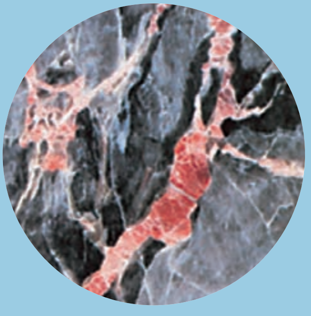
HALF YEAR REPORT
at 30th June 2005

BIESSE



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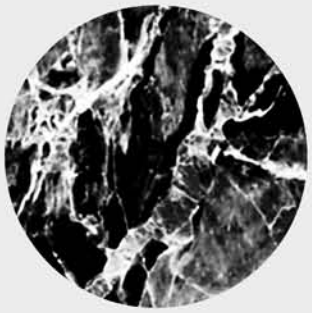
BIESSE



BIESSE S.p.A.

HALF-YEAR CONSOLIDATED REPORT AS AT 30 JUNE 2005

THE BIESSE GROUP

GROUP COMPANY ACTIVITIES AND TRADEMARKS

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

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

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

Biesse	Panel machining machines and systems; numerical control milling, boring and edge banding processing centres

Selco	Panel saw machinery and systems

Comil	Machinery and systems for furniture assembly and packaging

RBO	Handling systems for automated lines in the furniture industry

Polymac	Edge banding machines, trimming machines, rubber gasket insertion machines and manual, single head boring machines; automatic single-sided edge banding machines

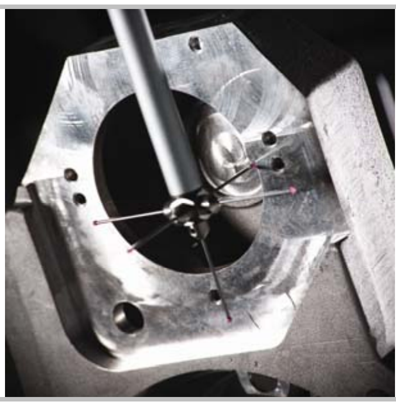
Biessesand	Sanding machines

Artech	Edge banding machines, trimming machines, sanding machines, panel saws, rubber gasket insertion machines and manual, single head boring machines; automatic single-sided edge banding machines

Biesseedge	Edge banding machinery and systems

Biesse Systems	Design and consulting services for furniture industry 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

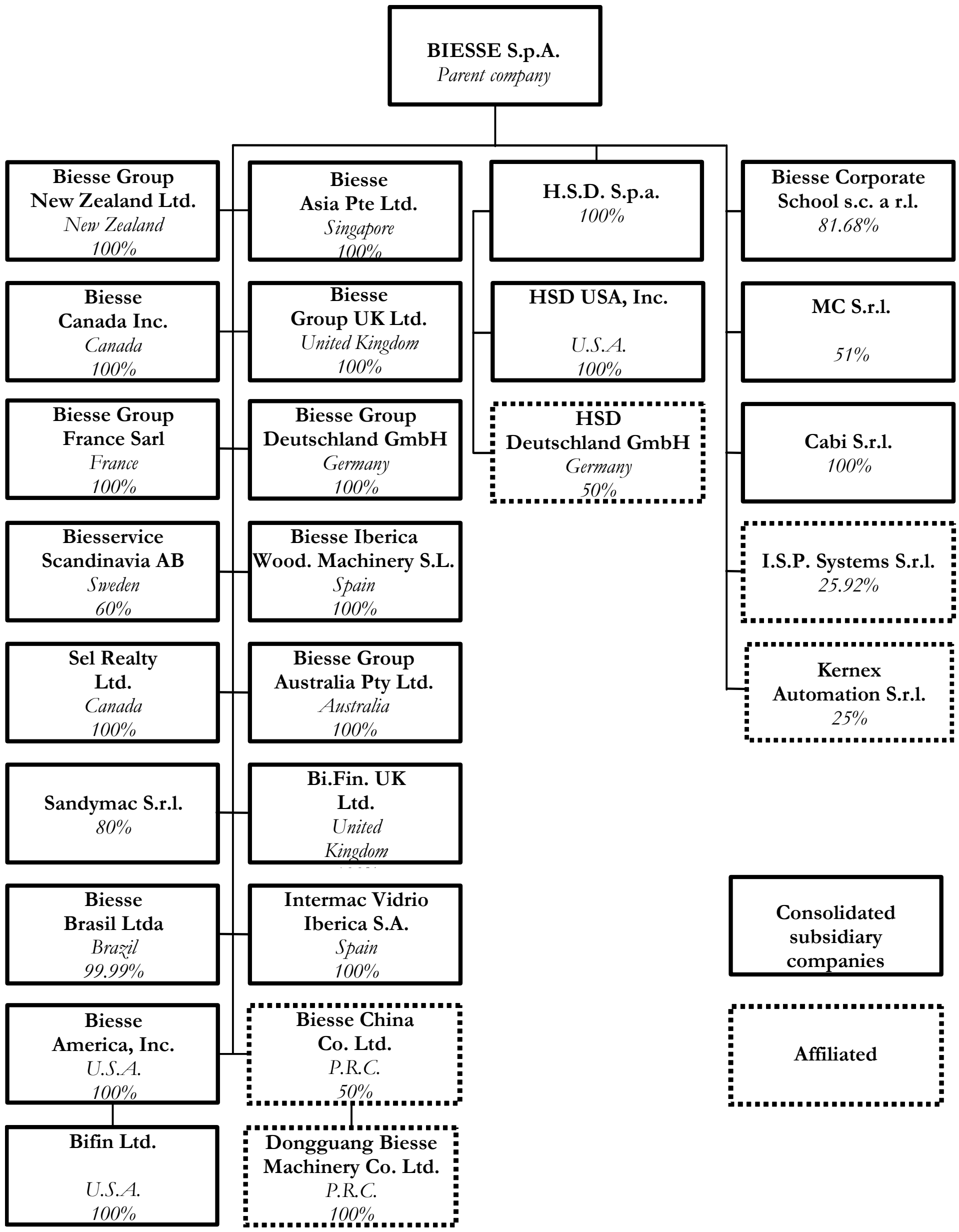
Gieffe	Glass profiling machines

Busetti	Machinery and systems for glass working

Diamut	Tools for glass and marble working

GROUP STRUCTURE

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 S.p.A. for 66,67% and indirectly through Hsd S.p.a. for 15.01%

Since the latest approved balance sheet, the holding in the Biesse Corporate School s.c.r.l. has been fully consolidated (previously valued using the shareholders' equity method), in compliance with the international accounting principles.

The holdings in the associated companies Biesse China Co. Ltd. (together with its affiliate Dongguang Biesse Machinery Co. Ltd.), ISP Systems S.r.l., Hsd Deutschland GmbH and Kernex Automation S.r.l. have been valued using the shareholders' equity method.

COMPANY BODIES

Board of Directors

President and Managing Director	Roberto Selci
Managing Director	Giancarlo Selci
Director	Alessandra Parpajola
Director	Innocenzo Cipolletta
Director	Leone Sibani
Director	Giampaolo Garattoni

Board of auditors

President	Giovanni Ciurlo
Standing auditor	Adriano Franzoni
Standing auditor	Claudio Sanchioni
Substitute auditor	Daniela Gabucci
Substitute auditor	Cristina Amadori

Internal Audit Committee

Innocenzo Cipolletta
Leone Sibani
Giampaolo Garattoni

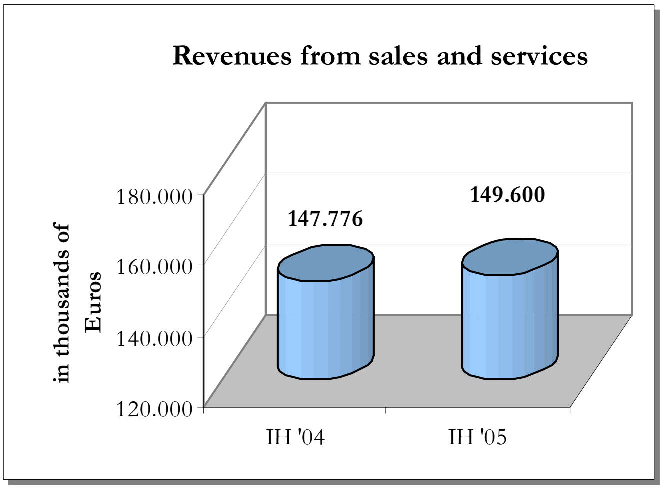
Remuneration Committee

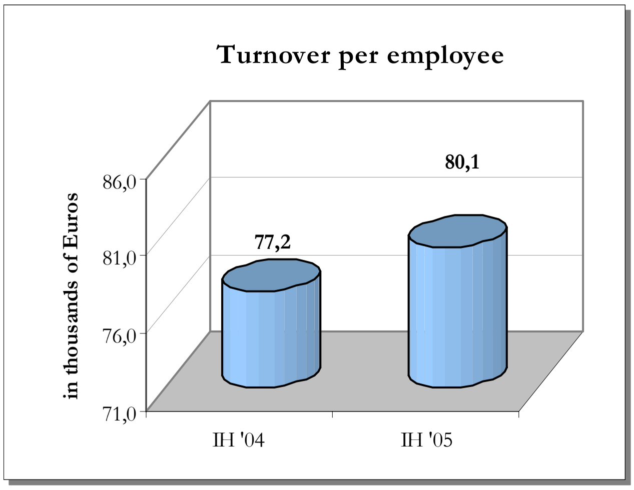
Roberto Selci
Innocenzo Cipolletta
Giampaolo Garattoni

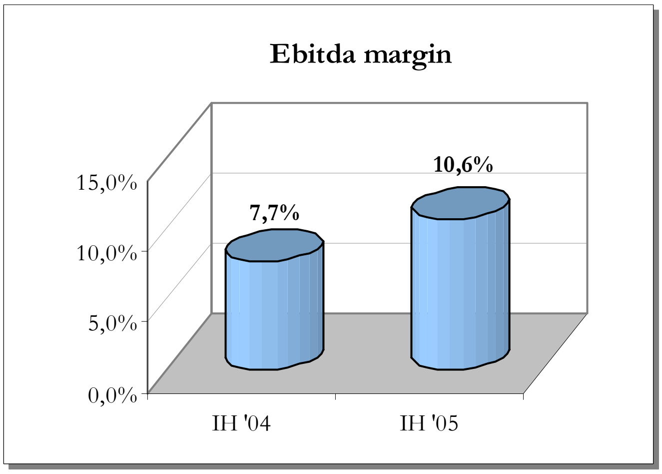
External auditing company

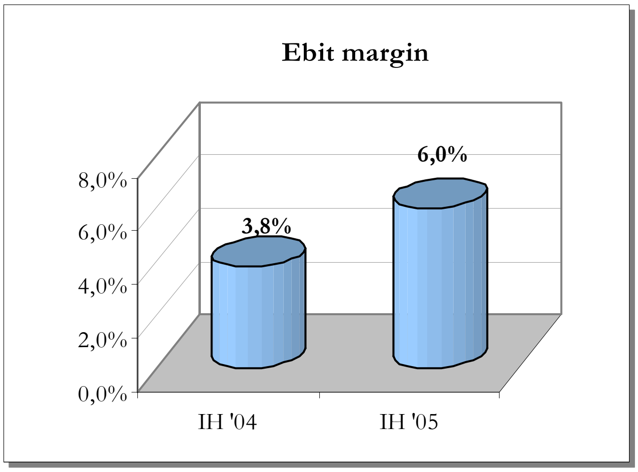
Deloitte & Touche S.p.A.

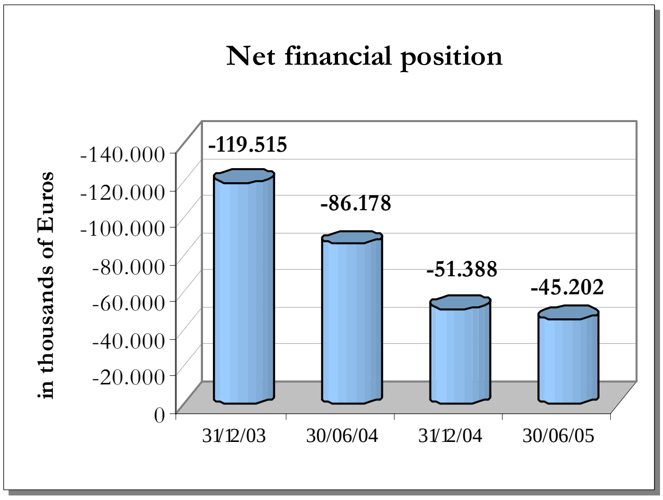
FINANCIAL HIGHLIGHTS

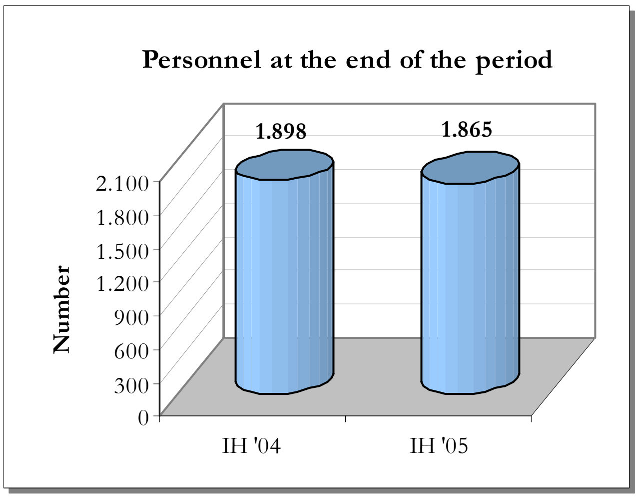












REPORT
ON THE FIST HALF
OF 2004

Director's Report
on operations

OPERATIONAL REPORT

GENERAL ECONOMIC CONTEXT

During the first half of 2005 the world economy has seen the consolidation of the recovery started in 2004, - with a strong upturn trend with respect to the difficult 2001-2003 period -, as shown by the still good world GDP growth rate standing at 4.3% (IMF 2005 estimate was +5.1% for the whole of 2004). However there are still uncertain geopolitical situations and strong elements of imbalance in the Middle-East for instance, tensions linked to oil prices with consequent impacts on raw materials. Also the euro/dollar exchange rate is still unfavourable to European exporters, in spite of an improvement since December 2004.

The recovery continues to be uneven in the different geographical macro-areas: the results of the driving American economy are rather good (IMF 2005 estimate +3%) and even better those of the Far East countries (+7.1%), particularly influenced by the performance of China. The Euro zone, with its 1% only GDP growth rate, confirms its slower and more fragile growth, with worrying data for Italy and Germany where growth is expecting to be around zero.

BUSINESS AREA

According to the data published by Acimall, - the trade association of the woodworking industry -, the balance for the second quarter of 2005 regarding Italian production of woodworking machinery and technology is still negative, even if not as badly as for the first quarter. In effect, the second quarter of 2005 has seen orders reduced by 3.5% with respect to the same period of 2004 against 11,4 per cent of January-March 2005 (always with respect to the first three months of the previous year).

The data of the business survey carried out by Acimall survey office highlight a 1.7% fall in orders from foreign markets and a 9.6% fall in orders from the Italian domestic market.

As far as prices are concerned, the information supplied by the sample companies reveal a growth of about 1.3% since the beginning of the year, with firm order for 2.7 months to come (as at 30 June 2005).

The three-month quality survey shows that 57 per cent of interviewed indicate a stationary production trend, 26 per cent say it is growing and 17 per cent dwindling.

Short-term predictions are just as gloomy: the survey shows that 7 per cent of sample companies think that the orders from foreign markets will grow, whereas 83 per cent think they will remain unchanged but 10 per cent foresee a reduction. Same situation on the domestic market: 87 per cent foresee a substantial stability of the orders, 3 per cent foresee a recovery and 10 per cent are convinced that the trend will get worse.

As for previous periods, Biesse outdoes such results thanks to its position on a higher market share where technology content is high and also to the effectiveness of its distribution network.

HALF YEAR REPORT

Summary of economic data

(in thousands of Euros)	30 June 2005	% on revenues	30 June 2004 – *restated*	% on revenues
Revenues from sales and services	**149,600**	**100.0%**	**147,776**	**100.0%**
Variation of stock of products being manufactured, semifinished and finished	11,141	7.4%	6,135	4.2%
Other operating income	2,655	1.7%	2,671	1.8%
Value of production	**163,396**	**109.2%**	**156,582**	**106.0%**
Raw materials, ancillary materials and consumables	(71,527)	(47.8%)	(71,266)	(48.2%)
Other operating expenses	(33,324)	(22.3%)	(33,167)	(22.4%)
Added value	**58,544**	**39.1%**	**52,149**	**35.3%**
Personnel expenses	(42,616)	(28.5%)	(40,759)	(27.6%)
Gross operating margin	**15,928**	**10.6%**	**11,391**	**7.7%**
Depreciation	(5,246)	(3.5%)	(5,280)	(3.6%)
Accruals to provisions	(1,677)	(1.1%)	(430)	(0.3%)
Operating result	**9,005**	**6.0%**	**5,680**	**3.8%**
Financial income and expenses	(1,382)	(0.9%)	(2,286)	(1.5%)
Revenues and expenses on currency exchanges	(212)	(0.1%)	135	0.1%
Share of profit/loss of affiliated companies	(95)	(0.1%)	(478)	(0.3%)
Capital gain from sales of assets	0	(0.0%)	10,323	7.0%
Pre-tax income	**7,316**	**4.9%**	**13,375**	**9.1%**
Taxes for the period	(2,815)	(1.9%)	(7,292)	(4.9%)
Result for the period	**4,501**	**3.0%**	**6,083**	**4.1%**

The management control strategies and the effort made to improve the efficiency of the production have allowed to extend the significant profitability recovery trend of the previous year to the first half of 2005. An increase in demand from the sub-segment market of numerical controlled machinery, which Biesse insists has produced a better balance between the major players production capacities and has loosened the pressure on profit margins by resorting less to discount policies. The introduction of new products, the consequent rationalisation of product ranges and industrialisation of existing ranges have further contributed to widen the gap between production and sale costs.

As opposed to what happened in previous years, no relevant special operations have been concluded, allowing thus to justify the entire result of the first half of this year to the sole management policy of the Group. Because, on the other hand, in 2004 there was a capital gain due to the sale of some land belonging to the affiliated company Bin.fin for € 10.323 million, the comparison between pre-tax net results of both periods should be revalued, as described later.

The turnover of € 149.600 million increases by 1.2% compared with the first six months of the previous year, closing the negative 4.3% gap between the first quarters of 2004 and 2005. This is mainly die to the good performance of the second quarter of 2005. The most significant increase concerns the Wood Division (+3.8%), whereas the Glass and Marble Division figures are -26.6% for the first quarter and -4.7 for the first six months period; full recovery at 2004 level is expected in the second half of 2005. As far as the geographic distribution of the sales, with detailed overview available in the successive part of *segment information*, the first half of 2005 shows a slight upturn trend in way of a rebalancing of the orders coming from the European Union (including the new member states, compared to previous years) after years of shifting the Group's activities to countries of the ex-Soviet Union and the Asia- Pacific area; this is the effect of the stabilisation of the demand in Russia after years of double-digit growth and the return of investments for the renewal of the machinery in the Central European countries 3 or 4 years later than expected due to caution generated by the general economic situation. The situation in North America remains problematic in Canada whereas the US market is encouraging, especially expected to be more positive still during the second part of the year.

Production is valued at € 163.396 million, that is 4.35% more than in the first half of 2004, thanks to an increase in productivity in our factories. The semifinished and finished product stock delta, amounting to € 11.141 million, about € 4 million more compared to the same period of the previous year, is mainly justified by the need to cover the greater delivery requirements of the US and Australian markets and, thanks to the growing order book, will be partially reabsorbed with the turnover of the third quarter.

However for a better reading of the Group's margins, this “stock delta” requires further details on the percentage incidences of the costs calculated on the basis of the production cost, in that the margins thus expressed are still underestimated because of the fact that the stock of finished product is valued at industrial production cost and so does not show the mark-up applied to final sale price.

(in thousands of Euros)	**First half of 2005**	**%**	**First half of 2004**	**%**
Value of production	**163,396**	**100.0%**	**156,582**	**100.0%**
Raw materials, ancillary materials and consumables	(71,527)	(43.8%)	(71,266)	(45.5%)
Services	(28,175)	(17.2%)	(27,782)	(17.7%)
Leases and rentals	(2,779)	(1.7%)	(2,473)	(1.6%)
Other operating expenses	(2,370)	(1.5%)	(2,912)	(1.9%)
Added value	**58,544**	**35.8%**	**52,149**	**33.3%**

The percentage incidence of raw materials on the Value of Production (V of P) goes down by a significant 1.7%, in virtue of the fewer discounts granted to stimulate the demand and of the reduction in the costs of components by effect of the rationalisation of the product ranges that allows a more aggressive and efficient procurement policy; furthermore an obsolescence risk fund reserve is no longer necessary with respect to 2003 and 2004 in that entire product ranges no longer profitable have been discontinued. A minor incidence of the costs for services and various management expenses brings the added value to € 58.544 million (incidence of 35.8% on V of P) against € 52.149 million (incidence of 33.3% on V of P) of the first half of 2004.

Personnel costs reach € 42.616 million from € 40.759 million, representing a 4.5% increase in part due to internal meritocracy / company integrative contract, as well as the increase in workforce cost deriving from a revision of the national contract being defined between trade unions and Confindustria (trade association) that Biesse has decided to incorporate in its own costs via a special fund on the basis of the parameters proposed by the association of industrialists. Besides, given the encouraging results and the good possibility that this trend be confirmed in the second half of the year, Biesse has raised benefit incentives and premiums to full amount in view of meeting all of the Group's target results.

The gross operational margin amounts to € 15.928 million compared with € 11.391 in 2004, with an incidence on net revenues that goes from 7.7% to 10.6%, whereas the operational result, positive in previous year for € 5.680 million reaches € 9.005 million with a percentage incidence on net revenues amounting to 6% from a previous 3.8%. This after setting aside € 1.677 million (1.1% on revenues) for various risk funds, amounting to four times as much as the amount of last year. Among other things, a solvency weights on these funds regarding the Biesse dealer for Poland, The Slovak Republic and the Czech Republic with whom a legal case opened between December 2004 and beginning of 2005 and consisting of a Biesse claim for receivables due and a claim by other parties asking payments from Biesse as part of the termination of the distribution contract.

With reference to the financial management, note should be taken of the debt situation of the Group (detailed analysis of which is given in the successive notes). Such situation has generated a reduction in charges of bank and other financial institutions for € 904 million. The average debt rate of the Group for the first half of the year is 3.5% (against 4,0% in 2004).

As far as currency exchange risk management is concerned, the expenses amount to € 212 million for the first of the year 2005, (against a positive value for the same period 2004 of € 135 million), mainly due to the increase in cover operations in compliance with the Group's new policy in terms of currency exchange risk management. Faced with a clear revaluation of the Euro, this situation has generated major negative differences in foreign currency exchanges compensated by an increase in the more advantageous activities expressed in foreign currency (USD-CAD-GBP).

The pre-tax result is positive for € 7.316 million and, as anticipated, it is not readily comparable to that of 2004 which was positive for € 13.375 million but included a gain from the transfer of land to the parent company Bi.fin. Srl for € 10.323 million. The "ordinary" management of the Group sees therefore its pre-tax result grow by 140% minus special components..

The balance of tax components is negative for a total of € 2.815 million, of which € 2.230 million for IRAP. The major part of this figure is justified by the non allocation of IRES tax by the Biesse company which benefits from the partial use previous losses relevant to tax item in that theses losses were not entered as deferred and prepaid tax. Still on the topic, we recall what was indicated in the 2004 balance, that on 12/01/200 The Regional Tax Office has started a tax verification for the 2002-2003 year of the Biesse books. This is an ordinary administrative control which has been taking place every two years or so, given the fact that Biesse is a large-sized company and so verifications are more or less constant.At the moment nothing relevant has ensued. Among the facts and documents under the examination of the Officers, those of greatest importance in terms of amount and complexity relate to the reorganisation operation, the result of which was the transfer of the holding in Schelling Anlagenbau GmbH. This operation resulted in a total deductible loss of € 43,211.227. Regarding the regularity of the tax treatment given to this operation by Biesse S.p.A, a positive opinion has been obtained from a primary legal and tributary Office.

Summary of Balance Sheet Figures

(in thousands of Euros)	**06/2005**	**2004 - rectified**		**06/2005**	**2004 - rectified**
Non current assets	92,446	95,965	Shareholder's equity	93,753	91,811
Current assets	201,046	193,545	Provisions for risks and charges	11,107	9,881
			Employee termination indemnities	14,440	13,671
			Accounts payables	174,193	174,146
Total assets	**293,493**	**289,509**	**Total shareholders' equity and liabilities**	**293,493**	**289,509**

Please refer to the successive pages for more details on the various items of the shareholders' equity and note that the most relevant aspect highlighted by the is the increase of the current assets with respect to December of last year. This effect is caused by the comparison of periods that are totally different from one another in absorbing current assets with particular reference to the stock of finished products - as already explained in the note on income statement. This, during years of good market demand in particular from American countries, means a high stock value at half year, just before the major exhibitions held in the US and Australia (July-August), with reabsorption over the second half of the year, precisely in December, when the stocks are at their lowest level of the whole year.

Net financial position

(in thousands of Euros)	**30 June 2005**	**31 December 2004**	**30 June 2004**	**December 31 2003**
Short term investments:	19,890	20,567	17,197	23,017
- Current assets	*19,890*	*20,567*	*17,197*	*20,487*
Receivables from others within 12 months (immediately payable)	*0*	*0*	*0*	*2,530*
Receivables for short-term financial locations	(3,091)	(3,955)	(4,860)	(4,223)
Short-term bank receivables and other financial receivables	(26,520)	(37,904)	(70,362)	(107,667)
Short term payables to parent companies for loan	0	0	(1,800)	0
Short term net financial position	**(9,721)**	**(21,292)**	**(59,825)**	**(88,873)**
Medium/long term receivables for financial locations	(14,579)	(16,682)	(20,276)	(22,093)
Medium-long term payables to banks	(20,902)	(13,414)	(6,077)	(8,549)
Medium/long term net financial position	**(35,481)**	**(30,096)**	**(26,353)**	**(30,642)**
Net financial position	**(45,202)**	**(51,388)**	**(86,178)**	**(119,515)**

* The data at 31 December 2003, 30 June 2004 and 31 December 2004 are rectified on the basis of that published previously to take into account the new IAS accounting principles.

As far as the net financial position is concerned, cash flow is improving constantly and represents a fall of net debt position by 40.9 million euros with respect to June 2004 and 6.1 million euros since beginning of 2005. In absence of special components, the result can be fully attributed to the operational management which also takes advantage of the general positive trend in all economic/asset components. When comparing with the same period it is important to note that the medium/long term Net Financial Position passes from an incidence of 30.6% in June 2004 to 78.5% in June 2005. the result of the Group's policy regarding the extension of duration debt.

As far as the data item highlighted in the previous quarters, the IAS-IFRS effect on the net financial position of the Group is summed up here below with its major components:

(in thousands of Euros)	**30 June 2005**	**31 December 2004**	**30 June 2004**	**31 December 2003**
Opening balances on the basis of previous accounting principles	**(37,044)**	**(44,765)**	**(74,756)**	**(106,756)**
IAS entries				
Rectification of treasury shares	*(1,362)*	*(1,362)*	*(3,933)*	*(3,836)*
Application of IAS 17 to leasing on production assets	*(2,393)*	*(3,142)*	*(3,179)*	*(4,030)*
Reclassification of payables to financial factoring companies	*(4,201)*	*(1,677)*	*(5,169)*	*(4,645)*
Other variations	*(202)*	*(442)*	*859*	*(248)*
IAS balances	**(45,202)**	**(51,388)**	**(86,178)**	**(119,515)**

The Net financial position item as at 30 June 2005 passes from € 37.044 million to € 45.202 million by effect of above-mentioned factors, the major one being the reclassification of payables to factoring companies that have peaked in June as some suppliers required this service to meet their own needs in terms of unfreezing payments; over the last 12-18 months Biesse has re-negociated these payments in line with its policy of reduction of current assets and cashflows, extending them slightly. This situation will be gradually reabsorbed over the year to allow for Biesse's suppliers full agreement of the company's new purchasing policy.

CORPORATE GOVERNANCE

The main group's 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 parent company statutes, which were approved by an extraordinary Shareholders Meeting on March 21 2001.

Ownership structure

The capital stock of the parent company is made up exclusively of ordinary fully paid shares and assisted by voting rights in ordinary and extraordinary share holder's meetings.

Role of the Board of Directors

The parent company operates in accordance with the requirements of the Civil Code as regards limited companies. The Board of Directors has the power to carry out ordinary and extraordinary administration, with the option to carry out any activities it deems necessary and appropriate for reaching company aims, with the exclusion of activities that are reserved by law for the Shareholder's 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 parent company and the group as a whole.

In accordance with art. 1.2 of the Civil Code, the Board of Directors of the Parent Company, in particular:

- 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 parent company and the Group;
- evaluates and approves the periodic reports required by current regulations.;
- assigns and regulates delegations to the CEOs, executive committee administrators and if necessary to one or more board members with regards to the particular appointment;
- 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 of the parent company, 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 parent 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.

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.
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 accordance with the Statutes, and where the Shareholders' Meeting has not already provided for same, the Board of Directors will nominate a Chairman from among its members; in addition, it may nominate one or more Managing Directors, the Executive Committee and one or Directors with specific responsibilities.

Composition of the Board of Directors

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 current Board of Directors has five members.

The current Board of Directors, which is composed of five members, was nominated by the Ordinary Shareholders Meeting on 29/04/03 and will remain in office until the approval of the balance sheet for the year ending 31 December 2005.

The current Board of Directors is made up of:

Sig. Roberto Selci:	President and Managing Director	Executive
Sig. Giancarlo Selci:	Managing Director	Executive
Sig.ra Alessandra Parpajola	Director	Executive
Sig. Innocenzo Cipolletta:	Independent member	Non-executive
Sig. Leone Sibani:	Independent member	Non-executive
Sig. Giampaolo Garattoni:	Independent member	Non-executive

The President of the Board of Directors

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.
If votes are even, the President will cast the deciding vote.
The notice of convocation must be sent by mail, telegram, telex, telefax, or other similar telematic means, provided it is legally recognised, at least five days in advance, and in case of urgency by telegram, telefax and other similar telematic means at least one day (24 hours) in advance of the date set for the meeting. The Board of Directors will in any case be considered validly met even without notice of convocation, provided that all its Members and all the Full Auditors are present.
The assembly may also be held by means of teleconferencing and/or videoconferencing on condition that all the participants can be identified, that they can follow the discussions and intervene in real time and that they can have sight of, receive and retain the documentation.
The Shareholders' Meeting, held on 29/04/03, nominated the Chairman in the person of Sig. Roberto Selci to whom, as provided for the Statures, all ordinary and extraordinary administration powers in addition to legal representation have been conferred.

Remuneration of Directors and Remuneration Committee

The Board of Directors has appointed its own internal committee for Administrator Remuneration and for stock option plans, as per point 8 of the Self Disciplinary Code.
On the expiry of the stock option plan agreed by the Shareholders Meeting of 9/10/00, the company has instigated a retribution system with incentives linked to the economic/financial performance of top management (bonus).

On 15/05/03 the Board of Directors appointed its own internal committee for Administrator Remuneration, made up as follows:

- Sig. Giancarlo Selci: President and Managing Director
- Sig. Innocenzo Cipolletta Independent Member
- Sig. Giampaolo Garattoni Independent Member

Internal audit committee

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 has 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.

In 2004, the Committee analysed the results of the auditing activities carried out by the function appointed to do so on the basis of the work plans presented, verifying the internal operative and administrative procedures adopted in order to guarantee proper and efficient management, and in order to identify, prevent and manage possible financial and operational risks and frauds that could damage the parent company.

Here below is a description of the activities carried out during the first half of the year, by the internal examiner in collaboration with the Personnel Organisation Manager in the case of Italian-based companies.

• Brief analysis of the results of the internal examination activities carried out at Biesse SpA, Hsd SpA, Sandymac Srl and foreign branches

Tool used:
Company Policy Document supplemented for each risk identified by a note drawn up by the persons in charge to summarise the current situation and any activity implemented or to implement in order to reduce the risk.

Filed inspection and interviews.

a) Verification of the activities carried out in Biesse Spa

receivable cycle: here is the list of improvements made to the management of credit facilities and payables within the company as well as their implementation schedule (verification carried out with the person in charge of receivables):
- a new program has been implemented over the last six months and is now through the last testing phase before release within a few weeks, to manage the credits granted to the company clients.
- a computer program is being written for the automatic compilation of reminders to clients: release planned for autumn 2005
- new reports on turnover, receivables and overdues are being implemented that will make the reports available on line and facilitate controls: by the end of 2005

payable cycle: more controls are being carried out to check the efficiency of the modifications implemented in the management procedures of purchasing orders, reception and controls of invoices; a special objective is that of the full implementation of the management of raw material standard purchase costs and relative analysis of differences.

financial cycle: together with the Financial manager, the good periodic keeping of the monthly report has been examined; this report highlights the actual currency exchange risk (following cover operations) and also the economic effect (on accounts and management) that the risk management has produced during the period under examination; the conclusion is that the rules of the internal policy are being respected.

b) A verification has begun of Biesse SpA subsidiaries; meetings have been held with the managers of HSD SpA and Sandymac Srl; here below is a summary of the verification results:

b1) HSD SpA

No particular risk has emerged in connection with the activities under examination; the organisation is very similar that of Biesse Spa; the IT and accounting management system is the same as that implemented in the parent company.

b2) SANDYMAC Srl

Specific meetings were held to analyse the activities and processes regarding active and passive cycle of Sandymac S.r.l.. The whole operation is carried out in collaboration with the administration manager.

The small size of the company as well as the fact that its products are sold through Biesse SpA do not show any particular risk in the activities under examination; the practical and operating organisation is very similar to that of Biesse Spa; the IT and accounting management system is the same as that implemented in the parent company..
The parent company controls the economic-financial results by means of detailed periodic reports per budget and balance sheet.
No improvement activity (mainly concerning adaptation to the operating procedures already implemented in the parent company) has been highlighted in the check list used for the verification.

• BRIEF ANALYSIS OF THE RESULTS OF CONTROL ACTIVITIES CARRIED OUT IN BRANCHES OF THE BIESSE GROUP

Below is a list of the main verifications carried out and the results of some improvements being implemented:

spare part management: a control is under way of the spare part warehouses in view to a systematic reduction of their sizes: return to the parent company of low rotation codes, special offers, failed substitution in case of warranty, etc. Results are expected to be known at the end of this year.

check list update: the check lists used for the verification and control of the group's branches have been updated in August 2005;

collection of branch procedures relating to iclo attivo, ciclo del personale ed altre diverse dalle procedure legate al service
On the basis of the work carried out by the co-ordination service office regarding the collection and unification of the management procedures (with publication of a manual), and on the basis of that proposed in the internal control schedule presented last May, there is a possibility that the branches be asked for the operational procedures and instructions used in the business and administration/management activities.
This aims at checking the contents and in case of a wider project of defining procedures that could be common to all the branches, make thus whatever best practice possible standard and giving a good opportunity to make the procedures uniform at global level.
The objectives are clearly to make the procedures standard for better control, improved efficiency and performance, as well as solving some of the problems generated by the turnover.

Relationships with institutional investors and other shareholders

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 parent company website (www.biessegroup.com).

Treatment of reserved information

The Chairman guarantees the correct management of reserved information.
All Administrators are bound to maintaining documents and information acquired during the normal execution of their duties secret.
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 parent company who are in possession of Biesse shares, based upon their potential access to reserved information about the parent company and those controlled by it.
This code came into effect on January 1, 01/01/03.

Based upon this code, the parent 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 parent 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.

Board of auditors

Art. 19 of the Statutes specifies that the Board of Auditors shall be made up of three full auditors and two assistants elected by the Shareholders' Meeting, which also lays down the fees. The minority is entitled to elect one Full Auditor and one assistant.
The board of auditors is appointed based upon the list presented by 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 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 on one list. Failure to comply will mean 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 April 29 2003, and which will be in office until the approval of the balance sheet for the year ending December 31 2005, consists of the following members:

Sig. Giovanni Ciurlo	President
Sig Adriano Franzoni	Standing Auditor
Sig. Claudio Sanchioni	Standing Auditor
Sig. ra Daniela Gabucci	Substitute Auditor
Sig. ra Cristina Amadori	Substitute Auditor

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

The affiliated companies are as follows:

- I.S.P. Systems S.r.l., 25.92% owned, was founded in 2000 for designing innovative solutions for woodworking machinery, studying, researching and producing prototypes both independently and/or 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 of 14,000 Euro; Biesse S.p.A. exercised its full option rights, maintaining its percentage shareholding in ISP Systems; on the same date, the parent company Bi.Fin. S.r.l. partially took over rights of third party shareholders and acquired the majority share;
- Hsd Deutschland Gmbh, a German trading company, 50% owned by HSD S.p.A., which distributes products from the Mechatronics division and provides customer assistance to the German market;
- Kernex Automation S.r.l., 25% owned, already operating in the production of software used on machinery for processing doors and windows and relative frames, has known management problems for months;
- Biesse China Co. Ltd., 50% owned and constituted as a joint-venture between Biesse S.p.A. and a major local enterprise, that, besides the joint production also dealt with essembly of some "entry-level" products, the intention of the Biesse Group to go ahead shortly with direct and independent investments in emerging countries and in China, has lead to the decision of changing the statutes of the company and finally to transfer the Biesse shares to the Chinese partner, concluded in August 2005;
- Dongguang Biesse Machinery Co. Ltd., 100% owned by Biesse China Co. Ltd., which dealt with the packaging of above mentioned products for the Chinese market; holding in parent company also transferred.

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

	Costs	Revenues	Payables	Credits
Isp System Srl	575,090	49,055	630,000	209,193
Hsd Deutschland GmbH	14,670	571,030	5,990	394,496
Kernex Automation S.r.l.	-	-	7,874	3,729
Biesse China Co. Ltd.	-	-	-	8,660
Total	**589,760**	**620,085**	**643,864**	**616,078**

Biesse Group paid royalties to ISP for the production of a highly innovative processing centre designed for the boring operation of the panel created by IPS in 2003: this machine is presently produced and sold with the Biesse brand. The collaboration between ISP and Biesse Engineering continues for the design of the special range for the production of "doors with cut-outs”.

As far as relations with the parent company Bi.Fin. Srl are concerned, there have been no relevant transactions, except for the transfer of a piece of land to be considered as complement to the main sale that took place in March 2004.
At the Balance date, the parent company boasts a credit towards the Group of € 18 million.

RELATIONS WITH OTHER AFFILIATED PARTIES

The Rettifica Modenese S.a.s company, 51% of which is held by Mr. Roberto Selci and which operates in the machining industry, has been identified as an associated party.
During the first half of the year relationships between the companies of the Biesse Group and the aforementioned company are as follows:

	Costs	Revenues	Payables	Credits
Rettifica Modenese S.a.s	64,341	-	16,722	6,891

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 THAT HAVE OCCURRED SINCE 30 JUNE 2005 AND PERSPECTIVES FOR THE NED OF THE YEAR

Important events that occurred after closing of the first part of 2005 balance sheet have been:

- In August 2005 Biesse SpA has transferred its 50% holding in Biesse China Co. Ltd.to its Chinese partner; originally the company was an equal joint-venture between Biesse S.p.A. and a major local operator that dealt with joint production and assembling of some "entry-level" products; the transfer was concluded for € 406 million (with a gain on balance value of about € 90 million).

As for the perspectives for the end of the year, the previously announced objectives have been confirmed whereby consolidated revenues of the Group should grow by 3-4% with respect to the previous year. From the point of view of income, the positive trend already highlighted over the first six months should be confirmed, even though these predictions are made in a macro-economic context that is still unstable and requires maximum caution. As far as the financial position is concerned, the net indebtedness is expected to fall further, (target is 32 – 34 million), totally imputable to the management policies.

ADDITIONAL INFORMATION

In compliance with that which was decided during the Biesse S.p.A. Shareholders Meeting on 17 December 2001 and again on 29/04/2003, the company had started a stock buyback program, which as of 31 December 2004, and as provided for by the decision in question, has expired. As at 30 June 2005, the treasury shares amount to 2.565.559 Euro, equal to 977,202 shares at an average purchase price of € 2.625.

It is also declared that the parent company Biesse S.p.A. does not posses stock/shares of controlling companies, nor did they possess or trade any during the course of 2004. There is not anything to disclose in relation to Art. 2428 paragraph 2 section 3 and 4 of the civil code.

Pesaro, 09/29/2005.

The President of the Board of Directors
Roberto Selci

REPORT ON FIRST HALF OF 2005

Consolided Accounts for the 1st half of 2005

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	For the six months ended 30 June 2005	For the six months ended 30 June 2004
Continuing operations		€ '000	€ '000
			(restated)
Revenue	5	149,600	147,776
Other operating income		2,655	2,671
Changes in inventories of finished goods and work in progress		11,141	6,135
Raw materials and consumables used		(71,527)	(71,266)
Personnel expenses		(42,616)	(40,759)
Other operating expenses		(33,324)	(33,167)
Amortisation expense		(5,246)	(5,280)
Accruals to provisions	8	(1,677)	(430)
Operating profit		**9,005**	**5,680**
Share of profit/loss of affiliated companies		(95)	(478)
Investment revenues		197	207
Other gains and losses		0	0
Capital gain from sales of non-instrumental assets	9	0	10,323
Financial expenses	10	(1,579)	(2,493)
Revenues and expenses on currency exchanges	11	(212)	135
Pre-tax income		**7,316**	**13,375**
Taxes for the period	12	(2,815)	(7,292)
Result for the period from continuing operations		4,501	6,083
Result of the period		**4,501**	**6,083**
Attributable to:			
Equity holders of the parent		4,540	6,093
Minority interest		(39)	(11)
		4,501	**6,083**
Earnings per share			
From continuing operations:			
Basic (€/cents)	13	17.19	24.10
Diluted (€/cents)		17.19	24.10

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

	Notes	As at 30 June 2005	As at 31 December 2004
		€ '000	€ '000
ASSETS			(restated)
Non-current assets			
Property, plant and machinery	14	53,545	55,403
Industrial equipment and other tangible assets	14	7,544	7,875
Goodwill	15	10,895	10,752
Other intangible assets	16	9,713	9,532
Investments in affiliated companies		89	354
Deferred tax assets		8,809	8,753
Other financial assets and non-current receivables	17	1,535	3,296
		92,131	**95,965**
Current assets			
Inventories		89,915	74,172
Trade receivables	20	80,124	88,125
Other receivables	21	11,117	10,606
Investments held for trading	19	316	0
Derivative financial instruments	18	0	75
Cash and cash equivalents		19,890	20,567
		201,362	**193,545**
Total assets		**293,493**	**289,509**

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

	Notes	As at 30 June 2005	As at 31 December 2004
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		27,393	27,393
Capital reserves		36,202	36,202
Hedging and translation reserves		(1,264)	(2,020)
Own shares	22	(2,566)	(2,566)
Retained earnings		29,263	24,880
Result of the period		4,540	7,656
Equity attributable to equity holders of the parent		93.568	91,546
Minority interest		185	265
Total equity		**93,753**	**91,811**
Non-current liabilities			
Bank loans		20,902	13,414
Retirement benefit obligation	24	14,440	13,671
Deferred tax liabilities		6,773	6,068
Obligations under finance leases		14.579	16,682
Provisions for risks and charge	25	2,628	2,159
Trade payables	26	1,726	994
Other payables	27	0	1,252
		61,048	**54,241**
Current liabilities			
Trade payables	26	84,943	78,895
Other payables	27	15,837	13,195
Current tax liabilities		6,066	7,518
Obligations under finance leases		3.091	3,955
Bank overdrafts and loans		26.520	37,954
Provisions for risks and charge	25	1,706	1,654
Derivative financial instruments	18	528	335
		138,692	**143,457**
Total liabilities		**199,740**	**197,698**
Total equity and liabilities		**293,493**	**289,509**

BIESSE S.P.A.
CONSOLIDATED CASH FLOW STATEMENT
30 june 2005

CONSOLIDATED CASH FLOW STATEMENT	**06/30/05**	**06/30/04**
	€ '000	€ '000
ORDINARY ACTIVITIES		
Result of the period	4,501	6,083
Adjustments:		
Share of profit/loss of affiliated companies	95	478
Investment revenues	(197)	(207)
Capital gain from sales of non-instrumental assets	0	(10,323)
Financial expenses	1,579	2,493
Income tax expenses	2,815	7,292
Amortisation of fixed tangible assets	3,899	4,396
Amortisation of intangible assets	1,347	885
Accruals for employee termination indemnity	1,612	1,362
Accruals for bad and doubtfoul debts	1,278	75
Accruals for risk and charges	400	356
Cash flow from (for) ordinary activities before variation in working capital	**17,329**	**12,888**
Variation in inventories	(15,743)	(6,876)
Variation in trade receivables	7,520	8,366
Empolyee termination indemnity paid out	(843)	(815)
Variation in trade payables	5,298	12,589
Use of risk fund	(2,694)	(7,169)
Variation in other non-financial payables	5,053	11,415
Cash flow from (for) ordinary activities	**15,920**	**30,399**
Income tax paid	(3,227)	(2,350)
Iterests paid	(1,400)	(1,723)
NET CASH FLOW FROM (FOR) ORDINARY ACTIVITIES	**11,293**	**26,326**
INVESTING ACTIVITIES		
Purchase/transfer of other shareholdings and securities	185	(479)
Purchase of intangible assets	(1,707)	(2,686)
Transfer of intangible assets	35	0
Purchase of tangible fixed assets	(2,340)	(3,126)
Transfer of tangible fixed assets	630	15,467
NET CASH FLOW FROM (FOR) INVESTING ACTIVITIES	**(3,197)**	**9,176**
FINANCING ACTIVITY		
Opening/repayment of medium/long-term bank loans	7,487	(2,472)
Opening/repayment of other loans	(2,140)	4,069
Increase/decrease bank borrowings	(11,560)	(38,075)
Payments on dividends	(3,170)	(2,465)
Other movements in shareholders'equity	(45)	13
NET CASH FLOW FROM (FOR) FINANCING ACTIVITIES	**(9,428)**	**(38,930)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,332)**	**(3,428)**
CASH AND CASH EQUIVALENT AT PERIOD START	**20,567**	**20,487**
Effect of excahnge rate changes	655	138
CASH AND CASH EQUIVALENT AT PERIOD END	**19,890**	**17,197**

SCHEDULE OF MOVEMENTS IN THE SHAREHOLDERS' EQUITY

	Share Capital	Capital reserves	Hedging and translation reserves	Own shares	Other reserves	Profit for the period	Equity attributable to equity holders of the parent	Minority interest	Total
- At 31 december 2003 - restated	**27,393**	**83,630**	**(1,790)**	**(5,040)**	**20,820**	**(41,274)**	**83,738**	**244**	**83,982**
Destination of the result of the financial year									0
-Dividends							**0**		0
-Other destinations		(47,428)			6,154	41,274	**0**	0	0
Economic items entered in equity									
- Own shares net movements					74		**74**		74
-Hedging reserve adjustment			(151)				**(151)**		(151)
-Translation difference			138				**138**		138
Other variations									0
-Payments on dividends					(2,465)		**(2,465)**		(2,465)
-Variation in own shares				(97)			**(97)**		(97)
-Hedging reserve adjustment			238				**238**		238
-Other movements					(49)		**(49)**	(2)	(51)
Result of the period						6,093	**6,093**	(11)	6,082
- At 30 june 2004 - restated	**27,393**	**36,202**	**(1,565)**	**(5,137)**	**24,534**	**6,093**	**87,519**	**231**	**87,750**
Reversal of first half result						(6,093)	**(6,093)**	11	(6,082)
Economic items entered in equity									
- Own shares net movements					164		**164**		164
-Hedging reserve adjustment			(140)				**(140)**		(140)
-Translation difference			(534)				**(534)**		(534)
Other variations									
-Payments on dividends					192		**192**		192
-Variation in own shares				2,571			**2,571**		2,571
-Hedging reserve adjustment			219				**219**		219
-Other movements					(8)		**(8)**	(4)	(12)
Result of the period						7,656	**7,656**	27	7,683
- At 31 december 2004 - restated	**27,393**	**36,202**	**(2,020)**	**(2,566)**	**24,882**	**7,656**	**91,546**	**265**	**91,811**
Destination of the result of the financial year									0
-Dividends						(3,170)	**(3,170)**		(3,170)
-Other destinations					4,486	(4,486)	**0**	0	0
Economic items entered in equity									0
- Own shares net movements					(80)		**(80)**		(80)
-Hedging reserve adjustment			(130)				**(130)**		(130)
-Translation difference			655				**655**		655
Other variations									
-Hedging reserve adjustment			231				**231**		
-Other movements					(24)		**(24)**	(41)	(65)
Result of the current period						4,540	**4,540**	(39)	4,501
- At 30 june 2005 - restated	**27,393**	**36,202**	**(1,264)**	**(2,566)**	**29,264**	**4,540**	**93,568**	**185**	**93,753**

NOTES TO THE CONSOLIDATED ACCOUNTS

for the 1° half of 2005

EXPLANATORY NOTES

1. GENERAL

Biesse S.p.A. is an Italian corporation based in Pesaro. The company is quoted on the Milan stock exchange in the STAR segment.

The asset and liability statement and economic situation as at 30th June 2005 includes the half-year situation of Biesse S.p.A. and its subsidiaries which it controls either directly or indirectly (from hereon defined as "Group") and the value of the percentage shareholdings relative to the stake in the associated companies.

The consolidated half-year situation as at 30th June 2005, including the Appendices relating to the transition to the international accounting principles (IFRS), has been approved by the board of directors on date 29th September 2005).

2. FIRST APPLICATION OF THE INTERNATIONAL ACCOUNTING PRINCIPLES

In accordance with the provisions of art. 81 of Regulation n. 11971/1999 and subsequent amendments (Consob resolution n. 14990 of 14th April 2005) this report concerning the asset and liability statement and economic situation as at 30th June 2005 has been prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) issued by IASB and approved by the European Commission, and in particular according to that provided for by the international accounting principle regarding part-year financial information (IAS 34).

In the half-year report, the consolidated asset and liability statement data is compared with the consolidated balance sheet as at 31st December 2004 and the consolidated economic situation compared with the consolidated half-year balance sheet as at 30th June 2004, prepared using the same criteria.

For a complete analysis of the effects deriving from the first application of the international accounting principles, refer to Appendix A, which reports the reconciliation prospectuses of the data according to the Italian and International accounting principles, and the explanatory notes illustrating the principal differences relative to 1st January 2004 and 31st December 2004. The reconciliations in question were approved by the board of directors on 14th September 2005.

Appendix B reports the reconciliation prospectus with the relative notes regarding the consolidated economic situation as at 30th June 2004, prepared according to the IFRS principles, and regarding the economic situation as drawn up and approved in line with the accounting principles in force on the date of its preparation.

It should also be pointed out that the half-year report as at 30th June 2005, and similarly for the reconciliation prospectus, has been prepared taking into account the accounting principles in force on the date of its preparation. It is possible that new versions or new interpretations of the IFRS principles will be issued prior to the publication of the balance sheet for the 2005 financial year, i.e the first complete balance sheet prepared by the Group in accordance with the IFRS principles and with backdated effects. Should this occur, there may well be effects on the data presented in the first IFRS half-year and in the reconciliation prospectuses according to IFRS 1.

The half-year situation as at 30th June 2005 consists of the obligatory consolidated account prospectuses (asset and liability statement, income statement, prospectus of the variations in shareholders' equity and cash flow statement) and the explanatory notes.
The Group has opted for the presentation of its half-year situation in an abbreviated form and, as a result, the information content of this report is not truly representative of a compete balance sheet report prepared in accordance with IAS 1, while the layout of the balance sheet is in line with the minimum requirements as prescribed by IAS 1.

This half-year report includes Appendix C which contains the accounting prospectuses of the parent company Biesse S.p.A. The prospectuses have been prepared in accordance with the Italian accounting principles and in line with that provided for by Consob Regulation n. 11971 and successive amendments, indicating the operating results before taxation, in that the Company will adopt the international accounting principles starting from 31st December 2006.

The half-year entry values are expressed in thousands of Euro.

3. CONSOLIDATION PRINCIPLES

The asset and liability statement as at 30th June includes the balance sheet of the parent company Biesse and the Italian and foreign companies controlled either directly or indirectly by it. A company is said to control another when it has the power to dictate the financial and operating policies of the latter in order to obtain benefits from its activities.

The Company's consolidated half-year situations are, in the case of significant differences, appropriately reclassified and adjusted so they conform with the parent company's accounting principles and valuation criteria.

For the compilation of the half-year and economic situation, the asset and liability entries as well as the income and expenditure of the companies included in the consolidation were fully included.

The accountable value of the shares in a company included in the consolidation is wiped out to offset the corresponding fractions of the shareholders' equity of the shareholdings, attributing their current value on the date of acquisition to the individual elements of the assets and liabilities. Any residual difference, if positive, is entered in the non-current assets, such as goodwill, if negative, it is debited in the income statement.
The economic results of the subsidiaries bought or sold during the financial year are included in the consolidated income statement from the effective date of acquisition until the effective date of sale.
The profit-sharing of the minority shareholders in a bought company is initially valued as being equal to their share of the current values of the assets, liabilities and potential liabilities entered.

The receivables and payables, income and expenditure, profits and losses that originated from transactions between companies that included in the consolidation are removed. Also eliminated were the relationships between the companies of the Biesse Group and an intermediary financial services company outside the Group which acts as an intermediary for most of the commercial transactions between the Parent company and several of the consolidated companies.
As an exception to this general rule, considering the negligibility of the effects and the reconstruction difficulties, the profits from the sale of the stock in inventory by Hsd S.p.A. , Cabi S.r.l. and, for some productions, by MC S.r.l. to the other companies in the Biesse Group were not removed, as they were semi finished products included in the products being manufactured.
The capital gains and losses deriving from the inter-company sale of instrumental assets were removed, where they were considered to be significant.

The amount of capital and reserves of the subsidiaries that correspond to third party holdings is entered in a shareholder's equity entry called "minority share profit-sharing"; the consolidated financial result that corresponds to third party holdings is entered separately in the entry "Net profit for the financial year attributable to minority shareholders'"

For the half-year consolidated asset and liability statement and economic situation presentation, the assets and liabilities of foreign subsidiaries, the operating currencies of which are other than the Euro, are converted at the current exchange rates valid on the date of the balance sheet. The income and expenses are converted at the average exchange rate for the period. The emerging exchange differences are recorded in the shareholders' equity entry "Translation reserve". This reserve is recorded in the income statement as income and expenses for the period in which the relative subsidiary is sold.

<u>Shareholdings in associated companies</u>

An associated company is one in which the group can exercise a significant influence, though without overall or joint control, through participation in the decision-making on the financial and operating policies of the associated company.

The period accounting situations of the associated companies are recorded in the half-year consolidated situation using the shareholders' equity method.

4. VALUATION CRITERIA

The following paragraphs report the more important evaluation criteria adopted for the preparation of the consolidated half-year situation as at 30th June 2005 and those that will be adopted for the preparation of the consolidated balance sheet on 31st December 2005.

Acknowledgement of revenues

The sales of goods are acknowledged when the goods are despatched and the company has transferred the major risks and benefits associated to the goods to the buyer.

The interests charged are recorded by applying the reference period principle, on the basis of the amount financed and the effective applicable interest rate, which represents the rate that discounts the estimated future receipts during the expected life of the financial activity in order to restore them to the initial accountable value of the activity itself.

The dividends are recorded when the right of the shareholders to receive the payment has been established.

Operations in foreign currency

In the preparation of the balance sheets of the individual entities, operations carried out in currency other than the Euro are initially recorded at the exchange rate on the date of the operations themselves. On the same date as the balance sheet, the activities and the monetary liabilities occurring in the above-mentioned currencies are re-entered at the exchange rate at that date. The non-monetary activities expressed at *fair value* occurring in foreign currency are converted at the exchange rates on the date on which the *fair values* were determined.
The differences in the exchange rate, obtained from the adjustment in the monetary values and from their re-exposure to current exchange rates at the end of the financial year, are entered in the income statement for that financial year, with the exception of the differences in exchange on non-monetary activities exposed in *fair value*, in which the *fair value* variations are entered directly in the shareholders' equity, as is the exchange component.

In order to cover its exposure to exchange risks, the Group has stipulated *forward* contracts and options (see later for the Group's accounting policies relating to these derived instruments).

Leasing and operating contracts

Leasing contracts are classified as such when the terms of the contract are such that transfer most of the risk and benefits of the property to the lessee. All other leasing contracts are considered as operating contracts.

The activities forming the subject of leasing contracts are recorded as tangible assets of the Group offset against a financial obligation of equal value in the liabilities. The debt is progressively reduced on the basis of a repayment plan of the amortisation quota included in the contracted rents, while the value of the asset is systematically depreciated in accordance with the its technical-economic life.

The rental costs for operating leasing contracts are entered in the income statement at constant rates according to the duration of the contract.

Income taxes

Income taxes represent the sum of the current and deferred taxes.
Income tax is determined based upon the taxable income of each consolidated company in accordance with the current tax laws of each country. Deferred taxes are 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, accounted for in line with the balance sheet liability method; in addition, deferred taxes are 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 taxes are calculated using the rate that was current at the moment in which the temporary differences originated. The deferred taxes are entered directly in the income statement, with the exception of items recorded directly in the shareholders' equity, in which case, the relative deferred taxes are also recorded in the shareholders' equity.

Active deferred taxes are entered in the balance sheet if the taxes are considered recoverable when considering the taxable results for the periods in which the active deferred taxes occur.
The compensation between deferred tax receivable and payable is only carried out for uniform positions; otherwise, for each heading the credits and debts are entered separately.

Earnings per share

The basic earnings per share is calculated by dividing the gains or losses attributable to the shareholders of the parent company by the weighted mean of the ordinary shares in circulation during the period. The diluted earning per share is calculated by dividing the gain or loss attributable to the shareholders of the parent company by the weighted mean of the shares in circulation, taking into account the effects of all the potential ordinary shares with a diluting effect.

Tangible assets

The tangible assets are entered at their purchase cost or production cost inclusive of any ancillary charges, with the subsequent accumulated amortisations and devaluation due to loss in value deducted.

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.

The tangible assets, with the exception of land that has not been the subject of amortisation, are systematically depreciated at a constant rate in accordance with their estimated useful life through the application of the following depreciation rates:

Factory buildings 3%
Plant and machinery 10%
Equipment 12% - 25%

The tangible assets are depreciated starting from the moment in which they are ready for use.

The item also includes goods subject to leasing, which have been entered in the tangible assets using the previously described methods.

Intangible assets

Goodwill

Goodwill deriving from the acquisition of a subsidiary or branch represents the surplus of the purchase cost with respect to the percentage due to the Group of the *fair value* of the activities, identifiable liabilities and potential liabilities of the subsidiary or branch acquired on the date of purchase.
Goodwill is not subject to depreciation but is subject to assessment at least once a year, in general on the occasion of the annual closing of the balance sheet for the financial year to check that there has not been any loss in value. Any losses in value are entered immediately in the income statement and are not subject to any subsequent recovery operations.

If a subsidiary or a jointly controlled entity is sold, the amount of the goodwill attributable to it that has not yet been depreciated is included in the determination of the capital gain or depreciation by alienation.

Goodwill deriving from acquisitions made prior to the date of the start of the transition to the IFRS accounting principles are maintained at the values resulting from the application of the Italian accounting principles on that date and are subjected to an *impairment test* on that date.

Assets generated internally – Research and development costs

The research costs are entered in the income statement in the period in which they were incurred.

The intangible assets generated internally deriving from the development of the Group's products (machine tools for machining wood, glass and marble) are entered in the assets only if all the following conditions have been complied with:

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

These intangible assets are depreciated on a linear basis for the duration of the relative useful lives.

When the internally generated assets cannot be entered in the balance sheet, the development costs are entered in the income statement for the financial year in which they were sustained.

Brands and patents

Brands and patents are recorded initially at their purchase cost and are depreciated systematically at constant rate according to their useful life, and nevertheless within an arc of time not exceeding that fixed by the underlying licence or purchase contract.

Loss of value of tangible and intangible assets

On each balance sheet date, the Group checks for the existence of events or circumstances that could jeopardise the recovery of the value of tangible and intangible assets with a defined useful life and, in the presence of loss indicators, estimates the recoverable value of the assets in order to determine whether there has been a loss in value.
The intangible assets with an indefinite useful life, including goodwill, are instead checked annually,and each time that there is an indication of a possible loss in value, in order to determine whether there has been a loss in value.

In accordance with the reference accounting principles, the check is carried out referring to the individual asset, wherever possible, or to a group of assets (so-called “cash generating units”). The cash generating units have been identified coherently with the organisational and business structure of the Group as single units, which generate incoming cash flows independently through the continuous use of the assets attributable to them.

The recoverability of the values entered in the balance sheet is verified by comparing the accountable value with the larger of either the current value net of the sales costs, where there is an active market, or the usage value. The usage value is determined on the basis of the time-discounting of future cash flows expected from the use of the asset, or the group of assets, and its divestment at the end of its useful life.

In the presence of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if in the successive financial years demonstrate a reduction in the motivation for the devaluation.

Non-current assets retained for sale

Non-current assets classified as retained for sale are evaluated at the lesser of either their previous initial value or the market value net of the sales cost.
Non-current assets are classified as retained for sale when it can be seen that their initial value will become recoverable by means of a sales operation as opposed to their use in the operating assets of the company. This condition is only respected when there is a high probability of sale, the asset is available for immediate sale in its as-is condition and the management has made a commitment to sell it, which should occur within twelve months of the date of classification in this entry.

Inventory

Inventories are assessed as the lower of either the cost or the realisation value. The cost includes direct materials and, where applicable, direct labour, general production costs and other costs sustained to transfer the inventories to their current location and condition. The cost is calculated using the weighted average cost method. The net break-up value represents the estimated sale price minus the estimated completion costs and the estimated costs for completing the sale.
Stock that is obsolete or slow moving has been depreciated based upon their possible use or liquidation value.

Financial assets and liabilities

Sales receivables

The receivables are entered at their nominal value which is basically represented by their fair value; the nominal value is reduced by the appropriate devaluation to take into account the losses forecast on the receivables. The devaluations are determined in the amount equal to the difference between the initial value of the receivables and the actual value of the estimated future cash flows, discounted at the effective interest rate calculated for the initial entry.

Financial assets

The Financial assets are recorded and written-off from the balance sheet on the basis of the negotiation date and is initially valued at cost, inclusive of the charges directly linked to the acquisition.

On the successive dates of the balance sheet, the Financial assets that the Group intends to retain until expiry (securities kept until their expiry) are recorded at the depreciated cost according to the effective interest rate method, net of the devaluations effected to reflect a loss in value.

Financial assets other than those retained until their expiry are classified as retained for negotiation or are available for sale, and are evaluated at the end of each period at their *fair value*. When financial assets are retained for negotiation, the gains and losses deriving from variations in the *fair value* are entered in the income statement for the period. For financial assets available for sale, the gains and losses deriving from variations in the *fair value* are entered directly in the shareholders' equity until they are sold or have suffered a loss in value; at that moment the overall gains or losses previously recorded in the shareholders' equity are entered in the income statement for the period.

Cash and cash equivalent

The item relating to cash and cash equivalent includes cash and bank current and deposit accounts payable on demand and other short-term high-return financial investments that are readily convertible in cash and are subject to negligible value variation risk.

Trade payables

The trade payables are recorded at nominal value.

Financial liabilities and representative instruments of shareholders' equity

Financial liabilities and representative instruments of shareholders' equity issued by the G are classified according to the content of the contractual agreements that generated them and in accordance with the respective definitions of the liabilities and instruments representing shareholders' equity. These latter are defined as those contracts that, freed of any incorporated liabilities, give the right to a share of the groups assets.
The accounting principles adopted for specific financial assets and shareholders' equity instruments are indicated below.

Overdrafts and loans with banks and other lenders

Bank overdrafts and loans, consisting of long-term bank loans and overdrafts and debits with other lenders, including liabilities taken on fixed assets acquired through leasing, are recorded on the basis of the amounts collected, net of the costs of the operation, and subsequently evaluated at amortised cost using the effective interest rate method.

Instruments representing shareholders' equity

The instruments representing shareholders' equity issued by the Company are recorded on the basis of the amount received net of the direct issue costs.

Own shares

Own shares are entered in the balance sheet at acquisition cost and are entered minus the value of the consolidated shareholders' equity. The gains and losses deriving from the negotiation of own shares, net of the linked taxation effects, are entered in the shareholders' equity reserves.

Derivative instruments and accounting for hedging operations

The Group's assets are exposed primarily to financial risks caused by variations in the exchange rates and interest rates. The risk linked to the variations in the exchange rates is represented by possible fluctuations in the exchange value of the Euro (or net exposure in foreign currency), consisting of the algebraic result of the payable invoices issued, the orders, the invoices received, the balance of the loans in currency and the available liquidity in the currency accounts. The currencies managed are the US dollar, the Canadian dollar and the English pound. The *risk management* policy approved by the board of directors of the parent company specifies that the sum of the hedgings must never fall below 70% of the net exposure in currency and that the underlying *asset* must be identified at the start of each hedging operation. *Hedging* can be carried out using futures contracts (outright/currency swap) or even using derivative instruments (currency option).
The particular nature of the Group's *business* is that the currency exposure is parcelled in many individual exchange positions (referred to the individual orders and invoices), which complicates (in addition to being anti-economic) a hedging based on points (i.e. with direct correlation between the hedging tool and the underlying *asset*): for this reason, the hedging is carried out on an aggregate basis and in particular on the *matching* of all the positions opened in currency . This hedging mode, even though effective from a management point of view, cannot be deemed as such according to the international accounting principles. For this reason, the variations in the *fair values* of the derivative instruments are recorded directly in the income statement.
The risks on interest rates derive from bank loans; in that as a part of these loans is expressed in currency, the underlying interest risk is managed through the hedging of the exchange risk. For the remainder of the exposure, company policy does not provide for hedging the interest rate risk, instead it relies on the continuing stability at least for the short-term. Use is also made of a hedging instrument designated as *cash flow hedge* and refers specifically to a leasing contract.

The derivative instruments are initially recorded at fair value, on the date of signing and then remeasured at *fair value* on the successive closing date.

The variations in the *fair value* of the derivative instruments designated, and which are more effective, for future cash flow hedging, they are entered directly in the shareholders' equity, while the ineffective portion is entered immediately in the income statement.
For the financial flows that are not finalised in the recording of the assets and liabilities, the amounts recorded directly in the shareholders' equity are included in the income statement in the same period in which the hedged contractual commitment or envisaged operations have an effect on the income statement.

The variations in the *fair value* of the derivative instruments that are not covered by the hedging are recorded in the income statement for the period in which they occur.

The accounting method for the hedging is abandoned when the hedging instrument reaches its expiry, is sold, terminates or is exercised, or can no longer be qualified as a hedging instrument. At that moment, the accumulated gains or losses of the hedging instrument recorded directly in the shareholders' equity are kept there until the moment in which the forecast operation is effectively carried out. If it is forecast that the operation forming the subject of the hedging will not take place, the accumulated gains and losses recorded directly in the shareholders' equity are transferred to the income statement for the period.

The implicit derivatives included in other financial instruments, or in other contracts, are treated as separate derivatives when their risks and characteristics are not closely linked to those of the contracts containing them, and these latter are not assessed at *fair value* with the relative gains and losses entered in the income statement.

Benefits to employees following termination of employment

For the defined benefits plan, to which the employee termination indemnities fund is assimilated, the relative cost of the benefits provided is determined using the *Projected Unit Credit Method*, effecting the actuary evaluations at the end of each financial year.
The actuarial gains and losses exceeding 10 per cent of the actual value of the benefit liabilities defined by the Group are depreciated for the period of the estimated average working life of the employees participating in the plan.

The liabilities for employee termination indemnities recorded in the balance sheet represent the actual value of the liabilities for the defined benefit plans adjusted to take into account the actuarial gains and losses not recorded.

Provisions for risks and charges

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.

The provisions are set aside on the basis of the best estimate made by management of the costs required to fulfil the obligations on the balance sheet date, and are actualised when the effect becomes significant.

They include, amongst other things, the product guarantee fund which is allocated in the balance sheet to allow the economic effect of the guarantee costs to be anticipated according to the revenues from sales - guarantee costs correlation principle.

Use of estimates

The preparation of the balance sheet and relative notes in the application of the IFRS accounting principles requires that the management carries out estimates and makes assumptions that would effect the values of the assets and liabilities of the balance sheet and the information relating to potential assets and liabilities as at the date of the balance sheet itself. The results totalled could be different to these estimates. The estimates are used to evaluate the tangible and intangible assets subject to *impairment tests* as described above and to determine the accruals to provision for risks and charges on credits, for warehouse obsolescence, amortisations, asset devaluation, benefits to employees, taxes and provisions to risk and charges funds. The estimates ands assumptions are periodically reviewed and the effects of each variation are entered immediately in the income statement.

Cash-flow statement

The cash-flow has been prepared by applying the indirect method. The cash and cash equivalents included in the cash-flow statement include the asset and liability balance of this item on the reference date. The cashflows in foreign currency have been converted at the average exchange rate for the period. The income and expenses relating to interests, dividends received and taxes on income are included in the cashflows generated by the operating management.

5. REVENUES

The analysis of the Group's revenues for the half-year is as follows:

	1st half-year 2005	1st half-year 2004 - restated
	€ '000	€ '000
Revenue from product sales	143,331	141,996
Revenues from after-sales services	6,269	5,780
Total revenues	**149,600**	**147,776**
Other operating revenues:	1,316	1,470
Cost recovery	1,170	1,154
Contributions for operating expenses	169	47
Total other operating revenues:	**2,655**	**2,671**

As the company has not closed down, the above data refers exclusively to operating activities.

6. ANALYSIS BY ACTIVITY SEGMENT AND GEOGRAPHIC SECTOR

Analysis by activity segment

Economic data

1st half-year 2005 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Elision**	**Group Total**
External revenues	110,607	25,771	9,032	4,190	-	149,600
Inter-segment revenues	206	-	5,247	12,102	(17,555)	0
Total revenues	110,813	25,771	14,280	16,291	(17,555)	149,600
Segment operating result	**15,936**	**3,404**	**2,133**	**1,655**	**-**	**23,128**
Non-allocated corporate costs	-	-	-	-	-	(14,123)
Operating result						**9,005**
Percentage share of net profits in participative companies	(147)	-	51	-	-	(96)
Segment financial revenues and charges	(103)	(169)	-	(54)	-	(326)
Non-allocated financial revenues and charges	-	-	-	-	-	(1,267)
Pre-tax profits	-	-	-	-	-	7,316
Taxes for the period	-	-	-	-	-	(2,815)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**4,501**

1st half-year 2004 - restated € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Elision**	**Group Total**
External revenues	106,479	27,040	9,266	4,991	-	147,776
Inter-segment revenues	117	-	5,912	15,133	-21,162	-
Total revenues	106,596	27,040	15,178	20,124	-21,162	147,776
Segment operating result	**11,410**	**3,326**	**2,695**	**1,494**	**-**	**18,925**
Non-allocated corporate costs	-	-	-	-	-	(13,245)
Operating result						**5,680**
Percentage share of net profits in participative companies	(393)	21	54	-	-	(319)
Other non-allocated revenues and charges	-	-	-	-	-	10,164
Segment financial revenues and charges	(189)	(283)	-	(64)	-	(536)
Non-allocated financial revenues and charges	-	-	-	-	-	(1,614)
Pre-tax profits	-	-	-	-	-	13,375
Taxes for the period	-	-	-	-	-	(7,292)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**6,083**

Balance Sheet Figures

30/06/2005 € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Group Total**
Segment fixed assets	35,441	23,316	7,789	11,653	78,199
Segment warehouses	58,921	14,729	9,396	6,869	89,915
Trade credits and other segment credits	58,465	13,631	4,777	2,216	79,089
Shareholdings in subsidiaries at segment shareholders' equity	316	-	38	-	354
Total segment assets	***153,143***	***51,675***	***22,000***	***20,738***	***247,557***
Non-allocated assets	***-***	***-***	***-***	***-***	***45,936***
Total assets	**153,143**	**51,676**	**22,000**	**20,738**	**293,493**
Segment provisions for risks and charges	2,462	804	253	58	3,577
Segment employee termination indemnities	8,226	1,598	1,504	1,997	13,325
Trade debits and other segment liabilities	61,887	14,428	5,057	2,346	83,718
Segment leasing liabilities	4,294	11,124	-	2,070	17,488
Total segment liabilities	***76,869***	***27,954***	***6,814***	***6,471***	***118,108***
Non-allocated liabilities	***-***	***-***	***-***	***-***	***175,385***
Total liabilities	**76,869**	**27,954**	**6,814**	**6,471**	**293,493**

31/12/2004 - restated € '000	**Wood**	**Glass & Marble**	**Mechatronics**	**Other**	**Group Total**
Segment fixed assets	37,248	21,294	8,041	11,591	78,174
Segment warehouses	48,388	10,064	9,685	6,035	74,172
Trade credits and other segment credits	62,934	15,321	7,297	4,727	90,279
Shareholdings in subsidiaries at segment shareholders' equity	316	-	38	-	354
Total segment assets	***148,886***	***46,679***	***25,061***	***22,353***	***242,979***
Non-allocated assets	***-***	***-***	***-***	***-***	***46,530***
Total assets	**148,886**	**46,679**	**25,061**	**22,354**	**289,509**
Segment provisions for risks and charges	2,354	811	278	40	3,483
Segment employee termination indemnities	7,781	1,514	1,441	1,879	12,615
Trade debits and other segment liabilities	55,050	13,401	6,382	4,135	78,968
Segment leasing financial liabilities	4,460	12,558	-	2,706	19,724
Total segment liabilities	***69,645***	***28,284***	***8,101***	***8,760***	***114,790***
Non-allocated liabilities	***-***	***-***	***-***	***-***	***174,719***
Total liabilities	**69,645**	**28,284**	**8,101**	**8,760**	**289,509**

Analysis by geographic sector

Revenue

Geographic area	**1st half-year 2005**	**%**	**1st half-year 2004 - restated**	**%**
EU Area	82,446	55.1%	80,538	54.5%
North America	19,961	13.3%	22,001	14.9%
Rest of World	47,193	31.6%	45,237	30.6%
Group Total	***149,600***	***100.0%***	***147,776***	***100.0%***

With regard to the information published on 30th June 2004, the data relating to the Rest of the World has been modified, in that it takes into account the expansion of the European Union.

Segment assets

Geographic area	30th June 2005	%	31st December 2004 - restated	%
EU Area	229,246	78.1%	219,728	75.9%
North America	27,480	9.4%	26,393	9.1%
Rest of World	36,767	12.5%	43,388	15.0%
Group Total	***293,493***	***100.0%***	***289,509***	***100.0%***

7. SEASONAL ASPECTS

The business sectors in which the Biesse Group operates are characterised by a relative seasonal aspect due to the fact that the demand for machine tools is normally concentrated in the second half of the year (and in particular in the last three months). This concentration is linked to the buying habits of the final customers, which are greatly influenced by expectations regarding the incentive politics of the investments as well as the joint progress of the reference markets.
To this, can be added the particular structure of the Group, in which the branches on the other side of the Atlantic (USA, Canada, Australia) posses approximately one fifth of the total turnover. in view of the times necessary for the delivery of the machine tools in these markets and the presence of a final marketplace particularly sensitive to the delivery time with respect to the purchase order, these branches are forced to restock their warehouses during the first half-year in order to meet the end of year sales .
This seasonal aspect has a greater impact on the asset and liability balances as well as the economic balances, caused by an increase in the stock levels and trade credits (linked to the higher sales at the end of the year) and the resulting increase in the net working capital with a consequent greater absorption of the Group's liquidity. The trade debits are instead less subject to fluctuations, in that the production is distributed more or less uniformly throughout the year.

8. ACCRUALS TOPROVISIONS

With respect to the previous half-year report, there has been a significant increase in the provisions entry of the income statement (€ 1,247 thousand), due mainly to the increased provisions to the credit devaluation fund in the amount of € 1.203 thousand and the increased charges for legal proceedings / insurance excesses (+ € 152 thousand with respect to the 2004 half-year). As already stated in the management report, these provisions are heavily affected by the evaluation of the solvency of the ex Biesse retailer in Poland, Slovakia and Czech republic, with whom there are legal proceedings in course that spanned from December 2004 and the first few months of 2005, consisting of an asset component in which Biesse is acting to collect its credits, and a liability part where Biesse is the subject of various payment demands linked to the cessation of the distribution agreement.

9. CAPITAL GAIN FROM SALES OFNON-INSTRUMENTAL ASSETS

In the previous half-year, the balance sheet item showed a value of € 10,323 thousand, relating to the capital gains realised through the sale of non-instrumental land to the Holding Company Bi. Fin. S.r.l. in March 2004. The land was previously entered in the balance sheet at its historic cost and subsequently sold at the market value, backed by a surveyor's valuation, of € 20 million.
During the first half-year of 2005, no sales of non-instrumental goods were entered.

10. FINANCIAL EXPENSES

Details of the financial expenses are reported below:

€ '000	1st half-year 2005	1st half-year 2004 - restated
Interest payable on loans and financing	814	1,354
Interest payable on leasing	330	556
Interest payable on current account overdrafts	118	206
Financial discounts to customers	173	193
Other financial expenses	14	33
Total financing costs	**1,449**	**2,342**
IRS losses designated as cash-flow hedging transferred from the hedging reserve	130	151
Total financial expenses	**1,579**	**2,493**

The following table indicates the division of the payables to financial institutes.

€ '000	30th June 2005	31st December 2004 - restated
Bank current account overdraft and other short-term loans	21,715	33,445
Leasing contracts liabilities – current value	3,091	3,955
Mortgages with collateral security – current value	2,408	117
Mortgages without collateral security – current value	2,398	4,342
Current liabilities	*29,612*	*41,859*
Medium-term loans	36	37
Leasing contracts liabilities – non-current value	14,579	16,682
Mortgages with collateral security – non-current value	18,695	11,031
Mortgages without collateral security – non-current value	2,171	2,346
Non-current liabilities	*35,481*	*30,059*
Total	**65,093**	**71,955**

Secured loans are listed below:

Company	Amount	Bank	Description of the guaranty
Biesse S.p.A	10,000	Interbank Mortgage loan under art.38 decree law 385/93	Mortgage on buildings in Via della Meccanica, 16 – Chiusa di Ginestreto (PU)
Biesse S.p.A	10,000	Mortgage load Banca Popolare di Milano art.38 dlgs 385/93	Mortgage on buildings in Via della Meccanica, 16 – Chiusa di Ginestreto (PU)
MC S.r.l.	966	Loan from Mediocredito Fondiario Centroitalia mortgage	Mortgage on industrial buildings in Strada Selva Grossa, Pesaro
Sel Realty Inc.	137	Loan from BCI – Comit Canada	Mortgage on industrial building in Montreal (Canada)
Total	**21,103**		

With reference to the financial management, there has been an improvement in the debit exposure of the Group (for a detailed analysis, refer to the notes in the Management Report). This phenomenon has led to a reduction in the payables to banks and other financial institutions in the amount of € 914 thousand. The Group's average percent borrowing for the current half-year is equal to 3.5% (against a 2004 value of 4.0%).

11. REVENUES AND EXPENSES ON CURRENCY EXCHANGE

The value relating to the first half of 2005, negative in the amount of € 212 thousand, (against a positive value in the same period of 2004 of € 135 thousand), is mainly due to the increase in the hedging operations in compliance with the Group's new policy for managing exchange risks. This phenomenon, in the presence of a redimensioning of the single European monetary unit, has generated more negative exchange differences offset by a more favourable valorisation of the activities expressed in foreign currency (USD-CAD-GBP) at more favourable exchange rates.
In this entry, the value relating to the balance of the non-realised gains and losses, deriving from adjustment of the credit and debit entries expressed in foreign currency to the end of period exchange rate, amounts to € 692 thousand. The components relating to the evaluation of the derivative contracts at *fair value* on the exchanges is negative in the amount of € 294 thousand.

12. TAXES FOR THE PERIOD

Taxes relating to the first half-year of 2005 amount to € 2,815 thousand (mainly consisting of provisions for the Italian company tax IRAP, equal to € 2,230 thousand), against a value of € 7,292 thousand in the first half-year of 2004 (IRAP provisions equal to € 2,041 thousand). The balance for the previous period "discounted" the *reversal* effect of the deferred taxes entered in the previous financial year, as well as the non-posting of further prepaid taxes on the tax losses reportable by the parent company. The tax appropriation relating to the first half-year, consisting primarily of the IRAP provisions of the Italian companies, is positively influenced by the non-posting of the IRES taxes by the parent company, which benefits from important past tax losses, in the face of which, at the end of the previous financial year, no active deferred taxes were entered.

13. PROFIT PER SHARE (EPS)

The basic profit per share as at 30th June 2005 is equal to Euro/cent 17,19 (24.10 in 2004) and is calculated by dividing the profit attributable to shareholders of the parent company, equal to € 4,501 thousand (€ 6,093 thousand at the end of the first half-year of 2004), by the weighted average of the ordinary shares in circulation during the period, corresponding to nr. 26,415,840 (nr. 25,287,568). As there were do dilutory effects, the same calculation is also applicable to the determination of the diluted profit. The explanatory prospectuses are reported below:

Profit attributable to the parent company's shareholders

€ '000	**1st half-year 2005**	**1st half-year 2004 - restated**
Basic profit for the period	4,501	6,093
Dilutory effects on the profit for the period	0	0
Diluted profit for the period	4,501	6,093

Weighted average of the ordinary shares in circulation

in thousands of shares	**1st half-year 2005**	**1st half-year 2004 - restated**
Ordinary shares issued as at 1st January	27,393	27,393
Own shares effect	(977)	(2,105)
Weighted average of ordinary shares in circulation – for calculating the basic profit	26,416	25,288
Dilutory effects	0	0
Weighted average of ordinary shares in circulation – for calculating the diluted profit	26,416	25,288

As activities did not cease during the half-year, the profit per share is fully referable to the operating activities.

14. PROPERTY, PLANTS, MACHINERY AND OTHER TANGIBLE ASSETS

During the reference period, there were no recorded important variations in the items in question, in that the necessary investments were made for the normal replacement of working tools required for ordinary production activities. In line with the company's activities to make better use of the production capacity of the existing system and to increase the synergy between similar industrial processes, during the half-year period, the business unit dedicated to the Artech/Polymac brand name, located in premises owned by others, was transferred to premises owned by the group. The operation, almost concluded on the date of approval of this Half-year Report, will allow considerable savings to be made, both directly due to the cancellation of the rental contract (relative cost during the first half-year 2004: € 136 thousand), and indirectly by improving efficiency in the normal operational management thanks to the centralisation of various company functions.
It should be pointed out that the budget balances also include the sources of income acquired through leasing contracts equal to € 29,197 thousand (unchanged with respect to the end of December 2004), of which € 16,753 thousand relates to industrial buildings and € 12,444 thousand to machinery.
The movements inherent to the sources of income in question are as follows.

€ '000	Property, plant and machinery	Equipment and other tangible assets
Historic cost		
Value at 01/01/2005	79,999	29,341
Acquisitions	372	1,156
Differences in exchange and other variations	396	416
Transfers	(275)	(378)
Value at 30/06/2005	**80,492**	**30,535**
Amortisation funds		
Value at 01/01/2005	24,597	21,465
Amortisation for the period	2,316	1,583
Differences in exchange and other variations	(34)	(56)
Value at 30/06/2005	**26,947**	**22,992**
Net value		
Value at 01/01/2005	55,403	7,875
Value at 30/06/2005	**53,545**	**7,544**

15. GOODWILL

The balance sheet item, equal to € 10,895 thousand is made up as follows:

€ '000	1st half-year 2005
Acquisition of Diamut company branch	3,940
Acquisition of company Selco	2,307
Acquisition of Allwood (Australia) company branch – wood sector	2,104
Acquisition of CNI company branch	1,226
Acquisition of 20 % of H.S.D. S.p.a.	704
Acquisition of SEV company branch	424
Acquisition of small company branches (Australia) – glass sector	190
Total	**10,895**

The values indicated have been subjected to the *impairment test*. This test included an estimation of the value that can be recovered by means of an examination of the financial flows expected from the single cash generating unit. The results of the test indicated that there was no need for ulterior devaluations.

16. OTHER INTANGIBLE ASSETS

The item, Other intangible assets consists mainly of capitalised development costs (€ 6,218 thousand), concessions, licences, trade marks and similar (€ 2,555 thousand), patent rights, various other expenses and costs for the design and maintenance of web sites (€ 940 thousand). With respect to the closure of the previous financial year, the principal change regarding the development costs, the historic cost of which increased in the amount of € 1,316 thousand (mainly relating to the development of new products under the Biesse trade mark), net of the write-off of fully amortised costs in the amount of € 868 thousand, with a net increase of € 448 thousand.
The current balance of the development costs, equal to € 8,187 thousand (net of the relative amortisation fund of € 1,969 thousand) mostly refers to the capitalisation effected during 2003 (€ 2,295 thousand) and 2004 (€ 3,455 thousand), already amortised in the amount of € 1,253 thousand. These costs refer to products, the marketing of which was started between 2004 and il 2005, and it is forecast that the economic returns from these investments will arrive on average within a period of 5 years.

17. OTHER FINANCIAL ASSETS AND NON-CURRENT RECEIVABLES

The balance sheet item is made up as follows:

€ '000	1st half-year 2005	2004 - restated
Minority shareholdings in other companies and consortia	83	83
Receivables from clients – non-current value	901	2,364
Other receivables / Deposits – non-current value	551	849
Total	**1,535**	**3,296**

18. DERIVATIVE FINANCIAL INSTRUMENTS

On 30/06/2005, the balance sheet value includes the actual value of the derived *outright* contracts, stipulated with hedging of the open currency positions, and the *fair value* of an IRS contract for hedging the interest risk relative to the leasing contract for the industrial unit in via dell'Economia, Pesaro.

The variations in the *fair value* of the IRS contract, qualified as a cash-flow hedging contract, is entered in the shareholders' equity value.

As far as the derived contracts on exchanges are concerned, and which do not qualify as hedging instruments (see note 4), the variations in *fair value* have been entered in the income and expenses on exchanges. At the end of the previous financial year, the balance sheet balance for these contracts was entered in the current assets.

The derivative instrument entry is made up as follows:

	30th June 2005		2004 - restated	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derived on exchanges	0	294	75	0
IRS	0	234	0	335
Total	**0**	**528**	**75**	**335**

19. INVESTMENTS HELD FOR TRADING

The value expressed in the balance sheet refers to the shareholding in the associated company Biesse China Co. Ltd. (and indirectly in its subsidiary Dongguang Biesse Machinery Co. Ltd.), which was sold during the first few days of August for a price of € 406 thousand (with a capital gain on the balance sheet value of approximately € 90 thousand). The sale is part of the current company strategy for favouring direct investment as opposed to other forms of shared management with other economic operators or in joint-ventures.

20. TRADE RECEIVABLES

The trade receivables entry is made up as follows:

€ '000	30th June 2005	2004 - restated
Receivables from clients – current value	79,508	86,995
Receivables toward affiliated companies	616	920
Receivables towards parent companies	0	210
Total	**80,124**	**88,125**

The value of the receivables from clients is net of the relative provision for depreciation equal to € 3,679 thousand (€ 2,729 thousand as at 31st December 2004), at the end of the half-year, it had increased, net of the amount used, by € 950 thousand (see note 8).

21. OTHER RECEIVABLES

The other receivables entry is made up as follows:

€ '000	30th June 2005	2004 - restated
Receivables for taxes on expenditure	2,001	2,971
Receivables for taxes on income	3,080	1,923
Other receivables from the inland revenue	212	14
Credit notes to be received, prepaid costs and advances to suppliers	1,072	3,406
Other receivables	4,752	2,292
Total	**11,117**	**10,606**

22. OWN SHARES

Own shares possessed by the parent company Biesse S.p.A. number 977,202, entered in the balance sheet at the historic cost of € 2,566 thousand.
With reference to the shares in portfolio, it should be pointed out that a part of these, equal to nr. 380,654, is kept for option hedging recognised in favour of the ex-shareholder of the subsidiary HSD S.p.a. by virtue of the sales contract of 14th November 2003. For more information, refer to note 26.
The remaining shares in portfolio (nr. 596,548) are kept as treasury shares.

23. DIVIDENDS

The dividends paid out in the half-year period were:

	1st half-year 2005	**1st half-year 2004(1)**
Dividends per share	0.12	0.09
Total dividends paid (€ '000)	3,287	2,465

(1) Cash disbursements relating to 2004 were effected in July 2004.

24. RETIREMENT BENEFIT OBLIGATION

The Biesse Group allocates in its balance sheet a value of € 14,440 as the actual value of the retirement benefit obligations matured at the end of the period by the Group's employees. The most important component of these payables is the provision for employment termination indemnities for employees of the Italian companies.
The movement within the fund is as follows:

€ '000	**30th June 2005**	**2004 - restated**
Liabilities at the start of the period	13,671	12,560
Cost for the period	1,314	1,066
Financial component	299	296
Liquidated liabilities for indemnity payment, advances and transfers	(844)	(815)
Liabilities at the end of the period	**14,440**	**13,107**

The Group has decided to adopt the "corridor method", which allows the component of the cost, calculated according to the method described and represented by the actuarial gains or losses, to remain unknown in the case where it does not exceed 10% of the actual value of the defined benefit obligation. Following the application of this method, actuarial losses as at 30th June 2005 equal to Euro 757 thousand are not accountable.
The total cost for the period amounts to € 1.330 thousand, of which € 299 thousand relates to the financial component and has been allocated in the personnel costs (on 30th June 2004, the cost amounted to € 1,227 thousand, of which € 296 thousand relates to the financial component).

25. Provisions for risks and charges

The provisions for risks and charges, equal to € 4,334 thousand (of which the current value amounts to € 1,706 thousand) is increased by € 521 thousand with respect to the previous financial year.
The more important items in this balance sheet figure are the product guarantee fund (€ 2,740) and provisions for litigation with ex-retailers and clients (Euro 686 thousand) and other provisions relating to future expenses and minor losses (Euro 133 thousand). Finally, there are provisions for hedging losses exceeding the shareholders' equity of ISP Systems s.r.l. (€ 350 thousand) and provisions for retirement benefits relating to additional client indemnity for relations with agencies (€ 425 thousand).

26. Trade payables

The trade payables entry is made up as follows:

€ '000	1st half-year 2005	2004 - restated
Trade	73,494	68,350
Advances / Deposits for installation and testing costs	10,805	9,322
Payables towards affiliated companies	644	1,205
Parent companies	0	18
Total	**84,943**	**78,895**

27. OTHER PAYABLES

The current value of the other payables entry is made up as follows:

€ '000	1st half-year 2005	2004 - restated
Social security liabilities	3,558	4,305
Payables to employees	9,737	6,537
Other payables	2,542	2,353
Total	**15,837**	**13,195**

Other liabilities include the sum of € 1,252 thousand, which refers to the parent company's contract liability for the purchase of 20% of the shares of the subsidiary HSD S.p.a. by the ex-shareholder of the subsidiary itself (as the debt will be paid-off by the month of April 2006, in the previous financial year, the debt was included in the non-current liabilities).
As regards this debt, it should be pointed out that the original contract recognised the right of the counterpart to request the delivery of 380,654 shares of the parent company in place of the payment of the mentioned debt. This right is considered as a call option on the shares of Biesse S.p.A. and consequently should be treated in the appropriate manner for it correct entry on the balance sheet. On 30th June 2005, the *fair value* of the option is equal to € 387 thousand and therefore the overall liability, assessed at *fair value,* in the face of the counterpart amounts to € 1,639 thousand. This increase in value of the debt by virtue of the contract in which it was created, it should be interpreted as a higher price paid for the purchase of 20% of the shares of the subsidiary HSD S.p.A. and therefore should be entered as an increase in the goodwill already entered in the balance sheet (see note 15). On the other hand, as the liability has not yet been manifested (also variable in line with time and the volatility of the stock underlying the option), it was decided not to enter the increased value in the goodwill (with the consequent increase in liabilities), in order not to subject this balance sheet entry to abnormal fluctuations. It should also be pointed out that this increased value of the potentially enterable goodwill has been subjected to an *impairment test* (to check for any loss in value) together with the value already entered in the balance sheet: the analysis itself did not identify a need for devaluation of the amount entered in the assets, nor did it create any cause for concern regarding the sustainability of the increased value of the goodwill.

From the financial point of view, attention should be drawn to the fact that the Group is fully hedging the risk underlying the recognised option. on the balance sheet date, in fact, the shares that would eventually be handed over to the counterpart are already kept in then portfolio, even if the accounting of own shares as provided for by IAS 39 does not allow this hedging of the risk to be highlighted.

28. COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

The Biesse Group has issued guarantees for the amount of € 4,385 thousand. Basically, the commitments taken on concern € 1,468 thousand guarantees issued in favour of the "Comune di Pesaro" to guarantee the urbanisation commitments for the factories in via della Meccanica and via dell'Economia; € 1,252 thousand as guarantee issued in favour of the ex-shareholder in Hsd Spa to guarantee payment for then purchase of shares of the subsidiary; € 499 thousand as guarantee to the Tax Office following requests for quarterly repayments and annual VAT returns.
the company also has € 3,611 thousand relating to bills, more precisely in line with the "Sabbatini Law", provided for at "Mediocredito Fondiario Centroitalia Spa" and € 1,553 thousand relating to buyback commitments taken on with leasing companies for the sale of machinery produced by ourselves to national clients when they are in default.
In addition, as already mentioned, an option exists in favour of an ex-shareholder of subsidiary HSD S.p.a., with which the counterpart has the option to request the handing over of nr. 380,654 shares held by the company in its own shares entry. Refer to item 23 for more information.
Finally, it is noted that on 12/01/2005 the Regional Tax Agency in Ancona started verification of the years 2002-2003, with reference to the Parent Company. This is an ordinary administrative control that is repeated every two years, given

that Biesse S.p.A. is such a large business, so that control by the Financial Administrative bodies is more or less constant.
During operations, no formal questions have been raised.
Among the facts and documents under the examination of the Officers, those of greatest importance in terms of amount and complexity relate to the reorganisation operation, the result of which was transfer of the holding in Schelling Anlagenbau GmbH. As a result of this operation, an overall loss has been detected of € 43,211,227.
Regarding the regularity of the tax treatment (formal and substantial) given to this operation by the Parent company, a positive opinion has been obtained from a primary legal and tributary Office.

29. SUBSEQUENT EVENTS

As already mentioned in note 19, during the first few days of August, shares in the associated company Biesse China Co. Ltd. were sold (of which the parent company held 50% of the company capital). The sale was the result of the current strategy of the Group in its preference for direct investments as opposed to other contract types such as joint-ventures or joint representation, which does not allow either direct control of the operational management, or strategies to be dictated. The sale should not be intended as a loss of interest in the south-east Asian market, for which the management is keeping its development program intact in view of the good performances obtained in local markets.

ANNEXES

To the Consolidated Financial Statements of Biesse SpA for the 1st half of 2005

APPENDIX "A"

TRANSITION TO THE IAS/IFRS INTERNATIONAL ACCOUNTING PRINCIPLES

RECONCILIATIONS AS AT 1ST JANUARY AND 31ST DECEMBER 2004

Following the application of European Regulation n. 1606 of July 2002, as from 2005, companies dealing in securities in a market regulated by the member States of the European Union must, as from 2005, manage their consolidated balance sheets in line with the international accounting principles (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and approved by the community itself.

The Biesse Group will adopt these principles in the preparation of the asset and liability statement and economic situation as at 30th June 2005.

This document supplies the reconciliations and the relative explanatory notes as provided for by the IFRS 1 – *First adoption of the IFRS* regulations – for the shareholders' equity and the consolidated income and consolidated operating results in line with the previous old principles (Italian accounting principles) and with the new principles:

- for the date of transition (1st January 2004) which corresponds to the start of the first period of the comparison;
- for the preceding period presented for the comparison, i.e. 31st December 2004.

As required by IFRS 1, this document also reports the principles adopted for the redetermination of the asset and liability statement as at 1st January 2004 and the consolidated balance sheet as at 31st December 2004, that the Group will adopt for the preparation of the consolidated balance sheet as at 31st December 2005 and for the periodic information as from 30th June 2005.
It should be noted that the data presented in the successive reconciliation prospectuses could be subject to variations that may become necessary if any of the international accounting principles are reviewed or amended during 2005.
As the attached reconciliation prospectuses have been prepared purely for the transition project for the preparation of the first complete consolidated balance sheet drafted in accordance with the IFRS regulations approved by the European Commission (balance as at 31st December 2005), they do not contain the comparative data or the necessary explanatory notes that would be required for fully representing the asset and liability statement - financial position and the consolidated economic performance of the Biesse Group in accordance with the IFRS principles.
For the first application of the international accounting principles and in line with that provided for in particular by IFRS1, the financial position as at 1st January 2004 has been prepared by making the necessary adjustments to the consolidated balance sheet as at 31st December 2003, prepared according to the Italian accounting principles, and in particular:

- all the assets and liabilities, the registering of which is required by the IFRS regulations, including those not provided for in the application of the Italian accounting principles, have been accounted for and assessed according to the IFRS principles;
- all the assets and liabilities, the registering of which is required by the Italian accounting principles but not allowed by those of the IFRS, have been eliminated;
- some of the balance sheet items have been reclassified in accordance with that provided for by the IFRS principles.

The effect of the adaptation of the opening balance of the assets and liabilities to the new principles has been recorded in the shareholders' equity, in the appropriate accumulated profit reserve for the following year net of the tax bills registered from time to time in the deferred taxes fund or in the prepaid tax assets.

During the recalculation of the statement of assets and liabilities on the date of transition to the new principles, the Group has made use of some options and/or optional exemptions provided for by IFRS 1.

The main options adopted concern:

- benefits for employees: as provided for by IAS 19, the Group has decided to adopt the "corridor method" for the actuarial profits and losses generated after 1st January 2004;
- associated companies: operations prior the date of transition have not been subject to retrospective revision, that is, through the redetermination of the current value of assets and liabilities at the moment of acquisition by the Group;
- tangible and intangible assets: the historic cost has been retained (as opposed to the *fair value*) as the assessment criterion for tangible and intangible assets subsequent to the initial registering.

EFFECTS OF THE ADOPTION OF THE IFRS PRINCIPLES ON THE ASSET AND LIABILITY STATEMENT AS AT 1ST JANUARY 2004

A summary prospectus of the consolidated asset and liability statement on the date of transition is reported below.

Notes	(amounts in thousands of €)	According to national principles	Effects of the conversion to the IFRS principles		According to IFRS principles
			Reclassification	Adjustments	
1	**ASSETS**				
2	Tangible assets	77,141	119	5,609	82,869
	Goodwill	11,008	0	(200)	10,808
3	Intangible assets	3,849	(119)	2,409	6,139
4	Financial assets:	5,087	(1,204)	(45)	3,839
	Total non-current assets	**97,086**	**(1,204)**	**7,772**	**103,655**
	Trade receivables	99,070	(631)	(61)	98,379
5	Inventories	80,833	0	(342)	80,492
	Other receivables	28,709	(1,072)	(159)	27,478
4	Financial assets:	3,836	(3,836)	0	0
	Cash and cash equivalents	20,504	(152)	135	20,487
	Current assets	**232,953**	**(5,691)**	**(427)**	**226,835**
	Total assets	**330,039**	**(6,895)**	**7,345**	**330,489**
1	**LIABILITIES**				
2,6	Financial debts	133,626	4,645	4,261	142,532
6,7	Trade payables and other payables	87,720	(5,502)	1,369	83,587
8	Retirement benefit obligations	13,609	0	(1,049)	12,560
9	Provisions for risks	5,455	(998)	(835)	3,622
	Deferred tax obligations	2,724	0	1,484	4,207
	Total liabilities	**243,134**	**(1,855)**	**5,229**	**246,508**
	Total assets minus liabilities	**86,905**	**(5,040)**	**2,116**	**83,982**
	Capital	27,393	0	0	27,393
	Capital reserves	83,630	0	0	83,630
4	- Own shares	0	(5,040)	0	(5,040)
7	Hedging and conversion of balances in currency reserve	(1,289)	0	(502)	(1,790)
	Other reserves	18,198	0	2,622	20,820
	Group results for the year	(41,274)	0	0	(41,274)
	Group's shareholders' equity	**86,658**	**(5,040)**	**2,120**	**83,738**
	Third party shareholders' equity	247	0	(4)	244

The main reclassifications have involved the registering of own shares minus the shareholders' equity, internal transfer from the intangible assets to the tangible assets of the increase in expenses of third party goods, the reclassification of the provisions for exchange risks at the individual property items and the transfer of accounts payable to factoring companies, with characteristics that qualify them as financial debts, from trade payables to financial debts.

The following prospectus and the successive notes summarise the principal variations entered, where recorded, net of the tax bills, occurring on the date of transfer to the consolidated shareholders' equity of the Group, with reference to the number and type of adjustments already mentioned in the previous prospectus

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Reconciliation prospectus of the shareholders' equity of the Group as at 1st January

(amounts in thousands of €)

Shareholders' equity according to national principles	**86,658**
Variations (net of tax bills)	
Recording of leasing contracts relating to machinery and equipment	627
Capitalisation of development costs	1,154
Reclassification of own shares minus the shareholders' equity	(4,705)
Assessment of the inventories at the weighted average cost	(525)
Employee benefits – IAS 19 impact	703
Transfer of restructuring funds	456
Assessment at *fair value* of the derivatives qualified as cash flow hedging	(502)
Other variations	(128)
Total IAS/IFRS adjustments	***(2,920)***
IAS/IFRS shareholders' equity	**83,738**

1. Consolidation and equity investments in subsidiary companies
According to the Italian accounting principles, it is possible to exclude from the consolidation area the subsidiary companies that carry out activities different to those of the parent company or that have a small production output, or those that have been acquired/constituted recently, if the exclusion does not prejudice the clear representation, truth and correctness of the asset and liability statement, and the financial and economic position of the Group. The subsidiary companies excluded from the consolidation are consolidated using the shareholders' equity method.

According to the IAS/IFRS principles, the above exclusions are no longer applicable. As a consequence, the companies Cabi S.r.l., Sandymac S.r.l. and Biesse Corporate School S.c.r.l. were included in the consolidated asset and liability statement at 1st January 2004, with impacts on the various parts of the assets and liabilities.

2. Tangible assets
The variation in the tangible assets is influenced by the transfer of the amortisations and by a re-evaluation effected by the parent company and above all by the extension of the application of IAS 17 to all the assets kept in leasing contracts.
According to the Italian accounting principles, the activities inherent to the leasing contracts classified as financial must be entered as tangible assets of the Group offset against a financial obligation of equal value as the liabilities. The Biesse Group only adopted this principle for contracts with regarding property and the relative plants (the subject of *sale and lease back* contracts): for contracts concerning machinery and instruments, the commitment towards leasing companies was entered between the potential obligations (commitments), while for the income statement, the rent charges were entered.

According to the IAS/IFRS accounting principles, the activities inherent to the leasing contracts classified as financial must be entered as tangible assets of the Group, with the registering of a financial obligation of equal value. The debt is progressively reduced on the basis of a repayment plan of the amortisation quota included in the rents, while the value of the asset is systematically depreciated in accordance with the its technical-economic life. As a consequence, net fixed assets were entered at € 5,291 thousand, payables at € 4,464 thousand and the relative obligations deferred in the amount of € 220 thousand.

3. Intangible assets
According to the Italian accounting principles, some of the costs relating to the formation and goodwill of a new company can be deferred and capitalised as intangible assets to be depreciated at constant rates over a period not exceeding five financial years, providing a number of conditions are satisfied. The costs relating to activities generated internally, and in this case relating to research and development activities, can be reimbursed in the income statement or, under certain conditions, capitalised and depreciated at constant rates over a period not exceeding five years.

According to the IAS/IFRS principles, the costs relating to the forming and goodwill of new companies and those relating to research activities must be entered directly in the income statement. The costs relating to research activities must be entered under assets, in the presence of these conditions and depreciated on a linear basis through the relative useful lives. As regards the first point, capitalised costs have been entered in undivided earnings in the amount of Euro 168 thousand, while in the second point, new fixed assets have been entered in the amount of € 2,237 thousand.

4. Own shares
According to the Italian principles, bought back own shares are entered in the balance sheet as assets in either the fixed assets or current assets. depending on their nature, and evaluated at the adjusted permanent loss of value cost and the lower of the cost or market value respectively.

According to the IAS/IFRS principles, the cost of bough back own shares is entered in the balance sheet a deduction of the shareholders' equity.

5. Inventory
The principal adjustment of the item inventories consists of modifying their assessment criteria. According to the Italian accounting principles, the final inventories must be assessed at the lower of the cost or market value. In order to determine the cost, the reference criteria adopted by the Group was the LIFO (last in first out) method.
According to the IAS/IFRS principles, the final inventories are assessed at the lower of either the cost or realisation value. The cost is calculated using the weighted average cost method. The modification of the evaluation criteria has led to a reduction in the value of the final inventories of € 849 thousand Euro.

6. Financial debts
According to the Italian accounting principles, the trade payables handed over to factoring companies, with an agreed extension to the payment periods, are classified as commercial type operating debts.
According to the IAS/IFRS principles, these debts are considered as financing debts. The debt of € 5.356 thousand has been reallocated in the financial debts.

7. Hedging and derivative contracts
According to the Italian accounting principles, the entering on the balance sheet of derivative contracts qualified as "cash flow edge" while waiting for the realisation of the hedged transaction was not provided for. Consequently, the existence of an IRS contract was highlighted in the commitments and the effects of the fair value evaluation of the derivative instrument were indicated in the notes.
According to the IAS/IFRS principles, the variations in the fair value of the derivative instruments designated, and which are more effective, for future cash flow hedging, they are entered directly in the shareholders' equity, while the ineffective portion is entered immediately in the income statement.
For the financial flows that are not finalised in the recording of the assets and liabilities, the amounts recorded directly in the shareholders' equity are included in the income statement in the same period in which the hedged contractual commitment or envisaged operations have an effect on the income statement.
Consequently, in line with this principle, in with the other debts, the Group has recorded a current liability of € 502 thousand, as an offset against the entry in the shareholders' equity of the *fair value* assessment of an offshoot of the interest risk hedging.

8. Liabilities for retirement benefit obligations – Redundancy payments
According to the Italian accounting principles, the retirement and redundancy fund (TFR) is provided for net of the advance payments, on the basis of that due of the employees cease their employment on the date of the balance sheet, without therefore taking into account future redundancies and without updating the debit.

According to the IAS/IFRS principles, the obligations for benefits to employees, including the TFR, must be accounted for on the basis of the "unitary credit protection method". The above modifications reduce the existing fund by € 1,149 thousand.

9. Provisions for risks and charges
According to the Italian accounting principles, it is possible to set aside funds for company restructuring in line with parameters provided for by the reference accounting principles, to be used for future costs relating to company management reorganisation. IN addition, the funds for future liabilities are expressed without updating the debit.

According to the IAS/IFRS accounting principles, it is possible to set up funds for company restructuring, but only providing certain requirements are met. The value of the funds must also be expressed in the actual value of the flows envisaged for settling the relative obligation. As a consequence of this principle, the company restructuring fund has been annulled against the undivided earnings in the amount of € 708 thousand, while the liabilities relating to other funds have been reduced through updating to € 127 thousand.

EFFECTS OF THE ADOPTION OF THE IFRS PRINCIPLES ON THE BALANCE SHEET AS AT 31ST DECEMBER 2004

Notes	(amounts in thousands of €)	According to national principles	Effects of the conversion to the IFRS principles		According to IFRS principles
			Reclassification	Adjustments	
1	**ASSETS**				
2	Tangible assets	58,295	85	4,898	63,278
3	Goodwill	9,693	0	1,059	10,752
4	Intangible assets	4,533	(85)	5,084	9,532
5	Financial assets:	1,989	(1,204)	206	992
	Total non-current assets	**74,510**	**(1,204)**	**11,247**	**84,553**
	Trade receivables	90,247	225	17	90,489
	Inventories	74,473	0	(301)	74,172
	Other receivables	20,310	(223)	(358)	19,729
6	Financial assets	1,362	(1,362)	0	0
	Cash and cash equivalents	20,567	(2)	2	20,567
	Current assets	206,958	(1,362)	(639)	204,956
	Total assets	**281,467**	**(2,566)**	**10,607**	**289,509**
1	**LIABILITIES**				
2,6	Financial debts	66,694	2,120	3,141	71,955
6,7	Trade payables and other payables	103,946	(2,120)	364	102,190
8	Retirement benefit obligations	15,130	0	(1,459)	13,671
9	Provisions for risks	3,948	0	(135)	3,813
	Deferred tax obligations	2,727	0	3,341	6,068
	Total liabilities	**192,446**	**(0)**	**5,252**	**197,698**
	Total assets minus liabilities	**89,021**	**(2,565)**	**5,355**	**91,811**
	Capital	27,393	0	(0)	27,393
	Capital reserves	36,202	0	0	36,202
5	Own shares reserve	0	(2,566)	0	(2,566)
	Hedging and conversion of balances in currency reserve	(1,682)	0	(338)	(2,020)
	Other reserves	22,004	0	2,876	24,880
	Group results for the year	4,870	0	2,786	7,656
	Group's shareholders' equity	**88,788**	**(2,566)**	**5,324**	**91,546**
	Third party shareholders' equity	233	0	32	265

The reclassification principles concern the recording of own shares minus the shareholders' equity, the transfer from the intangible assets to the tangible assets of the cost increases on third party goods and the transfer of the debit with factoring companies from trade payables to financial debts.

EFFECTS OF THE ADOPTION OF THE IFRS PRINCIPLES ON THE 2004 INCOME STATEMENT

Notes	(amounts in thousands of €)	According to national principles	Effects of the conversion to the IFRS principles		According to IFRS principles
			Reclassification	Adjustments	
	Revenues	312,514	(1,908)	66	310,672
	Other operating revenues:	7,287	16	55	7,358
	Finished product and semi finished product inventory variation	(4,334)	0	(212)	(4,546)
	Consumption of raw materials and consumable materials	(136,648)	0	0	(136,648)
10	Other operating costs	(70,006)	(819)	1,694	(69,132)
11	Personnel expenses	(82,931)	(96)	3,164	(79,862)
9	Depreciation	(10,750)	0	(405)	(11,156)
	Provisions	(1,592)	0	5	(1,587)
	Operating profit	**13,539**	**(2,808)**	**4,367**	**15,099**
	Profit share of subsidiary companies	(421)	0	14	(407)
12	Income and expenses from investment activities	1,154	(19)	(589)	546
	Capital gains on non-instrumental fixed asset transfer	0	11,400	(88)	11,312
13	Financial expenses	(4,456)	0	(168)	(4,624)
	Exchange revenues and charges	(644)	0	0	(644)
14	Extraordinary items	7,714	(8,250)	536	0
	Pre-tax profit	**16,886**	**324**	**4,073**	**21,282**
	Taxes for the financial year	(12,025)	(324)	(1,250)	(13,599)
	Gross operating profit	**4,860**	**0**	**2,823**	**7,683**
	Minority interests	(10)	0	37	27
	Group interests	4,870	0	2,786	7,656

The principal reclassifications have been effected in order to share the positive and negative components entered as extraordinary items between the individual lines of the income statement. Of particular importance is the transfer of the capita gain earned on the sale of non-instrumental land and part of a factory for € 11,400 thousand.
As a result of the updating carried out, described in detail in the following notes, the consolidated net proceedings pass from € 312,514 thousand to € 310,672 thousand, the operating profit passes from € 13,539 thousand to € 15,099 thousand, (principally due to the reduction in the amortisation of the goodwill and the capitalisation of the development costs), the Group interests pass from € 4,870 thousand to € 7,656 thousand.

The following prospectus and the successive notes summarise the principal variations entered, where recorded, net of the tax bills, occurring on the date of transfer to the consolidated shareholders' equity and net income of the Group, with reference to the number and type of adjustment already mentioned in the previous prospectus.

Reconciliation prospectus of the shareholders' equity of the Group as at 31st December 2004 and the 2004 net income of the Group

(amounts in thousands of €)	*Earnings*	*Shareholder's equity*
Budget balance according to national principles	**4,870**	**88,788**
Recording of leasing contracts relating to machinery and equipment	109	741
Goodwill	1,065	865
Capitalisation of development costs	1,713	2,871
Reclassification of own shares minus the shareholders' equity	(366)	(2,359)
Assessment of the inventories at the weighted average cost	525	0
Employee benefits – IAS 19 impact	191	894
Transfer of restructuring funds	(451)	83
Assessment at *fair value* of the derivatives qualified as cash flow hedging	0	(335)
Other variations	0	2
Total IAS/IFRS adjustments	***2,786***	***2,758***
Budget balance according to IAS/IFRS	**7,656**	**91,546**

1. Consolidation and equity investments in subsidiary companies
According to the Italian accounting principles, it is possible to exclude from the consolidation area the subsidiary companies that carry out activities different to those of the parent company or that have a small production output or those that have been acquired/constituted recently, if the exclusion does not prejudice the clear representation, truth and correctness of the asset and liability statement, and the financial and economic position of the Group. The controlled companies excluded from the consolidation are consolidated using the shareholders' equity method.

According to the IAS/IFRS principles, the above exclusions are no longer applicable. As a consequence, the companies Cabi S.r.l., Sandymac S.r.l. and Biesse Corporate School S.c.r.l. were included in the consolidated asset and liability statement at 1st January 2004, with impacts on the various parts of the assets and liabilities.

2. Tangible assets
The variation in the tangible assets is influenced by the transfer of the amortisations and by a re-evaluation effected by the parent company and above all by the extension of the application of IAS 17 to all the assets kept in leasing contracts.
According to the Italian accounting principles, the activities inherent to the leasing contracts classified as financial must be entered as tangible assets of the Group offset against a financial obligation of equal value as the liabilities. The Biesse Group only adopted this principle for contracts with regarding property and the relative plants (the subject of *sale and lease back* contracts): for contracts concerning machinery and instruments, the commitment towards leasing companies was entered between the potential obligations (commitments), while for the income statement, the rent charges were entered.

According to the IAS/IFRS accounting principles, the activities inherent to the leasing contracts classified as financial must be entered as tangible assets of the Group, with the registering of a financial obligation of equal value. The debt is progressively reduced on the basis of a repayment plan of the amortisation quota included in the rents, while the value of the asset is systematically depreciated in accordance with the its technical-economic life. As a consequence, net fixed assets were entered at € 4,883 thousand and payables in the amount of € 3,142 thousand.

3. Goodwill
According to the Italian accounting principles, the goodwill, entered in the assets only if acquired through purchase, is amortised over a period not exceeding the duration of its use.

According to the IAS/IFRS principles, the goodwill is not subject to amortisation, but is instead subjected to evaluation at least once a year in order to verify that it has not made any long-term losses in value. The amortisation amounts written-off amount to € 1,363 thousand.

4. Intangible assets
According to the Italian accounting principles, some of the costs relating to the formation and goodwill of a new company can be deferred and capitalised as intangible assets to be depreciated at constant rates over a period not exceeding five financial years, providing a number of conditions are satisfied. The costs relating to activities generated internally, and in this case relating to research and development activities, can be reimbursed in the income statement or, under certain conditions, capitalised and depreciated at constant rates over a period not exceeding five years.

According to the IAS/IFRS principles, the costs relating to the forming and goodwill of new companies and those relating to research activities must be entered directly in the income statement. The costs relating to research activities must be entered under assets, in the presence of these conditions and depreciated on a linear basis through the relative useful lives. With reference to the second point, new fixed assets have been entered in the amount of € 5,065 thousand.

5. Own shares
According to the Italian principles, bought back own shares are entered in the balance sheet as assets in either the fixed assets or current assets. depending on their nature, and evaluated at the adjusted permanent loss of value cost and the lower of the cost or market value respectively. The profits and losses from the sale of own shares and the applicable devaluation/appreciation in value have been entered in the income statement.
According to the IAS/IFRS principles, the cost of bought back own shares is entered in the balance sheet on the basis of the purchase cost minus the shareholders' equity. The profits and losses resulting from the sale of own shares are entered in the shareholders' equity reserves

6. Financial debts
According to the Italian accounting principles, the trade payables handed over to factoring companies, with an agreed extension to the payment periods, are classified as commercial type operating debts.
According to the IAS/IFRS principles, these debts are considered as financing debts. The debt of € 1,677 thousand has been reallocated in the financial debts.

7. Hedging and derivative contracts
According to the Italian accounting principles, the entering on the balance sheet of derivative contracts qualified as "cash flow edge" while waiting for the realisation of the hedged transaction was not provided for. Consequently, the existence of an IRS contract was highlighted in the commitments and the effects of the fair value evaluation of the derivative instrument were indicated in the notes.
According to the IAS/IFRS principles, the variations in the fair value of the derivative instruments designated, and which are more effective, for future cash flow hedging, they are entered directly in the shareholders' equity, while the ineffective portion is entered immediately in the income statement.
For the financial flows that are not finalised in the recording of the assets and liabilities, the amounts recorded directly in the shareholders' equity are included in the income statement in the same period in which the hedged contractual commitment or envisaged operations have an effect on the income statement.
Consequently, in line with this principle, in with the other debts, the Group has recorded a current liability of € 335 thousand, offset against the entry in the shareholders' equity of the fair value assessment of an offshoot of the interest risk hedging.

8. Liabilities for retirement benefit obligations – Redundancy payments
According to the Italian accounting principles, the retirement and redundancy fund (TFR) is provided for net of the advance payments, on the basis of that due of the employees cease their employment on the date of the balance sheet, without therefore taking into account future redundancies and without updating the debit.

According to the IAS/IFRS principles, the obligations for benefits to employees, including the TFR, must be accounted for on the basis of the "unitary credit protection method". The above modifications reduce the existing fund by € 1,459 thousand.

9. Provisions for risks and charges
According to the Italian accounting principles, the funds relating to future liabilities for risks and charges are expressed without updating the debit.

According to the IAS/IFRS accounting principles, the value of the funds must express the actual value of the flows envisaged for settling the relative obligation. Consequently, the relative liabilities have been reduced to € 135 thousand.

9. Depreciation

The depreciation item is influenced by the writing-off of the depreciation from the goodwill and from the registering of the depreciations on internally generated assets (Development costs) and on plant and machinery in leasing, as previously illustrated.

10. Other operating costs
Plant and machinery
With reference to the last point regarding depreciation, costs have been written off for leasing rents in the amount of € 1,993 thousand.

11. Personnel expenses

Assets generated internally – Development costs
With reference to that described in item Depreciation, personnel costs have been written off in the amount of € 3,386 thousand.

Liabilities for retirement benefit obligations – Redundancy payments
The different accounting of employees' benefits creates a reduction in costs relating to the amounts matured by employees in the financial year, in the amount of € 310 thousand.

12. Income and expenses from investment activities

Own shares
With reference to that described in note 5, the economic effects relative to own shares were eliminated, and in particular the capital gain on the sale of own shares (€ 463 thousand) and the appreciation in value of the share portfolio (€ 129 thousand).

13. Financial expenses

Plant and machinery
With reference to the last point regarding depreciation, increased financial costs have been accounted for in the amount of € 167 thousand.

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

The following paragraphs report the consolidation principles and the evaluation criteria to be adopted in the preparation of the consolidated balance sheet as at 31st December 2005 and the part-year situations starting from the six-monthly report 30th June 2005.

CONSOLIDATION PRINCIPLES

The consolidated balance sheet includes the balance sheet of the parent company Biesse and the Italian and foreign companies controlled either directly or indirectly by it. A company is said to control another when it has the power to dictate the financial and operating policies of the latter in order to obtain benefits from its activities.

The consolidated balance sheets are, in the case of significant differences, reclassified and adjusted so that they conform with the parent company's accounting principles and evaluation criteria.

For the compilation of the consolidated balance sheet, the asset and liability entries as well as the income and expenditure of the companies included in the consolidation were fully included.

The accountable value of the shares in a company included in the consolidation is wiped out to offset the corresponding fractions of the shareholders' equity of the shareholdings, attributing their current value on the date of acquisition to the individual elements of the assets and liabilities. Any residual difference, if positive, is entered in the non-current assets, such as goodwill, if negative, it is debited in the income statement.
The economic results of the subsidiaries bought or sold during the financial year are included in the consolidated income statement from the effective date of acquisition until the effective date of sale.
The profit-sharing of the minority shareholders in a bought company is initially valued as being equal to their share of the current values of the assets, liabilities and potential liabilities entered.

The receivables and payables, income and expenditure, profits and losses that originated from transactions between companies that included in the consolidation are removed. Also eliminated were the relationships between the companies of the Biesse Group and an intermediary financial services company outside the Group which acts as an intermediary for most of the commercial transactions between the Parent company and several of the consolidated companies.
As an exception to this general rule, considering the negligibility of the effects and the reconstruction difficulties, the profits from the sale of the stock in inventory by Hsd S.p.A. , Cabi S.r.l. and, for some productions, by MC S.r.l. to the other companies in the Biesse Group were not removed, as they were semifinished products included in the products being manufactured.
The capital gains and losses deriving from the inter-company sale of instrumental assets were removed, where they were considered to be significant.

The amount of capital and reserves of the subsidiaries that correspond to third party holdings is entered in a shareholder's equity entry called "minority share profit-sharing"; the consolidated financial result that corresponds to third party holdings is entered separately in the entry "Net profit for the financial year attributable to minority shareholders"'

For consolidated balance sheet presentation reasons, the assets and liabilities of foreign subsidiaries, the operating currencies of which are other than the Euro, are converted at the current exchange rates valid on the date of the balance sheet. The income and expenses are converted at the average exchange rate for the period. The emerging exchange differences are recorded in the shareholders' equity entry "Translation reserve". This reserve is recorded in the income statement as income and expenses for the period in which the relative subsidiary is sold.

Shareholdings in associated companies

An associated company is one in which the group can exercise a significant influence, though without overall or joint control, through participation in the decision-making on the financial and operating policies of the associated company.

The period accounting situations of the associated companies are recorded in the consolidated balance sheet using the shareholders' equity method.

VALUATION CRITERIA

Acknowledgement of revenues

The sales of goods are acknowledged when the goods are despatched and the company has transferred the major risks and benefits associated to the goods to the buyer.

The interests charged are recorded by applying the reference period principle, on the basis of the amount financed and the effective applicable interest rate, which represents the rate that discounts the estimated future receipts during the expected life of the financial activity in order to restore them to the initial accountable value of the activity itself.

The dividends are recorded when the right of the shareholders to receive the payment has been established.

Operations in foreign currency

In the preparation of the balance sheets of the individual entities, operations carried out in currency other than the Euro are initially recorded at the exchange rate on the date of the operations themselves. On the same date as the balance sheet, the activities and the monetary liabilities occurring in the above-mentioned currencies are re-entered at the exchange rate at that date. The non-monetary activities expressed at *fair value* occurring in foreign currency are converted at the exchange rates on the date on which the *fair values* were determined.
The differences in the exchange rate, obtained from the adjustment in the monetary values and from their re-exposure to current exchange rates at the end of the financial year, are entered in the income statement for that financial year, with the exception of the differences in exchange on non-monetary activities exposed in *fair value*, in which the *fair value* variations are entered directly in the shareholders' equity, as is the exchange component.

In order to cover its exposure to exchange risks, the Group has stipulated *forward* contracts and options (see later for the Group's accounting policies relating to these derived instruments).

Leasing and operating contracts

Leasing contracts are classified as such when the terms of the contract are such that transfer most of the risk and benefits of the property to the lessee. All other leasing contracts are considered as operating contracts.

The activities forming the subject of leasing contracts are recorded as tangible assets of the Group offset against a financial obligation of equal value in the liabilities. The debt is progressively reduced on the basis of a repayment plan of the amortisation quota included in the contracted rents, while the value of the asset is systematically depreciated in accordance with the its technical-economic life.

The rental costs for operating leasing contracts are entered in the income statement at constant rates according to the duration of the contract.

Income taxes

Income taxes represent the sum of the current and deferred taxes.
Income tax is determined based upon the taxable income of each consolidated company in accordance with the current tax laws of each country. Deferred taxes are 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, accounted for in line with the balance sheet liability method; in addition, deferred taxes are 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 taxes are calculated using the rate that was current at the moment in which the temporary differences originated. The deferred taxes are entered directly in the income statement, with the exception of items recorded directly in the shareholders' equity, in which case, the relative deferred taxes are also recorded in the shareholders' equity.

Active deferred taxes are entered in the balance sheet if the taxes are considered recoverable when considering the taxable results for the periods in which the active deferred taxes occur.
The compensation between deferred tax receivable and payable is only carried out for uniform positions; otherwise, for each heading the credits and debts are entered separately.

Earnings per share

The basic earnings per share are calculated by dividing the gains or losses attributable to the shareholders of the parent company by the weighted mean of the ordinary shares in circulation during the period. The diluted earnings per share are calculated by dividing the gain or loss attributable to the shareholders of the parent company by the weighted mean of the shares in circulation, taking into account the effects of all the potential ordinary shares with a diluting effect.

Tangible assets

The tangible assets are entered at their purchase cost or production cost inclusive of any ancillary charges, with the subsequent accumulated amortisations and devaluation due to loss in value deducted.

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.

The tangible assets, with the exception of land that has not been the subject of amortisation, are systematically depreciated at a constant rate in accordance with their estimated useful life through the application of the following depreciation rates:

Factory buildings 3%
Plant and machinery 10%
Equipment 12% - 25%

The tangible assets are depreciated starting from the moment in which they are ready for use.

The item also includes goods subject to leasing, which have been entered in the tangible assets using the previously described methods.

Intangible assets

Goodwill

Goodwill deriving from the acquisition of a subsidiary or branch represents the surplus of the purchase cost with respect to the percentage due to the Group of the *fair value* of the activities, identifiable liabilities and potential liabilities of the subsidiary or branch acquired on the date of purchase.
Goodwill is not subject to depreciation but is subject to assessment at least once a year, in general on the occasion of the annual closing of the balance sheet for the financial year to check that there has not been any loss in value. Any losses in value are entered immediately in the income statement and are not subject to any subsequent recovery operations.

If a subsidiary or a jointly controlled entity is sold, the amount of the goodwill attributable to it that has not yet been depreciated is included in the determination of the capital gain or depreciation by alienation.

Goodwill deriving from acquisitions made prior to the date of the start of the transition to the IFRS accounting principles are maintained at the values resulting from the application of the Italian accounting principles on that date and are subjected to an *impairment test* on that date.

Assets generated internally – Research and development costs

The research costs are entered in the income statement in the period in which they were incurred.

The intangible assets generated internally deriving from the development of the Group's products (machine tools for machining wood, glass and marble) are entered in the assets only if all the following conditions have been complied with:

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

These intangible assets are depreciated on a linear basis for the duration of the relative useful lives.

When the internally generated assets cannot be entered in the balance sheet, the development costs are entered in the income statement for the financial year in which they were sustained.

Brands and patents

Brands and patents are recorded initially at their purchase cost and are depreciated systematically at constant rate according to their useful life, and nevertheless within an arc of time not exceeding that fixed by the underlying licence or purchase contract.

Loss of value of tangible and intangible assets

On each balance sheet date, the Group checks for the existence of events or circumstances that could jeopardise the recovery of the value of tangible and intangible assets with a defined useful life and, in the presence of loss indicators, estimates the recoverable value of the assets in order to determine whether there has been a loss in value.
The intangible assets with an indefinite useful life, including goodwill, are instead checked annually,and each time that there is an indication of a possible loss in value, in order to determine whether there has been a loss in value.

In accordance with the reference accounting principles, the check is carried out referring to the individual asset, wherever possible, or to a group of assets (so-called "cash generating units"). The cash generating units are identified coherently with the organisational and business structure of the Group as single units, which generate incoming cash flows independently through the continuous use of the assets attributable to them.

The recoverability of the values entered in the balance sheet is verified by comparing the accountable value with the larger of either the current value net of the sales costs, where there is an active market, or the usage value. The usage value is determined on the basis of the time-discounting of future cash flows expected from the use of the asset, or the group of assets, and its divestment at the end of its useful life.

In the presence of losses in value, the fixed assets are subsequently devalued while the original cost value is reinstated (with the exception of the goodwill item) if in the successive financial years demonstrate a reduction in the motivation for the devaluation.

Non-current assets retained for sale

Non-current assets classified as retained for sale are evaluated at the lesser of either their previous initial value or the market value net of the sales cost.
Non-current assets are classified as retained for sale when it can be seen that their initial value will become recoverable by means of a sales operation as opposed to their use in the operating assets of the company. This condition is only respected when there is a high probability of sale, the asset is available for immediate sale in its as-is condition and the management has made a commitment to sell it, which should occur within twelve months of the date of classification in this entry.

Inventory

Inventories are assessed as the lower of either the cost or the realisation value. The cost includes direct materials and, where applicable, direct labour, general production costs and other costs sustained to transfer the inventories to their current location and condition. The cost is calculated using the weighted average cost method. The net break-up value represents the estimated sale price minus the estimated completion costs and the estimated costs for completing the sale.
Stock that is obsolete or slow moving has been depreciated based upon their possible use or liquidation value.

Financial assets and liabilities

Sales receivables

The receivables are entered at their nominal value which is basically represented by their fair value; the nominal value is reduced by the appropriate devaluation to take into account the losses forecast on the receivables. The devaluations are determined in the amount equal to the difference between the initial value of the receivables and the actual value of the estimated future cash flows, discounted at the effective interest rate calculated for the initial entry.

Financial assets

The Financial assets are recorded and written-off from the balance sheet on the basis of the negotiation date and is initially valued at cost, inclusive of the charges directly linked to the acquisition.

On the successive dates of the balance sheet, the Financial assets that the Group intends to retain until expiry (securities kept until their expiry) are recorded at the depreciated cost according to the effective interest rate method, net of the devaluations effected to reflect a loss in value.

Financial assets other than those retained until their expiry are classified as retained for negotiation or are available for sale, and are evaluated at the end of each period at their *fair value*. When financial assets are retained for negotiation, the gains and losses deriving from variations in the *fair value* are entered in the income statement for the period. For financial assets available for sale, the gains and losses deriving from variations in the *fair value* are entered directly in the shareholders' equity until they are sold or have suffered a loss in value; at that moment the overall gains or losses previously recorded in the shareholders' equity are entered in the income statement for the period.

Cash and equivalent funds

The item relating to cash and equivalent funds includes cash and bank current and deposit accounts payable on demand and other short-term high-return financial investments that are readily convertible in cash and are subject to negligible value variation risk.

Trade payables

The trade payables are recorded at nominal value.

Financial liabilities and representative instruments of shareholders' equity

Financial liabilities and representative instruments of shareholders' equity issued by the G are classified according to the content of the contractual agreements that generated them and in accordance with the respective definitions of the liabilities and instruments representing shareholders' equity. These latter are defined as those contracts that, freed of any incorporated liabilities, give the right to a share of the groups assets.
The accounting principles adopted for specific financial assets and shareholders' equity instruments are indicated below.

Overdrafts and loans with banks and other lenders

Bank overdrafts and loans, consisting of long-term bank loans and overdrafts and debits with other lenders, including liabilities taken on fixed assets acquired through leasing, are recorded on the basis of the amounts collected, net of the costs of the operation, and subsequently evaluated at amortised cost using the effective interest rate method.

Instruments representing shareholders' equity

The instruments representing shareholders' equity issued by the Company are recorded on the basis of the amount received net of the direct issue costs.

Own shares

Own shares are entered in the balance sheet at acquisition cost and are entered minus the value of the consolidated shareholders' equity. The gains and losses deriving from the negotiation of own shares, net of the linked taxation effects, are entered in the shareholders' equity reserves.

Derivative instruments and accounting for hedging operations

The Group's assets are exposed primarily to financial risks caused by variations in the exchange rates and interest rates. The risk linked to the variations in the exchange rates is represented by possible fluctuations in the exchange value of the Euro (or net exposure in foreign currency), consisting of the algebraic result of the payable invoices issued, the orders, the invoices received, the balance of the loans in currency and the available liquidity in the currency accounts. The currencies managed are the US dollar, the Canadian dollar and the English pound. The *risk management* policy approved by the board of directors of the parent company specifies that the sum of the hedging must never fall below 70% of the net exposure in currency and that the underlying *asset* must be identified at the start of each hedging operation. *Hedging* can be carried out using futures contracts (outright/currency swap) or even using derivative instruments (currency option).
The particular nature of the Group's *business* is that the currency exposure is parcelled in many individual exchange positions (referred to the individual orders and invoices), which complicates (in addition to being anti-economic) a hedging based on points (i.e. with direct correlation between the hedging tool and the underlying *asset*): for this reason, the hedging is carried

out on an aggregate basis and in particular on the *matching* of all the positions opened in currency . This hedging mode, even though effective from a management point of view, cannot be deemed as such according to the international accounting principles. For this reason, the variations in the *fair values* of the derivative instruments are recorded directly in the income statement.
The risks on interest rates derive from bank loans; in that as a part of these loans is expressed in currency, the underlying interest risk is managed through the hedging of the exchange risk. For the remainder of the exposure, company policy does not provide for hedging the interest rate risk, instead it relies on the continuing stability at least for the short-term. Use is also made of a hedging instrument designated as *cash flow hedge* and refers specifically to a leasing contract.

The derivative instruments are initially recorded at fair value, on the date of signing and then remeasured at *fair value* on the successive closing date.

The variations in the *fair value* of the derivative instruments designated, and which are more effective, for future cash flow hedging, they are entered directly in the shareholders' equity, while the ineffective portion is entered immediately in the income statement.
For the financial flows that are not finalised in the recording of the assets and liabilities, the amounts recorded directly in the shareholders' equity are included in the income statement in the same period in which the hedged contractual commitment or envisaged operations have an effect on the income statement.

The variations in the *fair value* of the derivative instruments that are not covered by the hedging are recorded in the income statement for the period in which they occur.

The accounting method for the hedging is abandoned when the hedging instrument reaches its expiry, is sold, terminates or is exercised, or can no longer be qualified as a hedging instrument. At that moment, the accumulated gains or losses of the hedging instrument recorded directly in the shareholders' equity are kept there until the moment in which the forecast operation is effectively carried out. If it is forecast that the operation forming the subject of the hedging will not take place, the accumulated gains and losses recorded directly in the shareholders' equity are transferred to the income statement for the period.

The implicit derivatives included in other financial instruments, or in other contracts, are treated as separate derivatives when their risks and characteristics are not closely linked to those of the contracts containing them, and these latter are not assessed at *fair value* with the relative gains and losses entered in the income statement.

Benefits to employees following termination of employment

For the defined benefits plan, to which the employee termination indemnities fund is assimilated, the relative cost of the benefits provided is determined using the *Projected Unit Credit Method*, effecting the actuary evaluations at the end of each financial year.
The actuarial gains and losses exceeding 10 per cent of the actual value of the benefit liabilities defined by the Group are depreciated for the period of the estimated average working life of the employees participating in the plan.

The liabilities for employee termination indemnities recorded in the balance sheet represent the actual value of the liabilities for the defined benefit plans adjusted to take into account the actuarial gains and losses not recorded.

Provisions for risks and charges

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.

The provisions are set aside on the basis of the best estimate made by management of the costs required to fulfil the obligations on the balance sheet date, and are actualised when the effect becomes significant.

They include, amongst other things, the product guarantee fund which is allocated in the balance sheet to allow the economic effect of the guarantee costs to be anticipated according to the revenues from sales - guarantee costs correlation principle.

APPENDIX “B”

TRANSITION TO THE IAS/IFRS INTERNATIONAL ACCOUNTING PRINCIPLES RECONCILIATION AS AT 30TH JUNE 2004

EFFECTS OF THE ADOPTION OF THE IFRS PRINCIPLES ON THE INCOME STATEMENT AS AT 30TH JUNE 2004

Notes	(amounts in thousands of €)	**According to national principles**	**Effects of the conversion to the IFRS principles**		**According to IFRS principles**
			Reclassification	**Adjustments**	
	Revenues	148,159	(431)	49	147,776
	Other operating revenues:	2,567	89	15	2,671
	Finished product and semi finished product inventory variation	6,282	0	(147)	6,135
	Consumptions of raw materials and consumable materials	(71,119)	(147)	0	(71,266)
1	Other operating costs	(33,174)	(751)	758	(33,167)
2	Personnel expenses	(43,322)	(36)	2,600	(40,759)
1	Depreciation	(5,245)	0	(36)	(5,280)
	Provisions	(430)	0	0	(430)
	Operating profit	**3,718**	**(1,277)**	**3,239**	**5,680**
	Profit share of subsidiary companies	(478)	0	(0)	(478)
3	Income and expenses from investment activities	248	(19)	(22)	207
	Other gains and losses	0	10,323	0	10,323
4	Financial expenses	(2,410)	0	(83)	(2,493)
	Exchange revenues and charges	135	0	0	135
	Extraordinary items	8,178	(8,703)	525	0
	Pre-tax profit	**9,392**	**324**	**3,658**	**13,375**
	Taxes for the period	0	(324)	(6,968)	(7,292)
	Result for the period	**9,392**	**0**	**(3,310)**	**6,083**
	Minority interests	(62)	0	51	(11)
	Group interests	9,454	0	(3,361)	6,093

The principal reclassifications have been effected in order to share the positive and negative components entered as extraordinary items between the individual lines of the income statement. Of particular importance is the transfer of the capita gain earned on the sale of non-instrumental land for € 10,323 thousand.
As a result of the updating carried out, described in detail in the following notes, the consolidated net proceedings pass from € 148,159 thousand to € 147,776 thousand, the operating profit passes from € 3,718 thousand to € 5,680 thousand, (principally due to the reduction in the amortisation of the goodwill and the capitalisation of the development costs), the Group interests pass from € 9,454 thousand to € 6,093 thousand (after having accounted for taxes as at 30th June 2004 in the amount of € 5,651 not previously entered, in that allowed for by the reference standard).

The following prospectus and the successive notes summarise the principal variations entered, where found, net of the tax bills, occurring on the date of transfer to the consolidated shareholders' equity and net income of the Group, with reference to the number and type of adjustment already mentioned in the previous prospectus.

Reconciliation prospectus of the net income of the Group as at 30th June 2004

(amounts in thousands of €)	
Gross income according to national principles	**9,454**
Taxes for the period	(5,651)
Net income according to national principles	**3,803**
Recording of leasing contracts relating to machinery and equipment	(66)
Goodwill	543
Capitalisation of development costs	1,323
Reclassification of own shares minus the shareholders' equity	(28)
Assessment of the inventories at the weighted average cost	525
Employee benefits – IAS 19 impact	256
Transfer of restructuring funds	(215)
Other variations	(48)
Total IAS/IFRS adjustments	***2,290***
IAS/IFRS net income	**6,093**

1. **Other operating costs**

- **Depreciation**

Goodwill
According to the Italian accounting principles, the goodwill, entered in the assets only if acquired through purchase, is amortised over a period not exceeding the duration of its use.

according to the IAS/IFRS principles, the goodwill is not subject to amortisation, but is instead subjected to evaluation at least once a year in order to verify that it has not made any long-term losses in value. The amortisation amounts written-off amount to € 695 thousand.

Assets generated internally – Development costs
According to the Italian accounting principles, the development costs can be entered directly in the income statement.

According to the IAS/IFRS accounting principles, the development costs must be capitalised and amortised on a linear basis for the relative useful lives. As a consequence, amortisations have been accounted for in the amount of € 140 thousand.

Plant and machinery
According to the previous accounting principles, the plant and machinery utilised by virtue of leasing contracts contributed to the determination of the net income through the leasing rent.

According to the IAS/IFRS principles, these assets are treated as tangible assets and amortised systematically according to their economic-technical life. As a consequence, increased amortisations have been accounted for in the amount of € 656 thousand.

- **Leases and rentals**

Plant and machinery
With reference to the last point regarding depreciation, costs have been written off for leasing rents in the amount of € 963 thousand.

2) **Personnel expenses**

Assets generated internally – Development costs
With reference to that described in item Depreciation, personnel costs have been written off in the amount of € 2,365 thousand.

Liabilities for retirement benefit obligations – Redundancy payments

The different accounting of employees' benefits creates a reduction in costs relating to the amounts matured by employees in the financial year, in the amount of € 413 thousand.

3) Income and expenses from investment activities

Own shares
With reference to own shares which, according to the IAS/IFRS principles are entered in the shareholders' equity a deduction of the shareholders' equity, the economic effects relative to own shares were eliminated, and in particular the capital gain on the sale of own shares thousand and the appreciation in value of the share portfolio (€ 46 thousand).

4) Financial expenses

Plant and machinery
With reference to the last point regarding depreciation, increased financial costs have been accounted for in the amount of € 83 thousand.

APPENDIX "C"

BIESSE S.P.A.

06/30/2005

BALANCE SHEET OF BIESSE S.P.A.
STRIKED IN ACCORDANCE WITH ITALIAN ACCOUNTIG PRICIPLES

(thousand of euro)

			06.30.2005	06.30.2004	12.31.2004
ASSETS			**250,316**	**280,661**	**245,436**
B.		**FIXED ASSETS**	**71,882**	**74,101**	**67,922**
	I	***Intangible assets***	***6,704***	***8,078***	***7,382***
	1	Start-up and incorporation costs	2	9	2
	2	Research, development and advertising	38	189	63
	3	Industrial patents and intellectual property rights	133	166	137
	4	Concessions, licenses, trademarks and similar rights	1,678	2,015	1,940
	5	Goodwill	4,342	5,099	4,721
	6	Work in progress and advances	36	35	0
	7	Other	475	565	519
	II	***Tangible assets***	***28,866***	***32,079***	***30,085***
	1	Land and buildings	17,737	18,523	18,191
	2	Plant and machinery	6,338	7,722	6,874
	3	Industrial and commercial equipment	1,038	1,545	1,179
	4	Other assets	3,183	4,263	3,544
	5	Work in progress and advances	570	26	297
	III	***Financial assets***	***36,312***	***33,944***	***30,455***
	1	Equity investments:	9,660	9,168	8,629
	a	Subsidiaries	9,222	8,461	8,191
	b	Affiliated companies	355	624	355
	d	Other companies	83	83	83
	2	Receivables from:	25,448	23,907	20,829
	a	Subsidiaries	25,114	23,071	20,492
	a1	Subsidiaries, due within one year	25,114	23,071	20,492
	b	Affiliated companies	3	497	4
	b1	Affiliated companies, due within one year	0	420	0
	b2	Affiliated companies, due after one year	3	77	4
	d	Others	331	339	333
	d1	Others, within one year	0	0	0
	d2	Others, after one year	331	339	332
	4	Own shares (nominal value euro 380,654)	1,204	869	997
C.		**CURRENT ASSETS**	**162,177**	**187,356**	**160,604**
	I	***Inventories***	***56,042***	***57,452***	***46,224***
	1	Raw materials, ancillary materials and consumables	32,121	34,537	31,247
	2	Semi finished goods	10,488	10,050	8,224
	4	Finished products and goods	13,294	12,701	6,552
	5	Payments on account	139	164	201
	II	***Receivables***	***96,354***	***119,463***	***103,564***
	1	Trade	48,989	56,063	53,721
	2	Subsidiaries	36,409	38,718	37,467
	3	Affiliated companies	223	1,046	545

BIESSE S.P.A.

06/30/2005

BALANCE SHEET OF BIESSE S.P.A.

STRIKED IN ACCORDANCE WITH ITALIAN ACCOUNTIG PRICIPLES

(thousand of euro)

			06.30.2005	06.30.2004	12.31.2004
	4	Parent companies	0	4,983	210
	4-bis	Taxes	3,765	3,972	2,937
	4-ter	Deferred and pre-paid taxes	4,980	13,287	4,980
	5	Others	1,988	1,394	3,704
	III	***Short-term investments***	***1,362***	***3,933***	***1,362***
	4	Own shares (nominal value euro 596,548)	1,362	3,933	1,362
	IV	***Cash and cash equivalents***	***8,419***	***6,508***	***9,454***
	1	Bank and Post Office deposits	8,354	6,455	9,377
	3	Cash on hand	65	53	77
D.		**ACCRUED INCOME AND PREPAID EXPENSES**	**16,257**	**19,204**	**16,910**
	1	Accrued income	0	46	75
	2	Prepaid expenses	16,257	19,158	16,835
LIABILITIES AND SHAREHOLDERS' EQUITY			**250,316**	**280,661**	**245,436**
A.		**SHAREHOLDERS' EQUITY**	**89,001**	**90,567**	**85,729**
I		Share capital	27,393	27,393	27,393
II		Premium reserve	36,202	36,202	36,202
IV		Legal reserve	4,061	3,797	3,797
V		Own shares reserve	0	0	0
VI		Other reserves	2,359	4,756	2,359
VII		Share capital	12,544	8,101	10,691
IX		Net income (1)	6,442	10,318	5,287
B.		**PROVISIONS FOR RISKS AND CHARGES**	**5,641**	**6,490**	**6,266**
1		Retirement benefits	423	450	423
2		Taxes	1,933	1,864	1,933
3		Other	3,285	4,176	3,910
C.		**EMPLOYEE TERMINATION INDEMNITIES**	**13,866**	**12,771**	**13,095**
D.		**ACCOUNTS PAYABLE**	**137,479**	**166,164**	**135,945**
4		Banks	38,537	61,604	42,216
a		Short term debt	18,601	56,888	29,951
b		Medium and long term debt	19,936	4,716	12,265
5		Payables to other financing entities	16	36	16
a		Payables to other financing entities due within one year	16	36	16
6		Advances	5,830	6,306	5,219
a		Advances due within one year	5,830	6,306	5,219
7		Trade	73,814	74,038	69,304
a		Trade, due within one year	62,326	60,623	56,705
b		Trade, due after one year	11,488	13,415	12,599
9		Subsidiaries	5,572	7,109	5,572
a		Subsidiaries due within one year	5,572	7,109	5,572
10		Affiliated companies	388	179	8
a		Affiliated companies due within one year	388	179	8
11		Parent companies	0	1,803	0

BIESSE S.P.A.

06/30/2005

BALANCE SHEET OF BIESSE S.P.A.

STRIKED IN ACCORDANCE WITH ITALIAN ACCOUNTIG PRICIPLES

(thousand of euro)

06.30.2005	06.30.2004	12.31.2004

a	Parent companies due within one year	0	1,803	0
12	Taxes	1,224	1,188	3,207
a	Taxes due within one year	1,224	1,188	3,207
13	Social security	2,824	2,400	3,256
a	Social security due within one year	2,824	2,400	3,256
14	Other payables	9,274	11,501	7,147
a	Other payables due within one year	9,274	10,016	5,895
b	Other payables due after one year	0	1,485	1,252
E.	**ACCRUED LIABILITIES AND DEFERRED INCOME**	**4,329**	**4,669**	**4,401**
1	Accrued expenses	363	269	84
2	Deferred income	3,966	4,400	4,317
COMMITMENTS		**51.832**	**53,504**	**38,712**
2	Leased third party property	10,506	17,639	11,751
5	Collateral given for guarantees/endorsements	5,015	8,161	4,545
6	Bills in circulation	3,611	6,301	4,896
7	Other	32,700	21,403	17,520

BIESSE S.P.A.

06/30/2005

BALANCE SHEET OF BIESSE S.P.A.
STRIKED IN ACCORDANCE WITH ITALIAN ACCOUNTIG PRICIPLES

(thousand of euro)

		06.30.2005	06.30.2004	12.31.2004
INCOME STATEMENT				
A.	**VALUE OF PRODUCTION**	**134,992**	**127,777**	**253,986**
1	Revenues from sales and services	123,913	122,330	252,310
2	Change in work in progress and semi finished goods	8,182	3,172	(4,504)
3	Increase in assets value for internal work	0	0	0
4	Other revenues and income	1	12	44
5	Miscellaneous	2,896	2,263	6,136
5a	Contributions for operating expenses	2,770	2,263	6,136
5b	Revenues from sales and services	126	0	0
B.	**OPERATING COSTS**	**(126,417)**	**(123,711)**	**(240,434)**
6	Raw materials, ancillary materials and consumables	(71,308)	(66,404)	(125,426)
7	Services	(17,212)	(17,448)	(35,516)
8	Leases and rentals	(3,626)	(3,978)	(7,946)
9	Personnel	(30,689)	(30,832)	(57,639)
9a	Wages and salaries	(21,877)	(21,911)	(40,863)
9b	Social security	(7,226)	(7,346)	(13,705)
9c	Employee termination indemnity	(1,586)	(1,575)	(3,071)
10	Amortisation, depreciation and write-downs	(3,936)	(3,287)	(7,050)
10a	Intangible assets amortisation	(820)	(985)	(2,005)
10b	Tangible assets amortisation	(1,999)	(2,302)	(4,573)
10d	Write-downs of receivables included under current assets	(1,117)	0	(472)
11	Change in inventories	1,698	(470)	(4,295)
12	Accruals to provisions for risks and charges	(295)	(100)	(133)
13	Other accruals	(115)	(190)	(265)
14	Other operating expenses	(934)	(1,002)	(2,164)
A-B	**OPERATING INCOME**	**8,575**	**4,066**	**13,552**
C.	**FINANCIAL INCOME AND EXPENSE**	**(679)**	**(887)**	**(1,877)**
15	Income from equity investments	28	3	3
16	Other financial income	592	491	1,663
17	Interest and other financial charges	(1,052)	(1,619)	(2,871)
17c	Gain/loss on exchange	(247)	238	(672)
D.	**ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**	**(636)**	**(1,738)**	**(3,253)**
18	Write-ups	611	46	129
19	Write-downs	(1,247)	(1,784)	(3,382)
E.	**EXTRAORDINARY ITEMS**	**(818)**	**8,877**	**8,865**
20	Income	244	10,555	12,114
21	Expense	(1,062)	(1,678)	(3,249)
	INCOME BEFORE TAXES	**6,442**	**10,318**	**17,287**

BIESSE S.P.A.

06/30/2005

BALANCE SHEET OF BIESSE S.P.A.
STRIKED IN ACCORDANCE WITH ITALIAN ACCOUNTIG PRICIPLES

(thousand of euro)

		06.30.2005	06.30.2004	12.31.2004
22	Income taxes	0	0	(12,000)
	NET INCOME (1)	**6,442**	**10,318**	**5,287**

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

The president of the Board of Directors
Roberto Selci

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RELAZIONE DELLA SOCIETÀ DI REVISIONE SUI PROSPETTI DI RICONCILIAZIONE IFRS CON ILLUSTRAZIONE DEGLI EFFETTI DI TRANSIZIONE AGLI INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Al Consiglio di Amministrazione
della BIESSE S.p.A.

1. Abbiamo svolto la revisione contabile degli allegati prospetti di riconciliazione costituiti dalle situazioni patrimoniali consolidate al 1 gennaio 2004 ed al 31 dicembre 2004 e dal conto economico consolidato per l'esercizio chiuso al 31 dicembre 2004 (nel seguito i "prospetti di riconciliazione IFRS") del Gruppo BIESSE e delle relative note esplicative presentati nella Appendice "A" della relazione semestrale al 30 giugno 2005 denominata "Transizione ai principi internazionali IAS/IFRS – Riconciliazioni al 1 gennaio 2004 e al 31 dicembre 2004". I suddetti prospetti di riconciliazione IFRS derivano dal bilancio consolidato di BIESSE S.p.A. chiuso al 31 dicembre 2004 predisposto in conformità alle norme di legge che disciplinano i criteri di redazione del bilancio da noi assoggettato a revisione contabile e sul quale abbiamo emesso la nostra relazione in data 6 aprile 2005. I prospetti di riconciliazione IFRS sono stati predisposti nell'ambito del processo di transizione agli International Financial Reporting Standards (IFRS) omologati dalla Commissione Europea. La responsabilità della redazione dei prospetti di riconciliazione IFRS compete agli amministratori della BIESSE S.p.A.. E' nostra la responsabilità del giudizio professionale espresso su tali prospetti e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo gli statuiti principi di revisione. In conformità ai predetti principi, la revisione è stata pianificata e svolta al fine di acquisire gli elementi ritenuti necessari per accertare se i prospetti di riconciliazione IFRS siano viziati da errori significativi. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nei prospetti di riconciliazione IFRS, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

3. A nostro giudizio, i prospetti di riconciliazione IFRS, identificati nel precedente paragrafo 1., sono stati redatti nel loro complesso in conformità ai criteri e principi definiti nell'art. 81 del Regolamento Emittenti n. 11971/1999 adottato dalla CONSOB con Delibera n. 14990 del 14 aprile 2005.

4. Si richiama l'attenzione sul fatto che i prospetti di riconciliazione IFRS, essendo predisposti solo ai fini del progetto di transizione per la redazione del primo bilancio consolidato completo (quello al 31 dicembre 2005), secondo gli IFRS omologati dalla Commissione Europea, sono privi di tutti i dati comparativi e note esplicative che sarebbero richiesti per rappresentare attendibilmente la situazione patrimoniale-finanziaria ed il risultato economico consolidati del Gruppo BIESSE in conformità ai principi IFRS.
Inoltre, i prospetti di riconciliazione IFRS costituiranno i valori pubblicati a fini comparativi nel primo bilancio consolidato completo IFRS; tali valori potrebbero essere soggetti ad alcune variazioni necessarie qualora qualche principio contabile internazionale fosse rivisto o modificato prima della pubblicazione del suddetto bilancio.

DELOITTE & TOUCHE S.p.A.

Carlo Beciani
Socio

Ancona, 4 ottobre 2005

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE SULLA REVISIONE LIMITATA DELLA RELAZIONE SEMESTRALE REDATTA AI SENSI DELL'ART. 81 DEL REGOLAMENTO CONSOB ADOTTATO CON DELIBERA N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE ED INTEGRAZIONI

Agli Azionisti della
BIESSE S.p.A.

1. Abbiamo effettuato la revisione contabile limitata dei prospetti contabili consolidati e delle relative note esplicative ed integrative inclusi nella relazione semestrale al 30 giugno 2005 della BIESSE S.p.A. (società capogruppo). La responsabilità della redazione della relazione semestrale compete agli Amministratori della BIESSE S.p.A.. E' nostra la responsabilità della redazione della presente relazione in base alla revisione contabile limitata svolta. Abbiamo inoltre verificato la parte delle note contenente le informazioni sulla gestione ai soli fini della verifica della concordanza con la restante parte della relazione semestrale.

2. Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata è consistita principalmente nella raccolta di informazioni sulle poste dei prospetti contabili e sull'omogeneità dei criteri di valutazione, tramite colloqui con la direzione della società, e nello svolgimento di analisi di bilancio sui dati contenuti nei prospetti contabili. La revisione contabile limitata ha escluso procedure di revisione quali sondaggi di conformità e verifiche o procedure di validità delle attività e delle passività ed ha comportato un'estensione di lavoro significativamente inferiore a quella di una revisione contabile completa svolta secondo gli statuiti principi di revisione. Di conseguenza, diversamente da quanto effettuato sul bilancio consolidato di fine esercizio, non esprimiamo un giudizio professionale di revisione sulla relazione semestrale.

3. Per quanto riguarda i dati comparativi relativi al bilancio consolidato dell'esercizio precedente presentati nei prospetti contabili, si fa riferimento alla nostra relazione emessa in data 4 ottobre 2005.

   I dati comparativi della relazione semestrale dell'anno precedente rielaborati secondo i principi contabili internazionali IFRS ed i relativi prospetti di riconciliazione IFRS derivano dai dati semestrali redatti secondo le norme di legge ed i principi contabili previgenti da noi precedentemente assoggettati a revisione contabile limitata, per i quali si fa riferimento alla nostra relazione emessa in data 21 settembre 2004.

4. Sulla base di quanto svolto, non siamo venuti a conoscenza di variazioni e integrazioni significative che dovrebbero essere apportate ai prospetti contabili consolidati ed alle relative note esplicative ed integrative della BIESSE S.p.A., identificati nel paragrafo 1 della presente relazione, per renderli conformi ai criteri di redazione della relazione semestrale previsti dall'art. 81 del Regolamento Consob adottato con Delibera n. 11971 del 14 maggio 1999 e successive modifiche ed integrazioni.

5. Si richiama l'attenzione sui seguenti aspetti:

- i prospetti contabili consolidati sono stati predisposti applicando i criteri di rilevazione e valutazione stabiliti dagli IFRS in vigore alla data di redazione della relazione semestrale. Tali criteri potrebbero non coincidere con le disposizioni degli IFRS effettivamente in vigore al 31 dicembre 2005 per effetto sia di orientamenti futuri della Commissione Europea in merito alla omologazione dei principi contabili internazionali che dell'emissione di nuovi principi o interpretazioni da parte degli organismi competenti;

- i prospetti contabili della capogruppo BIESSE S.p.A. esposti nella Appendice C della relazione semestrale sono stati redatti secondo le norme di legge vigenti per il bilancio d'esercizio.

DELOITTE & TOUCHE S.p.A.

Carlo Beciani
Socio

Ancona, 5 ottobre 2005