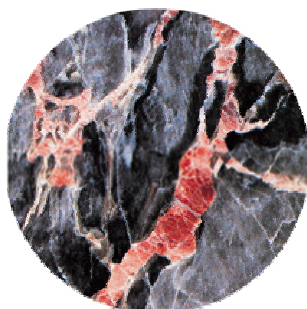
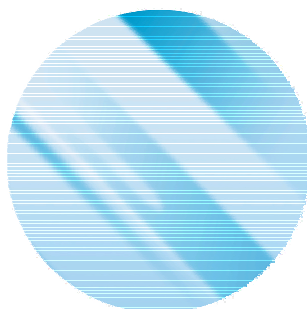




**BIESSE SPA  
REPORT ON FIRST HALF OF 2003**





**BIESSE S.p.A.**

**REPORT ON THE 1<sup>ST</sup> HALF OF 2003**

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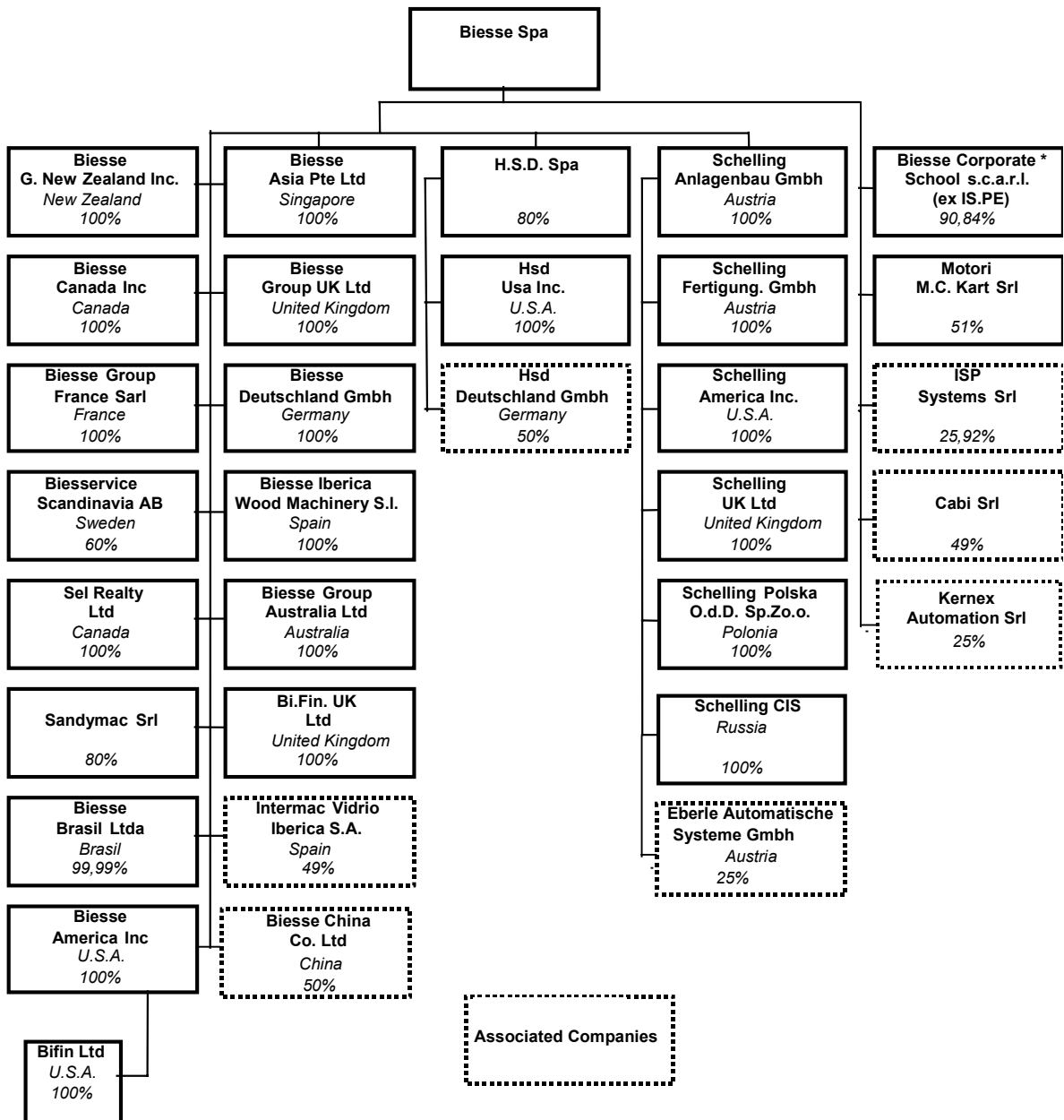
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## GROUP STRUCTURE

### GROUP COMPANIES

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



\* the shareholding of 90,84% is directly held by Biesse S.p.A. for 66,67% and indirectly through Hsd S.p.a. and Schelling Anlagenbau for 24,17%



In comparison with the previous report, relating to the exercise 2002 there are not variations of the consolidation area.

The Group composition is changed because of the incorporation of Biesse China Company Ltd and the investment in Kernex Automation Srl. The first company is a joint venture between Biesse S.p.A. and an important local transactor and it will take care of the sale and post-sale services of the Biesse products on the Chinese market. The second company was a supplier of the Group and its business is the creation of software for machinery for fixtures production. These investments are valued at cost because of the recent incorporation/acquisition.

As far as the investments in Biesse Corporate School s.c.a.r.l., Sandymac S.r.l., Schelling CIS, they are not integrally consolidated because of their recent incorporation and/or their irrelevant size.

## **THE BUSINESS AND TRADEMARKS OF THE GROUP COMPANIES**

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

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

Specifically, the Biesse Group operates using the following trademarks:

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



## DIRECTORS' REPORT ON OPERATIONS

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### GENERAL ECONOMIC CONTEXT

The world-wide macroeconomic scenario is still characterized from uncertainty, despite the end of two of the main elements that had negatively affected the first part of the year, such as the conclusion of the Iraq war and of the Sars emergency. The international context remains however uncertain because of the residual geopolitical tensions and the risk of new terroristic attacks.

As a consequence, the economic operators are cautious, feeding conflicting signals of conjuncture, despite good reasons for the economic recovery, as the decrease of the oil price, the low inflation rate, the expansive macroeconomic politics of the main economies and the most realistic levels of the stock markets.

In such situation it is reasonable to expect that the economic recovery will be more possible in 2004 and however it will be tied to the ability of the United States to exit from the actual situation of stagnation, rather than to the perspectives of the European continent or Japan.

As far as United States are concerned, the economy has not still succeeded in evidencing a sustainable growth. Positive signals are not missing, in particular on the level of the expectations expressed through the indexes of the consumers confidence; however signals of uncertainty are evident, as the contraction of the orders to the industry, the decline of the occupational perspectives and the expectation of deflation.

The Japanese economy is still affected from the phase of international stagnation. Export continue to grow but it is contrasted by the increase of import and the reduction of the commercial surplus with the United States. On the inside front difficulties prevail, as signalled by the contraction of all the main economic indicators. Some hope of recovery could be tied up to the fact that the index of the prices to consumers seems to have slow down its decrease.

The situation of the European economy is very critical: the economic activity is in stall and the inflation rate slows down more quickly than forecasted, strengthening the fears of a deflationary spiral. The recent appreciation of the Euro has reduced the competitiveness of the prices of the products. In the second quarter the most greater contribution to the growth of the GNP has come from the side of the consumers, rather than from the investments and the exports. Nevertheless some signal of recovery can be seen: the objective of inflation pursued by the BCE is very near, while all the confidence indexes have lightly increased during the month of June. Another signal of relative stabilization can be read in the unchanged rate of unemployment.

The forecasts for Italy follow those of the European area. Economic activity has maintained on low levels in the first semester 2003. A slight acceleration of the growth should come beginning from summer months, together with the auspicious world recovery and the general confidence climate. For this year the growth rate of the economy should be 0,3%, due to the weakness of the export, determined particularly by the Germany crisis, our main trade partner, and to the high appreciation of the Euro.

### REFERENCE INDUSTRY

As far as the reference market is concerned, machinery and systems for wood glass and stone, the half year has been affected by the difficult economic situation. Concerning the woodworking machineries business, the data of Acimall (Association of category) for the second quarter of 2003 show a decrease in the incoming orders of 15,5% in comparison to the same period of the previous year. The general decrease is due to the reduction of the orders coming from foreign customers (-11,4%), but above all to the contraction of the domestic market (-23%), caused by the end of the tax benefits of the Tremonti law.



## REPORT ON OPERATIONS

<i>(Thousands of euro)</i>	<b>30/06/2003</b>	<b>%</b>	<b>30/06/2002</b>	<b>%</b>
Revenues from sales and services	141,716	88.5%	161,202	92.1%
<b>Value of production</b>	<b>160,197</b>	<b>100.0%</b>	<b>175,066</b>	<b>100.0%</b>
Raw material, ancillary, consumable and goods	(72,094)	(45.0%)	(81,892)	(46.8%)
Services	(31,675)	(19.8%)	(33,034)	(18.9%)
Use of third-party assets	(4,282)	(2.7%)	(4,330)	(2.5%)
Other operating expenses	(2,699)	(1.7%)	(2,825)	(1.6%)
<b>Added Value</b>	<b>49,447</b>	<b>30.9%</b>	<b>52,985</b>	<b>30.3%</b>
Personnel expenses	(47,060)	(29.4%)	(48,435)	(27.7%)
<b>Gross operating profit</b>	<b>2,387</b>	<b>1.5%</b>	<b>4,550</b>	<b>2.6%</b>
Amortization, depreciation and write-down	(6,104)	(3.8%)	(5,554)	(3.2%)
Provision for risks	(886)	(0.6%)	(283)	(0.2%)
<b>Operating profit</b>	<b>(4,603)</b>	<b>(2.9%)</b>	<b>(1,287)</b>	<b>(0.7%)</b>
Financial income and charges	(3,838)	(2.4%)	(973)	(0.6%)
Value adjustments of financial assets	(685)	(0.4%)	(6)	(0.0%)
Extraordinary income and charges	(1,634)	(1.0%)	(1,945)	(1.1%)
<b>Net income/loss for the period (1)</b>	<b>(10,761)</b>	<b>(6.7%)</b>	<b>(4,211)</b>	<b>(2.4%)</b>

(1) Results of the period are before income taxes

First half year 2003 revenues amount to euro 141,716 thousands, down by 12,1% compared with same period of previous year.

The value of production amounts to euro 160,197 thousands, down by 8,5% compared with same period of previous year. It is important to point out the reduction of the incidence of the raw materials on the value of production, due to the activity of standardization and unification of the components used to assemble the machineries. This activity will also bring benefits to all the company processes, from the materials supply to the after-sale services.

Value added is equal to euro 49,447 thousands down by 6,7%. Gross operating margin is equal to euro 2,387 thousands, down by 47,5%. Operating result is negative for the amount of euro 4,603 thousands, while in the first half of previous year was negative for the amount of euro 1,287 thousands.

Financial income and charges have a negative balance of euro 3,838 thousand, down by euro 2,865 thousands in comparison with the same period of previous year. This variation is due to the negative effects of the strengthening of the euro respect the other currencies for euro 1,626 thousands and to the fact that the 2002 amount included the dividends received by the company Diamut S.r.l. (euro 1,009 thousands), of which it has been purchased the branch of business.

The result before taxation is negative for the amount of euro 10,761 thousands, while in the first half of previous year was negative for the amount of euro 4,211 thousands.

The struggling economic situation, still dominated by the uncertainty, and the weakness of the reference market have negatively influenced the Group results, that has suffered the most greater contraction especially in the wood business.

In this difficult phase of the markets, the Group is concentrating on internal rationalization, both from project and production side (bringing to a reduction in the incidence of the cost of production and to a boost in the activity of development of new products), and on the front of the structure of fixed costs



(characterized by a general reduction). Despite this, the reduction of the volumes of production and sale has brought to a worsening of the results.

It has to be remarked the growth of the sales in east Europe and in Far East, that partially compensated the before mentioned contraction on the European and North American traditional reference markets. This result has been achieved thanks to the strategy of a greater coverage of the markets undertaken by the Group in the last years, pursued through the direct control of the final dealers.

In order to invest in the higher growth markets, it has been concluded a joint-venture for the incorporation of Biesse China Company Ltd: such company, located in the southeast of China, will produce and sell low-price machinery for the wood; it will initially exploit the Chinese market, then it will expand its activity to the other Asian markets. In such way it will be possible to take advantage of one of the markets with greater potential of growth, increasing volumes and margins, and maintaining the competitiveness of the general costs.

	<b>Ebitda June 2003</b>	<b>Ebitda margin (% on turnover)</b>	<b>Ebitda June 2002</b>	<b>Ebitda margin (% on turnover)</b>
<b>Wood Division</b>	3,764	4.2%	6,009	5.4%
<b>Glass/Stone Division</b>	282	1.0%	(107)	(0.4%)
<b>Systems Division</b>	(3,347)	(23.4%)	(2,477)	(16.0%)
<b>Mechatronic Division</b>	1,688	12.4%	1,125	8.8%
<b>Biesse Group</b>	<b>2,387</b>	<b>1.7%</b>	<b>4,550</b>	<b>2.8%</b>

The income of the four divisions shows non homogeneous trends. Wood Division, decreasing in comparison with the same period of the previous year, is affected by the volumes contraction. The Glass/Stone Division increases, thanks to the positive contribution of the past acquisitions and to strategy of wider penetration of the final market, by the strengthening of the branches. Systems Division is particularly affected by the difficulties of the reference market, while Mechatronic Division confirms good levels of performance, achieved by the costs management and the new products commercialisation.

<i>(Thousands of euro)</i>	<b>June 2003</b>	<b>June 2002</b>		<b>June 2003</b>	<b>June 2002</b>
Fixed assets	127,705	128,470	Equity	118,601	133,768
Current assets	243,718	272,791	Provisions for risks and charges	9,792	6,098
Prepayments and accrued incomes	2,536	2,759	Staff severance indemnity fund	13,515	11,925
			Liabilities	228,835	250,102
			Accrued expenses and deferred income	3,218	2,127
<b>Assets</b>	<b>373,960</b>	<b>404,020</b>	<b>Equity and Liabilities</b>	<b>373,960</b>	<b>404,020</b>

The analysis of the principal items of the balance sheet shows the great decreases of the current assets and of the liabilities; they are mainly due to the negative situation of the reference market, that reduces the Group' volumes and results. In fact the items that have the main variations are the trade receivables and payables.



### **Net Financial Position at June 30, 2003**

<i>(Thousands of euro)</i>	<b>June 30, 2003</b>	<b>December 31, 2002</b>	<b>June 30, 2002</b>
Liquid assets and other current financial assets	19,510	36,450	27,349
Short-term financial liabilities	(2,470)	(2,424)	(1,438)
Short-term bank borrowings	(86,428)	(66,787)	(93,954)
<b>Short-term net financial position</b>	<b>(69,389)</b>	<b>(32,761)</b>	<b>(68,044)</b>
Medium/long-term financial liabilities	(29,490)	(30,718)	(13,933)
Medium/long-term bank borrowings	(14,870)	(22,343)	(21,865)
<b>Medium/long-term net financial position</b>	<b>(44,360)</b>	<b>(53,061)</b>	<b>(35,798)</b>
<b>Total financial position</b>	<b>(113,748)</b>	<b>(85,822)</b>	<b>(103,842)</b>

As far as the net financial position, the amount is in line with the historic trend of the Group, whose figures are worse at the end of the second and third quarter, and improve at the end of the year due to the higher sales.

Referring to the total absorption of liquidity, about € 9 million are due to extraordinary operations and particularly to the activity of investment in fixed assets and to the prosecution of the payments related to past acquisitions.

### **CORPORATE GOVERNANCE**

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

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

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

#### **Ownership**

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

#### **Board of Directors**

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

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

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

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

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





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

In particular, the Board of Directors:

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

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

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

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

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

The Board of Directors in office, composed of five members, was appointed by the ordinary Shareholders' Meeting on April 29<sup>th</sup>, 2003 and shall remain in office until approval of the financial statements as of December 31<sup>st</sup>, 2005.

The Board of Directors currently in office is composed as follows:

Roberto Selci	Chairman
Anna Gasparucci	Vice President
Innocenzo Cipolletta	Director *



Leone Sibani  
Giampaolo Garattoni

Director \*  
Director \*

\* independent Director, as required under the Code of Conduct

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

The Board of Directors, on May 5<sup>th</sup>, 2003 has been granted the following powers:

- The Chairman and Chief Executive Officer, Roberto Selci, is granted all the powers of ordinary administration, except for those powers delegated to the general manager, including the powers to handle relationships with credit institutes and every power relating to the signing and filing tax documents of any sort, handling and supervising personnel, purchase and sale of vehicles and assets registered in the public registers, subscribing and negotiating bills issued according to the Law 1329/65 (Sabatini Law), and stipulating lease contracts;
- The Chief Executive Officer, Anna Gasparucci, is granted, separately by the Chairman, all the powers of ordinary administration of the Company, related in particular to the accounting administration, and in the mean time is granted, separately by the Chairman, the power of attorney of the company, except for those powers delegated to the general manager.

Readers are reminded that on August 8<sup>th</sup>, 2003 the member of the Board of Directors and Chief Executive Officer Anna Gasparucci resigned due to her personal upcoming commitments. The Board of Directors therefore resolved to co-opt Mr. Giancarlo Selci – currently the company's reference shareholder – in the same offices.

### **Internal Control System**

On May 15<sup>th</sup>, 2003, the Board of Directors appointed the Internal Control Committee, composed by three independent and not executive members, Innocenzo Cipolletta, Leone Sibani e Giampaolo Garattoni; this in compliance with the art. 10 of the Code of Conduct for Listed Companies, stating that the Committee shall be composed from non executive members, whose majority is constituted by independent members. One auditor of the Board of Statutory Auditors will take part to the Committee.

The Committee shall help the Board of Directors, with advisory and proposition functions, in its obligations regarding the reliability of the accounting system and of the financial information, the internal control system, the recommendation of the choices and the supervision of the activity of external auditors.

On that date, it has been appointed Fabrizio Imperatori as person in charge of the internal auditing, since his characteristics make him qualified for the function. On the subject, an explanation has been received from the legal office of Italian Stock Exchange, stating that the same person could attend to the actual activity of financial controller and to the future activity of person in charge of the internal control system: his hierarchical dependence will be kept separate, since in the first case he will refer to the Chief Financial Officer, while in the second case he will refer directly to the Board of Directors.

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

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

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

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

This is to say that the analysis did not take into consideration the "operational risks" at the moment.



Among the selected processes, the analysis aims to identify the more significant risks and, for each of them, to:

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

The processes taken into analysis were:

Liabilities cycle:

Purchase order management ⇒ Invoices receipt/control ⇒ Payables payment

Assets cycle:

Sales order management ⇒ Shipping and billing ⇒ Receivables income

Financial cycle:

Foreign currencies hedging ⇒ Treasury management

Fixed assets cycle:

Capital expenditures ⇒ Depreciation and amortization ⇒ Dismissals ⇒ Management

Compensation cycle:

Hiring and dismissals ⇒ Wage packet ⇒ Wages payment

Information technology management:

Continuity ⇒ Reliability ⇒ Environmental safety

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

### **Compensation Committee**

On May 15<sup>th</sup>, 2003, the Board of Directors approved the appointment of the Compensation Committee, as per point 8 of the Code of Conduct for Listed Companies. The Committee, appointed by the Board of Directors is composed by:

- Roberto Selci
- Innocenzo Cipolletta
- Giampaolo Garattoni

### **Shareholder relations**

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

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

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

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

### **Board of Statutory Auditors**



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

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

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

The Board of Statutory Auditors, appointed by the General Shareholders' Meeting on April 29<sup>th</sup> 2003 and shall remain in office until approval of the financial statements as of December 31<sup>st</sup> 2005, is composed as follows:

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

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

The non-consolidated Subsidiary companies are:

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

Transactions between them and Biesse Group companies are listed below:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
Biesse Corporate School s.c.a.r.l.	109.495	162	47.394	0
Sandymac Srl	251.970	91.853	83.340	220.372
Schelling Russia CIS	0	222.182	0	100.368

Affiliated companies are represented by:

- Isp System Srl, in which there is a 25.93% stake, is a company formed at the end of 2000 whose purpose is to design innovative solutions for the woodworking machinery industry: currently, it is still in the start-up phase;
- Cabi Srl, owned for 49%, is a company set up in October 2001 with the purpose of designing and building specific electronic, pneumatic, and hydraulic components for the woodworking machinery industry;



- Eberle Automatische Systeme GmbH, is an Austrian company, held at 25% by Schelling Anlagenbau GmbH, that makes software;
- Intermac Vidrio Iberica S.A., is a Spanish company held at 25% and was formed with the purpose of supplying post-sales services to Iberian Peninsula customers;
- Hsd Deutschland GmbH, is a trading German company, held at 50% by HSD S.p.A., whose purpose is to sell Mechatronic Division products on German market;
- Kernex Automation S.r.l., owned at 25%, is a software house, involved in the software creation for fixtures machineries;
- Biesse China Co. Ltd., held at 50% and incorporated as a joint-venture between Biesse S.p.A. and one main local operator, is a trading company whose purpose is to sell Biesse products on Chinese market.

Transactions between them and Biesse Group companies are listed below:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
Isp System Srl	225.927	364.627	307.831	719.786
Cabi Srl	1.216.396	369.492	285.500	500.863
Eberle Automatische Systeme GmbH	58.872	2.185	14.468	0
Intermac Vidrio Iberica S.A	70.128	166.611	100.291	322.512
Hsd Deutschland GmbH	0	453.115	171	508.065
Kernex Automation S.r.l.	29.808	1.487	0	78.956
Biesse China Co. Ltd.	0	357.387	0	357.387

Biesse Group companies did not have any transaction with holding companies Bifin Srl, Biesse Finance Bv and Biesse Holding S.p.a. (there is a receivable of euro 1,115.55 and a payable of euro 695,381.08 with Biesse Holding Spa).

#### RELATIONS WITH CORRELATED PARTIES

The only correlated party is Rettifica Modenese S.a.s., held 51% by Mr. Roberto Selci, operating in the field of mechanical machining.

The most important transactions between it and Biesse Group companies are set out below:

	COSTS	REVENUES	PAYABLES	RECEIVABLES
Rettifica Modenese S.a.s	218.648	1.948	64.406	8.586

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

#### POST BALANCE SHEET EVENTS

Post Balance Sheet Events were:

- on July 23<sup>rd</sup> 2003, Biesse S.p.A. covered the past losses of Cabi Srl as per its share ownership and paid in full the refunding of the company stock, getting the total ownership of the company,
- on August 8th, 2003 the member of the Board of Directors and Chief Executive Officer Anna Gasparucci resigned due to her personal upcoming commitments. The Board of Directors therefore resolved to co-opt Mr. Giancarlo Selci – currently the company's reference shareholder – in the same offices.

Referring to the outlook for the remaining part of the year, readers are kindly informed that the volumes of business expressed by the company in early 2003 do not allow to make a clear forecast for this year results. However the management continue to pay attention and to give its maximum engagement to overcome the actual critical moment: to this purpose it has set off a series of projects aimed at rationalising products and processes, which will enable to recover profits on sales and slim down the overheads structure.



On top of that, the group is putting in on-going efforts to develop new products, which will enable to broaden positive returns when the market recovers.

## **OTHER INFORMATION**

### *Buy Back Plan*

According to what approved by ordinary general shareholding meeting on December 17<sup>th</sup>, 2001, the company has activated a share buy back plan amounting at the end of June 2003 to € 2,345,280.75, equal to 885,807 ordinary shares at an average buying price of € 2,65. On April 29<sup>th</sup>, 2003 the Shareholders' Meeting has extended the period of the share buy back plan of 18 months; the plan is still going on even after end of semester.

### *Relevant shareholdings owned by Biesse Group executives*

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

This contract will remain valid for a period of five years starting from 12 October 2000.

*Pesaro, 26 September 2003*

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

**BIESSE S.P.A.**  
**HALF YEAR 2003 REPORT**

**CONSOLIDATED ACCOUNTS**

(Thousands of euro)

	<b>30.6.2003</b>	<b>30.6.2002</b>	<b>31.12.2002</b>
<b>ASSETS</b>	<b>373,960</b>	<b>404,020</b>	<b>399,632</b>
<b>B. FIXED ASSETS</b>	<b>127,705</b>	<b>128,470</b>	<b>128,971</b>
<i>I Intangible fixed assets</i>	<i><b>31,173</b></i>	<i><b>33,451</b></i>	<i><b>32,355</b></i>
1 Start-up and expansion costs	142	220	172
2 Research, development and advertising costs	586	789	772
3 Patents and intellectual property rights	189	271	219
4 Concessions, licenses, trademarks and similar	1,489	1,370	1,397
5 Goodwill	8,377	9,202	8,708
6 Intangible assets under constructions	216	36	167
7 Other intangible fixed assets	787	830	803
8 Consolidation difference	19,388	20,732	20,117
<i>II Tangible fixed assets</i>	<i><b>90,805</b></i>	<i><b>89,985</b></i>	<i><b>91,657</b></i>
1 Land and buildings	58,974	47,252	59,413
2 Plant and machinery	14,828	13,465	14,462
3 Industrial and commercial equipment	3,671	3,928	3,819
4 Other tangible fixed assets	8,075	9,111	8,441
5 Tangible assets under constructions	5,257	16,230	5,521
<i>III Financial fixed assets</i>	<i><b>5,727</b></i>	<i><b>5,033</b></i>	<i><b>4,959</b></i>
1 Shareholding:	844	510	351
a Subsidiaries, not consolidated	19	256	141
b Affiliates	742	170	126
c Other companies	84	84	84
2 Receivables:	3,589	3,285	3,315
a Receivables from subsidiaries	100	0	0
a1 Receivables from subsidiaries within one year	100	0	0
b Receivables from affiliate companies	197	120	120
b1 Receivables from affiliate companies due within one year	120	120	120
b2 Receivables from affiliate companies due after one year	77	0	0
c Receivables from parent companies	0	0	0
d Receivables from others	3,292	3,165	3,195
d1 Receivables from others within one year	2,488	0	2,489
d2 Receivables from others after one year	803	3,165	706
3 Other securities	90	101	90
4 Own shares (nominal value euro 380.654)	1,204	1,137	1,204
<b>C. CURRENT ASSETS</b>	<b>243,719</b>	<b>272,791</b>	<b>269,053</b>
<i>I Inventories</i>	<i><b>108,482</b></i>	<i><b>116,935</b></i>	<i><b>90,608</b></i>
1 Raw materials, ancillary materials and consumables	59,109	59,539	56,861
2 Semifinished goods	11,233	13,689	10,536
4 Finished products and goods	37,160	42,231	22,620
5 Payments on account	979	1,476	591
<i>II Receivables</i>	<i><b>118,215</b></i>	<i><b>132,151</b></i>	<i><b>144,716</b></i>
1 Trade receivables	94,430	110,957	123,336
2 Trade receivables from subsidiaries	221	2,221	34
3 Trade receivables from affiliated companies	2,290	688	1,276
4 Trade receivables from parent companies	1	0	1
5 Trade receivables from others	21,273	18,285	20,069
<i>III Financial assets not fixed</i>	<i><b>1,142</b></i>	<i><b>9</b></i>	<i><b>540</b></i>
2 Shareholding in affiliated companies	0	9	0
4 Own shares (nominal value euro 505.153)	1,142	0	0,540
<i>IV Cash and cash equivalents</i>	<i><b>15,880</b></i>	<i><b>23,695</b></i>	<i><b>33,189</b></i>
1 Bank and postal deposits	15,712	23,539	33,024
3 Cash	168	157	165
<b>D. PREPAYMENTS AND ACCRUED INCOME</b>	<b>2,536</b>	<b>2,759</b>	<b>1,608</b>
1 Accrued income	362	396	323
2 Prepayments	2,174	2,364	1,284

**BIESSE S.P.A.**  
**HALF YEAR 2003 REPORT**

**CONSOLIDATED ACCOUNTS**

(Thousands of euro)

	<b>30.6.2003</b>	<b>30.6.2002</b>	<b>31.12.2002</b>
<b>LIABILITIES</b>	<b>373,960</b>	<b>404,020</b>	<b>399,632</b>
<b>A. SHAREHOLDERS' EQUITY</b>	<b>118,601</b>	<b>133,768</b>	<b>131,927</b>
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>117,671</b>	<b>132,999</b>	<b>131,088</b>
I Share capital	27,393	27,393	27,393
II Premium reserve	83,630	85,520	85,520
IV Legal reserve	3,797	3,797	3,797
V Own shares reserve	2,345	1,137	1,743
VII Other reserves	11,356	19,401	18,396
IX Result of the period (1)	(10,850)	(4,249)	(5,761)
<b>Shareholders' equity pertaining to minorities interests</b>	<b>930</b>	<b>769</b>	<b>839</b>
Share capital and reserves pertaining to minorities interests	841	731	840
Result of the period pertaining to minorities interests	89	38	(1)
<b>B. PROVISIONS FOR RISKS AND CHARGES</b>	<b>9,792</b>	<b>6,098</b>	<b>10,123</b>
1 Provision for pension retirement and similar	492	993	498
2 Provision for taxes	2,874	0	2,727
3 Other provisions	6,426	5,104	6,897
<b>C. STAFF SEVERANCE INDEMNITY RESERVE</b>	<b>13,515</b>	<b>11,925</b>	<b>12,931</b>
<b>D. PAYABLES</b>	<b>228,835</b>	<b>250,102</b>	<b>242,010</b>
3 Payables to banks	101,298	115,819	89,130
a due within one year	86,428	93,954	66,787
b due after one year	14,870	21,865	22,343
4 Payables to other financial institutions	31,960	15,372	33,142
a due within one year	2,470	1,438	2,424
b due after one year	29,490	13,933	30,718
5 Advances	7,280	12,362	9,125
a due within one year	7,280	12,362	9,125
6 Trade payables	67,170	74,106	80,355
a due within one year	65,635	72,943	78,588
b due after one year	1,535	1,163	1,768
8 Payables to subsidiary companies	130	1,841	15
a due within one year	130	1,841	15
9 Payables to affiliate companies	708	49	1,019
a due within one year	708	49	1,019
10 Payables to parent companies	695	0	0
a due within one year	695	0	0
11 Tax payables	2,840	8,131	10,417
a due within one year	2,765	8,058	10,341
b due after one year	75	73	76
12 Payables to social security	2,955	3,088	4,981
a due within one year	2,955	3,088	4,981
13 Other payables	13,797	19,333	13,826
a due within one year	12,991	18,141	12,669
b due after one year	806	1,191	1,157
<b>E. ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>3,218</b>	<b>2,127</b>	<b>2,643</b>
1 Accrued expenses	1,773	508	646
2 Deferred income	1,444	1,619	1,997
<b>MEMORANDUM ACCOUNTS</b>	<b>58,084</b>	<b>48,725</b>	<b>58,141</b>
2 Leasing commitments	9,642	11,172	11,562
3 Priv. on goods Sabatini Law	19	0	20
5 Guarantees and endorsement	15,339	14,513	13,410
6 Bills in circulation	9,464	9,005	10,303
7 Other memorandum accounts	23,620	14,035	22,846



**BIESSE S.P.A.**  
**HALF YEAR 2003 REPORT**

**CONSOLIDATED ACCOUNTS**

(Thousands of euro)

	<b>30.6.2003</b>	<b>30.6.2002</b>	<b>31.12.2002</b>
<b>INCOME STATEMENT</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>
<b>A. VALUE OF PRODUCTION</b>	<b>160,197</b>	<b>175,066</b>	<b>364,015</b>
1 Revenues from sales and services	141,716	161,202	370,733
2 Change in work in progress and semifinished goods	15,559	10,859	(13,508)
4 Increase in assets value for internal work	45	47	90
5 Other revenues and income	2,876	2,958	6,699
5a Miscellaneous	2,870	2,716	6,445
5b Contributions for operating expenses	7	113	0,254
<b>B. COSTS OF PRODUCTION</b>	<b>(164,800)</b>	<b>(176,353)</b>	<b>(356,002)</b>
6 Raw materials, ancillary materials and consumables	(74,568)	(82,053)	(157,093)
7 Services	(31,675)	(33,034)	(69,235)
8 Use of third parties assets	(4,282)	(4,330)	(8,562)
9 Personnel expenses	(47,060)	(48,435)	(97,973)
9a Wages and salaries	(35,613)	(36,644)	(74,133)
9b Social security charges	(9,462)	(9,832)	(19,716)
9c Severance indemnity	(1,777)	(1,678)	(3,593)
9d Pension retirement and similar	(123)	(95)	(182)
9e Other personnel expenses	(85)	(187)	(348)
10 Amortisations, depreciations and write-downs	(6,873)	(5,720)	(13,723)
10a Amortisation of intangible fixed assets	(1,881)	(1,928)	(3,963)
10b Amortisation of tangible fixed assets	(4,222)	(3,625)	(8,536)
10c Other write-downs	(2)	0	0
10d Write-downs of receivables included in current assets	(769)	(166)	(1,224)
11 Changes in raw material, ancillary materials and consumables	2,474	161	(2,715)
12 Provision for risks	0	(62)	(292)
13 Other provisions	(118)	(56)	(228)
14 Other operating expenses	(2,699)	(2,825)	(6,180)
<b>A-B DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION</b>	<b>(4,603)</b>	<b>(1,287)</b>	<b>8,013</b>
<b>C. FINANCIAL INCOME AND CHARGES</b>	<b>(3,838)</b>	<b>(0,973)</b>	<b>(3,874)</b>
15 Income from equity investments	4	1,013	1,011
16 Other financial income	1,700	2,757	5,388
17 Interest and other financial charges	(5,542)	(4,743)	(10,272)
<b>D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>	<b>(685)</b>	<b>(6)</b>	<b>(500)</b>
18 Write-ups	68	0	33
19 Write-downs	(753)	(6)	(533)
<b>E. EXTRAORDINARY INCOME AND CHARGES</b>	<b>(1,634)</b>	<b>(1,945)</b>	<b>(5,068)</b>
20 Extraordinary income	44	77	441
21 Extraordinary charges	(1,678)	(2,022)	(5,509)
<b>D+E TOTAL EXTRAORDINARY INCOME AND CHARGES</b>	<b>(2,319)</b>	<b>(1,951)</b>	<b>(5,568)</b>
<b>PRE-TAX INCOME</b>	<b>(10,761)</b>	<b>(4,211)</b>	<b>(1,429)</b>
22 Income taxes (1)	0	0	(4,334)
<b>RESULT OF THE PERIOD (1)</b>	<b>(10,761)</b>	<b>(4,211)</b>	<b>(5,762)</b>
Result of the period pertaining to minority interests	89	38	(1)
Result of the period pertaining to the Group	(10,850)	(4,249)	(5,761)

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

**BIESSE SPA**  
**REPORT ON 1<sup>ST</sup> HALF YEAR 2003**

**NOTES TO THE CONSOLIDATED ACCOUNTS**

**GENERAL PREPARATION CRITERIA**

The consolidated report of the Biesse SpA as of 30 June 2003 has been prepared in accordance with the standards issued by Commissione Nazionale per le Società e la Borsa (Consob) in its regulation included in decision n°11971 of May 14<sup>th</sup>, 1999, as amended by decision n°12475 of April 6<sup>th</sup>, 2000. Thus the consolidated accounts and those of the parent company Biesse Spa (see annexes) are presented, while the notes are referred only to the consolidated accounts.

The Half Year Report has been prepared in accordance with Italian Law and contains also a cash flow statement. The result of the period, as allowed, is shown before taxes.

**CONSOLIDATION AREA**

The consolidated accounts of the Biesse Group include the half year financial and economic position of the parent company and those of the Italian and foreign companies for which the Biesse Spa directly or indirectly holds the majority of the voting rights during the shareholders' meetings. The companies included in the consolidated accounts as of 30 June 2003 using the line-by-line consolidation method are the following:

<i>Company and headquarters</i>	<i>Currency</i>	<i>Share capital</i>	<i>Direct</i>	<i>Indirect</i>	<i>Intermediary</i>	<i>Biesse Group</i>
<b>Parent Company</b>						
<b>Biesse S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	27,393,042				
<b>Italian subsidiary companies:</b>						
<b>H.S.D. S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	Euro	1,000,000	80%			80%
<b>Motori MC Kart S.r.l.</b> Strada Selva Grossa, 15/7 Pesaro	Euro	101,490	51%			51%
<b>Foreign subsidiary companies:</b>						
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive Charlotte NC 28208 – USA	US \$	1,000,000	100%			100%
<b>Biesse Canada Inc.</b> 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN \$	180,000	100%			100%
<b>Biesse Asia Pte. Ltd.</b> Zagro Global Hub 5 Woodlands Terr. - Singapore	S \$	1,150,000	100%			100%
<b>Biesse Group UK Ltd.</b> Lamport Drive – Daventry Northampt. – Gran Bretagna	£ STG	1,000	100%			100%
<b>Biesse Groupe France Sarl</b> Parc d'Affaires de la Vallée de l'Ozon – Chapotin – Chaponnay – Francia	Euro	144,000	100%			100%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6 – Elchingen (Ulm) – Germania	Euro	1,432,600	100%			100%
<b>Biesse Service Scandinavia AB</b> Maskinvägen 1 – Lindas – Svezia	SKR	200,000	60%			60%

<b>Biesse Iberica Woodworking Machinery s.l.</b> Cl. Pedrosa C., 9 - Barcellona – Spagna	Euro	1,033,741	100%		100%
<b>Biesse Brasil Ltda</b> Rua Lapò, 975 - Curitiba Paraná – Brasile	Rlb	400,000	99,99%		99,99%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road Wetherill Park – Australia	Aud	800,000	100%		100%
<b>Biesse Group New Zealand Ltd.</b> UNIT 7/519– Rosebank Avondale Auckland – New Zealand	Nzd	200,000	100%		100%
<b>Hsd Usa Inc.</b> 3764 SW 30 <sup>th</sup> Avenue – Hollywood, Florida – Usa	Usd	10,000		100%	<i>Hsd S.p.A.</i> 80%
<b>Sel Realty Inc.</b> 1845 Rue Jean Monnet – Terrebonne (Quebec) – Canada	CAN \$	100	100%		100%
<b>Bi. Fin. UK Ltd.</b> Lampton drive – Daventry Northampt. – Gran Bretagna	£ STG	600,000	100%		100%
<b>Bifin Ltd.</b> 233, Peachtree St., NE – Harris Tower – Atlanta, GA 30303 (Usa)	Usd	10,000		100%	<i>Biesse America Inc.</i> 100%
<b>Schelling Anlagenbau Gmbh</b> Gebhard-Schwarzler Strasse 34 – Schwarzach – Austria	Euro	1,000,000	100%		100%
<b>Schelling Fertigungstechnik Gmbh</b> Grosse Wies 21 – Altach –Austria	Euro	37,000		100%	<i>Schelling Anlagenbau Gmbh</i> 100%
<b>Schelling America Inc.</b> 3201 Glenwood Ave. – Wake County - Raleigh, Nord Carolina – USA	US \$	1,000		100%	<i>Schelling Anlagenbau Gmbh</i> 100%
<b>Schelling Uk Ltd.</b> Schelling House, West Yorkshire, Sandbeck Way, Wetherby – Gran Bretagna	£ STG	1,000		100%	<i>Schelling Anlagenbau Gmbh</i> 100%
<b>Schelling Polska Odd Sp Zo.o.</b> Ul. Pradzynskiego 24, PL - 63-000 Sroda Wlkp – Polonia	Zpl	388,000		100%	<i>Schelling Anlagenbau Gmbh</i> 100%

In comparison with the previous report, relating to the exercise 2002 there are not variations of the consolidation area.

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

<b>Company and headquarters</b>	<b>Currency</b>	<b>Share capital</b>	<b>Direct</b>	<b>Indirect</b>	<b>Intermediary</b>	<b>Biesse Group</b>
<b>Biesse Corporate School scr.l.</b> Via della Meccanica 16, Loc. Chiusa di Ginestreto – Pesaro	Euro	10,920	66.67%	24.17%	<i>Hsd Spa Schelling An.</i>	87.84%
<b>Sandymac s.r.l.</b> Via della Meccanica 16, Loc. Chiusa di Ginestreto – Pesaro	Euro	50,000	80%			80%
<b>Schelling CIS</b> Chaussee Entusiastow 17 111024 Mosca - Russia	Rbl	20,000		100%	<i>Schelling Anlagenbau Gmbh</i>	100%

The investments in Biesse Corporate School s.c.r.l., Sandymac s.r.l. e Schelling Cis are valued using the equity method and not the line-by-line consolidation method. Biesse Corporate School is a company involved in training activities for the Group, with low volumes. Sandymac entered the Group in September 2002 and is involved in designing, manufacturing and selling woodworking machineries. Schelling Cis, is a trading company incorporated on December 2002, to sell the System Division products on the eastern Europe markets. These investments are not integrally consolidated because of their recent incorporation and/or their unrelvant size.

#### Equity investments in affiliated companies

<b>Company and headquarters</b>	<b>Currency</b>	<b>Share capital</b>	<b>Direct</b>	<b>Indirect</b>	<b>Intermediary</b>	<b>Biesse Group</b>
<b>CABI S.r.l.</b> Nuova Strada di Lottizzazione, s.n. Località Selva Grossa (PU)	Euro	99,000	49%			49%
<b>Eberle Automatische Systeme GmbH</b> Stieglingen 7a, 6850 Dorunbirn- Austria	Euro	36,336		25%	<i>Schelling Anlagenbau GmbH</i>	25%
<b>HSD Deutschland GmbH</b> Immenreich 6, Gingen, Fils – Germania	Euro	25,000		50%	<i>Hsd S.p.A.</i>	40%
<b>Intermac Vidrio Iberica S.A.</b> C/Muntaner 531, 3-4 Barcelona – Spagna	Euro	60,102	49%			49%
<b>I.S.P. Systems S.r.l.</b> Via F.lli Rosselli 46 – Pesaro	Euro	14,040	25.92%			25.92%
<b>Kernex Automation S.r.l.</b> Via P. Nenni, 1/7 Cerese di Virgilio (MN)	Euro	46,700	25%			25%
<b>Biesse China Co. Ltd.</b> Flat G, 3F, Wang Yip Centre, Wang Yip, Yuen Long, Cina	Euro	1,000,000	50%			50%

The investments in Cabi s.r.l., Eberle A.S. GmbH, HSD Deutschland GmbH, Intermac Vidrio Iberica S.A., I.S.P. Systems Srl are valued using the equity method; the investments in Kernex Automation S.r.l and Biesse China Co. Ltd. are valued at cost, because of the unavailability of their financial statements by the preparation of the consolidated financial statements.

No companies have been consolidated using the proportional consolidation method.

#### Equity investments in other companies

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

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

#### ASSESSMENT CRITERIA

The interim financial statements used for the consolidation procedures of the parent company and the subsidiary companies included in the consolidation area are those of 30 June 2002 of the individual companies.

These financial statements have been suitably reclassified and adjusted in order to standardise them with the accounting principles and the evaluation criteria of the parent company in case of significant differences. The structure adopted for the consolidated interim financial statement is the one envisaged for industrial companies.

The consolidated interim financial statements have been prepared adopting the same evaluation criteria, the same accounting principles as per the financial year consolidated financial statements.

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

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

In preparing the consolidated interim financial statements, assets and liabilities, as well as income and charges of the companies included in the consolidation have been reported in full. The payables and receivables, the income and charges, and the gains and losses originating from intra-group transactions have been eliminated. It has been eliminated also the intercompany transactions between the Biesse Group companies and the Confirtec Group companies, included in the "Four partite agreement". Departing from this general rule and in consideration of the modest relevance of the associated effects and the difficulty in reconstruction, the company did not eliminate the income deriving from goods in inventory sold by the Hsd Spa company to the other companies included in the Biesse Group, since these are semi-finished goods included in the works in progress.

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

The accounting value of the equity investments in companies included in the consolidation was zeroed out by the corresponding fractions of the shareholders' equity of subsidiaries. The difference between the book value of the equity investments, zeroed out, and the corresponding quota of shareholders' equity, is entered as an adjustment to the consolidated shareholders' equity. In the case of acquisitions, the difference mentioned above is charged to the asset and liability elements of the companies included in consolidation. Any surplus, if negative, is recorded under the item called "Consolidation Reserve", or, when it refers to expectations of unfavourable economic results, under the item called "Consolidation reserve for future risks and charges"; any positive surplus is recorded with the intangible fixed assets, as "Consolidation difference".

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

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

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

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

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

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

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

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

Currency	1H 2003		FY 2002		1H 2002	
	Average exchange rate	30 June 2003	Average exchange rate	31 December 2002	Average exchange rate	30 June 2002
US Dollar / Euro	1,1049	1,1427	0,9456	1,0487	0,9064	0,9975
Canadian dollar / Euro	1,6047	1,5506	1,4838	1,6550	1,4166	1,5005
Singapore dollar / Euro	1,9294	2,0149	1,6912	1,8199	1,6405	1,7586
Pound Sterling / Euro	0,6855	0,6932	0,6288	0,6505	0,6241	0,6498
Swedish Crone / Euro	9,1625	9,2488	9,1611	9,1528	9,1209	9,1015
Polish Zloty / Euro	4,2720	4,4775	3,8574	4,0210	3,7130	4,0598
Brazilian Real /Euro	3,5700	3,2961	2,7883	3,6944	2,2475	2,8484
Australian Dollar / Euro	1,7920	1,7116	1,7377	1,8556	1,6851	1,7702
New Zealand Dollar / Euro	1,9744	1,9569	2,0366	1,9975	2,0187	2,0397

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

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

#### **Intangible fixed assets**

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

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

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

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

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

Goodwill has been recorded under the assets only if acquired as holder for value, or to the extent of the cost incurred, and is amortised in a period not exceeding the duration of its use, or if this cannot be determined, for a period not exceeding ten years. Exception is made in the case of the purchase of the branch of business Allwood Machinery Co. Pty Ltd, from Biesse Group Australia Pty Ltd., for which the goodwill is amortized in twenty years: this period is deemed more suitable to represent the future utility of the investment. In fact this business is an important reality in the oceanic continent, with a consolidated history and characterized by high prestige and notoriety; all these elements let us believe that the investment will give profit for a longer period than other similar operations.

Consolidation differences emerge in preparation of the consolidated financial statements when the book values of the equity investments are eliminated against the corresponding fractions of the shareholders' equity of the subsidiaries. Any surplus, not attributable to the individual elements of the assets of the companies included in consolidation, is charged to the adjustment in the consolidated shareholders' equity, or, should there be valid reasons for doing so, is recorded on the asset side under the item "Consolidation difference". This item is amortised over the period of time that the company believes it can profit from economic elements of same, generally defined as ten years. Exception is made in the case of the Schelling Group acquisition, whose consolidation difference is amortised over 20 years, due to the fact that the company believes a 20-year amortisation period more coherent to represent the future utility of the investment. The capacity of take return from the investment is strengthened by the saving program and by the company restructuring, recently activated; these measures will positively affect the fixed costs and will allow to have good returns as soon as the market will recover.

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

### **Tangible fixed assets**

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

In the consolidated balance sheet, the lease-back contracts of buildings and plants, are considered as per International Financial Reporting Standards. As a consequence, the assets are included in the tangible fixed assets and amortized in the same way of the directly owned assets. In the liabilities it has entered the accounts payables to the leasing companies, reduced after every payment of the leasing instalments. In the income statement, it has entered the depreciation of the period and the financial charges.

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

The depreciation rates used are the following:

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

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

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

### **Financial fixed assets**

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

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

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

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

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

### **Receivables and payables**

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

The receivables and payables in currency other than Euro have generally been calculated and posted in the Financial Statements at the historic exchange rate pertaining to the day of posting. Should these items give rise to negative differences when converted to the exchange rate valid at the closing date of the period and considering

the relative coverage contracts, the company has provisioned a corresponding amount to the risk and contingency reserve. The receivables and payables in foreign currency covered specifically against exchange rate risks have been posted at the exchange rate defined by the coverage operation.

### **Financial current assets**

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

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

### **Inventories**

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

The cost configuration adopted is the following:

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

### **Accruals and Deferrals**

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

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

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

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

The Corporate restructuring provision is constituted by an allocation against the charges still to be incurred connected with the Biesse Group reorganisation plan, initiated in 2001 and reviewed at the end of 2002. This reserve was decreased in relation to the costs already incurred.

### **Staff severance indemnity reserve**

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

### **Risks, commitments and guarantees**

The risks for which a liability is probable are described in the explanatory notes and allocated for according to the congruence criteria in the risk reserves. The risks for which a liability is merely possible are described in the explanatory notes, without making provisions to the risk reserves, in accordance with the reference accounting principles. Risks of a remote nature are not considered.

The commitments and guarantees are indicated in the memorandum accounts at their contractual value. The memorandum accounts include the commitments relating to derivative contracts in existences predominantly for the purpose of guarding the Biesse Group from exchange risks on trade transactions. These commitments are recorded in the Memorandum accounts based on the exchange rates at the end of the financial period. The discounts and premiums on derivative contracts are reflected in the Income Statement according to pertinence. If the derivative contracts are not strictly identifiable as coverage transactions, even in view of a strict reading of the



reference accounting principles, any loss or gain deriving from these contracts at year-end is charged to the Income Statement.

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

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

**CONSOLIDATED BALANCE SHEET ACCOUNTS**  
**Notes on the principle assets and liabilities entries.**  
All amounts are expressed in thousand of euro.

**Fixed assets**

**Intangible fixed assets:**

**Intangible assets**

Description	Historic value as of 31/12/2002	Charge off of fully amortized assets	Purchases	Transfers	Conversion differences	Historic value as of 30/06/2003
Plant and expansion costs	322	(41)	0	(14)	11	278
Research, development and advertising costs	2,138	(279)	0	0	0	1,859
Industrial patents and intellectual property rights	524	(94)	40	0	0	470
Concessions, licences, trade-marks and similar rights	3,538	(447)	345	0	(4)	3,431
Goodwill	10,030	0	0	0	129	10,159
Fixed assets in progress and advances	167	0	92	(43)	0	216
Other intangible fixed assets	1,772	(178)	148	0	7	1,748
Consolidation difference	24,739	0	0	0	0	24,740
<b>Total</b>	<b>43,230</b>	<b>(1,039)</b>	<b>626</b>	<b>(57)</b>	<b>143</b>	<b>42,901</b>

**Depreciation fund**

Description	Amortization reserve as of 31/12/2002	Charge off of fully amortised assets	Depreciation for the year	Closing of acc. depr. due to assets disinvestments	Other transactions and conversion differences	Amortization reserve as of 30/06/2003
Plant and expansion costs	(150)	41	(27)	3	(3)	(136)
Research, development and advertising costs	(1,366)	279	(186)	0	0	(1,273)
Industrial patents and intellectual property rights	(304)	94	(71)	0	0	(281)
Concessions, licences, trade-marks and similar rights	(2,140)	447	(253)	0	4	(1,942)
Goodwill	(1,322)	0	(446)	0	(13)	(1,782)
Other intangible fixed assets	(969)	178	(168)	0	(2)	(961)
Consolidation differences	(4,622)	0	(729)	0	0	(5,352)
<b>Total</b>	<b>(10,873)</b>	<b>1,039</b>	<b>(1,880)</b>	<b>3</b>	<b>(13)</b>	<b>(11,727)</b>

**Net value**

Description	Historic value as of 31/12/2002	Amortization reserve as of 31/12/2002	Net value as of 31/12/2002	Historic value as of 30/06/2003	Amortization reserve as of 30/06/2003	Net value as of 30/06/2002
Plant and expansion costs	322	(150)	172	278	(136)	142
Research, development and advertising costs	2,138	(1,366)	772	1,859	(1,273)	586
Industrial patents and intellectual property rights	524	(304)	219	470	(281)	189
Concessions, licences, trade-marks and similar rights	3,538	(2,140)	1,397	3,431	(1,942)	1,489
Goodwill	10,030	(1,322)	8,708	10,159	(1,782)	8,377
Fixed assets in progress and advances	167	0	167	216	0	216
Other intangible fixed assets	1,772	(969)	803	1,748	(961)	787
Consolidation differences	24,739	(4,622)	20,117	24,740	(5,352)	19,388
<b>Total</b>	<b>43,230</b>	<b>(10,875)</b>	<b>32,355</b>	<b>42,901</b>	<b>(11,728)</b>	<b>31,173</b>

Industrial patents and intellectual property rights refers to costs for new national and international patents and rights.

Concessions, licenses, and trademarks equal to euro 3,431 thousand increases for registration expenses of the Biese trademark around the world, and for purchase and customisation of accounting and control software.

Goodwill equal to euro 10,159 thousands mainly refer to the goodwill paid on acquisition of the branches of business of Diamut S.r.l. (euro 4,925 thousands), Allwood Machinery Co. Pty Ltd (euro 2,378 thousands), CNI Srl (euro 1,751 thousands) and SEV Srl (euro 707 thousands). The depreciation has been calculated in a period of ten years; exception is made for Allwood Machinery Co. Pty Ltd for which it was used a twenty years period, in consideration of the notoriety and solidity of the acquired business.

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

Other intangible assets have an historic value of euro 1,748 thousands. It refer to capitalised costs of hardware and software installations, to creation and maintenance of web sites and to contributions to the suppliers for the construction of new models and matrices for raw materials.

The consolidation difference of euro 24,740 thousands, whose relative amortisation reserve is euro 5,352 thousands, derives from the consolidation of the equity investments as highlighted in detail in Annex A and is written down over ten years. Exception is taken for the equity investment made in the Schelling Anlagenbau GmbH, which the company believed better to amortise over a period of 20 years. The Schelling Group is a long-history based reality, acting in the market of wood machinery and systems, characterised by development and production period longer than other similar sectors, that widen the profitability cycle. As a consequence an amortisation period of twenty years is deemed more suitable by the Group Management, in order to get the benefits of the acquisition.

The actual uncertainty of the world economy and particularly of the woodworking machinery market caused the negative result of Schelling in 2002 and first half 2003; despite of this, the net consolidation difference has not been written down, in consideration of the saving program and of the company restructuring, recently activated; these measures will positively affect the fixed costs and will allow to have good returns as soon as the market will recover.

## Tangible fixed assets:

### Intangible assets

Description	Historic value as of 31/12/2002	Charge off of fully amortised assets	Purchases	Transfers	Reclas sifications	Conversion differences	Historic value as of 30/06/2003
Land and buildings	66,497	0	88	0	576	(268)	66,893
Plants and machinery	24,838	(1)	408	(45)	1,115	(6)	26,309
Industrial and commercial equipment	10,509	(4)	699	(8)	0	(5)	11,192
Other tangible assets	20,980	(50)	1,019	(317)	32	(176)	21,487
Fixed assets in progress and advances	5,521	0	1,458	0	(1,723)	0	5,257
<b>Total</b>	<b>128,345</b>	<b>(55)</b>	<b>3,672</b>	<b>(370)</b>	<b>0</b>	<b>(455)</b>	<b>131,138</b>

### Depreciation fund

Description	Amortization reserve as of 31/12/2002	Charge off of fully amortised assets	Depreciation for the year	Closing of acc. depr. due to assets disinvestments	Other transactions and conversion differences	Amortization reserve as of 30/06/2003
Land and buildings	(7,084)	0	(880)	0	45	(7,919)
Plants and machinery	(10,375)	1	(1,158)	45	8	(11,481)
Industrial and commercial equipment	(6,690)	4	(844)	7	1	(7,521)
Other tangible assets	(12,538)	50	(1,340)	267	149	(13,412)
<b>Total</b>	<b>(36,387)</b>	<b>55</b>	<b>(4,222)</b>	<b>319</b>	<b>203</b>	<b>(40,333)</b>

### Net value

Description	Historic value as of 31/12/2002	Amortization reserve as of 31/12/2002	Net value as of 31/12/2002	Historic value as of 30/06/2003	Amortization reserve as of 30/06/2003	Net value as of 30/06/2003
Land and buildings	66,497	(7,084)	59,413	66,893	(7,919)	58,974
Plants and machinery	24,838	(10,375)	14,462	26,309	(11,481)	14,828
Industrial and commercial equipment	10,509	(6,690)	3,819	11,192	(7,521)	3,671
Other tangible assets	20,980	(12,538)	8,441	21,487	(13,412)	8,075
Fixed assets in progress and advances	5,521	0	5,521	5,257	0	5,257
<b>Total</b>	<b>128,345</b>	<b>(36,688)</b>	<b>91,657</b>	<b>131,138</b>	<b>(40,333)</b>	<b>90,805</b>

Land and buildings have an historic value of euro 66,893 thousand; the item increased during the period for euro 88 thousand, mainly for improvements made on lands near the Pesaro production area and improvements on buildings used by the parent company in Pesaro and by the affiliated HSD USA Inc.

They are also included the buildings previously owned by Schelling Anlagenbau (euro 6,036 thousand) and by Biesse S.p.A. in San Giovanni in Marignano and in Pesaro (respectively for euro 10,663 thousand and euro 10,037 thousand); the buildings have been sold following the “sale and lease back” contract. In the Financial Statement the buildings are valued at the historical cost.

Plant and machinery shows an increase of euro 408 thousand, mainly due to new plants for the Diamut factory (euro 223 thousand). They are also included plant and machinery previously owned by Biesse S.p.A. (euro 3,813 thousand) and involved in the “sale and lease back” operation.

Industrial and commercial equipment have an historic value of euro 11,192 thousand; the increase of euro 699 thousand is due to acquisition by Biesse Spa of ordinary operating equipment necessary for assembling and testing machine tools and the construction of moulds and matrices for raw materials .

The increase in the value of Other tangible assets is mainly due for euro 1,019 thousand to acquisition of new fixtures and furnishings for the Biesse S.p.A. and HSD S.p.A. factories and for the Biesse UK, Biesse Asia and Biesse Australia head offices. However new investments spread among all the Group companies.

Fixed assets under construction and advance payments increases mainly for advances on purchases of land near the Pesaro production area (euro 734 thousand) and on construction of the Alfonsine factory (that will be finished in November and will be dedicated to the CNI productions – euro 670 thousand). Its amount decreases mainly for the classification in the Land and buildings category of the investments made for the widening of the central offices and the classification in the Plant and machinery category of the investments made for the Polymac factory.

#### Investments:

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

<b>Company</b> <i>(amounts in euro)</i>	<b>Share capital</b>	<b>Value entered</b>	<b>Share held by the Biesse Group</b>
<b>Biesse Corporate School scr.l.</b> Via della Meccanica 16, Loc. Chiusa di Ginestreto – Pesaro	Euro 10,920	Euro 18,503	87.84%
<b>Sandymac s.r.l.</b> Via della Meccanica 16, Loc. Chiusa di Ginestreto – Pesaro	Euro 50,000	Euro 0	80%
<b>Schelling CIS</b> Chaussee Entusiastow 17 111024 Mosca – Russia	Rib 20,000	Euro 0	100% (indirectly through Schelling Anlagenbau GmbH)
<b>Total</b>		<b>Euro 18,503</b>	

The changes of the shareholdings in non-consolidated subsidiaries are listed below:

<b>Company</b> <i>(amounts in euro)</i>	<b>31/12/02</b>	<b>Increases/Decreases</b>	<b>30/06/2003</b>
Biesse Corporate School Scrl	15,018	3,485	18,503
Sandymac S.r.l.	125,923	(125,923)	0
Schelling CIS	725	(725)	0
<b>TOTAL</b>	<b>141,666</b>	<b>(123,163)</b>	<b>18,503</b>

Shareholdings in non-consolidated subsidiaries have been valued using the equity method.

At the end of the period it was made write-down for the investments in Sandymac S.r.l. and Schelling CIS to reflect their negative result. Moreover it was provisioned a fund for the losses over the equity (euro 95 thousand for Sandymac S.r.l. and euro 36 thousand for Schelling CIS).

**Shareholdings in associated companies:**

<b>Company</b> <i>(amounts in euro)</i>	<b>Share capital</b>	<b>Value entered</b>	<b>Shareholding by the Biesse Group</b>	<b>Share held by the Biesse Group</b>
<b>I.S.P. System Srl</b> Via Fratelli Rosselli, 46 Pesaro	Euro 14,040	Euro 0	25.92%	25.92%
<b>CABI Srl</b> Nuova Strada di Lottizzazione, s.n. Località Selva Grossa (PU)	Euro 99,000	Euro 0	49%	49%
<b>Intermac Vidrio Iberica S.A.</b> C/Muntaner 531, 3-4 Barcelona – Spagna	Euro 60,102	Euro 28,403	49%	49%
<b>Eberle Automatische Systeme GmbH</b> Stieglingen 7a, 6850 Dorunbirn- Austria	Euro 36,336	Euro 33,975	25% (indirectly through Schelling Anlagenbau GmbH)	25%
<b>HSD Deutschland GmbH</b> Immenreich 6, Gingen, Fils – Germania	Euro 25,000	Euro 20,134	50% (indirectly through HSD S.p.A.)	40%
<b>Biesse China Co. Ltd.</b> Flat G, 3F, Wang Yip Centre, Wang Yip, Yuen Long, Cina	Euro 1,000,000	Euro 500,000	50%	50%
<b>Kernex Automation S.r.l.</b> Via P. Nenni, 1/7 Cerese di Virgilio (MN)	Euro 46,700	Euro 159,017	25%	25%
<b>Total</b>		<b>Euro 741,530</b>		

The changes of the shareholdings in associated companies are listed below:

<b>Company</b> <i>(amounts in euro)</i>	<b>31/12/02</b>	<b>New investments</b>	<b>Increases/Decreases</b>	<b>30/06/2003</b>
I.S.P. Systems S.r.l.	13,447	0	(13,447)	0
Cabi S.r.l.	48,511	0	(48,511)	0
Intermac Vidrio Iberica S.A.	12,794	0	15,609	28,403
Eberle A.S. GmbH	38,975	0	(5,000)	33,975
HSD Deutschland GmbH	12,500	0	7,634	20,134
Biesse China Co. Ltd.	0	500,000	0	500,000
Kernex Automation S.r.l.	0	159,017	0	159,017
<b>TOTAL</b>	<b>126,227</b>	<b>659,017</b>	<b>(43,715)</b>	<b>741,529</b>

Shareholdings in associated companies have been valued using the equity method.

We inform the reader that, following an agreement taken by the merged Intermac S.p.A., it will be purchased the remaining shares of Intermac Vidrio Iberica S.A. before end 2004.

As far as Cabi S.r.l. is concerned, on July 23<sup>rd</sup> 2003, it has been taken the full control of the company, by the purchase of the remaining 51% share.

In comparison with the previous period, It has been included the shareholdings in Biesse China Co. Ltd. e Kernex Automation S.r.l. The first company was incorporated in March 2003, as a joint-venture between Biesse S.p.A. and

one main local operator and is involved in trading Biesse products on Chinese market. The second company was already a supplier of the Group and is a software house, involved in the software creation for fixtures machineries. Both shareholdings are valued using the cost method, in consideration of their recent incorporation. At the end of the period it was made write-down for the investments in I.S.P. Systems S.r.l. (euro 13 thousand), Cabi S.r.l. (euro 49 thousand) and Eberle A.S. Gmbh (euro 5 thousand). Moreover it was provisioned a fund for the losses over the equity (euro 305 thousand for I.S.P.. Systems S.r.l. and euro 123 thousand for Cabi S.r.l.).

**Shareholdings in other companies:**

Shareholdings in other companies as of June 30<sup>th</sup>, 2003, valued using the cost method and adjusted for write-downs as per article 2426 of the Civil Code, are composed as follows:

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

\* symbolic or associative equity investments.

**Financial receivables:**

Financial receivables include advances in favour of the affiliated company Sandymac S.r.l. (euro 100 thousand), and the associated companies Interamac Vidrio Iberica S.A. (euro 120 thousand) and Kernex Automation S.r.l. (euro 77 thousand).

Financial receivables from others are equal to a euro 3,292 thousand; the amount due within one year refer to an interest-bearing financing granted to third parts by Biesse S.p.a. The amount due after one year refer to security deposits for euro 233 thousand, to the Fideuram Vita, Fideuram caf and Ras funds for euro 193 thousand and to advance payments of employee severance indemnity as per Law 140 issued on 28 October 1997 for euro 77 thousand. The amount due after 12 months include a receivable of euro 300 thousand, due within December 2005, from Eurojet Airlines S.a.S., as per joint-venture agreement made by Schilling Anlagenbau with the before mentioned company. Schelling will also provides bank guarantees (one million of euro), partly already provided in July 2003. According to the joint-venture agreement, lasting two years and a half, Schelling Anlagenbau could use Eurojet' planes for promoting activities and get special prices on flight charges; by the way, Schelling will provide accounting and management support to Eurojet.

**Other securities and own shares:**

These items are not changed in comparison with the previous period.

The company's own shares, equal to euro 1,204 thousand, refer to the purchase of 380,654 shares.

The purchase of own shares has been made after authorization of the Meeting of the Shareholders with deliberations of December 17<sup>th</sup>, 2001 and April 29<sup>th</sup>, 2003, as stated by the art. 235 of the Italian Civil Code and by the art. 73 of the rule Consob n° 11971 of 14/05/99; it has not provided their write-down in the measure equal to the difference among the purchase average value equal to euro 3.162 and the average value of June 2003 equal to euro 2.260, because we deem not lasting the loss of value and similarly we do not consider the actual course of Biesse share representative of the real value of the Group.

We include such shares among the financial immobilizations, in order to cover the amount foreseen by the put/call contract existing among Biesse S.p.A. and Mr. Claudio Granuzzo, relatively to the stock share held by Mr. Granuzzo in HSD S.p.a..

## Working capital

### Inventories:

Description	31 December 2002	Increases/Decreases	30 June 2003
Raw materials, ancillary, consumer goods	59,036	2,247	61,283
(Raw materials write-down reserve)	(2,175)	1	(2,174)
<i>Net raw materials, ancillary, consumer goods</i>	<i>56,861</i>	<i>2,248</i>	<i>59,109</i>
<i>Works in progress and semi-finished goods</i>	<i>10,536</i>	<i>697</i>	<i>11,233</i>
Finished goods and merchandise	23,421	14,717	38,138
Finished goods write-down reserve)	(801)	(177)	(978)
<i>Net finished goods and merchandise</i>	<i>22,620</i>	<i>14,540</i>	<i>37,160</i>
Advances	591	388	979
<b>Total</b>	<b>90,608</b>	<b>17,874</b>	<b>108,482</b>

The value of the inventories is equal to euro 108,482 thousand, in increase of euro 17,874 respect the previous period. The increase is mainly related to the finished products, because of the seasonal concentration of the deliveries in the second half of the year. We expect the situation will improve at the end of the year.

### Receivables:

The item has an amount of euro 118,215 thousands (the value at 31/12/2002 is of euro 144,716 thousand, while at 30/06/2002 was of euro 132,151 thousand) and is so composed:

Description	31 December 2002	Increases/Decreases	30 June 2003
<i>From customers</i>	<i>126,233</i>	<i>(29,799)</i>	<i>97,543</i>
<i>(Bad debt reserve)</i>	<i>(2,897)</i>	<i>(76)</i>	<i>(3,113)</i>
From customers, net	123,336	(28,906)	94,430
From non-consolidated subsidiaries	34	187	221
From affiliated companies	1,276	1,014	2,290
From parent companies	1	0	1
From others	20,069	1,204	21,273
<b>Total</b>	<b>144,716</b>	<b>(26,501)</b>	<b>118,215</b>

#### **Receivables from customers:**

They are euro 94,430 thousand, after the bad debt reserve of euro 3,113 thousand, and refer to commercial transactions. The write-downs of the credits have been made for covering the inherent risks of losses in the doubtful credits.

The strong decrease in comparison to the previous period is due is to the normal sales trend, traditionally concentrated in the last months of the year, both to the uncertainty of some reference markets, that depresses volumes and discourages new investments.

#### **Receivables from non-consolidated subsidiaries:**

The amount of euro 221 thousand refer to Sandymac S.r.l. for euro 121 thousand and Schelling CIS for euro 100 thousand.

#### **Receivables from non-consolidated subsidiaries:**

They are euro 2,290 thousand, as detailed below:

Company	30/06/03	30/06/02
I.S.P. System S.r.l.	720	361
HSD Deutschland GmbH	508	206
Cabi S.r.l.	501	623
Biesse China Co. Ltd.	357	0
Intermac Vidrio Iberica S.A.	203	86
Kernex Automation S.r.l.	1	0
<b>Total</b>	<b>2,290</b>	<b>1.276</b>



**Receivables from others:**

All receivables from others are collectable and it is not necessary any write-down.

The amount falling due within one year is equal to euro 19,291 thousand and it refers to tax receivables, receivables from suppliers and anticipated costs. It includes also the amount of euro 1,064 thousand, as pre-paid taxes related to the recover of the 2002 loss of Schelling Anlagenbau.

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

There are no receivables falling due after 5 years.

**Financial current assets and liquid assets:**

The total amount of these items is euro 17,022 thousand, while in the previous year they amounted to euro 33,729 thousand.

Financial current assets, equal to euro 1,142 thousand, refer to company's own shares, and they correspond to 505,153 shares.

The purchase of own shares has been made after authorisation of the Meeting of the Shareholders with deliberations of December 17<sup>th</sup>, 2001 and April 29<sup>th</sup>, 2003, as stated by the art. 235 of the Italian Civil Code and by the art. 73 of the rule Consob n° 11971 of 14/05/99.

Liquid assets decrease of euro 17,310 thousand in comparison with the previous period. This is due partly to the particular course of the working net capital, characterised by high financing requirements in the first half of the year; for the remainder the liquid assets have been absorbed by extra-ordinary operations, such as assets investments and prosecution of payment plans, related to past acquisitions.

**Prepayments and accrued income:**

As of June 30<sup>th</sup>, 2003, the items are comprised as follows:

<b>Description</b>	<b>31 December 2002</b>	<b>Increases/Decreases</b>	<b>30 June 2003</b>
Accrued interest income	79	(64)	15
Other accrued income	245	102	347
Prepaid interest expenses	693	935	1.628
Other prepaid expenses	548	(10)	538
Multiyear prepaid expenses	43	(35)	8
<b>Total</b>	<b>1.608</b>	<b>928</b>	<b>2.536</b>

## LIABILITIES AND EQUITY

### Shareholders' equity

#### Schedule of the transactions in the Consolidated Shareholders' equity items

	Balance as at 31/12/02	Transfer result	Conversion difference	Increase in capital	Dividends	Other transaction	Result of the period	Balance as at 30/06/03
<b>Net shareholders' equity pertaining to the Group</b>								
Capital	27.393							27.393
Share premium reserve	85.519	(1.889)						83.630
Legal reserve	3.797							3.797
Own shares reserve	1.743					602		2.345
Surplus reserve	12.133				(2.465)	(2.224)		7.444
Consolidation reserve	65							65
Conversion difference reserve	(1.167)		(103)					(1.270)
<i>Other reserves:</i>								
Merger surplus	0							0
Reserve for special tax regime	3.833					1.621		5.454
Income carried forward and other reserves	3.533	(3.871)				2		(336)
Result of the period	(5.761)	5.761					(10.850)	(10.850)
<b>Total shareholders' equity of Group</b>	<b>131.088</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>(2.465)</b>	<b>1</b>	<b>(10.850)</b>	<b>117.671</b>
<b>Shareholders' equity pertaining to minorities</b>								
Capital and reserves pertaining to minority interests	840	(1)				2		841
Income (loss) pertaining to minority interests	(1)	1					89	89
<b>Total shareholders' equity pertaining to minority interests</b>	<b>839</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>89</b>	<b>930</b>
<b>Total</b>	<b>131.927</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>(2.465)</b>	<b>3</b>	<b>(10.761)</b>	<b>118.601</b>

#### Share premium reserve

Share premium reserve, equal to euro 83,630 thousand decreased of euro 1,889 thousand to cover the 2002 loss.

#### Own shares reserve

Own shares reserve, equal to euro 2,345 thousand refer to the own shares purchased by the Parent Company, Biese Spa, through the operation of buy-back. The amount was previously included in the Surplus reserve. The purchase, authorised by the Shareholders' Meeting held on December 17<sup>th</sup>, 2001, cannot exceed 18 months by the date of resolution and it refer to no more than 10% of the authorised issued capital. In the meantime, it was decided the maximum amount of the Own shares reserve as of euro 12,911 thousand. On April 29<sup>th</sup>, 2003 the Shareholders' Meeting extended the buy-back plan of further 18 months, stating that future purchases will be financed by the Share premium reserve.

### Surplus reserve

Surplus reserve, equal to euro 7,444 thousand, has decreased by the resolution of distribution of dividends (euro 2,465 thousand), the provision of the Own shares reserve (euro 602 thousand) and the destination to the reserve for special tax regime (euro 1,622 thousand).

### Conversion differences reserve

The Conversion differences reserve, negative for euro 1,270 thousand, is provisioned to make up for the differences in the financial statements expressed in the currency of non-euro countries (USA, Canada, Singapore, Poland, Brasil, Australia, New Zealand). It decreased euro 103 thousand over the period.

### Other reserves

Reserve for special tax regime amounting to euro 5,454 refers to the accelerated depreciation reserve, composed of the accelerated depreciation done in the previous periods measured only in preparing the income tax returns; the reserve increased by euro 1,621 thousand compared with December 2002.

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

The item is negative of euro 336 thousand and decreased by euro 3,869 thousand for the allocation of the consolidated loss of the previous period.

### Result of the period

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

	June 2003	December 2002
Profit/(loss) charged to the shareholders (€/1,000)	(10,850)	(5,761)
Average number of shares in circulation	27,393,042	27,393,042
Profit/(loss) for share (expressed in euro per share)	(0.40)	(0.21)

### Reconciliation between the Parent Company and the Consolidated Financial statements

	Equity 30 June 2003	Result 30 June 2003 (1)	Equity 31 December 2002	Result 31 December 2002
Shareholders' equity and income of the period as recorded in the parent company interim financial statement	127.984	(2.080)	132.529	(1.890)
Elimination of the stock value of the consolidated equity investments				
Diff. Between the stock value and the pro-quota value of the shareholders' equity	(22.870)		(15.963)	
Pro-quota results achieved by the held companies		(7.390)		(6.502)
Consolidation difference	19.388	(729)	20.117	(1.456)
Surplus attributed to buildings	474	(8)	482	(16)
Consolidation reserve	65		65	
Elimination of the write-down of the equity investments		674		4.360
Elimination of the effects of transactions between consolidated companies:				
Intra-group profits included in the value of final inventories	(4.291)	(716)	(3.574)	1.531
Intra-group profits on fixed assets	(778)	0	(778)	
Evaluation of the affiliated companies with equity method	(896)	(726)	(170)	(170)
Application of the IAS 17	(1.405)	214	(1.619)	(1.619)
Shareholders' equity and income of the period pertaining to the Group	117.671	(10.761)	131.087	(5.761)
Shareholders' equity and income of the period pertaining to minority interests	930	(89)	839	(1)
Shareholders' equity and income of the period as recorded in the consolidated interim financial statement	118.601	(10.850)	131.927	(5.762)

(1) The result of the period as at 30 June is calculated on a pre-tax basis.

## **Fund for risks and charges**

The item is equal to euro 9,792 thousand (euro 10,123 thousand at the end of year 2002) and it is composed as follows:

### **Provision for pension retirement and similar**

The reserve is equal to euro 492 thousand, while it amounted to euro 498 thousand at the end of previous year.

### **Provision for taxes**

The amount equal to euro 2,874 thousand include predominantly deferred taxes of the parent company Biesse S.p.A. for euro 1,854 thousand, calculated on accelerated amortizations and on residual quotas of accrued profits and a provision of euro 751 thousand made in 2002 in accordance to the Italian Tax Law 289/2002 (Tax Condonation); this provision decreased in the period of euro 87 thousand.

### **Other provisions**

	<b>31 December 2002</b>	<b>Decrease and other movements</b>	<b>Provision of the period</b>	<b>Conversion difference</b>	<b>30 June 2003</b>
Provision for exchange risks	239	0	4	0	243
Product warranty provision	3,030	(304)	117	17	2,825
Provision for future risks and charges	3,628	(829)	559	0	3,358
<b>Total</b>	<b>6,897</b>	<b>(1,133)</b>	<b>679</b>	<b>17</b>	<b>6,426</b>

The movements of product warranty provision have been made to reflect the real liability for warranty.

Provision for future risks and charges includes the amount of euro 2,327 thousand, related to the Corporate Restructuring provision of the Parent Company, Biesse Spa, equal to euro 2,281 thousand, the Corporate Restructuring provision of the subsidiary company Biesse Deutschland, equal to euro 46 thousand. The provision has been decreased of euro 765 thousand for the rationalization of the company organization.

The item includes also euro 559 thousand, provisioned in the period, related to the cover of losses of subsidiaries and affiliated companies valued using the equity method and euro 472 thousand related to past provisions made for a dispute with an English retailer of the Glass Division and to other smaller risks, decreased in the period of euro 64 thousand.

The provisions made to cover the losses are listed below:

Sandymac S.r.l.	95
Schelling CIS	36
I.S.P. Systems S.r.l.	305
Cabi S.r.l.	123
<b>Total</b>	<b>559</b>

### **Staff severance indemnities reserve:**

<b>Reserve as at 31/12/02</b>	<b>12,931</b>
Payments made during the period	(1,193)
Amount accrued in the period	1,777
<b>Reserve as at 30/06/03</b>	<b>13,515</b>

## Accounts Payable

### Notes payable due to banks:

Description	31 December 2002	Increases/Decreases	30 June 2003
Current accounts and short term loans	65,474	16,535	82,009
Medium term loans	11	62	73
Mortgages with collateral	9,133	(4,419)	4,714
<i>Within one year</i>	276	935	1,211
<i>After one year</i>	8,857	(5,354)	3,503
Mortgages without collateral	14,512	(310)	14,202
<i>Within one year</i>	1,038	1,870	2,908
<i>After one year</i>	13,474	(2,180)	11,294
<b>Total</b>	<b>89,130</b>	<b>11,868</b>	<b>100,998</b>

The item equal to euro 11,868 thousand worsened in the period for the cyclical fluctuation of the cash-flow and for not-ordinary operations, concerning tangible and financial assets.

For further information the reader can refer to the consolidated cash flow statement.

### Payables falling due after 5 years:

Description	
Schelling Anlagenbau ERP	2,180
Biesse S.p.A. Law 46/82 (n. 656/98)	1,453
Mortgage Medio Credito Fondiario Centroitalia	692
Mortgage BCI Bank Montreal	81
Mortgage BCI Bank Toronto	40
<b>TOTAL</b>	<b>4,446</b>

The mortgages taken out with collateral are detailed as follows:

Company	Amount	Credit institution	Description of the collateral
Bifin Ltd	1.311	Mortgage BCI - Comit NY	Collateral based on the industrial building in Charlotte (Usa)
Biesse Spa	1.266	EIB Loan	Collateral based on the 75,000 sqm area , site of the building in Pesaro, Località Chiusa di Ginestreto (PS), constituted by 7 plant buildings
Motori MC Kart	1.156	Mortgage Mediocredito Fondiario Centroitalia	Collateral based on the industrial building in Pesaro, Strada Selva Grossa
Schelling America Inc.	350	Bank of Austria	Collateral based on inventories and equipments
Biesse Spa	310	Mortgage Mediocredito Fondiario Centroitalia	Collateral based on the building located in Via della Meccanica, sn - Chiusa di Ginestreto (PS)
Sel Realty Inc.	165	Mortgage BCI - Comit Canada	Collateral based on the industrial building in Montreal (Canada)
Schelling Fertigungstechnik	75	Mortgage Creditanstalt	Collateral based on industrial equipments
Sel Realty Inc.	81	Mortgage BCI - Comit Canada	Collateral based on the industrial building in Toronto (Canada)
<b>Total</b>	<b>4.714</b>		

### Notes payable due to other financial institutions:

The notes payable due to other financial institutions equal to euro 31,960 thousand, refer to the sale and lease back operations made in 2002. The leasing contracts have been undersigned with Intesa Leasing S.p.A. (euro 13,933 thousand, with reference to the building situated in Pesaro, via dell'Economia), Cardine Leasing S.p.A. and Locafit S.p.A. (euro 9,293, with reference to the building situated in S. Giovanni in Marignano) and LD-Leasing GmbH (euro 8,686 thousand), with reference to the building situated in Schwarzach, (Austria).

### Advances:

This item equal to euro 7,280 thousand refer to advances received from customers as of June 30<sup>th</sup> 2003; the actual decrease of euro 1,845 thousand is mainly due to the uncertainty of the reference markets, which negatively affect the incoming orders.

### Trade payables:

Description	31 December 2002	Increases/Decreases	30 June 2003
Trade payables	80,355	(13,185)	67,170
Payables to subsidiaries	15	115	130
Payables to affiliated companies	1,019	(311)	708
Payables to parent companies	0	695	695
<b>Total</b>	<b>81,389</b>	<b>(12,686)</b>	<b>68,703</b>

The trade payables include euro 1,535 thousand, related to payables due after one year. The decrease is due both to the decreases of the volumes and to the optimization of the inventories and the improvements of the productive efficiency, in terms of reduction of supply costs.

The payables to subsidiaries are equal to euro 130 thousand and refer to Sandymac S.r.l. (euro 83 thousand) and to Biesse Corporate School S.c.a r.l. (euro 47 thousand).

The payables to affiliated companies amount to euro 708 thousand and mainly refer to I.S.P. Systems S.r.l. (euro 308 thousand), Cabi S.r.l. (euro 285 thousand) and Intermac Vidrio Iberica (euro 100 thousand).

The payables to parent companies equal to euro 695 thousand are due to Biesse Holding S.p.A. and refer to a tax receivable of Biesse Holding S.p.A., transferred to Biesse S.p.A. and used by the latter against the period taxes.

### Tax and social insurance payables:

Description	31 December 2002	Increases/Decreases	30 June 2003
Tax payables	10,417	(7,577)	2,840
Social security payables	4,981	(2,026)	2,955
<b>Total</b>	<b>15,398</b>	<b>(9,603)</b>	<b>5,795</b>

The tax payables equal to euro 2,840 thousand refer to payables on income taxes of the previous period, to staff check-offs and excises taxes.

The interim consolidated financial statement has been prepared based on a pre-tax level.

The social security payables amount to euro 2,955 and refer to the personnel.

### Other payables:

Other payables are equal to euro 13,797 thousand, decreasing slightly of euro 28 thousand in comparison with the end 2002.

The amount falling due beyond one year (euro 12,991 thousand) is mainly referred to the staff payables for salaries and wages (euro 8,346 thousand), the dividends approved for year 2002 and paid in July 2003 (euro 2,465 thousand) and the carry-over payable for the purchase of the Diamut branch of business (euro 859 thousand).

The amount falling due after one year equal to euro 806 thousand, decreases of euro 351 thousand in comparison with the previous period. It refers to the carry-over payables for the purchases of the Diamut and Allwood Machinery branch of business (euro 367 and 232 thousand respectively) and the company Busetti S.r.l. (Euro 207 thousand).

### **Accruals and Deferred Income**

<b>Description</b>	<b>31 December 2002</b>	<b>Increases/Decreases</b>	<b>30 June 2003</b>
Accrued interest expenses	228	407	635
Other accrued expenses	418	720	1.138
Deferred interest income	838	(775)	63
Deferred revenues for installation and testing	1.159	(313)	846
Other deferred revenues	0	536	536
<b>Total</b>	<b>2.643</b>	<b>575</b>	<b>3.218</b>

### **Memorandum accounts:**

The memorandum accounts are described as follows:

<b>Description</b>	<b>31 December 2002</b>	<b>30 June 2003</b>
Leasing commitments	11,562	9,642
Privileges on goods Sabatini Law	20	19
Guarantees and endorsement	13,410	15,339
Bills in circulation	10,303	9,464
Other memorandum accounts	22,846	23,620
<b>Total</b>	<b>58,141</b>	<b>58,084</b>

The leasing commitments equal to euro 9,642 thousand and refer to the total amount of instalments and purchase price to pay to the leasing companies in order to acquire the property of the leased good. In case that the leasing contracts were recorded according to the financial method, instead of that allowed by the law, the Material Assets historic cost at the end of June 2003 would have been higher for about euro 6,593 thousand, while the accumulated depreciation would have been higher for about euro 2,025 thousand; the financial debts would have been higher for about euro 4,274 thousand, the deferred charges would have been lower for about euro 321 thousand, the accrued interest expenses would have been higher for about euro 55 thousand. The depreciation charge of the period would have been higher for about euro 476 thousand, the financial charges higher for about euro 134 thousand, while the correctly charged expenses for use of third-party assets would have decreased by about euro 676 thousand. The loss for the period would have been lower for about euro 66 thousand, the equity lower for about euro 82 thousand, both of them on a pre-tax level..

The Other memorandum accounts equal to euro 23,620 thousand refer to forward exchange rate agreements (euro 9,680 thousand), made at the end of the period and evaluated at the exchange rate at the end of the period; the agreements are made in order to protect the operating margin on future sales of the Parent Company, Biesse Spa, by the fluctuations of the exchange rates. It is also included an I.R.S. agreement (interest rate swap), to cover the interest rate risk, rising from the sale and lease back contract, stipulated on the building situated in Pesaro, via dell'Economia; its amount is euro 13,933 thousand.

## CONSOLIDATED INCOME STATEMENT

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

*All amounts are expressed in thousand of euro.*

### Value of production

Value of production is equal to euro 160,197, decreasing by 8,5% compared to end June 2002 (euro 175,066); this is mainly due to uncertainty of the reference markets.

### Sales of goods and services

Description	30 June 2003	30 June 2002
Revenues for the sale of goods	137,463	156,111
Revenues for services rendered	4,028	4,813
Other sales revenues	663	579
Variation in revenues for returns, premium, discounts, allowances and invoices adjustments	(438)	(301)
<b>Total</b>	<b>141,716</b>	<b>161,202</b>

The breakdown of the revenues for sales and services rendered by division is the following:

Division	30 June 2003	%	30 June 2002	%	Variation	Variation %
Wood Division	90,414	63.8%	110,662	68.6%	(20,248)	(18.3%)
Glass & Stone Division	28,247	19.9%	28,131	17.5%	116	0.4%
Systems Division	14,308	10.1%	15,519	9.6%	(1,211)	(7.8%)
Mechatronics Division	13,571	9.6%	12,325	7.6%	1,246	10.1%
<b>Total</b>	<b>146,540</b>	<b>103.4%</b>	<b>166,637</b>	<b>103.3%</b>	<b>(20,097)</b>	<b>(12.1%)</b>
Intercompany eliminations	(4,824)	(3.4%)	(5,435)	(3.3%)	611	(11.2%)
<b>Total consolidated revenues</b>	<b>141,716</b>	<b>(100.0%)</b>	<b>161,202</b>	<b>100.0%</b>	<b>(19,486)</b>	<b>(12.1%)</b>

The breakdown of the revenues for sales and services rendered by geographical area is the following:

Division	30 June 2003	%	30 June 2002	%	Variation	Variation %
UE	76,076	53.7%	99,793	61.9%	(23,717)	(23.8%)
North America	22,577	15.9%	27,951	17.3%	(5,374)	(19.2%)
R.o.W.	43,063	30.4%	33,458	20.8%	9,605	28.7%
<b>Total</b>	<b>141,716</b>	<b>100.00%</b>	<b>161,202</b>	<b>100.0%</b>	<b>(19,486)</b>	<b>(12.1%)</b>

The analysis by division reflects the difficulties of the Wood Division, whose revenues decrease by 18.3% compared to end June 2002 and lowered their weight in the consolidated revenues.

The Glass & Stone Division trend is in line with the previous period, while the Mechatronics Division increases its revenues by 10%.

The Systems Division is still on a negative situation, being more sensitive to the recession of the most important economies.

As far as the analysis by geographical area, the Group is in line with the trend lines of the different regions. In fact it is still negative the outcome of European and North-American markets, while the Rest of the World area increases its revenues of euro 9,605 thousand, (+28.7% respect June 2002). This increase spreads to all divisions, as a consequence of the Group strategy to widen its market in higher growth areas (East Europe, Far East).



### Other revenues and income:

Other revenues and income amount to euro 2,876 thousand, decreasing by euro 81 thousand compared to end of June 2002. They are largely due to delivery expenses charged to customers (euro 949 thousand), miscellaneous income (euro 635 thousand) and rents (euro 214 thousand). It also includes the revenue of euro 600 thousand, arising from the agreement for the provision of know-how, made by Schelling Anlagenbau to Eurojet Airlines S.a.S. in June 2003.

### Costs of production:

#### Costs of raw, ancillary and consumable materials and goods for resale:

The item amounts to euro 74,568 thousand, decreasing of euro 7,485 thousand in comparison to end of June 2002 (down by 9.1%). This decrease is higher than that of the value of production, in consideration of the Group saving process and of the improvement of the incidence on sales (lowering from 46.8% to 45.0%). This is a consequence of low inflation regime and of improvement of company processes, in particular regarding internal logistics, stock management and industrialisation.

#### Service costs:

Description	30 June 2003	30 June 2002	Variation
Outsourcing	6,113	5,987	126
Utilities	790	726	64
Maintenance	1,268	1,143	125
Technical, legal, administrative consulting	2,499	2,738	(239)
Commission expenses	3,613	3,253	360
Trade shows and advertising	3,607	4,381	(774)
Business trips and travel expenses	3,674	4,374	(700)
Postage and telephone costs	1,214	1,202	12
Transportation costs	3,987	4,310	(323)
Other service expenses	4,911	4,920	(9)
<b>TOTAL</b>	<b>31,675</b>	<b>33,034</b>	<b>(1,358)</b>

Service costs are equal to euro 31,675 thousand; they do not include the connected costs with the activity of corporate restructuring for an amount of euro 650 thousand, not transited to the economic account but decreased in the specific balance sheet account.

The main variations refer to Trade shows and Advertising and Business trips and Travel expenses. The former decreases from euro 4,381 thousand to euro 3,674 thousand, due to the better management of trade shows, based on the choice to participate to the highest notoriety shows; we inform the reader that the 2002 amount included the costs of the extra-ordinary show event "Ready to Run", held in Velodromo Vigorelli, Milan, while the 2003 amount includes the costs of participation to traditional trade shows (Ligna 2003, held in Hannover and Vitrum 2003, held in Milan). Business trips and Travel expenses lowered in consideration of the volumes decrease and of the improved assistance provision guaranteed by the subsidiaries.

Other service expenses equal to euro 4,911 thousand include fees paid to the Group executives for euro 201 thousand (euro 174 thousand in 2002) and compensation to auditors for euro 30 thousand (in line with the previous period).

#### Use of third-party assets:

The item amounts to euro 4,282 thousand, decreasing of euro 48 thousand in comparison with the end of June 2002. The rental costs are equal to euro 2,545 thousand and give the main contribution to the total decrease. The leasing costs are equal to euro 1,724 thousand, in line with the previous period. The rental costs include the rents on industrial and commercial properties, the rental of office equipment, company cars and inside transport vehicles.

### Personnel costs:

Personnel costs amount to euro 47,060 thousand, with a decrease of euro 1,375 thousand in compared to the end of June 2002. The total decrease is essentially due to Wages and salaries, caused by the company restructuring process, which improved the company efficiency, achieved making savings on structure costs, but maintaining the previous level of customer satisfaction and time-to-market response.

### Average number of employees

The average number of employees is equal to 2,227, being of 2,275 for the financial year 2002.

### Amortizations, depreciations and write-downs

Description	30 June 2003	30 June 2002	Variation
Amortisation of intangible fixed assets	1,881	1,928	(47)
Amortisation of tangible fixed assets	4,222	3,625	596
Other depreciations of fixed assets	2	0	2
Write-downs of receivables included in current assets	769	166	603
<b>Total</b>	<b>6,873</b>	<b>5,720</b>	<b>1,153</b>

The main variation refer to tangible assets, whose amortisations increase of euro 596 thousand, as a consequence of the use of financial method to evaluate the leasing contracts on land and buildings. Their amortisation is equal to euro 675 thousand.

The write-downs of receivables are equal to euro 769 thousand and refer to provisions to the bad-debt reserve.

### Sundry operating costs:

Sundry operating costs amount to euro 2,699, decreasing by euro 126 thousand compared to the end of June 2002. They include costs related to the personnel, heating expenses, accessory company cars costs, national and local taxes.

### Financial income and charges

#### Other financial income:

Description	30 June 2003	30 June 2002	Variation
Income from securities included in fixed assets	60	47	13
Other sundry income	475	585	(110)
Exchange gains	1,165	2,125	(960)
<b>Total</b>	<b>1,700</b>	<b>2,757</b>	<b>(1,057)</b>

The exchange gains decrease because of the strengthening of euro against other currencies and because of the sales decrease.

#### Interests and other financial charges:

Description	30 June 2003	30 June 2002	Variation
Interest charges from banks and on advances	844	1,117	(273)
Interest charges on loans	944	1,364	(420)
Interest charges on other debenture loans	1,362	740	622
Exchange losses	1,984	1,318	666
Others	408	204	204
<b>Total</b>	<b>5,542</b>	<b>4,743</b>	<b>799</b>

Following the strategy of period extension of the Group financial payables, the decrease of interest charges from banks and on loans is offset by the increase of interest charges on other debenture loans. The actual increase of this item is mainly explained by the worsening of the exchange losses due to the strengthening of euro.

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

#### **Write-ups and write-downs**

The value adjustments mainly refer to write-ups and write-downs, made using the equity method to evaluate the investments in subsidiaries not consolidated and in associated companies.

### ***Extraordinary income and charges***

#### **Extraordinary income:**

The amount of euro 44 thousand refer to contingent assets.

#### **Extraordinary charges:**

Extraordinary charges amount to euro 1,678 thousand, with a decrease of euro 344 thousand compared to the end of June 2002. They include charges for costs rectifications (euro 850 thousand), charges connected to returns on sales (euro 632 thousand) and other extraordinary charges (euro 196 thousand).

***Pesaro, 26 September 2003***

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

**ANNEX "A"**

Euro/1.000

	Consolidation difference at 31/12/2002	Cumulated amortisation at 31/12/2002	Net value at 31/12/2002	Variations in 2003	Consolidation difference at 30/06/2003	Amortisation share 30/06/2003	Cumulated amortisation at 30/06/2003	Net value at 30/06/2003
<b>SELCO SRL</b>	4.220	(1.491)	2.729		4.220	(211)	(1.702)	2.518
<b>BIESSE CANADA LTD</b>	56	(51)	6		56	(3)	(53)	3
<b>SEL REALTY LTD</b>	5	(4)	0		5	(0)	(5)	0
<b>BIESSE GROUP UK LTD.</b>	13	(6)	6		13	(1)	(7)	6
<b>BIESSE GROUPE FRANCE</b>	26	(16)	10		26	(1)	(17)	9
<b>MOTORI MC KART SRL</b>	118	(9)	109		118	(6)	(15)	103
<b>SCHELLING ANLAGENBAU</b>	20.302	(3.045)	17.256		20.302	(508)	(3.553)	16.749
<b>TOTAL</b>	<b>24.740</b>	<b>(4.622)</b>	<b>20.117</b>	<b>0</b>	<b>24.740</b>	<b>(729)</b>	<b>(5.352)</b>	<b>19.388</b>

**BIESSE S.P.A.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF 2003**

(Thousands of euro)

<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>30/06/03</b>	<b>31/12/02</b>
<b>ORDINARY ACTIVITIES</b>		
+/- Result of the period	(10.761)	(5.762)
+ Amortisation and depreciation:		
+ of tangible fixed assets	4.222	8.536
+ of intangible assets	1.881	3.963
+ Provisions		
+ staff severance indemnity	1.777	3.593
+ for bad and doubtful debts	769	1.224
+ for risk and charges	118	5.485
+ Consolidation difference write-down	0	0
<b>= SUBTOTAL</b>	<b>(1.995)</b>	<b>17.039</b>
- Staff severance indemnity paid out	(1.193)	(1.738)
- Use of risk fund	(448)	(2.853)
+/- Variation in current assets	25.732	(4.910)
+/- Variation in securities included in current assets	(602)	(531)
+/- Variation in inventory	(17.875)	14.996
+/- Variation in prepayments and accrued income	(928)	(242)
+/- Variation in accruals and deferred income	575	(147)
+/- Variation in trade payables	(13.185)	(4.219)
+/- Variation in other non-financial payables	(10.977)	1.020
<b>= CASH FLOW FROM (FOR) ORDINARY ACTIVITIES</b>	<b>(20.896)</b>	<b>18.414</b>
<b>INVESTING ACTIVITIES</b>		
- Purchase of intangible assets	(769)	(4.437)
+ Transfer of intangible assets	71	49
- Purchase of tangible fixed assets	(3.672)	(18.143)
+ Transfer of tangible fixed assets	303	2.670
+/- Purchase/transfer of other shareholdings and securities	(493)	2.279
<b>= CASH FLOW FROM (FOR) INVESTING ACTIVITIES</b>	<b>(4.560)</b>	<b>(17.582)</b>
<b>FINANCING ACTIVITY</b>		
+/- Increase/decrease in financial receivables	26	(15)
+/- Opening/repayment of medium/long-term bank loans	(7.474)	(625)
+ Opening/repayment of other loans	0	0
+ Increase/decrease bank borrowings	19.341	(10.165)
+/- Variation in payables to other lenders	(1.181)	32.937
- Payments on dividends	(2.465)	(2.431)
+ Capital increase	0	0
+/- Other movements in shareholders'equity	3	(178)
<b>= CASH FLOW FROM (FOR) FINANCING</b>	<b>8.250</b>	<b>19.523</b>
+/- Variation in reserve from conversion of financial statements	(103)	(1.212)
<b>= CASH FLOW</b>	<b>(17.309)</b>	<b>19.143</b>
+ Net cash on hand at period start	33.189	14.046
+ Net cash on hand at period end	15.880	33.189

## ANNEX "C"

BIESSE S.P.A.  
HALF YEAR 2003 REPORT

**FINANCIAL STATEMENTS OF THE PARENT COMPANY BIESSE S.P.A.**  
(Thousands of euro)

	30.06.2003	30.06.2002	31.12.2002
<b>ASSETS</b>	<b>331,337</b>	<b>298,995</b>	<b>334,083</b>
<b>B. FIXED ASSETS</b>	<b>124,293</b>	<b>144,268</b>	<b>125,394</b>
<i>I Intangible fixed assets</i>	<i>8,355</i>	<i>3,594</i>	<i>8,855</i>
1 Start-up and expansion costs	19	18	38
2 Research, development and advertising costs	472	256	629
3 Patents and intellectual property rights	181	94	208
4 Concessions, licenses, trademarks and similar	1,087	926	1,043
5 Goodwill	5,856	1,880	6,234
6 Intangible assets under constructions	216	36	167
7 Other intangible fixed assets	524	384	535
<i>II Tangible fixed assets</i>	<i>43,622</i>	<i>52,850</i>	<i>43,939</i>
1 Land and buildings	23,110	22,636	22,798
2 Plant and machinery	8,968	8,063	8,424
3 Industrial and commercial equipment	2,028	1,686	2,192
4 Other tangible fixed assets	5,563	4,513	5,631
5 Tangible assets under constructions	3,954	15,952	4,895
<i>III Financial fixed assets</i>	<i>72,315</i>	<i>87,824</i>	<i>72,599</i>
1 Shareholding:	32,717	35,977	31,698
a Subsidiaries	31,695	35,743	31,334
b Affiliates	939	155	280
c Other companies	84	79	84
2 Receivables:	38,394	50,710	39,698
a Receivables from subsidiaries	35,302	47,652	36,499
a1 Receivables from subsidiaries within one year	35,302	47,652	36,499
b Receivables from affiliate companies	197	0	120
b1 Receivables from affiliate companies due within or	120	0	120
b2 Receivables from affiliate companies due after one	77	0	0
c Receivables from parent companies	0	0	0
d Receivables from others	2,895	3,057	3,079
d1 Receivables from others within one year	2,488	0	2,488
d2 Receivables from others after one year	407	3,057	591
4 Own shares (nominal value euro 380.654)	1,204	1,137	1,204
<b>C. CURRENT ASSETS</b>	<b>184,966</b>	<b>153,224</b>	<b>186,404</b>
<i>I Inventories</i>	<i>68,081</i>	<i>56,027</i>	<i>57,977</i>
1 Raw materials, ancillary materials and consumable	41,563	32,149	39,336
2 Semifinished goods	9,051	8,301	9,194
4 Finished products and goods	17,187	15,420	9,347
5 Payments on account	280	158	101
<i>II Receivables</i>	<i>110,037</i>	<i>90,429</i>	<i>122,429</i>
1 Trade receivables	55,375	42,438	73,501
2 Trade receivables from subsidiaries	41,646	37,379	37,994
3 Trade receivables from affiliated companies	1,640	589	817
4 Trade receivables from parent companies	1	0	1
5 Trade receivables from others	11,375	10,024	10,116
<i>III Financial assets not fixed</i>	<i>1,142</i>	<i>0</i>	<i>540</i>
4 Own shares (nominal value euro 505.153)	1,142	0	540
<i>IV Cash and cash equivalents</i>	<i>5,705</i>	<i>6,767</i>	<i>5,458</i>
1 Bank and postal deposits	5,594	6,666	5,347
3 Cash	112	101	111
<b>D. PREPAYMENTS AND ACCRUED INCOME</b>	<b>22,079</b>	<b>1,503</b>	<b>22,286</b>
1 Accrued income	71	231	80
2 Prepayments	22,007	1,272	22,206

## ANNEX "C"

**BIESSE S.P.A.**  
**HALF YEAR 2003 REPORT**

**FINANCIAL STATEMENTS OF THE PARENT COMPANY BIESSE S.P.A.**  
(Thousands of euro)

	30.06.2003	30.06.2002	31.12.2002
<b>LIABILITIES</b>	<b>331,337</b>	<b>298,995</b>	<b>334,083</b>
<b>A. SHAREHOLDERS' EQUITY</b>	<b>127,984</b>	<b>135,318</b>	<b>132,529</b>
I Share capital	27,393	27,393	27,393
II Premium reserve	83,630	85,520	85,520
IV Legal reserve	3,797	3,797	3,797
V Own shares reserve	2,345	1,137	1,743
VII Other reserves	12,898	16,538	15,966
IX Result of the period (1)	(2,080)	934	(1,890)
<b>B. PROVISIONS FOR RISKS AND CHARGES</b>	<b>11,397</b>	<b>8,178</b>	<b>12,722</b>
1 Provision for pension retirement and similar	450	683	463
2 Provision for taxes	2,518	1,806	2,605
3 Other provisions	8,429	5,690	9,653
<b>C. STAFF SEVERANCE INDEMNITY RESERVE</b>	<b>11,319</b>	<b>8,606</b>	<b>10,879</b>
<b>D. PAYABLES</b>	<b>175,693</b>	<b>146,222</b>	<b>172,685</b>
3 Payables to banks	83,114	76,807	62,822
a due within one year	73,514	66,050	50,946
b due after one year	9,600	10,756	11,876
4 Payables to other financial institutions	41	72	45
a due within one year	41	72	45
5 Advances	4,155	4,658	5,712
a due within one year	4,155	4,658	5,712
6 Trade payables	69,064	47,023	81,022
a due within one year	67,531	45,860	66,613
b due after one year	1,533	1,163	14,409
8 Payables to subsidiary companies	4,812	4,047	4,547
a due within one year	4,812	4,047	4,547
9 Payables to affiliate companies	690	0	976
a due within one year	690	0	976
10 Payables to parent companies	695	0	0
a due within one year	695	0	0
11 Tax payables	1,059	2,827	4,618
a due within one year	1,059	2,827	4,618
12 Payables to social security	1,836	2,054	3,536
a due within one year	1,836	2,054	3,536
13 Other payables	10,227	8,734	9,407
a due within one year	9,788	8,734	8,968
b due after one year	439	0	439
<b>E. ACCRUED EXPENSES AND DEFERRED II</b>	<b>4,945</b>	<b>671</b>	<b>5,270</b>
1 Accrued expenses	534	275	170
2 Deferred income	4,411	396	5,100
<b>MEMORANDUM ACCOUNTS</b>	<b>64,627</b>	<b>34,285</b>	<b>64,293</b>
2 Leasing commitments	19,488	8,587	21,445
5 Guarantees and endorsement	12,061	10,465	9,711
6 Bills in circulation	9,464	1,198	10,303
7 Other memorandum accounts	23,613	14,035	22,834

## ANNEX "C"

**BIESSE S.P.A.**  
**HALF YEAR 2003 REPORT**

**FINANCIAL STATEMENTS OF THE PARENT COMPANY BIESSE S.P.A**  
(Thousands of euro)

	30.06.2003	30.06.2002	31.12.2002
<b>INCOME STATEMENT</b>			
<b>A.</b>	<b>VALUE OF PRODUCTION</b>	<b>117,531</b>	<b>100,116</b>
1	Revenues from sales and services	107,521	93,793
2	Change in work in progress and semifinished goods	7,859	3,260
4	Increase in assets value for internal work	45	47
5	Other revenues and income	2,106	3,016
5a	Miscellaneous	2,106	3,016
5b	Contributions for operating expenses	0	0
<b>B.</b>	<b>COSTS OF PRODUCTION</b>	<b>(116,753)</b>	<b>(97,682)</b>
6	Raw materials, ancillary materials and consumables	(63,070)	(50,593)
7	Services	(18,819)	(15,032)
8	Use of third parties assets	(4,280)	(2,056)
9	Personnel expenses	(28,213)	(25,175)
9a	Wages and salaries	(20,051)	(18,094)
9b	Social security charges	(6,574)	(5,859)
9c	Severance indemnity	(1,587)	(1,222)
9d	Pension retirement and similar	0	0
9e	Other personnel expenses	0	0
10	Amortisations, depreciations and write-downs	(3,299)	(2,520)
10a	Amortisation of intangible fixed assets	(929)	(498)
10b	Amortisation of tangible fixed assets	(2,370)	(1,982)
10c	Other write-downs	0	0
10d	Write-downs of receivables included in current assets	0	(40)
11	Changes in raw material, ancillary materials and consumables	2,066	(1,496)
12	Provision for risks	0	0
13	Other provisions	0	0
14	Other operating expenses	(1,137)	(810)
<b>A-B</b>	<b>DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION</b>	<b>778</b>	<b>2,434</b>
<b>C.</b>	<b>FINANCIAL INCOME AND CHARGES</b>	<b>(1,543)</b>	<b>456</b>
15	Income from equity investments	4	6
16	Other financial income	1,969	2,989
17	Interest and other financial charges	(3,517)	(2,538)
<b>D.</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>	<b>(633)</b>	<b>(1,209)</b>
18	Write-ups	41	0
19	Write-downs	(674)	(1,209)
<b>E.</b>	<b>EXTRAORDINARY INCOME AND CHARGES</b>	<b>(682)</b>	<b>(747)</b>
20	Extraordinary income	243	50
21	Extraordinary charges	(925)	(797)
<b>D+E</b>	<b>TOTAL EXTRAORDINARY INCOME AND CHARGES</b>	<b>(1,315)</b>	<b>(1,956)</b>
	<b>PRE-TAX INCOME</b>	<b>(2,080)</b>	<b>934</b>
22	Income taxes (1)	0	0
	<b>RESULT OF THE PERIOD (1)</b>	<b>(2,080)</b>	<b>934</b>