constitutes an integral part of the internal control system. The periodic evaluation of the internal control system on the processing of financial information is aimed at assuring that the components of the COSO Framework (control environment, risk evaluation, control activity, information and communication, monitoring) function together to achieve the aforementioned objectives. As previously noted the main characteristics of the risk management and internal control systems relating to financial information are detailed in the Corporate Governance Report.

With regard to the "conditions for listing shares of companies which control other companies constituted in and regulated by countries which do not belong to the European Union" as defined in articles 36 and 39 of Market Regulations, the Company and its subsidiaries, as reported in the Corporate Governance Report, are equipped with administrative-accounting systems which allow them to make available to the public the accounting position of the companies as reported in the consolidated accounts which fall within the parameter of this regulation and which are suitably prepared to provide the management and the Parent Company auditor with the necessary information for the preparation of the consolidated financial statements. Biesse also provides for the effective flow of information to the central auditor, and continuous information regarding the composition of the corporate bodies of its subsidiaries with definitions of the roles covered and provides for the systematic and centralised gathering, as well as regular updating, of the formal documentation pertaining to the articles and to the conferral of powers on the officers of these companies. Therefore the conditions exist to satisfy the requirements referred to in article 36 sections a), b) and c) of the Market Regulations issued by Consob.

No acquisitions were made during the year of companies with registered offices outside the EU which, considered independently, would be materially relevant with regard to the regulations in question.

## The board of statutory auditors

The Statutory Auditors monitor observance of the law and the Company articles of association and monitor operations whilst financial control is not part of their remit but is assigned to auditors appointed by the shareholders' meeting from among those companies in the register held by Consob.

The Company articles of association lay down that the Statutory Auditors must be three serving auditors and two substitute auditors and that their names must be from lists drawn up by shareholders having at least 2% of the share capital with voting rights in ordinary shareholders' meetings. In accordance with the Issuers Regulations the shareholding determined by Consob is 2.5% (two point five percent). Each shareholder, as well as those shareholders belonging to the same group of shareholders, cannot themselves, or through a nominee or fiduciary company, put forward more than one list or vote for different lists. In the event of violation of this rule, the vote of the shareholder for every list presented will not be considered. Each candidate may only be proposed in one list only at the risk of being considered ineligible.

Procedures for the appointment of Statutory Auditors are as follows: from the list which received the highest number of votes in the Shareholders' Meeting are drawn two serving statutory auditors and one substitute Statutory Auditor, in the order in which they are presented in the sections of the list; from the list which received the second highest number of votes in the Shareholders' Meeting is drawn the name of the remaining serving Statutory Auditor in the order in which the names are presented in the sections of the list, who will also assume the position of Chairman and the remaining substitute Statutory Auditor. In the event that two or more lists receive an equal number of votes the Statutory Auditors will be appointed on the basis of seniority in competition for the positions to be assigned.

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

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 28 April 2009 and will remain in office until approval of the financial statements for the year ending 31 December 2011. The members of the Board of Statutory Auditors were all candidates on the sole list presented by the Controlling Shareholder Bi.Fin. S.r.l., which received the votes of shareholders representing no.16,015,000 shares corresponding to 58.464% of the share capital. No other lists were presented.

The Board of Statutory Auditors is currently composed of Giovanni Ciurlo, Chairman, Adriano Franzoni and Claudio Sanchioni, serving Statutory Auditors, Daniela Gabucci and Cristina Amadori substitute Statutory Auditors.

The major positions held by the members of the Board of Statutory Auditors are listed below:

- Giovanni Ciurlo – Serving Statutory Auditor BANCO DI S. GIORGIO S.P.A., Serving Statutory Auditor STROILI ORO S.P.A., Serving Statutory Auditor FI.L.S.E. S.P.A., Chairman of the Board of Statutory Auditors GRU COMEDIL S.R.L., Chairman of the Board of Statutory Auditors AEB S.p.A., Director SALMOIRAGHI&VIGANÒ S.P.A.



## SUMMARY OF FINANCIAL DATA

INCOME STATEMENT TO 31 DECEMBER 2009					
€ 000	December 2009	% of sales	December 2008	% of sales	Change %
<b>Revenues from sales and services</b>	<b>268,006</b>	<b>100.0%</b>	<b>454,320</b>	<b>100.0%</b>	<b>(41.0)%</b>
Change in inventories, wip, semi-finished and finished goods	(23,414)	(8.7)%	3,635	0.8%	-
Other revenues	4,699	1.8%	3,024	0.7%	55.4%
<b>Value of Production</b>	<b>249,292</b>	<b>93.0%</b>	<b>460,979</b>	<b>101.5%</b>	<b>(45.9)%</b>
Consumption of materials, accessory products and goods	105,839	39.5%	200,005	44.0%	(47.1)%
Other operating expenses	59,084	22.0%	92,789	20.4%	(36.3)%
<b>Normalised Value Added</b>	<b>84,368</b>	<b>31.5%</b>	<b>168,186</b>	<b>37.0%</b>	<b>(49.8)%</b>
Personnel costs	91,587	34.2%	110,917	24.4%	(17.4)%
<b>Normalised Gross Operating Margin</b>	<b>(7,219)</b>	<b>(2.7)%</b>	<b>57,269</b>	<b>12.6%</b>	<b>(112.6)%</b>
Non recurring expenses	(1,218)	(0.5)%	-	-	-
<b>Gross Operating Margin</b>	<b>(8,436)</b>	<b>(3.1)%</b>	<b>57,269</b>	<b>12.6%</b>	<b>(114.7)%</b>
Depreciation and amortisation	13,318	5.0%	12,991	2.9%	2.5%
Provisions	6,120	2.3%	1,036	0.2%	-
<b>Normalised Operating Result</b>	<b>(27,874)</b>	<b>(10.4)%</b>	<b>43,241</b>	<b>9.5%</b>	<b>-</b>
Impairment extraordinary items	(5,105)	(1.9)%	(8,199)	(1.8)%	(37.7)%
<b>Operating Result</b>	<b>(32,979)</b>	<b>(12.3)%</b>	<b>35,042</b>	<b>7.7%</b>	<b>-</b>
Financial income/expense	(3,204)	(1.2)%	(1,784)	(0.4)%	79.6%
Foreign exchange gains/losses	(131)	0.0%	(1,937)	(0.4)%	(93.2)%
<b>Pre-tax result</b>	<b>(36,314)</b>	<b>(13.5)%</b>	<b>31,321</b>	<b>6.9%</b>	<b>-</b>
Tax for the period	9,122	3.4%	(11,581)	(2.5)%	-
<b>Result for the year</b>	<b>(27,192)</b>	<b>(10.1)%</b>	<b>19,739</b>	<b>4.3%</b>	<b>-</b>

**Net revenues** for the financial year 2009 were € 268.006 million, compared with € 454.320 million at 31 December 2008, representing a decline of 41% compared with the previous year.

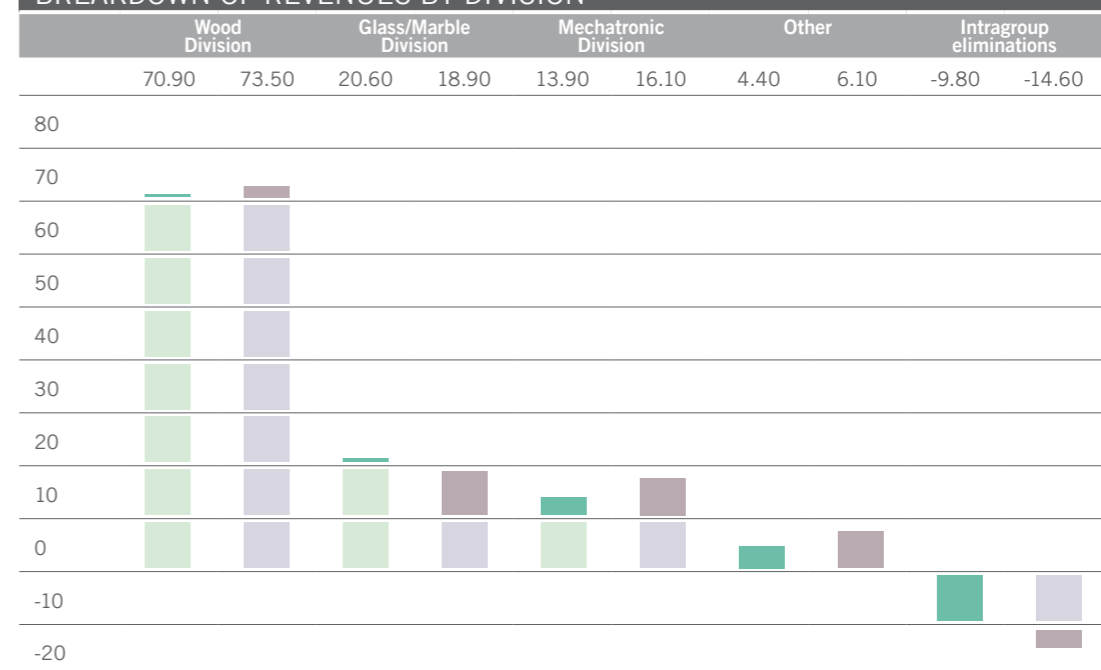
The decline in revenues reflects the weak order intake that persisted till May 2009 with an improvement only in the second half of the year; in addition, the backlog that was inherited from the previous year suffered from the poor order intake of the fourth quarter of 2008, which, after the collapse of Lehman, was already down by more than 35% compared with the average order intake of previous periods.

All Group divisions suffered a sharp slowdown in sales: the Mechatronics Division (-49.1%) and the Wood Division (-43.2%) reported the sharpest declines, while the Glass / Marble Division reported a decline of 35.6%. "Other" sales (which refers primarily to production and distribution of tools and components and other manufactured precision accessories) reported the biggest fall in percentage terms (-57.2%), following the Group's decision to focus on sales of finished goods in stock in preference to new production.

## SEGMENT INFORMATION – BREAKDOWN OF SALES BY DIVISION

€ 000	31 December 2009	%	31 December 2008	%	Δ %
Wood Division	189,890	70.9%	334,109	73.5%	(43.2)%
Glass/Marble Division	55,292	20.6%	85,894	18.9%	(35.6)%
Mechatronic Division	37,183	13.9%	73,003	16.1%	(49.1)%
Other	11,873	4.4%	27,718	6.1%	(57.2)%
Intragroup eliminations	(26,233)	(9.8)%	(66,404)	(14.6)%	(60.5)%
<b>TOTAL</b>	<b>268,006</b>	<b>100.0%</b>	<b>454,320</b>	<b>100.0%</b>	<b>(41.0)%</b>

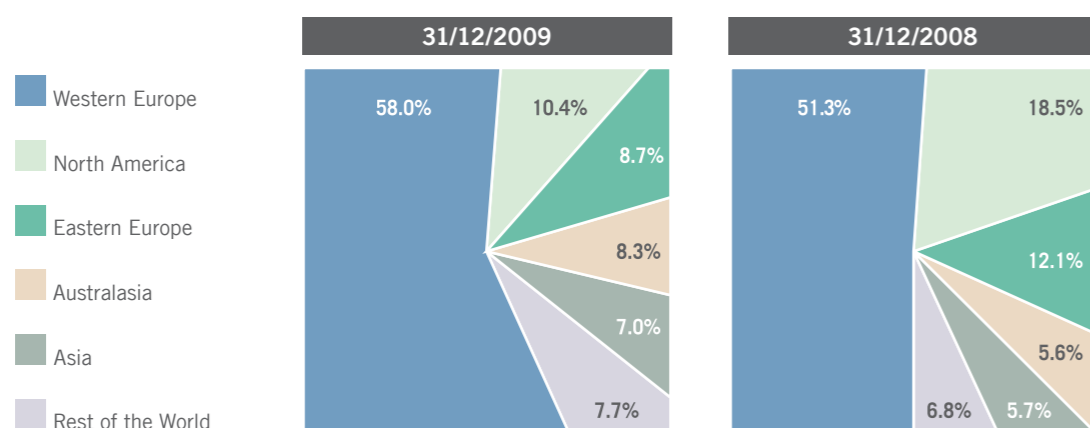
## BREAKDOWN OF REVENUES BY DIVISION



The geographical breakdown of sales reveals that the most significant declines were in Eastern Europe (-66.9%, which was particularly adversely affected by the collapse in demand in Russia) and North America (-57.6%), while the fall in sales in Asia was more moderate at -28.1%.

## SEGMENT INFORMATION – BREAKDOWN OF SALES BY GEOGRAPHICAL AREA

€ 000	31 December 2009	Share %	31 December 2008	Share %	Δ %
<b>Geographical Area</b>					
Western Europe	155,371	58.0%	232,924	51.3%	(33.3)%
Eastern Europe	27,741	10.4%	83,836	18.5%	(66.9)%
Nord America	23,336	8.7%	55,020	12.1%	(57.6)%
Australasia	22,285	8.3%	26,089	5.7%	(14.6)%
Asia	18,765	7.0%	25,559	5.6%	(26.6)%
Rest of the World	20,508	7.7%	30,891	6.8%	(33.6)%
<b>GROUP TOTAL</b>	<b>268,006</b>	<b>100.0%</b>	<b>454,320</b>	<b>100.0%</b>	<b>(41.0)%</b>



The **value of production** was € 249.292 million, compared with € 460.979 million in the year to 31 December 2008, representing a decline of 45.9% over the previous year; in order to present a clearer picture of the profitability of the Group, there follows a more detailed analysis of costs (recurring and non-recurring) calculated as a percentage of the value of production.

€ 000	31 December 2009	%	31 December 2008	%
<b>Value of Production</b>	<b>249,292</b>	<b>100.0%</b>	<b>460,979</b>	<b>100.0%</b>
Consumption of materials	105,839	42.5%	200,005	43.4%
Other operating expenses	59,391	23.8%	92,789	20.1%
<i>Service costs</i>	47,642	19.1%	79,577	17.3%
<i>Leasing costs</i>	6,599	2.6%	6,706	1.5%
<i>Other operating costs</i>	5,150	2.1%	6,507	1.4%
<b>Value Added</b>	<b>84,062</b>	<b>33.7%</b>	<b>168,186</b>	<b>36.5%</b>

Value added calculated as a percentage of Value of Production fell by 2.8 percentage points compared with the previous year, a figure that was affected by the composition of the item "operating expenses" which – though it fell in absolute terms by about € 33.4 million – represents a percentage of the Value of Production that is 3.7 percentage points higher than the figure for the year to December 2008, as this item includes costs that are by their nature inelastic with regard to the trend of revenues: e.g. leasing costs, rental costs, consultancy, travel expenses, utility costs, events/trade fairs, etc.

**Personnel costs** for 2009 were € 91.587 million, compared with € 110.917 million for the year to 31 December 2008, which, expressed as a percentage of net sales was 34.2% compared with 24.4% last year;

the decline of more than € 19.3 million in the absolute value of this item was due to the utilisation of social support mechanisms for temporary lay-off schemes and the substantial freeze on temporary and extraordinary employment contracts.

The resulting **normalised gross operating margin** was negative € 7.219 million.

Non-recurring costs in the period were € 1.218 million, and principally relate to labour mobility procedures connected with the closure of the HSD plant in Turin and to other initiatives to downsize peripheral production activities and centralise their activity at the main production site in Pesaro.

The **gross operating margin (Ebitda)**, was adversely impacted by non-recurring costs and was therefore negative € 8.436 million; this figure, it should be noted, was substantially unchanged compared to the figure for the first half of the year; the increase in sales in the last quarter and the significant cuts in personnel costs and overheads therefore allowed the Group to bring the Ebitda result back to break-even in the second half of 2009.

**Depreciation and amortisation** of € 13.318 million, was slightly higher as a result of the significant investment in intangible assets (particularly information systems).

**Provisions** of € 6.120 million were mainly impacted by transfers to the credit risk reserves (utilisation of previous amounts and subsequent restoration of the amounts).

It should be noted that during the financial year, the parent company Biesse SpA utilised the credit risk reserves for € 2.945 million, an amount that represents the outcome, at the cut-off date of 31.12.2009, of a claim against a leading Russian client which was suffering a severe liquidity crisis; the agreement reached at the end of 2009 involved the return of the machinery that was subject to the outstanding credit (more than € 5.3 million): this required that the machinery relating to the dispute (mainly new machines and still in its original packaging) should be returned to the balance sheet at its industrial cost, with a significant write-down, to then be put up for sale at market prices (a substantial part of this machinery was already sold in the period immediately preceding and immediately following 31.12.2009). The restoration / increase of the reserve was necessary in order to reflect a worst case scenario relating to the potential estimated risk regarding the receipt of outstanding funds relating to general trade receivables given the persistent liquidity crisis affecting the financial system: the provision of € 4.554 million therefore takes the amount of the reserve to € 7.183 million, representing 8.8% of outstanding receivables at the balance sheet date (compared with 6.2% at end-December 2008).

In addition, the Group made a provision to the general reserve for risks and charges of € 0.8 million – relating to a potential dispute in Italy with the national social security body regarding the methodology of managing the temporary lay-off programme Cigo 2009; finally, the total for 2009 includes small amounts for provisions to the Product guarantee reserve and relating to legal disputes.

The resulting **normalised operating margin** was negative € 27.874 million.

Impairment and other extraordinary expenses relating to the exceptional recession of 2009 resulted in additional costs of € 5.105 million; in particular, the inclusion in the balance sheet of a corporate restructuring reserve of € 3.1 million relating to extraordinary re-organisation operations relating to personnel and production locations as decided by the Board of Directors of Biesse S.p.A., HSD S.p.A. and Biesse Iberica Woodworking Machinery S.I.

In addition impairment of prepaid costs – of about € 1 million – relating to development of a prototype, the usefulness of which is, at present, uncertain; another reserve was set up in relation to this same project to cover potential costs that might emerge in relation to suppliers and clients in the event of cancellation of the project.

Consequently the **operating margin (Ebit)** – adversely impacted by the aforementioned extraordinary costs- resulted in a negative € 32.979 million.

Financial expenses were € 3.204 million: a large part of this amount relates to interest expenses on higher financing requirements than in 2008 due to the higher average level of debt as well as greater utilisation of more expensive medium term financing; the remainder is attributable to expenses relating to financial discounts for clients (€ 368 thousand) and to expenses of € 549 thousand relating to valuation at fair value of an interest/exchange rate hedging derivative contract taken out by the Indian subsidiary.

Exchange rate management resulted in expenses of € 131 thousand in 2009 (expenses of 1.937 million in 2008).



The **pre-tax result** was therefore negative € 36.314 million, while in 2008 the pre-tax profit was € 31.321 million.

The balance of **tax items** was positive for a total amount of € 9.122 million. The positive balance is composed of the following elements:

- Positive items relating to the balance of deferred taxes totalling € 9 million, of which € 7,7 million relates to taxes calculated on the tax losses for the year;
- Positive items totalling € 591 thousand relating to requests for a rebate of 10% of IRAP on IRES taxes in addition to differences arising from the recalculation of taxes relating to the previous year; both of these items are attributable to Italian companies of the Group;
- Positive items relating to other income taxes of € 567 thousand regarding income from tax credits for research & development activity carried out by Italian companies of the Group during the year;
- Negative items of € 788 thousand relating to IRAP for the year, and € 290 thousand relating to taxes on the income of certain foreign companies.

Deferred tax assets were accounted for on tax losses for all companies where it is believed that a return to profitability in future periods is probable.

The difference between the effective tax asset rate (calculated net of components relating to IRAP and contingent liabilities relating to previous years and tax credits) equal to 23.99% and the theoretical tax asset rate (27.5%) is primarily due to the non-inclusion of deferred tax assets on the tax losses of certain companies, as their recovery in future years was not considered probable.

The Group therefore generated a negative **net result** of € 27.192 million.

## SUMMARY BALANCE SHEET DATA

BALANCE SHEET AT 31 DECEMBER 2009					
€ 000	31 December 2009	30 September 2009	30 June 2009	31 March 2009	31 December 2008
Intangible fixed assets	41,073	41,057	40,865	40,303	40,106
Tangible fixed assets	57,431	58,369	60,152	61,007	61,236
Non current assets	18,849	16,266	14,006	12,561	10,115
<b>Non current assets</b>	<b>117,353</b>	<b>115,692</b>	<b>115,023</b>	<b>113,871</b>	<b>111,458</b>
Inventories	65,654	83,733	93,622	103,947	103,678
Trade receivables	74,895	63,953	69,921	78,847	99,804
Other receivables	10,648	9,394	10,686	12,787	14,364
Other current financial assets	-	-	-	27	-
Cash and equivalents	31,148	20,547	29,967	19,366	22,173
<b>Current assets</b>	<b>182,345</b>	<b>177,627</b>	<b>204,197</b>	<b>214,974</b>	<b>240,020</b>
<b>TOTAL ASSETS</b>	<b>299,698</b>	<b>293,319</b>	<b>319,220</b>	<b>328,845</b>	<b>351,478</b>
Net Equity of the Group	126,334	130,883	138,250	145,777	152,208
Minority interests	517	400	535	890	1,103
<b>Net equity</b>	<b>126,850</b>	<b>131,283</b>	<b>138,785</b>	<b>146,667</b>	<b>153,311</b>
Bank debt and M/L term finance leases	18,575	46,616	50,533	8,977	9,199
Retirement benefit liabilities	11,857	12,033	11,975	12,314	12,718
Other payables and M/L term liabilities	3,334	3,431	3,717	4,515	4,195
<b>Non current liabilities</b>	<b>33,765</b>	<b>62,080</b>	<b>66,225</b>	<b>25,807</b>	<b>26,112</b>
Trade payables	60,977	47,989	50,080	65,702	98,611
Other short term payables	32,828	25,646	28,200	29,773	33,809
Bank debt and short term finance leases	45,278	26,321	35,930	60,897	39,635
<b>Current liabilities</b>	<b>139,083</b>	<b>99,956</b>	<b>114,211</b>	<b>156,371</b>	<b>172,055</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>299,698</b>	<b>293,319</b>	<b>319,220</b>	<b>328,845</b>	<b>351,478</b>

Non-current assets includes a reduction in the value of tangible assets compared with their value at 31.12.2008, due to higher depreciation compared with the very low level of investments made in the period.

Other non-current assets include credits for deferred tax assets of € 18.233 million calculated both on the reported tax losses and on timing differences.

Net Working Capital declined by € 25.299 million compared with December 2008; this was mainly due to the reduction in inventories following the recovery in sales that took place in the second half of the year and to the effect of more efficient organisation of production deriving from the application of Lean manufacturing principles; this was assisted by the better balance of trade receivables and payables recorded in the second half of 2009.

NET FINANCIAL POSITION					
€ 000	31 December 2009	30 September 2009	30 June 2009	31 March 2009	31 December 2008
Financial assets:	31,148	20,547	29,967	19,393	22,173
<i>Current financial assets</i>	-	-	-	27	-
<i>Liquidity</i>	31,148	20,547	29,967	19,366	22,173
ST finance lease liabilities	(2,290)	(2,328)	(2,419)	(2,517)	(2,602)
Bank and other ST financial debt	(42,988)	(23,993)	(33,511)	(58,380)	(37,033)
<b>Net Short Term Financial Position</b>	<b>(14,130)</b>	<b>(5,774)</b>	<b>(5,963)</b>	<b>(41,503)</b>	<b>(17,462)</b>
M/L term finance lease liabilities	(5,225)	(6,210)	(6,291)	(7,284)	(7,426)
M/L term bank debt	(13,349)	(40,406)	(44,242)	(1,693)	(1,772)
<b>Net M/L Term Financial Position</b>	<b>(18,575)</b>	<b>(46,616)</b>	<b>(50,533)</b>	<b>(8,977)</b>	<b>(9,199)</b>
<b>Total Net Financial Position</b>	<b>(32,704)</b>	<b>(52,390)</b>	<b>(56,496)</b>	<b>(50,481)</b>	<b>(26,661)</b>

There was a significant inversion of the trend in the financial position in the second half of 2009, with a recovery of more than € 23 million compared with the figure at 30 June 2009 mainly due to the significant improvement in working capital (above all in inventories) that more than offset the negative trend of income; this was also assisted by the containment of capex which was restricted only to activities of product-process innovation.

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

### Risks relating to general economic conditions

The economic, capital and financial situation of the Group is influenced by various factors that make up the macro-economic scenario - including the trend of global and national GDP, the level of business confidence, the trend of interest rates and the cost of raw materials- in the various countries in which the Group operates. In 2009, and particularly in the first half of the year, financial markets were characterised by particularly marked volatility with severe repercussions for several financial institutions and, in general, for the whole economy. The significant and widespread deterioration in market conditions was exacerbated by severe and generalised difficulty in gaining access to credit, both for consumers of finished goods (furniture, fixtures and finishings) that our machinery helps to construct and for client businesses, and began to result in a scarcity of credit that was reflected definitively in the industrial development of many sectors, amongst which, and in particular, those in which the Group operates (capital equipment).

As previously mentioned, the weakness of the general conditions affecting the economy and the sectors in which Biesse operates and the progressive deterioration of the credit market are reflected, particularly in the first half of 2009, in a significant decline in demand in the Group's core markets; since the second half of 2009 there was a significant reversal of this trend sustained by considerable public spending aimed at reviving the economy.

There is no certainty that the measures put in place by governments and monetary authorities in response to the current situation will stabilise conditions to definitively overcome the crisis. The timing of a return to normal market conditions therefore remains uncertain.

The activities, the strategy and the prospects of the Group may be negatively influenced by a significantly prolonged period of marked weakness and uncertainty with a consequent adverse impact on the economic, financial and capital situation of the Group.

### Risks relating to Group results

The Biesse Group operates primarily in a sector, mechanical goods, that is subject to a high level of cyclicity. It should be born in mind that it is difficult to predict the extent and duration of economic cycles; the cyclical nature of the sector in which the Biesse Group operates tends also to reflect the general economic trend, in some cases even amplifying its impact.

Therefore, each macro-economic event, such as a significant fall in one of the principal markets, the volatility of financial markets and the consequent deterioration of the capital markets, an increase in energy prices, fluctuations in the prices of commodities and other raw materials, adverse fluctuations in specific factors such as interest rates, exchange rates etc. are capable of having a significantly negative effect on the prospects and the activities of the Group, as well as its economic results and financial position. In addition, the profitability of the Group is subject to risks related to the fluctuation of rates of interest and inflation, to the solvency of counterparties and the general economic situation of the countries in which it conducts its business.

### Risks relating to financial requirements

The evolution of the financial situation of the Group depends on numerous conditions, particularly including its ability to achieve stated objectives, as well as the general trend of the economy, financial markets and the sectors in which the Group operates.

The Biesse Group expects to meet its financial requirements through the cash flow generated by its operating activities, available liquidity and the renewal or re-financing of bank loans.

Even in the current market environment, the Group expects to maintain sufficient capacity to generate financial resources from management of operations. The actions taken to contain costs, the reduction of investments and the containment of working capital should permit only modest debt requirements during 2010 which is entirely compatible with the Biesse Group's high credit rating. However, further relevant and/or persistent unexpected reductions in sales volumes could have negative implications on the cash generating capacity of managed operations, which would require the Group to seek additional financing in less favourable market circumstances, with limited availability of certain sources of funding and an increase in financial expenses.



**Credit Risk**

The Group faces different concentrations of credit risk in the different markets in which it operates, mitigated, however, by the fact that credit exposure is spread across a large number of counterparties and clients. Nevertheless, trade receivables are currently particularly exposed to adverse market and credit conditions which raises the possibility of insolvency on the part of client counterparties.

Financial assets are reported in the balance sheet net of write-downs calculated on the basis of the risk of counterparty non-payment, determined according to the available information on the solvency of clients and considering historic data.

**Risks relating to exchange rate fluctuations**

The Biesse Group, which operates in several markets at a world level, is naturally exposed to market risks relating to the fluctuation of interest and exchange rates. Its exposure to exchange rate risk is related primarily to the geographical diversification of its commercial operations, which leads to revenues from exports denominated in currencies different to that of the country of production; in particular the Biesse Group is principally exposed to net exports from the Euro area to other currency zones (mainly the US dollar, the Australian dollar and Sterling). Consistent with its policy of risk management, Biesse Group seeks to hedge its exposure to the risk of fluctuations in exchange rates through the use of financial hedging instruments. Despite these financial hedging transactions, sudden fluctuations in exchange rates could have a negative impact on the economic results of the Group.

**Risks relating to interest rate fluctuations**

Biesse Group utilizes various types of financing in order to cover the requirements of its industrial activities; Changes in the level of interest rates could lead to increases or reductions in the cost of finance.

**Risks relating to relations with employees**

In several countries in which the Group operates, its employees are protected by various laws and/or collective labour contracts that guarantee them, through local and national representation, the right to be consulted regarding specific questions, including restructuring or closure of departments or staff reductions. The laws and/or collective labour contracts applicable to the Group could have an influence on its flexibility in redefining and/or strategically repositioning its operations. Biesse's ability to reduce employee numbers or other measures of interrupting working relationships, even temporarily, is conditioned by government authorisations and union agreement. Industrial action by unionized employees could have a negative impact on the company's business.

**Risks relating to supplier relationships**

The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group. Close collaboration between producers and suppliers is customary in the sectors in which Biesse operates and if, on the one hand, it can result in economic benefits in terms of cost reduction, the Group's reliance on these suppliers raises the possible consequence that difficulties encountered by them (whether due to internal or external factors) can have negative repercussions for the Group.

**Risks relating to sales in international markets and exposure to changeable local conditions**

A significant part of the productive activity and sales of the Group take place outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political factors and to the possible imposition of political restrictions on imports and/or exports.

In addition the Biesse Group is exposed to several different tax regimes in particular as regards transfer pricing.

In particular, the Biesse Group operates in several emerging markets such as India, Russia, China and Brazil. The Group's exposure to the economic trends of these countries has increased in the recent past such that any possible unfavourable political or economic development in these areas could have a negative impact on the prospects and activities as well as on the economic results of the Group.

**research and development activity 2009**

The following list details research and development initiatives undertaken in 2009:

**WOOD DIVISION****Biesse Brand****Rover G machining centre**

Design work was completed on a range of machinery dedicated to panel nesting processing. This range was equipped both with panel loading and unloading systems for automatic transfer of panels and panel labelling equipment.

**FTT 800 with Dowel Inserter**

The development of the FTT800 with dowel insertion module was completed. Two new horizontal boring and dowel insertion modules have been integrated.

**ROVER A machining centre**

Development work began to increase the processing performance of low end work centres for both the solid board market and the panel market and to introduce optimal solutions to increase the profitability of the product.

**ROVER B machining centre**

Development work began to increase the processing performance of mid-range work centres and to introduce optional groups for the transfer and completion of processing stages for solid board in 'work cell' configuration.

**ROVER C machining centre**

Development of groups of optional products for the handling and completion of solid panel processing operations in the 'work cell' configuration was completed.

**UNIWIN 2008 machining centre**

Design and development work was completed on projects to increase work areas and to insert new performance enhanced tool magazines.

**WinProf profiling machine for windows and doors**

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

**Multi-head EXCEL machining centre**

Development work was completed on adding more operating groups to this machine that are all capable of working simultaneously thereby improving productivity.

**Nesting Cells**

At the lower end of the range of panel machining centres development work began on optional groups for labelling and the transfer of panels through the adoption of optimal solutions to increase the profitability of the product.

**TECHNO B-Cubed boring machine**

Development was completed of a linear boring machine aimed at processing of medium/large batches as part of lines dedicated to or integrated with the upstream processes of panel sawing and squaring and edgbanding. The machine is equipped with an innovative control system.

**NEXT Step**

Design was completed and a prototype built of the Next Step work cell, for panel processing by direct clients. This is a solution aimed at specialised processing functions in large industries or as the principal machine of a small producer of furniture.

**SKIPPER 130 Flexible borer**

Design was completed and prototypes built for the full range of the new Skipper 130 boring machine, with

optionals for milling, cutting and dowel insertion. This machine was conceived in response to the production requirements not just of kitchen manufacturers but also of producers of bedrooms/small rooms and offices.

**TECHNO ONE FDT boring machine**

Design work continued on an economically priced linear boring machine, aimed at processing medium/large size batches on dedicated lines or integrated with upstream processes of sizing and square-edgebanding or on manually loaded machines in work cells.

**TECHNO ONE S boring machine**

Design work continued on an economically priced linear boring and wood dowel insertion machine, aimed at processing medium/large size batches on dedicated lines or integrated with upstream processes of sizing and square-edgebanding or on manually loaded machines in work cells.

## Comil Brand

**MATRIX FT boring machine**

Design was completed and prototypes built for the full range of the new compact and modular Matrix boring machine. This was augmented by the addition of groups for milling, boring, tool changes, measuring systems and panel loading.

**MATRIX KT boring and insertion machine**

Design was completed and prototypes built for the full range of the new Matrix boring and insertion machine. This was augmented by the addition of groups for the insertion of hinges, plates and brackets.

**MATRIX Guide boring-insertion machine**

Design work continued on a boring-insertion machine for the insertion of lateral drawer guides on furniture panel components. The machine is completed by drawer guide loading and transfer systems.

**INSIDER B - WRT boring-insertion machine**

Design work was completed on a flexible linear boring-insertion machine for the insertion of cabinet doors, frontal elements and furniture frameworks.

## Selco Brand

**WN750 panel sizing centre with Vacuum loader**

Development continues on the new range of WN750 panel saws, characterised by a high standardisation of solutions and components. Design of a new high performance and versatile ventose loader is in progress.

**WN730-710 panel sizing centre**

Design work was completed on the WN710/730 panel saw characterised by a high percentage of unification of carry-over components compared to the WN750 series.

**EB630-650 panel sizing centre (TP)**

Design work is in progress on the new EB630-650 entry level range of high performance panel saws, featuring a high percentage of standardised solutions/components compared with the high-end WN750 range of panel saws.

**EB 95 panel sizing centre**

The range is currently being restyled with upgrading to the EB75-95 models to a single machine model (the new EB95) featuring a new concept side aligner, mounted on the saw carriage. Design work was completed on the versions with square fence on the right.

**EBA650-WNA750/850 Angular panel sizing centres**

Design work began on the new high performance angular panel sizing centres, characterised by high standardisation of components compared with the single cutting line versions (EB650-WN 750).

**Optiplanning (Optimisation Software)**

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

**Connectivity with RTDB database**

Development is continuing on a Numerical Control (CN) and supervisor interface to monitor production flows, statistics and energy consumption analysis.

## BiesseEdge Brand

**New STREAM squaring and edgebanding machine range**

A new range of high-end squaring and edgebanding machines is in development: new technological features allow management both of high production levels and single batch processing favouring design to cost concepts and industrialisation of components. The prototype of a single-sided edgebander was completed. The new range will be characterised by new concept operator groups capable of improving performance and reliability.

**STREAM edgebanding machines**

A new and innovative system of adhesive application is being designed which uses LASER technology systems to fuse the adhesive and/or the edge to be applied to the panel.

**STREAM (MDS) edgebanding module**

Development was completed on an edgebanding module that can be coupled with STREAM edgebanding machines. The solution that was devised allows the offer of highly flexible edgebanding machine, capable of working on very small batches, even potentially on single items (batch-one).

**"B-Cubed" Square-edgebanding machine**

As part of the new STREAM range, development and assembly of a prototype has begun on a square-edgebanding machine which incorporates an innovative operating unit axes and belt (electronic axis) control and management system.

## Rbo Brand

**ASTER Pluris Loader**

Work was completed on building a prototype loader for flexible boring and dowel insertion lines.

**WINNER "B-Cubed" Loader/Unloader**

Work was completed on building a prototype loading/unloading bridge for flexible panel processing lines. An innovative control and management system for moving axes can be integrated into in-line machines.

**GPK "B-Cubed" Panel turner**

Work was completed on building a prototype of a device for turning panels on panel processing lines. An innovative control and management system for moving axes can be integrated into in-line machines.

## BiesseArtech Brand

**LEVIA 400 Sanding machine**

Development work began on a wide band sander aimed at the small workshop and smaller company market. One of the peculiar features of this new line, is to be able to present highly developed and easily configurable sanders at competitive prices. The operator groups are being entirely redesigned and the new machines will incorporate features until now only available on the upper range models (BIESESAND brand).

**AKRON100 Edgebanding machine**

Design work has begun on an entry level edgebanding machine characterised by new, simple, economic operator groups. The mid-range AKRON machine was enhanced by the incorporation of the IT90 end-trimmer series.

**SKIPPER One flexible boring machine**

Design and development of a prototype Skipper ONE boring machine was completed, which provides simple and economic solutions for the flexible boring of panels.



**SEKTOR 430 panel sizing centre**

The range is being restyled and upgraded to EB75-95 levels with a new machine model (the new Sektor 430) equipped with a new concept side aligner mounted on the saw carriage.

**FSE230 boring-insertion machine**

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

**BiesseSand Brand****REGAL Line sanding machines**

Design continued on the sander range, capable of developing an "over and under" sanding process which is characterised by the fact that the processing occurs simultaneously on both sides of the panel. The 2+2 operator group version was also introduced.

**REGAL 800 sanding machines**

Design work continued on the new heavy duty range under the BIESESAND brand and 3 and 5 operator group versions were introduced. Multi-sectioned barrier and pad applications were developed for industrial use.

**Bre.Ma. Brand****VEKTOR optionals**

Design and assembly of a prototype system of high productivity drilling jigs and optionals to complete the Vektor range.

**VEKTOR restyling**

Design of a vertical work centre for panel processing. The objective of this project is to revise the existing machine to obtain improved performance and reduce dust emissions and noise.

**VEKTOR P**

Design of a vertical work centre for panel processing. A new system of panel transport and insertion features was introduced on the vertical machines to help reduce costs.

**Software development projects**

Development of software packages to improve the functionality of the Vektor range e.g processing of the resting side, programming of tool replacement times, updating of processing programmes, optimisation of work cycles.

**Design of vertical transfer**

Design continued on the main feeder devices for vertical work centres to optimise panel processing cycles and work cell automation.

**GLASS & STONE DIVISION****Intermac Brand****GENIUS 37 LM cutting bench + GENIUS CT (comby)**

Development began on a combined cutting bench, designed to cut laminated and monolithic sheets, for use in the construction and furnishing sectors, necessary for restricted space requirements to achieve a productive balance between building and furnishing production.

**GENIUS 37 LM-A cutting bench + service bench**

The first phase of design of a high end cutting bench for cutting laminated sheets was completed, primarily for use in the construction sector. The LM-A series benches are constructed on an innovative mono-bridge structure, which allows monitoring of cutting cycles and reduces times, allowing the opportunity to cut dif-

ferent thicknesses. It is possible to automatically square and define the amount of the first cut and related traverse. A service bench was also developed for combining with the machine, which incorporates sheet loading, support and ventose features to reduce the dimensions of the line.

**GENIUS 37 CT-RS monolithic cutting bench**

Development of an entry-level cutting bench for monolithic sheets was completed. The product incorporates CT series cutting characteristics, with a high synergy of components which allows clients to obtain high level performance thanks to an in-depth analysis of the requirements of users of this kind of machine.

**Intensifier for 5 axis head**

Development of a water intensifier with iso couplings, for use on numerically controlled machining centres.

**PRIMUS 184 water jet cutter**

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

**PRIMUS 184 water jet cutter with 5 axis head**

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

**Busetti Brand****F10 - F12 double edging machines (flat edge)**

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

**Double edged pencil edge grinding machines P3 - P4 - P6**

Development began of a double edged pencil edge grinding machine, with modular characteristics for industrial use, which combines multiple quality requirements including speed of production, profile form, and sheet size, in order to obtain a single machine or a totally automatically managed plant.

**MECHATRONIC DIVISION****HSD Brand****Birotary electroheads**

Design work began on the new HS 350 range of heads. The new model combines the performance of the HS 552 model but is very compact. The new head is designed for wood milling applications on entry-level machining centres.

**High frequency motors**

Design work began on the new ES 368 and ES 369 range of electrospindles. This new range was conceived to satisfy the high performance and size demands of the new HS350 range of electroheads. Both of these new electrospindles are equipped with high efficiency motors.

**Smart Motor (SM)**

Design work began on the new integrated action SM141 servo motor. This new model is adapted for performance and precision operation of machine axes. The new model is designed for wood milling applications on entry-level machining centres.

**Independent spindle boring heads**

Design work was completed on the new standard, new generation BH boring groups, aimed at providing higher performance and reliability. In addition, this activity led to unification and rationalisation of boring group components and the final configurations available.

**Aggregate lines**

Optimisation and rationalisation of the aggregate standard lines was concluded (operator groups with standard machining centre features).

**Electronic cards**

Design of the PM71 card which is equipment on the new ES 959 models was completed, this card together with a new multifunction sensor controls the principal state of the electrospindles which allows simplification of the design.

Design also began on the new digital receiver card with related Bus converter. These cards are equipment on the new HS350 head range, and allow it to stay within the size limitations imposed by the application.

**SOFTWARE PLATFORMS AND COMPONENTS****Family Feeling**

The *Family Feeling* project continues. Its objectives are:

- to strengthen branding and consolidate the look of the graphic interfaces of all software produced by Biesse;
- increase the degree of usability of products to facilitate consistency of user methodology and workflow;
- promote the re-use of software components, reducing costs and increasing reusability of the products.

**B-CubedLine**

The development of the B-Cubed project continues, related to the building of wood production plants. Amongst its multiple objectives are the experimentation of innovative solutions in terms of motorisation and other electronic components.

These objectives are, in more detail:

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

**PlantVision (Supervisory SW)**

Development work continues on the PlantVision project, which originated from the necessity of finding a proprietary solution for the supervision and control of processing platforms for wood, glass and marble. The principal objectives are:

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

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

**CAD/CAM b-Solid**

A new system of integrated programming. The main focus was on the development of two new features:

- New operator interface (still in development phase)
- Plug-in finishing (Remachining)

The “renewed interface” project is intended to be a preliminary exercise in combining it with the activities of the “Family Feeling” project.

The “remachining” project permits the identification of areas missed by previous processing and to target finishing processes only to those areas where they are necessary. This results in considerable time saving.

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

€ 000	Shareholders' equity 31/12/2009	Result for the year 31/12/2009	Shareholders' equity 31/12/2008	Result for the year 31/12/2008
<b>Net shareholders' equity and parent company result for the year</b>	<b>118,363</b>	<b>(21,752)</b>	<b>136,944</b>	<b>16,657</b>
<b>Elimination of carrying value of consolidated shareholdings</b>				
Difference between carrying value and value of share of net equity	11,979		23,070	
Pro-quota results contributed by investments		(9,834)		655
Cancellation of write-downs/revaluations of investments		1,069		3,364
<b>Elimination of the effects of transactions between subsidiaries</b>				
Intragroup profits included in final inventories	(3,448)	3,676	(7,098)	(601)
Intragroup profits on tangible and intangible assets	(564)	145	(709)	44
<b>Valuation of associated companies on a net equity basis</b>				
<b>Dividends</b>				(132)
<b>Net shareholders' equity and result for the year attributable to the Group</b>	<b>126,334</b>	<b>(26,696)</b>	<b>152,208</b>	<b>19,987</b>
Net shareholders' equity and result for the year attributable to third parties	517	(496)	1,103	(248)
Net shareholders' equity and result for the year as reported in the Consolidated Accounts	126,850	(27,192)	153,311	19,739



## TRANSACTIONS WITH ASSOCIATE COMPANIES, CONTROLLING ENTITIES AND COMPANIES CONTROLLED BY THEM

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

€ 000	Receivables	Payables	Revenues	Costs
Bi. Fin. Srl	574	-	10	-

The receivable relating to Bi.Fin. S.r.l., in favour of Biesse S.p.A. and Hsd S.p.A., relates to the requested rebate of 10% of IRAP on IRES taxes for 2005, during which period both companies participated in the national consolidated tax programme through the controlling company Bi.Fin. S.r.l.

## OTHER RELATED PARTY TRANSACTIONS

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

€ 000	Receivables	Payables	Revenues	Costs
Fincobi S.r.l.	-	-	1	10
Board members	-	39	-	1,594
Statutory Auditors	-	70	-	70
<b>TOTAL</b>	-	109	1	1,674

We can confirm that the transactions disclosed above were carried out under contractual conditions that were no different to the conditions that would normally apply to transactions with third parties.

In addition to the transactions reported above, details of transactions with directors, managing directors and managers with strategic responsibilities are disclosed in note 42 of the explanatory notes to the accounts.

## REPORT ON PERSONNEL RELATIONS

At 31 December 2009 the Group had 2,292 employees, 184 fewer than the 2,476 at end-2008 (including 42 temporary employees).

Almost all of the countries in which the Group operates reported a reduction in the number of employees, which was greater in the first half of the year and principally related to the decline in sales.

In Italy, the Group made full use of the State assisted temporary lay-off scheme (Cassa Integrazione Guadagni); the 52 week maximum limit of the Ordinary temporary lay-off scheme (Cassa Integrazione Guadagni Ordinaria) was reached at the end of 2009. The Ordinary temporary lay-off scheme (Cassa Integrazione Guadagni Ordinaria) already activated in November 2008, involved all company areas and departments for a total of about 860,000 hours.

A constant dialogue continued with Unions and workers' representatives throughout 2009, with the objective of finding solutions that were acceptable to all parties regarding the consequences of the measures adopted by the company as a response to market conditions arising from the global economic and financial crisis. The severe market contraction, which affected all industrial sectors, apart from dictating a gradual reduction in fixed term and temporary work contracts, made it necessary to shut down production significantly by making use both of collective vacation time and state assisted lay-off schemes, where available, or of responses based on collective agreements or company policies.

Training initiatives in 2009 were designed to address two basic company requirements:

- Necessity of maintaining momentum in the principal programmes relating to organisational improvement and in particular in continuing the Lean Organization project,
- Restructuring these programmes as a result of the ordinary temporary lay-off programmes undertaken from the start of the year.

In order to achieve these objectives two training programmes were introduced, through agreements with the local regional authority of Pesaro Urbino and Union Organisations, financed by the European Social Fund and available during periods of temporary lay-off (CIG).

These programmes are aimed at protecting the skills of personnel involved in temporary lay-off schemes (CIG), in particular by transmitting to as many company workers as possible the necessary knowledge to fully implement "lean" strategies.

The research and experimentation stage of the Lean Company project was concluded and the company started applying the principles: a significant training programme was required to ensure the success of this activation stage. It focused on three areas: product development, supply chain and service. At the same time the experimental stage of the Biesse Kaizen Academy ended and it began its important workshop and training activities for Biesse personnel. These activities were supported by the formalisation of a standard training course focusing on two areas: Principi di Lean Organization Principles and Kaizen Academy.

These important company training programmes were included in two fully financed approved training projects which provided over 7,500 man-hour of training. A distinctive element of the project is the contribution of the in-house training staff, thanks to a dedicated training programme for trainers involved in the project. The two programmes have achieved their pre-established didactic, organisational and participant satisfaction objectives, reaching a total of 345 trained personnel.

It was therefore decided to start a new training project providing a broader range of subjects to a larger number of employees; the new Company Process Training project, involves 592 employees and is available during periods of temporary lay-off. The project was approved by the Pesaro Urbino Regional Authority in September 2009 and is currently in progress.

In June 2009, Biesse received from the Pesaro-Urbino branch of Confindustria (the Italian employers trade federation), the Company Training Award, for the employee and young persons' training activities it conducts in association with the schools system.

In 2009 a structured plan of Employer Branding activities was initiated with the aim of increasing the awareness of and the attractiveness of the company amongst new University graduates.

Contacts with schools and Universities is mainly developed through participation in Career Days and company presentations at Universities, with an increasing focus not just on local institutions but also at a national level. Locally, the project that was started in 2008 continued with a relaunch of the "the University in the Company, the Company in the Lecture Hall" initiative with the University Polytechnic of the Marche region.

This programme provides two days of corporate training to students in the Production and Engineering logistics degree courses: one in a company including modules on Lean Production theory and application; and the other at the University involving the participation of Company managers. The Mayor of Pesaro was also present at the final day of the course at Biesse's Pesaro headquarters.

The Group also accepted invitations in 2009 to give company presentations at the Engineering faculty of Ancona and once again participated in the Career Day events at Urbino and Bologna.

The opening to Universities, focusing on engineering and technical subjects, involved the preparation of joint programmes with Milan Polytechnic and Bari Polytechnic, which through direct presentations in the lecture hall conveyed an image of a company that is always open to dialogue and exchanges of experience with potential talent throughout the country.

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

	No. of shares held directly and indirectly at 31/12/2008	No. of shares sold in 2009	No. of shares held directly and indirectly at 31/12/2009	% of share capital
<b>Roberto Selci</b> Chairman	31,944	-	31,944	0.12%
<b>Giancarlo Selci</b> Chief Executive Officer	16,015,000	-	16,015,000	58.46%
<b>Alessandra Parpajola</b> Director	600	-	600	-
<b>Stefano Porcellini</b> Director	680	(680)	-	-
<b>Salvatore Giordano</b> Independent Director	200	-	200	-
<b>Leone Sibani</b> Independent Director	500	-	500	-
<b>Giampaolo Garattoni</b> Independent Director	30,000	-	30,000	0.11%
<b>Claudio Sanchioni</b> Serving statutory auditor	200	-	200	-

**“ATYPICAL AND/OR UNUSUAL” OPERATIONS OCCURRING IN THE FINANCIAL PERIOD**

During the course of 2009 no operations of this nature were reported.

**SIGNIFICANT POST BALANCE SHEET EVENTS AND OUTLOOK FOR 2010**

There were no significant post-balance sheet date events to report.

With regard to the outlook for 2010, on 22 February Biesse's Board of Directors approved the customary review of the Industrial Plan, extended to include the period to end-2012 and which updated the estimates for the years 2010 and 2011 on the basis of 2009 results which reported revenues that were € 40 million higher than the forecast in the previously revised plan of 7 August 2009; this was possible because of the significant improvement in demand in the second half of the year, which, given production lead times of about 2 months, resulted in a significant recovery in sales in the last quarter of 2009 compared to the stagnation of sales during the period up to 30 September 2009. This was augmented by a significant commercial push to reduce inventories of finished products at overseas subsidiaries and in all the Group's Italian and foreign subsidiary showrooms in Italy aimed at allowing the Group to begin 2010 with a renewed commercial offer.

The backlog at 31 December 2009 and the trend of orders in January and February 2010 are in line with, or better than, the objectives for the 2010 financial year; consolidated revenues for the first quarter will reflect the need to rebuild stocks of finished goods at foreign subsidiaries, but beginning in the second quarter revenues will converge on the objectives. Pricing of sales and discounts will be positively affected by the renewal of stocks and the favourable trend of exchange rates (weak euro).

Taking into account the difficulties of making forecasts in an industry that operates with an average order portfolio of 2 months (source: Acimall) and on the basis of the most dependable macro-economic scenarios and the Group's strategies of product innovation and market penetration, Biesse's Directors are confident in its ability to achieve the objectives that have been set.

These estimates are supported, in addition to the aforementioned trend of orders in the first two months of the year, by a gradual further recovery in general trade activity, and in particular, in countries such as Russia and Spain which contributed significantly to the Group's pre-crisis results.

Given this scenario Biesse will continue in 2010 to implement cost containment initiatives with determination and will make use of the extraordinary state supported temporary lay-off scheme (cassa integrazione straordinaria).

The combination of the economic effects deriving from the restructuring of company costs and a return to volume growth allows it to confirm its goal of achieving break even at the operating level in 2010.

The Directors of Biesse believe that, given the Group's capital strength, and particularly given the modest debt position relative to Net equity, and given the improving trend in its core markets, there is no uncertainty about the company's ongoing continuity (in accordance with paragraph 25 the IAS1).

**review of operations biesse s.p.a.**

**SUMMARY OF FINANCIAL DATA**

INCOME STATEMENT TO 31 DECEMBER 2009					
€ 000	31 December 2009	% of sales	31 December 2008	% of sales	Δ %
<b>Revenues from sales and services</b>	<b>187,105</b>	<b>100.0%</b>	<b>356,411</b>	<b>100.0%</b>	<b>(47.5)%</b>
Change in inventories, wip, semi-finished and finished goods	(8,883)	(4.7)%	332	0.1%	-
Other revenues	4,502	2.4%	2,745	0.8%	64.0%
<b>Value of Production</b>	<b>182,723</b>	<b>97.7%</b>	<b>359,488</b>	<b>100.9%</b>	<b>(49.2)%</b>
Consumption of materials, accessory products and goods	97,365	52.0%	192,233	53.9%	(49.4)%
Other operating expenses	34,423	18.4%	51,334	14.4%	(32.9)%
<b>Normalised Value Added</b>	<b>50,936</b>	<b>27.2%</b>	<b>115,921</b>	<b>32.5%</b>	<b>(56.1)%</b>
Personnel costs	59,069	31.6%	71,734	20.1%	(17.7)%
<b>Normalised Gross Operating Margin</b>	<b>(8,133)</b>	<b>(4.3)%</b>	<b>44,186</b>	<b>12.4%</b>	<b>(118.4)%</b>
Non recurring expenses	(292)	(0.2)%	-	-	-
<b>Gross Operating Margin</b>	<b>(8,425)</b>	<b>(4.5)%</b>	<b>44,186</b>	<b>12.4%</b>	<b>(119.1)%</b>
Depreciation and amortisation	10,142	5.4%	9,574	2.7%	5.9%
Provisions	4,250	2.3%	2,616	0.7%	62.5%
<b>Normalised Operating Result</b>	<b>(22,816)</b>	<b>(12.2)%</b>	<b>31,996</b>	<b>9.0%</b>	<b>-</b>
Impairment extraordinary items	(4,420)	(2.4)%	(693)	(0.2)%	-
<b>Operating Result</b>	<b>(27,237)</b>	<b>(14.6)%</b>	<b>31,303</b>	<b>8.8%</b>	<b>-</b>
Financial income/expense	(1,412)	(0.8)%	(1,086)	(0.3)%	30.0%
Foreign exchange gains/losses	(444)	(0.2)%	(98)	-	-
Write-ups and write-downs of investments	(830)	(0.4)%	(3,316)	(0.9)%	(75.0)%
<b>Pre-tax result</b>	<b>(29,922)</b>	<b>(16.0)%</b>	<b>26,804</b>	<b>7.5%</b>	<b>-</b>
Tax for the period	8,170	4.4%	(10,147)	(2.8)%	-
<b>Result for the year</b>	<b>(21,752)</b>	<b>(11.6)%</b>	<b>16,657</b>	<b>4.7%</b>	<b>-</b>

**Net revenues** for the financial year 2009 were € 187.105 million, compared with € 356.411 million at 31 December 2008, representing a decline of 47,5% compared with the previous year.

The decline in revenues reflects the weak order intake that persisted till May 2009 with an improvement only in the second half of the year.

The **value of production** was € 182.723 million, compared with € 359.488 million in the year to 31 December 2008, representing a decline of 49.2% over the previous year; in order to present a clearer picture of the profitability of the company, there follows a more detailed analysis of costs (recurring and non-recurring) calculated as a percentage of the value of production.



€ 000	31 December 2009	%	31 December 2008	%
<b>Value of Production</b>	<b>182,723</b>	<b>100.0%</b>	<b>359,488</b>	<b>100.0%</b>
Consumption of materials	97,365	53.3%	192,233	53.5%
Other operating expenses	34,651	19.0%	51,334	14.3%
<i>Service costs</i>	<i>28,225</i>	<i>15.4%</i>	<i>44,794</i>	<i>12.5%</i>
<i>Leasing costs</i>	<i>3,384</i>	<i>1.9%</i>	<i>3,393</i>	<i>0.9%</i>
<i>Other operating costs</i>	<i>3,043</i>	<i>1.7%</i>	<i>3,147</i>	<i>0.9%</i>
<b>Value Added</b>	<b>50,708</b>	<b>27.8%</b>	<b>115,921</b>	<b>32.2%</b>

Value added calculated as a percentage of Value of Production fell by 4.4 percentage points compared with the previous year, a figure that was affected by the different market request of machineries that has focused to cheaper products with lower margin, as usually happened during economic slowdown. The figure was also affected by the composition of the item "operating expenses" which – though it fell in absolute terms by about € 16.7 million – represents a percentage of the Value of Production that is 4.7 percentage points higher than the figure for the year to December 2008, as this item includes costs that are by their nature inelastic with regard to the trend of revenues: e.g. leasing costs, rental costs, consultancy, travel expenses, utility costs, events/trade fairs, etc.

**Personnel costs** for 2009 were € 59.069 million, compared with € 71.734 million for the year to 31 December 2008, which, expressed as a percentage of net sales was 31.6% compared with 20.1% last year; the decline was due to the utilisation of social support mechanisms for temporary lay-off schemes and the substantial freeze on temporary and extraordinary employment contracts. The comparison with the previous year marked a recovery of € 12.7 million; the saving is amplified of € 1.6 million when considering the lower capitalization costs of research and development recorded in this financial year compared to 2008, savings on strategic planning activities with lower content.

The resulting **normalised gross operating margin** was negative € 8.133 million.

Non-recurring costs in the period were € 292 thousand, and principally relate to labour mobility procedures and centralise of the activity at the main production site in Pesaro.

The **gross operating margin (Ebitda)**, was negative € 8.425 million; it should be noted the increase in sales in the last quarter and the significant cuts in personnel costs and overheads in the second half of 2009.

Depreciation and amortisation was slightly higher as a result of the significant investment in intangible assets during 2007-2009 (particularly information systems), while provisions are particularly high in order to support a worst case scenario on the potential estimated risk in relation to trade receivables: the provisions to the credit risk reserve was € 3.277 million and the balance between utilisation of previous amounts and subsequent restoration of the amounts take the reserve to € 3.853 million (8% of outstanding receivables at the balance sheet date; 5,8% at end-December 2008). It should be noted that during the financial year, the Company utilised the credit risk reserves for € 2.945 million in relation to a claim ended with an agreement with the customer that involved the return of the machinery that was subject to the outstanding credit; this required that the machinery relating to the dispute (mainly new machines and still in its original packaging) should be returned to the balance sheet at its industrial cost.

In addition, the Company made a provision to the general reserve for risks and charges of € 0.7 million – relating to a potential dispute in Italy with the national social security body regarding the methodology of managing the temporary lay-off programme Cigo 2009; finally, the total for 2009 includes small amounts for provisions to legal disputes.

The resulting **normalised operating margin** was negative € 22.816 million.

Impairment and other extraordinary expenses relating to the exceptional recession of 2009 resulted in additional costs of € 4.420 million; in particular, the inclusion in the balance sheet of a corporate restructuring reserve of € 2.4 million relating to extraordinary re-organisation operations relating to personnel and production locations as decided by the Board of Directors.

In addition impairment of prepaid costs – of about € 1 million – relating to development of a prototype, the usefulness of which is, at present, uncertain; another reserve was set up in relation to this same project to cover potential costs that might emerge in relation to suppliers and clients in the event of cancellation of the project.

In order to allow a more accurate comparison with the current year € 693,000 of costs relating to "Other operating expenses" was reclassified as "impairment and extraordinary items" in the 2008 financial year and relates to write downs of capitalised development costs of projects that were subsequently abandoned.

Consequently the **operating result (Ebit)** – positive in the previous year at € 31.303 million – was negative this year at € 27.237 million, representing a negative percentage of net revenues of 14.6%.

In terms of financial management, the higher utilisation of medium and short term credit lines resulted in financial expenses to banks and other financial institutions of € 1.412 million. Exchange rate risk management resulted in expenses of € 444 million in 2009. Finally it should be noted that financial items includes € 830 million of negative adjustments to financial assets: this amount relates to write-downs of the value of shareholdings in Biesse America Inc. (€ 2.731 million), Biesse Group New Zealand Ltd. (€ 664 million), Digipac S.r.l. (€ 578 million, as well as a provision for the restoration of negative net equity of € 141 million), Biesse Corporate School S.c.r.l. (€ 13,000) and the restoration of value in the shareholdings Biesse Group Deutschland GmbH (€ 2.100 million), Bre.Ma. Brenna Macchine S.r.l. (€ 665,000) and Biesse Groupe France Sarl (€ 532 mila). These write-downs and restorations of value are the result of impairment tests carried out on the value of shareholdings, based on analyses of future cash flows.

The **pre-tax result** was therefore negative € 29.922 million, while in 2008 the pre-tax profit was € 26.804 million.

The **balance of tax items** is positive, totalling € 8.170 million. This item is mainly made up of the recognition of deferred tax assets calculated on the tax loss for the period (about € 5 million), having verified the probable recoverability in the next five years on the basis of the estimates given in the industrial plan approved by the Board of Directors on 22 February 2010.

This item also contains a provision for current IRAP taxes, the sole negative component at end 2009.

Finally total tax expenses take into account the positive adjustments on tax provisions relating to previous years (€ 562,000) and contingent assets relating to tax credits recognised on research and development activity (€ 510,000).

The difference between the effective tax asset rate (calculated net of components relating to IRAP and contingent liabilities relating to previous years and tax credits) equal to 25.41% and the theoretical tax asset rate (27.50%) is primarily due to non deductible expenses.

The Company therefore generated a negative **net result** of € 21.752 million.

## SUMMARY BALANCE SHEET DATA

BALANCE SHEET AT 31 DECEMBER 2009		
€ 000	December 2009	December 2008
Intangible fixed assets	25,878	24,915
Tangible fixed assets	38,666	42,882
Investments in subsidiaries and related parties	33,735	29,956
Non current assets	11,815	4,335
<b>Non current assets</b>	<b>110,095</b>	<b>102,087</b>
Inventories	38,528	56,175
Trade receivables	68,746	109,852
Other receivables	6,814	7,836
Other current financial assets	28,050	15,407
Cash and equivalents	10,011	7,235
<b>Current assets</b>	<b>152,149</b>	<b>196,507</b>
<b>TOTAL ASSETS</b>	<b>262,244</b>	<b>298,594</b>
Net equity	118,363	136,944
<b>Net equity</b>	<b>118,363</b>	<b>136,944</b>
Bank debt and M/L term finance leases	14,066	4,381
Retirement benefit liabilities	10,540	11,192
Other payables and M/L term liabilities	1,498	2,047
<b>Non current liabilities</b>	<b>26,106</b>	<b>17,622</b>
Trade payables	51,108	81,529
Other short term payables	22,404	22,388
Bank debt and short term finance leases	44,262	40,111
<b>Current liabilities</b>	<b>117,774</b>	<b>144,028</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>262,244</b>	<b>298,594</b>

Non-current assets includes a reduction in the value of tangible assets compared with their value at 31.12.2008, due to higher depreciation compared with the very low level of investments made in the period.

Other non-current assets include credits for deferred tax assets of € 11.434 million calculated both on the reported tax losses and on timing differences.

Net Working Capital declined by € 18million compared with December 2008; this was mainly due to the reduction in inventories following the recovery in sales that took place in the second half of the year and to the effect of more efficient organisation of production deriving from the application of Lean manufacturing principles; this was assisted by the better balance of trade receivables and payables.

## NET FINANCIAL POSITION

€ 000	31 December 2009	31 December 2008
Financial assets	38,061	22,643
Current financial assets	28,050	15,407
Liquidity	10,011	7,235
ST finance lease liabilities	(1,940)	(2,203)
Bank and other ST financial debt	(42,323)	(34,264)
Other current financial liabilities to related parties	-	(3,644)
<b>Net Short Term Financial Position</b>	<b>(6,202)</b>	<b>(17,468)</b>
M/L term finance lease liabilities	(2,061)	(3,940)
M/L term bank debt	(12,007)	(442)
<b>Net M/L Term Financial Position</b>	<b>(14,068)</b>	<b>(4,382)</b>
<b>Total Net Financial Position</b>	<b>(20,269)</b>	<b>(21,850)</b>

In spite of the period of crisis experienced by the market in which the Group operates, the initiatives taken with regard to preserve cash generation through drastic action on net working capital allowed the net financial position to be kept under control and even to be reduced compared to the position at end-2008. The improvement was made possible by a sharp reduction in investment spending, which was restricted to product-process innovation. Non-current payables increased compared with previous years following careful decisions focusing on reducing liquidity risk as much as possible.

## DIVIDENDS

The Board of Directors of the Parent Company, given the negative economic result reported in 2009, has decided to propose to the Ordinary Shareholders' meeting that no dividend should be distributed with regard to the 2009 financial year.

## OTHER INFORMATION

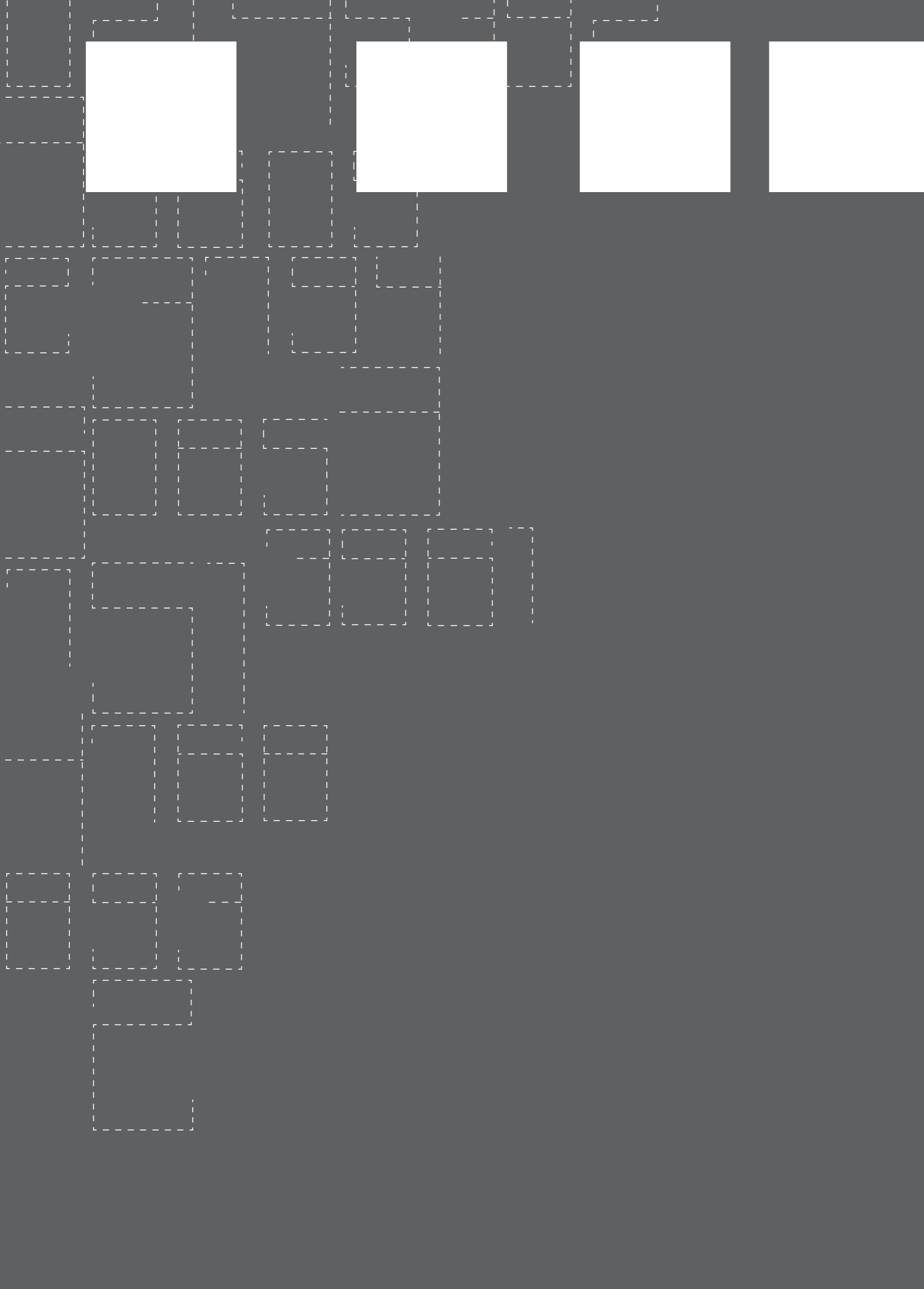
In accordance with the resolution approved by the Biesse S.p.A. shareholders' meeting of 12 November 2009, the company has renewed its share buyback programme, which at 31 December 2009 amounted to € 4,675,804.36, equal to no. 486,359 shares (1.8% of the share capital) at an average purchase price of € 9.61. No further movement has occurred at the date of the present report.

Finally it must be noted that the parent company, Biesse S.p.A. does not own shares or shareholdings in controlling companies, nor did it own or trade any shares or shareholdings in controlling companies during the course of 2009. There is nothing to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the Civil Code.

Pesaro, 16/03/2010

Chairman of the Board of Directors  
**Roberto Selci**





consolidated  
financial  
statements

## INCOME STATEMENT FOR THE YEAR ENDING 31/12/2009

€ 000	Note	31 December 2009	31 December 2008
Revenues	5	268,006	454,320
Other operating income	5	4,699	3,024
Change in inventories of finished and semi-finished goods and work in progress		(23,414)	3,635
Consumption of raw materials and consumables		(105,839)	(200,005)
Personnel costs		(92,498)	(110,917)
Other operating expenses	7	(59,391)	(92,789)
Depreciation and amortisation		(13,318)	(12,991)
Provisions	7	(10,182)	(4,286)
Impairment		(1,043)	(4,949)
<b>Operating Result</b>		<b>(32,979)</b>	<b>35,042</b>
Financial income	19	276	849
Financial expenses	11	(3,481)	(2,633)
Foreign exchange gains/losses		(131)	(1,937)
<b>Pre-tax result</b>		<b>(36,314)</b>	<b>31,321</b>
Tax	12	9,122	(11,581)
Result for the year		(27,192)	19,739
<b>Net result for the year</b>		<b>(27,192)</b>	<b>19,739</b>
<b>Attributable to:</b>			
Controlling shareholder		(26,696)	19,987
Minority shareholder		(496)	(248)
		<b>(27,192)</b>	<b>19,739</b>
<b>Earnings per share</b>			
Basic (€/cents)	13	(99.52)	74.04
Diluted (€/cents)	13	(99.52)	74.04

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31/12/2009

	Note	31 December 2009	31 December 2008
<b>Result of the period</b>		<b>(27,192)</b>	<b>19,739</b>
Currency translation adjustments	24	708	(811)
Cash flow hedge reserve adjustments	24	(128)	117
Income tax relating to components of other comprehensive income	12	35	(32)
Other comprehensive income for the period, net of tax		615	(726)
<b>Total comprehensive income for the period</b>		<b>(26,577)</b>	<b>19,013</b>
<b>Total comprehensive income attributable to:</b>			
Controlling shareholder		(26,092)	19,295
Minority shareholder		(484)	(282)
<b>Total comprehensive income for the period</b>		<b>(26,577)</b>	<b>19,013</b>

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDING 31/12/2009

€ 000	Note	31 December 2009	31 December 2008
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and machinery	14	50,061	52,306
Equipment and other tangible fixed assets	14	7,370	8,930
Goodwill	15	17,438	17,168
Other intangible assets	16	23,635	22,939
Deferred tax assets	31	18,233	9,546
Other financial assets and non current receivables		616	569
		<b>117,353</b>	<b>111,458</b>
<b>Current assets</b>			
Inventories	18	65,654	103,678
Trade receivables from third parties	19	74,895	99,792
Trade receivables from related parties		-	13
Other current assets		10,073	13,799
Other current assets from related parties	20	574	-
Derivative instrument financial assets		-	565
Cash and cash equivalents		31,148	22,173
		<b>182,345</b>	<b>240,020</b>
<b>Total Assets</b>		<b>299,698</b>	<b>351,478</b>



€ 000	Note	31 December 2009	31 December 2007
<b>NET EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	22	27,393	27,393
(Own shares)	22	(4,676)	(6,839)
Capital reserves		36,202	36,202
Hedging and translation reserve	24	(2,280)	(2,885)
Other reserves	25	96,391	78,349
Profit for the period		(26,696)	19,987
Equity attributable to parent company shareholders		126,334	152,208
Minority interests		517	1,103
<b>NET EQUITY</b>		<b>126,850</b>	<b>153,311</b>
<b>NON CURRENT LIABILITIES</b>			
Retirement benefit liabilities		11,857	12,718
Deferred tax liabilities		2,429	2,987
Bank debt and other financial liabilities	27	13,349	1,772
Finance lease liabilities	29	5,225	7,426
Provisions for risks and charges		905	1,208
		<b>33,765</b>	<b>26,112</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		60,866	98,416
Trade payables to related parties		111	195
Other current liabilities		21,919	26,445
Other current liabilities to related parties		7	-
Tax payables		941	1,634
Finance lease liabilities	29	2,290	2,602
Bank overdrafts and loans	27	42,988	37,033
Provisions for risks and charges		9,162	5,711
Derivative instrument financial liabilities		799	18
		139,083	172,055
<b>Liabilities</b>		<b>172,848</b>	<b>198,167</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>299,698</b>	<b>351,478</b>

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

€ 000	31 December 2009	of which related parties	% of total entry	31 December 2008	of which related parties	% of total entry
Revenues	268,006	-	-	454,320	-	-
Other operating revenues	4,699	11	0.2%	3,024	11	0.4%
Change in inventories of finished and semi-finished goods	(23,414)	-	-	3,635	-	-
Consumption of raw materials and consumables	(105,839)	-	-	(200,005)	-	-
Personnel costs	(91,587)	(316)	0.3%	(110,917)	(182)	0.2%
Personnel costs - non recurrent items	(911)	-	-	-	-	-
Other operating expenses	(59,084)	(1,358)	2.3%	(92,789)	(1,502)	1.6%
Other operating expenses - non recurrent items	(306)	-	-	-	-	-
Depreciation and amortisation	(13,318)	-	-	(12,991)	-	-
Provisions	(6,120)	-	-	(1,036)	-	-
Provisions - non recurring items	(4,062)	-	-	(3,250)	-	-
Impairment	(52)	-	-	-	-	-
Impairment - non recurrent items	(991)	-	-	(4,949)	-	-
<b>Operating Result</b>	<b>32,979</b>	<b>(1,663)</b>	<b>(5.0)%</b>	<b>35,042</b>	<b>(1,673)</b>	<b>(4.8)%</b>
Financial income	276	-	-	849	-	-
Financial expenses	(3,481)	-	-	(2,633)	(34)	0.3%
Foreign exchange gains/losses	(131)	-	-	(1,937)	-	-
<b>Pre-tax result</b>	<b>(36,314)</b>	<b>(1,663)</b>	<b>4.6%</b>	<b>31,321</b>	<b>(1,707)</b>	<b>(5.5)%</b>
Tax	9,122	-	-	(11,581)	-	-
<b>Result for the year</b>	<b>(27,192)</b>	<b>(1,663)</b>	<b>(6.1)%</b>	<b>19,739</b>	<b>(1,707)</b>	<b>(8.6)%</b>

STATEMENT OF FINANANCIAL POSITION IN ACCORDANCE WITH CONSOB REGULATION NO. 15519 OF 27 JULY 2006						
€ 000	31 December 2009	of which related parties	% of total entry	31 December 2008	of which related parties	% of total entry
<b>Assets</b>						
<b>Non current assets</b>						
Property, Plant and machinery	50,061	-	-	52,306	-	-
Equipment and other tangible assets	7,370	-	-	8,930	-	-
Goodwill	17,438	-	-	17,168	-	-
Other intangible assets	23,635	-	-	22,939	-	-
Deferred tax assets	18,233	-	-	9,546	-	-
Other financial assets and non current receivables	616	-	-	569	-	-
	<b>117,353</b>	-	-	<b>111,458</b>	-	-
<b>Current assets</b>						
Inventories	65,654	-	-	103,678	-	-
Trade receivables	74,895	-	-	99,804	13	-
Other current assets	10,648	574	5.4%	13,799	-	-
Derivative instrument financial assets	-	-	-	565	-	-
Cash and cash equivalents	31,148	-	-	22,173	-	-
	<b>182,345</b>	<b>574</b>	<b>0.3%</b>	<b>240,020</b>	<b>13</b>	-
<b>TOTAL ASSETS</b>	<b>299,698</b>	<b>574</b>	<b>0.2%</b>	<b>351,478</b>	<b>13</b>	-

€ 000	31 December 2009	of which related parties	% of total entry	31 December 2008	of which related parties	% of total entry
<b>NET EQUITY AND LIABILITIES</b>						
<b>CAPITAL AND RESERVES</b>						
Share capital	27,393	-	-	27,393	-	-
(Own shares)	(4,676)	-	-	(6,839)	-	-
Capital reserves	36,202	-	-	36,202	-	-
Hedging and translation reserve	(2,280)	-	-	(2,885)	-	-
Other reserves	96,391	-	-	78,349	-	-
Profit for the period	(26,696)	-	-	19,987	-	-
Net equity attributable to parent company shareholders	126,334	-	-	152,208	-	-
Minority interests	517	-	-	1,103	-	-
<b>NET EQUITY</b>	<b>126,850</b>	-	-	<b>153,311</b>	-	-
<b>NON CURRENT LIABILITIES</b>						
Retirement benefit liabilities	11,857	-	-	12,718	-	-
Deferred tax liabilities	2,429	-	-	2,987	-	-
Bank debt and other financial liabilities	13,349	-	-	1,772	-	-
Finance lease liabilities	5,225	-	-	7,426	-	-
Provisions for risks and charges	905	-	-	1,208	-	-
	<b>33,765</b>	-	-	<b>26,112</b>	-	-
<b>Current liabilities</b>						
Trade payables	60,977	102	0.2%	98,611	195	0.2%
Other current liabilities	21,926	7	-	26,445	-	-
Tax payables	941	-	-	1,634	-	-
Finance lease liabilities	2,290	-	-	2,602	-	-
Bank overdrafts and loans	42,988	-	-	37,033	-	-
Provisions for risks and charges	9,162	-	-	5,711	-	-
Derivative instrument financial liabilities	799	-	-	18	-	-
	<b>139,083</b>	<b>109</b>	<b>0.1%</b>	<b>172,055</b>	<b>195</b>	<b>0.1%</b>
<b>LIABILITIES</b>	<b>172,848</b>	<b>109</b>	<b>0.1%</b>	<b>198,167</b>	<b>195</b>	<b>0.1%</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>299,698</b>	<b>109</b>	-	<b>351,478</b>	<b>195</b>	<b>0.1%</b>

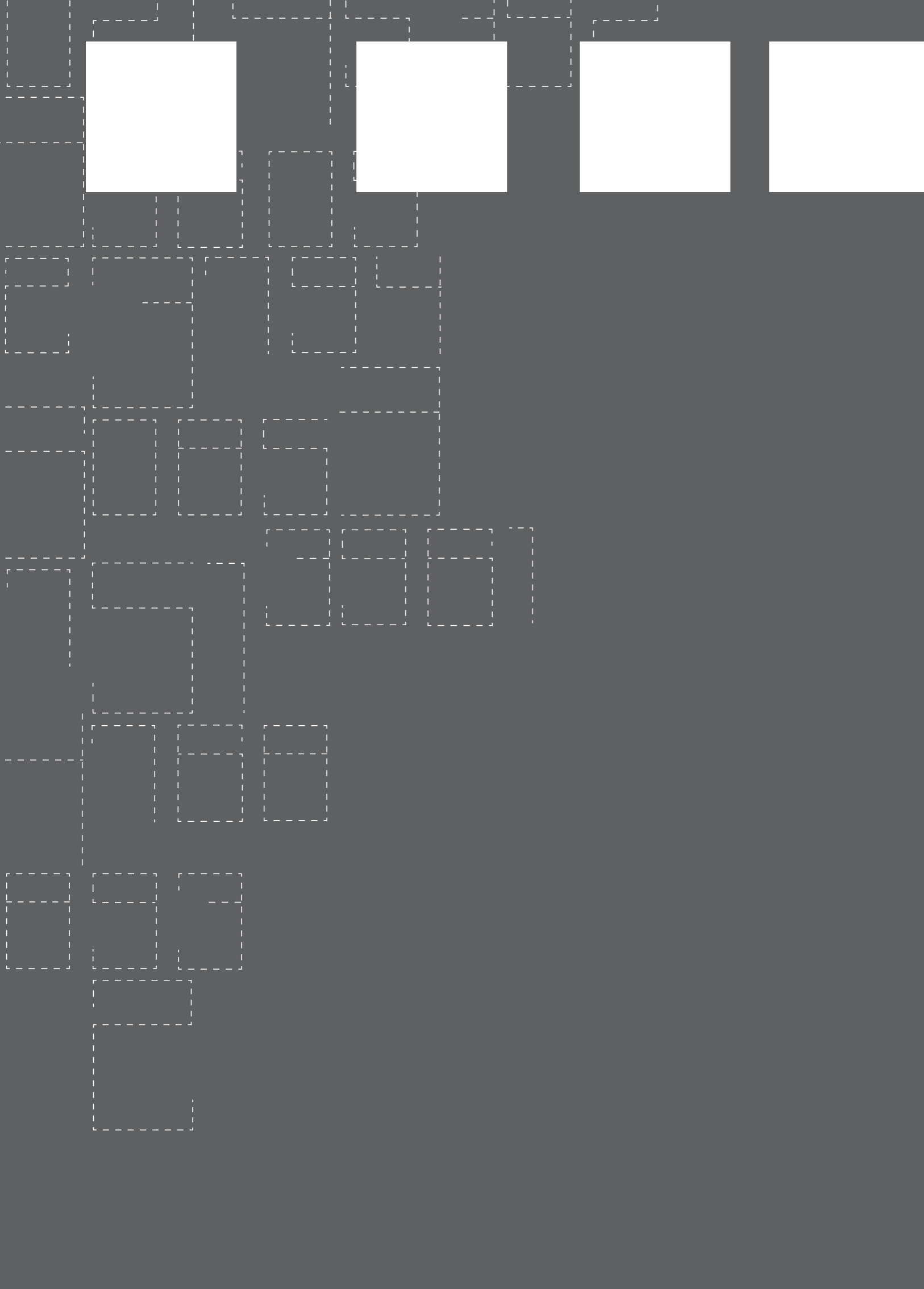


## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2009

	Note	Share capital	- Own shares	Capital reserves	Hedging and translation reserve	Hedging	Translation	Other reserves	Retained earnings	Result for the period	Net equity attributable to parent company shareholders	Minority interests	Total
€ 000													
<b>Balance at 31 December 2007</b>		27,393	0	36,202	0	0	(2,192)	48,577	41,719	41,719	151,699	794	152,494
Allocation of result for 2007								(11,972)	(11,972)	(11,972)	(11,972)		(11,972)
Dividend distribution								41,719	(41,719)				
Other allocations													
Other changes													
Purchase/sale of own shares			(6,839)					(6,839)	6,839		(6,839)		(6,839)
Increase in net equity arising from the revaluation of the fair value of investments held prior to acquisition of control in 2007								189	189		189		189
Other movements								(163)	(163)		(163)	591	428
<b>Result for the period</b>					85	(777)		19,987	19,987	19,987	19,295	(282)	19,013
<b>Balance at 31 December 2008</b>		27,393	(6,839)	36,202	85	(2,969)	71,511	6,839	19,987	19,987	152,208	1,103	153,312
Allocation of result for the period 2008													
Other allocations								19,987	(19,987)				
Other changes													
Sale of own shares	22		2,163					2,163	(2,163)		2,163		2,163
Loss on own shares movements	22							(1,081)	(1,081)		(1,081)		(1,081)
Purchase of shares from minority	25.39							(892)	(892)		(892)	(274)	(1,166)
Other movements	25							29	29		29	171	200
<b>Result for the period</b>					(93)	697		(26,696)	(26,696)	(26,696)	(26,092)	(484)	(26,577)
Balance at 31 December 2009		27,393	(4,676)	36,202	(8)	(2,272)	91,717	4,676	(26,696)	(26,696)	126,334	516	126,850

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31/12/2009

€ 000	Note	Year ended 31/12/2009	Year ended 31/12/2008
<b>OPERATING ACTIVITIES</b>			
+/- Profit (loss) for the period		(27,192)	19,739
+ Depreciation and amortisation:			
of tangible assets		7,476	7,595
of intangible assets		5,888	5,397
+ Provisions:			
Increase/decrease in provisions for TFR		739	959
Increase/decrease in provisions for credit write-down reserve		3,789	2,427
Increase/decrease in provisions for inventory write-down reserve		3,251	(1,883)
Increase/decrease in provisions for risk reserves		5,677	751
Other non-financial changes in reserves		(2,098)	(890)
Gains/losses from sales of property, plant and machinery		(4)	(754)
Goodwill write-down		-	2,723
Write-downs of other intangible assets		52	1,534
Impairment on intangible assets		-	693
Impairment on current assets		991	-
Income from investment activity		(276)	(849)
Unrealised gains/losses on foreign exchange		(664)	1,512
Income tax		(9,122)	11,581
Financial expenses		3,481	2,633
<b>SUBTOTAL OPERATING ACTIVITIES</b>		<b>(8,012)</b>	<b>53,167</b>
TFR paid		(1,795)	1,545
Risk provisions utilised		(152)	(232)
Change in working capital receivables		22,682	5,621
Change in inventories		36,507	560
Change in trade payables		(38,874)	(20,171)
Change in other payables		(3,980)	(1,552)
Income tax paid		(304)	(24,316)
Interest paid		3,084	(2,185)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2,988</b>	<b>9,346</b>
<b>Investment</b>			
Acquisition of property, plant and machinery		(3,598)	(12,341)
Sales of property, plant and machinery and other tangible assets		169	3,730
Acquisition of patents, brands and other intangible assets		(6,688)	(8,455)
Sales of intangible assets		3	-
Acquisitions of shareholdings in subsidiaries		-	1,399
Acquisitions/increases in other financial assets		(404)	(153)
Income received from financial assets held for trading		38	237
Interest received		238	613
<b>CASH FLOW USED IN INVESTMENT ACTIVITY</b>		<b>(10,242)</b>	<b>(17,768)</b>
<b>Financial operations</b>			
New bank loans received		-	4,409
Loans repaid	27	47,665	(118)
Finance leasing payments	29	(2,514)	(2,598)
Change in bank overdrafts	27	(30,319)	11,544
Change in current derivative instrument financial assets/liabilities		847	247
Dividends paid		-	(12,103)
Purchase/Sale of own shares		-	(6,839)
Capital payments - minority interests	25	200	-
<b>CASH FLOW FROM/(USED IN) FINANCIAL OPERATIONS</b>		<b>15,879</b>	<b>(5,458)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,625</b>	<b>(13,881)</b>
Cash and cash equivalents at start of year		22,173	36,539
Foreign exchange differences		350	(486)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>Cash and cash equivalents</b>		<b>31,148</b>	<b>22,173</b>



explanatory  
notes



## 1. general

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

The capital and economic situation of the company at 31 December 2009 incorporates the financial statements of Biesse S.p.A. and its subsidiaries which it controls directly or indirectly (hereinafter defined as "Group") and the value of its shareholdings, in proportion to the percentage held, in associate companies.

The consolidated financial statements to 31 December 2009 were approved by the meeting of the Board of Directors' held today (16 March 2010).

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

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

Name and registered office	Currency	Share capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<b>Parent company</b>						
<b>Biesse S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
<b>Italian subsidiaries:</b>						
<b>HSD S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,141,490	100%			100%
<b>Bre.Ma. Brenna Macchine S.r.l.</b> Via Manzoni, 2340 Alzate Brianza (CO)	Euro	70,000	60%			60%
<b>Digipac S.r.l.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	10,000	100%			100%
<b>Foreign subsidiaries:</b>						
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive (28208) - Charlotte - North Carolina - USA	USD	11,500,000	100%			100%
<b>Biesse Canada Inc.</b> 18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	180,000	100%			100%
<b>Biesse Asia Pte. Ltd</b> 5 Woodlands Terrace - #02-01 Zagro Global Hub - Singapore	SGD	2,655,000	100%			100%

Name and registered office	Currency	Share capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<b>Foreign subsidiaries:</b>						
<b>Biesse Group UK Ltd.</b> Lampton Drive - Daventry Northampt. Gran Bretagna	GBP	655,019	100%			100%
<b>Biesse France Sarl</b> 4, Chemin de Moninsable Brignais - Francia	Euro	1,244,000	100%			100%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6/A Elchingen (Ulm) - Germania	Euro	1,432,600	100%			100%
<b>Biesservice Scandinavia AB</b> Maskinvagen 1 Lindas - Svezia	SEK	200,000	60%			60%
<b>Biesse Iberica Woodworking Machinery s.l.</b> C/Montserrat Roig,9 - L'Hospitalet de Llobregat - Barcellona - Spagna	Euro	1,233,290	100%			100%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road - Wetherill Park - Sydney New South Wales - Australia	AUD	5,046,547	100%			100%
<b>Biesse Group New Zealand Ltd.</b> Unit B, 13 Vogler Drive Manukau Auckland - New Zealand	NZD	1,435,374	100%			100%
<b>Hsd Usa Inc.</b> 3764 SW 30th Avenue - Hollywood Florida - Usa	USD	10,000		100%	Hsd S.p.A.	100%
<b>HSD Dutschland GmbH</b> Brückenstraße 32 - Göppingen - Germania	Euro	25,000		100%	Hsd S.p.A.	100%
<b>Sel Realty Inc.</b> 18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	100	100%			100%
<b>Bifin Ltd.</b> 233, Peachtree St., NE - Harris Tower Atlanta, GA 30303 (Usa)	USD	10,000		100%	Biesse America Inc.	100%
<b>Biesse Manufacturing Co. Pvt. Ltd.</b> Jakkasandra Village, Sondekoppa rd., Nelamanga Taluk Survey No. 32, No. 469 - Bangalore Rural District, - India	INR	249,946,230	100%			100%
<b>WMP-Woodworking Machinery Portugal, Unipessoal Lda.</b> Park, 1, Sintra Business Park, 1, ED.01 - 1ºQ - Sintra - Portogallo	Euro	5,000		100%	Biesse Iberica W.M.s.l.	100%
<b>Biesse Trading (Shanghai) Co. Ltd</b> Building 10 No.205 Dong Ye Road Dong Jing Industrial Zone, Song Jiang District - Shanghai - Cina	RMB	1,000,000		100%	Biesse Asia Pte. Ltd.	100%
<b>HSD Mechatronic (Shanghai) Co. Ltd</b> D2, first floor, 207 Taigu road, Waigaoqiao free trade zone - Shanghai - Cina	RMB	1,367,360		100%	Hsd S.p.A.	100%
<b>Biesse Schweiz GmbH</b> Grabenhofstrasse, 1 - Kriens - Svizzera	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%

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

- The inclusion of Biesse Schweiz GmbH, operational from January 2009 as a subsidiary of Biesse Deutschland GmbH for the marketing of and after-sales service relating to the Group's machines in Switzerland.
- The merger by incorporation of Mc Srl into Hsd Spa. This operation was completed by the signing of the merger agreement on 14 December 2009, by deed of Notary Luisa Rossi in Pesaro, with legal effect postponed until 31 December 2009 while the tax effect was backdated to 1 January 2009. This extraordinary transaction was the culmination of a re-organisation strategy that, in May 2009, involved the acquisition by the controlling company Biesse of full control of MC S.r.l. (previously 51% owned) by the acquisition of a minority shareholding (49%), in exchange for no. 225,000 of its own shares which were already held in treasury; once full ownership of Mc Srl had been obtained, the process of incorporating the company within Hsd Spa which is also 100% owned was begun.
- The merger by incorporation of Isp Systems Srl into Biesse Spa. This operation was completed by the signing of the merger agreement on 16 October 2009, by deed of Notary Luisa Rossi in Pesaro, with legal effect postponed until 31 October 2009 while the tax effect was backdated to 1 January 2009. This extraordinary transaction was the culmination of a re-organisation strategy.
- The voluntary liquidation of Biesse Corporate School S.c.a r.l. The Shareholders' Meeting of 15 September 2009, agreed to the early winding up of the company and to put it into liquidation, as it could identify no further entrepreneurial reasons for continuing its activity. The process of liquidating the company was completed on 31 October 2009.

During 2009 the controlling company Biesse Spa acquired full control of Digipac srl by cancelling the loss for 2008 relating to Digipac srl, restoring its share capital, both in regard to its own shareholding and with regard to minority shareholders as the latter had relinquished the option rights available to them.

As indicated in note no. 4 below, the Group, while not formally having total control of Bre.Ma. Brenna Macchine S.r.l, has however valued the effect of the put option over the remaining 40%. Please refer to note 36 for further details regarding the effect of this valuation.

## 2. principles of consolidation

### General principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board ("IASB") and ratified by the European Union, as well as the provisions issued in application of article 9 of Decree Law 38/2005.

The financial statements have been prepared on an historic cost basis with the exception of the revaluation of certain financial instruments, and on a going concern basis.

This information was prepared in accordance with the provisions of CONSOB (Commissione Nazionale per le Società e la Borsa), with particular reference to resolutions no. 15519 and 15520 of 27/07/2006 and to communication no. 6064293 of 28/07/2006.

### Consolidation criteria

The Consolidated Financial Statements for the year ended 31 December 2009 include the financial statements of the parent company Biesse and the Italian and foreign companies which it controls directly and indirectly. When a company is in a position to determine the financial and operational policies of an entity in such a way as to obtain a benefit from its activities it is defined as having control of that entity.

Where material differences occur, these financial statements are reclassified and adjusted as necessary to conform to the accounting principles and valuation criteria adopted by the parent company.

In the preparation of the financial statements, all assets and liabilities, expenses and income of companies included in the consolidation are entirely eliminated.

The accounting value of shareholdings in companies are eliminated to offset the corresponding share of net equity of shareholdings. The current value of each shareholding at the date of acquisition is attributed to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets, such as goodwill. If negative, the difference is debited to the Income Statement.

The results of companies acquired or divested during the period are included in the Income Statement from the effective date of acquisition to the date of disposal.

The interests of minority shareholders in the acquired entity are initially valued in proportion to the current value of the assets, liabilities and potential liabilities included in the accounts.

Receivables and payables, income and expenses and profits and losses arising from transactions between companies included in the consolidation have been eliminated. In addition, all transactions between the companies of the Biesse Group and an independent financial services company which operates as an intermediary for most of the commercial transactions between the parent company and several of the consolidated companies.

As an exception to this general rule, given that the effects are not material and given the difficulties of reconstructing the effects, profits from the sale of inventory by HSD S.p.A. and Biesse Manufacturing Co. Pvt. Ltd. to other manufacturing companies in the Biesse Group were not eliminated, given that these referred to semi-finished products included in work in progress.

Capital gains and losses deriving from infragroup sales of assets are eliminated where they are believed to be material.

The amount of capital and reserves of subsidiaries corresponding to third party holdings is included in "Minority interests" included in net equity; the proportion of profit for the year corresponding to third party shareholdings is shown separately in the entry "Result of the period attributable to minority shareholders". For the purposes of presentation of the Consolidated Financial Statements, the assets and liabilities of foreign subsidiaries, the operating currencies of which are different to the Euro, are translated at the exchange rate prevailing at the balance sheet date. The income and expenses are translated at the average exchange rate for the period. The resulting exchange rate differences are reported in the entry "Translation Reserve" included in net equity. This reserve is recognised in the Income Statement as income or expense in the period in which the relevant subsidiary is sold.

The average and period end exchange rates are as follows:

Currency	31 December 2009		31 December 2008	
	Average	Final	Average	Final
US Dollar / Euro	1.3948	1.4406	1.4708	1.3917
Singapore Dollar / Euro	2.0241	2.0194	2.0762	2.0040
Canadian Dollar / Euro	1.5850	1.5128	1.5594	1.6998
Sterling / Euro	0.8909	0.8881	0.7963	0.9525
Sterling / Euro	10.6191	10.2520	9.6152	10.8700
Australian Dollar / Euro	1.7727	1.6008	1.7417	2.0274
New Zealand Dollar / Euro	2.2121	1.9803	2.0770	2.4191
Indian Rupee / Euro	67.3611	67.0400	63.7343	67.6360
Chinese Renmimbi Yuan / Euro	9.5277	9.8350	10.2236	9.4956
Swiss Franc / euro	1.5100	1.4836	-	-

### Shareholdings in Associated Companies

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

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

## Format of Financial Statements

In accordance with IAS 1 the management of the Group has made the following choices with regard to the format of the financial statements.

The Statement of Financial Position includes the separation of current assets/liabilities from non-current assets/liabilities. An asset/liability is considered to be current when it satisfies any of the following criteria:

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

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

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

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

The Statement of cash flows is prepared according to the indirect method, by which net income is adjusted for non-monetary entries as well as for any deferred amount or provision from previous or future cash flows or operating payments, revenues or expenses relating to financial flows deriving from investment or financial activity.

Cash and cash equivalents included in the Cash Flow Statement include the real balance of that item at the balance sheet date. Cash flows in foreign currency have been translated at the average exchange rate for the period. The income and expenses relating to interest, dividends received and income taxes are included in cash flow from operations.

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

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

## 3. valuation criteria

The most significant valuation criteria used in preparing the financial statements for the year ended 31 December 2009 are illustrated below.

### Revenue recognition

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

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

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

### Construction contracts

When the result of a construction contract can be reliably calculated, the revenues and costs relating to the relevant contract are reported respectively as revenues and costs in relation to the proportion of work completed at the balance sheet date. These are calculated on the basis of the ratio between costs incurred for work carried out up till the balance sheet date and the total estimated costs of the contract, except where this is not considered to be representative of the state of progress of the contract.

Changes to the contract, price revisions and incentives are included to the extent that they have been agreed with the customer.

When the result of a contract cannot be reliably estimated, the revenues relating to the contract are reported only to the extent that costs incurred in the contract are likely to be recovered. Contract costs are reported as expenses in the period in which they are incurred.

When it is probable that the total costs of a contract may exceed the revenues from the contract, the expected loss is immediately reported as an expense.

### Foreign currency transactions

In preparing the financial statements of individual entities, transactions in currencies other than the Euro are initially recorded at exchange rates prevailing at the time of the transaction. At the balance sheet date the monetary assets and liabilities denominated in these currencies are re-entered at the exchange rate prevailing at the balance sheet date. Non-monetary assets expressed at fair value in foreign currency are translated at exchange rates prevailing at the time at which fair value was determined, while non-monetary foreign currency assets and liabilities valued at historic cost are translated using the exchange rate prevailing at the date of the transaction, except in the case of losses in value due to exchange rate factors.

Foreign exchange differences arising from monetary and non-monetary adjustments and from re-exposure to current exchange rates at the end of the financial year are written into the Income Statement for the period, with the exception of the exchange rates on non-monetary assets expressed in fair value. In this case changes in fair value are imputed directly to net equity as is the exchange rate component. In order to cover its exchange rate risk, the Group has taken out some forward futures and option contracts (see later the Group's accounting policies relating to these derivative instruments).

### Finance and Operating Lease contracts

Leasing contracts are classified as Finance leases whenever the terms of the contract transfer substantially all risks and benefits of the property to the lessee. All other leases are considered as operating leases.

The assets that are subject to Finance Leases are reported as tangible assets of the Group with a corresponding financial liability of equal value. The liability is progressively reduced on the basis of the repayment plan of the capital element of the contractual leasing fees, while the value of the asset is systematically amortised on the basis of the technical-economic life of the asset.



The leasing expenses relating to operating leases are imputed to the Income Statement at constant rates according to the length of the contract.

### Income taxes

Income taxes are represented by the sum of current and deferred taxes.

Deferred income taxes are allocated to time differences relating to assets and liabilities between the taxable result and that of the financial statements and are accounted for by the liability method on the balance sheet.

Deferred taxes are calculated on the basis of tax rates in force at the moment at which time differences are reversed. Deferred taxes are imputed directly to the Income Statement with the exception of those relating to entries which are reported directly in net equity, in which case the related deferred taxes are also allocated to net equity.

Deferred tax assets are included in the balance sheet if the taxes are considered to be recoverable when considering the expected taxable result for the periods in which the deferred tax assets are reversed. The book value of deferred tax assets is reviewed at the close of the financial year and, where necessary, is reduced.

Offset between deferred tax assets and liabilities is carried out for similar items and if there is a legal right to offset current tax assets and liabilities; otherwise payables and receivables are set down separately.

From the 2008 financial year the parent company, Biesse Spa will participate in the National Consolidated Tax agreement, as controlling entity in accordance with articles 117 and subsequent of Presidential Decree DPR 917/86 together with its subsidiaries Hsd Spa, Bre.ma. Brenna Macchine S.r.l. and Digipac S.r.l.

As a result of adopting this option, Biesse Spa will determine the Group's IRES corporation tax in accordance with the aforementioned law, setting against its own result the positive and negative taxable items of the selected companies. The economic reports, the responsibilities and reciprocal obligations between the aforementioned companies are defined in the "Regulation" of shareholdings in the consolidated tax treatment of the Group.

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

### Earnings per share

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

### Tangible fixed assets

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

Ordinary maintenance costs are fully charged to the Income Statement. Incremental maintenance expenses are allocated against the asset to which they relate and depreciated according to the depreciation rate applicable to the asset.

Improvements to third party (leased) assets are classified under tangible assets, in accordance with the nature of the expense incurred. The depreciation period corresponds to the lower of residual useful life of the fixed asset and the residual term of the lease.

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

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

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

### Goodwill and other intangible assets

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

#### Goodwill

Goodwill deriving from the acquisition of a subsidiary or business division represents the surplus of acquisition cost over the proportion of fair value due to the Group of the assets, liabilities and identifiable potential liabilities of the subsidiary or business division acquired at the date of acquisition.

Goodwill is not subject to amortisation, but is subject to valuation, at least once a year, usually at the balance sheet date, to verify that there has been no impairment. Any losses of value are immediately charged against the Income Statement and are not subject to subsequent revaluations.

In the event of sale of a subsidiary or of a jointly-owned entity, the amount of unamortised goodwill attributable to the asset is included in the calculation of capital gain or loss on sale.

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

#### Internally produced assets – Research and development costs

Research and development costs are included in the Income Statement in the period in which they were incurred.

Internally produced intangible assets deriving from development of the Group's products (machine tools for working wood, glass and marble) are included amongst assets, only if all the following conditions are met

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

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

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

#### Brands, licences and patents

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

### Losses of value of tangible or intangible assets

At each balance sheet date, the Group verifies the existence of events or circumstances that may jeopardize the value of tangible or intangible assets with a defined useful life and, where losses are indicated, it estimates the recoverable value of the assets in order to determine whether there has been a loss in value.

Intangible fixed assets with an indefinite useful life, including goodwill are instead verified annually and whenever there is any indication of a possible loss of value.

In accordance with the relevant accounting principles, the test of impairment is carried out with reference to the individual asset, where possible, or to a group of assets (the so-called cash generating unit). The cash generating units have been identified consistently with the business and organizational structure of the group as single units that generate independent cash flows through the continuous use of the assets attributable to them.

The recoverability of the balance sheet values is verified by comparing the book value with the greater of the current market value net of sales expenses, where an active market exists, or the value in use. The value in use is determined according to the present value of future cash flows expected from the asset or group of assets and from its divestment at the end of its useful life.

In the event of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if subsequent financial years show a reduction in the reasons for the write-down.

### Non-current assets held for sale

Non-current assets classified as held for sale are valued at the lower of their previous book value and market value net of sales costs.

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

### Inventories

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

### Financial Assets and Liabilities

Financial assets and liabilities include shareholdings in other companies available for sale, receivables and non-current financing, trade receivables, as well as other receivables and other financial assets such as cash and cash equivalents. Financial liabilities include financial payables, trade payables to suppliers, other payables and other financial liabilities. Derivative instruments are also included amongst financial assets and liabilities.

Financial assets and liabilities are reported when contractual rights and obligations pertaining to financial instruments arise. Their initial inclusion takes into account directory attributable transaction costs and issue costs. Subsequent valuation depends on the type of financial instrument and is however subject to the categories of assets and liabilities listed below:

#### *Loans and Financing*

Includes trade receivables, financial receivables and other receivables that qualify as financial assets. These are written in at nominal value where this is substantially representative of their fair value otherwise they are valued at amortised cost, using the effective interest rate method. The value of financing and receivables

is reduced by appropriate write-downs in the Income Statement to take into account expected losses. The write-downs are calculated on the basis of the difference between the book value of receivables and the present value of estimated future cash flows. Losses in value of trade receivables are generally reported in the accounts through their inclusion in the appropriate receivables write-down reserve.

#### *Financial assets held to expiry*

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

#### *Financial assets held for trading*

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

#### *Available for sale financial assets*

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

#### *Trade payables*

Trade payables are reported at nominal value.

#### *Financial liabilities and instruments representing net equity*

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

The accounting principles adopted for specific financial assets and instruments representing net equity are given below.

#### *Payables to banks and other financiers*

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

#### *Instruments representing net equity*

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

#### *Derivative instruments and hedge accounting*

Derivative instruments are initially reported at fair value at the date of subscription and are revalued at fair value at each accounting date.

Where applicable the hedge accounting method is adopted, which provides for the inclusion of derivatives

in the balance sheet at their fair value. Changes in fair value of derivative instruments are treated differently according to the type of cover provided at the date of valuation:

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

Differences in the fair value of derivative instruments that do not qualify as hedging instruments are reported in the income statement in the period in which they occur.

Implicit derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives, when their risks and characteristics are not strictly correlated to those of host contracts and these latter are not measured at fair value with changes in fair value recognized in the related profits and losses in the income statement.

### Own shares

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

### Benefits to employees following termination of employment

For defined benefit plans, to which the employee termination indemnity fund (TFR) is assimilated, the relative cost of benefits provided is determined using the projected unit credit method, with actuarial valuations conducted at the end of each financial year.

Actuarial profits and losses that exceed 10 per cent of the present value of benefit liabilities defined by the Group are amortised over the period of the estimated average working life of participating employees.

Liabilities for employment termination indemnities reported in the balance sheet represent the present value of liabilities for the defined benefit plans adjusted to take into account unreported actuarial gains and losses.

### Provisions for risks and charges

Provisions for risks and charges are intended to cover only losses or liabilities of a definite nature, which are certain or probable, but for which contingency timing or magnitude cannot be determined at the balance sheet date.

Provisions are set aside on the basis of management's best estimate of the costs required to fulfill the obligations at the balance sheet date and are realized when the effect is material.

They include, amongst other things, the product guarantee reserve which is allocated in the balance sheet to allow the economic impact of the costs of the guarantee to be anticipated in accordance with the sales-guarantee costs matching principle.

### Accounting principles, amendments and interpretations applied since 1 January 2009

The following accounting principles, amendments and interpretations, revised following the 2008 annual Improvement process carried out by the IASB, have been applied since 1 January 2009 by the Group for the first time.

#### IAS 1 Revised – Presentation of Financial Statements

The revised version of IAS 1 – Presentation of Financial Statements no longer allows the presentation of components of revenue as income and expenses (defined as “non-owner changes in equity”) in the schedule

of Changes in Net Equity, and instead requires separate disclosure from changes arising from owner-related transactions. According to the new version of the Principle all variations generated by transactions with non-owners must be disclosed in a separate statement that shows the trend in the period (the statement of comprehensive income) or in two separate statements (Income Statement and the Statement of Comprehensive Income). These changes must also be separately disclosed in the Statement of Changes in Net Equity.

The Group has retrospectively applied the revised version of the Principle from 1 January 2009, choosing to disclose all changes generated by transactions with non-owners in two statements measuring the trend of the year, called the “Consolidate Income Statement” and the “Consolidated Statement of Comprehensive Income”. The Group has consequently amended the presentation of the Statement of Changes in Net Equity.

As part of the 2008 annual Improvement process carried out by the IASB, an amendment was published to Revised IAS 1 which stated that assets and liabilities arising from derivative financial instruments classified as hedging instruments disclosed in the “Statement of financial position” should distinguish between current and non-current assets and liabilities. It should be noted that the adoption of this amendment has had no impact on the presentation of items relating to assets and liabilities arising from derivative financial instruments by the Group.

#### IAS 23 Revised – Borrowing costs

The revised version of the Principle removes the option which allowed a company to immediately recognise as an expense in the income statement the borrowing costs relating to assets that take a substantial period of time to get ready for use or sale (qualifying assets). In addition, this version of the Principle was amended as part of the 2008 Improvement process carried out by the IASB in order to revise the definition of Borrowing costs that can be capitalised.

No material accounting impact arising from the adoption of the Principle was reported during the year.

#### Improvement to IAS 38 – Intangible assets

The improvement to IAS 38 – *Intangible assets* establishes recognition in the income statement of promotional and advertising costs; in particular it establishes that in the event that the company incurs costs that will result in a future economic benefit without the creation of an intangible asset, such costs must be recognised in the income statement at the time when the company is entitled to the benefit, where it relates to the purchase of goods or the time at which the service is provided, if it refers to the purchase of services. The Principle was also amended to allow companies to adopt the unit of production methodology to determine the amortisation of intangible assets with a finite useful life.

The Group has retrospectively applied the revised version of the Principle from 1 January 2009, however the adoption of the principle has not resulted in any accounting effect as already before the application of this amendment expenses of this nature were recognised in the income statement in the manner dictated by the amendment. In addition with regard to the adoption of the unit of production methodology to determine the amortisation of intangible assets with a finite useful life, it should be noted that the Group amortises these assets on a straight line basis.

### Amendments and interpretations effective from 1 January 2009 that are not relevant to the Group

The following amendments, improvements, and interpretations effective from 1 January 2009, regulate cases and situations that are not present within the Group at the balance sheet date but which could have an accounting impact on future transactions or agreements:

- **Amendment to IFRS 2** – Share based payment: vesting conditions and cancellations
- **Amendment to IFRS 7** – Financial Instruments: disclosures
- **Amendment to IAS 32** – Financial instruments: Presentation and to IAS 1 – Presentation of Financial Statements –puttable financial instruments and instruments with obligations arising on liquidation
- **Improvement to IAS 16** – Property, plant and equipment



- **Improvement to IAS 19** – Employee benefits
- **Improvement to IAS 20** – Accounting for Government Grants and Disclosure of Government Assistance
- **Improvement to IAS 28** – Investments in Associates
- **Improvement to IAS 29** – Financial Reporting in Hyperinflationary Economies.
- **Improvement to IAS 36** – Impairment of assets.
- **Improvement to IAS 39** – Financial Instruments: Recognition and Measurement.
- **Improvement to IAS 40** – Investment property.
- **IFRIC 13** – Customer loyalty programmes.
- **IFRIC 15** – Agreements for the construction of real estate.
- **IFRIC 16** – Hedges of a Net Investment in a Foreign Operation.

### Accounting principles, amendments and interpretations not yet applicable and not adopted in advance by the Group

**On 10 January 2008 the IASB issued an updated version of IFRS 3 – Business combinations**, and amended IAS 27 – Consolidated and Separate Financial Statements. The main changes to IFRS 3 relate to the elimination of the requirement to value individual assets and liabilities of the subsidiary at fair value in every subsequent acquisition, in the case of acquisitions in stages by the controlling company. Goodwill will be determined solely at the time of acquisition and will be equal to the difference between the value of the shareholding immediately before the acquisition, the consideration for the acquisition and the value of the net assets acquired. In addition, where the company does not acquire 100% of the shareholding, minority interests can be valued either at fair value, or by applying the methodology previously prescribed by IFRS 3. The revised version of the Principle also requires recognition in the income statement of all costs relating to business combinations and the reporting at the date of the acquisition of the payment liabilities subject to the purchase conditions. In the amendment to IAS 27, however, the IASB states that the changes in the shareholding amounts that do not constitute a change of control must be treated as an equity transaction and must therefore have a corresponding entry in Net Equity. It was also established that when a controlling company sells control in one of its own shareholdings but however continues to have an interest in the company, it must value the remaining shareholding on the balance sheet at fair value and any gains or losses on the sale of control must be recognised in the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to the minority shareholders should be allocated to Minority interests, even when they exceed their share of the capital of the invested company. The new regulations must be applied prospectively from 1 January 2010.

**As part of the 2008 Improvement process carried out by the IASB, the amendment to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations** states that if a company is engaged in a disposal that involves a loss of control of its investment, all of the subsidiary's assets and liabilities must be reclassified amongst assets held for sale even if after the disposal the company retains a minority stake in the subsidiary. The amendment must be applied prospectively from 1 January 2010.

**On 31 July 2008 the IASB issued an amendment to IAS 39 – Financial Instruments: Recognition and Measurement**, which must be applied retrospectively from 1 January 2010. The amendment clarifies the application of the Principle with regard to the underlying object of hedging transactions in particular circumstances. It is believed that the adoption of this amendment will have no material impact on the Group's accounts.

**On 27 November 2008 the IFRIC issued interpretation IFRIC 17 – Distributions of Non-cash Assets to Owners** with the aim of unifying the accounting treatment regarding the distribution of non-cash assets to owners. The interpretation clarifies that a dividend payable must be recognised when the dividends are appropriately authorised and that the payable must be valued at the fair value of the net assets that must be utilised for its payment. Finally, the business must recognise in the income statement the difference between the dividend paid and the net accounting value of the assets used for payment. The amendment must be applied prospectively from 1 January 2010.

**On 29 January 2009 IFRIC issued interpretation IFRIC 18 – Transfers of assets from customers** which clarifies the accounting treatment to be adopted if the company signs a contract in which it receives a tangible asset from its own client which must be used to connect the client to a network or to provide specific access to the supply of goods or services (e.g. the supply of electricity, gas and water). In some cases the business receives cash from the client to build or acquire such tangible assets that will be used in fulfilling the contract. The interpretation must be applied prospectively from 1 January 2010.

**On 16 April 2009 the IASB issued a group of amendments to the IFRS (“improvement”)**; there follows a description of those IASB amendments requiring changes to presentation, recognition and valuation of items in the financial statements and excludes those involving just a change in terminology or in publishing changes with accounting impact, or those which have implications for Principles and interpretations that are not applicable to the Group. At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of these improvements.

- **IFRS 2 – Share based payment**: the amendment, which must be applied from 1 January 2010, clarifies that, having amended IFRS 3 for the definition of business combinations, the conferral of a business unit for the formation of a joint venture or combination of businesses or business units in a jointly controlled entity does not fall within the scope of IFRS 2.
- **IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations**: the amendment, which must be applied prospectively from 1 January 2010, clarifies that IFRS 5 and the other IFRS which specifically refer to non-current assets (or groups of assets) classified as available for sale or as assets of discontinued operations provide all the required information for these types of assets or transactions.
- **IFRS 8 – Operating segments**: this amendment, which must be applied from 1 January 2010, requires that the company provide the total value of assets per each reporting segment, if this value is provided periodically at the highest levels of operational decision-making. This information was previously required also in the absence of this condition.
- **IAS 1 – Presentation of Financial Statements**: this amendment, which must be applied from 1 January 2010, changes the definition of current liabilities contained in IAS 1. The previous definition required classification as current of liabilities that could be extinguished at any time through the issue of Net equity instruments. This involves the inclusion amongst current liabilities of payables relating to convertible bonds that can be converted at any time into shares of the issuer. Following this amendment, in order to classify a liability as current/non-current the existence of a conversion option currently exercisable into net equity instruments becomes irrelevant.
- **IAS 7 – Statement of cash flows**: this amendment, which must be applied from 1 January 2010, requires that only cash flows deriving from expenditure that result in the recognition of an asset in the statement of financial position can be reclassified in the cash flow statement as attributable to investment activity, while cash flows deriving from expenditure that does not result in the recognition of an asset (e.g. some promotional or advertising or personnel training costs) must be classified as attributable to operating activity.
- **IAS 17 – Leasing**: following the amendments the general provisions of IAS 17 are applicable to leased land with the aim of classifying the contract as a finance lease or operating lease independently from the acquisition of ownership at the end of the contract. Before the amendments the accounting principle stated that, whenever ownership of the land covered by the lease is not transferred at the termination of the leasing contract, the same should be classified as an operating lease insofar as it has a finite useful life. The amendment must be applied from 1<sup>o</sup> January 2010; at the time of adoption, all land subject to existing leasing contracts and not yet expired must be valued separately, with eventual retrospective recognition of a new leasing contract accounted for as a finance lease.
- **IAS 36 – Impairment of assets**: the amendment, which must be applied prospectively from 1 January 2010, requires that each operating unit or group of operating units to which goodwill is allocated for the purposes of impairment testing should be no larger than the operating segments as defined in paragraph 5 of IFRS 8, before the combination allowed by paragraph 12 of the same IFRS on the basis of similar economic characteristics or other aspects of similarity.

- **IAS 38 – Intangible assets:** the revision in 2008 of IFRS 3 established that sufficient information exists to value at fair value an intangible asset acquired in the course of a business combination if it is separable or if it originated from contractual or legal rights. IAS 38 has consequently been amended to reflect this amendment to IFRS 3. The amendment in question also clarified the valuation techniques to be used together to value at fair value those intangible assets for which no active reference market exists; these techniques involve, alternatively the estimate of the net present value of cash flows generated by the asset, the estimate of costs that the company has avoided through ownership of the asset and not having to utilise it through a third party licence contract, or of the rebuilding or replacement cost of the asset (as in the so-called cost method). The amendment must be applied prospectively from 1 January 2010.
- **IAS 39 – Financial Instruments:** Recognition and Measurement: the amendment restricts the exceptions for non-applicability contained in paragraph 2(g) of IAS 39 to forward contracts between a buyer and a selling shareholder relating to the sale of a business sold in a business combination at a future acquisition date, if the completion of the business combination does not depend on further action by one of the two parties, but which involves that passing of a fair period of time. The amendment clarifies instead that option contracts fall within the scope of IAS 39 (whether or not they are currently exercisable) which allow one of the two parties to have control over the occurrence or non-occurrence of future events which could result in taking control of a business. The amendment also clarifies that the implicit penalties for the advance repayment of loans, the price of which compensates the lender for the loss of future interest, must be strictly correlated to the financing contract to which it relates, and must not be accounted separately. Finally the amendment clarifies that gains or losses on a hedging financial instrument must be reclassified from Net Equity to the income statement in the period in which the expected cash flow which has been hedged has an impact on the income statement. The amendment must be applied prospectively from 1 January 2010.
- **IFRIC 9 – Reassessment of Embedded Derivatives:** the amendment, which must be applied prospectively from 1 January 2010 excludes from the scope of IFRIC 9 embedded derivatives in contracts acquired as part of a business combination at the time of formation of a joint venture or jointly controlled company. In June 2009, the IASB issued an amendment to IFRS 2 – *Share-based Payment: cash-settled Group share-based payment transactions*. The amendment clarifies the scope of IFRS 2 and its connections to other accounting principles. In particular it clarifies that the company that receives goods or services as part of a share based payment plan must account for these goods or services independently of whichever company of the Group regulates the transaction, and independently of whether the payment is made in cash or shares; it also states that the term “Group” is understood to have the same meaning that it has in IAS 27– *Consolidated and separate financial statements*, where it includes the Parent Company and its subsidiaries. The amendment also specifies that a company must value the goods or services received as part of a cash or share based transaction from its own point of view, which may not be consistent with that of the Group and with the related amount recognised in the consolidated balance sheet. The amendment incorporates the guidelines previously included in IFRIC 8 – *Scope of IFRS 2 and in IFRIC 11 – IFRS 2 – Group and treasury share transactions*. Consequently, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendment is applicable from 1 January 2010; At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of this amendment.

**On 8 October 2009, the IASB issued an amendment to IAS 32 – Financial Instruments: Presentation: Classification of rights issued** to regulate the accounting of the issues of rights (rights, options or warrants) denominated in currencies different to the operating currency of the issuer. These rights were previously accounted for as liabilities of derivative financial instruments; the amendment requires that, under certain conditions, these rights should be classified in net equity whatever the currency in which the exercise price is denominated. The amendment is applicable retrospectively from 1 January 2011. At the present balance sheet date the Group is evaluating the possible implications of adopting the amendment.

**On 4 November 2009 the IASB issued a revised version of IAS 24 – Related Party Disclosures** which simplifies disclosure regarding State controlled related party transactions and clarifies the definition of related parties. The amendment is applicable from 1 January 2011; At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of this revised principle.

**On 12 November 2009 the IASB published IFRS 9 – Financial instruments** on the classification and valuation of financial assets applicable from 1 January 2013. This publication represents the first part of a phased process which is intended to entirely substitute IAS 39. The new principle adopts a single approach based on the methods of managing financial instruments and on the characteristics of contractual cash flow of financial assets to determine the valuation criteria in substitution of the various rules set out in IAS 39. In addition, the new principle provides a single method for determining impairment of financial assets. At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of this new principle.

**On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding** allowing companies that pay a minimum due advance contribution to recognise it as an asset. The amendment is applicable from 1 January 2011; At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of this amendment.

**On 26 November 2009 IFRIC issued interpretation IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**, which provides guidelines regarding disclosure of the extinction of financial liabilities via the issue of equity instruments. The interpretation states that where a company renegotiates the repayment terms of a financial liability and the lender accepts repayment in exchange for equity in the company, the shares issued by the company become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the accounting value of the extinguished financial liability and the initial value of the equity instrument issued must be recognised in the income statement for the period. The amendment is applicable from 1 January 2011; At the present balance sheet date the relevant authorities of the European Union have not yet completed the necessary ratification process for implementation of this amendment.

## 4. valuation choices and use of estimates

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

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

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

### Credit write-down reserve

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

### Inventory write-down reserve

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

### Recoverable value of non-current assets (including goodwill)

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

Given the current financial and economic crisis, the considerations that the Group has undertaken regarding its prospects are as follows:

- in this context, in preparing the Financial Statements for the year ended 31 December 2009, and more particularly in carrying out impairment tests on tangible and intangible assets, the various Divisions of the Group have taken into consideration the expected trend for the period 2010 - 2012, and refer to the Industrial plan approved by the Parent Company Board of Directors on 22 February 2010. On the basis of the figures of this plan, no requirement emerged to make significant impairment charges, with the exception of some prepaid costs relating to the building of prototypes, the outcome of which remains uncertain;
- In addition, in the absence of a significant deterioration in the economic scenario compared to the already serious current situation, the following should be noted:
  - With reference to intangible assets with a finite useful life (essentially development costs), these relate to recently introduced models/products, with a high technological content, that makes them competitive in the current economic climate. However, even though in the short term the company's reference markets are amongst the most severely affected by the current crisis, it is considered highly probable that the life cycle of these products can be prolonged, extending into the period of a more gradual economic recovery, which would permit the Group to generate adequate flows of profits to cover the investment made in these models/products, although over a longer time frame.
  - However, with regard to capitalised goodwill, the analysis indicates that the relevant CGU should be able to recover their value.

### Product Guarantees

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

### Potential liabilities

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

### Realisability of prepaid tax assets

At 31/12/2009 the Group had assets relating to prepaid taxes and assets relating to tax losses totalling € 18.233 million (€ 9.546 million in 2008). Management has reported prepaid taxes to the value that they believe is recoverable. In calculating this amount management took into consideration the results of budgets and forecasts for future years consistent with those utilised in impairment tests and described in the preceding paragraph relating to the recoverable value of non-current assets.

### Treatment of the Bre.Ma. put option

With reference to the acquisition in August 2006 of 60% of the company Bre.Ma. Brenna Macchine S.r.l., it should be noted that the contract includes a Put option in favour of the vendors relating to the remaining 40% of the share capital of the company. The option can be exercised no earlier than three years and no later than five years from the date of signing of the aforementioned contract.

On the basis of the provisions of IFRS 3 and the guidance of best practice (OPI 4), the option has been valued together with the contract to acquire the outstanding controlling shareholding in the company, anticipating the effects of possible exercise of the option already in the 2006 financial statements (the first year of consolidation of the company), writing in to the balance sheet the liability thus estimated amongst the other debts counterbalanced by a reduction in the corresponding share of net equity and, with regard to the difference, increasing the value of goodwill booked in the balance sheet. On the basis of the latest forecasts available at the close of the present financial period, it is believed that the option will not be exercised by the counterparty and therefore the related liability already booked in 2006 has been reversed, with the corresponding adjustments made to minority interests and goodwill.



## 5. REVENUES

The analysis of Group revenues is as follows:

€ '000	31 December 2009	31 December 2008
Revenue from sale of goods	250,786	434,840
Revenue from services	16,682	18,603
Other revenue	538	877
<b>Total Revenue</b>	<b>268,006</b>	<b>454,320</b>
Lease and rental income	40	21
Commissions and royalties	19	57
Income related grants	268	58
Capital gains from disposals	14	716
Other income and contingent assets	4,359	3,024
<b>TOTAL OTHER OPERATING REVENUES</b>	<b>4,699</b>	<b>3,024</b>

Please refer to the Directors' Report for the discussion of the trend of revenues.

The most significant component of Other Income relates to contingent assets equal to € 2.089 million, determined by the adjustment made to the product guarantee fund to reflect the estimated expense for 2010.

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

## 6. analysis by business segment and geographic sector

With regard to the analysis of operations by segment and by geographical area It should be noted that accounting principle IFRS 8 – Operating segments came into effect on 1 January 2009. IFRS 8 replaces IAS 14 – Segment reporting and requires that Group sector information is based on the factors that management uses in its own operational decision making process, it therefore requires that operating segment information be based on internal reporting lines and regularly reviewed by management in its decisions to allocate resources to the various segments and analyse their performance. In the case of Biesse Group, the application of the new accounting principle had no effect on disclosure in the financial statements insofar as it already complied with the new recommendations. It should also be noted that from January 2010 the Group started an internal organisational review process aimed at completing its transformation into a lean company, with no change to the core principles approved with the 2010-2012 Industrial Plan. So far the process has had no impact on the internal reporting system, reviewed periodically by management, but the possibility of such an event occurring in the coming year should not be dismissed (between today and the date the next consolidated financial statements are approved), with possible implications for disclosure of information pursuant to IFRS 8.

## ANALYSIS BY BUSINESS SEGMENT

For the purposes of management control, the Group is currently organised into four operating divisions – Wood, Glass and Marble, Mechatronics and Other. These divisions constitute the bases used by the Group to report sector information.

The principal activities are as follows:

**Wood** – production and distribution of panel processing machines and systems

**Glass & Marble** – production and distribution of glass and marble processing machines and systems

**Mechatronics** – production and distribution of mechanical and electronic components for industry

**Other** – production and distribution of tools and components and other precision machining accessories, production and distribution of packaging equipment

The information relating to these business segments is as follows:

INCOME STATEMENT DATA						
Year ending 31/12/2009 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
External revenues	189,509	55,283	17,118	6,095	-	268,006
Inter-segmental revenues	379	9	20,065	5,780	(26,233)	-
<b>Total Revenues</b>	<b>189,888</b>	<b>55,292</b>	<b>37,183</b>	<b>11,875</b>	<b>(26,233)</b>	<b>268,006</b>
<b>Operating result of segment</b>	<b>(20,026)</b>	<b>(1,081)</b>	<b>777</b>	<b>(3,300)</b>	<b>-</b>	<b>(23,630)</b>
Unallocated ordinary costs						(9,349)
<b>Operating Result</b>						<b>(32,979)</b>
Share of profit/loss of associates						-
Financial income/expense of segment	(5)	(231)	(233)	(7)		(476)
Unallocated financial income/expense						(2,860)
Pre-tax profit						(36,314)
Tax for the period						9,122
<b>Result for the year</b>						<b>(27,192)</b>
Year ending 31/12/2008 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
External revenues	332,938	85,861	29,615	5,905	-	454,320
Inter-segmental revenues	1,400	33	42,370	23,184	(66,987)	-
<b>Total Revenues</b>	<b>334,338</b>	<b>85,894</b>	<b>71,985</b>	<b>29,089</b>	<b>(66,987)</b>	<b>454,320</b>
<b>Operating result of segment</b>	<b>27,584</b>	<b>7,649</b>	<b>8,318</b>	<b>1,989</b>	<b>-</b>	<b>45,541</b>
Unallocated ordinary costs						(10,499)
<b>Operating Result</b>						<b>35,042</b>
Share of profit/loss of associates						-
Financial income/expense of segment	55	(384)	186	(245)		(389)
Unallocated financial income/expense						(3,332)
Pre-tax profit						31,321
Tax for the period						(11,582)
<b>Result for the year</b>						<b>19,739</b>

With regard to the comparative figures for 2008, it should be noted that there was a reclassification of the data relating to the *business units* MC S.r.l. and Digipac S.r.l., to take into account the new management structure and the corresponding change in the internal reporting system used to measure their performance. Both units were previously included in the Other segment. From 2009 the business unit MC is included in the Mechatronics segment, while the business unit Digipac is included in the Wood segment. In the first case, the management changes also had legal repercussions owing to the merger by incorporation of the aforementioned company into HSD S.p.a., which has historically been the keystone of the Group in the Mechatronics segment.

Net revenues in 2009 were € 268.006 million, compared with € 454.320 million in the year to 31 December 2008, representing a decline of 41% compared with the previous year.

The decline in revenues reflects the weak order inflow through to May 2009 with an improvement coming through only in the second half of the year; in addition the backlog inherited from the 2008 financial year suffered from the poor order intake of the fourth quarter which, after the collapse of Lehman, was already down by more than 35% compared with the average order intake of previous periods.

All Group divisions suffered a sharp slowdown in sales: the Mechatronics Division (-49.1%) and the Wood Division (-43.2%) reported the sharpest declines, while the Glass / Marble Division reported a decline of 35.6%. "Other" sales (which refers primarily to production and distribution of tools and components and other manufactured precision accessories) reported the biggest fall in percentage terms (-57.2%), following the Group's decision to focus on sales of finished goods in stock in preference to new production.

The decline in sales obviously impacted on segment margins due to the lower operating gearing effect. Apart from the Mechatronics Division, which had a positive margin in, the Wood and Glass&Marble Divisions (and the Other Division which is a vertical extension of these) produced negative results. It should be stated that the initiatives taken during the year allowed the company to halt the loss of profitability that persisted till end-June 2009: In the Wood segment, the operating result expressed as a percentage of revenues was negative 11 basis points, the same margin as at June 2009; the Glass&Marble Division operating margin as a percentage of sales was minus 2 percentage points, slightly lower than the June result (which revealed a small operating loss of € 117 thousand); as mentioned, the Mechatronic segment produced a positive operating result, recovering from its June result (operating loss of € 655 thousand); the operating return on sales generated by the Other segment remained unchanged (negative 28 basis points both in the first and second half of the year), in absolute terms the second half of the year closed with a loss of € 1.098 million, while the loss in the first half was € 2.202 million.

Changes arising from the expansion of the Group's consolidation area are negligible.

BALANCE SHEET DATA						
Year ending 31/12/2009 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
Fixed assets	47,594	14,845	13,484	11,122	-	87,045
Inventories	44,851	9,811	9,299	1,693	-	65,654
Trade and other receivables	52,565	15,320	11,050	1,688	(7,115)	73,508
<b>Total segment assets</b>	<b>145,072</b>	<b>40,185</b>	<b>33,833</b>	<b>14,584</b>	<b>(7,115)</b>	<b>226,207</b>
<b>Unallocated assets</b>						<b>73,491</b>
<b>TOTAL ASSETS</b>						<b>299,698</b>
Risk reserves	2,847	891	350	57	-	4,145
Retirement benefit liabilities	7,944	1,428	728	905	-	11,005
Trade and other payables	42,226	12,944	9,096	2,653	(7,115)	59,805
Finance leasing liabilities	-	4,054	3,461	-	-	7,515
<b>Total segment liabilities</b>	<b>53,017</b>	<b>19,317</b>	<b>13,636</b>	<b>3,615</b>	<b>(7,115)</b>	<b>82,470</b>
<b>Unallocated liabilities and net equity</b>						<b>217,229</b>
<b>Total liabilities and net equity</b>						<b>299,698</b>
Year ending 31/12/2009 € '000	Wood	Glass & Marble	Mechatronics	Other	Eliminations	Group Total
Fixed assets	55,392	16,547	14,153	12,061	-	98,152
Inventories	69,384	15,419	15,586	3,155	-	103,544
Trade and other receivables	74,980	15,820	13,124	6,973	(12,270)	98,626
<b>Total segment assets</b>	<b>199,755</b>	<b>47,785</b>	<b>42,863</b>	<b>22,188</b>	<b>(12,270)</b>	<b>300,321</b>
<b>Unallocated assets</b>						<b>51,157</b>
<b>TOTAL ASSETS</b>						<b>351,478</b>
Risk reserves	4,022	1,712	539	64	-	6,337
Retirement benefit liabilities	8,291	1,486	1,156	995	-	11,928
Trade and other payables	69,492	17,177	13,778	7,526	(12,270)	95,703
Finance leasing liabilities	-	6,218	3,810	-	-	10,029
<b>Total segment liabilities</b>	<b>81,804</b>	<b>26,594</b>	<b>19,283</b>	<b>8,585</b>	<b>(12,270)</b>	<b>123,996</b>
<b>Unallocated liabilities and net equity</b>						<b>227,482</b>
<b>Total liabilities and net equity</b>						<b>351,478</b>

The segment analysis of the capital trend is similar to that reported at the Group level.

All segments experienced a decline in their working capital, with notable reductions in the Wood Division (about € 20 million) and the Mechatronics Division (almost € 4 million).

These changes were largely due to the reduction in inventories (36% at the Group level), which was common to all segments, with falls of 44% and 40% respectively in the Other and Mechatronics Divisions, while the Wood and Glass&Marble Divisions both reported a fall of 35%.

The other components of working capital (receivables and payables) declined in comparison with the previous year, largely as a result of the decline in sales volumes, even if the divergence was negative by about € 11 million, leading to a partial absorption of the cash generated by the reduction of inventories. This phenomenon is largely attributable to the recovery in production that occurred during the closing months of the year, following the recovery in orders between July and September and confirmed in the last quarter, partly by the need to extend financial support to certain strategic suppliers who were affected by the credit crisis.

All segments reported a reduction in the values of fixed assets because of the higher level of depreciation compared with the much reduced value of investments during the period.

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

OTHER INFORMATION						
Year ending 31/12/2009 € '000	Wood	Glass & Marble	Mechatronics	Other	Unallocated assets	Group Total
Increase in fixed assets	7,761	765	771	244	514	10,055
Depreciation of tangible and intangible fixed assets	6,316	1,980	2,152	1,254	1,615	13,318
Year ending 31/12/2008 € '000	Wood	Glass & Marble	Mechatronics	Other	Unallocated assets	Group Total
Increase in fixed assets	13,382	2,938	2,174	2,541	969	22,003
Depreciation of tangible and intangible fixed assets	7,226	2,143	1,804	1,126	693	12,991

At the end of 2009, the most significant increases were in the Wood Division, which reflected the acquisition of the new headquarters for the Canadian subsidiary, the completion of the Indian production plant, the planning procedures for the new headquarters for the American subsidiary and the constitution of the new subsidiary Biesse Schweiz. The remaining increases refer to the capitalisation in 2009 of new product development activity, development projects and licences which not yet completed.

### Analysis by geographical area

REVENUES				
Geographical Area	Year ending 31/12/2009	%	Year ending 31/12/2008	%
Western Europe	155,371	58.0%	232,924	51.3%
Eastern Europe	27,741	10.4%	83,836	18.5%
Nord America	23,336	8.7%	55,020	12.1%
Australasia	22,285	8.3%	26,089	5.7%
Asia	18,765	7.0%	25,559	5.6%
Rest of the World	20,508	7.7%	30,891	6.8%
<b>GROUP TOTAL</b>	<b>268,006</b>	<b>100.00%</b>	<b>454,320</b>	<b>100.0%</b>

SEGMENT ASSETS				
Geographical Area	Year ending 31/12/2009	%	Year ending 31/12/2008	%
Western Europe	225,433	75.2%	258,473	73.5%
Nord America	27,767	9.3%	36,094	10.3%
Eastern Europe	7,752	2.6%	18,468	5.3%
Australasia	15,055	5.0%	16,659	4.7%
Asia	17,960	6.0%	14,996	4.3%
Rest of the World	5,732	1.9%	6,788	1.9%
<b>GROUP TOTAL</b>	<b>299,698</b>	<b>100.0%</b>	<b>351,478</b>	<b>100.0%</b>

### Other information

INCREASE IN FIXED ASSETS		
Geographical Area	Year ending 31/12/2009	Year ending 31/12/2008
Western Europe	8,242	15,979
North America	1,050	1,967
Australasia	77	143
Asia	686	3,918
<b>GROUP TOTAL</b>	<b>10,055</b>	<b>22,003</b>

## 7. material non-recurring events and transactions

In 2009 the Group initiated a phase of restructuring with the aim of adjusting the corporate structure in response to the crisis in the market; this resulted in non-recurring costs and provisions totalling € 6.323 million; particularly a provision to the company restructuring reserve of € 3.062 million (made by Biesse S.p.A., HSD S.p.a. and Biesse Iberica Woodworking Machinery S.I.) and costs incurred in 2009 (for redundancy incentives, relocations, amalgamations) of € 1.218 million. The balance of € 2.043 million is made up of provisions and impairment charges of prepaid costs relating to the development of prototypes with an uncertain outcome.

€ '000	Net equity		Result of the year	
	Value	%	Value	%
<b>Value at 31/12/2009</b>	<b>126,850</b>		<b>(27,192)</b>	
Reorganisation costs	1,217	1.0%	1,217	(4.5)%
Provision to company restructuring reserve	3,062	2.4%	3,062	(11.3)%
Other provisions and write-down	1,991	1.6%	1,991	(7.3)%
Fiscal effect (at theoretical tax rate)	(1,816)	(1.4)%	(1,816)	6.7%
<b>Notional value</b>	<b>131,304</b>		<b>(22,738)</b>	

At the end of 2008 no non recurring events and operations occurred.

## 8. other operating expenses

With regard to the figure for 2008, the item Material lasting loss of value includes an amount relating to the write-down of capitalised costs relating to new product development. In previous years this amount was included in Other operating expenses as a contingent liability.

Remuneration paid to directors, statutory auditors and the independent audit company are included in "Other operating expenses"

As required by art.149-duodecies of the Consob regulations for issuers, there follows a detailed list of services provided by the independent audit company:

Type of service	Service provider	Services provided to	Payment (€'000)
Accounting audit	Deloitte & Touche S.p.A.	Biesse S.p.A.	211
	Deloitte & Touche S.p.A.	Subsidiaries	84
	Rete Deloitte	Subsidiaries	111
<b>TOTAL</b>			<b>406</b>



## 9. financial income

€ '000	31 December 2009	31 December 2008
Income from financial receivables	38	237
Interest on bank deposits	62	291
Interest from clients	70	161
Other Financial income	106	160
<b>TOTAL FINANCIAL INCOME</b>	<b>276</b>	<b>849</b>

## 10. financial expenses

Details of financial expenses are reported below:

€ '000	31 December 2009	31 December 2008
Bank, mortgage and financing interest	1,745	1,205
Finance lease interest	358	643
Bills discounted	160	228
Other interest	179	41
Financial discounts to clients	368	431
Other financial expenses	671	86
<b>TOTAL FINANCIAL EXPENSES</b>	<b>3,481</b>	<b>2,633</b>

The increase in financial expenses is largely attributable to the increase in Group net debt. The item, Other Financial costs includes the cost relating to the valuation at fair value of an interest/foreign exchange hedging derivative (*Cross Currency Swap*), taken out by the Indian subsidiary against an intercompany debt agreement with the Parent company. As this contract does not meet the conditions of IAS 39 relating to hedge accounting, the valuation expense has been recognised in the income statement rather than in Net Equity. This derivative covers financing of 167.500.000 rupees (guaranteeing an exchange rate of 67 rupee/euro and an interest rate fixed at 11.5%), which expires on 30 June 2012.

## 11. foreign currency income and expense

The value for 2009 was negative € 131 thousand (in 2008 it was negative € 1.937 million).

The Group's activities are exposed primarily to financial risks relating to currency fluctuations. The risk management policy approved by the Board of Directors of the Parent Company provides that the amount of hedging in place must never fall below the level of 70% net exposure in foreign currency and that the underlying asset must be identified at the outset of any hedging transaction. Hedging may take place using fixed term contracts (*outright/currency swap*) or also with derivative instruments (*currency option*).

The particular nature of the Group's business is such that its currency exposure can be packaged in many individual currency positions (relating to individual orders and invoices), that make it complicated (as well as uneconomic) to engage in hedging on an exact basis (i.e. with a direct correlation between the hedging instrument and the underlying asset): for this reason, hedging is carried out on an aggregate basis and in particular on matching of all the open positions in foreign currency. As of the second half of the year, the

Group partially modified its operating procedures regarding foreign currency hedging techniques, in order to comply with the provisions of IAS 39 as regards hedge accounting. Consequently, the part of the operations that satisfies the Hedge accounting rules, insofar as it relates to hedging having passed the efficacy test, has been accounted in accordance with the provisions of IAS 39. In particular negative differences on foreign exchange amounting to € 69,000 have been reclassified in the "Revenues" line while € 8,000 of positive differences on foreign exchange net of tax effects have been suspended in net equity reserves.

As far as the remaining cover goes, though effective from a managerial perspective, it cannot be considered as such in the context of international accounting standards. For this reason, changes in the fair value of derivative instruments have been recognised directly in the income statement leading to income from valuation of € 298,000.

Finally it must be noted that the item, Foreign Exchange Income and Expenses includes the value relating to the balance of unrealised profits and losses, arising from restating at period end exchange rate the amounts of receivables and payables denominated in foreign currency (positive € 664,000)

## 12. taxes for the year

€ '000	31 December 2009	31 December 2008
Ires and other current taxes	286	11,163
Ires and other deferred taxes	(8,997)	(1,942)
<b>Ires and other taxes for the year</b>	<b>(8,711)</b>	<b>9,221</b>
IRAP and other current taxes	788	4,198
<b>IRAP and other deferred taxes</b>	<b>(46)</b>	<b>(63)</b>
Income tax relating to previous years	(591)	(929)
Other taxes	(563)	(844)
<b>TOTAL TAX FOR THE YEAR</b>	<b>(9,122)</b>	<b>11,581</b>

The reduction in current taxes in 2009 compared with the previous year is attributable to the reduction of taxable items in both Italian and foreign companies.

National income taxes (IRES) are calculated at 27.5% (unchanged compared to 2008) on the taxable income for the year. IRES deferred tax is calculated at 27.5%. Taxes in other jurisdictions are calculated at the prevailing tax rates in each country.

The increase in deferred tax assets is due to the disclosure of taxes calculated on tax losses that are believed to be recoverable in future years and relate primarily to the parent company Biesse Spa, other Italian companies and some foreign subsidiaries. The balance of deferred tax assets does not include the amount of di € 35 thousand taken directly to net equity relating to the share of foreign exchange gains recognised in reserves and which arises from the valuation at year end of open hedging contracts (at end-2008 net deferred tax liabilities totalling € 32 thousand were recognised directly in net equity).

IRAP and other minor taxes, applied in other jurisdictions and calculated on taxable bases different from pre-tax result are shown separately.

Taxes relating to previous years show a positive balance of € 591 thousand attributable to income associated with the rebate of 10% of IRAP on IRES taxes relating to 2005 and the remainder is attributable to differences in previous year tax calculations.

The "other taxes" item refers to tax credits on research and development spending.

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

€ '000	31 December 2009		31 December 2008	
Pre-tax result	(36,314)		31,321	
National income tax rate 27.5%	(9,986)	27.50%	8,613	27.50%
Fiscal effect of non-deductible costs/exempt profit in determining income	373	(1.03)%	1,322	4.22%
Fiscal effect of the use of previously unrecognised losses	(230)	0.63%	(835)	(2.66)%
Reduction of deferred tax assets/liabilities, due to change in the national rate	43	(0.12)%	-	-
Fiscal effect on losses for the year of certain subsidiaries not included in the balance sheet, and reassessment of current deferred tax	1,425	(3.93)%	326	1.04%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(336)	0.93%	(206)	(0.66)%
<b>Income tax for the period and effective tax rate</b>	<b>(8,711)</b>	<b>23.99%</b>	<b>9,221</b>	<b>29.44%</b>

In order to provide a better understanding of the reconciliation of the tax charge shown in the financial statements and the theoretical tax charge, IRAP has not been taken into account for the reason that since this tax is imposed on taxable base that is separate and distinct from pre-tax results, to do so would generate distortions between one financial period and another. Therefore the theoretical tax charge has been calculated by applying just the rate applicable in Italy (IRES equal to 27.5% in 2009 and 2008) to the pre-tax profit/loss.

The tax effect of the utilisation of losses for the period not recognised in the balance sheet relates to the results of some companies for which recovery in future years was not considered probable.

### 13. earnings per share (eps)

Basic earnings per share for the year ended 31 December 2009 is negative 99.52 euro/cent (2008 basic EPS was positive 74.04) and is calculated by dividing the result attributable to Parent company shareholders, a loss of € 26.696 million (profit of € 19.987 million in 2008), by the average weighted number of ordinary shares in circulation during the period, which amounted to no. 26,824,080 (no. 26,996,715 in 2008). The number of shares in circulation is lower than the total number of shares issued, because the parent company bought back its own shares in the stock exchange during 2008, in accordance with the approval granted by shareholders on 21 January 2008. At 31 December 2009 the number of own shares held in treasury was 486,359 (1.78% of the share capital), with an average weighted number for the year of 568,962. It should be noted that the buy back programme ended on 21 July 2009 and that the balance held is the result of the purchase on regulated markets of no. 711,359 shares and the sale of no. 225,000 shares as consideration for the acquisition of the minority shareholding in MC S.r.l. (see note no. 39). As there were no dilutive effects, the same calculation is also applicable to the calculation of diluted earnings per share. The calculations are illustrated in the following tables:

PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
€ '000	31 December 2009	31 December 2008
Result for the year	(26,696)	19,987
Discontinued operations	-	-
<b>Result for the year from continuing operations</b>	<b>(26,696)</b>	<b>19,987</b>

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE		
in thousands of shares	31 December 2009	31 December 2008
Weighted average number of ordinary shares used to calculate basic earnings per share	27,393	27,393
Effect of treasury shares	(569)	(396)
<b>Weighted average number of shares in issue – for the calculation of basic earnings</b>	<b>26,824</b>	<b>26,997</b>

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

### 14. buildings, plant, machinery and other tangible fixed assets

	Property, plant and equipment		Equipment and other tangible assets	Total
		Equipment and other tangible goods	Property under construction and prepayments	
<b>HISTORIC COST</b>				
Value at 01/01/2008	83,208	31,613	2,541	117,362
Increase	7,452	3,414	1,647	12,514
Disposals	408	591	57	1,055
Foreign exchange differences, reclassifications and other	1,598	1	(2,821)	(1,222)
<b>Value at 31/12/2008</b>	<b>91,850</b>	<b>34,437</b>	<b>1,312</b>	<b>127,599</b>
Increase	1,441	1,467	671	3,579
Disposals	103	536	-	640
Foreign exchange differences, reclassifications and other	733	193	(907)	18
<b>Value at 31/12/2009</b>	<b>93,921</b>	<b>35,560</b>	<b>1,076</b>	<b>130,556</b>
<b>DEPRECIATION FUND</b>				
Value at 01/01/2008	35,225	24,495	-	59,721
Depreciation in the period	4,576	2,993	-	7,569
Closure of fund for disposals	108	372	-	480
Foreign exchange differences, reclassifications and other	(150)	(298)	-	(448)
<b>Value at 31/12/2008</b>	<b>39,544</b>	<b>26,818</b>	<b>-</b>	<b>66,362</b>
Depreciation in the period	4,432	2,998	-	7,430
Closure of fund for disposals	65	409	-	474
Foreign exchange differences, reclassifications and other	(52)	(141)	-	(193)
<b>Value at 31/12/2009</b>	<b>43,860</b>	<b>29,265</b>	<b>-</b>	<b>73,125</b>
<b>NET BOOK VALUE</b>				
<b>Value at 31/12/2008</b>	<b>52,306</b>	<b>7,618</b>	<b>1,312</b>	<b>61,236</b>
<b>Value at 31/12/2009</b>	<b>50,061</b>	<b>6,295</b>	<b>1,076</b>	<b>57,431</b>

Investments in the period under review were € 3.579 million. In addition to the amount relating to normal replacement of assets required for normal production activity, the investments relating to acquisition or construction of the new commercial and production sites shown below should be noted:

- completion of the acquisition of the new Biesse Canada headquarters (€ 644 thousand);
- continuation of planning for the building of the new headquarters of Biesse America (€ 300 thousand);
- completion of construction of the new production headquarters of Biesse Manufacturing Co. Pvt. Ltd. (€ 181 thousand);
- increase, related to setting up the new subsidiary Biesse Schweiz (€ 344 thousand);
- increase, relating to the subsidiary HSD Mechatronic (Shanghai), set up in 2008 (€ 110 thousand);
- restructuring of offices used by centralised departments (€ 182 thousand).

It should be noted that the balance sheet figures include assets acquired through finance leasing contracts with a net book value of € 13.089 million (€14.174 million in 2008), subject to depreciation in the period of € 1.166 million (€ 1.181 million in 2008); the net book value refers to land and industrial buildings for € 11.477 million (€ 11.760 million at end-2008), to equipment for € 1.523 million (€ 2.382 million in 2008) and to office equipment of € 89 thousand (€ 32 thousand at end-2008).

The item Property, plant and equipment includes land, not subject to depreciation, with a value of € 6.162 million (€ 6.169 million at the end of the previous year).

There are no mortgages on land and buildings.

## 15. Goodwill

Goodwill is allocated to cash-generating units ("CGU") identified on the same basis as the Group's operating segments. The following table illustrates the allocation of goodwill by segment:

€ '000	31 December 2009	31 December 2008
Tools for the working of glass and stone (Diamut)	<b>3,940</b>	3,940
Mechanical and electronic components for machines and systems (Hsd)	<b>3,770</b>	3,770
Sizing centres (Selco)	<b>2,307</b>	2,307
Marketing of wood machines (Australia)	<b>2,093</b>	1,800
Marketing of glass and stone machines and tools (USA)	<b>1,763</b>	1,825
Vertical processing cells for boring and inserting (Brema)	<b>1,546</b>	1,546
Computer numerical control (CNI)	<b>1,226</b>	1,226
Marketing of mechanical and electronic components (Germania)	<b>603</b>	603
Marketing of glass and stone machines (Australia)	<b>190</b>	150
<b>TOTAL</b>	<b>17,438</b>	<b>17,168</b>

The end-year balance shows an increase of € 270 thousand due to exchange rate changes.

As explained in note 6, the Biesse Group produces and distributes machinery for the processing of wood, glass and stone. In addition to these sectors it is active in upstream sectors (electro-mechanical components, other components and tools, precision machinery). The performance analysis normally focuses on this level of detail, but in order also to analyse the financial returns on investments, the company data are broken down amongst the cash *generating units* represented by brands and/or specific business units.

The Group verifies the recoverability of goodwill once a year or more frequently if there are indications of a loss of value. The recoverable value of the CGU is verified through a calculation of value in use. In the discounted cash flow model incorporates a terminal value input at the end of the cash flow forecast period (five years). The terminal value reflects the residual value that each cash-generating unit is expected to generate. The terminal value represents the present value, in the last forecast year, of all the subsequent cash flows in perpetuity. The rate of growth of the terminal value is a key parameter in determining the terminal value itself as it represents the annual growth rate of all subsequent cash flows in perpetuity and is calculated by extrapolating from the cash flow of the last forecast year, in the absence of any potential operation of normalisation and discounting this flow by the discount rate. In calculating value in use it is assumed that the growth rate is zero.

The main assumptions utilised relate to the discount rate, growth rate and expected changes in selling prices and trends in direct costs during the time horizon assumed for the calculation. Group management has therefore adopted a discount rate net of tax that reflects the correct market value of the cost of money and the specific risk. The growth rates adopted are based on growth forecasts for the relevant industrial sector. Changes in selling prices and direct costs are based on past experience and future expectations for the market.

The operating cash flows deriving from the three year Industrial Plan approved by the Board of Directors on 22 February 2010 extrapolates the cash flows for the residual two years on the basis of a long term sector rate of growth of 1.5%. The rate used in discounting cash flows is 8.19% (the discount rate used in 2008 was 9.71%).

The analysis of the recoverability of goodwill and values in use by the CGU do not indicate any reason that would result in a loss of value, insofar as the fair value of the cash-generating unit calculated in this way is significantly higher than the book value of the cash-generating units concerned. In addition the group carried out a sensitivity analysis on the discount rate used in the model (reducing and increasing the rate by 0.5%) both on the assumptions of the Plan (by incorporating the assumption, though it is considered highly unlikely given the initiatives being implemented by the Group, that, for some cash generating units the expected improvements arising from the reduction of direct costs would be more than two percentage points lower than expected). Both analyses generated positive outcomes; in the first case the cover ratio of net invested capital over value in use rose from 1.13 to 4.89, in the second case the same ratio rose from 1.04 to 4.89. Finally, it was verified that the discount rate that would generate a recoverable value of the CGU in line with the book value is never less than 9.41%.

The analysis of the existence of external indicators implying a loss of value amongst the Group's assets, indicates that there is no need for concern at the present time. In particular the two main causes of negative performance, that the Group experienced in 2009 (economic crisis combined with a financial market crisis), seem to have been partially overcome, as a reversal of the trend appears evident above all in order intake.

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



## 16. other intangible assets

	Development costs	Licences, brands and other intangible assets	Property under construction and prepayments	Total
<b>HISTORIC COST</b>				
Value at 01/01/2008	15,983	11,903	6,485	34,371
Increase	20	1,372	7,246	8,638
Change in consolidation area	230	-	-	230
Foreign exchange differences, reclassifications and other	1,422	(47)	(4,578)	(3,204)
<b>Value at 31/12/2008</b>	<b>17,656</b>	<b>13,227</b>	<b>9,154</b>	<b>40,036</b>
Increase	15	837	5,615	6,467
Disposals	-	3	-	3
Foreign exchange differences, reclassifications and other	5,567	(1,646)	(6,079)	(2,158)
<b>Value at 31/12/2009</b>	<b>23,238</b>	<b>12,415</b>	<b>8,690</b>	<b>44,343</b>
<b>DEPRECIATION FUND</b>				
Value at 01/01/2008	8,743	3,928	-	12,670
Depreciation in period	3,441	1,956	-	5,397
Foreign exchange differences, reclassifications and other	(1,537)	(976)	-	(2,513)
<b>Value at 31/12/2008</b>	<b>10,647</b>	<b>4,907</b>	<b>-</b>	<b>15,554</b>
Depreciation and amortisation di periodo	4,035	1,853	-	5,888
Foreign exchange differences, reclassifications and other	(621)	(1,637)	-	(2,258)
<b>Value at 31/12/2009</b>	<b>14,060</b>	<b>5,123</b>	<b>-</b>	<b>19,183</b>
<b>WRITE-DOWNS</b>				
<b>Value at 31/12/2008</b>	<b>-</b>	<b>1,544</b>	<b>-</b>	<b>1,544</b>
Foreign exchange differences, reclassifications and other	-	(18)	-	(18)
<b>Value at 31/12/2009</b>	<b>-</b>	<b>1,525</b>	<b>-</b>	<b>1,525</b>
<b>NET BOOK VALUE</b>				
<b>Value at 31/12/2008</b>	<b>7,009</b>	<b>6,776</b>	<b>9,154</b>	<b>22,939</b>
<b>Value at 31/12/2009</b>	<b>9,178</b>	<b>5,767</b>	<b>8,690</b>	<b>23,635</b>

The intangible assets illustrated have a finite useful life and are consequently amortised over that useful life. Development costs refer to products on which economic returns are expected over an average period of 5 years. Patents, brands and other rights are depreciated in relation to their useful life which is estimated, on average to be five years.

The balance relating to write-downs due to loss of value includes € 1.010 relating to the value of the Brema brand and € 515 thousand to the agreement to limit the recruitment of employees of the subsidiary Biesse America Inc. (Glass & Stone segment) by the vendors of the related business division. The write-downs were carried out at the end of 2008. It was concluded that, following the write-down of the value of the Brema brand, at end 2009, despite the changed outlook for the business, the residual book value may be considered a reasonable approximation of the relevant fair value and consequently there was no need for a write-back to restore the value of the brand.

The increase in the item Property under construction and prepayments is largely due to the capitalisation the costs of development in progress during the year regarding products which are expected to generate an economic return in future years.

## 17. other financial assets and non-current receivables

The details of this balance sheet item are as follows:

€ '000	31 December 2009	31 December 2008
Small shareholdings in other businesses and consortia	25	25
Other receivables / Guarantee deposits - non-current portion	591	544
<b>TOTAL</b>	<b>616</b>	<b>569</b>

## 18. inventories

€ '000	31 December 2009	31 December 2008
Raw materials, accessory products and consumables	37,283	54,204
Work in progress and semi-finished goods	4,900	6,709
Finished products and goods	21,059	41,230
Prepayments	2,412	1,535
<b>INVENTORIES</b>	<b>65,654</b>	<b>103,678</b>

The balance sheet value is net of the obsolescence provision equal to € 5.372 million for raw materials and replacement parts (€3.464 million at end-2008) and € 1.852 million (€468 thousand at end-2008) for finished products. The proportion of the raw materials and replacement parts reserve on the historic cost of the related inventories is 12.6% (6.0% at end- 2008), while that for finished products is 8.1% (1.1% at end 2008).

The trend of the two obsolescence provisions, which rose significantly compared to December 2008, both in terms of their weighting on the value of inventories and in absolute value, should be analysed on the basis of two macro-phenomena: on the one hand the fact that at end 2008 there were some direct write-downs made to certain categories of goods in stock (slow moving raw materials and replacement parts, used machinery), on the basis of independent estimated valuations, which therefore resulted in an "anomalous" mathematical effect on the calculated weighting of the reserves; on the other hand it should be considered that the slowdown in production (due to demand weakness) resulted in an abnormal reduction of inventory turnover (one of the key indicators taken in calculating obsolescence) with a consequent provision made to the write-down reserve, more for commercial reasons than technical or production reasons.

The general trend of inventories revealed a notable reduction in stocks of finished goods, which fell by over € 20 million, following management's incisive action to reduce stocks and dictated by the choice to benefit from the second half recovery in sales which was positive for cash though achieved at the expense of contribution margins. The raw material component was also down significantly (by about € 17 million), attributable in this case to the reduction in production volumes and the effects of more efficient production organisation arising from Lean organisation. The new subsidiary Biesse Schweiz GmbH contributed € 397 thousand (net of obsolescence reserves) to the consolidated figure.

It should be noted that part of the inventories and trade receivables of the Canadian subsidiary was subject to credit line guarantees granted to the subsidiary, equal to Canadian Dollars 2 million (€ 1.3 million at end 2009); at 31 December 2009 these lines had not been utilized.

## 19. trade receivables from third parties

€ '000	31 December 2009	31 December 2008
Trade receivables within 12 months	<b>77,870</b>	102,096
<b>Trade receivables beyond 12 months</b>	<b>4,208</b>	4,320
Credit write-down reserve	<b>(7,183)</b>	(6,625)
<b>TRADE RECEIVABLES FROM THIRD PARTIES</b>	<b>74,895</b>	<b>99,792</b>

The management believes that the book value of trade receivables reflects their fair value.

This item includes the portion subject to deferral – of receivables arising from the sale of the factory of San Giovanni in Marignano, completed in 2006, equal to € 289 thousand at 31/12/2009 (€ 448 thousand at 31/12/2008).

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

The changes to the provision are summarised in the following table:

€ '000	31 December 2009	31 December 2008
Opening balance	<b>6,625</b>	4,308
Provisions in the period	<b>4,554</b>	3,503
Utilised	<b>(3,713)</b>	(1,077)
Write off of surplus proportion of fund	<b>(351)</b>	-
Exchange rate difference	<b>48</b>	(84)
Discounting	<b>20</b>	(25)
<b>CLOSING BALANCE</b>	<b>7,183</b>	<b>6,625</b>

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

The trade receivables recognised in the balance sheet include individually revalued credits with a net value of € 3.525 million, following write-downs of € 4.977 million (net receivables of € 8.302 million following specific write-downs of € 5.217 million, at 31 December 2008). The write-downs recognized in the Income Statement are primarily carried out indirectly through provisions made to the credit write-down reserve.

Specific write-downs are determined mainly by valuation of receivables which are the subject of specific legal disputes and are generally supported by relevant legal advice.

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

€ '000	31 December 2009	31 December 2008
Overdue by 1 to 30 days	<b>3,685</b>	5,313
Overdue by 30 to 180 days	<b>4,087</b>	10,351
<b>TOTAL</b>	<b>7,772</b>	<b>15,664</b>

The ageing of receivables that are overdue but not written down is less than 180 days; these receivables have not been written down because of the characteristics of the sales to which they relate. These relate primarily to plant or complete production lines on which there are usually payment deferrals without which there would be an effective risk of not being able to realise the credit at all.

Please refer to the previous note for details of the amount of receivables granted in guarantee of third parties and financial institutions.

## 20. other current assets

Other current assets are detailed as follows:

€ '000	31 December 2009	31 December 2008
Consumption tax receivables and other tax receivables	<b>4,255</b>	6,112
Income tax receivables	<b>3,913</b>	6,726
Other receivables from third parties	<b>1,905</b>	961
<b>Other current assets</b>	<b>10,073</b>	<b>13,799</b>
Other receivables from controlling companies	<b>574</b>	-
<b>Total</b>	<b>10,647</b>	<b>13,799</b>

Other current assets consists largely of purchase tax credits and prepayments relating to income taxes.

The balance of income tax credits at end-2008 includes € 3.086 million of Ires credits, deriving from the national tax consolidation adopted by Biesse S.p.A. and including some other Italian companies (in particular HSD S.p.a., Bre.Ma. Brenna Macchine S.r.l., MC S.r.l., ISP Systems S.r.l. and Digipac S.r.l.).

The value for 2009 reflects deposits made in 2008 and not repaid during the financial year. Finally, it also includes receivables from the US and Canadian tax authorities, relating to the respective subsidiaries (€ 649 thousand and 85 thousand respectively), as local regulations permit the recovery of taxes paid in previous years against current losses (so-called loss carry-back).

The item Other receivables from controlling companies relates to credits in favour of Biesse S.p.A. and Hsd S.p.A. payable by the controlling company Bi.Fin. S.r.l. for the requested rebate of 10% IRAP on IRES taxes relating to 2005; in that year the two companies participated in the national tax consolidation which referred to the controlling company Bi.Fin. S.r.l.

## 21. cash and cash equivalents

This includes the liquidity held by the Group and bank deposits which expire within three months. The book value of these assets reflects their fair value.

## 22. share capital / own shares

The share capital amounts to € 27.393 million and is composed of no. 27,393,042 ordinary shares each of € 1 nominal value with regular benefits.

At the date on which the present financial statements were approved, the Group held 486,359 of its own shares at an average carrying value of € 9.61 per share

As stated in note 13 above, the Shareholders' Meeting of Biesse S.p.A. on 21 January 2008 approved a share buyback programme. This programme involves the purchase of a maximum number of 2,739,304 ordinary shares of nominal value of € 1 Euro in Biesse corresponding to 10% of the share capital, which may be acquired on regulated markets for a period of up to 18 months beginning 22 January 2008.

The change in macro-economic conditions affecting the company meant that the buyback plan had not completely used the full authorised percentage at the time of expiry (21 July 2009), as Management preferred to preserve the company's liquidity for the management and maintenance of the normal activities relating to its strategic industrial projects.

The proximity of a recovery from the economic-financial crisis resulted in approval of a new share buyback programme by the shareholders meeting of 12 November 2009. This programme permits the acquisition of a maximum number of 2,253,045 ordinary Biesse shares, each of Euro1 nominal value, corresponding to 10% of the share capital, to be acquired on the Regulated Market for a period of up to 18 months from the date of the aforementioned shareholders' meeting.

The mandate granted by the shareholders' meeting states that purchases may be made at a price that is no greater than 10% above and no lower than 20% below the average weighted official share price reported by Borsa Italiana S.p.A. in the 3 days preceding each individual purchase transaction, in accordance with the limits established by regulations in force.

The main reason for the buyback programme is to give the company the opportunity to intervene on the market, in accordance with the regulations in force, to help guarantee liquidity for Biesse's shares, particularly during periods of high volatility. The Group also believes that it is appropriate to invest part of its reserves in its own shares when market value significantly fails to reflect the fair value of the shares.

It should also be noted that on the basis of the agreement signed regarding the purchase of the outstanding share capital of MC s.r.l., in May 2009, no. 225,000 Biesse shares were exchanged with the seller as consideration for the purchase. This sale led to an increase in net equity of € 2.163 million and a corresponding decrease in net equity of € 1.081 million (given the difference between the book value of the shares sold and their fair value at the date of the transaction). The following table shows a summary of the shares held in treasury at 31/12/2009.

	2009	2008
No. of shares	486,359	711,359
Value (Euro)	4,675,804	6,838,931
Percentage on Share Capital	1.78%	2.60%

## 23. capital reserves

The balance sheet value of € 36.202 million (unchanged compared with 2008) relates to the share premium reserve.

## 24. hedging and translation reserves

The balance sheet value is made up as follows:

€ '000	31 December 2009	31 December 2008
Reserve for conversion of foreign currency accounts	(2,273)	(2,969)
Reserve for profits (losses) on foreign exchange cash flow hedging derivatives	(8)	85
<b>TOTAL</b>	<b>(2,280)</b>	<b>(2,885)</b>

The foreign currency translation reserves in the balance sheet, negative for € 2.138 million, incorporate the differences arising from translation of the financial statements denominated in foreign currencies of countries that do not belong to the Euro zone (United States, Canada, Singapore, United Kingdom, Sweden, Switzerland, Australia, New Zealand, India and China) and increase by € 831 thousand during the year.

## 25. retained earnings and minority interests

### Retained earnings

The balance sheet value is made up as follows:

€ '000	31 December 2009	31 December 2008
Legal reserve	5,479	5,479
Extraordinary reserve	68,734	51,129
Reserve for own shares held	4,676	6,839
Retained earnings	17,502	14,902
<b>Other reserves</b>	<b>96,391</b>	<b>78,349</b>

As shown in the statement of changes in net equity, the item Other reserves (particularly retained earnings) has changed to reflect the allocation of 2008 profits (€ 19.853 million) as well as the adjustments relating to changes in treasury shares. These led to an increase in net equity of € 2.163 million, deriving from the sale of no. 225,000 Biesse shares to the minority shareholder MC S.r.l. (see notes 7 and 15). Since the fair value of these shares at the time of sale was lower than their book value the transaction led to a capital reduction of € 1.081 million.

In addition to these changes, other changes relating to the purchase of the MC S.r.l. and Digipac S.r.l. minorities should be noted (€ 810 thousand and € 83 thousand respectively; for more information please refer to note no. 39).

### Minority interests

It should be noted that the changes in the net equity of minorities includes the reduction in equity relating to the transfer of the minority shareholdings in MC S.r.l. and Digipac S.r.l. (about € 274 thousand) as well as an increase of € 200 thousand arising from the minority stake relating to the recapitalisation of the subsidiary Bre.Ma. Brenna Macchine S.r.l.

## 26. dividends

Given that the company reported a loss for the financial year 2009, the Board of Directors agreed to propose to shareholders that no dividend should be distributed for the 2009 financial year.

## 27. overdrafts and bank loans

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

€ '000	31 December 2009	31 December 2008
Bank overdrafts and financing	4,129	36,951
Mortgages without guarantees	38,859	82
<b>Current liabilities</b>	<b>42,988</b>	<b>37,033</b>
Financing	1,342	1,331
Mortgages without guarantees	12,007	442
<b>Non-current liabilities</b>	<b>13,349</b>	<b>1,772</b>
<b>TOTAL</b>	<b>56,338</b>	<b>38,806</b>



These liabilities are payable as follows:

€ '000	31 December 2009	31 December 2008
Immediately or within one year	42,988	37,033
Within two years	7,763	84
Within three years	4,031	419
Within four years	90	754
Within five years	92	423
Beyond five years	1,374	93
	56,338	38,806

#### ANALYSIS OF BANK DEBT BY CURRENCY

€ '000	31 December 2009	31 December 2008
Euro	53,174	34,514
Sterling	-	2,392
Indian Rupee	1,947	1,481
New Zealand Dollar	-	413
US Dollar	3	5
Swiss Franc	1,213	-
	56,338	38,806

The average interest rates on loans is as follows:

€ '000	31 December 2009	31 December 2008
Bank overdrafts and other short term loanstermine	2.6%	4.9%
Mortgages	2.8%	2.4%

At 31 December 2009, the value of unutilised credit lines was about € 80 million

Group bank debt rose by € 17.532 million compared with the situation at 31 December 2008. The current proportion of debt is composed of overdrafts and current account advances, while the non-current proportion is composed of committed medium term credit lines (18-36 months) without financial-capital covenants and with no claims on the Group's substantial property assets.

Please refer to the Directors' Report for more detail regarding the trend in the net financial position and the analysis of the cash flow statement.

## 28. net financial position

€ '000	31 December 2009	31 December 2008
Financial assets:	31,148	22,173
Liquidity	31,148	22,173
Short term finance lease liabilities	(2,290)	(2,602)
Short term bank and other financial liabilities	(42,988)	(37,033)
<b>Short Term Net Financial Position</b>	<b>(14,130)</b>	<b>(17,462)</b>
M/L term finance lease liabilities	(5,225)	(7,426)
M/L term bank debt	(13,349)	(1,772)
<b>Medium/Long Term Net Financial Position</b>	<b>(18,575)</b>	<b>(9,199)</b>
<b>Net Financial Position</b>	<b>(32,704)</b>	<b>(26,661)</b>

The trend of the financial position was significantly reversed in the second half of 2009, recovering by more than € 23 million compared with the situation at 30 June 2009 largely due to the substantial improvement in working capital (above all in inventories) which more than offset the negative trend in profitability; the debt position was also contained by the restriction of capital expenditure to process-product innovation.

## 29. finance lease liabilities

	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	Minimum payments due for leasing		Present value of minimum payments due for leasing	
exercisable within a year	2,465	2,996	2,290	2,602
exercisable after one year but within five years	3,899	6,023	3,265	5,181
exercisable beyond the fifth year	2,291	2,694	1,960	2,245
	8,655	11,713	7,515	10,028
Charges deducted for future financial expenses	(1,140)	(1,685)	-	-
	7,515	10,028	7,515	10,028
Deducted: debt expiring within one year			(2,290)	(2,602)
Amount of debt over 12 months			5,225	7,426

Finance lease liabilities mainly relate to buildings (and related plant and equipment) the current minimum payment value of which due at 31/12/2009 was € 7.515 million (€ 2.290 million of which was due within 12 months). The balance sheet figure relates mainly to two contracts relating to the acquisition of buildings: the first of ten years duration, signed by Biesse S.p.A., with a residual liability of € 3.868 million, expiring in June 2012 and an average effective rate of 4.4%; the second with original duration of 12 years, signed by MC S.r.l. (now incorporated in Hsd Spa) which has a residual liability of € 3.241 million, expiring in December 2019 and an average effective rate of 5.7%. In addition to this are contracts, of minor individual value, relating to the purchase of machine tools for internal use by Biesse S.p.A. and MC S.r.l., with an average duration of five years and an average effective rate of 3%.

The rates of interest are set at the date the contracts are signed and are subject to fluctuation as they are tied to the trend of the cost of money. All existing leasing contracts are repayable through a constant rate plan and contractually no changes are expected to the original plan.

All contracts are denominated in Euro.  
Finance lease liabilities are guaranteed to the issuer through rights on the goods leased.

## 30. retirement benefit obligation

### Defined contribution plans

As a result of the Social security reform the proportion maturing from 1 January 2007, at the discretion of employees, will be assigned to pension funds or transferred by the company to the public treasury fund managed by INPS and will, once the employees choice has been formalized, be categorized as a defined contribution scheme (and therefore no longer subject to actuarial valuation).

Because of the above mentioned circumstances the total expenses provided for at year end amount to € 4.571 million.

### Defined benefit plans

The Biesse Group made provision in its accounts to the value of € 11.857, this being the present value of retirement benefit liabilities, due at the year end to employees of the Italian companies of the Group and composed of provisions to the employment termination benefit fund (TFR).

€ '000	31 December 2009	31 December 2008
Costs relating to current labour provided	57	357
Financial expenses	422	602
	479	959

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

€ '000	31 December 2009	31 December 2008
Opening liabilities	12,718	13,331
Current services	57	357
Financial expenses	422	602
Benefits paid out	(1,340)	(1,572)
Closing Liabilities	11,857	12,718

Assumptions made in the calculation:

€ '000	31 December 2009	31 December 2008
Discount rate used to determine the obligation	4.5%	4.69%
Expected rate of wage inflation	2.5% - 3.00%	3.0%
Inflation rate	1.50%	1.5%

### Average number of employees

The average number of employees in the 2009 financial year was (including temporary staff) was 2,341 (2,491 in 2008), detailed as follows:

	31 December 2009	31 December 2008
Manual workers	783	925
Office staff	1,516	1,527
Managers	42	40
<b>TOTAL</b>	<b>2,341</b>	<b>2,491</b>

## 31. deferred tax assets and liabilities

€ '000	31 December 2009	31 December 2008
Deferred tax assets	18,233	9,546
Deferred tax liabilities	(2,429)	(2,987)
<b>Net position</b>	<b>15,805</b>	<b>6,559</b>

The increase in deferred tax assets, as analysed in the following table, is due to:

- € 7.725 million relating to the recognition of prepaid taxes against tax losses reported for the year;
- € 962 thousand relating to the recognition of prepaid taxes on timing differences net of any effect arising from the recognition/cancellation of deferred tax assets relating to previous years.

Total prepaid tax assets, net of deferred tax liabilities, broken down by individual type, are analysed as follows:

€ '000	31 December 2009	31 December 2008
Provisions to risk and write-down reserves	6,322	3,555
Infragroup profits included in the value of inventories at year end	1,246	2,647
Recoverable tax losses	8,204	479
Other	2,460	2,864
<b>Deferred tax assets</b>	<b>18,233</b>	<b>9,546</b>
Amortisation	938	885
Capitalised costs	366	854
Goods under finance lease	55	40
Other	1,070	1,208
<b>Deferred tax liabilities</b>	<b>2,429</b>	<b>2,987</b>
<b>Net position</b>	<b>15,805</b>	<b>6,559</b>

Provisions for prepaid tax assets have been made for each company in the Group following a critical analysis of the existence of pre-conditions relating to the future recoverability of these assets based on the three year industrial plan supported by related tax plans.

At the balance sheet date the Group had unutilised prior year tax losses of about € 11 million (€ 10 million at the end of the previous year). These losses relate to subsidiaries and there are no reasonable grounds to

expect a recovery of these amounts in the short term.

In addition to the deferred taxes recognised in the income statement for the year, deferred tax liabilities of € 3 thousand were imputed directly to net equity (at the end of the previous year no deferred taxes were directly imputed to net equity).

## 32. reserves for risks and charges

€ '000	Guarantees	Retirement of agents	Other	Total
<b>Value at 31/12/2008</b>	<b>4,424</b>	<b>571</b>	<b>1,924</b>	<b>6,919</b>
Provisions	253	1	5,541	5,795
Write off of surplus proportion of fund	(2,042)	-	(407)	(2,449)
Utilised	-	-	(163)	(163)
Exchange rate and other differences	27	8	(70)	(35)
<b>Value at 31/12/2009</b>	<b>2,662</b>	<b>580</b>	<b>6,825</b>	<b>10,067</b>

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

The agent retirement reserve refers to the liabilities connected to existing agency agreements.

The item "Other provisions" is composed of the following:

€ '000	Restructuring	Legal disputes	Tax disputes	Total
<b>Value at 31/12/2008</b>	<b>-</b>	<b>1,342</b>	<b>582</b>	<b>1,924</b>
Provisions	3,062	2,311	168	5,541
Write off of surplus proportion of fund	-	(407)	-	(407)
Utilised	-	(110)	(53)	(163)
Exchange rate and other differences	-	(65)	(5)	(70)
<b>Value at 31/12/2009</b>	<b>3,062</b>	<b>3,071</b>	<b>692</b>	<b>6,825</b>

These funds are subdivided between:

	31 December 2009	31 December 2008
Current liabilities	9,162	5,711
Non current liabilities	905	1,208
	<b>10,067</b>	<b>6,919</b>

The mostlv significant change relates to the Other category and, particularly, to provisions for company restructuring and legal disputes.

It should be noted that the former includes a reserve totalling € 3.062 million which was set up for company restructuring and which relates to extraordinary reorganisation costs regarding personnel and the relocation of peripheral production areas as approved by the Board of Directors on 10 December 2009.

In the second case, there was a provision to the general reserve for risks and charges of € 0.8 million relating to a potential dispute in Italy with the state social security authority regarding the treatment of the temporary lay off scheme Cigo in 2009. The remainder of the item refers to supplier and client expenses that could be incurred.

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

The provision for legal disputes relates to the amount relative to taxes and sanctions deriving from disputes – for which there is a probable risk of loss, with the Regional Revenue Authority of Ancona and refers to the audit carried out on the income of the parent company in 2002 and 2003 and with the Revenue Corps, relating to the audit carried out on the returns the years 2000 and 2001 made by InterMac which was incorporated into Biesse in 2002.

In particular, in relation to Preliminary Tax Audit (PVC) of the Regional Revenue Authority of Ancona of 21/10/2005, with respect to the parent company Biesse S.p.A. relating to the years 2002-2003, the provisions are valued, in accordance with the principle of prudence, at € 366 thousand.

With regard to the assessments made as a consequence of this Preliminary Tax Audit PVC please note:

- The investigation notice into the 2002 tax return issued by the Regional Revenue Authority of Ancona was promptly challenged. The Provincial Tax Authority has partially accepted the appeal rejecting the challenge in relation to Dual Income Tax (Dit) and accepting all of the disputes relating to other reports. Given this adverse decision, on the only point rejected by the Provincial Tax Authority in relation to Dit, an immediate appeal was proposed to the Regional Tax Authority and a decision is still awaited.
- With regard to the 2003 tax year, the Parent company promptly lodged an appeal which, at the end of the assessment procedure, was rejected. During the procedure the Tax Collection Authority however rejected the credits resulting from transactions with counterparties in Black list countries and, following appeal by the company, also rejected the IVA credits relating to *reverse charges*, even though in reference to just one tax. The 2008 risk provision regarding this latter credit was consequently adjusted in the present financial statements. This assessment incorporated the effects, relating to the 2009 tax year, of the assessment originally carried out on INTERMAC regarding the possible tax avoidance relating to a corporate restructuring operation.

In 2009 the Parent company was also notified that an assessment is to be carried out for the tax year 2004, still in relation to the aforementioned INTERMAC investigation, which was promptly appealed and for which appropriate provisions were made in the Risk reserves.

Due to the latest tax disputes relating to non-recognition of IVA credits and tax avoidance initiated against INTERMAC, it should be noted that the appeal court accepted the Parent company's comments regarding recognition of IVA credits, which was instead contested by the Tax Collection authority which has now stated its intention to appeal to the court of Cassation. Having been granted a favourable result with regard to these reports, no provision was made to the Risk reserve.

The appeal relating to the alleged avoidance was instead rejected. Given this adverse result, which is considered to be unjust, an appeal to the Court of Cassation is being prepared. Provisions for taxes and sanctions have been made to the Risk Reserves in relation to this negative outcome.

## 33. trade payables

The details of trade payables are as follows:

€ '000	31 December 2009	31 December 2008
Trade payables to suppliers	<b>50,197</b>	84,159
Deposits/prepayments for installation and testing costs	<b>10,669</b>	14,256
<b>TOTAL</b>	<b>60,866</b>	<b>98,416</b>

Trade payables to third parties refer primarily to payables to suppliers for the provision of materials delivered in the closing months of the year.

It should be noted that trade payables are payable within the subsequent period and it is believed that their book



value at the balance sheet date is equal to their fair value.

As with other constituent items of working capital (inventories and trade receivables) trade payables were also impacted by the decline in sales volumes in 2009. In particular, the decision to favour cash generation by de-stocking obviously had an adverse impact on production (and therefore on the supply of materials). In addition, the figure for trade payables to clients (for deposits received and/or installations invoiced but not yet completed) was impacted by the decline in orders between December 2008 and December 2009 (even though the last quarter of 2009 experienced a partial recovery).

With regard to prepayments received from clients it should be noted that in relation to specific cases the Group has released guarantees in favour of certain clients, the duration of which is directly related to the period between receipt of the advance payment and the delivery of the machinery. For further detail please refer to note 36.

### 34. other current liabilities

The details of other current liabilities is as follows:

€ '000	31 December 2009		31 December 2008	
	Asset	Liability	Asset	Liability
Tax liabilities		6,796		8,135
Social security liabilities		5,731		6,293
Other payables to employees		8,128		9,651
Other current liabilities		1,264		2,366
<b>TOTAL</b>		<b>21,919</b>		<b>26,445</b>

### 35. financial instruments – derivatives

€ '000	31 December 2009		31 December 2008	
	Asset	Liability	Asset	Liability
Foreign exchange derivatives	-	(799)	565	(18)
<b>TOTAL</b>	<b>-</b>	<b>(799)</b>	<b>565</b>	<b>(18)</b>

#### Exchange rate derivatives

Beginning from the 2008 financial year a portion of the derivative instruments on foreign currencies relates to orders for sales and therefore qualify as hedging instruments. The value of open contracts at the year end was € 452 thousand and is split between hedging contracts of € 153 thousand and non-hedging contracts of € 299 thousand. The valuation of hedging contracts is accounted in accordance with the hedge accounting methodology, while the non-hedging contracts are accounted as foreign exchange expenses (please refer to note 3 for more detail). With regard to the *Cross Currency Swap* taken out by Biesse Manufacturing Co. Pvt. Ltd., against an intercompany debt agreement with the Parent company of 167,500,000 rupees (guaranteeing an exchange rate of 67 rupee/euro and an interest rate fixed at 11.5%), which expires on 30 June 2012, the valuation expense was included in other financial costs.

At the balance sheet date the notional amount of fixed term foreign exchange contracts entered into by the Group can be summarized as follows:

€ '000	31/12/2009	31/12/2008
Australian Dollar	9,233	-
US Dollar	6,740	16,250
Indian Rupee	2,500	-
Sterling	1,914	1,837
New Zealand Dollar	1,843	-
Swiss Franc	829	-
Canadian Dollar	701	1,177
<b>TOTAL</b>	<b>23,760</b>	<b>19,264</b>

### 36. commitments, contingent liabilities, guarantees and risk management

#### Commitments

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

It should also be noted that on the 25 July 2008 Biesse SpA signed an exclusive option for the purchase by September 2009 of 60% of B.H.T. s.r.l., a company involved in the design, construction and management of plant for the processing of safety glass (tempering furnaces). The change in the economic scenario and the consequent need to review the clauses of the underlying option contract led to the company's decision not to exercise the option on the original terms.

Finally, repurchase commitments were signed for € 447,000, in favour of leasing companies, in the event of non-fulfilment by clients of the Group.

As at 31/12/2009 there are no relevant commitments on purchase of assets.

#### Contingent liabilities

The Parent Company and some subsidiaries are parties to various legal actions and disputes. It is considered however, that resolution of these disputes should not generate liabilities additional to those already provided for in the relevant Risk reserves. Please refer to note 32 for details of potential liabilities relating to tax risks.

#### Guarantees issued and received

The Group has issued guarantees totalling € 6.585 million. The most significant constituents relate to the guarantees issued to cover a partly subsidised line of financing, through the Cassa Deposito Prestiti (a publicly controlled financial institution) and partly through bank financing, both obtained through the CO-ENV

consortium (€ 2.365 million), the guarantees issued to clients regarding their normal operating activities (about € 1.6 million), the guarantee, accompanied by liens on inventories and trade receivables, issued to financial institutions regarding lines of credit agreed with the Canadian subsidiary (€ 1.2 million) and the guarantee issued to the Pesaro Regional Authority regarding urbanization charges for buildings located in this province (€ 1.030 million).

As for guarantees received, it should be noted that the sale contract for the property in San Giovanni in Marignano, signed in December 2006, provides for a conditional sales clause pursuant to article 1523 et sequitur of the Civil Code, assuring the parent company the right to re-acquire a portion of the building used as office space in the event of the failure of the counterparty to pay the agreed price. At the balance sheet date the uncollected amount relating to the sale is equal to € 289 thousand.

## Risk management

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

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

### Exchange rate risk

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

Exchange rate risk is expressed mainly in the following currencies:

€ '000	Financial assets		Financial liabilities	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
US dollar	12,488	16,322	274	832
Australian dollar	9,836	1,380	84	4,536
Other currencies	7,107	3,987	6,313	5,386
<b>TOTAL</b>	<b>29,431</b>	<b>21,689</b>	<b>6,671</b>	<b>10,754</b>

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

€ '000	IMPACT ON INCOME STATEMENT	
	If exchange rate > 15%	If exchange rate < 15%
US dollar	(1,593)	1,832
Australian dollar	(1,272)	1,463
Other currencies	(274)	315
<b>TOTAL</b>	<b>(3,139)</b>	<b>3,610</b>

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

OUTRIGHT CONTRACTS IN FORCE AT 31/12/2009			
	Nominal value	Average forward rate	Maximum duration
US dollar	9,710	1.4602	April 2010
Australian dollar	14,780	1.6595	May 2010
Sterling	1,700	0.9107	June 2010
Other currencies	5,940	-	-

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

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

€ '000	IMPACT ON INCOME STATEMENT	
	If exchange rate > 15%	If exchange rate < 15%
US dollar	789	(1,102)
Australian dollar	878	(1,712)
Other currencies	232	(550)
<b>TOTAL</b>	<b>1,899</b>	<b>(3,364)</b>

### Interest rate risk

The Group is exposed to fluctuations in interest rates with reference to financial expenses relating to bank debt and to leasing companies for the acquisition of assets made via finance leasing contracts. Interest rate risks derive primarily from short term bank lending given the continuing recourse to immediate financing. Given the current trend in interest rates, the company's has decided not to carry out further hedging of its own debt due both to expectations that the trend of interest rates is tending towards substantial stability, and expectations of a structural reduction in debt payable to financial institutions. The sensitivity analysis to evaluate the potential impact of a hypothetical immediate and unfavourable change of 10% in the level of short term interest rates on financial instruments (typically liquidity and part of financial liabilities) reveals no significant impact on the results or on net equity of the Group.

### Credit risk

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

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

#### Liquidity risk

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

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

31/12/2009						
€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Over 5 years	Total
Trade and other payables	16,175	45,799	2,200	-	-	<b>64,174</b>
Financial leasing liabilities	72	1,306	1,240	3,898	2,291	<b>8,807</b>
Overdrafts and bank loans	7,324	9,636	26,759	12,283	1,376	<b>57,378</b>
<b>TOTAL</b>	<b>23,571</b>	<b>56,740</b>	<b>30,199</b>	<b>16,181</b>	<b>3,667</b>	<b>130,359</b>

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

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

The amount of trade receivables and the conditions attached to them combine to provide a balance of working capital and, in particular, coverage of payables to suppliers.

The Group has available credit lines for cash recall (short term financing) equal to a total of € 83 million – of which € 3 million has been utilised – provided by leading Italian credit institutions

#### Classification of financial instruments

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

€ '000	31 December 2009	31 December 2008
<b>FINANCIAL ASSETS</b>		
Valued at fair value with matching entry in income statement:		
<i>Derivative instrument financial assets</i>	-	565
Financing and receivables valued at amortised cost:		
<i>Trade receivables</i>	<b>74,895</b>	99,804
Other assets	<b>2,571</b>	835
- other financial assets and non-current receivables	<b>591</b>	544
- other current assets	<b>1,979</b>	290
<i>Cash and cash equivalents</i>	<b>31,148</b>	22,173
<b>FINANCIAL LIABILITIES</b>		
Valued at fair value with matching entry in income statement:		
<i>Derivative instrument financial liabilities</i>	<b>799</b>	18
Valued at amortised cost:		
<i>Trade payables</i>	<b>50,308</b>	84,355
Bank debt, finance lease and other financial liabilities	<b>63,853</b>	48,834
<b>Other current liabilities</b>	<b>13,867</b>	<b>15,944</b>

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

### 37. operating lease contracts

#### Contracts involving the Group as lessee

€ '000	31 December 2009	31 December 2008
Rent paid during the year	<b>6,599</b>	6,706
<b>TOTAL</b>	<b>6,599</b>	<b>6,706</b>

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

€ '000	31 December 2009	31 December 2008
Within one year	<b>4,021</b>	4,629
Between one and five years	<b>4,283</b>	4,582
Beyond five years	<b>225</b>	41
<b>TOTAL</b>	<b>8,529</b>	<b>9,253</b>

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



### Contracts involving the Group as lessor

€ '000	31 December 2009	31 December 2008
Rent received during the year	40	21
<b>TOTAL</b>	<b>40</b>	<b>21</b>

### 38. operations that have not involved changes in cash flow

In 2009 there were no transactions that did not involve changes in cash flow, with the exception of the purchase in the residual stake in the share capital of MC S.r.l. (see following note).

### 39. acquisition of subsidiary companies

The only operations involving the corporate perimeter during the year were the acquisitions in May of minority shareholdings in MC S.r.l. and Digipac S.r.l. (49% and 45% respectively) by Biesse S.p.A.

In the former case the acquisition was completed by the exchange of no. 225,000 Biesse S.p.A. shares which the company already held in treasury (and therefore with no impact on the financial position for the period). The aim of this transaction was to integrate MC more closely within the Group, with the specific purpose of realising strong potential synergies with HSD SpA, particularly commercial-distribution synergies, with the ultimate aim of increasing revenues from outside the Group following the recent success of HSD's management in increasing component sales to third parties. The share exchange agreement also includes a non-competition clause binding the vendor for the entire period of his association with Biesse S.p.A. and its subsidiaries until the fifth year after any termination of this association. The estimated value of this non-competition agreement was included in the price paid by the exchange of shares.

The shares offered in exchange to the vendors had a book value of € 2.163 million (average carrying price € 9.61); at the time of the transaction their fair value was € 1,082,250 (price € 4.81), resulting in a loss of € 1,080,876. Both the increase in capital, deriving from the exchange of treasury shares, and the decrease resulting from the difference between the average carrying price and the price at the date of the transaction were recognised directly in net equity.

Since the Group already had control of the company acquired, the difference between purchase price (calculated to be € 1.166 million) and acquired net equity (€ 357 thousand), equal to € 810 thousand was offset against the undivided profit of the Group.

The same accounting treatment was applied with regard to the acquisition of the minority shareholding in Digipac S.r.l. The acquisition in this case was the direct consequence of the Parent company's decision to cancel the loss for 2008 and to restore its share capital both in regard to its own shareholding and with regard to minority shareholders as the latter had relinquished the option rights available to them. This transaction had no financial implications as both the cancellation of the loss and the restoration of share capital was achieved through compensation of trade and financial payables that existed between the two companies.

As it already had control of the company the transaction simply involved the recognition in Group reserves of the losses relating to previous years attributable to the selling shareholders (€ 83 thousand).

### 40. atypical and unusual transactions

No operations of this nature were reported in 2009.

### 41. post balance sheet events

Please refer to the note in the Directors report for details of events subsequent to the date of the balance sheet.

### 42. related party transactions

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

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

€ '000	Costs 2009	Costs 2008	Revenues 2009	Revenues 2008
<b>Controlling company</b>				
Bifin SRL	-	40	10	10
<b>Other related companies</b>				
Fincofi S.r.l.	10	10	1	1
Edilriviera Srl	-	5	-	-
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1,594	1,306	-	-
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	70	71	-	-
<b>Other related parties</b>				
Other related parties	-	286	-	-
<b>Total related party transactions</b>	<b>1,674</b>	<b>1,718</b>	<b>11</b>	<b>11</b>

€ '000	Receivables 2009	Receivables 2008	Payables 2009	Payables 2008
<b>Controlling company</b>				
Bifin SRL	574	12	-	-
<b>Other related companies</b>				
Edilriviera Srl	-	-	-	83
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	-	1	39	35
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	70	71
<b>Other related parties</b>				
Other related parties	-	-	-	7
<b>Total related party transactions</b>	<b>574</b>	<b>13</b>	<b>109</b>	<b>195</b>

The contractual terms agreed with the aforementioned related parties are in line with those theoretically obtainable in negotiations with third parties.

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

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

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

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

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

POSITION			REMUNERATION			
€ 000			Salary	Non monetary benefits	Bonuses and other incentives	Other remuneration
Name	Position	Duration of mandate				
Selci Roberto	Chairman	29/04/2012	553	3		
Selci Giancarlo	Managing Director	29/04/2012	375			
Giovanni Barra	Managing Director	29/04/2012	7	6		154
Parpajola Alessandra	Director	29/04/2012	162	3		
Sibani Leone	Board member*	29/04/2012	30			6
Garattoni Giampaolo	Board member*	29/04/2012	21			3
Giordano Salvatore	Board member*	29/04/2012	20			3
Porcellini Stefano	Board member**	29/04/2012	60	10	8	154
<b>TOTAL</b>			<b>1,228</b>	<b>22</b>	<b>8</b>	<b>320</b>
Ciurlo Giovanni	Statutory auditor	29/04/2012	33			
Franzoni Adriano	Statutory auditor	29/04/2012	19			
Sanchioni Claudio	Statutory auditor	29/04/2012	18			
<b>TOTAL</b>			<b>70</b>			

\* Independent Directors

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

Pesaro, 16/03/2010

Chairman of the Board of Directors  
**Roberto Selci**

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

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

- the pertinence in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the 2009 financial year.

2. The administrative and accounting procedures for the formation of the consolidated financial statements to 31 December 2008 were defined and the evaluation of their appropriateness was conducted on the basis of rules and methodologies defined by Biesse consistent with the model of Internal Control – Integrated Framework issue by the Committee of Sponsoring Organizations of the Treadway Commission which represents a reference framework for internationally accepted internal control systems.

3. In addition they testify that the financial statements to 31 December 2009:

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

Pesaro 16 March 2010

Chairman and Managing Director  
**Roberto Selci**

Chief Financial Officer  
**Stefano Porcellini**



**AUDITORS' REPORT  
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998  
(NOW ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2009)**

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

1. We have audited the consolidated financial statements of BIESSE S.p.A. and subsidiaries (the "BIESSE Group") which comprise the statement of financial position as of December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
  2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- The audit of the consolidated financial statements as of December 31, 2009 has been performed in accordance with the legal requirements in force during that period.
- For the opinion on the 2009 year's consolidated financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to our audit report issued on April 8, 2010.
3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the BIESSE Group as of December 31, 2009, and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

*Deloitte & Touche S.p.A.*  
 Via Cavour, 15  
 00194 Roma, Italy  
 Tel. +39 06 8379 1  
 Fax +39 06 8379 2000  
 www.deloitte.it

4. As described in the review of operations to which reference should be made, the financial statements as of December 31, 2009 of the BIESSE Group, which were heavily affected by the international economic crisis, highlight a 10% decrease in sales with respect to previous year data and a net loss of over Euro 23 million. In light of this situation, the Group has taken a number of measures with a view to reducing costs and containing working capital. The Directors, although stressing that it is hard to make reliable forecasts in the current market environment, intend to continue adopting measures aimed at reducing costs, savings, etc. access to the Italian State Assisted Lay-off Scheme and business sales, etc. In our opinion, we consider the company forecasted a substantial weakening in operating profitability in the end of fiscal year 2010 as forecasted in the Business Plan approved on February 22, 2010.
5. The Directors of BIESSE S.p.A. are responsible for the preparation of the results of operations and the annual report on corporate governance issued in the Investor Relations section of the website of BIESSE S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and corporate governance reported in compliance with art. 123-bis of Italian Legislative Decree n. 38/2005, paragraph 1, letters c), d), f), g), h), i), m) and paragraph 2, letter b) of the annual report on corporate governance with the consolidated financial statements, as required by law. For this purpose, we have performed the proceedings required under Auditing Standard 1001 issued by the Italian Accounting Profession (IASB/ICAEW) and recommended by CONSOB. In our opinion, the review of operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 38/2005 (paragraph 1, letters c), d), f), h), i), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the BIESSE Group as of December 31, 2009.

**DELOITTE & TOUCHE S.p.A.**

Stefano  
 Caporaso, Umberto  
 D'Amico

Roma, Italy  
 April 12, 2010

*This report has been translated into the English language solely for the convenience of interested parties.*





**Biesse S.p.A.**  
Via della Meccanica, 16  
61122 Pesaro (PU) - Italy  
tel. +39 0721 439100  
fax +39 0721 439150  
[biesse.sales@biesse.com](mailto:biesse.sales@biesse.com)  
[www.biessegroup.com](http://www.biessegroup.com)



**Biesse S.p.A.**

Via della Meccanica, 16  
61122 Pesaro (PU) - Italy

tel. +39 0721 439100

fax +39 0721 439150

[biesse.sales@biesse.com](mailto:biesse.sales@biesse.com)

[www.biessegroup.com](http://www.biessegroup.com)