

HALF YEAR REPORT

at 30th June 2004





BIESSE SpA

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

Share Capital Euro 27,393,042
Pesaro Company Register n. 1682



THE BIESSE GROUP

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COMPANY OFFICERS OF THE PARENT COMPANY

Board of Directors

The Board of Directors currently serving is composed of

Roberto Selci	Chairman and Chief Executive Officer
Giancarlo Selci	Chief Executive Officer
Innocenzo Cippolletta	Director (*)
Leone Sibani	Director (*)
Giampaolo Garattoni	Director (*)

(*) Independent directors, as required by the Code of conduct

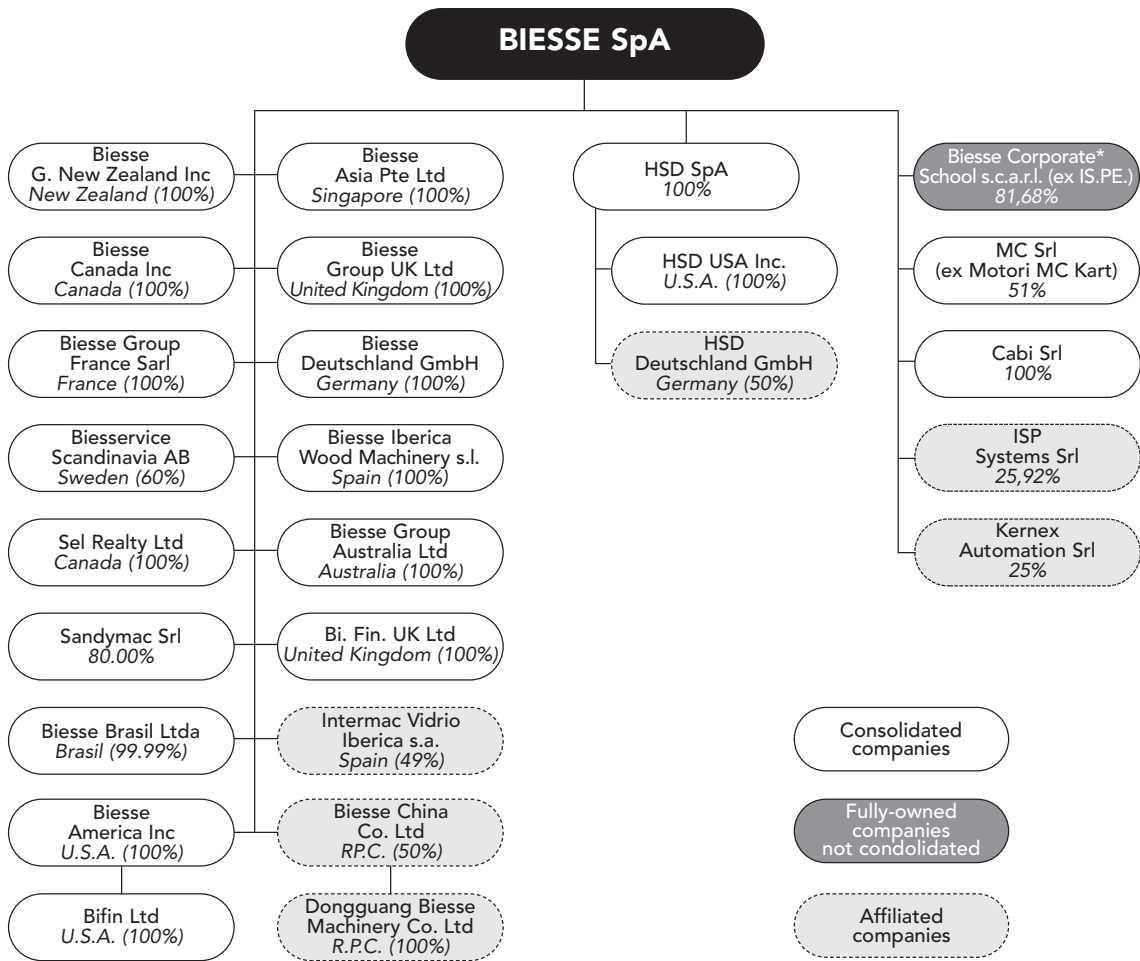
Board of Statutory Auditors

The Board of Statutory Auditors currently serving is composed of

Giovanni Ciurlo	Chairman
Adriano Franzoni	Statutory Auditor
Claudio Sanchioni	Statutory Auditor

GROUP COMPANIES

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



* the shareholding of 81.68% is directly held by Biesse SpA for 66.67% and indirectly through HSD SpA for 15.01%

The consolidation area has changed with respect to the 2003 financial year due to the exit of the Schelling Group, sold in December 2003 and no longer forming a part of the Biesse Group. Furthermore, the subsidiary companies Sandymac Srl (80% owned) and Cabi Srl (100% owned) have been included, and which were previously valued using the shareholders' equity method. The first company was founded in September 2002 and operates in the design and production of wood sanding machines which are distributed through the Biesse network; the second company, originally 49% owned, was taken over completely in July 2003 and produces electronic, pneumatic and hydraulic components, i.e components mounted in machines produced by the Biesse Group.

The holdings in the associated companies Intermac Vidrio Iberica S.A., Biesse China Co. Ltd., ISP Systems Srl, HSD Deutschland GmbH and Kernex Automation Srl have been valued using the stockholders' equity method. The holdings in the subsidiary Biesse Corporate School s.c.a.r.l. have also been valued using the shareholder's equity method and not the fully consolidated method, due to its moderate size.

As the consolidation perimeter has changed significantly with respect to the corresponding period in 2003, the pro-forma economic schedules will also be provided in order to compare data of the two financial years using "the same perimeter", thus excluding the companies of the Schelling Group from the 2003 financial year and the subsidiaries Cabi Srl and Sandymac Srl from the 2004 financial year.

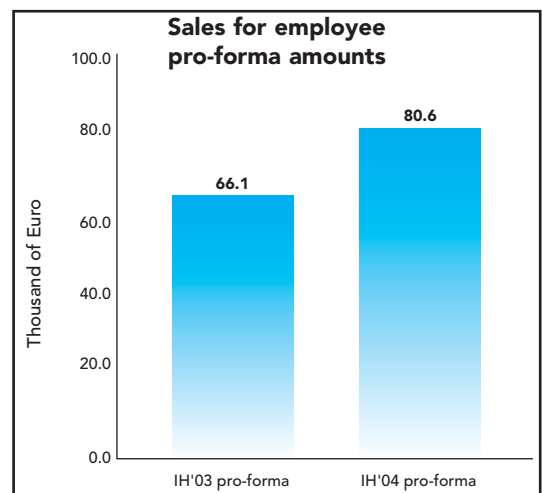
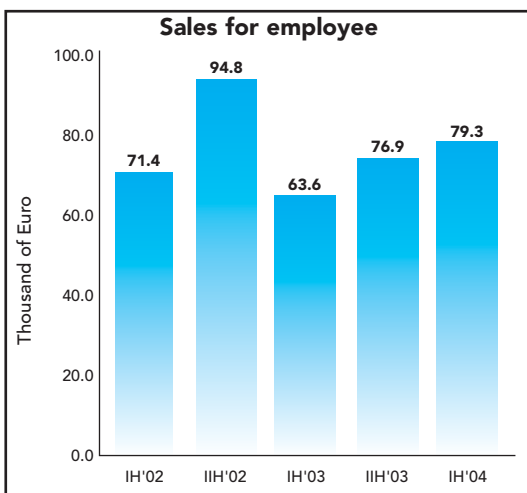
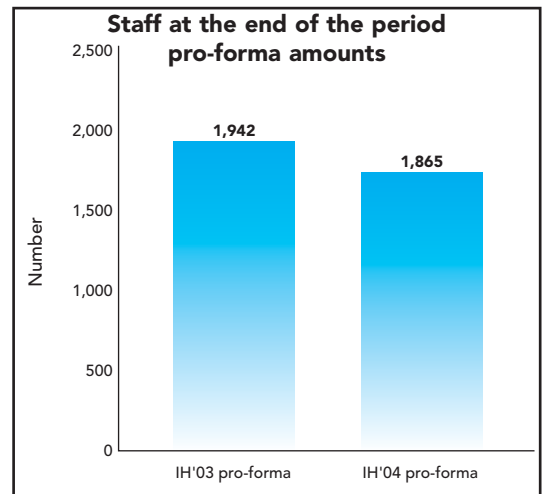
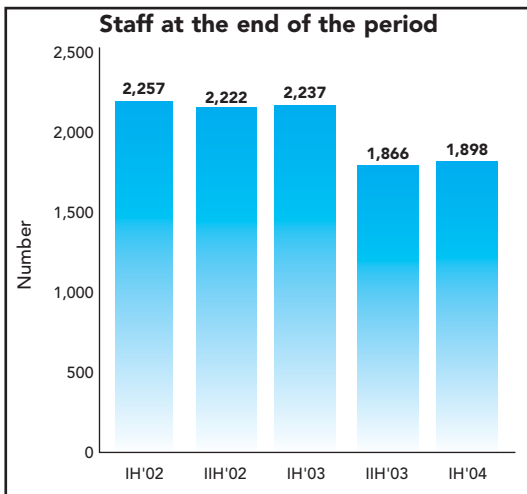
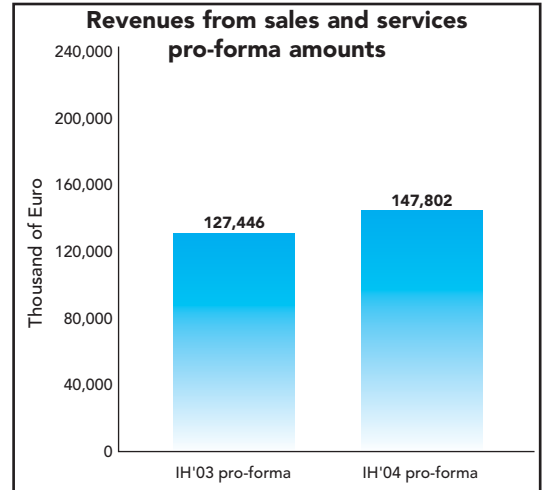
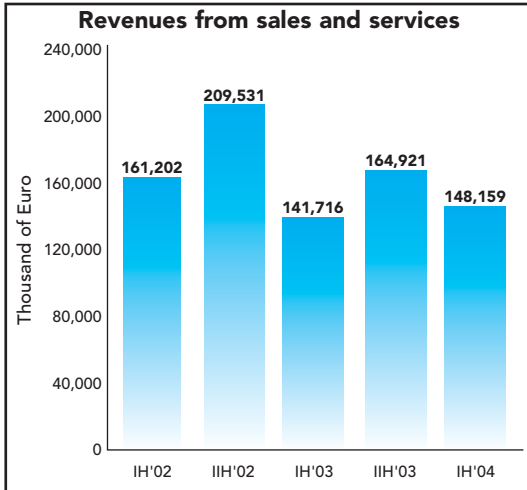
GROUP COMPANY OPERATIONS AND BRANDS

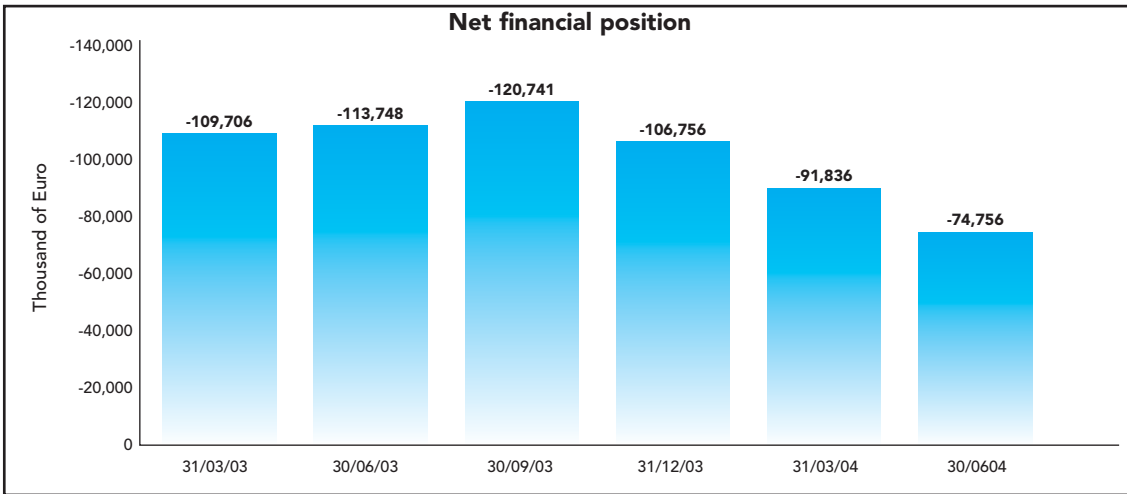
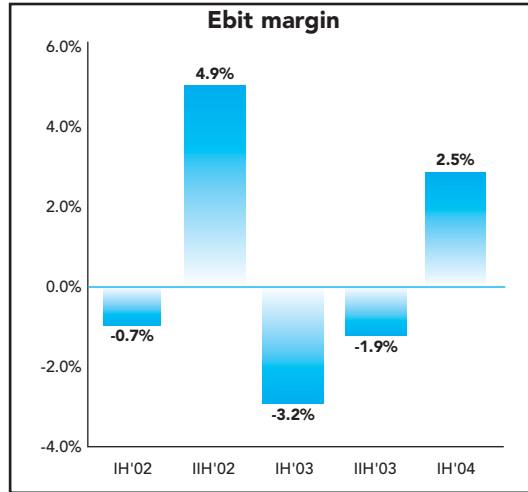
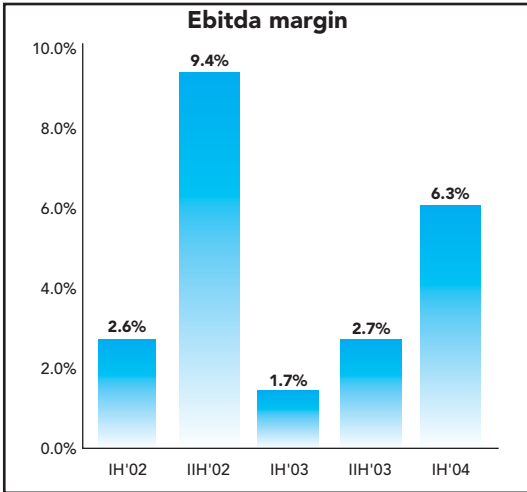
The Biesse Group's core business includes production, marketing and customer services for wood, glass and marble machines and systems. Production operations are concentrated in Italy. Marketing and customer assistance are organised both through the actual presence of Group companies in the territory as well as through an exclusive network of importers, distributors and agents. The group is also active in other areas, including the precision machining as well as the production of mechanical and electronic components for industrial uses.

To be precise, the Biesse Group operates through the following brands:

Biesse panel production	Machinery and systems; production centres for numerical controlled milling, boring and flanging
Selco	Sectioning machinery and systems
Comil	Machinery and systems for furniture assembly and packaging
RBO	Handling systems for automated lines in the furniture industry
Polymac	Edging-, double-edge trimming-, rubber strip inserting- and manual single headed boring machines; automatic single-side edging machines
Artech	Flanging machines, reeling apparatus, honing machines, sectioning machines, plastic trim collators and manual perforating machines, automated flanging machines
Biessedge	Edge-banding machinery and systems
Cosmec	Precision machining
H.S.D.	Mechanical and electronic components for industrial purposes
Sev	Mechanical and electronic components for industrial purposes
Cni	Electronic components and software for industrial purposes
Intermac	Machinery and systems for glass and marble working
Gieffe	Glass profiling machines
Busetti	Machinery and systems for glass working
Diamut	Tools for glass and marble working
Biesse Engineering	Wood working system design and consulting services

HIGHLIGHTS





REPORT ON THE FIRST HALF OF 2004

*Directors' Report
on operations*

MANAGEMENT TRENDS

<i>(Thousands of Euro)</i>	30/06/2004	%	30/06/2003	%
Revenues from sales and services	148,159	100.0%	141,716	100.0%
Value of production	157,008	106.0%	160,197	113.0%
Consumption of raw materials	(71,119)	(48.0%)	(72,094)	(50.9%)
Costs for services	(27,571)	(18.6%)	(31,675)	(22.4%)
Use of third party assets	(3,395)	(2.3%)	(4,282)	(3.0%)
Other operating expenses	(2,208)	(1.5%)	(2,699)	(1.9%)
Added value	52,716	35.6%	49,447	34.9%
Personnel expenses	(43,322)	(29.2%)	(47,060)	(33.2%)
Gross operating margin	9,393	6.3%	2,387	1.7%
Amortization, depreciation and write-down	(5,245)	(3.5%)	(6,104)	(4.3%)
Provision for risks	(430)	(0.3%)	(886)	(0.6%)
Operating result	3,718	2.5%	(4,603)	(3.2%)
Financial charges and incomes	(2,072)	(1.4%)	(3,838)	(2.7%)
Value adjustments of financial assets	(432)	(0.3%)	(685)	(0.5%)
Extra-ordinary charges and incomes	8,178	5.5%	(1,634)	(1.2%)
Net income/loss for the period (1)	9,392	6.3%	(10,761)	(7.6%)

(1) Taxes on the period result have not been calculated

Pro-forma income statement (1)

<i>(Thousands of Euro)</i>	30/06/2004	%	30/06/2003	%
Revenues from sales and services	147,802	100.0%	127,446	100.0%
Value of production	156,758	106.1%	144,126	113.1%
Consumption of raw materials	(71,529)	(48.4%)	(65,029)	(51.0%)
Costs for services	(27,279)	(18.5%)	(27,794)	(21.8%)
Use of third party assets	(3,356)	(2.3%)	(3,731)	(2.9%)
Other operating expenses	(2,200)	(1.5%)	(2,308)	(1.8%)
Added value	52,394	35.4%	45,263	35.5%
Personnel expenses	(42,786)	(28.9%)	(39,567)	(31.0%)
Gross operating margin	9,608	6.5%	5,696	4.5%
Amortization, depreciation and write-down	(5,148)	(3.5%)	(5,644)	(4.4%)
Provision for risks	(430)	(0.3%)	(448)	(0.4%)
Operating result	4,029	2.7%	(396)	(0.3%)
Financial charges and incomes	(2,064)	(1.4%)	(3,059)	(2.4%)
Value adjustments of financial assets	(432)	(0.3%)	(644)	(0.5%)
Extra-ordinary charges and incomes	8,180	5.5%	(1,385)	(1.1%)
Net income/loss for the period (2)	9,714	6.6%	(5,483)	(4.3%)

(1) the data for the 2003 financial year has been defined excluding the results of the Schelling Group, which was sold by Biesse in December 2003, while the 2004 data is net of the results of subsidiaries Cabi Srl and Sandymac Srl

(2) Taxes on the period result have not been calculated

For the Biesse Group, the first half of 2004 shows a reversal of tendency, at both economic level and financial level, with respect to the corresponding period of the previous financial year. The volumes and margins increase and the net financial position improves, while the back-log grows with respect to the value at the end of 2003. This result is due to both the improved circumstances of the reference sector and to the Biesse Group strategies of improving production efficiency and extending market penetration.

With respect to the reference sector, i.e. that of woodworking machinery (constituting 71% of the Group's turnover), during the second quarter of 2004, the Acimall trade association registered a 12.6% increase in orders with respect to the same period of the previous financial year. The increase is in great part from foreign markets (+27%), while the domestic market again shows a decrease (-17.1%).

This situation is also due to the changing conditions recorded on the exchange front which, with the rather modest redimensioning of the Euro with respect to the principal currencies, and above all with the notable reduction in the volatility of the exchange rates, has allowed the volumes of some of the Group's principal reference markets to increase. The North American market in particular has partially recovered from the drop recorded in 2003, registering an increase of, at the same exchange rate, 10% with respect to the corresponding period of the previous financial year. In addition to this improvement, induced by the changing conditions within the sector, the Biesse Group has also benefited from the increased penetration, started over recent years, into new outlet markets, in particular East Europe, the Far East and the Pacific: the geographic area (the so called Rest of the World) has increased its volumes by 24% with respect to the same period of the previous financial year, and now represents 36% of the consolidated income.

The improvement in volumes has allowed profitability to increase thanks to the improved absorption of structure costs, which have reduced in absolute terms with respect to the previous financial year and will continue to do so in the second half of 2004. The improvements in terms of production efficiency and the higher margins of recently marketed models can also be included. It should also be mentioned that the margins discount the material obsolescence risk provisions resulting from the discontinuation of unprofitable product lines for a total of 1.3 million Euro (equal to 0.9% of the consolidated income).

The analysis of the economic data is influenced by the changes that have taken place in the consolidation perimeter with respect to the same period of the previous financial year, it is therefore necessary to take into account the values defined in the pro-forma income statement, reconstructed eliminating the impact of the Schelling Group for 2003 and the results of the subsidiaries Cabi Srl and Sandymac Srl for 2004.

The total revenues increase by 6,443 thousand Euro (+4.5%) with respect to the first half-year of 2003: this increase becomes even more evident when analysing the pro-forma data, which shows an increase in volumes of 20,356 thousand Euro (+16.0%). This variation is shared by all the divisions of the Group, as can be clearly seen in the table of the supplementary note reporting the income for each divisions.

The production value passes from 160,197 thousand Euro to 157,008 thousand Euro, with a decrease of 3,189 thousand Euro (while the pro-forma data shows an increase of 12,632 thousand Euro), mainly due to the reduction in the levels of stock, compensated for in part by the increased turnover.

The added value of 52,716 thousand Euro increases by 3,268 thousand Euro (+6.6%; the increase of the pro-forma figure is equal to 7,131 thousand Euro, +15.8%), with an improvement in the percentage on the turnover which passes from 34.9% to 35.6%. This result has been obtained despite the previously mentioned provisions (which explain the worsening of the consumptions by approximately one percent) thanks to the increase in volumes and the savings made on all the principal cost items.

The gross operating margin passes from 2,387 thousand Euro to 9,393 thousand Euro, with a percentage on turnover of 6.3% against 1.7% in the first half of 2003. Personnel costs pass from 47,060 thousand Euro to 43,322 Euro (a drop of 7.9%, with a percentage on turnover that also drops from 33.2% to 29.2%).

The depreciations and provisions also reduce in the Group's accounts following the fixed costs reduction policy (percentage on turnover dropping from 4.9% to 3.8%).

The operating result, negative in the first half of 2003 by 4,603 thousand Euro, is positive by 3,718 thousand Euro, with a percentage on turnover of 2.5%.

The improvement in the net financial position and the changing market situation has allowed the Group to contain its financial management charges. They are negative by 2,072 thousand Euro, and include 2,208 thousand Euro for interest charges and other financing costs, net of exchange profits equal to 135 thousand Euro. In the same half-year period of the previous financial year, the interests and charges on financing amounted to 3,019 thousand Euro, while the exchange management was negative by 820 thousand Euro.

The extraordinary charges and incomes, with a positive balance of 8,178 thousand Euro contain, among other things, 10,323 thousand Euro of extraordinary revenues from the sale of unused building land to the parent company Bi.Fin. Srl, and 1,125 thousand Euro of extraordinary charges due to the change in the inventories valuation criteria (from LIFO to average cost) and the impact of the different valuation criteria on the initial stock, as provided for by the reference accounting principles.

	Ebitda June 2004	Ebitda margin (% on turnover)	Ebitda June 2003	Ebitda margin (% on turnover)
Wood Division	5,033	4.8%	3,764	4.2%
Glass/Stone Division	1,196	3.6%	282	1.0%
Systems Division	0	0.0%	(3,347)	(23.4%)
Mechatronic Division	3,164	15.2%	1,688	12.4%
Biesse Group	9,393	6.3%	2,387	1.7%

	Ebitda June 2004	Ebitda margin (% on turnover)	Ebitda June 2003	Ebitda margin (% on turnover)
Wood Division	1,697	1.6%	543	0.6%
Glass/Stone Division	157	0.5%	(1,300)	(4.6%)
Systems Division	0	0.0%	(4,248)	(29.7%)
Mechatronic Division	2,117	10.2%	1,017	7.5%
Biesse Group	3,718	2.5%	(4,603)	(3.2%)

DIRECTORS' REPORT ON OPERATIONS

The analysis of the trends in earnings for each division confirms the improvements at Group level. The turnovers of all the divisions increase, as do the relative margins. As already highlighted in the pro-forma income statements, the deconsolidation of the "Divisione Sistemi" (Systems Division), represented in 2003 by the Schelling Group, has resulted in the recovery of 2.4% on the ebitda margin and 3% on the ebit margin.

<i>(Thousands of Euro)</i>	June 2004	June 2003		June 2004	June 2003
Fixed assets	83,245	127,705	Equity	93,900	118,601
Current assets	230,656	243,719	Provisions for risks and charges	6,194	9,792
Prepayments and accrued incomes	1,929	2,536	Staff severance indemnity fund	14,669	13,515
			Liabilities	199,306	228,835
			Accrued expenses and deferred income	1,761	3,218
Assets	315,830	373,960	Equity and Liabilities	315,830	373,960

<i>(Thousands of Euro)</i>	June 2004	June 2003
Inventories	87,604	108,482
Receivables	122,779	118,215
Prepayments and accrued incomes	1,929	2,536
Provisions for risks and staff severance fund	(20,863)	(23,307)
Payables	(104,278)	(95,577)
Accrued expenses and deferred income	(1,761)	(3,218)
Net Working Capital	85,411	107,132

With regard to the assets and liabilities data, the net working capital, equal to 85,411 thousand Euro has decreased with respect to the end of the first half of 2003 (107,132 thousand Euro) and with respect to the end of 2003 (99,105 thousand Euro). The trend is mainly due to the improvement in stock management, the reduction in trade credits and the increase in trade debits, linked to the policy of extending the average payment times. As far as the inventories are concerned, even though the figure increases with respect to December 2003, it improves with respect to the first half of 2003 by 1.4 million Euro. The fixed assets coverage ratio and the borrowing ratio also improve.

Financial Position as at June 30, 2004

<i>(Thousands of Euro)</i>	June 30 2004	December 31 2003	June 30 2003
Financial assets	20,272	26,870	19,510
- Liquid assets	16,339	20,504	15,880
- Receivables from others under 12 months (immediately payable)	0	2,530	2,489
- Non-current investments (Own shares)	3,933	3,836	1,141
Short term financial debts	(3,257)	(2,421)	(2,470)
Short term bank debts	(65,194)	(102,925)	(86,428)
Short term financing debts due to parent company	(1,800)	0	0
Short-term net financial position	(49,979)	(78,476)	(69,389)
Medium/long term financial debts	(18,700)	(19,865)	(29,490)
Medium/long term bank debts	(6,077)	(8,415)	(14,870)
Medium/long-term net financial position	(24,777)	(28,280)	(44,360)
Total financial position	(74,756)	(106,756)	(113,748)

As far as the net financial position is concerned, the value at 30th June 2004 improves with respect to the same period of the previous financial year and with respect to December 2003 (39 million Euro and 32 million Euro respectively): even though the result is partly due to the real-estate operation concluded at the beginning of the year, (net cash-in on 30/06/04 of 17.1 million Euro), it is highly significant in that it was obtained in the first part of the year which normally represents the period of highest borrowing for the group.

CORPORATE GOVERNANCE

The Biesse SpA corporate governance system is inspired by and aims toward the standards contained in the self-discipline code of listed companies, with the related Consob recommendations.

This company governance system has the goal of guaranteeing transparency of management actions and the timely provision of information to the market and investors.

As a result, we compiled a new version of the Biesse SpA company statutes, which were approved by an extraordinary Shareholders' Meeting on 21 March 2001.

Ownership

The capital stock is made up exclusively of ordinary fully paid shares and assisted by voting rights in ordinary and extraordinary Shareholders Meeting.

Board of Directors

Role of the Board

The Board of Directors has ordinary and special management powers, with the exception of those reserved by law to the Shareholders' Meeting.

The Board of Directors has been assigned a strategic and organisational role, in addition to the responsibility of verifying the existence of the controls that are needed for supervising the conduct of the company and the group as a whole.

Unless otherwise foreseen by current regulations, meetings are normally called by the President on his own initiative or, if the President is absent or incapacitated, by the Managing Director/s, on the request of at least two thirds of the Board Members of the Board of Auditors.

The Board of Directors meeting is considered valid when the majority of its members in office are present, and resolutions will be passed with a majority vote by those present. In the case of a tie, the President will cast the deciding vote.

The board normally meets six times a year to approve the economic and assets and liabilities situation of the relative period based upon the requirements for remaining in the Star segment of the Italian stock exchange's telematic market. There were three meetings held during the first half of 2004. For the board meetings, the members are provided in advance with the documents and information needed by the Board in order to discuss the issues examined.

In particular, the Board of Directors:

- supervises the general operating trend, periodically comparing the achieved results with those that were planned;
- reviews and approves the budget and the strategic, industrial and financial plans for the company and the Group;
- evaluates and approves the periodic reports required by current regulations.;
- assigns and revokes delegations to the CEOs, executive committee and, if necessary, to one or more board members with regards to the particular task charged;
- provides the Auditing Board with reports about their activities and the main economic, financial and asset operations carried out by the company or its controlled companies, where relevant; in particular, it makes reports about operations with potential conflicts of interest; these reports are usually made during the board meetings, and at least once a quarter.;
- nominates, defining the salary, one or more company General Managers, who must execute the decisions taken by the Board of Directors and under its delegation, manages the current business, making suggestions and using the standing or one-time powers granted by the Board.;
- examines and approves operations with significant economic, asset and financial impact;
- verifies the suitability of the organisational and general managerial organisation of the company and the Group;
- reports to the shareholders meeting;
- determines, by proxy granted to the independent board member, which proposals to submit to the shareholder's meeting and the Board itself for the individual Board Member salaries.

As for this last point, a significant part of the Board Member's and Management salary includes bonuses for hitting set targets or based upon the financial results of the company.

Appointment, composition and length of appointment

As per Art. 16 of the company statutes, the Biesse Board of Directors can be composed of a variable number of Directors, from a minimum of two to a maximum of 15 members, who do not have to be partners, according to the decision of the shareholders meeting.

The nomination of the Board of Directors is the responsibility of the Ordinary Shareholders Meeting, which must indicate in advance the number of members the Board itself is to have. Proposals for candidates to be nominated to the position of Director, accompanied by full information on the personal and professional characteristics of candidates, must be filed at the company head office at least ten days prior to the date foreseen for the Meeting.

The current Board of Directors, consisting of five members, was appointed by the Ordinary shareholders meeting on April 29 2003 and will remain in office until the approval of the balance sheet for the year ending December 31 2005.

The members of the Board of Directors in office on the date of the closing of the financial year are as follows:

Roberto Selci	President and CEO	Executive
Giancarlo Selci	Executive Managing Director	
Innocenzo Cipolletta	Non-executive Board Member**	
Leone Sibani	Non-executive Board Member**	
Giampaolo Garattoni	Non-executive Board Member**	

**Giancarlo Selci, Managing Director, was granted the single delegation of defining the strategic policy of the Group as well as the general co-ordination of the Group itself.*

***Independent Board Members according to the self-discipline code.*

For this office, the members of the Board of Directors have elected the domicile of Biesse's registered office in Pesaro, in Via della Meccanica 16.

The Board of Directors conferred the following power on May 5 2003:

- the President and Chief Executive Officer Roberto Selci was assigned all powers of ordinary administration, with the specification that the range of these powers must include relationships with banks and all powers related to signing financial declarations of any nature, responding to the needs of the personnel, purchasing or selling automobiles or any asset included in the public registry, signing and negotiating deeds issued pursuant to L.1329 (the so called Sabatini law), and signing leasing contracts.

The Board of Directors conferred the following powers on 12 November 2003:

- the Chief Executive Officer Giancarlo Selci was made solely responsible for strategically defining the policies of the Group as well as the general co-ordination of the Group itself, with the express exclusion of any and all powers related of legal representation and active administration.

Internal audit committee

During the 2002 financial year, as a part of the evaluation tasks of the internal control system, the Board of Directors started a large project for analysing and evaluating risk management methods.

The aim of this project was to outline an up-to-date reference framework on which to base the formulation of a risk management policy. The policy was to contain, in particular, a coherent system of guidelines and programmes for risk management and provide specific instructions on monitoring and improvement activities.

The work carried out was based on a "process" approach and followed the "sequential" pattern of "Identification - Evaluation - Management - Supervision", in reference to operations that could involve possible risk.

After a preliminary review, from which no significant management deficiencies were noted in respect to potentially high impact risk, it was decided to focus the analysis on the accounting management of the most important processes.

In other words, the defined job does not currently include the so called "operating risk" area. The correct methodology of this approach can be seen in the way in which the tasks were defined, which must lead to the creation of guidelines for specific operative and managerial responsibilities of the management itself.

To be more specific, the adapted methodology aimed at identifying the most significant type of risk for each selected process, and for each of them:

- pinpoint the auditing objectives;
- define the correct range of responsibility;
- suggest specific guidelines for audit policies.

This task has considered the managerial and financial risk profile in the following processes:

Liabilities cycle:

Order management >> Invoices receipt/control >> Invoice payment

Assets cycle:

Ordinary management >> Shipment and invoicing >> Collection

Financial cycle:

Exchange risk coverage >> Cash management

Fixed assets cycle:

Increments >> Depreciations >> Sales Management

Remuneration cycle:

Employment and resignations >> Pay stub processing >> Wage payments

I T system management:

Continuity >> Reliability >> Physical and logical security

The survey did not reveal any real critical importance. The results of the work were suitably reported and handed-over to the Board of Directors on 12 December 2002.

During 2003, the internal audit committee appointed by the Board of Directors on 15 May 2003 evaluated what has been done up until now by Biesse SpA in regards to company risk management policy; this last document contains the guidelines for continuous risk management, defining the main roles and responsibilities of the main players involved in the management and application of policies as well as the procedure for reviewing and updating the same.

It also approved and implemented the proposed work plan related to the audit activities presented for internal audits and which is based upon the contents of the above mentioned company policies, agreeing to the indicated time frames, procedures and goals. During the first half of 2004, the first results of the auditing activities carried within the Group's companies by the appointed auditor were presented and analysed.

The internal Audit Committee consists of three independent and non-executive Directors - Innocenzo Cipolletta, Leone Sibani and Giampaolo Garattoni - in compliance to art. 10 of the self-disciplinary code for listed companies, which foresees that the aforesaid committee must in fact be composed of non-executive members and the majority of which must be formed by independent members. An audit board member must be present at the committee.

The committee will have the task of assisting, with advisory and suggestive functions, the Board of Directors with their responsibilities related to the reliability of the accounting system and financial information, the internal audit system, the recommendations for the selection and supervision of the activities carried out by external auditors.

Partner relationships

The parent company, in order to uphold a constant and homogenous dialogue with the financial market, institutional investors and shareholders and to ensure the complete and timely reporting of important information related to its activities, has identified from within the company an investment relations figure, who has the responsibility of maintaining an active information flow via press announcements, meetings with the financial community and institutional investors as well as to periodically update the related section of the company website (www.biesse.it).

In addition, on 21 March 2001, the shareholders meeting for the company approved an assembly regulation for disciplining the correct, ordinary and functional proceedings of the ordinary and extraordinary Shareholders Meetings.

Conduct code for internal dealing

On December 24 2002, the Biesse SpA Board of Directors approved the adoption of the code of conduct for internal dealing, in order to ensure maximum transparency and uniformity of information to the market relative to the personal conduct of "important individuals" within the company who are in possession of Biesse shares, based upon their potential access to reserved information about the company and those controlled by it. This code came into effect on January 1, 2003. Based upon this code, the company will arrange for the timely disclosure to the market of all information regarding operations with values at or above 250,000. In addition, the company will, within 10 trading days of the end of each quarter, inform the market about all operations carried out by these relevant individuals, in the case that these amount to a min. of 50,000 Euro.

Board of Auditors

The Board of Auditors comprises three Statutory Auditors and two substitute auditors elected by the Shareholders' Meeting, which also establishes the remuneration to be paid to said auditors. The minority is entitled to elect one Full Auditor and one assistant.

The nomination of the Audit Board occurs based upon the list presented to the shareholders.. Shareholders from voting syndicates will only be entitled to present a single list. Only those Shareholders who, either alone or together with others, are the owners of voting Shares representing at least 2% (two percent) of the capital are entitled to vote at the Ordinary Shareholders' Meeting are entitled to present lists. No Shareholder, nor the Shareholders in the same group, may present more than one list, nor may he vote for different lists even through a nominee or fiduciary company. If this rule is broken, the vote of the Shareholder in question will not be taken into account for any of the lists presented. Each candidate may only be present in one list, the penalty being ineligibility.

The professional curriculum of each candidate must be filed together with each list, within the terms indicated above, along with the declarations with which each candidate accepts candidacy and certifies, at his own responsibility, that there is no cause of ineligibility or incompatibility and that the legal and statutory requirements foreseen for the respective positions are met.

The Board of Auditors, which was appointed at the ordinary shareholders meeting of 29 April 2003, and which will be in office until the approval of the balance sheet for the year ending 31 December 2005, consists of the following members:

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

RELATIONSHIPS WITH CONTROLLED, ASSOCIATED AND CONTROLLING COMPANIES AND THE COMPANIES SUBJECT TO CONTROLS BY THEM

The unconsolidated controlled companies are represented exclusively by Biesse Corporate School syndicated limited company, which is responsible for organising and managing training activities for the entire Biesse Group.

The relationships between Biesse Group companies and the aforementioned company are as follows:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
Biesse Corporate School s.c.a.r.l.	48,333	126	16,000	147

The associated companies are as follows:

- ISP Systems Srl, 25.92% owned, founded at the end of 2000 for designing innovative solutions for woodworking machinery, studying, researching and producing prototypes both independently and as required by Biesse Group companies; on 28 July 2004, the company decided to make good the loss of 2003 and reconstitute the company capital in 14,000 Euro; Biesse SpA exercised its full option rights, maintaining its percentage shareholding in ISP Systems; on the same date, the parent company Bi.Fin. Srl partially took over rights of third party shareholders and acquired the majority share;

- Intermac Vidrio Iberica S.A., a 49% owned Spanish company, offers customer services to Spanish companies;
- HSD Deutschland GmbH, a German trading company, 50% owned by HSD SpA, which distributes products from the Meccatronica division and provides customer assistance to the German market;
- Kernex Automation Srl, 25% owned, which produces software used by machinery for the production of doors and windows and frames;
- Biesse China Co Ltd, 50% owned and founded on a fifty-fifty joint-venture between Biesse SpA and a leading local company, which assembles and provides customer services for Biesse brand products in the Chinese market;

The relationships between Biesse Group companies and the aforementioned companies are as follows:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
ISP Systems Srl	292,618	88,822	150,934	1,079,732
Intermac Vidrio Iberica S.A	132,500	202,156	19,734	350,029
HSD Deutschland GmbH	15,382	696,500	0	652,478
Kernex Automation Srl	0	1,294	7,874	80,054
Biesse China Co. Ltd.	0	347,231	0	43,097

During the half-year, building land not used by the parent company Biesse SpA was sold to its subsidiary Bi.Fin. Srl for approximately 20 million Euro. The value was based on a valuation survey and provided a net surplus for the Biesse Group of 10.3 million Euro. On 30/06/04, the Biesse Group has a credit with Bi.Fin. Srl of 4,983,440 Euro and a debit of 1,802,750 Euro. There are no relationships existing with Biesse Finance BV and Biesse Holding SpA, in that the first was placed in liquidation on 30/12/2003, and the second was incorporated in Bi.Fin. Srl on 29/02/2004.

RELATIONS WITH OTHER ASSOCIATED PARTIES

The Rettifica Modenese Sas company, 51% of which is held by Mr. Roberto Selci and which operates in the machining industry, has been identified as an associated party.

The relationships between Biesse Group companies and the aforementioned company are as follows:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
Rettifica Modenese Sas	242,968	4,290	116,848	15,260

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

IMPORTANT EVENTS OCCURRING AFTER 30 JUNE 2004 AND END OF YEAR PROSPECTS

The main events occurring after the end of the period were as follows:

- On 15/07/2004, 51% of the Intermac Vidrio Iberica S.A. company capital was underwritten, thus obtaining full control of the company;
- During July, a preliminary agreement was signed with a local partner for the sale to the partner of a part of the production site of San Giovanni in Marignano together with some machinery, thus on completion of the operation generating a positive cash flow of 6.3 million Euro expected for November 2004. The agreement includes the outsourcing of carpentry and painting activities, with the resulting reduction in staffing levels in terms of 50 employees by 30/11/2004 through a mobility procedure.

As far as the end of year prospects are concerned, the trends in orders and the signs received from the reference markets allow the remaining months of 2004 to be approached with a certain amount of optimism. The results of the two-yearly Atlanta IWF exhibition in America were particularly positive, from where orders were received amounting to 6 million dollars; this is supplemented by the expected revival in USA market investments due to the Jobs and Growth Tax Relief Reconciliation Act of 2003 and the revival of the jobs market, as signalled by the August figures on unemployment in the USA.

From the internal point of view, the company restructuring and reorganising activities that are allowing the Group to recover its efficiency, flexibility and profitability will continue. As a result of this, it is expected that the volume and margins targets for the current year will be respected.

ADOPTION OF IAS ACCOUNTING PRINCIPLES

European Regulation 1606 of July 2002 states that, as from the year 2005, all listed European companies must prepare their consolidated balance sheets according to IAS (now IFRS) accounting principles. On the same date, the companies must also provide the data relating to the year 2004 in order to allow easier comparison.

Biesse SpA is one of the companies subject to the new regulation and has already started the procedures necessary to allow the adoption of the new accounting principles within the specified time. The analysis of impacts caused by the transition to the new accounting principles has been completed and the necessary steps are being taken to train in-house personnel, modify the data processing system and update the internal procedures.

From the works completed to date, it can be said that the adoption of the new accounting principles will mainly affect the accounting of intangible assets (in particular, goodwill and research and development costs) and tangible assets, financial tools (especially derivatives), staff benefits and activity depreciation. Analyses are currently underway on the subject of profit acknowledgement. Modifications must also be carried out to the information flow within the group in order to allow processing of segment information analyses.

With respect to 31 December 2003, the impact on stock is no longer relevant, in that the average cost valuation method as allowed by IAS has been adopted as from this balance sheet.

ADDITIONAL INFORMATION

In compliance with what was resolved at the Biesse SpA shareholders' meeting on 17 December 2001 and again on 29/04/2003, the company started a stock buyback program, which on 30 June 2004 amounts to Euro 4,801,862.14, equal to 2,125,645 shares at an average purchase price of Euro 2.26.

It is also declared that the parent company Biesse SpA does not possess stock/shares of controlling companies, nor did they possess or trade any during the course of 2004. There is nothing to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the civil code.

Pesaro, 20 September 2004

*Chairman of the Board of Directors
Roberto Selci*

REPORT ON FIRST HALF OF 2004

*Consolidated
Accounts
for the
1st half of 2004*

REPORT ON FIRST HALF OF 2004

BALANCE SHEET

<i>(Thousands of Euros)</i>	06/30/2004	06/30/2003	12/31/2003
ASSETS	315,830	373,960	330,039
B. FIXED ASSETS	83,245	127,705	97,086
<i>I Intangible fixed assets</i>	14,203	31,173	14,858
1 Start-up and expansion costs	140	142	153
2 Research, development and advertising costs	566	586	401
3 Patents and intellectual property rights	175	189	181
4 Concessions, licenses, trademarks and similar	2,127	1,489	2,203
5 Goodwill	7,391	8,377	7,895
6 Intangible assets under constructions	35	216	136
7 Other intangible fixed assets	909	787	775
8 Consolidation difference	2,860	19,388	3,113
<i>II Tangible fixed assets</i>	66,643	90,805	77,141
1 Land and buildings	44,779	58,974	48,987
2 Plant and machinery	12,607	14,828	13,642
3 Industrial and commercial equipment	2,765	3,671	2,831
4 Other tangible fixed assets	6,466	8,075	7,189
5 Tangible assets under constructions	27	5,257	4,491
<i>III Financial fixed assets</i>	2,399	5,727	5,087
1 Shareholding:	499	844	800
a Subsidiaries, not consolidated	13	19	112
b Affiliates	403	742	605
c Other companies	83	84	83
2 Receivables:	1,031	3,589	3,419
a Receivables from subsidiaries	0	100	268
a1 Receivables from subsidiaries within one year	0	100	268
b Receivables from affiliate companies	497	197	197
b1 Receivables from affiliate companies due within one year	420	120	120
b2 Receivables from affiliate companies due after one year	77	77	77
c Receivables from parent companies	0	0	0
d Receivables from others	533	3,292	2,953
d1 Receivables from others within one year	0	2,488	2,530
d2 Receivables from others after one year	533	803	423
3 Other securities	0	90	0
4 Own shares (nominal value euro 380.654)	869	1,204	869
C. CURRENT ASSETS	230,656	243,719	231,722
<i>I Inventories</i>	87,604	108,482	80,833
1 Raw materials, ancillary materials and consumables	50,161	59,109	50,189
2 Semifinished goods	10,055	11,233	8,197
4 Finished products and goods	26,596	37,160	21,811
5 Payments on account	792	979	637
<i>II Receivables</i>	122,779	118,215	126,548
1 Trade receivables	90,389	94,430	97,599
2 Trade receivables from subsidiaries	0	221	203
3 Trade receivables from affiliated companies	1,708	2,290	1,267
4 Trade receivables from parent companies	4,983	1	1
5 Trade receivables from others	25,699	21,273	27,478
<i>III Financial assets not fixed</i>	3,933	1,142	3,836
2 Shareholding in affiliated companies	0	0	0
4 Own shares (nominal value euro 505.153)	3,933	1,142	3,836
<i>IV Cash and cash equivalents</i>	16,339	15,880	20,504
1 Bank and postal deposits	16,234	15,712	20,388
3 Cash	105	168	116
D. PREPAYMENTS AND ACCRUED INCOME	1,929	2,536	1,231
1 Accrued income	394	362	525
2 Prepayments	1,535	2,174	707

BALANCE SHEET

<i>(Thousands of Euros)</i>	06/30/2004	06/30/2003	12/31/2003
LIABILITIES	315,830	373,960	330,039
A. SHAREHOLDERS' EQUITY	93,900	118,601	86,905
GROUP SHAREHOLDERS' EQUITY	93,718	117,671	86,658
I Share capital	27,393	27,393	27,393
II Premium reserve	36,202	83,630	83,630
IV Legal reserve	3,797	3,797	3,797
V Own shares reserve	4,756	2,345	4,705
VII Other reserves	12,116	11,356	8,408
IX Result of the period (1)	9,454	(10,850)	(41,274)
Shareholders' equity pertaining to minorities interests	182	930	232
Share capital and reserves pertaining to minorities interests	244	841	240
Result of the period pertaining to minorities interests	(62)	89	(8)
B. PROVISIONS FOR RISKS AND CHARGES	6,194	9,792	8,179
1 Provision for pension retirement and similar	502	492	494
2 Provision for taxes	1,135	2,874	2,724
3 Other provisions	4,558	6,426	4,961
C. STAFF SEVERANCE INDEMNITY RESERVE	14,669	13,515	13,609
D. PAYABLES	199,306	228,835	220,004
3 Payables to banks	71,271	101,298	111,340
a due within one year	65,194	86,428	102,925
b due after one year	6,077	14,870	8,415
4 Payables to other financial institutions	21,957	31,960	22,286
a due within one year	3,257	2,470	2,421
b due after one year	18,700	29,490	19,865
5 Advances	8,652	7,280	5,932
a due within one year	8,652	7,280	5,932
6 Trade payables	72,475	67,170	61,157
a due within one year	70,777	65,635	61,149
b due after one year	1,698	1,535	8
8 Payables to subsidiary companies	16	130	7
a due within one year	16	130	7
9 Payables to affiliate companies	179	708	210
a due within one year	179	708	210
10 Payables to parent companies	1,803	695	516
a due within one year	1,803	695	516
11 Tax payables	5,109	2,840	5,041
a due within one year	5,045	2,765	4,995
b due after one year	64	75	46
12 Payables to social security	3,287	2,955	3,760
a due within one year	3,287	2,955	3,760
13 Other payables	14,558	13,797	9,755
a due within one year	13,073	12,991	7,623
b due after one year	1,485	806	2,132
E. ACCRUED EXPENSES AND DEFERRED INCOME	1,761	3,218	1,342
1 Accrued expenses	880	1,773	437
2 Deferred income	880	1,444	905
MEMORANDUM ACCOUNTS	45,626	58,084	52,573
2 Leasing commitments	8,189	9,642	7,882
3 Priv. on goods Sabatini Law	0	19	13
5 Guarantees and endorsement	8,733	15,339	11,573
6 Bills in circulation	6,300	9,464	8,039
7 Other memorandum accounts	22,403	23,620	25,064

(1) Results of the period end of June 2004 and end of June 2003 are before income taxes

REPORT ON FIRST HALF OF 2004

INCOME STATEMENTS

<i>(Thousands of Euros)</i>	06/30/2004	06/30/2003	12/31/2003
INCOME STATEMENT			
A. VALUE OF PRODUCTION	157,008	160,197	315,021
1 Revenues from sales and services	148,159	141,716	306,637
2 Change in work in progress and semifinished goods	6,282	15,559	2,695
4 Increase in assets value for internal work	19	45	74
5 Other revenues and income	2,548	2,876	5,615
5a Miscellaneous	2,516	2,870	5,413
5b Contributions for operating expenses	32	7	203
B. COSTS OF PRODUCTION	(153,290)	(164,800)	(320,948)
6 Raw materials, ancillary materials and consumables	(71,766)	(74,568)	(138,211)
7 Services	(27,571)	(31,675)	(61,413)
8 Use of third parties assets	(3,395)	(4,282)	(8,354)
9 Personnel expenses	(43,322)	(47,060)	(91,628)
9a Wages and salaries	(32,093)	(35,613)	(68,801)
9b Social security charges	(9,163)	(9,462)	(18,559)
9c Severance indemnity	(1,775)	(1,777)	(3,665)
9d Pension retirement and similar	(116)	(123)	(245)
9e Other personnel expenses	(174)	(85)	(357)
10 Amortisations, depreciations and write-downs	(5,319)	(6,873)	(13,818)
10a Amortisation of intangible fixed assets	(1,481)	(1,881)	(3,817)
10b Amortisation of tangible fixed assets	(3,764)	(4,222)	(8,659)
10c Other write-downs	0	(2)	(25)
10d Write-downs of receivables included in current assets	(75)	(769)	(1,316)
11 Changes in raw material, ancillary materials and consumables	647	2,474	(1,371)
12 Provision for risks	(143)	0	(111)
13 Other provisions	(213)	(118)	(172)
14 Other operating expenses	(2,208)	(2,699)	(5,870)
A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	3,718	(4,603)	(5,927)
C. FINANCIAL INCOME AND CHARGES	(2,072)	(3,838)	(6,558)
15 Income from equity investments	3	4	4
16 Other financial income	1,025	1,700	3,598
17 Interest and other financial charges	(3,100)	(5,542)	(10,160)
D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS	(432)	(685)	(1,495)
18 Write-ups	121	68	38
19 Write-downs	(552)	(753)	(1,533)
E. EXTRAORDINARY INCOME AND CHARGES	8,178	(1,634)	(29,788)
20 Extraordinary income	10,411	44	3,288
21 Extraordinary charges	(2,233)	(1,678)	(33,076)
D+E TOTAL EXTRAORDINARY INCOME AND CHARGES	7,746	(2,319)	(31,283)
PRE-TAX INCOME	9,392	(10,761)	(43,768)
22 Income taxes (1)	0	0	2,500
RESULT OF THE PERIOD (1)	9,392	(10,761)	(41,268)
Result of the period pertaining to minority interests	(62)	89	(8)
Result of the period pertaining to the Group	9,454	(10,850)	(41,274)

(1) Results of the period end of June 2004 and end of June 2003 are before income taxes

Chairman of the Board of Directors
Roberto Selci

NOTES TO THE CONSOLIDATED ACCOUNTS

*for the
1st half of 2004*

GENERAL COMPILATION CRITERIA

This document has been compiled in accordance to Consob requirements governing half-year reports of listed Companies issued with resolution 12475 of 6 April 2000; the accounting schedules of Biesse SpA (see attachments) are thus presented in this manner, as are those of the Biesse Group, while the management information and the notes to the above-mentioned statements refer to the consolidated situation only.

The consolidated report of the Biesse Group as at 30 June 2004 has been compiled according to the criteria laid down by civil law and, in order to provide more information, is integrated with the financial Statement analysing the variations in liquid assets.

The financial result is, as provided for, reported before tax.

CONSOLIDATED AREA

The consolidated accounting schedules of the Biesse Group include the half-year asset and liability statement and economic situation of the parent company and that of the Italian and foreign companies in which Biesse SpA has, either directly or indirectly, the majority vote at the annual general meeting. As the area of consolidation has changed considerably following the sale of the Schelling group (on 19 December 2003) and the inclusion of companies Cabi Srl and Sandymac Srl as from 2004, the analyses and information on the pro-forma data will be provided hereafter in order to compare data within equal perimeter; the companies of the Schelling Group will therefore be excluded from the 2003 financial year and the controlled companies Cabi Srl and Sandymac Srl from the 2004 financial year. The companies that have been included in the consolidated accounting schedules on 30 June 2004 with the full consolidation method are as follows:

Company and headquarters	Currency	Capital Stock	Direct	Indirect	Through	Biesse Group
Parent company						
Biesse Spa Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU) - Italy	Euro	27,393,042				
Italian subsidiary companies:						
HSD SpA Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU) - Italy	Euro	1,000,000	100.00%			100.00%
MC Srl Via Mario Ricci, 12 Pesaro - Italy	Euro	101,490	51.00%			51.00%
Cabi Srl P.le Mario Coralloni, 11 Loc. Selva Grossa (PU) - Italy	Euro	99,000	100.00%			100.00%
Sandymac Srl Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU) - Italy	Euro	50,000	80.00%			80.00%

NOTES TO THE CONSOLIDATED ACCOUNTS

Company and headquarters	Currency	Capital Stock	Direct	Indirect	Through	Biesse Group
Foreign subsidiary companies:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US \$	1,000,000	100%			100%
Biesse Canada Inc. 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN \$	180,000	100%			100%
Biesse Asia Pte. Ltd Zagro Global Hub 5 Woodlands Terr. - Singapore	S \$	2,655,000	100%			100%
Biesse Group UK Ltd Lampport Drive – Daventry Northampt. United Kingdom	£ STG	1,000	100%			100%
Biesse Groupe France Sarl Parc d’Affaires de la Vallée de l’Ozon Chapotin – Chaponnay – France	Euro	144,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 – Elchingen (Ulm) Germany	Euro	1,432,600	100%			100%
Biesse Scandinavia AB Maskinvagen 1 – Lindas – Sweden	SKR	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. Cl. Pedrosa C., 9 - Barcellona – Spain	Euro	1,033,741	100%			100%
Biesse Brasil Ltda Rua Lapò, 975 - Curitiba Paraná – Brasil	Rlb	1,509,628	99,99%			99,99%
Biesse Group Australia Pty Ltd 3 Widemere Road Wetherill Park – Australia	Aud	800,000	100%			100%
Biesse Group New Zealand Ltd UNIT 7/519– Rosebank Avondale Auckland New Zealand	Nzd	200,000	100%			100%
HSD USA Inc. 3764 SW 30th Avenue Hollywood, Florida – USA	Usd	10,000		100%	HSD SpA	100%
Sel Realty Inc. 1845 Rue Jean Monnet Terrebonne (Quebec) – Canada	CAN \$	100	100%			100%
Bi. Fin. UK Ltd Lampport drive – Daventry Northampt. Great Britain	£ STG	600,000	100%			100%
Bifin Ltd 233, Peachtree St., NE – Harris Tower Atlanta, GA 30303 USA	Usd	10,000		100%	Biesse America Inc.	100%

With respect to the previous financial year, Schelling Anlagenbau and the companies controlled by it are no longer included in the consolidation area following the sale of the Austrian Group on 18 December 2003.

Finally, it should be pointed out that with respect to the past, the consolidation perimeter has been changed further by the inclusion of the companies Cabi Srl and Sandymac Srl, previously valued using the equity method. The first carries out the design and production of electronic, pneumatic and hydraulic components for the wood industry, the second produces and markets sizing and sanding machines.

List of other holdings in subsidiary, not fully consolidated, companies

Company and headquarters	Currency	Capital Stock	Direct	Indirect	Through	Biesse Group
Biesse Corporate School srl. Via della Meccanica 16, Loc. Chiusa di Ginestreto – Pesaro - Italy	Euro	10,920	66.67%	15.01%	HSD SpA	81.68%

The holdings in Biesse Corporate School s.c.r.l. have been valued using the equity method rather than the fully consolidated method, due to its moderate turnover. Biesse Corporate School, active in company training and characterised by moderate volumes, targets its services mainly at the other companies in the Group.

List of holdings in associated companies :

Company and headquarters	Currency	Capital Stock	Direct	Indirect	Through	Biesse Group
HSD Deutschland GmbH Immenreich 6, Gingen, Fils – Germany	Euro	25,000		50%	HSD SpA	50%
Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona – Spain	Euro	60,102	49%			49%
ISP Systems Srl Via F.lli Rosselli 46 - Pesaro - Italy	Euro	14,040	25.92%			25.92%
Kernex Automation Srl Via P. Nenni, 1/7 Cerese di Virgilio (MN) - Italy	Euro	46,700	25%			25%
Biesse China Co. Ltd Flat G, 3F, Wang Yip Centre, Wang Yip, Yuen Long, Cina	Euro	1,000,000	50%			50%
Dongguang Biesse Machinery Co. Ltd. Huang Jiang, Houjie, Dongguang, Guangdong, Province, ChinaLtd.	Rmb	4,233,410		50%	Biesse China Co.	50%

The holdings in the associated companies have been valued using the equity method. Companies were not consolidated using the proportional consolidation method.

List of other holdings valued at cost :

Holdings in the companies:

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

were valued using the cost adjustment for depreciation method in accordance with Article 2426 of the civil code, as shown in the financial fixed assets schedule included in this supplementary note.

VALUATION CRITERIA

The half-year positions of the companies included in the consolidation have been compiled on the basis of the balance sheet regulations provided for by art. 2423 et seq. of the Civil Code, interpreted and supplemented by the Accounting Principles issued by "Italian Accountants and Bookkeepers Council".

If there are significant differences, these positions are appropriately reclassified and adjusted in order to adapt them to the accounting principles and the valuation criteria of the parent company. The structure adopted for the consolidated balance sheet is the one specifically for industrial companies.

The consolidated half-year report has been compiled by applying the same valuation criteria, the same accounting and balance sheet compilation principles as those adopted for the annual consolidated balance sheet.

The valuation criteria and the accounting principles adopted are based on the principle of prudence and in the light of a continuation of company activities.

CONSOLIDATION AND CONVERSION PRINCIPLES

For the compilation of the consolidated half-year positions, the asset and liability entries as well as the income and outgoings of the companies included in the consolidation were fully included. The receivables and payables, income and outgoings, profits and losses that originated from transactions between companies that included in the consolidation were however removed. Also eliminated were the relationships between the companies of the Biesse Group and an intermediary financial services company outside the Group which acts, in some cases, as an intermediary for commercial transactions between the consolidated companies. As an exception to this general rule, considering the negligibility of the effects and the reconstruction difficulties, the profits from the sale of the stock in inventory by HSD SpA and, for some productions, by MC Srl to the other companies in the Biesse Group were not removed, as they were semi-products included in the products being manufactured.

The capital gains and losses deriving from the intergroup sale of instrumental assets were removed, where they were considered to be significant.

The book value of the holdings in companies that are included in the consolidation was removed to offset the corresponding fractions of the shareholders' equity of the subsidiaries. The difference between the book value of the holdings, which is removed and the corresponding quota of the shareholder's equity, that is assumed, is subject to consolidated shareholder's equity adjustment. Any residual, if negative, is entered in the entry entitled "consolidation reserve", or if it refers to the forecast of negative economic results, in the entry "Consolidation fund for risks and future charges"; any positive residual is entered, among intangible assets, as "Consolidation Differences".

The amount of capital and reserves of the subsidiaries that correspond to third party holdings is entered in a shareholder's equity entry called "Third party capital stock and reserves"; the consolidated financial result that corresponds to third party holdings is entered in the entry "Results of third party competencies".

The half-year positions of the foreign companies included in the consolidation area, originally expressed in a foreign currency, have been converted into Euro adopting the following conversion methods:

Statement of assets and liabilities:

Each asset and liability entry was converted using the exchange rate at the end of the balance sheet period, with exception of the shareholder's equity entries that were converted using the historical exchange rate in force during the time period they were formed.

Income statements:

Each income statement was converted using the average exchange rate of the period. Exchange rate differences caused by the conversion of the foreign currency balance sheets into Euro have been entered in the consolidated shareholder's equity entry among the Other Reserves as "Reserve for translation differences".

The average end-of-period exchange rates are as follows:

Currency	1H 2004		FY 2003		1H 2003	
	Average exchange rate	30 June 2004	Average exchange rate	31 December 2003	Average exchange rate	30 June 2003
US Dollar / Euro	1.2273	1.2155	1.1418	1.2630	1.1049	1.1427
Canadian Dollar / Euro	1.6428	1.6343	1.5865	1.6234	1.6047	1.5506
Singapore Dollar / Euro	2.0851	2.0901	1.9883	2.1450	1.9294	2.0149
Pound Sterling / Euro	0.6735	0.6708	0.6934	0.7048	0.6855	0.6932
Swedish Crown / Euro	9.1648	9.1451	9.1422	9.0800	9.1625	9.2488
Brasilian Real / Euro	3.6428	3.7838	3.4851	3.6627	3.5700	3.2961
Australian Dollar / Euro	1.6620	1.7554	1.7398	1.6802	1.7920	1.7116
New Zealand Dollar / Euro	1.8849	1.9210	1.9490	1.9244	1.9744	1.9569

The accounting principles and valuation criteria have been applied in a uniform manner to all the consolidated companies. The valuation criteria adopted for the half-year situation are the same used by the parent company Biesse SpA and throughout the companies of the Biesse Group. They conform to the previously cited current legislation, supplemented and interpreted by the Accounting Principles laid down by the Italian Accountants and Bookkeepers Councils.

The valuation criteria adopted for the most significant entries of the consolidated half-year situation are as follows:

Intangible assets

The intangible assets are registered at the purchase price or at full production cost including any additional charges and depreciated in constant allowances.

Plant and expansion costs are entered in the specific asset entry and are depreciated along the period of its economic life, for a maximum of five years.

Research and development costs, and advertising costs, are usually charged in full to the income statement for the financial year in which they were incurred. An exception to this are the costs relative to new production lines developed for new production units, as they offer reasonable prospects of future earnings and limited to costs strictly related to production development. Development and advertising costs entered as assets are depreciated over five financial years. Industrial patents and the rights to intellectual property are depreciated based upon their how long they are presumed to last, or for a maximum as defined in the licensing contract.

Concessions, licenses, trademarks and similar rights that are entered as assets are depreciated based upon how long they will be used, or for a maximum of that defined in the purchase contract; in the case that the period of use cannot be determined or there is not a valid contract, the period will be for five years.

Goodwill is entered as an asset only if acquired against payment, within the limits of its incurred costs and is depreciated for a period no longer than its length of use, or if this cannot be determined, for a maximum period of ten years. An exception is the acquisition of a branch of the company Allwood Machinery Co. Pty Ltd by Biesse Group Australia Pty Ltd., where the goodwill will be depreciated over a twenty year period, a period which is considered to better represent the future profits of the investment: the company branch acquired is an important player in the Australasia, strengthened by years of experience and with its high levels of prestige and recognition, leads us to believe that we can profit from this investment for a longer period than with comparable investments.

The consolidation difference emerges during the compilation of the consolidated balance sheet when the book values of the holdings are offset against the corresponding shareholder's equity fraction of the subsidiary. Any surplus that cannot be attributed to a single asset entry for the companies included in the consolidation, goes to adjusting the consolidated shareholder's equity, or, when possible, is entered in the "consolidation difference" entry. This entry is depreciated along the period of time in which it is thought financial benefits will be received from it, generally defined for ten years.

The intangible assets whose market value at the end of the financial year is permanently lower than cost, depreciated in accordance with the criteria cited, are devalued until they correspond to their true value. If during the following financial years the reasons for this devaluation are no longer valid, the cost is re-established.

Tangible assets

Tangible assets are entered at the cost of purchase or production including all additional charges, haven taken into consideration the monetary revaluations required by law.

In the compilation of the consolidated balance sheet, the leaseback financing contracts related to buildings and equipment have been accounted for following the provisions of the international accounting principles. Therefore, the assets in question have been entered in the tangible assets in the corresponding entries and were depreciated using the same criteria as for property assets. To offset the registration of the value of the asset, also the amounts due to leasing companies are entered, which are reduced by the paid amounts of capital. In the income statement, the financial charges are entered by the year of relevance in addition to the depreciations.

Depreciations are calculated systematically with a reference to cost, revalued if necessary based upon its remaining possible utility. The depreciation is reduced by 50% for those which come into operation during the financial year if it is believed that this represents a reasonable approximation of the timing of the purchases made during the financial year.

The main depreciation allowances used are as follows:

Industrial buildings:	3 %
Durable equipment:	25 %
Equipment for trade shows:	12 %
Ordinary machinery and systems:	10 %
Furniture and fittings:	12 %
Motor vehicles:	25 %
Electronic and electro-mechanical office machinery:	20 %

The tangible assets whose economic value at the closing date of the period are much lower than the not yet depreciated cost are devalued until they reach their economic value. If during the following financial years the reasons for this devaluation are no longer valid, the cost is re-established.

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

Long term investments:

Long term investments include holdings in subsidiary, non-consolidated, companies, holdings in associated companies as well as those in other companies, in addition to fixed financial credits. Substantial fixed assets of holdings in subsidiary, non-consolidated companies are evaluated using the shareholder's equity method, that is for an amount totalling the corresponding fraction of the shareholder's equity shown in the last balance sheet of the said companies after carrying out the adjustments required by the compilation principles of the consolidated balance sheet. In the case where the shareholder's equity of the subsidiary non-consolidated companies is negative, an appropriate liability fund is set up to subsequently cover the deficit in the shareholder's equity. The capital gains and losses deriving from the application of the shareholder's equity method are entered in the income statement under the entries "holding revaluation" and "holding devaluation" respectively.

In the case of companies of a modest size with negligible volumes, or if the balance sheets are not available in the time period needed for compiling the consolidated report, the holdings are valued at cost.

The long term investments are entered in the balance sheet at cost and are depreciated in the case of long time losses in value.

The securities and own shares are entered in the balance sheet at cost, adjusted if necessary, by devaluations due to long time loss in value.

If, during the following financial years the reasons for the depreciation are no longer valid, the pre-depreciation values are re-established.

Receivables and payables

The receivables were entered at face value and reduced to their presumed cash conversion value through the creation of specific depreciation funds. The payables were entered at face value. The receivables and payables in currencies other than the Euro are generally entered and shown in the balance sheet at the historical exchange rate on the date they were entered. If these should cause a negative difference when converted at the exchange rate of the closing date of the balance sheet and any related hedging contracts have been taken into account, an appropriation is made for the corresponding amount to offset the provisions for risks and charges. Receivables and payables in foreign currencies specifically hedged from exchange rate risks are entered with the exchange rate defined in the hedge operation.

Financial assets that are not considered fixed assets

Financial assets that are not considered fixed assets include own shares, purchased from the market and subject to negotiation. Such assets are valued at the cost of purchase, determined using the market value at the moment of purchase or the corresponding market value calculated using the average value for the month of June whichever is the lower.

Inventory

As for final inventory, the valuation criteria provided for in art. 2426 of the civil code were complied with. In particular, the stock inventory was valued at cost or market value whichever is the lower. In accordance with that provided for by IAS principles, in their forthcoming application to balance sheets of companies quoted on markets controlled by European Union regulations, it has been decided to change the valuation criteria of the raw materials and semi-products, passing from LIFO to average cost.

The cost structure adopted is, therefore, as follows:

Raw materials and merchandise:	average cost
Semi-manufactured goods:	industrial production cost, based upon their status
Finished products:	industrial production cost

The effects of the change in valuation criteria have been reported in the information on asset and liability entries and on economic entries. Stock that is obsolete or slow moving has been depreciated based upon their possible use or liquidation value.

Accruals and Deferrals

The accruals and deferrals entry only contains revenues and charges on the period that will be displayed numerically in following financial years and revenues and costs that were earned or incurred within the closing date of the financial year, but belong to later years. In any case, only the parts of costs and proceeds which are related to two or more financial years are entered, the amount of which will vary over time.

Risk and charges provisions

The provisions for risks and charges are only destined to cover losses or payables of a definite nature, which are certain or probable, but at the end of the financial year either the amount of the contingency or its date cannot be determined. This includes the Exchange Rate Fluctuation Fund, Product Guarantee Fund and Company Restructuring Fund.

In particular, the provisions for the product guarantee fund makes it possible to bring forward the economic effect of the guarantee related costs, in accordance with the sales revenues–guarantee costs correlation principle.

The company restructuring fund comprises a provision for charges that must still be incurred connected to the Biesse Group reorganisation project that began in 2001 and was then reviewed at the end of the 2002 financial year. The fund has been decreased in relation to the costs already sustained.

Severance pay for direct labour

Severance pay is entered in the balance sheet to cover the what will be due to company employees based upon the number of years served with the company as set forth in the legislation and in the collective labour contracts in force in the single countries where the consolidated companies operate.

Risks, commitments, guarantees

The risks which can cause a probable liability are described in the explanatory notes and appropriated to the risk reserves in accordance with congruity criteria. The risks which might only cause liability are described in the explanatory notes, without allocating funds to the risk reserves, in accordance with the accounting principles adhered to. Remote risks are not accounted for.

Commitments and guarantees are listed in the memorandum items at their contract value.

The memorandum items include all commitments related to derivative contracts created mainly in order to protect the Biesse Group from exchange rate risks on trading transactions. These obligations are included in the memorandum items based upon the exchange rate of the end of the financial year. Discounts or bonuses from derivative contracts are reflected, by accounting period, in the income statement. If the derivative contract cannot be definitely qualified as a hedge operation, also in light of a rigorous interpretation of the accounting principles adhered to, any possible profit or loss related to these contracts is included in the income statement.

In addition, the Biesse Group signs derivative contracts in order to hedge tax risks (IRS) deriving from variable rate loans, also obtained through the signing of leasing contracts.

NOTES TO THE CONSOLIDATED ACCOUNTS

Registration of revenues, income, costs and charges

Revenues and income, costs and charges are entered in the balance sheet net of refunds, discounts, allowances and premiums, as well as of the taxes directly connected to the sale of the product and the rendering of the service. Revenues received from sold products are recognised at the moment in which the property is transferred, which is normally considered the delivery or shipment of the goods. Revenue of a financial nature is recognised based upon accounting periods.

Income taxes

Income taxes for the period have not been calculated. In the previous financial year, deferred taxes were allocated based upon the temporary asset and liability differences between the taxable result and the result that appears in the balance sheet of each individual company; in addition, deferred taxes have been allocated in the consolidated balance sheet for temporary differences between the taxable results of the consolidated companies and those used in the balance sheets for consolidation purposes.

The deferred tax fund is calculating using the rate that was current at the moment in which the temporary differences originated. If the net balance of the deferred tax is a credit and the taxes are considered to be recoverable, the deferred tax credits are entered in the Other Receivables entry.

COMMENTS TO THE MAIN ENTRIES IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(All amounts are expressed in thousands of Euro)

ASSETS

Fixed assets

Intangible assets

Description	Historic value at 31/12/2003	Charge off of fully amortized assets	Variations in the consolid. area	Purchases	Transfers	Reclas-sification	Conversion difference	Historic value at 30/06/2004
Plant and expansion costs	306	(8)	23	0	0	0	(7)	314
Research, development and advertising costs	1,885	(321)	458	0	0	0	0	2,023
Industrial patents and intellectual property rights	532	(124)	0	74	0	0	0	482
Concessions, licenses, trade-marks and similar rights	3,621	(134)	23	92	(37)	134	1	3,700
Goodwill	10,083	0	0	0	0	0	(74)	10,009
Fixed assets in progress and advances	136	0	0	33	0	(134)	0	35
Other intangible fixed assets	1,922	(293)	171	205	0	0	(4)	2,000
Consolidation differences	5,116	0	0	0	0	0	0	5,116
Total	23,601	(880)	675	404	(37)	0	(84)	23,679

Depreciation fund

Description	Amortization reserve at 31/12/2003	Charge off of fully amortized assets	Variations in the consolid. area	Depreciation for the year	Closing of acc. depr. due to assets disinvest.	Conversion difference	Amortization reserve at 30/06/2004
Plant and expansion costs	(153)	8	(9)	(23)	0	2	(174)
Research, development and advertising costs	(1,484)	321	(92)	(202)	0	0	(1,457)
Industrial patents and intellectual property rights	(351)	124	0	(80)	0	0	(307)
Concessions, licenses, trade-marks and similar rights	(1,418)	134	5	(297)	14	(1)	(1,573)
Goodwill	(2,188)	0	0	(442)	0	12	(2,618)
Other intangible fixed assets	(1,147)	293	(54)	(184)	0	1	(1,091)
Consolidation differences	(2,003)	0	0	(253)	0	0	(2,256)
Total	(8,744)	880	(160)	(1,481)	14	14	(9,476)

Net value

Description	Historic value at 31/12/2003	Amortization reserve at 31/12/2003	Net value at 31/12/2003	Historic value at 30/06/2004	Amortization reserve at 30/06/2004	Net value at 30/06/2004
Plant and expansion costs	306	(153)	153	314	(174)	140
Research, development and advertising costs	1,885	(1,484)	401	2,023	(1,457)	566
Industrial patents and intellectual property rights	532	(351)	181	482	(307)	175
Concessions, licenses, trade-marks and similar rights	3,621	(1,418)	2,203	3,700	(1,573)	2,127
Goodwill	10,083	(2,188)	7,895	10,009	(2,618)	7,391
Fixed assets in progress and advances	136	0	136	35	0	35
Other intangible fixed assets	1,922	(1,147)	775	2,000	(1,091)	909
Consolidation differences	5,116	(2,003)	3,113	5,116	(2,256)	2,860
Total	23,602	(8,744)	14,858	23,679	(9,476)	14,203

The modification of the consolidation area has the greatest effect on the cost of research, development and publicity, and on other intangible assets: as far as the first item is concerned, there was a net increase of 366 thousand Euro, reflecting the costs incurred for developing the Sandymac Srl production lines; the second item is subject to a net increase of 117 thousand Euro and refers to the costs incurred for plant and modernisation of third party property.

The entry **Concessions, licenses, trademarks** equal to 3,700 thousand Euro increases by 79 thousand Euro in the period (of which 23 thousand for modifications to the consolidation area) with 1,165 thousand Euro referring to ten year patents for sectioning machines purchased from the Schelling Group and the remainder for the purchase of new software or the personalisation of existing accounting and management software.

The entry **Goodwill**, equal to 10,009 thousand Euro, includes mainly the goodwill recognised for the purchase of branches of the company Diamut Srl for 4,925 thousand Euro, Allwood Machinery Co. Pty Ltd for 2,380 thousand Euro, CNI Srl for 1,751 thousand Euro and SEV Srl for 707 thousand Euro. The depreciation of these values is effected over ten financial years, except for the Allwood company branch, for which a depreciation period of twenty years was deemed to be more fitting considering the reputation and soundness of the acquired company.

The **Other intangible assets** have a historic cost totalling 2,000 thousand Euro. This entry refers to the capitalisation of costs due to hardware or software interventions, the design and maintenance of web sites and the contribution to costs given to suppliers for the construction of new dies or models.

NOTES TO THE CONSOLIDATED ACCOUNTS

The **Consolidation difference** totalling 5,116 thousand Euro gross of the relative depreciation fund of 2,256 thousand Euro, is derived from the consolidation of the holdings as shown in Appendix A, and depreciated over a ten year period.

Tangible assets:

Description	Historic value at 31/12/2003	Charge off of fully amortized assets	Variations in the consolid. area	Purchases	Transfers	Reclas- sification		Conversion difference	Historic value at 30/06/2004
Land and buildings	55,962	0	0	641	(9,677)	5,473		127	52,525
Plants and machinery	24,193	0	4	171	(654)	(41)		(4)	23,669
Industrial and commercial equipment	8,974	0	123	571	(7)	17		4	9,682
Other tangible assets	20,549	(7)	140	405	(761)	24		66	20,416
Fixed assets in progress and advances	4,491	0	0	1,009	0	(5,473)		0	27
Total	114,169	(7)	267	2,797	(11,099)	0		193	106,319

Tangible assets-depreciation:

Description	Amortization reserve at 31/12/2003	Charge off of fully amortized assets	Variations in the consolid. area	Deprec. for the year	Closing of acc. depr. due to assets disinvest		Reclas- sification	Conversion difference	Amortization reserve at 30/06/2004
Land and buildings	(6,975)	0	0	(758)	0	0		(13)	(7,746)
Plants and machinery	(10,551)	0	(1)	(1,098)	548	41		(2)	(11,062)
Industrial and commercial equipment	(6,143)	0	(33)	(727)	3	(17)		0	(6,917)
Other tangible assets	(13,360)	7	(31)	(1,180)	689	(24)		(51)	(13,950)
Total	(37,029)	7	(65)	(3,763)	1,240	0		(66)	(39,675)

Fund-net value:

Description	Historic value at 31/12/2003	Amortization reserve at 31/12/2003	Net value at 31/12/2003	Amortization reserve		Net value at 30/06/2004
				Historic value at 30/06/2004	at 30/06/2004	
Land and buildings	55,962	(6,975)	48,987	55,525	(7,746)	44,779
Plants and machinery	24,193	(10,551)	13,642	23,669	(11,062)	12,607
Industrial and commercial equipment	8,974	(6,143)	2,831	9,682	(6,917)	2,765
Other tangible assets	20,549	(13,360)	7,189	20,416	(13,950)	6,466
Fixed assets in progress and advances	4,491	0	4,491	27	0	27
Total	114,170	(37,029)	77,141	106,318	(39,675)	66,643

The modification to the consolidation area creates a net increase of 202 thousand Euro in the tangible assets (of which 90 thousand Euro is for industrial and commercial equipment and 109 thousand Euro is for other tangible assets)

Entry **Land and buildings**, the historic value of which is equal to 52,525 thousand Euro, is reduced for the period by 3,437 thousand Euro. The principal change is due to the sale of land becoming suitable for building to the parent company Bi.Fin. Srl valued at 20 million Euro, with a net surplus of 10.3 million Euro. The reclassifications, equal to 5,473 thousand Euro, refer to advances paid in the previous years relative to the land in question, while the acquisitions, equal to 641 thousand Euro refer to taxes and other capitalised costs regarding the purchase of the land, the subject of the transfer of real estate contract; this acquisition was effected in January, while the sale was effected in March.

This entry includes, net of the depreciation reserve, the buildings already owned by Biesse SpA in San Giovanni Marignano (for 10,333 thousand Euro) and in Pesaro (for 9,717 thousand Euro) which were sold and then leased back by Biesse SpA, using a sale and leaseback plan, during 2002. These buildings are stated in the balance sheet at their historical cost.

Entry **Plant and machinery** has a historic value of 23,669 thousand Euro and shows a decrease of 524 thousand Euro. The biggest change is represented in the sales during the period, equal to 654 thousand Euro, due to the sale of machinery at the Pesaro factories no longer used as a result of the discontinuation of some machining operations. This discontinuation was a part of the production reorganisation plan, already mentioned in the management report; in particular, the plan envisages the shutdown of some departments, the activities of which will be entrusted to others in the second half of the year, thus allowing the Group to obtain improved production flexibility with lower costs inflicted on the structure.

Entry **Industrial and commercial equipment** has a historic cost of 9,682 thousand Euro and increases by 708 thousand Euro (of which 123 thousand Euro represents the change in the consolidation area). The increase is due to the purchase of ordinary working tools necessary for the assembly and testing of the machine tools, the machining and construction of metal parts and the purchase of dies for the production of raw materials.

Entry **Other tangible assets**, the historic value of which is equal to 20,416 thousand Euro, remains substantially unchanged with respect to the previous financial year and refers to investments in property, vehicles, machinery and electronic systems.

Entry **Fixed assets in progress and advances** is also completely zeroed due to the transfer to entry Land of the amount of 5,473 thousand Euro, relating to advances paid during the current year and in previous years for the land purchase.

Monetary revaluation schedule:

		BIESSE SpA	TOTAL
Buildings	Pursuant to law 72/83	163	163
Buildings	Pursuant to law 413/91	126	126
Plant and equipment	Pursuant to law 72/83	69	69
Other intangible assets	Pursuant to law 72/83	4	4
Total		362	362

Long term investments:

Holdings in subsidiary, non-consolidated companies:

<i>(values in Euro)</i> Company	capital stock	Balance sheet entered	Biesse Group holdings
Biesse Corporate School srl. Via della Meccanica 16, Loc. Chiusa di Ginestreto - Pesaro, Italy	Euro 10,920	Euro 13,326	81.68%
Total		Euro 13,326	

The value of the shareholding in Biesse Corporate School, valued using the equity method, remains substantially unchanged with respect to the previous financial year.

Holdings in associated companies:

(values in Euro)

Company	Capital stock	Balance sheet value	Percentage holdings of the Biesse Group	Owned percentage of the Biesse Group
ISP Systems Srl Via Fratelli Rosselli, 46 Pesaro, Italy	Euro 14,040	Euro 5	25.92%	25.92%
Intermac Vidrio Iberica S.A. C/Muntaner 531, 3-4 Barcelona – Spain	Euro 60,102	Euro 58,778	49%	49%
HSD Deutschland GmbH Immenreich 6, Gingen, Fils Germany	Euro 25,000	Euro 78,850	50% (indirectly through HSD SpA)	50%
Biesse China Co. Ltd. (*) Flat G, 3F, Wang Yip Centre, Wang Yip, Yuen Long, China	Euro 1,000,000	Euro 265,468	50%	50%
Kernex Automation Srl Via P. Nenni, 1/7 Cerese di Virgilio (MN), Italy	Euro 46,700	Euro 0	25%	25%
Total		Euro 403,101		

(*) The data related to balance sheet values refer to the sub-consolidated statements from Biesse China Co. Ltd. and Dongguang Biesse Machinery Co. Ltd.

Movements made in the subsidiary non-consolidated companies during the period are as follows:

(values in Euro)

Company	Value at 31/12/03	Purchases underwriting, capital stock increases	Movements during the period	Value at 30/06/2004
ISP Systems Srl	5	0	0	5
Intermac Vidrio Iberica S.A.	37,759	0	21,019	58,778
HSD Deutschland GmbH	25,178	0	53,672	78,850
Biesse China Co. Ltd.	382,812	0	(117,343)	265,468
Kernex Automation Srl	159,017	0	(159,017)	0
Total	604,771	0	(201,669)	403,101

All the holdings in the associated companies have been valued using the equity method. To this end, reference has been made to the balance sheet data on 30/06/2004, except in the case of Kernex Automation Srl, for which the values on 31/12/2003 have been considered.

It should be pointed out that following an agreement signed by the incorporated company Intermac SpA on 15/07/2004, the remaining 51% of Intermac Vidrio Iberica S.A. was acquired, thus obtaining full control of the company.

As far as the shareholdings in ISP Systems Srl are concerned, at the end of the half-year, in view of the negative results for the period, the fund for losses exceeding the shareholder's equity was increased by 276 thousand Euro (which, added to the initial balance brings the total of the fund itself to 698 thousand Euro).

The shareholdings in Intermac Vidrio Iberica S.A. and HSD Deutschland GmbH have been revalued by 21 thousand and 54 thousand Euro respectively; the shareholdings in Biesse China Co. Ltd. and Kernex Automation Srl have been devalued by 117 thousand and 159 thousand Euro respectively. As far as Biesse China Co. Ltd. is concerned, in the application of the shareholder's equity method, account was taken of the consolidated balance sheet assets of Biesse China Co. Ltd. and its subsidiary Dongguang Biesse Machinery Co. Ltd.

Holdings in other companies:

The holdings in other companies entry, valued in accordance with the cost method and adjusted for devaluations on 30 June 2004, as per article 2426 of the civil code, is as follows.

(values in Euro)

Company	Balance sheet value	Percentage of Biesse Group holdings
Banca delle Marche SpA Via Menicucci, 4/6 – Ancona - Italy	Euro 65,313	*
Tecnomarche Scrl Piazza Simonetti, 36 - Ascoli Piceno - Italy	Euro 10,329	4% (directly)
Consorzio Internazionale Marmi Macchine Carrara Via Galilei, 133 – Carrara Marina (MS) - Italy	Euro 5,165	*
Cosmob Spa Galleria Roma – Pesaro	Euro 1,033	*
Consorzio Energia Assindustria Pesaro Urbino Via Curiel, 35 – Pesaro - Italy	Euro 1,033	*
Caaf Interregionale Dip. Srl Via Ontani, 48 – Vicenza - Italy	Euro 129	*
Total	Euro 83,002	

* holdings of a symbolic and associative nature.

Fixed financial credits:

This entry, equal to 1,031 thousand Euro, includes 497 thousand Euro for receivables from associated companies (300 thousand and 120 thousand Euro from ISP Systems Srl and Intermac Vidrio Iberica S.A. respectively, with expiry before 12 months; 77 thousand Euro from Kernex Automation Srl, with expiry after 12 months) and receivables from others for 533 thousand Euro, with expiry after 12 months. These credits are made up of guarantee deposits (for rents, services, etc.) for 330 thousand Euro and receivables from Fideuram Vita, Fideuram Caf and Ras for 193 thousand Euro.

With respect to the previous financial year, there has been a decrease equal to 2,388 thousand Euro due mainly to the reimbursement of an interest bearing loan.

Own shares:

The Own shares entry amounts to 869 thousand Euro and has not changed over the period; it refers to the purchase of no. 380,654 shares.

The acquisition of own shares was carried out after the authorisation from the Shareholders' Meetings on 17 December 2001 and 29 April 2003, in accordance to Art. 235 of the Civil Code and Art. 73 of the Consob regulation no. 11971 dated 14/05/99.

These shares were included among the long term investments to hedge the option in favour of the former partner in the HSD SpA subsidiary, in virtue of the contract signed on 14 November 2003, which includes the possibility of requesting 380,654 Biesse SpA shares at the residual price of 1,252 thousand Euro.

OPERATING ASSETS

Inventory:

Description	Value at 31 December 2003	Movement inc./dec.	Value at 30 June 2004
Raw materials, ancillary, consumer goods	52,315	(1,312)	53,627
(Raw materials write-down reserve)	(2,126)	(1,340)	(3,466)
<i>Net raw materials, ancillary, consumer goods</i>	<i>50,189</i>	<i>(28)</i>	<i>50,161</i>
<i>Works in progress and semi-finished goods</i>	<i>8,197</i>	<i>(1,858)</i>	<i>10,055</i>
Finished goods and merchandise	23,309	4,774	28,083
(Finished goods write-down reserve)	(1,498)	11	(1,487)
<i>Net finished goods and merchandise</i>	<i>21,811</i>	<i>4,785</i>	<i>26,596</i>
Advances	637	155	792
Total	80,833	6.771	87,604

As already reported in section "Consolidation principles", the valuation criteria for the raw materials and semi-products inventory has been changed at the end of the half-year, passing from LIFO to average cost, in compliance with that provided for by the European community directive to companies quoted on markets controlled by European Union regulations. The change has had an economic impact (considered as being one of the extraordinary outgoings, as defined by the accounting principles) equal to 1,119 thousand Euro and has had an effect principally on the value of the raw materials and semi-products inventories.

The inventory value is 87,604 thousand Euro.

The raw materials inventories have remained substantially unchanged with respect to the previous financial year: the increase in their gross value (1,312 thousand Euro), due to the normal trend of the Group's production, is counterbalanced by the allocation to the raw materials write-down reserve (1,340 thousand Euro), made necessary by the discontinuation of non-profitable product lines.

The concentration of sales in the second half of the year is also the reason for increasing the stock of semi-products and finished products. This increase is particularly evident in the Wood Division and in the North American and Pacific area markets.

Receivables:

The Receivables entry amounts to 122,779 thousand Euro, a reduction of 3,768 thousand Euro with respect to the end of the previous financial year (126,548 Euro); the breakdown is as follows:

Description	Value at 31 December 2003	Movement inc./dec.	Value at 30 June 2004
From customers	100,373	(7,465)	92,908
(Bad debt reserve)	(2,774)	255	(2,519)
From customers, net	97,599	(7,209)	90,389
From non-consolidated subsidiaries	203	(203)	0
From affiliated companies	1,267	441	1,708
From parent companies	1	4,982	4,983
From others	27,478	(1,779)	25,699
Total	126,548	(3,768)	122,779

Receivables from customers:

Customer receivables amount to 90,389 thousand Euro net of the bad debt fund of 2,519 thousand Euro and refers to sales transactions and the providing of services. The receivables were devalued to cover the risk of losses of disputed receivables or receivables whose recovery is doubtful.

The balance of the customer receivables reduces by 7,465 thousand Euro as a result of both the normal progress in sales over time, concentrated in the second half-year, and the management of receivables which, together with the improved conditions of the final marketplaces, has allowed the return times to be reduced.

Receivables from associated companies:

The amount of 1,708 thousand Euro breaks down as follows:

Company	Value at 31 December 2003	Value at 30 June 2004
ISP Systems Srl	610	780
HSD Deutschland GmbH	407	652
Biesse China Co. Ltd	2	43
Intermac Vidrio Iberica S.A.	245	230
Kernex Automation Srl	3	3
Total	1,267	1,708

Receivables from parent companies:

Receivables from parent companies amount to 4,983 thousand Euro and refer to the balance yet to be received and the relative interests deriving from the sale of land by Biesse SpA to its parent company Bi.Fin. Srl These receivables will be collected in September 2004.

Receivables from others:

Description	Value at 30 June 2004
Receivables from others under 12 months	10,120
Receivables for prepaid tax under 12 months	5,018
Receivables for deferred tax credits under 12 months	3,690
<i>Receivables from others under 12 months</i>	<i>18,828</i>
Receivables for prepaid tax over 12 months	2,930
Receivables for deferred tax credits over 12 months	3,941
<i>Receivables from others over 12 months</i>	<i>6,871</i>
Receivables from others	25,699

The balance of 25,699 thousand Euro includes 18,828 thousand Euro for receivables with expiry before 12 months and 6,871 Euro for receivables with expiry after 12 months. These credits are all payable and encashable therefore the values have not been adjusted.

The entry includes credits for prepaid taxes in the amount of 7,948 thousand Euro (of which 5,018 thousand with expiry before 12 months and 2,930 thousand Euro with expiry after 12 months), to which receivable credits for deferred taxes must be added for the amount of 7,631 thousand Euro (of which 3,690 thousand Euro with expiry before 12 months and 3,941 thousand Euro with expiry after 12 months), calculated on the tax losses registered by the parent company Biesse SpA in 2003. These credits were entered because the losses were incurred in clearly identified and un-repeatable circumstances (in particular, the charges relating to the sale of the Schelling Group) and because of the reasonable certainty of a probable taxable income in future financial years which will allow the credits for deferred and prepaid taxes entered in the balance sheet to be recovered. This "reasonable certainty" is backed up by the 2004-2008 five-year economic plan of the Group, based on objective elements that will allow the Group to recover its profitability (for example, the exit of the Schelling Group from the consolidation perimeter, the slimlining of the Group's structure, the surplus, realised in March, on the sale of unused land). The data included in this half-year report confirms the expected profitability for the current year and reinforces the prospects of the recovery of above-listed credits.

The Receivables from others entry also includes receivables from the inland revenue (for taxes on consumptions and other various receivables) for the amount of 5,114 thousand Euro, credits for anticipated costs for an amount of 693 thousand Euro and receivables from suppliers for an amount of 607 thousand Euro.

The only receivable the Group has longer than 5 years totals 759 thousand Euro and is related to prepaid taxes calculated on the tax recoveries of the parent company Biesse SpA

Liquid financial assets and cash in hand

The liquid financial assets equal to 3,933 thousand Euro (against a value of 3,836 thousand Euro on 31/12/03) consist of own shares, corresponding to 1,744,991 shares. This amount includes 556,481 shares bought on the stock market after the authorisation from the Shareholders Meetings as per resolutions dated 17 December 2001 and 29 April 2003, in accordance with art. 235 of the civil code and art. 73 of the Consob regulation no. 11971 dated 14/05/99. To this was added 1,188,510 shares (equalling 4.33% of ordinary company stock), of which Biesse SpA took possession in December 2003 and which were previously held by Werner Deuring Privatstiftung. At the end of the period, the value of the shares recovered by 45 thousand Euro.

The liquid assets, equal to 16,339 thousand Euro, are reduced by 4,165 thousand Euro with respect to the previous financial year, though increase with respect to 30/06/2004 by 459 thousand Euro. As highlighted in the analysis of the net financial position carried out in the management report, the Group's situation has greatly improved with respect to the previous financial year, due to the above-mentioned real-estate activity and the improvement in the management of the net circulating capital. The improvement is even more important when considering that the first half-year is normally the period of greater borrowing for the Group.

Accrued income and prepaid expenses

Description	Value at 31 December 2003	Movement inc./dec.	Value at 30 June 2004
Accrued income	525	(131)	394
Prepaid interest expenses	573	807	1.380
Other prepaid expenses	127	(17)	110
Multiyear prepaid expenses	6	39	45
Total	1,231	698	1,929

LIABILITIES

Shareholders' equity

Balance at	Transfer	Translation	Other	Balance at
	31/12/2003	result	difference	30/06/2004
			Dividends	Result
			movements	
Group's Shareholders' Equity				
Capital	27,393			27,393
Share premium account	83,630	(47,428)		36,202
Legal reserve	3,797			3,797
Own share reserve	4,705			4,756
Extraordinary reserve	5,810		(2,465)	3,298
Consolidation reserve	65			65
Translation difference reserve	(1,289)		141	(1,148)
<i>Other reserves:</i>				
Special tax scheme reserve	4,808			4,803
Profit and other reserves of the consolidated companies(987)	6,154			5,098
Profit (loss)	(41,274)	41,274		9,454
Total shareholders' equity of the Group	86,658	0	141	93,718
Shareholders' equity due to third parties				
Third party capital stock and reserves	240	(8)		244
Third party profits (losses)	(8)	8		(62)
Total third party shareholders' equity	232	0	0	182
Operating result before acquisition	15	0	0	0
Total	86,905	0	141	93,900

Share premium reserve

This amount of 36,202 thousand Euro is decreased by 47,428 thousand Euro to cover losses from the 2003 financial year.

Own shares reserve

The own shares reserve totalling 4,756 thousand Euro, was set up, as already mentioned, to deal with the shares acquired by the parent company Biesse SpA in a buyback operation and its own shares that were previously held by the Werner Deuring Privatstiftung, through the use of the extraordinary reserve.

The buyback operation was approved in the minutes of the Shareholders' Meeting on 17/12/2001 and allows for the possible acquisition within a period of up to 18 months from the date of the resolution of an amount of shares that does not exceed 10% of current capital stock. The same resolution indicates a maximum value of the reserve totalling 12,911 thousand Euro. On 29/04/2003 the shareholders' meeting extended the duration of the buyback operation by a further 18 months, and also decided that the Reserve from the share premiums will be used for future acquisition of own shares.

Extraordinary reserve

The extraordinary reserve totalling 3,299 thousand Euro was decreased by 2,465 thousand Euro due to the resolution to distribute dividends, a decrease totalling 51 thousand Euro due to the acquisition of own shares against payment, registered in the specific reserve, and an increase of 5 thousand Euro due to a transfer to tangible asset depreciation reserve funds that exceed the charges for anticipated depreciation.

Translation difference reserve

The reserve for conversion differences, negative for 1,148 thousand Euro, contains the differences caused by the conversion of the foreign currency (non Euro) balance sheets (United States, Canada, Singapore, UK, Brazil, Sweden, Australia and New Zealand) and was increased during the business year by 141 thousand Euro.

Other reserves

The Special tax regime reserve entry, totalling 4,803 thousand Euro, consists of the reserve for anticipated depreciation in the previous financial years using the so-called "recommended method" of Accounting Principle no. 25, i.e. without moving from the income statement but deducting it for tax purposes through a reduction in declared earnings and then placing it in a shareholders' equity reserve after the shareholders meeting approval of the balance sheet. The decrease of 5 thousand Euro with respect to the previous financial year refers to the 2003 anticipated depreciations.

Profits and other reserves of the consolidated companies

The reserve totalling 5,084 thousand Euro increased by 6,154 thousand Euro due to the effect of the destination of the 2003 financial year result produced by the consolidated companies and a further decrease of 83 thousand Euro, connected to the consolidation of the companies Cabi Srl e Sandymac Srl

Profit (loss)

This contains the result of the period.

As recommended by the accounting principle no. 28 of the CNDC and CNR, the result per share is calculated by dividing the profit by the average number of stock in circulation.

	June 2004	December 2003
Profit/(loss) attributable to the shareholders (Euro/1,000)	9,454	(41,274)
Average number of shares in circulation	27,393,042	27,393,042
Profit/(loss) per share (expressed in Euro per share)	0.35	(1.51)

Schedule linking the parent company balance sheet and the consolidated balance sheet

The comparison of shareholders' equity, including the results of the period, that can be inferred from the Biesse SpA statutory balance sheet on 30 June 2004 and on 31 December 2004 and the consolidated shareholders' equity at the same dates, as well as the connection between the corresponding data is as follows:

	Shareholders' equity 30 June 2004	Result 30 June 2004 (1)	Shareholders' equity 31 Dec. 2003	Result 31 Dec. 2003
Shareholders' equity and income of the period as recorded in the parent company interim financial statement	90,567	10,318	82,715	(47,428)
<i>Elimination of the stock value of the consolidated equity investments</i>				
Diff. Between the stock value and the pro-quota value of the shareholders' equity	4,746		3,715	
Pro-quota results achieved by the held companies		(271)		2,986
Consolidation difference	2,860	(253)	3,113	(1,397)
Consolidation reserve	65	0	65	0
Elimination of the write-down of the equity investments		1,349		3,721
<i>Elimination of the effects of transactions between consolidated companies:</i>				
Intra-group profits included in the value of final inventories	(4,571)	(2,182)	(2,288)	696
Intra-group profits on fixed assets	(778)	0	(778)	0
Evaluation of the affiliated companies with equity method	(236)	(43)	(412)	(242)
Application of the IAS 17	1,064	535	529	389
Shareholders' equity and result of the Group	93,718	9,454	86,658	(41,274)
Shareholders' equity and result for third parties	182	(62)	232	(8)
Financial years' result before acquisition	0	0	15	15
Shareholders' equity and result as reported in the consolidated balance sheet.	93,900	9,392	86,905	(41,268)

Provisions for risks & charges

This entry has a balance of 6,194 thousand Euro (8,179 thousand Euro at the end of 2003) and is made up as follows:

Pensions and similar items

This entry totalling 502 thousand Euro (494 thousand Euro at the end of the previous financial year) includes the amount for supplementary allowances to customers relating to current agency relationships.

Taxation reserves

The amount totalling 1,135 thousand Euro includes deferred taxes for the parent company Biesse SpA, calculated on the residual anticipated depreciations, purely for tax purposes with the recommended method, and on residual shares and capital gain shares subject to instalments.

Other funds

Description	Value at 31 December 2003	Decrease and other movements	Provision of the period	Conversion difference	Value at 30 June 2004
Provision for exchange risks	998	(581)	1	0	418
Product warranty provision	2,246	0	213	(7)	2,466
Provision for future risks and charges	1,717	(419)	376	0	1,674
Total	4,961	(1,000)	590	(7)	4,558

The exchange risk fund was decreased during the period by 580 thousand Euro, due to the adjustment of the balance sheet entries expressed in foreign currencies at the end of the period. The product guarantee fund was modified following an adjustment to the fund to an assessment of the guarantees to be given.

The other funds for future risks and charges entry contains a remaining 398 thousand Euro, related to company restructuring funds which were set aside by Biesse SpA for 390 thousand Euro and by Biesse Group Deutschland for Euro 8 thousand. 310 thousand Euro of the restructuring fund was used; the remaining amount will be used by the end of 2004 for finishing the rationalisation process begun during the past years.

In addition this fund there are 1,276 thousand Euro (of which 376 thousand Euro were set aside during the period), of which 698 thousand Euro are provisions for covering losses exceeding the shareholders' equity relating to the subsidiary ISP Systems Srl, and 578 thousand Euro for current and prior provisions created due to potential liabilities deriving from disputes existing with former resellers and customers.

Employee's severance pay

The movement was:

Reserve at 31 December 2003	13,609
Variations in the consolidation area	100
Payments made in the period	(815)
Amount accrued in the period	1,775
Reserve at 30 June 2004	14,669

Payables

Payables to banks:

The entry of 71,271 thousand Euro is reduced by 40,069 thousand Euro with respect to the end of the previous financial year and is broken down as follows:

Description	Value at 31 December 2003	Movement increases/ decreases	Value at 30 June 2004
Current accounts and short-term loans	97,027	(36,733)	60,294
Medium-term loans	55	(16)	39
Mortgages with collateral	3,560	(1,479)	2,081
<i>Under 12 months</i>	1,097	(964)	133
<i>More than 12 months</i>	2,463	(515)	1,948
Mortgages without collateral	10,698	(1,841)	8,857
<i>Under 12 months</i>	4,802	(35)	4,767
<i>More than 12 months</i>	5,896	(1,806)	4,090
Total	111,340	(40,069)	71,271

As already described in the management report, the Group's financial position at the end of June 2004 has greatly improved, both due to the conclusion of the real estate sales operation (which produced a positive net cash flow of 17.1 million Euro), and to the current management activities which, unlike what normally occurs during the first part of the year, recorded a positive trend for the period.

Furthermore, by analysing the payables to the banks together with the payables to other lenders, a difference can be seen in the division of the payables with regard to duration, with a decrease in the percentage interest of payables with expiry before 12 months. Finally, the recourse to financial leverage has decreased and the fixed assets coverage ratio has improved. Please consult the financial report which includes the movements that determined this decrease.

Detailed information about loans that mature in 5+ years is listed below:

Description	Balance at 31/12/2004
Loans as per law 46/82	1,201
Mutuo Medio Credito Fondiario Centroitalia	570
Mutuo BCI Bank Montreal	61
Total	1,832

Secured loans are listed below:

Company	Amount	Bank	Description of the guaranty
Bifin Ltd	116	Mutuo BCI - Comit NY	Mortgage on industrial buildings in Charlotte (Usa)
Biesse SpA	760	BEI Loan	Mortgage on an area of 75,000 sq.m, with a building complex in Pesaro, Località Chiusa di Ginestreto (PS), comprising 7 factory buildings
MC Srl	1,064	Mutuo Mediocredito Fondiario Centroitalia	Mortgage on industrial buildings in Strada Selva Grossa, Pesaro
Sel Realty Inc.	141	Mutuo BCI Comit Canada	Mortgage on industrial building in Montreal (Canada)
Total	2,081		

Payables to other financial institutions:

The payables to other financial institutions totalling 21,957 thousand Euro refer mainly to the sale and leaseback operations carried out during 2002. The leasing contracts were signed with the Intesa Leasing company, (13,253 thousand Euro), related to property located in Pesaro and with the companies Cardine Leasing and Locafit (8,552 thousand Euro), related to property in S. Giovanni in Marignano (RN).

Advances:

Entry Advances, equal to 8,652 thousand Euro, refers to the advances received from customers at the date of the balance sheet, and records an increase of 2,719 thousand Euro with respect to the end of the previous financial year; this variation is due to an increase in volumes and an improvement in the order portfolio recorded during the period.

Payables to suppliers:

Description	Value at 31 December 2003	Movement increases/ decreases	Value at 30 June 2004
To third party suppliers	61,157	(11,318)	72,475
To subsidiary, non-consolidated companies	7	9	16
To associated companies	210	(31)	179
To parent companies	516	1,287	1,803
Total	61,890	12,583	74,473

The payables to third party suppliers includes 1,698 Euro relating to payables expiring after 12 months. The increase in payables is due to the increase in volumes with respect to the previous financial year and the cyclic trend of the production which, being concentrated in the first part of the year with respect to sales, leads to higher volumes of purchases and as a consequence increased payables to suppliers. The total increase is nevertheless offset by the increase in inventory and commercial credits, thus allowing an improvement in the net circulating capital.

The payables to non-consolidated subsidiaries amount to 16 thousand Euro and refers to Biesse Corporate School S.c.a r.l.

Payables to associated companies total 179 thousand Euro, and consist of payables to ISP Systems Srl for 151 thousand Euro, Intermac Vidrio Iberica S.A. for 20 thousand Euro and Kernex Automation Srl for 8 thousand Euro.

Payables to parent companies amount to 1,803 thousand Euro and are in favour of parent company Bi.Fin. Srl; of this amount 1,800 thousand Euro refer to an interest bearing loan with expiry before 12 months to parent company Biesse SpA and already reimbursed in the amount of 1 million Euro on 26/07/04.

Tax payables and payables to social security institutes

Description	Value at 31 December 2003	Movement increases/ decreases	Value at 30 June 2004
Tax payables	5,041	68	5,109
Payables to social security institutes	3,760	(473)	3,287
Total	8,801	(405)	8,396

The tax payables totalling 5,109 thousand Euro are relative to the payables for current taxation on income for the previous financial year, for employee deductions and consumption taxes. The taxes for the present accounting situation have not been calculated.

Payables to social security institutes, totalling 3,287 thousand Euro, refer to employee management.

Miscellaneous payable:

The Other payables entry amounting to 14,558 thousand Euro is increased by 4,804 thousand Euro with respect to the end of the previous financial year.

The quota with expiry before 12 months is equal to 13,073 Euro, up by 5.450 thousand Euro on the previous financial year.

The entry includes, amongst others, payables to employees for salaries and wages for 8,938 thousand Euro and payables for dividends agreed for the year 2003 and liquidated in July 2004 for 2,465 thousand Euro.

The over 12 months quota shows a balance of 1,484 thousand Euro, a reduction of 648 thousand Euro with respect to the end of the previous financial year, following the reimbursement of payables relating to past acquisitions, as reported in the following schedule.

Schedule of payables from purchases

Description	Value at	Refunds	Transfers and other movements	Value at
	31 December 2003			30 June 2004
Diamut Srl	859	(859)	0	0
Allwood Machinery	0	0	50	50
Debts payable under 12 months	859	(859)	50	50
Diamut Srl	232	0	0	232
Allwood Machinery	441	(391)	(50)	0
Busetti Srl	207	(207)	0	0
HSD SpA shares	1,252	0	0	1,252
Payables due in over 12 months	2,132	(598)	(50)	1,484
Total payables	2,991	(1,300)	0	1,534

Accrued liabilities and deferred income

Description	Value at	Movement increases/ decreases	Value at
	31 December 2003		30 June 2004
Accrued interest expenses	203	557	760
Other accrued expenses	234	(114)	120
Deferred interest income	81	203	284
Deferred revenues for installation and testing	824	(227)	597
Total	1,342	419	1,761

Memorandum accounts:

The memorandum accounts are described below:

Description	Value at	Value at
	31 December 2003	30 June 2004
Leasing commitments	7,882	8,189
Privileges on goods Sabatini Law	13	0
Guarantees and endorsement	11,573	8,733
Bills in circulation	8,039	6,300
Other memorandum accounts	25,064	22,403
Total	52,573	45,626

The leasing commitments amount to 8,189 thousand Euro and represent the total value of the accruing charges, including the redemption price, that must still be paid to the leasing companies for equipment and machinery for the purposes of purchasing the asset. If the financial method had been used to account for these contracts instead of that provided for by current civil and fiscal standards, on 30th June 2004 the historic cost of the "Tangible Assets" would have been 7,789 thousand Euro more and their accumulated depreciation fund would have been 3,316 thousand Euro more; the financial debts would have been 3,421 thousand Euro more, the deferred assets would have been 544 thousand Euro less, while the deferred liabilities for interests would have been 10 thousand Euro more. The depreciation allowance for the financial year would have been 540 thousand Euro more, the financial charges would have increased by 115 thousand Euro; whereas the leasing charges effectively spent in the income statement would have fallen by 823 thousand Euro. In this case the profit for the period would have been 168 thousand Euro more, while the net shareholders' equity would have been 496 thousand Euro more. The guarantees given as sureties and endorsements include the guarantees issued to support the activities of Biesse Group Australia Pty. Ltd. (855 thousand Euro) and Bifin Ltd. (1,892 Euro), the guarantee of 1,252 thousand Euro issued in favour of the former partner of HSD SpA, to secure the acquisition of the shares of the subsidiary company. Finally there are the guarantees given to the tax office in the face of requests for quarterly reimbursements and annual VAT declarations (2,266 thousand Euro), to the City of Pesaro for charges related to the town planning of the buildings located therein (Euro 1,468 thousand and to Simest for the granting of a loan (349 thousand Euro).

The other memorandum accounts, equal to 22,403 thousand Euro, include 6,933 thousand Euro for operations deriving from activities carried out at the end of the period and destined prevalently to protect the operating margins of Biesse SpA and Biesse Group Australia Pty. Ltd. from fluctuations in exchange rates of forecast sales and are entered in the balance sheet at the end of period exchange rate. In addition to this, there is an interest rate swap contract stipulated to hedge the risk of a variation in interest rates on a leaseback contract for the Pesaro factory, which is entered in the balance sheet for 12,558 thousand Euro. Finally 2,043 thousand Euro have been included for the buyback commitment taken on with leasing companies for the sale of the Group's production machinery to national customers, and 869 thousand Euro relating to the commitment to sell own shares, necessary in case Claudio Granuzzo exercises his call option.

REMARKS ABOUT THE MAIN INCOME STATEMENT ENTRIES

(All amounts are expressed in thousands of Euro)

Production Value

The Production value amounts to 157,008 thousand Euro, a reduction of 2% with respect to the first half of 2003. The change is mainly due to the reduction of delta stock which exceeds the turnover increase of 4.5%.

When analysing the pro-forma data (presented in the Management Report and processed excluding the Schelling Group in 2003 and Cabi Srl and Sandymac Srl in 2004) the 2004 results improve with a production value equal to 156,758 thousand Euro which increases by 8.8%.

Revenues from sales and services

Description	Value at 30 June 2003	Value at 30 June 2004	Variation	Variation %
Revenues for the sale of goods	137,463	144,028	6,565	4.8%
Revenues for services rendered	4,028	5,262	1,234	30.6%
Other sales revenues	663	469	(194)	(29.3%)
Variation in revenues for returns, premium, discounts, allowances and invoices adjustments	(438)	(1,601)	(1,163)	n.r.
Total	141,716	148,159	6,443	4.5%

The breakdown of revenue from sales and services by division is as follows:

Division	Value at 30 June 2003	%	Value at 30 June 2004	%	Variation	Variation %
Wood Division	90,414	63.8%	104,919	70.8%	14,505	16.0%
Glass and Marble Division	28,247	19.9%	33,078	22.3%	4,831	17.1%
Systems Division	14,308	10.1%	---	---	---	---
Mechatronic Division	13,571	9.6%	20,835	14.1%	7,264	53.5%
Grand total	146,540	103.4%	158,832	107.2%	12,292	8.4%
Interdivisional elisions	(4,824)	(3.4%)	(10,673)	(7.2%)	(5,850)	n.r.
Total consolidated revenues	141,716	100.0%	148,159	100.0%	6,443	4.5%

The summary of the revenues by geographic area is as follows:

Division	Value at 30 June 2003	%	Value at 30 June 2004	%	Variation	Variation %
EU Area	76,076	53.7%	73,062	49.3%	(3,014)	(4.0%)
North America	22,577	15.9%	21,639	14.6%	(938)	(4.2%)
Rest of World	43,063	30.4%	53,457	36.1%	10,395	24.1%
Total consolidated revenues	141,716	100.00%	148,159	100.0%	6,443	4.5%

As already underlined, the consolidated revenue increase by 4.5% (from 141,716 thousand Euro to 148,159 thousand Euro), with an increase in the pro-forma data of 16% (from 127,446 thousand Euro to 147,802 thousand Euro).

This increase is common to and consistent with all the divisions of the Group (in fact, the mechatronic division also sees its performance improving by 16%, if the absolute values are removed from the interdivisional elision data, almost all resulting from the sale of the subsidiary HSD SpA to other companies in the Group).

At a geographic level, further reference should be made to the shrinking of the Group's traditional reference markets to the advantage of newer areas such as East Europe, the Far East and the Pacific. The comparison is nevertheless influenced by the effect of the exchange rate which penalises in particular the area of the Dollar; the same analysis carried out utilising the same exchange rate shows, in fact, an increase of 10%. The current redistribution of volumes on a worldwide basis, the result of the strategy of expanding market penetration undertaken over recent years, means that the Group is less exposed to the cyclic trends of specific geographic areas.

Other revenue and proceeds:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Contributions	7	25	32
Other revenues	2,869	(353)	2,516
Total	2,876	(328)	2,548

The entry shows a balance of 2,548 thousand Euro, 328 thousand Euro less than the previous period (the reduction of the pro-forma data is 554 thousand Euro, with a balance that passes from 2,046 thousand Euro to 2,600 thousand Euro).

This amount is mainly related to recovering the expenses of transporting sold goods and other services (1,154 thousand Euro), extraordinary income derived from the operating activity and the closure of redundant funds (727 thousand Euro) and current rents (126 thousand Euro).

Production costs:

Production costs for raw materials, consumable and merchandise:

This entry has a balance of 71,766 thousand Euro, down by 2,802 Euro on the corresponding period of the previous year (decrease of 3.8%). Analysing the pro-forma income statement data, the balance amounts to 72,227 thousand Euro, an increase with respect to the previous financial year of 4,887 thousand Euro. The overall increases can be put down to the volumes recorded during the period. Analysing this entry together with the change in the raw materials inventory shows an increase both in the normal data and in the pro-forma data, while highlighting the worsening of the effect of consumptions on the turnover of approximately one percent (from 45.4% in 2003 to 46.4% in 2004, with a trend similar to the pro-forma data). This worsening can however be seen in the increased provisions for the warehouse obsolescence fund made in the first half of 2004 due to the discontinuation of non-profitable product lines.

With regard to inflation pressures recorded in some of the Group's procurement markets, it can be said that up until now there have not been any significant repercussions on production costs.

Service costs

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
External machining	6,113	2	6,115
Energy consumption	790	(149)	641
Maintenance	1,268	(408)	860
Technical, legal and administrative consultancy	2,499	(160)	2,339
Commissions paid	3,613	132	3,745
Trade fairs and advertising	3,607	(1,226)	2,381
Personnel travel costs	3,674	(831)	2,843
Post and telephone charges	1,214	(233)	981
Transport costs	3,987	(280)	3,707
Other service costs	4,910	(951)	3,959
Total	31,675	(4,104)	27,571

The same schedule, built-up from the pro-forma income statement, is as follows:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Oursourcing	5,922	28	5,950
Utilities	685	(46)	639
Maintenance	1,067	(211)	856
Technical, legal and administrative consultancy	2,171	193	2,364
Commissions paid	3,282	463	3,745
Trade shows and advertising	3,203	(823)	2,380
Personnel travel costs	2,865	(25)	2,840
Postage and telephone charges	1,056	(82)	974
Transport costs	3,402	289	3,691
Other service costs	4,141	(301)	3,840
Total	27,794	(515)	27,279

The change in the consolidation perimeter has resulted in a notable saving in service costs, both with respect to absolute value and as a percentage of turnover. The reduction is equal to 4,104 thousand Euro, while the percentage falls from 22.4% to 18.6%. Analysing the pro-forma data, a reduction in costs can be seen of 515 thousand Euro, with the percentage on turnover of 18.5%. The reduction affects all the cost entries except for commissions (the trend of which follows that of the turnover) and, from the pro-forma data, the external consultant services (which have increased due to the growing recourse to outsourcing policy of some company functions).

The outsourcing of machining operations are kept in line with those of the same period in the previous financial year following the extension to the Group's activities upstream. These costs could however increase in the second half of the year following the outsourcing of the carpentry and painting processes.

The cost of trade shows and advertising decreases with respect to 30 June 2003 by 1,226 thousand Euro; this change follows the decision made by Biesse, in agreement with its competitors, to reduce the participation costs in the exhibitions (in terms of occupied surface area, setting-up, etc.), to which the efforts to rationalise the ancillary costs of the events themselves can be added (strict control of the expenses entry and participation in the events of key-figures, with a reduction in the presence of the Group at the stands). This reduction in costs, moreover, has not had a negative effect on the reputation of the Group's products, on the contrary, these exhibitions have resulted in an increase in the Group's order portfolio.

Continuing the analysis of the pro-forma data, there has been an increase in entries regarding the costs of Personnel travel cost and in the Transport cost entries, though still low as regards absolute value, and nonetheless linked to the increased sale volumes for the period.

The Other service costs entry, totalling 3,959 thousand Euro, includes the remuneration paid to the Group Directors totalling 204 thousand Euro (201 thousand Euro in 2003) and the emoluments for the auditors for 30 thousand Euro (unchanged with respect to the previous financial year).

The figure on 30 June 2004 is net of the costs connected with company restructuring activities totalling 148 thousand Euro. They did not pass through the income statement but were used to reduce the specific account.

Costs for the use of third party assets

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Leasing expenses	2,545	(222)	2,323
Licenses	13	(12)	1
Lease and Rental expenses	1,724	(653)	1,071
Total	4,282	(887)	3,395

The amount totalling 3,395 thousand Euro was down 887 thousand Euro with respect to 30 June 2003. The pro-forma value, equal to 3,356 thousand Euro, also signals a decrease with respect to the corresponding previous financial year of 375 thousand Euro.

Within this cost category, the costs for leasing expenses total 2,323 thousand Euro and contribute to the major part of the total decline, whereas the cost for rent totals 1,071 thousand Euro, reduced by 653 thousand Euro with respect to the first half of 2003 (equal to 74% of the total reduction).

The analysis of the pro-forma data instead indicates a greater balance of the savings obtained (reduction in leasing expenses: 174 thousand Euro; rent reduction: 189 thousand Euro). The resulting savings are due to the efforts made in rationalising costs incurred in the previous financial years and will continue in the second half of the year. The agreement signed with a local partner during July for outsourcing the carpentry machining and painting phases, should allow space in the owned sites to be freed in order to eventually house the production lines currently located in third party structures.

The Lease and Rental expenses entry includes all rent expenses for industrial and commercial buildings and rent for office machinery, company cars and internal transportation.

Rent refers to office machinery, internal transport vehicles and industrial equipment.

Personnel costs:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Wages and salaries	35,613	(3,520)	32,093
Social security costs	9,462	(299)	9,163
Severance indemnity and benefits	1,900	(8)	1,892
Other costs	85	89	174
Total	47,060	(3,738)	43,322

Personnel costs total 43,322 thousand Euro, down by 3,738 thousand Euro on the same period of the previous year. The analysis of the pro-forma data shows an increase in the absolute value of personnel cost of 3,219 thousand Euro; however, the percentage on turnover falls from 31.0% to 28.9%, due to the effect of the streamlining of the organisational structure during the previous financial years and regarding, in particular, indirect labour. The improvement becomes even more significant when considering that the 2003 figure benefits from the recourse to "social shock absorbers" by some of the Group's factories during May and June.

The total amount is less 162 thousand Euro which represents the use of the company restructuring fund for the relevant share.

Average personnel numbers

The average number of employees for the period is 1,869, at the end of the previous financial year this was 2,177, while on 30/06/2003 the figure was 2,227. Using the same consolidation perimeter, the average number of employees is reduced by 93.

Amortizations, depreciations and write-downs

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Amortisation of intangible fixed assets	1,881	(400)	1,481
Amortisation of tangible fixed assets	4,222	(458)	3,764
Other depreciations of fixed assets	2	(2)	0
Write-downs of receivables included in current assets	769	(694)	75
Total	6,873	(1,554)	5,319

In relation to the pro-forma data, these are as follows:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Amortisation of intangible fixed assets	1,832	(418)	1,414
Amortisation of tangible fixed assets	3,812	(78)	3,734
Other depreciations of fixed assets	0	0	0
Write-downs of receivables included in current assets	337	(262)	75
Total	5,981	(758)	5,223

The depreciation cost has reduced considerably with respect to the first half of 2003, both due to the effect of the sale of the Schelling Group (equal to a saving of 890 thousand Euro), and due to the reduction in costs sustained by the Biesse Group, considered as being equal to the consolidation perimeter (758 thousand Euro).

As highlighted in the circulation of assets schedules, the most important cost entries in the depreciation of intangible assets are those concerning goodwill (442 thousand Euro), licences and trademarks (297 thousand Euro) and consolidation difference (253 thousand Euro).

The entry Depreciation of tangible assets also includes the cost of the application of the financial method for accounting real-estate leasing contracts, equal to 559 thousand Euro (of which 325 thousand Euro refers to buildings and 234 thousand Euro to plant and machinery). This cost entry may also be affected by the agreement to outsource some machining operations, with the resulting sale of part of the production site of San Giovanni in Marignano (RN) which would allow an average saving of 238 thousand Euro per year to be made.

The devaluation of current assets amounts to 75 thousand Euro and consists of allocations to the bad debts reserve.

Other operating expenses

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Bad debt expenses	7	20	27
Miscellaneous tax expenses	344	(53)	291
Unexpected losses	18	0	18
Representational costs	287	(190)	97
Membership fees	97	(9)	88
Car expenses	330	(85)	245
Stationery	245	(38)	207
Loss on fixed assets	14	20	34
Heating	364	(77)	287
Other operating expenses	993	(79)	914
Total	2,699	(491)	2,208

The Other operating expenses entry totals 2,208 Euro, down by 491 thousand Euro with respect to the same period of the previous financial year. The end of period value, with equal consolidation perimeter, amounts to 2.200 thousand Euro, while the figure for the same period of the previous financial year is equal to 2,308 Euro, with a decrease of 108 thousand Euro.

Financial revenues and charges

Other financial revenues:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Income from securities included in fixed assets	60	(43)	17
Other sundry income	475	(293)	182
Exchange gains	1,165	(339)	826
Total	1,700	(675)	1,025

Interest and other financial charges:

Description	Value at 30 June 2003	Movement increases/	Value at 30 June 2004
Interest charges from banks and on advances	844	(638)	206
Interest charges on loans	944	84	1,028
Interest charges on other debenture loans	1,362	(551)	811
Exchange losses	1,984	(1,294)	690
Others	408	(43)	365
Total	5,542	(2,442)	3,100

The analysis of the financial charges and income shows a substantial reduction in the cost of borrowing for the Group. This phenomenon is in great part due to the already-mentioned improvement in the net financial position. The interests paid fall from 3,150 thousand Euro to 2,045 thousand Euro, with the percentage on turnover passing from 2.2% to 1.4%; the pro-forma data also shows a reduction in the interest charges from 2,349 thousand Euro to 2,041 thousand Euro (percentage on turnover 1.4% in 2004, against 1.8% in 2003).

Currency management changes sign and passes from a negative balance of 820 thousand Euro in 2003 to a positive balance of 135 thousand Euro. This result was made possible by the trend of the exchange rates during the half-year and the careful management of the exchange risks. The entry Other revenues refers to the quota for the year 2004 of financial provisions effected in previous years on financing operations requested by Italian customers and linked to laws facilitating investments granted to companies.

Value adjustments to financial assets

Revaluations and write-downs

The adjustment of the negative financial activities value for 432 thousand Euro refers to revaluation and devaluation of shares in non-consolidated associated subsidiaries, valued using the shareholders' equity method (which demonstrates a negative balance of 477 thousand Euro), and to the revaluation of own shares entered in the circulating capital, equal to 45 thousand Euro, in order to adjust their book value to the current end-of-period value.

The details of the revaluation and devaluation operations effected on the shares are as follows:

Shareholdings	Revaluations / (Write-downs)
Biesse Corporate School s.c. a r.l.	0
Intermac Vidrio Iberica S.A.	21
HSD Deutschland GmbH	54
ISP Systems Srl	(276)
Kernex Automation Srl	(159)
Biesse China Co. Ltd.	(117)
Total	(477)

Extraordinary provisions and charges

Extraordinary provisions:

The balance of 10,411 thousand Euro (44 thousand Euro during the same period of the previous financial year) consists mainly of the surplus of 10,323 thousand Euro deriving from the sale of unused land to the controlling company Bi.Fin. Srl during March.

Extraordinary charges:

The entry Extraordinary charges amounts to 2,233 thousand Euro, while at the end of the same period of the previous financial year, the value was 1,678 thousand Euro.

The balance is mainly due to charges of 1,119 thousand Euro deriving from the change in the warehouse valuation criteria (passing from LIFO to average cost) and has been caused by the impact of the different valuation criteria for the initial stock, in line with that provided for by the reference accounting principles.

Pesaro, 20 September 2004

Chairman of the Board of Directors
Roberto Selci

ANNEXES

*To the Consolidated Financial
Statements of Biesse SpA
for the 1st half of 2004*

ANNEXE "A"
DETAIL OF CONSOLIDATION DIFFERENCE

Euro/1,000	Consolidation	Cumulated	Net value at	Variations in	Consolidation	Amortisation	Cumulated	Net value at
	difference at 31/12/2003	amortisation at 31/12/2003	31/12/2003	2004	difference at 30/06/2004	share 30/06/2004	amortisation at 30/06/2004	30/06/2004
SELCO SRL	4,220	(1,914)	2,307	0	4,220	(211)	(2,125)	2,096
BIESSE CANADA LTD	56	(56)	(0)	0	56	0	(56)	(0)
SEL REALTY LTD	5	(5)	0	0	5	0	(5)	0
BIESSE GROUP UK LTD	13	(8)	5	0	13	(1)	(8)	4
BIESSE GROUPE FRANCE SARL	0	0	0	0	0	0	0	0
MOTORI MC KART SRL	118	(21)	97	0	118	(6)	(26)	91
HSD SPA	704	0	704	0	704	(35)	(35)	669
TOTAL	5,116	(2,003)	3,113	0	5,116	(253)	(2,256)	2,860

ANNEXE "B"
CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euros)

06/30/2004

12/30/2003

ORDINARY ACTIVITIES

+/- Result of the period	9,392	(41,268)
+ Amortisation and depreciation:		
+ of tangible fixed assets	3,764	8,659
+ of intangible assets	1,481	3,817
+ Provisions		
+ staff severance indemnity	1,775	3,665
+ for bad and doubtful debts	75	1,316
+ for risk and charges	356	283
- Capital gain from own shares received from W.D.P.	0	(2,673)
- Capital gain from sales of assets	(10,323)	(208)
+ Capital loss from sale of Schelling shares	0	27,003
+ Consolidation difference write-down	0	10
= SUBTOTAL	6,520	605

- Staff severance indemnity paid out	(716)	(2,425)
- Use of risk fund	(2,340)	(1,831)
+/- Variation in current assets	8,614	8,498
+/- Variation in securities included in current assets	(97)	(623)
+/- Variation in inventory	(6,771)	1,282
+/- Variation in prepayments and accrued income	(698)	200
+/- Variation in accruals and deferred income	418	217
+/- Variation in trade payables	11,318	(17,111)
+/- Variation in other non-financial payables	6,582	(10,589)
= CASH FLOW FROM (FOR) ORDINARY ACTIVITIES	22,831	(21,776)

INVESTING ACTIVITIES

- Purchase of intangible assets	(849)	(3,583)
+ Transfer of intangible assets	23	37
- Purchase of tangible fixed assets	(3,126)	(5,733)
+ Transfer of tangible fixed assets	15,262	1,562
+/- Purchase/transfer of other shareholdings and securities	301	(148)
= CASH FLOW FROM (FOR) INVESTING ACTIVITIES	11,611	(7,865)

FINANCING ACTIVITY

+/- Increase/decrease in financial receivables	2,388	(104)
+/- Opening/repayment of medium/long-term bank loans	(2,337)	(10,838)
+ Opening/repayment of other loans	0	0
+ Increase/decrease bank borrowings	(37,732)	33,905
+/- Variation in payables to other lenders	(329)	(2,252)
+/- Variation in financial payables to parent companies	1,800	0
- Payments on dividends	(2,465)	(2,385)
+ Capital increase	0	0
+/- Other movements in shareholders' equity	(72)	(1,248)
= CASH FLOW FROM (FOR) FINANCING	(38,748)	17,078

+/- Variation in reserve from conversion of financial statements	141	(122)
= CASH FLOW	(4,165)	(12,685)
+ Net cash on hand at period start	20,504	33,189
+ Net cash on hand at period end	16,339	20,504

REPORT ON FIRST HALF OF 2004

ANNEXE "C" CONSOLIDATED ACCOUNTS OF THE PARENT COMPANY BIESSE SpA - BALANCE SHEET

<i>(Thousands of Euros)</i>	06/30/2004	06/30/2003	12/31/2003
ASSETS	280,661	331,337	290,629
B. FIXED ASSETS	74,101	124,293	89,442
<i>I Intangible fixed assets</i>	8,078	8,355	8,737
1 Start-up and expansion costs	9	19	16
2 Research, development and advertising costs	189	472	314
3 Patents and intellectual property rights	166	181	171
4 Concessions, licenses, trademarks and similar	2,015	1,087	2,106
5 Goodwill	5,099	5,856	5,478
6 Intangible assets under constructions	35	216	136
7 Other intangible fixed assets	564	524	516
<i>II Tangible fixed assets</i>	32,079	43,622	42,091
1 Land and buildings	18,523	23,110	22,431
2 Plant and machinery	7,722	8,968	8,511
3 Industrial and commercial equipment	1,545	2,028	1,708
4 Other tangible fixed assets	4,263	5,563	4,950
5 Tangible assets under constructions	25	3,954	4,491
<i>III Financial fixed assets</i>	33,944	72,315	38,614
1 Shareholding:	9,168	32,717	10,317
a Subsidiaries	8,461	31,695	9,451
b Affiliates	624	939	783
c Other companies	83	84	83
2 Receivables:	23,907	38,394	27,428
a Receivables from subsidiaries	23,071	35,302	24,356
a1 Receivables from subsidiaries within one year	23,071	35,302	24,356
b Receivables from affiliate companies	497	197	197
b1 Receivables from affiliate companies due within one year	420	120	120
b2 Receivables from affiliate companies due after one year	77	77	77
c Receivables from parent companies	0	0	0
d Receivables from others	338	2,895	2,875
d1 Receivables from others within one year	0	2,488	2,530
d2 Receivables from others after one year	338	407	344
4 Own shares (nominal value Euro 380.654)	869	1,204	869
C. CURRENT ASSETS	187,356	184,966	181,173
<i>I Inventories</i>	57,452	68,081	55,733
1 Raw materials, ancillary materials and consumables	34,537	41,563	36,267
2 Semifinished goods	10,050	9,051	8,197
4 Finished products and goods	12,701	17,187	11,086
5 Payments on account	164	280	183
<i>II Receivables</i>	119,463	110,037	112,104
1 Trade receivables	56,063	55,375	60,291
2 Trade receivables from subsidiaries	38,718	41,646	30,682
3 Trade receivables from affiliated companies	1,045	1,640	860
4 Trade receivables from parent companies	4,983	1	1
5 Trade receivables from others	18,653	11,375	20,271
<i>III Financial assets not fixed</i>	3,933	1,142	3,836
4 Own shares (nominal value Euro 505.153)	3,933	1,142	3,836
<i>IV Cash and cash equivalents</i>	6,508	5,705	9,500
1 Bank and postal deposits	6,455	5,594	9,418
3 Cash	53	112	83
D. PREPAYMENTS AND ACCRUED INCOME	19,204	22,079	20,014
1 Accrued income	46	71	283
2 Prepayments	19,158	22,007	19,731

ANNEXE "C"

CONSOLIDATED ACCOUNTS OF THE PARENT COMPANY BIESSE SpA - BALANCE SHEET

<i>(Thousands of Euros)</i>	06/60/2004	06/30/2003	12/31/2003
LIABILITIES	280,661	331,337	290,629
A. SHAREHOLDERS' EQUITY	90,567	127,984	82,715
I Share capital	27,393	27,393	27,393
II Premium reserve	36,202	83,630	83,630
IV Legal reserve	3,797	3,797	3,797
V Own shares reserve	4,756	2,345	4,705
VII Other reserves	8,102	12,898	10,619
IX Result of the period (1)	10,318	(2,080)	(47,428)
B. PROVISIONS FOR RISKS AND CHARGES	6,490	11,397	6,416
1 Provision for pension retirement and similar	450	450	450
2 Provision for taxes	1,864	2,518	1,864
3 Other provisions	4,176	8,429	4,102
C. STAFF SEVERANCE INDEMNITY RESERVE	12,771	11,319	11,923
D. PAYABLES	166,164	175,693	184,908
3 Payables to banks	61,604	83,114	99,337
a due within one year	56,889	73,514	92,221
b due after one year	4,716	9,600	7,116
4 Payables to other financial institutions	36	41	39
a due within one year	36	41	39
5 Advances	6,306	4,155	3,596
a due within one year	6,306	4,155	3,596
6 Trade payables	74,038	69,064	63,775
a due within one year	60,623	67,531	49,120
b due after one year	13,415	1,533	14,655
8 Payables to subsidiary companies	7,109	4,812	4,892
a due within one year	7,109	4,812	4,892
9 Payables to affiliate companies	179	690	114
a due within one year	179	690	114
10 Payables to parent companies	1,803	695	516
a due within one year	1,803	695	516
11 Tax payables	1,188	1,059	2,288
a due within one year	1,188	1,059	2,288
12 Payables to social security	2,400	1,836	2,934
a due within one year	2,400	1,836	2,934
13 Other payables	11,500	10,227	7,415
a due within one year	10,016	9,788	5,724
b due after one year	1,485	439	1,691
E. ACCRUED EXPENSES AND DEFERRED INCOME	4,669	4,945	4,668
1 Accrued expenses	269	534	132
2 Deferred income	4,400	4,411	4,535
MEMORANDUM ACCOUNTS	53,504	64,627	61,205
2 Leasing commitments	17,639	19,488	17,897
5 Guarantees and endorsement	8,161	12,061	11,072
6 Bills in circulation	6,300	9,464	8,039
7 Other memorandum accounts	21,403	23,613	24,196

REPORT ON FIRST HALF OF 2004

ANNEXE "C" CONSOLIDATED ACCOUNTS OF THE PARENT COMPANY BIESSE SpA

<i>(Thousands of Euros)</i>	06/60/2004	06/30/2003	12/31/2003
INCOME STATEMENT			
A. VALUE OF PRODUCTION	127,777	117,531	226,595
1 Revenues from sales and services	122,330	107,521	221,268
2 Change in work in progress and semifinished goods	3,172	7,859	863
4 Increase in assets value for internal work	12	45	74
5 Other revenues and income	2,263	2,106	4,389
5a Miscellaneous	2,263	2,106	4,270
5b Contributions for operating expenses	0	0	119
B. COSTS OF PRODUCTION	(123,711)	(116,753)	(227,537)
6 Raw materials, ancillary materials and consumables	(66,404)	(63,070)	(115,536)
7 Services	(17,448)	(18,819)	(35,543)
8 Use of third parties assets	(3,978)	(4,280)	(8,282)
9 Personnel expenses	(30,832)	(28,213)	(55,192)
9a Wages and salaries	(21,911)	(20,051)	(39,097)
9b Social security charges	(7,346)	(6,574)	(13,006)
9c Severance indemnity	(1,575)	(1,587)	(3,090)
9d Pension retirement and similar	0	0	0
9e Other personnel expenses	0	0	0
10 Amortisations, depreciations and write-downs	(3,287)	(3,299)	(7,222)
10a Amortisation of intangible fixed assets	(984)	(929)	(2,074)
10b Amortisation of tangible fixed assets	(2,302)	(2,370)	(4,848)
10c Other write-downs	0	0	0
10d Write-downs of receivables included in current assets	0	0	(300)
11 Changes in raw material, ancillary materials and consumables	(470)	2,066	(3,190)
12 Provision for risks	(100)	0	0
13 Other provisions	(190)	0	0
14 Other operating expenses	(1,002)	(1,137)	(2,572)
A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	4,066	778	(942)
C. FINANCIAL INCOME AND CHARGES	(887)	(1,543)	(2,557)
15 Income from equity investments	3	4	4
16 Other financial income	1,264	1,969	4,057
17 Interest and other financial charges	(2,154)	(3,517)	(6,619)
D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS	(1,739)	(633)	(5,004)
18 Write-ups	46	41	880
19 Write-downs	(1,784)	(674)	(5,884)
E. EXTRAORDINARY INCOME AND CHARGES	8,877	(682)	(43,994)
20 Extraordinary income	10,555	243	3,685
21 Extraordinary charges	(1,678)	(925)	(47,679)
D+E TOTAL EXTRAORDINARY INCOME AND CHARGES	7,138	(1,315)	(48,998)
PRE-TAX INCOME	10,318	(2,080)	(52,498)
22 Income taxes (1)	0	0	5,070
RESULT OF THE PERIOD (1)	10,318	(2,080)	(47,428)

(1) Results of the period end of June 2003 and end of June 2002 are before income taxes

Chairman of the Board of Directors
Giancarlo Selci

ANNEXE "D"
INDEPENDENT AUDITORS' REVIEW REPORT AT 30 JUNE 2004

Deloitte.

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AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2004

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

We have reviewed the accompanying interim consolidated financial information for the six months ended June 30, 2004, made up of the consolidated accounting schedules (balance sheet and income statement), and of the related footnotes of BIESSE S.p.A.. The interim financial information is the responsibility of the Company's management. Our responsibility is to issue a report on this interim financial information based on our review. In addition, we have verified the consistency of the footnotes with the related information contained in the above accounting schedules.

Our review was carried out in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange, under Resolution n. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with auditing standards. Accordingly, unlike our report on the year end consolidated financial statements, we do not express an audit opinion on the interim financial information.

As far as comparable data for the prior year's annual consolidated financial statements and interim financial information is concerned, reference should be made to our reports issued on April 5, 2004 and October 9, 2003, respectively.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona Vicenza

Member of
Deloitte Touche Tohmatsu

Seede Legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano
Capitale Sociale: versato Euro 8.725.806,00 - sottoscritto Euro 18.327.390,00 - deliberato Euro 10.800.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560156 - R.E.A. Milano n. 1730231

ANNEXE "D"
RELAZIONE DELLA SOCIETÀ DI REVISIONE AL 30/06/2004

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Based on our review, we are not aware of any material modifications that should be made to the interim consolidated financial information and related footnotes mentioned in the first paragraph above in order for them to be in conformity with the criteria provided by Consob regulations for the preparation of the interim financial information for the six months adopted with Resolution n.11971 of May 14, 1999 and subsequent modifications and integrations.

For a better understanding of the interim financial information, attention is drawn to the following information, more fully described in the footnotes to the interim financial statements and the management report:

As shown by the interim financial information, the consolidation area of BIESSE S.p.A. at June 30, 2004 has changed with respect to that of the preceding period, especially as a result of the disposal of the controlling investment in the Schelling Group, in December 2003, with the consequent inclusion of the Schelling Group companies in the consolidated income statement up until the disposal date. Therefore, the amounts of the items in the consolidated financial statements are not directly comparable with those for the previous period and year. In any event, the notes to the interim financial information provide information on the main accounting effects produced by this change in the consolidation area;

at December 31, 2003 receivables for prepaid and deferred taxes were recorded for a total amount of approximately Euro 15.6 million of which Euro 7.6 million arising from the tax benefit connected to the loss for the year 2003 of the parent company BIESSE S.p.A., which may be carried as a reduction of taxable income in future years. The consolidated economic result at June 30, 2004 was determined gross of the fiscal effect, and the value of such receivables has not changed.

As was the case at December 31, 2003, the recoverability of such receivables depends on the effective realisation in future years of taxable income forecast in the five year economic plan drawn up by the parent company for the period 2004-2008. Furthermore, the result of the first half of 2004 confirms the expectations of profitability for the current financial year.

DELOITTE & TOUCHE S.p.A.

Signed by:
Carlo Beciani
Partner

Ancona, September 21, 2004

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

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