

Cembre SpA

Registered Office: Via Serenissima 9, Brescia, Italy

Share Capital: Euro 8.840.000 (fully paid-up)

Registration no: FC 00541390175 (Commercial Register of Brescia)

Report on the Quarter ended December 31, 2002

Consolidated Income Statement

(in Euros)

	2002	2001	4th Quarter 2002	4th Quarter 2001
A) Revenues				
1) Sales	56.945.939	56.002.417	14.847.719	14.008.948
2) Change in work in progress, semi-finished and finished goods inventories	1.566.451	1.997.639	917.937	49.090
4) Increase in assets due to internal construction	871.870	643.015	245.207	107.135
5) Other revenues:				
a) sundry	49.559	73.335	12.732	37.049
b) contributions received	—	78.606	—	32.581
Total operating value	59.433.819	58.795.012	16.023.595	14.234.803
B) Operating Costs				
6) Raw materials	(19.980.602)	(20.677.607)	(5.167.918)	(4.931.807)
7) Services	(10.016.860)	(9.410.606)	(2.916.169)	(2.437.019)
8) Leases and rentals	(935.136)	(701.920)	(243.473)	(231.524)
9) Personnel				
a) Wages and salaries	(13.545.771)	(13.010.888)	(3.296.524)	(3.581.186)
b) Social security	(3.638.452)	(3.482.506)	(901.285)	(844.247)
c) Employee termination indemnities	(712.522)	(670.662)	(170.643)	(187.068)
d) Retirement benefits	(12.134)	(9.338)	(3.555)	(6.894)
e) Other costs	(125.581)	(81.886)	(37.818)	(12.379)
Total personnel costs	(18.034.460)	(17.255.280)	(4.409.825)	(4.631.774)
10) Depreciation and write-downs				
a) Amortization of intangible assets	(427.898)	(552.972)	(142.151)	(140.483)
b) Amortization of tangible assets	(3.553.728)	(3.525.005)	(1.016.036)	(879.042)
d) Write-down in the value of current assets	(107.053)	(118.499)	(29.207)	(24.828)
Total depreciation and write downs	(4.088.679)	(4.196.476)	(1.187.394)	(1.044.353)
11) Change in raw material inventories	131.804	653.334	(416.332)	(174.470)
12) Accruals to risk provisions	(44.416)	(6.963)	(35.969)	(1.686)
14) Other operating costs	(194.633)	(268.027)	(28.257)	(112.282)
Total Operating Costs	(53.162.982)	(51.863.545)	(14.405.337)	(13.564.915)
Operating income (A-B)	6.270.837	6.931.467	1.618.258	669.888

	2002	2001	4th Quarter 2002	4th Quarter 2001
C) Finance Income and expenses				
16) Other financial income:				
d) other income	73.906	180.637	8.768	2.613
17) Interest and other financial charges	(689.738)	(459.519)	(261.018)	(17.675)
Total	(615.832)	(278.882)	(252.250)	(15.062)
D) Adjustments to the value of financial assets				
18) Revaluations				
b) long-term financial assets	5.611	6.512	918	1.364
c) marketable securities (excluding subsidiaries)	—	—	—	—
19) Write-downs				
c) marketable securities (excluding subsidiaries)	(101.404)	(12.647)	(73.410)	(12.647)
Total adjustments to the value of financial assets	(95.793)	(6.135)	(72.492)	(11.283)
E) Extraordinary items				
20) Income	49.178	88.533	4.915	(10.831)
21) Losses	(404.077)	(169.369)	(30.830)	(13.920)
Total extraordinary items	(354.899)	(80.836)	(25.915)	(24.751)
Profit before taxes (A-B+C+D+E)	5.204.313	6.565.614	1.267.601	618.792

Consolidated net financial position	Dec. 31, 2002	Sept. 30, 2002	Dec. 31, 2001
<i>(in euros)</i>			
Non-current borrowings	(4.132.003)	(2.603.032)	(4.819.514)
Subtotal - non-current net financial liabilities	(4.132.003)	(2.603.032)	(4.819.514)
Cash and marketable securities	3.327.237	3.041.249	4.846.675
Current bank borrowings	(9.410.664)	(9.446.764)	(3.871.246)
Other current borrowings	(47.070)	(29.209)	(45.278)
Other available financial assets	465.296	538.707	566.700
Subtotal - current net financial liabilities	(5.665.201)	(5.896.017)	1.496.851
Group net financial liabilities	(9.797.204)	(8.499.049)	(3.322.663)

Brescia, February 12, 2003

**CHAIRMAN OF THE BOARD OF DIRECTORS
CEMBRE S.P.A. – PARENT COMPANY**

CARLO ROSANI

Cembre S.p.A.

Head Office: Via Serenissima 9, Brescia, Italy

Share Capital: euro 8,840,000 (fully paid-up)

Registration no. 00541390175 (Brescia Commercial Register)

Notes to the accounts for the 4th Quarter of 2002

Accounting principles, form and content of the financial statements, estimates

Principles of consolidation and valuation criteria adopted in the present Report for the 4th Quarter of 2002 are in line with those adopted for the Consolidated Financial Statements at December 31, 2001 to which we refer. The present Quarterly Report was prepared in accordance with Consob Regulation no. 11791 dated May 14, 1999 and subsequent amendments.

The Consolidated Financial Statements are based on the Statutory Accounts of Cembre SpA (parent company) at December 31, 2002, and those of the following companies at the same date:

	Share owned by the Group	Share owned by the Group
	December 31, 2002	December 31, 2001
1. Cembre Ltd (UK)	100%	100%
2. Cembre Sarl *(France)	100%	100%
3. Cembre España SL *(Spain)	100%	100%
4. Cembre AS (Norway)	100%	100%
5. Cembre GmbH *(Germany)	100%	100%
6. Cembre Inc. **(USA)	100%	100%
7. General Marking Srl	100%	-

* 5% share held through Cembre Ltd

** 50% share held through Cembre Ltd

The parent company has control of the above companies pursuant to Article 2359 of the Italian Civil Code.

Criteria used in the preparation of the financial statements were applied consistently within the Group. Where necessary, financial data was adjusted and reclassified.

In the 3rd Quarter of 2002, the consolidation area underwent changes due to the incorporation in July 2002 of company General Marking Srl, a wholly-owned subsidiary of Cembre S.p.A. In the 4th Quarter of 2002, there were no further changes in the consolidation area.

Oelma Srl, a wholly-owned subsidiary since 1999, was merged into Cembre SpA effective January 1, 2002. The merger had no significant effect on the accounting records and continuity with the amounts reported at December 31, 2001 was maintained.

The present Quarterly Report was prepared in accordance with the “period separation criteria”, based on which the period considered is treated as an independent financial period. The income statement for the quarter thus reflects the income components relating to the period in application of the accrual method.

The present Quarterly Report does not contain data estimated using criteria different from those used for previous Quarterly reports.

Notes to the accounts

Personnel costs increase due to the higher number of parent company employees, increasing from 417 in 2001 to 453 in 2002, of which 17 relating to newly incorporated company General Marking Srl. The strongest increase is due to personnel of the parent company that increased by 14 from 308 in 2001 (including Oelma's personnel) to 322 in 2002. The increase follows the growth of the organization and the restructuring of production activities enabling the Company to face the expected recovery in demand in the second quarter of 2003. The increase in financial debt over September 30, 2002, is due mainly to the acquisition of an industrial building in Bergamo, resulting in an investment of about Euro 1.5 million. Capital expenditure of the parent company in 2002, amounting to Euro 6.7 million, registers a marked increase on 2001, in which it amounted to Euro 2.2 million. On July 26, 2002, subsidiary General Marking acquired from company Sibocar Srl its cable marking equipment, cable and electrical equipment marking division, for a total of euro about 2.8 million.

Sales by geographical area

(thousands of Euros)	2002	2001
Italy	27,518	28,095
Rest of Europe	24,246	23,629
Rest of the World	5,182	4,278
Total	<u>56,946</u>	<u>56,002</u>

Management expectations of operations

The Annual Report of the Company is expected to be in line with the present Quarterly Report.

The Company's activity is not characterised by cyclical or seasonal factors, with the exception of the slowdown registered in August due to the closing of production facilities for the summer holidays and in December for the Christmas season.

Brescia, February 12 2003

**THE CHAIRMAN OF THE BOARD OF DIRECTORS
CEMBRE SPA – GROUP PARENT COMPANY**

CARLO ROSANI

Cembre S.p.A.

Head Office: Via Serenissima 9, Brescia, Italy

Share Capital: Euro 8,840,000 (fully paid-up)

Registration no. 00541390175 (Brescia Commercial Register)

Cembre Group Management Report on the 4th Quarter of 2002

(Amounts are expressed in Euros unless otherwise indicated)

Revenues for the 4th Quarter of 2002 amounted to Euro 14,847,719, up 6% on the 4th Quarter of 2001 in which they amounted to Euro 14,008,948. Revenues for the full year amounted to Euro 56,945,939, up 1.7% on the previous year. Domestic sales amounted to Euro 27.5 million, down 2% on the previous year, while sales to other European countries, excluding Italy, amounted to Euro 24.2 million, up 2.6%. Group sales in the rest of the World amounted to Euro 5.2 million, as compared with Euro 4.3 million in 2001.

A total of 48.3% of Group sales in 2002 were represented by Italy (as compared with 50.2% in 2001), 42.6% by the rest of Europe (42.2% in 2001), and the remaining 9.1% by the rest of the World (7.6% in 2001).

Revenues by Group company

(in Euros)	2002	2001
Parent company	34,105,663	34,630,897
Cembre Ltd. (UK)	7,372,730	7,244,722
Cembre S.a.r.l. (France)	4,006,100	4,032,865
Cembre España S.L. (Spain)	4,723,383	3,828,592
Cembre GmbH (Germany)	3,611,363	4,181,035
Cembre AS (Norway)	543,302	378,865
Cembre Inc (USA)	2,360,549	1,705,441
General Marking Srl (Italy)	222,849	—
Total	<u>56,945,939</u>	<u>56,002,417</u>

To allow a comparison of data for the two periods, Parent Company sales for 2001 include also sales reported by Oelma Srl (amounting to Euro 2,377,472), merged into the former effective January 1, 2002. Lower sales of the Parent Company are due to the slowdown in the domestic market. In the same way, sales of Cembre GmbH are negatively affected by the downturn in the German market.

To provide a better understanding of the Group's financial performance for 2002, a Reclassified Consolidated Income Statement is enclosed as Attachment A. In comparing data with that reported for 2001, it must be kept into account that the performance registered in the first nine months of 2001 was very strong, with profits above the average for the year, whereas the sales performance for last quarter of 2002 was better than in the last quarter of 2001, affected by a sharp downturn. As a result, the difference in the performance for 2002 and 2001 as a whole declined from that recorded for the first nine months of the two years.

The operating profit for 2002 amounted to Euro 10,252,463, representing a 18% margin on sales, down on 2001 in which it amounted to Euro 11,009,444, representing a 19.66% margin on sales.

Financial charges for 2002 increased sharply on 2001 due to higher debt, resulting primarily from higher capital expenditure in 2002, growing from about Euro 2.2 million to Euro 6.7 million.

Consolidated profit before taxes for 2002 is equal to Euro 5,204,313, representing a 9.14 margin on sales, and declines from 2001 in which it amounted to Euro 6,565,614, due in part to the recording on a prudent basis of Euro 200,000 of extraordinary costs against possible liabilities arising from

disagreements with INAIL (workers' insurance) on the alleged different classification of risks in the past, against which claim Cembre filed a grounded appeal.

Capital expenditure for 2002 amounted, net of depreciation and disposals, to Euro 6.7 million. Such investments were made primarily by the Parent Company and consist of industrial buildings, amounting to Euro 2.6 million and by plant and equipment worth Euro 3.1 million.

Events subsequent to the closing date of the 4th Quarter of 2002

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after December 31, 2002.

The present document includes a Reclassified Consolidated Income Statement for the Quarter ended December 31, 2002 (Attachment A).

Brescia, February 12, 2003

**CHAIRMAN OF THE BOARD OF DIRECTORS
CEMBRE SPA – GROUP PARENT COMPANY**

CARLO ROSANI

Attachment A - Management Report - Cembre Group Consolidated Financial Statements
for the Quarter ended December 31, 2002

Reclassified Consolidated Income Statement at December 31, 2002

(in Euros)	2002	%	2001	%
Sales	56.945.939	100,00	56.002.417	100,00
Other revenues and gains	49.559		151.941	
TOTAL REVENUES	56.995.498		56.154.358	
Change in work in progress, semi-finished and finished goods inventories	1.566.451	2,75	1.997.639	3,57
Increase in assets due to internal construction	871.870	1,53	643.015	1,15
TOTAL OPERATING VALUE	59.433.819	104,37	58.795.012	104,99
Materials and services used	(30.800.794)	(54,09)	(30.136.799)	(53,81)
Other operating costs	(194.633)	(0,34)	(268.027)	(0,48)
VALUE ADDED	28.438.392	49,94	28.390.186	50,69
Personnel costs	(18.034.460)	(31,67)	(17.255.280)	(30,81)
Accruals to provision for doubtful accounts	(107.053)	(0,19)	(118.499)	(0,21)
Accruals to risk provision	(44.416)		(6.963)	
GROSS OPERATING MARGIN (EBITDA)	10.252.463	18,00	11.009.444	19,66
Intangible asset amortization	(427.898)	(0,75)	(552.972)	(0,99)
Tangible asset depreciation	(3.553.728)	(6,24)	(3.525.005)	(6,29)
OPERATING PROFIT (EBIT)	6.270.837	11,01	6.931.467	12,38
Financial income (expense)	(615.832)	(1,08)	(278.882)	(0,50)
PROFIT BEFORE EXTRAORDINARY ITEMS	5.655.005	9,93	6.652.585	11,88
Extraordinary items and adjustments to the value of financial assets	(450.692)	(0,79)	(86.971)	(0,16)
PROFIT BEFORE TAXES	5.204.313	9,14	6.565.614	11,72