

Biesse S.p.A. Board of Directors
Explanatory Report concerning the
Proposal of modification of the Company Statute regarding the
First item on the Agenda of the Special Meeting
convened for April 27th, 2005 in first instance and
April 28th, 2005 in second instance.

Dear Shareholders,

The Company Board of Directors has convened you in special meeting to put to your attention the proposal of modification, also in view of complying to the Legislative Decree n. 6 dated January 17th, 2003 and successive amendments and addenda, of the following articles of the current Company Statute:

- Art. 1 (Main and secondary Headquarters)
- Art. 4 (Stock)
- Art. 10 (Meetings notification)
- Art. 12 (Meetings)

In compliance with Art. 72 of the 1197/1999 Consob regulations and successive modifications and with Art 3 of the Ministerial Decree (Justice) n. 437/1998, we are hereby putting to your kind attention some proposals aiming at making the statute conform to the new unbreakable norms dictated by the Reform.

The Board of Directors has thus put forward some purely formal proposals of modification which find a better expression in the re-writing of some of the statute articles as well as some articles being added/cancelled.

Hereunder you will find details of the proposal of modification of the Company Statute which, for the sake of clarity, state on the one hand the article as it stands in the current Statute and on the other hand the proposed amendments with specific variations underlined in the text.

ART. 1 CURRENT STATUTE	ART. 1 PROPOSED STATUTE
<p>A Limited Company is hereby founded under the name "BIESSE S.p.A." with registered headquarters in Pesaro, <u>Via Della Meccanica N° 16. The Ordinary Meeting of Shareholders may vote to create or suppress secondary headquarters, both in Italy and abroad, in compliance with the regulations in force on this subject. The administrative body may found and suppress branches, subsidiaries, agencies, warehouses and representatives, both in Italy and abroad..</u></p>	<p>A Limited Company is hereby founded under the name "BIESSE S.p.A." with registered headquarters in Pesaro. <u>The headquarters can be transferred to any other address in the same town upon simple decision by the Board of Directors that is also responsible for notifying the subsequent changes to the Company Registrar.</u></p> <p><u>The Board of Directors' decision must be approved by the shareholders during their first ordinary meeting.</u></p> <p><u>When meeting in special assembly the Shareholders may decide to transfer the company's headquarters to another town in Italy or abroad.</u></p> <p><u>Furthermore the Board of Directors may decide to set up or close down any secondary headquarters, branches, subsidiaries, agencies and representative offices, both in Italy and abroad.</u></p>

The company postal address has been cancelled (via della Meccanica 16) inasmuch as the Company name is now sufficient, as per art. 2328 paragraph 2 n. 2 of the Italian Civil Code. The only indication now standing is the name of the town where is company is based. The following paragraphs detail regulations pertaining to the change of address, the transfer of headquarters, opening/closing of secondary headquarters, branches, subsidiaries, etc.

ART. 4 CURRENT STATUTE	ART. 4 PROPOSED STATUTE
<p>The Company Capital amounts to Euro 27,393,042 (twenty seven million, three hundred and ninety three thousand and forty two) divided into No. 27,393,042 (twenty seven million, three hundred and ninety three thousand and forty two) ordinary shares with a nominal value of 1 Euro each.</p> <p><u>The Board of Directors is entitled to increase the Company Capital on one or more occasions by a maximum of Euro 1,500,000 (one million five hundred thousand) through issue of a maximum of No. 1,500,000 (one million five hundred thousand) ordinary shares, to be offered at a paid-in surplus of Euro 9.81 for each share with nominal value of 1 Euro, issued to company employees under the BIESSE SPA 2000-2003 staff incentive plan; said paid-in surplus being susceptible to increase or reduction as the value of shares changes following special Company operations such as increases or reductions in current company capital, and in particular by strict application of the mathematical equivalence formulae indicated in the BIESSE SPA 2000-2003 Stock Option Regulations. In any event, this option is set for a period not to exceed 5 years.</u></p> <p>The shares are freely transferable, provided that all relevant legal regulations are complied with.</p>	<p>The Company Capital amounts to Euro 27,393,042 (twenty seven million, three hundred and ninety three thousand and forty two) divided into No. 27,393,042 (twenty seven million, three hundred and ninety three thousand and forty two) ordinary shares with a nominal value of 1 Euro each.</p> <p>The shares are freely transferable, provided that all relevant legal regulations are complied with.</p>

Within Article 4, the paragraph dealing with Stock has been cancelled, inasmuch as the incentive system implemented for the Biesse employees (stock options) expired in 2003.

ART. 10 CURRENT STATUTE	ART. 10 PROPOSED STATUTE
<p>The Shareholders' Meeting is called by means of an official notification indicating the date, the time and the place of the meeting, and a list of the questions to be discussed. The notification must be published in the Official Gazette of the Italian Republic within the terms and in the manner required by law and must be published within the same terms in a widely distributed national daily newspaper.</p> <p>The notification may also contain indications of the date, the time and the place of a possible second or third calling, as foreseen by law.</p> <p>Unless otherwise foreseen by law, the Board of Directors must call the shareholders' meeting within thirty days of receiving a request to that effect, provided said request be presented by a number of Shareholders representing at least 10% (ten percent) of the company capital expressed in ordinary shares.</p> <p>The request must be sent to the President of the Board of Directors by registered mail, and must contain an analytical index of the questions to be set down on the agenda and a detailed list of the Shareholders making the request, also enclosing suitable certificates attesting the shares owned by each of said shareholders on the date that said communication is sent. The Board of Directors, bearing in mind the questions to be discussed, may decide, in the interests of the Company, not to call the meeting.</p> <p>If the request is made by a number of Shareholders representing at least one fifth of the company capital, art. 2367 of the Italian Civil Code will apply.</p>	<p>The Shareholders' Meeting is called the Board of Directors by means of an official notification indicating the date, time and place of the meeting, and a list of the questions to be discussed. As per Art. 2366, paragraph 2. of the Italian Civil Code, the notification must be published in the Official Gazette of the Italian Republic or on the financial newspaper "Il Sole 24 ore" or on the Italian Daily "Il Corriere della Sera" within the terms and in the manner required by law.</p> <p>The notification may also contain indications of the date, the time and the place of a possible second or third calling, as foreseen by law.</p> <p>Unless otherwise foreseen by law, the Board of Directors must call the shareholders' meeting within thirty days of receiving a request to that effect, provided said request be presented by a number of Shareholders representing at least 10% (ten percent) of the company capital expressed in ordinary shares.</p> <p>The request must be sent to the President of the Board of Directors by registered mail, and must contain an analytical index of the questions to be set down on the agenda and a detailed list of the Shareholders making the request, also enclosing suitable certificates attesting the shares owned by each of said shareholders on the date that said communication is sent. The Board of Directors, bearing in mind the questions to be discussed, may decide to apply Art. 2367 paragraph 3 of the Italian Civil Code.</p>

The modification regards the allotment to the Board of Directors of the power to call the Shareholders' meetings and with reference to Art. 2366 paragraph 2 states the way the compulsory notification is to be published (specifying thus the newspapers to use). It also states, in the last paragraph, the right granted the Board of Directors not to call the assembly even when a request has been put forward by shareholders representing at least 10 % of the

Company Stock, always in compliance with paragraph 3 of art. 2367 of the Italian Civil Code.

ART. 12 CURRENT STATUTE	ART. 12 PROPOSED STATUTE
<p>The Shareholders' Meeting can be Ordinary and Special.</p> <p>The Ordinary Meeting will be called by the Board of Directors - without prejudice to the authority granted to the Board of Auditors and the members thereof, as foreseen by law - at least once a year, within <u>four months</u> of the end of the financial year. When special need arises, the Ordinary Meeting may be called at least once a year within <u>six months</u> of the end of the company's financial year..</p> <p>The Shareholders' Meetings, both ordinary and special, are validly constituted and entitled to vote on the basis of the majorities and other requirements for validity set down by current legislation on this subject.</p>	<p>The Shareholders' Meeting can be Ordinary and Special.</p> <p>The Ordinary Meeting will be called by the Board of Directors - without prejudice to the authority granted to the Board of Auditors and the members thereof, as foreseen by law - at least once a year, within <u>one hundred and twenty (120) days</u> of the end of the financial year. <u>As required by law and</u> when special need arises, the Ordinary Meeting may be called at least once a year within <u>one hundred and eighty (180) days</u> of the end of the company's financial year. <u>In this case the Directors will indicate the reasons for such postponement in the Management Report as per Art. 2428 of the Italian Civil Code.</u></p> <p>The Shareholders' Meetings, both ordinary and special, are validly constituted and entitled to vote on the basis of the majorities and other requirements for validity set down by current legislation on this subject.</p>

Proposed modification of Art. 12 stems from the need to make the statute conform to the unbreakable rule of Art. 2364 par. 2 of the Italian C.C. regarding terms that now have to be expressed in days and no longer in months for the notification regarding the meeting during which financial results are approved.

Dear Shareholders,

On all the afore said, you are hereby invited to adopt the following resolution

“The Assembly, having heard the proposals of the President

votes

to approve the modifications of the following articles of the current statute that will become a definitive part of the new Statute:

- Art. 1 (Main and secondary Headquarters)
- Art. 4 (Stock)
- Art. 10 (Meetings notification)
- Art. 12 (Meetings)

Pesaro, 28 April 2005

For the Board of Directors
The President Roberto Selci