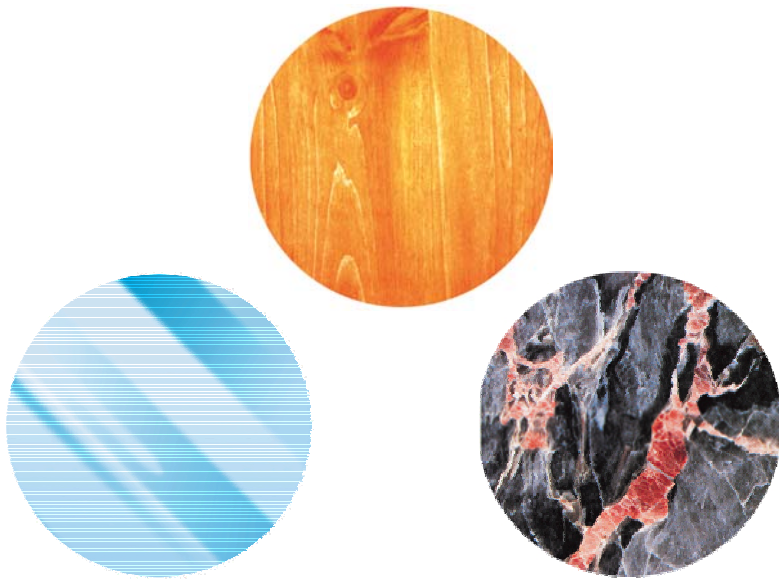



**QUARTERLY REPORT  
SEPTEMBER 30<sup>TH</sup>, 2004**





**BIESSE S.p.A.**  
**QUARTERLY REPORT AT SEPTEMBER 30<sup>TH</sup>, 2004**

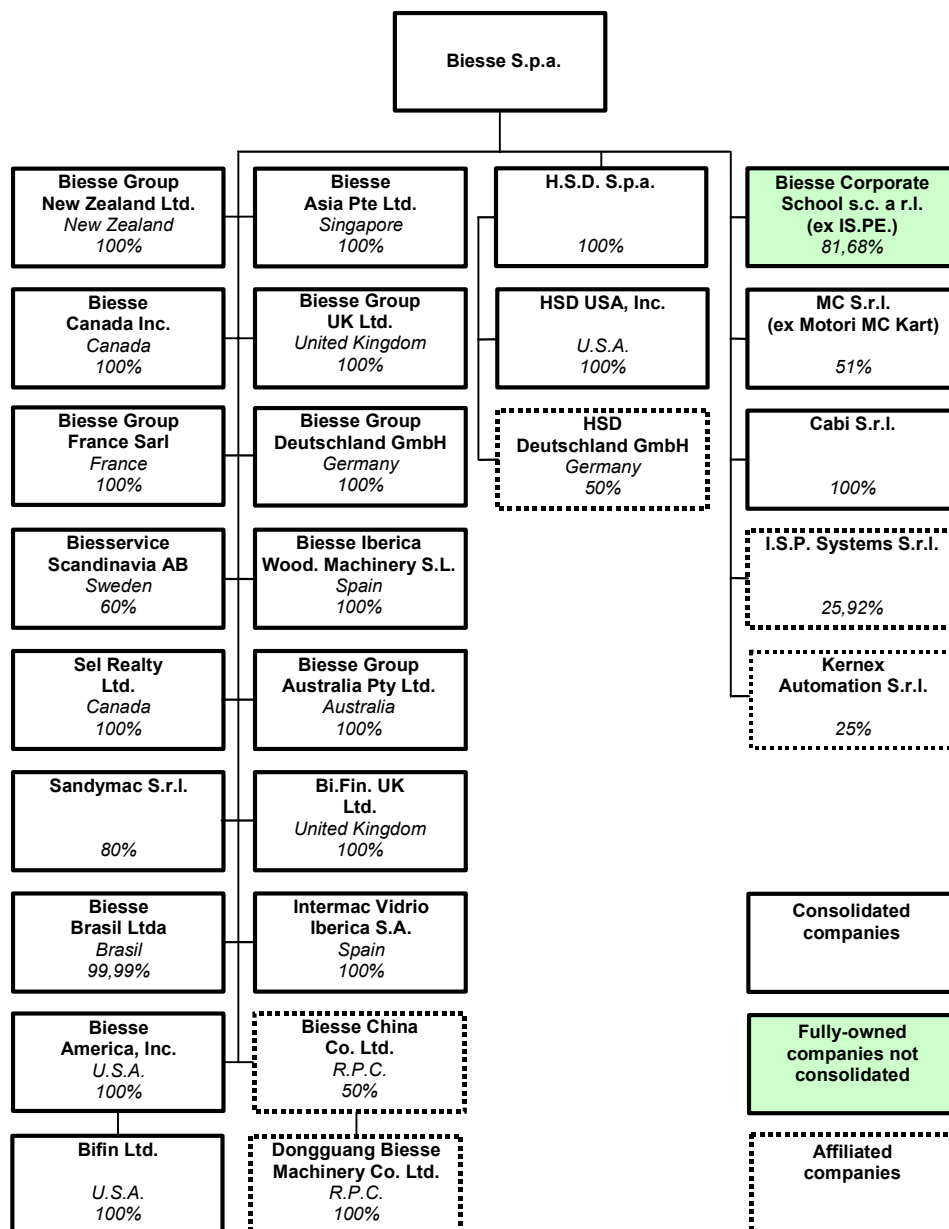
---

**SUMMARY**

- Group structure page 3
- Parent company corporate bodies page 5
- Highlights page 6
- Accounting statements page 8
  - Income statements of the 3<sup>rd</sup> quarter year 2004
  - Net financial position at September 30<sup>th</sup> 2004
- Explanatory notes page 13
- Board of Directors' remarks page 13

## GROUP STRUCTURE

The following companies are part of Biesse Group:



\* the shareholding of 81.68% is directly held by Biesse S.p.A. for 66,67% and indirectly through Hsd S.p.a. for 15.01%



In comparison with the previous quarterly report, dated June 30<sup>th</sup> 2004, the consolidated results now include the company Intermac Vidrio Iberica S.A. The full ownership of the company was purchased in July. The company, previously valued with the equity method, offers customers services to Spanish companies and it belongs to the Glass and Marble Division.

The investments in the associated companies Biesse China Co. Ltd., ISP Systems S.r.l., Hsd Deutschland GmbH and Kernex Automation S.r.l. are valued with the equity method. Also the investment in the affiliated company Biesse Corporate School s.c.a r.l. is valued with the equity method and not integrally consolidated, because of its irrelevant size.

Since the consolidated companies have changed significantly in comparison to the same period of 2003, the present report also shows the pro-forma accounting statements, in order to allow a like for like comparison of the results for the two periods: in the 2003 accounting statement the Schelling Group has been excluded, while in the 2004 accounting statement the affiliated companies Cabi S.r.l., Sandymac S.r.l. and Intermac Vidrio Iberica S.A. have been excluded.



## PARENT COMPANY CORPORATE BODIES

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

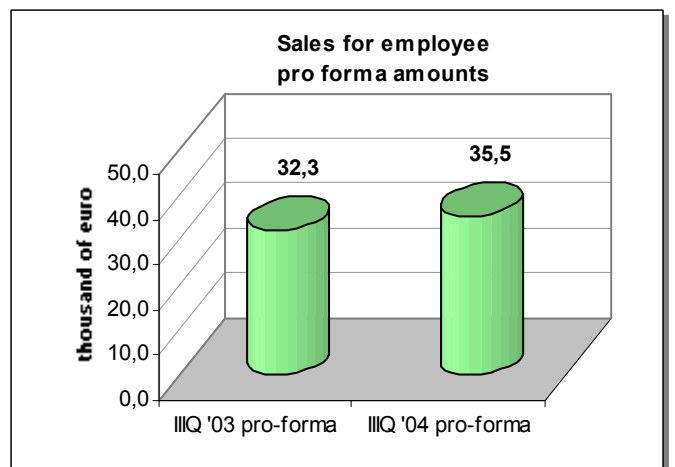
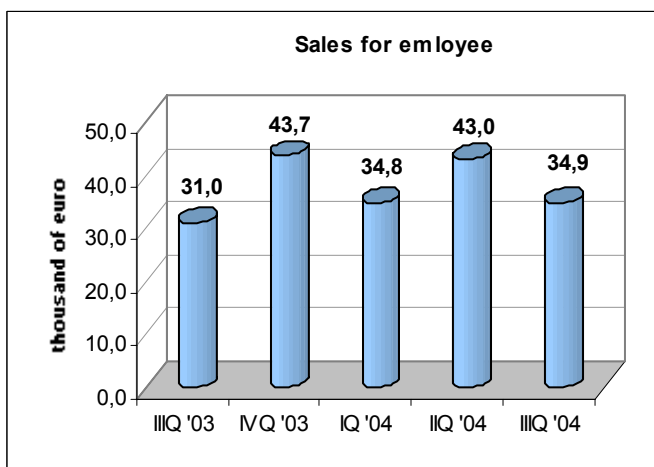
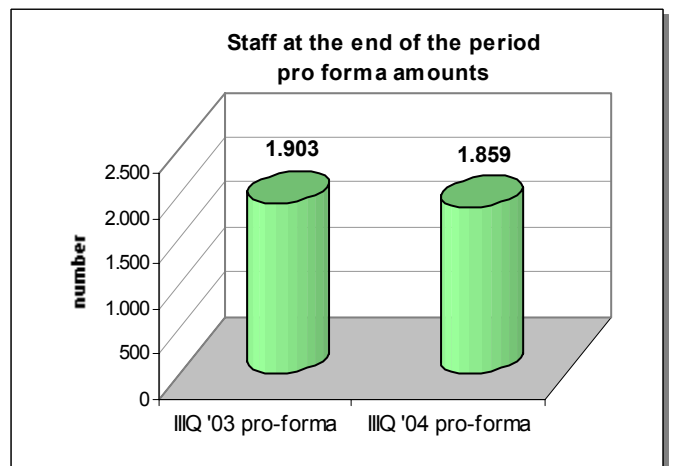
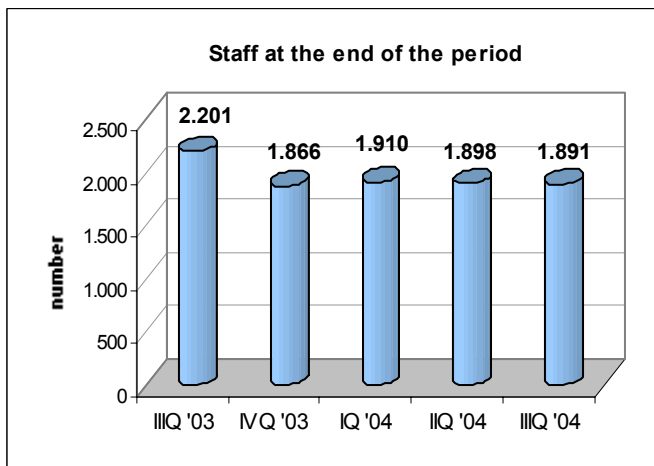
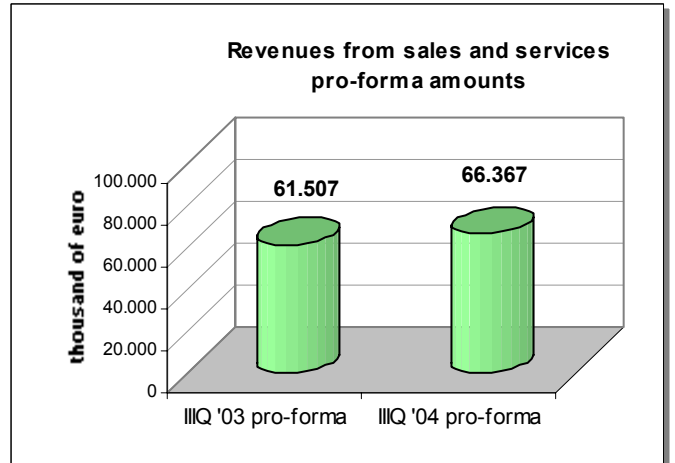
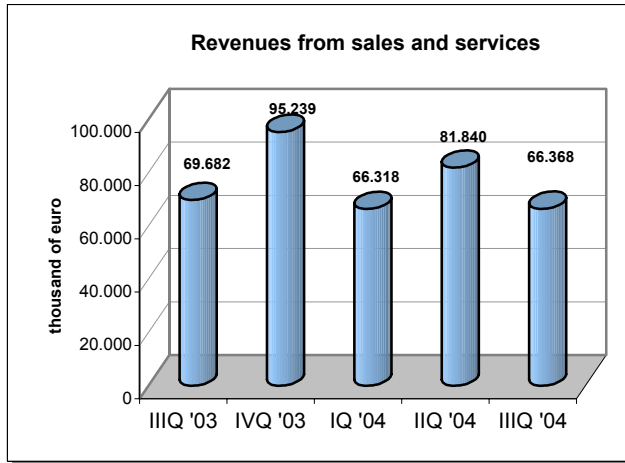
Roberto Selci	Chairman
Giancarlo Selci	Vice President
Innocenzo Cipolletta	Director *
Leone Sibani	Director *
Giampaolo Garattoni	Director *

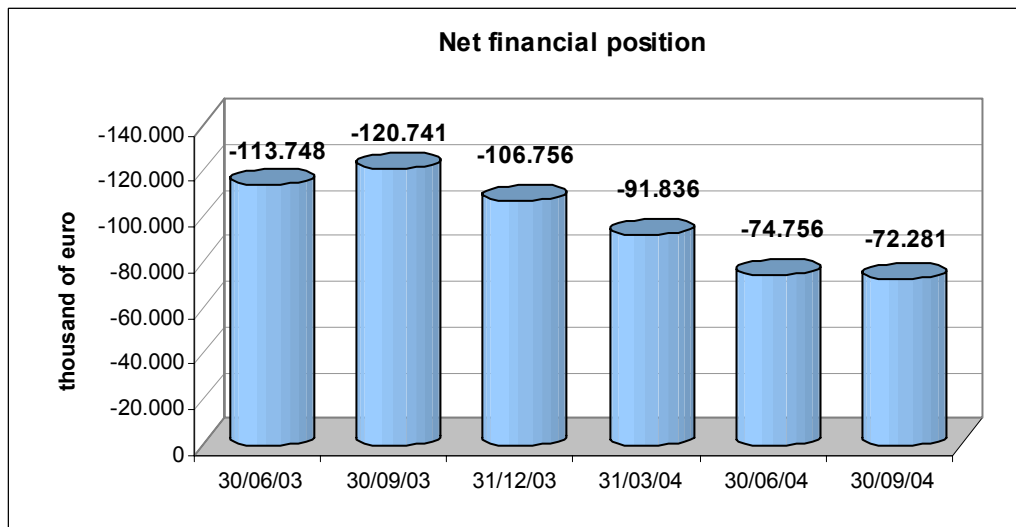
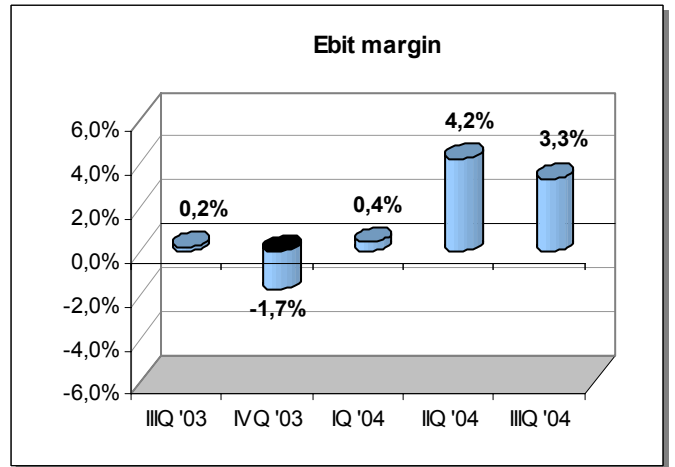
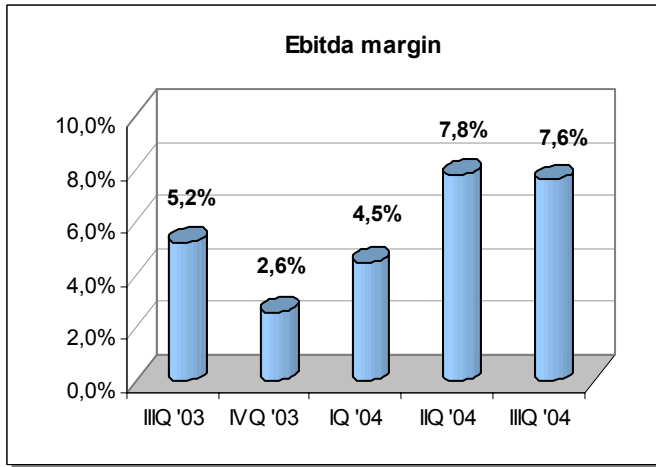
*\* Independent Director, as required under the Code of Conduct.*

The Board of Statutory Auditors currently in office is composed as follows:

Giovanni Ciurlo	Chairman
Adriano Franzoni	Statutory Auditor
Claudio Sanchioni	Statutory Auditor

# HIGHLIGHTS





## ACCOUNTING STATEMENTS

### Third Quarter 2004 Income Statement

(thousand of Euro)	III Q 2004	%	III Q 2003	%	Δ %
<b>Revenues from sales and services</b>	<b>66,368</b>	<b>100.0%</b>	<b>69,682</b>	<b>100.0%</b>	<b>(4.8%)</b>
Variation of stocks of finished products	(554)	(0.8%)	(1,304)	(1.9%)	(57.5%)
Other revenues and income	1,697	2.6%	978	1.4%	73.5%
<b>Value of production</b>	<b>67,511</b>	<b>101.7%</b>	<b>69,356</b>	<b>99.5%</b>	<b>(2.7%)</b>
Consumption of raw materials	(28,889)	(43.5%)	(29,479)	(42.3%)	(2.0%)
Costs for services	(12,564)	(18.9%)	(12,866)	(18.5%)	(2.3%)
Use of third party assets	(1,881)	(2.8%)	(2,154)	(3.1%)	(12.7%)
Other operating expenses	(789)	(1.2%)	(1,117)	(1.6%)	(29.4%)
<b>Added value</b>	<b>23,388</b>	<b>35.2%</b>	<b>23,740</b>	<b>34.1%</b>	<b>(1.5%)</b>
Personnel expenses	(18,314)	(27.6%)	(20,135)	(28.9%)	(9.0%)
<b>Gross operating margin</b>	<b>5,074</b>	<b>7.6%</b>	<b>3,605</b>	<b>5.2%</b>	<b>40.7%</b>
Amortizations, depreciations and provisions	(2,730)	(4.1%)	(3,115)	(4.5%)	(12.4%)
<b>Profit before depreciation of consolidation difference</b>	<b>2,344</b>	<b>3.5%</b>	<b>490</b>	<b>0.7%</b>	<b>---</b>
Amortization of consolidation difference	(128)	(0.2%)	(365)	(0.5%)	(64.9%)
<b>Operating result</b>	<b>2,216</b>	<b>3.3%</b>	<b>125</b>	<b>0.2%</b>	<b>---</b>
Financial charges and incomes	(1,084)	(1.6%)	(1,250)	(1.8%)	(13.3%)
Extra-ordinary charges and incomes	(955)	(1.4%)	(564)	(0.8%)	69.3%
<b>Pre-tax result</b>	<b>177</b>	<b>0.3%</b>	<b>(1,689)</b>	<b>(2.4%)</b>	<b>---</b>



## Income Statement at September 30<sup>th</sup>, 2004

(thousand of Euro)	September 30 2004	%	September 30 2003	%	Δ %
<b>Revenues from sales and services</b>	<b>214,527</b>	<b>100.0%</b>	<b>211,398</b>	<b>100.0%</b>	<b>1.5%</b>
Variation of stocks of finished products	5,728	2.7%	14,255	6.7%	(59.8%)
Other revenues and income	4,264	2.0%	3,899	1.8%	9.4%
<b>Value of production</b>	<b>224,519</b>	<b>104.7%</b>	<b>229,552</b>	<b>108.6%</b>	<b>(2.2%)</b>
Consumption of raw materials	(100,008)	(46.6%)	(101,573)	(48.0%)	(1.5%)
Costs for services	(40,135)	(18.7%)	(44,541)	(21.1%)	(9.9%)
Use of third party assets	(5,276)	(2.5%)	(6,436)	(3.0%)	(18.0%)
Other operating expenses	(2,997)	(1.4%)	(3,816)	(1.8%)	(21.5%)
<b>Added value</b>	<b>76,103</b>	<b>35.5%</b>	<b>73,186</b>	<b>34.6%</b>	<b>4.0%</b>
Personnel expenses	(61,636)	(28.7%)	(67,195)	(31.8%)	(8.3%)
<b>Gross operating margin</b>	<b>14,467</b>	<b>6.7%</b>	<b>5,991</b>	<b>2.8%</b>	<b>141.5%</b>
Amortizations, depreciations and provisions	(8,152)	(3.8%)	(9,377)	(4.4%)	(13.1%)
<b>Profit before depreciation of consolidation difference</b>	<b>6,315</b>	<b>2.9%</b>	<b>(3,386)</b>	<b>(1.6%)</b>	<b>---</b>
Amortization of consolidation difference	(381)	(0.2%)	(1,094)	(0.5%)	(65.2%)
<b>Operating result</b>	<b>5,934</b>	<b>2.8%</b>	<b>(4,480)</b>	<b>(2.1%)</b>	<b>---</b>
Financial charges and incomes	(3,156)	(1.5%)	(5,088)	(2.4%)	(38.0%)
Extra-ordinary charges and incomes	6,791	3.2%	(2,883)	(1.4%)	---
<b>Pre-tax result</b>	<b>9,569</b>	<b>4.5%</b>	<b>(12,451)</b>	<b>(5.9%)</b>	<b>---</b>

### Pro-forma Income Statement (\*)

(thousand of Euro)	III Q 2004	III Q 2003	September 30 2004	September 30 2003
<b>Revenues from sales and services</b>	<b>66,367</b>	<b>61,507</b>	<b>214,169</b>	<b>188,953</b>
Variation of stocks of finished products	(590)	(1,410)	5,755	13,179
Other revenues and income	1,707	892	4,319	2,983
<b>Value of production</b>	<b>67,484</b>	<b>60,989</b>	<b>224,243</b>	<b>205,115</b>
Consumption of raw materials	(29,090)	(25,589)	(100,619)	(90,618)
Costs for services	(12,470)	(10,908)	(39,749)	(38,702)
Use of third party assets	(1,861)	(1,758)	(5,217)	(5,489)
Other operating expenses	(787)	(920)	(2,987)	(3,228)
<b>Added value % on revenues</b>	<b>23,276 35.1%</b>	<b>21,814 35.5%</b>	<b>75,671 35.3%</b>	<b>67,078 35.5%</b>
Personnel expenses	(18,100)	(17,328)	(60,886)	(56,895)
<b>Gross operating margin % on revenues</b>	<b>5,176 7.8%</b>	<b>4,486 7.3%</b>	<b>14,785 6.9%</b>	<b>10,183 5.4%</b>
Amortizations, depreciations and provisions	(2,680)	(2,521)	(8,006)	(7,884)
<b>Profit before depreciation of consolidation difference</b>	<b>2,496</b>	<b>1,965</b>	<b>6,779</b>	<b>2,299</b>
Amortization of consolidation difference	(128)	(365)	(381)	(1,094)
<b>Operating result % on revenues</b>	<b>2,368 3.6%</b>	<b>1,600 2.6%</b>	<b>6,398 3.0%</b>	<b>1,205 0.6%</b>
Financial charges and incomes	(1,081)	(876)	(3,145)	(3,935)
Extra-ordinary charges and incomes	(954)	(566)	6,794	(2,995)
<b>Pre-tax result % on revenues</b>	<b>333 0.5%</b>	<b>158 0.3%</b>	<b>10,047 4.7%</b>	<b>(5,325) (2.8%)</b>

(\*)The amounts of the third quarter 2003 do not include the Schelling Group results, while the amounts of the third quarter 2004 do not include the results of the affiliated companies Cabi S.r.l., Sandymac S.r.l. and Intermac Vidrio Iberica S. A.

## Net Financial Position at September 30<sup>th</sup>, 2004

(thousand of Euro)	September 30 2004	June 30 2003	December 31 2003	September 30 2003
Financial assets	24,125	20,272	26,870	29,514
- Liquid assets	16,628	16,339	20,504	25,883
- Short-term activities (notes)	0	0	2,530	2,530
- Biesse S.p.A. shares buy-back	4,577	3,933	3,836	1,101
- Short term financing credits due by parent company	2,920	0	0	0
Short term financial debts	(2,444)	(3,257)	(2,421)	(2,474)
Short term bank debts	(69,907)	(65,194)	(102,925)	(104,782)
Short term financing debts due to parent company	0	(1,800)	0	0
<b>Short term net financial position</b>	<b>(48,226)</b>	<b>(49,979)</b>	<b>(78,476)</b>	<b>(77,742)</b>
Medium/long term financial debts	(18,446)	(18,700)	(19,865)	(29,219)
Medium/long term bank debts	(5,609)	(6,077)	(8,415)	(13,780)
<b>Medium/long term net financial position</b>	<b>(24,055)</b>	<b>(24,777)</b>	<b>(28,280)</b>	<b>(42,999)</b>
<b>Total financial position</b>	<b>(72,281)</b>	<b>(74,756)</b>	<b>(106,756)</b>	<b>(120,741)</b>

RATIO	September 30 2004	December 31 2003
Gearing	0.77	1.23
Equity on net fixed assets	1.16	0.92
Financial Leverage	2.32	2.80

### Balance sheet figures

	September 30 2004	December 31 2003
Receivables	118,664	127,779
Stocks <sup>(1)</sup>	88,153	80,834
Payables	(100,765)	(87,720)
Provisions for risks	(20,844)	(21,788)
<b>Net Working Capital</b>	<b>85,208</b>	<b>99,105</b>
Immaterial assets	13,628	14,858
Material assets	65,341	77,141
Financial investments	2,095	2,557
<b>Net Assets</b>	<b>81,064</b>	<b>94,556</b>
<b>TOTAL ASSETS</b>	<b>166,272</b>	<b>193,661</b>
Net Financial Position	(72,281)	(106,756)
Group Equity <sup>(2)</sup>	(93,827)	(86,658)
Minority equity	(164)	(247)
<b>FINANCIAL SOURCES</b>	<b>166,272</b>	<b>193,661</b>

(1) Stock value at 09/30/2003 pro-forma: euro/000 96,390.

(2) The third quarter 2004 amount does not include the taxes. The December 2003 amount is net of the tax provisions.

### Financial statement

(thousand of Euro)	III Q 2004	III Q 2003	2003
Income (loss) of the period	177	(1,689)	(41,268)
Amortizations	2,650	3,459	12,476
Provisions	208	21	1,625
<b>Cash flow</b>	<b>3,035</b>	<b>1,791</b>	<b>(27,167)</b>
Use of risk funds	(227)	1,451	(2,890)
Variation of stocks	(549)	2,332	9,774
Variation of receivables	5,798	6,065	18,168
Variation of payables	(5,270)	(14,148)	(33,390)
Variation in accruals	243	1,119	(924)
<b>Variation of the working capital</b>	<b>(5)</b>	<b>(3,181)</b>	<b>(9,262)</b>
<b>Cash flow from ordinary activities</b>	<b>3,030</b>	<b>(1,390)</b>	<b>(36,429)</b>
Investments	(470)	(1,760)	19,433
Variation of the equity	(85)	(3,843)	(3,754)
<b>Cash flow</b>	<b>2,475</b>	<b>(6,993)</b>	<b>(20,750)</b>
<b>Initial Net Financial Position</b>	<b>74,756</b>	<b>113,748</b>	<b>86,006</b>
<b>Final Net Financial Position</b>	<b>72,281</b>	<b>120,741</b>	<b>106,756</b>



## EXPLANATORY NOTES

The quarterly report of the Biesse Group at September 30<sup>th</sup> 2004 was prepared on the basis of Consob Rule no. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments and additions.

Accounting principles and valuation criteria comply with those of the financial statement at December 31<sup>st</sup>, 2003, to which reference is made, with the exception of valuation of closing inventories. This was changed from the LIFO method to the average cost method, as stated by the IAS, the new accounting standards to be used by the EU public companies. We briefly state also the following:

- the quarterly statement was prepared according to the criterion of separating the periods on the basis of which the reference period is considered as an independent financial period; from this view point the quarterly Income Statement reflects the economic components relating to the period in respect of the pro-tempore basis principle;
- the accounting statements taken as a basis of the consolidation process are the ones prepared by the subsidiary companies with reference to September 30<sup>th</sup> 2004, adjusted, where necessary, to adapt them to the Group's accounting principles;
- the Income Statement is presented excluding tax;
- estimated figures of a significant amount are not presented.

## BOARD OF DIRECTORS' REMARKS

The third quarter 2004 terminated with satisfactory results in terms of volumes and margins. After the particularly positive performance of the first semester (and especially of the second quarter, whose volumes were very high in comparison with the historical trends of the Group), the summer months have substantially maintained the profitability produced by the Group in the first six months; they suffer from the normal decrease in volumes, due to the August shutdown, with correspondingly higher structure costs. In comparison with the



previous year, volumes and margins improved (even in the comparison of the pro-forma figures), while the net financial position increased with respect to June 2004. The Net Working Capital maintains the trend of second quarter, improving by 22 millions with respect to the same period of the previous year.

The economic conditions of the reference market are improving, while the Group strategies of productive rationalization and costs management are continuing.

As far as the Biesse group' reference market is concerned (the production of woodworking machineries), the Association of category Acimall communicated that the incoming orders of the third quarter 2004 was lower than in the previous quarters of the year, due in particular to the negative results of the Italian market (-28.1%), while the foreign markets increased by 23.2%.

The third quarter 2004 confirms the good situation of the non traditional markets (East Europe, Far East, Pacific Area), even if the opinion about the performance of the North American area is negatively affected by the movement of the US\$/Euro rate. The Rest of the World area increased by 33.8% in comparison with the same quarter of the previous year, and its percentage on consolidated turnover improved from 27.4% to 38.5%. The North America area decreased by 27.7% (with the percentage on consolidated turnover decreasing from 19.3% to 14.7%), but the US market has increased by 7.4%, in US\$ terms. The EU area is still weak, and its volumes continue to decrease.

On the operational side, the preliminary agreement signed with a local partner for the sale of a part of the production site of San Giovanni in Marignano together with some machinery, is expected to generate a positive cash flow of 6.3 million Euro on completion in November 2004. The agreement includes the outsourcing of carpentry and painting activities, with the resulting reduction in staffing levels of 50 employees by 30/11/2004.

The analysis of the economic figures is affected by the significant change in consolidated companies: it is therefore necessary to consider the pro-forma accounting statements (that do not include the economic result of Schelling for



2003 and of Cabi S.r.l., Sandymac S.r.l. and Intermac Vidrio Iberica S.A. for 2004).

The total sales decreased by Euro 3,314 thousand (-4.8%) in comparison with the third quarter 2003: instead the pro-forma figures indicate an improvement of Euro 4,860 thousand (+7.9%). The improvement is spreading in all divisions, as better represented by the following charts of the revenues by division.

The value of production decreased from Euro 69,356 thousand to Euro 67,511 thousand, lowering by 2.7% in comparison with the previous year, due to the decrease in sales, not completely compensated by the increase in stocks. The pro-forma figures indicate again an increase, equal to Euro 6,495 thousand (+11%).

The Added Value is equal to Euro 23,388 thousand, maintaining the performance of the previous year, but increasing its percentage on sales from 34.1% to 35.2%. This result has been achieved because of the savings made in the main categories of costs, that compensate the slight worsening of the cost of sales, connected to the sale of the carpentry and painting activities.

The Gross Operating Margin increased from Euro 3,605 thousand to Euro 5,074 thousand and its percentage on sales was 7.6%, while in the previous year it was 5.2%. The personnel expenses decreased from Euro 20,135 thousand to Euro 18,314 thousand and its percentage on sales decreased from 28.9% to 27.6%.

The weight of amortizations and depreciations is lowering: the percentage on sales decreased from 4.5% to 4.1%; the same trend is showed by the analysis of the pro-forma figures.

The Operating Result was positive in the third quarter 2003 by Euro 125 thousand and it increased by Euro 2,091 thousand (percentage on sales equal to 3.3%), in third quarter 2004.

The balance of financial charges and incomes was negative, and this is mainly due to the costs of financial interests (Euro 863 thousand), while the exchange rate management has a negative balance of Euro 307 thousand. The improvement of Euro 166 thousand, due by the comparison with the third



quarter 2003, is mainly due to the decrease of the financial charges, reflecting the improvement of the Net Financial Position. In fact this item improves with respect to June 2004 (-48.4 million of Euro) and December 2003 (-34.4 million of Euro). This result is partly derived from the sale of assets, made at the beginning of the year (net cash-in of Euro 19.1 million) and it demonstrates the strong engagement for the debt reduction, deriving from the cash generation of the operational activities.

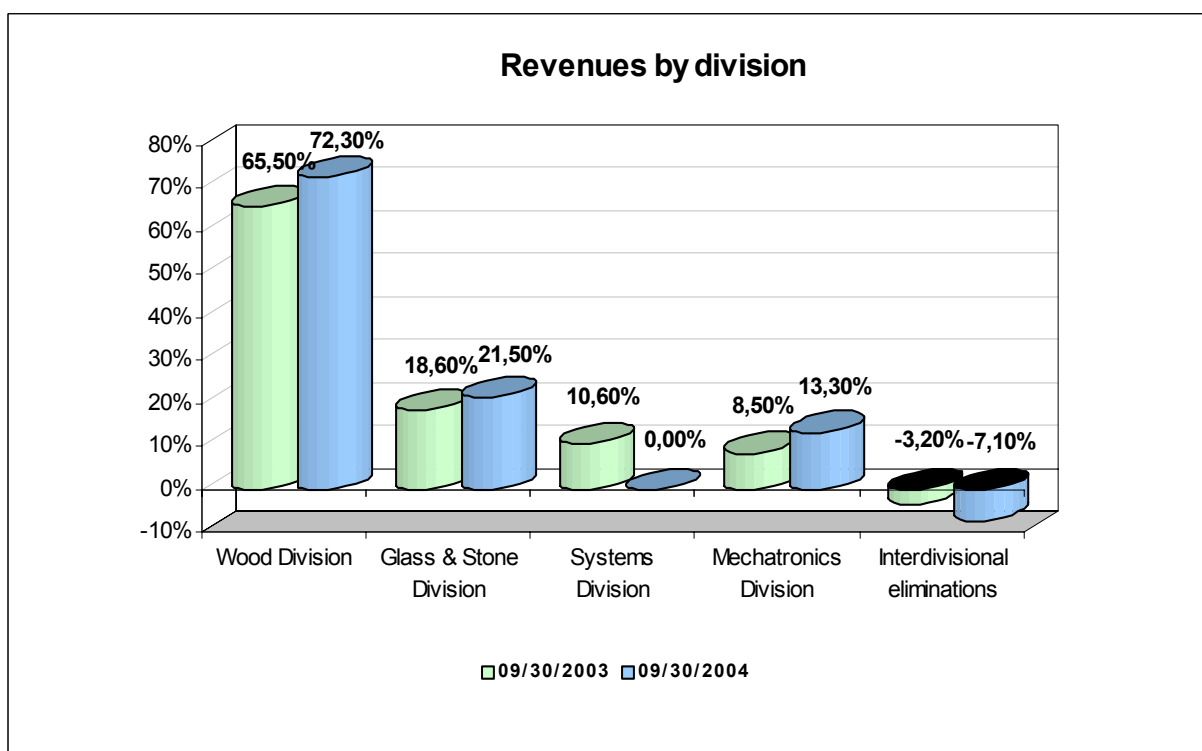
With reference to the other items, the Net Working Capital was equal to Euro 85,208 thousand, similar to the amount of June 2004 (Euro 85,411 thousand), but better than the amount of December 2003 (Euro 99,105 thousand). This positive trend is mainly due to the improvement of the inventories management, the reduction of the trade receivables and the increase in trade payables.



## Revenues by division

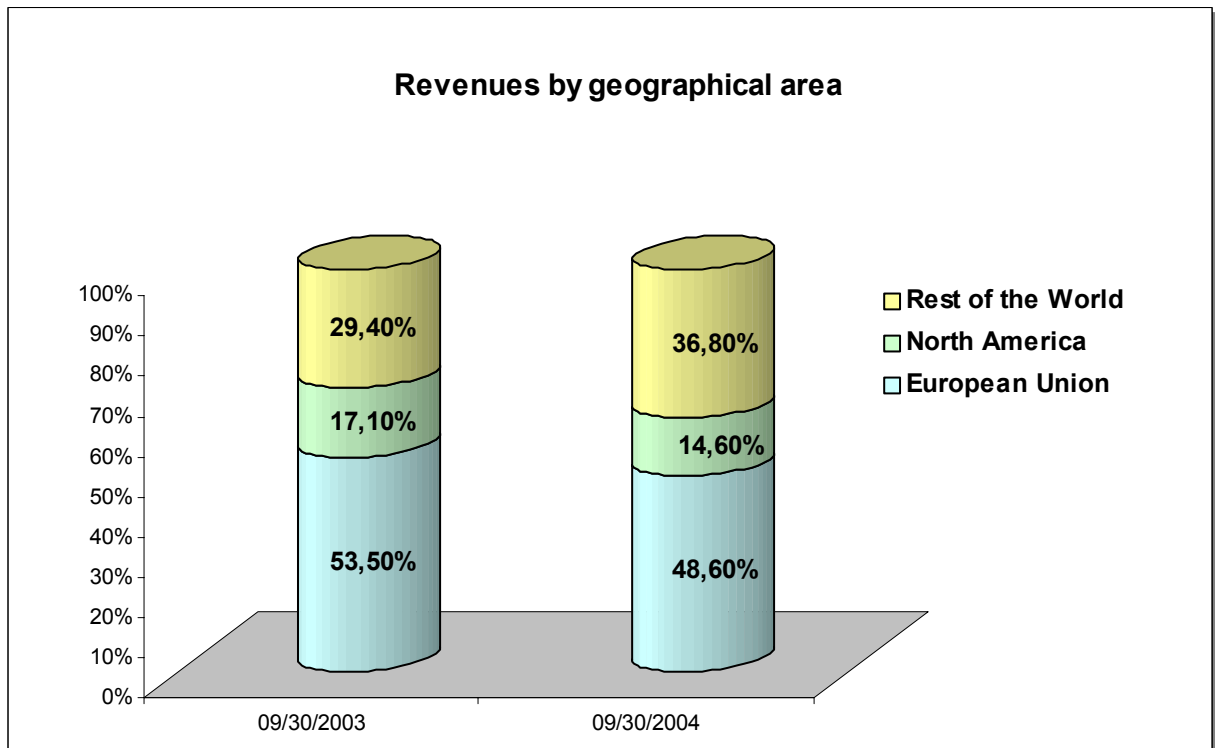
(thousand of Euro)	III Q 2004	%	III Q 2003	%	September 30 2004	%	September 30 2003	%
Wood Division	50,093	75.5%	48,151	69.1%	155,012	72.3%	138,565	65.5%
Glass & Stone Division	13,094	19.7%	11,049	15.9%	46,172	21.5%	39,296	18.6%
Systems Division*	-	-	8,158	11.7%	-	-	22,466	10.6%
Mechatronics Division	7,745	11.7%	4,326	6.2%	28,580	13.3%	17,897	8.5%
Interdivisional eliminations	(4,564)	(6.9%)	(2,002)	(2.9%)	(15,237)	(7.1%)	(6,826)	(3.2%)
<b>Total</b>	<b>66,368</b>	<b>100.0%</b>	<b>69,682</b>	<b>100.0%</b>	<b>214,527</b>	<b>100.0%</b>	<b>211,398</b>	<b>100.0%</b>

\* Starting from 2004 the Systems Division is a business unit of the Wood Division (Biese Engineering).



## Revenues by geographical area

(thousand of Euro)	III Q 2004	%	III Q 2003	%	September 30 2004	%	September 30 2003	%
European Union	31,081	46.8%	37,106	53.3%	104,143	48.6%	113,182	53.5%
North America	9,740	14.7%	13,478	19.3%	31,380	14.6%	36,055	17.1%
Rest of the World	25,547	38.5%	19,098	27.4%	79,004	36.8%	62,161	29.4%
<b>Total</b>	<b>66,368</b>	<b>100.0%</b>	<b>69,682</b>	<b>100.0%</b>	<b>214,527</b>	<b>100.0%</b>	<b>211,398</b>	<b>100.0%</b>



Pesaro, November 10<sup>th</sup> 2004

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