



COSTRUZIONI ELETTROMECCANICHE BRESCIANE



REPORT and ACCOUNTS

2001

Cembre S.p.A.

Head Office: Via Serenissima, 9, Brescia, Italy

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

Registration no: CF 00541390175 (Commercial Register of Brescia)

This document contains translations of the official financial statements and managements reports prepared in the Italian language for the purpose of the Italian law.



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C e m b r e



Cembre S.p.A.
Group headquarters located in Brescia, Italy

Cembre is recognised today as the leading Italian manufacturer* and one of the leading European manufacturers of electric compression connectors and related installation tools.

Cembre's compression connection know-how, its commitment to research and development, and its constant innovation of its process and product technologies enable it to quickly respond to the needs of an increasingly demanding market and to offer products of the

highest quality standard guaranteeing reliability, durability and safety.

Cembre Group's strengths are further reflected in the richness of its product range, the coverage and efficiency of its commercial network in both the Italian and international markets, and its constant attention to its customer needs, providing the Group with a significant competitive edge in a constantly evolving world market.



* Source Cembre S.p.A.

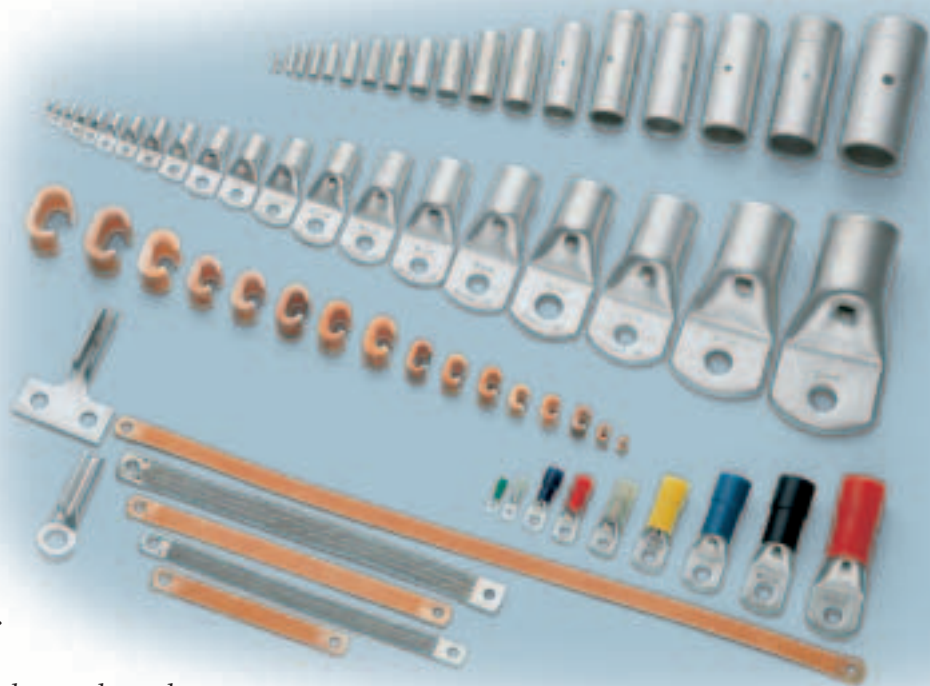


Products

OUR PRODUCTS

Cembre designs and manufactures a particularly extensive range of electrical connectors as well as tools used for their installation.

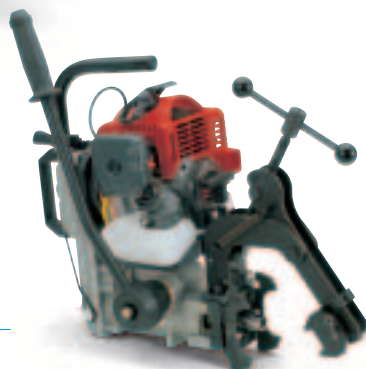
Cembre, in particular, has adopted and developed a 'compression' connection system that enables it to exploit the hardening properties of selected metals (copper and aluminium), whereby these metals acquire greater strength and resistance when bent by force, thereby guaranteeing the achievement of better performances by these types of connectors than would have otherwise been obtained by more conventional welding and mechanical clamping (screws and bolts) connection methods.





Electric 'compression' connectors are characterised by lower electrical resistance and by excellent quality electrical contact.

Installation tools used for compressing the connectors and cutting the cables enable quick installation and the achievement of easy and safe optimal connections. Installation tools may be mechanical, pneumatic, hydraulic or electric based, depending on the types of applications.



OUR STRATEGY

Cembre Group is in the process of completing a development phase characterised by the implementation of a significant investment programme, which will enable it to extend its products ranges, optimise its manufacturing facilities, and, finally, consolidate its commercial and distribution network, with a special emphasis on increasing its presence in international markets.

Mobile, detachable unit type SD-9PCS for drilling wooden sleepers



EXPANSION OF OUR PRODUCT OFFER

Cembre Group's research activity has primarily focused on the development of new products for those markets identified as having the highest growth potential, including rail transport and civil and industrial plant engineering. Implementation of new European Union safety regulations require the adoption of modern connection systems as those manufactured by Cembre Group. The Group's constant attention to evolving trends in market demand and its continuous monitoring of customer satisfaction have enabled it to develop solutions tailored to the needs of an increasingly demanding market, expanding the use of its technologies to a growing number of applications.

Cembre Group's expansion of product offer was achieved by launching leading-edge technology products, including new battery powered hydraulic tools, a new range of professional mechanical tools, electrically insulated hydraulic tools, linked cable terminals insu-

lated with halogen free material, drills for wooden rail-

sleepers etc. In addition, Cembre Group has modernised and improved its existing product ranges so that they may achieve higher levels of quality and performance as well as being easier to use.

Battery operated hole punching tool for cable trunking



Profiled contact wire splice

New hydraulic crimping units



Cembre's in-depth knowledge of this key industry coupled with its long established presence there, enable it to identify and understand the needs of the various local markets and adapt its products according to the specific quality standards emanating from safety regulations in force.

OUR WEB SITE

Cembre's interactive web site provides customers with on-line capabilities including technical assistance, promotional offers, new product presentations and commercial partnership arrangements with wholesalers throughout our geographical markets.



The Investor Relations section is available on the web-site



www.cembre.com

Internet

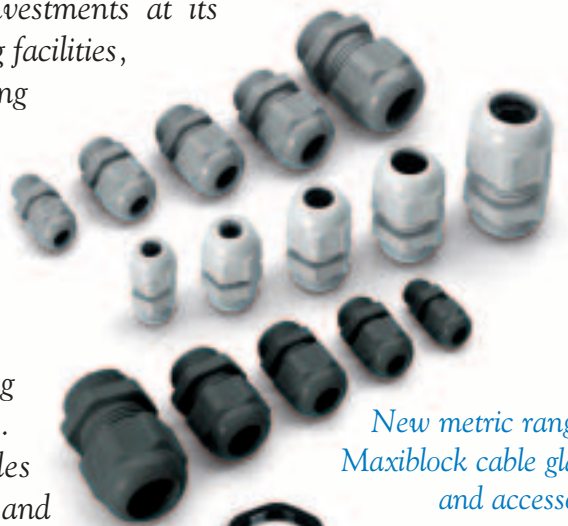
STRENGTHENING OUR MANUFACTURING CAPABILITIES

Cembre has undertaken significant investments at its Brescia and Birmingham manufacturing facilities, in order to optimise its manufacturing capabilities and increase its production capacity.

At its Brescia facility, Cembre has built new units for chemical and mechanical processes and plastic moulding and storage, thereby optimising the layout of the manufacturing process. The modern tinning system enables Cembre to reduce processing times and costs while all the time guaranteeing total quality control.

Its Birmingham facility also benefited from the strengthening of manufacturing capacity and efficiency.

As a result of the decentralisation of the manufacturing of selected product lines serving specific markets, a new building has been acquired next to the facility there, together with various equipment, in order to speed-up the manufacturing process and guarantee high volumes without compromising the Group's reputation for quality.



New metric range of Maxiblock cable glands and accessories



New hydraulic contact wire cutter



New ZETAblock terminal block



A manufacturing control system with equipment containing real-time data collection capability has been installed in order to monitor major planned activities, calculate requirements, and undertake finite capacity scheduling and “what if” simulation analysis.

*Current range
of battery
operated tools*



*New hydraulic crimping “C” head
wider opening*

Manufacturing

OUR MANUFACTURING OPERATIONS

Cembre quickly developed after its creation in 1969, until it became the leading company in Italy specialising in the manufacture of electrical compression connectors and related installation tools, while gaining important market shares elsewhere in Europe, where it is now recognised as the leading crimping tools manufacturer.*



*CNC Machine
Department*

Cembre Group's growth has traditionally been driven by its ability to continually anticipate the evolution of the electrical connectors market, enabling it to develop new products with the highest standards in quality, reliability and safety, as well as to improve the performance of existing products.



*Press and high speed press
machines department*





View of the automated warehouse

View of insulated connectors and terminal blocks assembly department

Cembre today employs a workforce of 417 and realised sales and services revenues of 56 millions of Euro for 2001.

The Group's parent company, Cembre S.p.A., is located in Brescia, Italy, where the Group's head office, commercial offices, technical office, research and development facilities, automated warehouse, manufacturing facilities, and research laboratories are housed in buildings covering some 47,000 m² in area.



Heat treatment department



** Source Cembre S.p.A.*

Group Organization

OUR GROUP ORGANISATION

Cembre SpA
Brescia (Italy)

Cembre Ltd
Birmingham (UK)

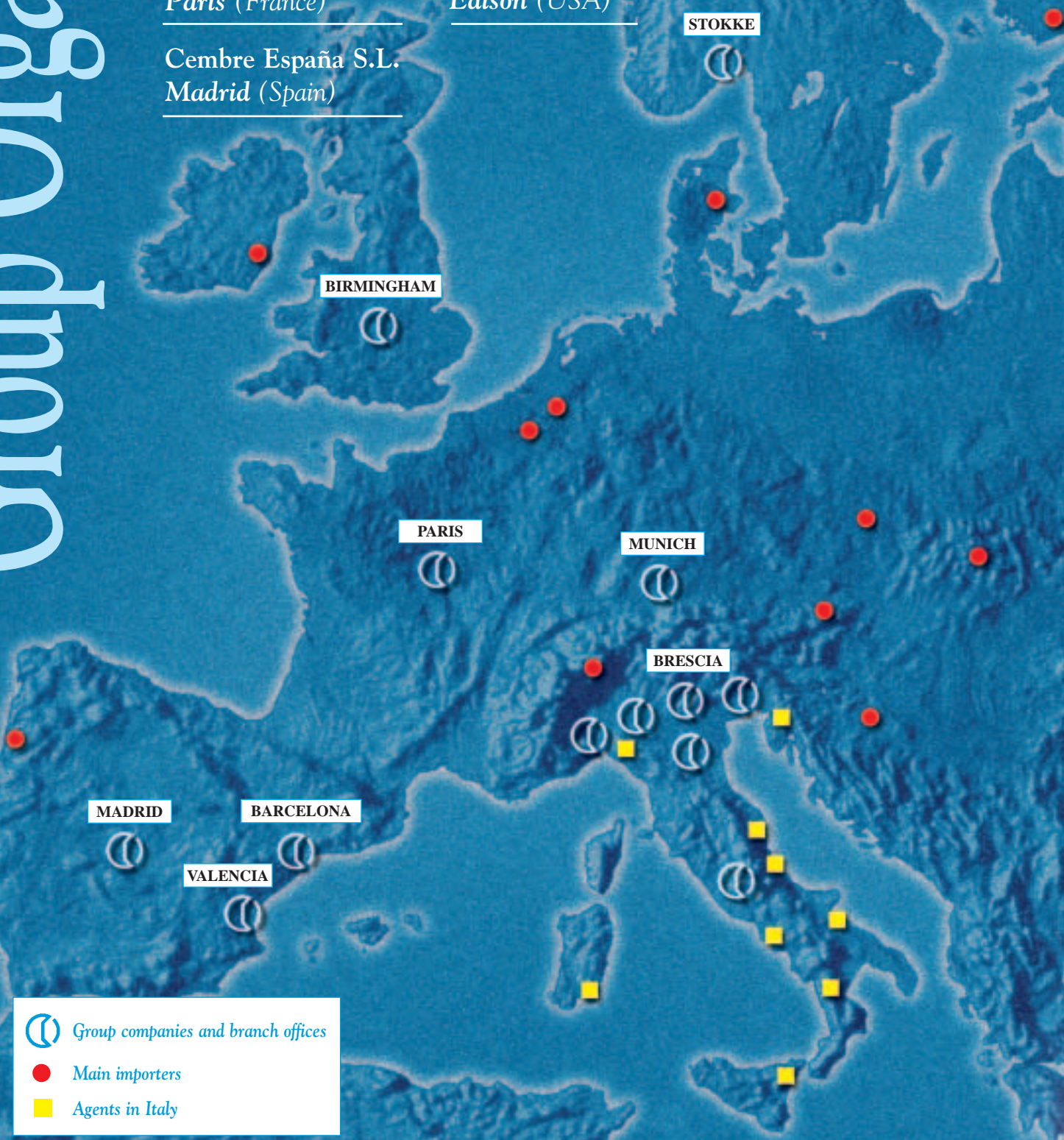
Cembre S.a.r.l.
Paris (France)

Cembre España S.L.
Madrid (Spain)

Cembre AS
Stokke (Norway)

Cembre GmbH
Munich (Germany)

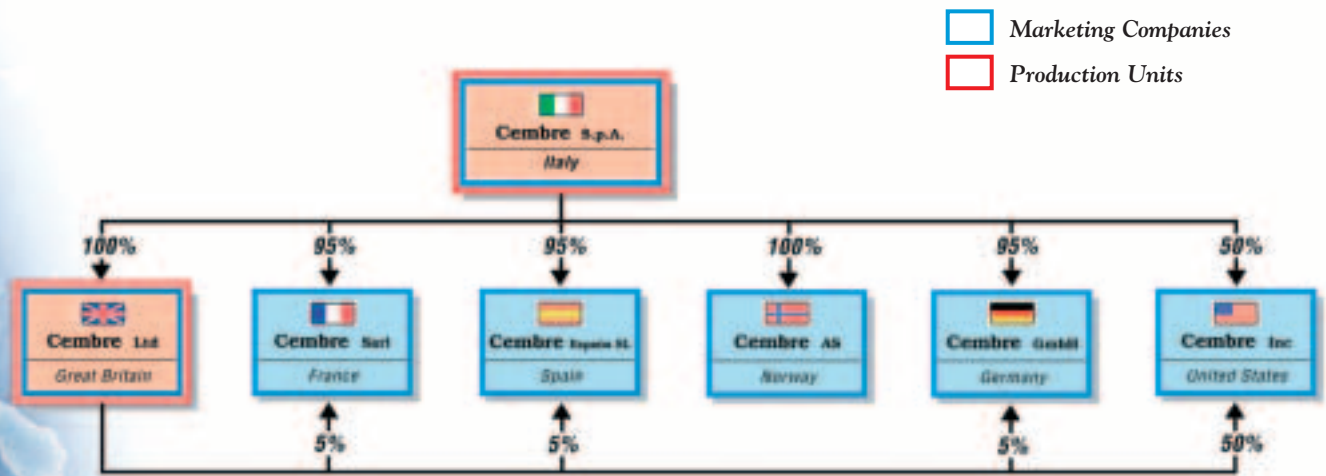
Cembre Inc.
Edison (USA)



 Group companies and branch offices

 Main importers

 Agents in Italy



Cembre Group consists of seven companies. The parent company, based in Brescia (Italy) represents the Group's largest manufacturing plant, the other manufacturing facility is based in Birmingham (United Kingdom). The other five commercial companies are located in Paris (France), Madrid (Spain), Stokke (Norway), Munich (Germany) and most recently, from March 1999, Edison (New Jersey, USA).

Cembre Group's presence in important Western European countries enables it to serve individual markets efficiently and improve its relationships with customers by offering them prompt and skilled technical and commercial assistance.

Cembre operates in Italy through an extensive distribution network, with offices and warehouses located in Milan, Turin, Padua, Bologna and Rome. Other regions in Italy are served by agents trained to provide both technical and commercial assistance and by warehouses providing fast deliveries.

The commercial network main objective is to assist customers in their product selection and tools maintenance, improving at the same time efficiency and delivery times. It also keeps management updated about the latest evolutions in customers needs, state regulations and competitors, through effective marketing initiatives.

The company Oelma srl, located in S.Giuliano Milanese (Italy), has been merged into Cembre S.p.A. from 1st January 2002.



Cembre Group is present in the USA market through Cembre Inc. located in Edison (New Jersey).



Cembre Ltd

Cembre Ltd

OUR UNITED KINGDOM MANUFACTURING OPERATION



Cembre Ltd is Cembre Group's second largest manufacturing operation. Since its establishment in 1986, it has enjoyed constant growth and presently benefits from a good positioning in the market.

Cembre Ltd is located in a manufacturing centre on the north-eastern outskirts of Birmingham, England's second largest city, in the heart of the Midlands region, recognised for its high concentration of manufacturing industries, particularly in the areas of steel and motor vehicles. It therefore provides Cembre with an excellent source of highly trained labour skilled in the advanced mechanical technologies fundamental to Cembre's manufacturing needs. Its operations cover an area of 8,000 m², of which 4,000 m² are occupied by manufacturing facilities and office buildings.

Cembre Ltd is primarily focused on serving the specific needs of the United Kingdom market. In addition, its flexibility enables it to support other Group operations.



Productions
Departments



Test
Laboratory





OELMA'S RANGE OF PRODUCTS

Oelma Srl, acquired by Cembre S.p.A. in February 1999, has over 60 years' experience serving the electrical materials market, gained from its time with F.lli Morgana.

Starting from 1st January 2002 Oelma Srl has been merged into Cembre S.p.A.

Oelma's continuous attention to market needs has enabled it to deepen its knowledge and optimise the quality and reliability of its products. Oelma's catalogue, containing over 1,500 articles suitable for the most different applications, has allowed Cembre to widen its range of products to offer to its customers, whether for industrial or civil use, taking profit from an extensive commercial network and strong commercial synergies.



Oelma line



Brass terminal block and cable clamps



Maxiblock and brass cable glands



OUR QUALITY CONTROL SYSTEM

Since 1990, Cembre's Quality Control System has been certified by Lloyd's Register Quality Assurance in accordance with the ISO 9002 standard, in order to achieve the highest standards of quality.

In 1992, Cembre's Quality Control System certification was also extended to design matters, in accordance with the ISO 9001 standard.

Presently, the activities of the Brescia head office, the regional offices in Italy, and the associated companies in the United Kingdom, France, Spain, Norway, Germany and the United States are managed in accordance with a single Quality System set of standards. In 1998, this Quality System was successfully audited for compliance with the ISO 9001 standard, following

its 1994 successful audit for certification by the Lloyd's Register Certification regarding the design, manufacture and commercialisation of accessories for cables, electric connectors and related equipment, and for the repair, overhaul and related recalibration of equipment.

This Quality System enables Cembre to guarantee a uniform and high level of quality regarding the products and services it offers its customers.



Multi-site certificates have been issued relating to the activities of the Group's head office, its regional offices in Italy and its associated companies in the United Kingdom, France, Spain, Norway, Germany and the United States.





Appendix C – Cembre SpA Management Report

Company Boards

Board of Directors

<i>Chairman and Chief Executive Officer</i>	Carlo Rosani
<i>Vice-Chairman and Managing Director</i>	Anna Maria Onofri
<i>Managing Director</i>	Aldo Copetta
<i>Director and Italy Division General Manager</i>	Giovanni De Vecchi
<i>Director (and foreign subsidiaries' Managing Director)</i>	Aldo Bottini Bongrani
<i>Director</i>	Mario Comana
<i>Director</i>	Paolo Lechi di Bagnolo
<i>Director</i>	Sara Rosani
<i>Director</i>	Giovanni Rosani

Secretary to the Board

Giorgio Rota

Board of Statutory Auditors

<i>Chairman</i>	Guido Astori
<i>Statutory Auditor</i>	Leone Scutti
<i>Statutory Auditor</i>	Augusto Rezzola
<i>Alternate Auditor</i>	Maria Grazia Lizzini
<i>Alternate Auditor</i>	Giorgio Astori

The above list reflects the situation at March 25, 2002.

The Board of Directors and the Board of Auditors term expires after the approval of the 2002 Financial Statements.

The Chairman of the Board of Directors and CEO, Mr. Carlo Rosani, acts as the Company's legal representative pursuant to Article 18 of the Statute, and has been conferred all executive management powers by the Board of Directors.

In the event of absence or inability of the Chairman to exercise his duties, Vice-Chairman of the Board of Directors Ms. Anna Maria Onofri is appointed with all delegable executive management powers, with the exception of resolving professional appointments.

Mr. Aldo Copetta is appointed to represent the Company in all matters relating to labor unions, employees, State authorities and in any litigation.

As Italy Division General Manager, Mr. Giovanni De Vecchi has been conferred by the Board of Directors ample contractual and legal representation powers.

Cembre S.p.A. - Brescia
Management Report at 31 December 2001



Cembre Parent Company Management Report for the financial year ended December 31, 2001

To our Shareholders:

we are pleased to announce that during the financial year ended December 31, 2001, Cembre SpA reported net profits of € 2,889,440. In the present Report we summarise the most significant events and transactions that occurred in 2001 and describe our Company's expectations for the year 2002.

Markets, products and business trends

The first part of 2001 was characterised by a recovery of the Italian and European markets, with the exception of France and Germany, which were affected by stagnation. Recovery in the United States was stronger.

The Spanish railroads made strong investments, while work on the Madrid-Barcelona high-speed link continued. Investment by the Italian railroads remained stable, while German and French capital expenditure was low.

In the last four months of the year, partly as a result of international events, the global market experienced a downturn. Our sales network, however, successfully countered the effect of the contraction, achieving a good increase in revenues over the previous year.

Sales revenues increased from € 39,062,000 in 2000 to € 44,366,000 in 2001, representing a 13.6% increase. Cash flow, representing income and depreciation, grew by 3.2%, from € 6,558,000 in 2000, to € 6,767,000 in 2001.

A total of 59.2% of sales were represented by Italy, 32.6% by the Rest of Europe and 8.2% by the Rest of the World, growing respectively by 8% in Italy, 24.5% in the Rest of Europe, and 16.5% in the Rest of the World. Sales by geographical area are shown in the table below:

(€ '000)	2001	2000
Italy	26.250	24.307
Rest of Europe	14.478	11.632
Rest of the World	3.638	3.123
Total	44.366	39.062

The leading distribution channel, both in Italy and abroad, continues to be that of electrical material wholesalers, accounting for approximately 60% of sales.

In 2001 the company reported a profit before tax of € 4,899,000, representing an increase of 11.7%, as compared with € 4,384,000 in 2000.

Net profit grew by 10.5% from € 2,615,000 in 2000, to € 2,889,000 (6.5% of sales) in 2001.

Operating profit (EBIT) grew by 11.9%, from € 5,995,000 to € 6,711,000, reaching 15.1% of sales.

Net financial expense amounted to € 231,000, against € 183,000 in 2000, representing a 0.5% margin on sales, unchanged from the previous year.

To provide a better understanding of the Group's results, a Reclassified Income Statement for the year



ended December 31, 2001 has been included as Attachment A of this report. A Statement of Changes in the Financial Position is also included as Attachment B.

Cash generated by operations amounting to € 10,250,000 resulted primarily from operating activities, contributing by € 7,401,000, and from new debt amounting to € 2,500,000. Expenditure amounting to € 4,805,000 was employed for the acquisition of tangible assets (€ 2,208,000) and the distribution of dividends (€ 1,471,000). The € 5,445,000 net increase in current assets is detailed in the Statement of Changes in the Financial Position. The Company's net financial position is shown in the table that follows:

(€)	2001	2000
Long-term financial debt	(4,591,437)	(3,046,811)
Long-term financial receivables	0	122,887
Total medium and long-term debt	(4,591,437)	(2,923,924)
Cash and short-term investments	3,282,609	1,238,146
Short-term bank loans	(1,644,301)	(2,025,203)
Marketable securities	566,700	579,348
Short-term financial assets	2,205,008	(207,709)
Company net financial position at year-end	(2,386,429)	(3,131,633)

Subsidiary sales revenues and net profit/loss for the 2001 financial year were as follows:

	Currency	Sales		Net profit (loss)	
		2001	2000	2001	2000
Cembre Ltd. (UK)	€	7,955,448	6,981,958	502,869	517,868
Cembre S.a.r.l. (France)	€	4,085,261	4,213,939	176,782	194,619
Cembre España S.L. (Spain)	€	3,829,897	2,961,481	163,632	46,966
Cembre AS (Norway)	€	379,179	460,970	(12,592)	42,836
Cembre GmbH (Germany)	€	4,208,600	3,274,549	106,662	(28,796)
Cembre Inc. (USA)	€	1,708,217	1,020,185	(230,565)	(102,357)
Oelma Srl (Italy)	€	2,933,922	3,303,411	171,247	58,755



Data for subsidiaries that operate in countries outside the euro area are shown below:

	Currency	Sales		Net profit (loss)	
		2001	2000	2001	2000
Cembre Ltd. (UK)	£	4,947,286	4,255,350	312,721	315,629
Cembre AS (Norway)	NKR	3,051,802	3,739,809	(101,344)	347,522
Cembre Inc. (USA)	US\$	1,529,930	942,256	(206,501)	(94,538)

All Group companies reported sales increases, with the exception of the French subsidiary Cembre Sarl, operating in a stagnant market, and Cembre AS, affected by fluctuating orders. The decline in profits reported by Oelma Srl is due to the transfer of some of its customers to Cembre SpA, in view of the merger with the parent company, effective January 1, 2002, while the American subsidiary was still affected by difficulties in expanding its presence in the market.

Key financial data from subsidiaries' last Balance Sheet and Income Statement are attached to the Notes to the Financial Statements, in accordance with Article 2429 of the Italian Civil Code.

Capital expenditure

Capital expenditure made in 2001 on property, plant and equipment, gross of depreciation and disposals, amounted to € 1,575,000. Of these, € 756,000 represents expenditure on new plant and machinery, and € 427,000 for new equipment. In addition, work in progress and advances amount to € 633,000.

Capital expenditure on plant, machinery and equipment, includes new dies for a total of € 426,000, an automatic de-burring assembly line for € 127,000, two shearing machines for a total of € 127,000, a set of equipment for cutting and drilling of cable terminals for € 64,000 and a overhead hoist for the tin-plating plant for € 46,000.

A new warehouse building is currently under construction in Brescia and is expected to be completed by June 2002.

Human Resources

Relations with personnel continue to be characterised by active cooperation and constructive participation in company affairs. In 2001 the number of persons employed by Cembre SpA increased to 296 from 276 in the previous year.

Research, Development and Technological Innovation

In 2001 research and development activities led to innovations in the field of cable terminals, pole terminal blocks, railroad equipment, cable glands, mechanical and hydraulic tools. All costs incurred were treated as expenses. Research activities, and projects starting or carrying on into the year allowed the Company to expand its product range, introducing innovative products not offered on the market, improving technologies and efficiency of its manufacturing process, and strengthening its presence on foreign markets.



Activities in this field concerned the development of innovative processes, the continuation and completion of projects started in the previous financial year, and the launch of new projects for the development of innovative products, as required by the market.

Research and development costs for the year included € 778,465 of personnel costs, € 6,947 relating to instruments and equipment, and € 56,218 of costs relating to technical advice and the acquisition of know-how.

A description of Research and Development activities by sector is included in the section that follows.

Cable Terminals R&D Projects

Activity in this area focused on the study and design of a new automatic coloring line for cable terminals for the US market, of an hydraulically operated automatic shearing machine, an automatic loading system for a transfer machine used in the manufacturing of copper tubes, and of special rail contacts for the US and British markets.

Pole Terminal Blocks R&D Projects

In the pole terminal block field, research continued on: the two new shunt terminal models, for which dies were designed and manufactured; the power distribution terminal, for which dies were manufactured; and a new consumption meter for domestic systems, for which a prototype was designed and manufactured.

Railroad Equipment R&D Projects

A number of projects in this field were launched or continued. Main projects relate to: a rail maintenance machine; a universal template for positioning the drill on the rails; a universal pole terminal block for drilling; two tools for maintaining the catenary (wires) supplying power to locomotives through pantographs; a hydraulic rail drilling machine; a drill support and positioning accessory for drilling wooden railroad ties; two tools to attach special rail contacts and two railroad traffic control devices.

Cable glands R&D Projects

Development of broad gauge metric cable glands and the study and design of the related dies continued. In addition products and dies for multiple hole gaskets, caps for gaskets and glands, threaded caps, brass cable glands, spiral head cable glands and modular pipe fixing systems.

Mechanical Tools R&D Projects

In this area, the development of the new multiple groove ND series tool for pre-insulated cable terminals was completed, while the development of new pliers for meter sealing tags continued.

Hydraulic Tools R&D Projects

The study of the new foot operated pump was completed. The project for the development of a new universal tool continued with the development of a new battery-operated version. The following projects were undertaken in 2001:

- study a new tool with a special elongated head for compressing connectors, with the development



of a head, hydraulic and battery-operated version, and the manufacturing of prototypes for all three;
 - development of an electrically insulated version of the 13-ton battery-operated tool;
 - study of a battery operated cable cutting tool and manufacturing of its prototype.

Related Parties 2001 Financial Year-End Balances and Transactions

Transactions concluded between Cembre SpA and its subsidiaries in 2001 are shown in the table below:

(€)	Receivables	Payables	Revenues	Expenses
Cembre Ltd.	987,768	13,320	3,863,475	193,390
Cembre S.a.r.l.	982,459	28,768	1,652,077	40,082
Cembre España S.L.	2,046,603	141	2,046,603	1,305
Cembre AS	109,355	114	157,481	6,195
Cembre GmbH	1,103,506	1,266	2,721,806	19,940
Cembre Inc.	1,055,702	0	1,248,298	0
Oelma Srl	0	0	423,188	552,045
TOTAL	6,285,393	43,609	12,112,928	812,957

At December 31, 2001, the outstanding amount of a loan extended by Cembre SpA to subsidiary Cembre AS was equal to € 123,000. The loan, bearing a fixed 5% interest rate and repayable in equal monthly installments, was granted to the Norwegian company in 1998 in order to finance its growth. The loan, which originally expired in 2003, was repaid in full in March 2002. In 2001 Cembre SpA underwrote the € 672.71 capital increase carried out by German subsidiary Cembre GmbH following the conversion of its share capital into euro.

In accordance with CONSOB guidelines, we confirm that the above data concerning payables and receivables, revenues and expenses generated by transactions between the Parent Company and its subsidiaries, arose in the normal course of business of the Group.

Cembre SpA leases commercial office space in Milan, Padua and Bologna from Tha Immobiliare Spa, a company with head office in Bergamo, whose share capital is held by various members of the Rosani family with the exception of Carlo Rosani. Yearly lease payments amount to € 55,000 for the Sesto S. Giovanni (Milan) office, € 45,000 for the Selvazzano (Padua) office, and € 39,000 for the Bologna office. In addition, in 2001 Cembre SpA signed with Tha Immobiliare a six-year lease contract effective October 1, 2001, for an industrial building located next to the Company's head office, with yearly lease charges of € 310,000. The building, measuring 5,960 square meters over three floors, will be used to improve the layout of various manufacturing departments and to increase their production capacity.

Rental fees are in line with market terms and conditions. It is in the Company's interest to benefit from the continuity of office space with minimal risks of lease interruption.



In 2001 Aldo Copetta, the Company's Managing Director, received € 7,747 in payment for services rendered in 2000 regarding personnel safety, health and hygiene, labor agreements and general personnel issues, thanks to his wide experience gained in the Company's affairs.

The General Manager of Moroplast Srl, one of subsidiary Oelma's main suppliers, is related to one of Oelma's Directors, no longer holding such position following the merger of Oelma with Cembre SpA. The business relationship has been in existence for many years, and it is in the Parent Company's interest to maintain it, considering the quality of the supplies and the advantageous prices, offered in line with normal market terms and conditions. Relations will therefore continue in 2002 directly between Cembre Spa and Moroplast Srl.

Own shares

At December 31, 2001, Cembre SpA held 243,000 of its own shares recorded at cost, amounting to € 566,700, written down by € 140,556 to reflect their current market value. Cembre SpA own shares have a total par value of € 126,360, representing 1.43% of its share capital. No shares were acquired or disposed of in the year. At December 31, 2001, Cembre SpA had not acquired, disposed of, or owned directly or indirectly through subsidiary companies, trust companies or intermediaries, shares or holdings in companies having a controlling share in the company.

Subsequent Events

Wholly-owned subsidiary Oelma Srl was merged into Cembre SpA effective January 1, 2002. No event having significant effects on the Group's assets or financial performance occurred after the closing of the financial year.

Management expectations of operations in 2002

In 2002, management expects activity to grow both in Italy and abroad. Profit levels are expected to remain good.

Secondary Head Offices

The Company has no secondary head offices.

Proposal for Allocation of the Company's 2001 Financial Year Net Profit

It is advisable that a portion of net profit generated be retained, in order to complete the Company's planned investments and benefit from self-financed growth. In submitting to you this Management Report and the Financial Statements for your approval, we also invite you to approve our proposed allocation of net profit for 2001, amounting to € 2,889,439.88 (rounded off to 2,889,440) as follows:

- € 144,472 or 5% of net profit, to the legal reserve;
- € 0.10 to be distributed to each of the Company's 16,757,000 shares, whose holders are entitled to dividends with full tax credits pursuant Article 2357 of the Italian Civil Code, for a total of € 1,675,700, payable from May 30, 2002 and a coupon date of May 27, 2002;
- the remainder, amounting to € 1,069,267.88, to the extraordinary reserve.



The proposed dividend payment of € 0.10 per share corresponds to a 13.8% increase over the previous year's dividend.

Attachments and additional information

The Company adopted the euro as currency of account effective January 1, 2001, converting all its accounting balances, in addition to historical data relating to, for example, receivables, payables, inventories and fixed assets.

This Management Report includes four Attachments:

Attachment A: Reclassified Income Statement of Cembre SpA for the year ended December 31, 2001;

Attachment B: Statement of Cash Flows of Cembre SpA for the year ended December 31, 2001;

Attachment C: Company Boards;

Attachment D: Company shares held by Board Members.

Brescia, Italy March 25, 2002

CHAIRMAN OF THE BOARD OF DIRECTORS
CARLO ROSANI



ATTACHMENT A - MANAGEMENT REPORT - CEMBRE SPA FINANCIAL STATEMENTS
RECLASSIFIED INCOME STATEMENT AT DECEMBER 31, 2001

(in euro)	31.12.2001	%	31.12.2000	%	Incr. %
Sales	44,366,355	100	39,061,912	100	13,58%
Other revenues and gains	105,280		74,036		42,20%
TOTAL REVENUES	44,471,635		39,135,948		13,63%
Change in work in progress, semi-finished and finished goods inventories	1,173,855	2,65	954,557	2,44	22,97%
Increase in assets due to internal construction	643,015	1,45	852,188	2,18	(24,55)%
TOTAL OPERATING VALUE	46,288,505	104,33	40,942,693	104,81	13,06%
Materials and services used	(24,650,658)	55,56	(21,094,534)	54,00	16,86%
Other operating costs	(180,285)	0,41	(171,074)	0,44	5,38%
VALUE ADDED	21,457,562	48,36	19,677,085	50,37	9,05%
Personnel costs	(12,150,904)	27,39	(10,823,941)	27,71	12,26%
Accruals to provision for doubtful accounts	(87,112)	0,20	(75,360)	0,19	15,60%
Accruals to risk provision	(6,963)	0,02	(6,840)	0,02	1,80%
GROSS OPERATING MARGIN (EBITDA)	9,212,583	20,76	8,770,944	22,45	5,04%
Intangible asset amortization	(314,942)	0,71	(328,219)	0,84	(4,04)%
Tangible asset depreciation	(2,186,818)	4,93	(2,447,224)	6,26	(10,64)%
OPERATING PROFIT (EBIT)	6,710,823	15,13	5,995,501	15,35	11,93%
Financial income (expense)	(231,121)	0,52	(183,361)	0,47	26,05%
PROFIT BEFORE EXTRAORDINARY ITEMS	6,479,702	14,60	5,812,140	14,88	11,49%
Extraordinary items and adjustments to the value of financial assets	(205,481)	0,46	(261,158)	0,67	(21,32)%
Accelerated depreciation	(1,375,524)	3,10	(1,167,108)	2,99	17,86%
PROFIT BEFORE TAXES	4,898,697	11,04	4,383,874	11,22	11,74%
Income taxes	(2,009,257)	4,53	(1,768,743)	4,53	13,60%
NET PROFIT	2,889,440	6,51	2,615,131	6,69	10,49%
CASH FLOW (net income plus depreciation and amortization)	6,766,724	15,25	6,557,682	16,79	3,19%



ATTACHMENT B - CEMBRE SPA FINANCIAL STATEMENTS- MANAGEMENT REPORT
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

(in euro)

SOURCES OF FUNDS:	31.12.2001	31.12.2000
Net profit	2,889,440	2,615,131
Adjustments for items not having an impact on cash flow:		
Depreciation expense	3,877,284	3,942,551
Employee termination indemnities	634,366	571,766
Cash flow generated by operating activities	7,401,090	7,129,448
Net book value of assets sold	202,470	-
New loans	2,500,000	2,582,000
Decline in long-term receivables	146,515	93,985
TOTAL SOURCES OF FUNDS	10,250,075	9,805,433
USES OF FUNDS:		
Increase in intangible assets	42,960	171,468
Acquisition of tangible assets	2,207,926	2,862,390
Increase in investments	673	65,232
Change in provisions for risks and charges	(2,278)	2,181
Transfer of current portion of long-term debt	955,374	309,874
Payment of employee termination indemnities	129,010	186,169
Dividends paid	1,471,226	1,384,683
TOTAL USES OF FUNDS	4,804,891	4,981,997
INCREASE (DECREASE) IN WORKING CAPITAL	5,445,184	4,823,436
CHANGES IN WORKING CAPITAL		
Current assets:		
Cash and banks	1,998,537	517,479
Short-term financial assets	(12,647)	(127,909)
Trade receivables	2,291,591	1,411,999
Other receivables	(155,987)	(100,237)
Inventories	1,543,309	899,390
Accrued income and prepaid expenses	(12,600)	15,569
	5,652,203	2,616,291
Current liabilities:		
Bank overdrafts	(380,902)	(3,454,230)
Short-term bonds	0	(516,457)
Trade payables	142,672	1,418,864
Social security payables	224,689	162,384
Other payables	227,343	176,277
Accrued expenses and deferred income	(6,783)	6,017
	207,019	(2,207,145)
INCREASE (DECREASE) IN WORKING CAPITAL	5,445,184	4,823,436



ATTACHMENT D - CEMBRE SPA MANAGEMENT REPORT
COMPANY SHARES HELD BY BOARD MEMBERS

	COMPANY	SHARES HELD AT DEC. 31, 2000	SHARES PURCHASED	SHARES SOLD	SHARES HELD AT DEC. 31, 2001	OWNERSHIP RIGHTS	OWNERSHIP METHOD
Carlo Rosani	Cembre SpA	9,811,000	240,000		10,051,000	Full	Direct and Indirect (1)
Anna Maria Onofri	Cembre SpA	900,000			900,000	Full	Direct
Aldo Copetta	Cembre SpA	3,000	2,000		5,000	Full	Direct and Indirect (2)
Giovanni De Vecchi	Cembre SpA	425,000			425,000	Full	Direct
Aldo Bottini Bongrani	Cembre SpA	360,000	10,000		370,000	Full	Direct
Mario Comana	Cembre SpA	0	5,000		5,000	Full	Direct
Sara Rosani	Cembre SpA	540,000	20,000		560,000	Full	Direct
Giovanni Rosani	Cembre SpA	540,000			540,000	Full	Direct

Directors not listed above did not hold Cembre SpA shares at December 31, 2000 and did not acquire Cembre SpA shares in 2001.

(1) 9,011,000 shares are held through Lysne SpA, controlled by Carlo Rosani; this figure excludes the 243,000 own shares held by Cembre SpA, controlled by Carlo Rosani through Lysne SpA

(2) 2,000 shares are held by his spouse.

Cembre S.p.A. - Brescia
Balance Sheet at December 31, 2001



Balance Sheet at December 31, 2001 Cembre S.p.A. - Brescia

Balance Sheet - Assets (in euro)	Dec. 31, 2001	Dec. 31, 2000
A) Capital not paid-in	-	-
B) Fixed assets		
<i>I - Intangible assets</i>		
1) Incorporation costs	-	212,203
3) Industrial patents and intellectual property rights	86,843	146,622
Total	86,843	358,825
<i>II - Tangible assets</i>		
1) Land and buildings	4,267,514	4,518,856
2) Plant and machinery	3,282,001	4,975,086
3) Equipment	479,395	559,364
4) Other assets	541,208	503,905
5) Work in progress and advances	632,678	202,470
Total	9,202,796	10,759,681
<i>III - Financial assets</i>		
1) Investments in:		
a) subsidiaries	7,705,615	7,704,942
d) other companies	5,210	5,210
2) Receivables		
a) from subsidiaries		
- short-term	122,887	76,961
- long-term	-	122,887
	122,887	199,848
d) from others		
- long-term	217,869	241,498
Total	8,051,581	8,151,498
Total assets	17,341,220	19,270,004



C) Current assets		
<i>I - Inventories</i>		
1) Raw materials	4,221,638	3,852,185
2) Work in progress and semi-finished goods	4,153,583	4,487,847
4) Finished goods	5,518,732	4,010,612
Total	13,893,953	12,350,644
<i>II - Receivables</i>		
1) Trade	10,843,800	10,181,654
2) From subsidiaries	6,285,393	4,655,948
5) From others		
- short-term	290,622	492,535
- long-term	7,614	7,614
	298,236	500,149
Total receivables	17,427,429	15,337,751
<i>III - Marketable securities</i>		
5) Own shares (par value euro 126,360)	566,700	579,348
<i>IV - Cash and cash equivalents</i>		
1) Bank deposits	3,149,099	1,150,658
3) Cash	10,623	10,527
Total cash and cash equivalents	3,159,722	1,161,185
Total current assets	35,047,804	29,428,928
D) Accrued income and prepaid expenses	30,750	43,350
Total assets	52,419,774	48,742,282



Liabilities and Shareholders' Equity	Dec. 31, 2001	Dec. 31, 2000
A) Shareholders' Equity		
I - Share capital	8,840,000	8,779,767
II - Share premium	12,244,869	12,305,102
III - Revaluation reserve	585,159	585,159
IV - Legal reserve	964,924	834,168
V - Reserve for own shares	566,700	579,348
VI - Statutory reserves	-	-
VII - Other reserves		
Provisions for suspended tax reserves	68,412	68,412
Extraordinary reserve	7,425,627	1,268,751
VIII - Retained earnings	-	5,131,080
IX - Net profit	2,889,440	2,615,131
Total Shareholders' Equity	33,585,131	32,166,918
B) Provision for risks and charges		
3) Other	48,412	46,134
Total provisions for risks and charges	48,412	46,134
C) Employee termination indemnities	3,022,044	2,516,688
D) Payables		
3) Bank loans		
- short-term	1,644,301	2,025,203
- long-term	4,591,437	3,046,811
	6,235,738	5,072,014
5) Advances	18,205	18,691
6) Trade payables	6,579,509	6,415,083
8) Payable to subsidiaries	43,609	64,877
11) Taxes payable	698,491	577,244
12) Social Security payables	763,752	660,309
13) Other payables	1,385,797	1,158,455
Total payables	15,725,101	13,966,673
E) Accrued expenses and deferred income	39,086	45,869
Total liabilities and Shareholders' Equity	52,419,774	48,742,282
Commitments		
2) Guarantees given	404,640	1,208,291
of which in favor of subsidiaries	350,000	1,050,000
3) Guarantees received	237,062	299,037



Income Statement (in euro)	31.12.2001	31.12.2000
A) Revenues		
1) Sales	44,366,355	39,061,912
2) Change in work in progress, semi-finished and finished goods inventories	1,173,855	954,557
4) Increase in assets due to internal construction	643,015	852,188
5) Other revenues:		
a) sundry	26,674	29,571
b) contributions received	78,606	44,465
Total operating value	46,288,505	40,942,693
B) Operating costs		
6) Raw materials	(18,080,416)	(15,124,815)
7) Services	(6,518,959)	(5,621,808)
8) Leases and rentals	(420,736)	(292,744)
9) Personnel		
a) Wages and salaries	(8,733,644)	(7,729,862)
b) Social security	(2,736,629)	(2,476,490)
c) Employee termination indemnities	(645,793)	(584,906)
d) Retirement benefits	(3,688)	(1,813)
e) Other costs	(31,150)	(30,870)
Total personnel costs	(12,150,904)	(10,823,941)
10) Depreciation and write-downs		
a) Amortization of intangible assets	(314,942)	(328,219)
b) Amortization of tangible assets	(3,562,342)	(3,614,332)
d) Write-down in the value of current assets	(87,112)	(75,360)
Total depreciation and write-downs	(3,964,396)	(4,017,911)
11) Change in raw material inventories	369,453	(55,167)
12) Accruals to risk provisions	(6,963)	(6,840)
14) Other operating costs	(180,285)	(171,074)
Total operating costs	(40,953,206)	(36,114,300)
Operating profit (A-B)	5,335,299	4,828,393



C) Financial income and expenses		
16) Other financial income:		
a) from long-term receivables	8,245	11,990
d) other income	30,154	52,259
17) Interest and other financial charges	(269,520)	(247,610)
Total	(231,121)	(183,361)
D) Adjustments to the value of financial assets		
18) Revaluations		
b) long-term financial assets	6,488	7,593
19) Write-downs		
c) marketable securities	(12,648)	(127,909)
Total adjustments to the value of financial assets	(6,160)	(120,316)
E) Extraordinary items		
20) Income	22,788	11,017
21) Losses	(222,109)	(151,859)
Total extraordinary items	(199,321)	(140,842)
Profit before taxes (A-B+C+D+E)	4,898,697	4,383,874
22) Income taxes	(2,009,257)	(1,768,743)
23) Net profit	2,889,440	2,615,131

Brescia, March 25, 2002

The Chairman of the Board
CARLO ROSANI



Notes to the Financial Statements of Cembre SpA at December 31, 2001

To our Shareholders:

before commenting upon individual Balance Sheet and Income Statement items for the year ended December 31, 2001, pursuant to Article 2427 of the Italian Civil Code, we illustrate the accounting policies and methods used in the preparation of the Financial Statements.

Valuation principles and methods

The financial statements of Cembre SpA are consistent with provisions contained in Articles 2423 and following of the Italian Civil Code. The following criteria were applied in their preparation:

- items are valued according to prudent criteria and on the basis of an ongoing concern;
- revenues and expenses are recorded on the accrual method;
- risks and losses are charged to the year even if their existence becomes known after the closing date of the financial statements;
- revenues and gains are recorded only when realized at the closing date of the financial statements, in accordance with prudent principles;
- no exceptional case requiring recourse to exemptions contained in Article 2423 paragraph 4 and Article 2423 paragraph 2 of the Italian Civil Code occurred;
- no event requiring the application of exemptions provided for by Article 2423, paragraph 4 and Article 2423 bis, paragraph 2, of the Italian Civil Code occurred;
- no item of the Balance Sheet or Income Statement was reclassified;
- no asset or liability item appears more than once in the Balance Sheet;
- amounts recorded in the financial statements are consistent with those reported for the previous year. Where necessary for comparative purposes, amounts contained in the previous year's financial statements were reclassified.

Valuation criteria and methods used are in accordance with those set in Article 2426 of the Italian Civil Code, and consistent with those adopted in the previous financial year.

Valuation criteria adopted in the preparation of the financial statements are described in the section that follows.

Intangible assets

Intangible assets are recorded at cost, net of amortization calculated on a straight line over their expected useful economic life.

Tangible assets

Tangible assets are recorded at their acquisition or production cost which includes all related costs directly attributable to the assets, all revaluations pursuant to Laws no. 576 of December 2, 1975 and no. 72 of March 19, 1983, and all other revaluations pursuant to Law no. 413 of December 30, 1991, applied pursuant to applicable regulations, up to their related fair market values.

Tangible assets are depreciated on straight line basis over the expected useful life of the assets, taking



into account their residual values.

The net book value of tangible assets is reported net of accelerated depreciation recorded in the current and previous years exclusively to take advantage of benefits provided for by Article 67 of Presidential Decree no. 917/86.

Supplementary information regarding the value of accelerated depreciation, as well as the related tax benefit enjoyed by the Company, is reported in the note to the Income Statement concerning property, plant and equipment depreciation.

Assets having an acquisition cost not exceeding € 516,46 were expensed in full in the year.

Ordinary maintenance costs are charged to the Income Statement for the year in which they were incurred. Extraordinary maintenance expenses are attributed to the asset to which they relate and are depreciated over its residual useful life.

Investments

Investments in subsidiaries are recorded at the acquisition or underwriting cost, adjusted where necessary for ongoing losses in value.

Consolidated financial statements have been prepared in accordance with Legislative Decree no. 127, April 9, 1991.

Inventories

Inventories are valued at the lower of acquisition or production cost and their expected realisable market value. Raw materials, semi-finished and finished goods inventories are valued using the LIFO method. Work in progress inventories are valued at their processing cost, inclusive of raw materials, labor, direct and indirect manufacturing costs, taking into account stages of completion.

Receivables and Payables

Receivables are recorded at their expected realizable value, taking into account the solvency of debtors, the credit term, litigation in process and guarantees received.

The expected realisable value is represented by the difference between the face value of receivables and the amount accrued to the provision for doubtful accounts, deducted from the amount of trade receivables whenever appropriate.

Payables are recorded at face value, representative of liabilities accrued.

Tax liabilities are based on realistic estimates reflecting the tax expense for the year, adjusted for pre-paid and withholding taxes paid. Tax credits are recorded only where there exists reasonable certainty that sufficient taxable income will be generated in future years.

Payables and receivables denominated in currencies other than euro are recorded at the exchange rate applicable at the time of the transaction. Exchange rate gains and losses are credited or debited to the Income Statement on the day of payment or collection. At the end of the year, receivables and payables originally expressed in currencies other than the euro are translated at the exchange rate in force at the end of the year. Relevant negative differences arising from such translation are recorded in the Provision for translation differences under liabilities. Significant differences arising from the application of the above mentioned method over the historical exchange rate method, providing for the recording of differences resulting from the application of year-end exchange rates directly as a debit or credit to the liability to which they relate, are commented in the note to the respective item.

***Marketable securities***

Marketable securities are recorded at the lower of cost, represented by the weighted average acquisition cost, and market value. Write-downs are reversed whenever the impairment in value ceases to exist.

Provisions for risks and charges

Provisions for risks and charges are accrued against known or probable liabilities whose amount and timing could not be determined at the date of their recording. Deferred taxes payable, recorded in the related provision, represent taxes payable in future years generated by timing differences.

Provision for employee termination indemnities

The provision for employee termination indemnities reflects the amount owed by the Group at the end of the year to its employees upon termination of their employment, in accordance with labour agreements and laws applicable in Italy.

Accrued income and prepaid expenses, accrued expenses and deferred income

These are determined according to the accrual method.

Income taxes

They include taxes payable for the year, net of prepaid and withholding taxes. The tax expense for the year is determined according to applicable tax rates and expected taxable income.

Revenues and expenses

Revenues for the sale of products are recognized at the time title is transferred, normally identifiable with the delivery or shipping of the goods.

Financial revenues are recognized on the accrual method.

Revenues and expenses are recorded in line with prudent criteria using the accrual method, net of returns, discounts, allowances and bonuses.

Commitments

These represent guarantees given to and received from others and commitments made, recorded at face value. They are recorded at face value.

Amounts are stated in euro unless otherwise specified.



Assets

B) NON-CURRENT ASSETS

I - Intangible assets

Balance at Dec. 31, 2001	86,843
Balance at Dec. 31, 2000	358,825
Change	(271,982)

	Balance at Dec. 31, 2000	Increases	Amortisation	Balance at Dec. 31, 2001
Incorporation costs	212,203		(212,203)	0
Industrial patents and intellectual property rights	146,622	42,960	(102,739)	86,843
	358,825	42,960	(314,942)	86,843

The beginning balance is made up as follows:

	Gross book value	Accumulated amortisation	Net book value
Incorporation costs	1,069,180	(856,977)	212,203
Industrial patents and intellectual property rights	653,676	(507,054)	146,622
	1,722,856	(1,364,031)	358,825

Incorporation costs are fully amortised at the end of the year and represent expenses incurred for the official listing of Cembra SpA ordinary shares on the computerized trading circuit managed by the Italian Stock Exchange, occurred on December 15, 1997. These costs were recorded in agreement with the Board of Statutory Auditors, pursuant to Article 2426, paragraph 5, of the Italian Civil Code. Intangible assets are amortised systematically. Incorporation costs are amortised over five years, while software use licenses over three years.

Industrial patents and intellectual property rights are made up exclusively of application software open-ended licenses.

*II - Tangible assets*

Balance at Dec. 31, 2001	9,202,796
Balance at Dec. 31, 2000	10,759,681
Change	(1,556,885)

1) Land and buildings

Gross book value	6,381,546
Revaluation	935,661
Accumulated depreciation	(2,798,351)
Balance at Dec. 31, 2000	4,518,856
Increases	0
Depreciation expense	(251,342)
Balance at Dec. 31, 2001	4,267,514

2) Plant and machinery

Gross book value	18,724,538
Revaluation	144,451
Accumulated depreciation	(13,893,903)
Balance at Dec. 31, 2000	4,975,086
Increases	755,741
Decreases	(50,212)
Use of provisions	50,212
Depreciation expense	(2,448,826)
Balance at Dec. 31, 2001	3,282,001

Investments in Property, plant and equipment included the purchase of an automatic de-burring line for € 127,000, two shearing machines for € 127,000, a piece of equipment for cutting and drilling of cable terminals for € 64,000, and a overhead hoist for the tin-plating plant for € 46,000. Equipment manufactured in-house amounts to € 319,000. Decreases are due to disposals and machines taken out of service in the year.



3) *Equipment*

Gross book value	2,303,910
Accumulated depreciation	(1,744,546)
Balance at Dec. 31, 2000	559,364
Acquisitions	426,544
Depreciation expense	(506,513)
Balance at Dec. 31, 2001	479,395

Investments in equipment relate almost exclusively to the manufacture and purchase of dies, of which € 304,000 were manufactured in-house.

4) *Other*

Gross book value	2,617,946
Revaluation	8,004
Accumulated depreciation	(2,122,045)
Balance at Dec. 31, 2000	503,905
Acquisitions	392,963
Decreases	(115,527)
Use of provisions	115,527
Depreciation expense	(355,660)
Balance at Dec. 31, 2001	541,208

Other property, plant and equipment increases relate to the acquisition of computers worth € 211,000 and vehicles amounting to € 138,000.

5) *Work in progress and advances*

Balance at Dec. 31, 2000	202,470
Increases	632,678
Decreases	(202,470)
Balance at Dec. 31, 2001	632,678

Increases in work in progress and advances are due mainly to advances paid to suppliers of plant and equipment. The table enclosed as Attachment 1 of the present Notes shows changes in property, plant and equipment for the year.

**Revaluation of property, plant and equipment carried out in the year**

Pursuant to Article 10, Law no. 72/1983, revaluations of property, plant and equipment recorded in the financial statements at December 31, 2001 are listed in the table that follows.

	Law 576/75	Law 72/83	Law 413/91	Total
Land and buildings		248,220	687,441	935,661
Plant and machinery	2,386	133,651		136,037
Other assets	332	7,664		7,996
	2,718	389,535	687,441	1,079,694

III - Investments

Balance at Dec. 31, 2001	8,051,581
Balance at Dec. 31, 2000	8,151,498
Change	(99,917)

1) Investments in:**a) subsidiaries**

Subsidiary	Dec. 31, 2000	Increases	Dec. 31, 2001
Cembre Ltd	2,681,918		2,681,918
Cembre Sarl	1,048,197		1,048,197
Cembre España SL	858,104		858,104
Cembre AS	293,070		293,070
Cembre GmbH	480,835	673	481,508
Cembre Inc, Oelma srl	380,282 1,962,536		380,282 1,962,536
Total	7,704,942	673	7,705,615

The table that follows shows information on subsidiaries, all held directly by the parent company. Amounts are expressed in euro:



<i>Name and head office</i>	<i>Capital stock</i>	<i>Shareholders' Equity</i>	<i>Net profit (loss)</i>	<i>% held</i>
Cembre Ltd (Sutton Coldfield - Birmingham)	1,972,062	4,943,402	502,869	100
Cembre Sarl (Morangis - Parigi)	1,071,000	1,779,562	176,782	95(a)
Cembre España SL (Coslada - Madrid)	900,000	1,034,683	163,632	95(a)
Cembre AS (Stokke - Norvegia)	301,830	63,655	(12,592)	100
Cembre GmbH (Monaco - Germania)	512,000	892,271	106,662	95(a)
Cembre Inc, (Edison - New Jersey-Usa)	953,137	348,088	(230,565)	50(b)
Oelma srl (San Giuliano Milan)	102,258	759,632	177,247	100

(a) the remaining 5% is held through Cembre Ltd

(b) the remaining 50% is held through Cembre Ltd

Financial data relating to the capital stock, shareholders' equity and net profit for the year are those contained in the financial statements for 2001 approved by the respective boards of subsidiaries. The translation of capital stocks expressed in currencies different from euro was carried out at the exchange rate in force on the last day of the year, while net profits were translated at the average exchange rate for the year.

The book value of investment in Cembre GmbH increased by € 673 following the underwriting of additional shares in the context of the conversion of the capital stock into euro.

The book value of investments in Cembre AS and Cembre Inc., the latter of which became operational in March 1999, recorded in the financial statements of the Group parent company, is significantly higher than the share in the shareholders' equity held. Such difference is justified by expected profits.

The higher acquisition price, equal to € 991,298, paid by the parent company for Oelma Srl is attributed in part to the building hosting the company's main office and in part to expected profits. The treatment of such differences is described in the Consolidated Financial Statements. Oelma Srl was merged into Cembre Spa effective January 01, 2002.

b) other companies

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Inn.tec. srl	5,165	5,165
Conai	45	45
Total	5,210	5,210

These amounts represent non-controlling investments in Consorzio Nazionale Imballaggi (National Packaging Consortium) and Inn.tec Srl, a technology innovation consortium, with registered head offices at the Brescia Province main office.



2) Receivables

a) from subsidiaries

Receivables from subsidiaries amount to € 122,887 and relate to a 5-year, 5% loan extended to Cem-bre AS, providing for monthly installments. The loan expired originally in 2003 and was repaid in full in March 2002.

d) from others

	Dec. 31, 2001	Dec. 31, 2000
Deposits	9,873	19,306
Prepaid taxes on employee termination indemnities	207,996	222,192
Total	217,869	241,498

Prepaid tax receivables on employee termination indemnities (Article 2, Law no. 140/97) includes prior years' revaluations.

C) CURRENT ASSETS

I - Inventories

	Dec. 31, 2001	Dec. 31, 2000	Change
Raw materials	4,221,638	3,852,185	369,453
Work in progress and semi-finished goods	4,153,583	4,487,847	(334,264)
Finished goods	5,518,732	4,010,612	1,508,120
Total	13,893,953	12,350,644	1,543,309

Valuation criteria are unchanged from the previous year and are described in the first part of the present Notes. The provision for slow moving inventory increased by € 52,000 to € 155,000. The provision is recorded directly as a reduction in the value of finished products to bring them into line with their expected realisable value. The value of inventories calculated with the method applied is approximately € 380,000 less than the value of inventories calculated at current costs.

II - Receivables

Balance at Dec. 31, 2001	17,427,429
Balance at Dec. 31, 2000	15,337,751
Change	2,089,678



1) Trade receivables

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Gross book value	11,137,025	10,415,997
Provision for doubtful accounts	(293,225)	(234,343)
Net trade receivables	10,843,800	10,181,654

Value adjustments due to doubtful accounts resulted in the following changes in the provision for doubtful accounts:

<i>Provision for doubtful accounts</i>	<i>Dec. 31, 2001</i>
Balance at Dec. 31, 2000	234,343
2001 net profit	(28,230)
Accruals	87,112
Balance at Dec. 31, 2001	293,225

2) Receivables from subsidiaries

Amounts receivable from subsidiaries relate to commercial transactions.

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Cembre Ltd	987,768	957,020
Cembre Sarl	982,459	918,234
Cembre España SL	2,046,603	1,345,791
Cembre AS	109,355	62,385
Cembre GmbH	1,103,506	898,971
Cembre Inc.	1,055,702	334,552
Oelma srl	0	138,995
Total	6,285,393	4,655,948

The increase in receivables from subsidiaries is due primarily to increased business activity between Group companies.

5) Other receivables

Current receivables

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
VAT receivables	126,458	87,827
Current tax receivables	0	313,150
Prepaid taxes	62,362	41,575
Other	101,802	49,983
Total	290,622	492,535



Prepaid tax receivables are recorded against the provision for inventory depletion described above. Current tax receivables for 2000 related to excess corporate taxes paid over the amount due for the year.

Non-current receivables amount to € 7,164, with no receivables due beyond five years.

III – Marketable securities

Balance at Dec. 31, 2001	566,700
Balance at Dec. 31, 2000	579,348
<hr/>	
Change	(12,648)

At the end of 2001, the company held 243,000 own shares, the same number as at December 31, 2000. The value of such shares was written-down by € 12,648 to bring their acquisition price in line with average listed prices recorded in December. At March 25, 2002, the number of shares held was unchanged.

IV – Cash and cash equivalents

Balance at Dec. 31, 2001	3,159,722
Balance at Dec. 31, 2000	1,161,185
<hr/>	
Change	1,998,537

The balance represents cash and cash equivalents at the financial year end.

D) Accrued income and prepaid expenses

Balance at Dec. 31, 2001	30,750
Balance at Dec. 31, 2000	43,350
<hr/>	
Change	(12,600)

Accrued income and prepaid expenses include income and charges that are either deferred or prepaid with respect to the year in which they accrue. They are made up as follows:

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Contributions accrued	5,316	9,609
Prepaid maintenance fees	18,781	28,071
Sundry accrued income and prepaid expenses	6,653	5,670
<hr/>		
Total	30,750	43,350

Contributions accrued represent the share payable by the Contributions Fund (Law no. 295, May 28, 1973) on financing extended by Istituto Mobiliare Italiano.

All prepaid expenses and accrued income are current.



Liabilities and Shareholders' Equity

A) SHAREHOLDERS' EQUITY

Balance at Dec. 31, 2001	33,585,131
Balance at Dec. 31, 2000	32,166,918
<hr/>	<hr/>
Change	1,418,213

The share capital of the company amounts to € 8,840,000 and is made up of 17 million ordinary shares of par value € 0.52 each, fully subscribed and paid-up. The capital stock was converted into euro effective January 1, 2001. On such occasion, the capital stock was increased by € 60,233 through a transfer from the provision for paid-in capital in excess of par value, in accordance with Article 17 of Legislative Decree no. 213/1998. The Shareholders' Meeting of Cembre SpA held on May 14, 2001, resolved to transfer retained earnings resulting from the financial statements at December 31, 2001, amounting to € 5,131,080 to the extraordinary reserve.

Following the € 12,648 write-down in the value of own shares held, the part of the Provision for own shares that came available, was transferred to the extraordinary reserve.

A Statement of Changes in the Shareholders' Equity is enclosed below as Attachment 2 and constitutes an integral part of the present Notes. Changes in all Shareholders' Equity items are detailed.

Item other reserves is made up by suspended-tax reserves amounting to € 68,412.

Pursuant to Legislative Decree no. 467, December 18, 1997, below is a breakdown of suspended-tax reserves:

<i>Reserve A (€ '000)</i>	<i>Opening balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Closing balance</i>
Opening balance	7,249			7,249
9/16 exemption 1/10 for 1997-2007		102		102
Dividends distributed in 2001 at a 58.73% tax rate			(1,471)	(1,471)
Taxes paid		1,269		1,269
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,249	1,371	(1,471)	7,149

<i>Reserve B (€ '000)</i>	<i>Opening balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Closing balance</i>
Opening balance	3,066			3,066
Expected income taxes At reduced rate (D.i.t.)				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,066			3,066

**B) PROVISIONS FOR RISKS AND CHARGES**

Balance at Dec. 31, 2001	48,412
Balance at Dec. 31, 2000	46,134
<hr/>	
Change	2,278

Other provisions for risks and charges are made up entirely by the accrual made against client indemnities due to agents pursuant to the national collective contract for agents.

	<i>Dec. 31, 2000</i>	<i>Increases</i>	<i>Decreases</i>	<i>Dec. 31, 2001</i>
Other provisions for risks and charges	46,134	2,278		48,412

C) EMPLOYEE TERMINATION INDEMNITIES

Changes in the year are shown below.

Balance at December 31, 2000	2,516,688
Accrual in the year	634,366
Advances paid	(58,153)
Termination indemnities and Social Security contributions paid	(70,857)
<hr/>	
Balance at December 31, 2001	3,022,044

Indemnities accrued in the year and paid to employees terminating their employment with the company was equal to € 11,427. The amount does not include the accrual for the year. The provision covers in full all amounts accrued by employees at the closing date of the financial statements, net of advances paid.

D) PAYABLES

Balance at Dec. 31, 2001	15,725,101
Balance at Dec. 31, 2000	13,966,673
<hr/>	
Change	1,758,428

Payables are recorded at face value. Their breakdown by expiration date is reported in the table below.



	<i>Less than 1 year</i>	<i>Over 1 year</i>	<i>Over 5 years</i>	<i>Total</i>
Bank loans	1,644,301	4,591,437		6,235,738
Advances	18,205			18,205
Trade payables	6,579,509			6,579,509
Payables to subsidiaries	43,609			43,609
Tax payables	698,491			698,491
Social Security payables	763,752			763,752
Other payables	1,385,797			1,385,797
	11,133,664	4,591,437		15,725,101

3) *Bank loans*

Balance at Dec. 31, 2001	6,235,738
Balance at Dec. 31, 2000	5,072,014
Change	1,163,724

Bank loans include principal amounts, interest accrued and related charges. The item is made up as follows:

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Overdrafts and short-term loans	688,927	1,715,329
Short-term portion of long-term debt	955,374	309,874
Long-term debt	4,591,437	3,046,811
Total	6,235,738	5,072,014

A € 2.5 million, 18-month, 3.65% loan repayable in full at expiration was concluded in November 2001. The last installment of the Istituto Mobiliare Italiano S.p.A. (IMI) loan will be repaid in January 2003. It is guaranteed by a first mortgage of € 2,892,000 on one of the Brescia head office buildings, and has a residual balance at December 31, 2001 of € 465,000.

**6) Trade payables**

Balance at Dec. 31, 2001	6,579,509
Balance at Dec. 31, 2000	6,415,083
<hr/>	
Change	164,426

Trade payables are stated net of trade discounts. Cash discounts are recognised only at the time of payment. The book value of such payments is adjusted for returns or discounts (invoicing adjustments), in line with the amount agreed upon with the supplier.

8) Payables to subsidiaries

Balance at Dec. 31, 2001	43,609
Balance at Dec. 31, 2000	64,877
<hr/>	
Change	(21,268)

Trade payables to subsidiaries are shown below:

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Cembre Ltd	13,320	33,707
Oelma srl	0	29,089
Cembre A.S.	114	0
Cembre GmbH	1,266	0
Cembre España SL	141	734
Cembre Sarl	28,768	1,007
Cembre Inc.	0	340
<hr/>		
Total	43,609	64,877

11) Tax payables

Balance at Dec. 31, 2001	698,491
Balance at Dec. 31, 2000	577,244
<hr/>	
Change	121,247

The item includes local corporate taxes (IRAP) and taxes withheld on employee remuneration.



	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Taxes withheld on employee remuneration	588,017	504,249
Current taxes payable	110,474	72,995
Total	698,491	577,244

Advances paid in 2000 on corporate taxes (IRPEG) were in excess of taxes payable for the year. The difference was recorded among other receivables.

12) Social Security payables

Balance at Dec. 31, 2001	763,752
Balance at Dec. 31, 2000	660,309
Change	103,443

The balance represents amounts payable to Social Security institutions relating to employees and agents.

13) Other payables

Balance at Dec. 31, 2001	1,385,797
Balance at Dec. 31, 2000	1,158,455
Change	227,342

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Payable to employees	566,558	502,886
Customer premiums payable	642,937	505,913
Agent fees payable	138,602	122,917
Insurance payables	27,930	19,256
Statutory Auditors' compensation payable	9,770	7,483
Total	1,385,797	1,158,455

The increase in customer premiums is due to higher sales.

E) ACCRUED EXPENSES AND DEFERRED INCOME

Balance at Dec. 31, 2001	39,086
Balance at Dec. 31, 2000	45,869
Change	(6,783)



These represent expenses accrued and deferred revenues recorded on the accrual method. All items are short-term.

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Interest accrued on loans	29,174	26,827
Deferred income	9,912	19,042
Total	39,086	45,869

Commitments

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>	<i>Change</i>
Guarantees given	404,640	1,208,291	(803,651)
of which in favour of subsidiaries	350,000	1,050,000	(700,000)
Guarantees received from third parties	237,062	299,037	(61,975)

Guarantees given in favour of subsidiaries are represented by guarantees issued by Cembre SpA against loans extended to Cembre Sarl and Cembre España SL, amounting respectively to € 200,000 and € 150,000.

Income Statement

Before commenting items in the Income Statement, we draw your attention on the analysis of costs and revenues contained in the Management Report pursuant to article 2428, first comma, of the Italian Civil Code.

The current analysis focuses on significant changes in Income Statement items from the previous year, and is supplemented by more detailed analysis included in the notes to the Balance Sheet.

A) REVENUES

1) Sales

Balance at Dec. 31, 2001	44,366,355
Balance at Dec. 31, 2000	39,061,912
Change	5,304,443



<i>Sales by geographical area (€'000)</i>	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Italy	26,250	24,307
Rest of Europe	14,478	11,632
Rest of World	3,638	3,123
Total	44,366	39,062

Changes are due to factors described in the Management Report.

5) Other revenues

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>	<i>Change</i>
Capital gains on disposal of assets	10,038	18,900	(8,862)
Other	16,636	10,671	5,965
Total	26,674	29,571	(2,897)

B) OPERATING COSTS

6) Raw materials

Balance at Dec. 31, 2001	18,080,416
Balance at Dec. 31, 2000	15,124,815
Change	2,955,601

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Raw materials and goods	15,596,093	12,659,016
Consumables	2,390,422	2,383,509
Transport and customs duties	93,901	82,290
Total	18,080,416	15,124,815

7) Services

Balance at Dec. 31, 2001	6,518,959
Balance at Dec. 31, 2000	5,621,808
Change	897,151



	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Subcontracted work	1,915,279	1,620,907
Transport	710,054	594,152
Maintenance and repairs	823,664	668,354
Electricity, heating, water	547,013	501,286
Consulting services	584,975	474,563
Directors' compensation	437,060	346,126
Auditors' compensation	51,278	45,151
Commissions	219,376	229,729
Postage and telephone	141,221	168,329
Fuel	100,833	102,604
Travel and transfers	180,082	153,405
Insurance	126,865	117,628
Canteen	192,415	169,133
Bank expenses	73,109	64,605
Personnel training	29,728	36,292
Advertising and trade fairs	67,011	59,384
Security and cleaning	213,392	191,248
Other	105,604	78,912
Total	6,518,959	5,621,808

8) *Leases and rentals*

Balance at Dec. 31, 2001	420,736
Balance at Dec. 31, 2000	292,744
Change	127,992

Lease and rental costs relate primarily to the lease of buildings owned by third parties, as described in the Management Report, and by vehicle leasing costs.

9) *Personnel costs*

Balance at Dec. 31, 2001	12,150,904
Balance at Dec. 31, 2000	10,823,941
Change	1,326,963

The item includes personnel costs, including paid leave and accruals made pursuant to the Law and collective labor contracts in force. Employee termination indemnities include the accrual at December 31, 2001 and amounts paid to personnel terminating their employment with the company in the year.



<i>Average number of employees by category</i>	2001	2000
Management	7	6
Administrative and commercial staff	124	116
Warehouse workers	165	154
Total	296	276

10) Depreciation and accruals

b) Tangible asset depreciation

Property, plant and equipment depreciation rates are unchanged from the previous year.

Category	Depreciation rate
Buildings and light construction	3% - 10%
Plant and machinery	10% - 15.5%
Equipment	25%
Other assets	12% - 25%

Ordinary depreciation for 2001 amounted to € 2,187,000, while accelerated depreciation was equal to € 1,375,000. Had amortisation been calculated on the expected residual useful life of the assets, tangible assets would have been higher by € 4,740,000, and shareholders' equity by € 2,874,000, net of the related tax expense. Net profit benefited from € 692,000 of accelerated depreciation charges accrued in previous years. Net profit, gross of accelerated depreciation, would therefore have been higher by € 683,000 (€ 414,000 net of the tax expense for the year).

12) Accrual to provision for risks and charges

The accrual to the provision for customer indemnities was made in view of charges relating to the possible termination of agency contracts.

14) Other operating costs

Balance at Dec. 31, 2001	180,285
Balance at Dec. 31, 2000	171,074
Change	9,211

Other operating costs



	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Donations	85,215	72,304
Taxes	86,742	80,241
Other	8,328	18,529
Total	180,285	171,074

C) FINANCIAL INCOME (EXPENSE)

16) *Other financial income*

Balance at Dec. 31, 2001	38,399
Balance at Dec. 31, 2000	64,249
Change	(25,850)

Other financial income

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Interest on bank deposits	13,116	9,660
Foreign exchange gains	15,207	39,236
Other	1,831	3,363
Total	30,154	52,259

17) *Interest and other financial expenses*

Balance at Dec. 31, 2001	269,520
Balance at Dec. 31, 2000	247,610
Change	21,910

The item is made up as follows:

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Bank interest charges	91,455	198,323
Interest on bonds outstanding	0	4,734
Interest on loans	153,564	31,513
Foreign exchange losses	24,501	13,040
Total	269,520	247,610



D) WRITE-DOWNS

The write-down of marketable securities relates to own shares held and was carried out to bring their value into line with current market value.

E) EXTRAORDINARY ITEMS

Balance at Dec. 31, 2001	(199,321)
Balance at Dec. 31, 2000	(140,842)
<hr/>	
Change	(58,479)

Extraordinary items are made up as follows:

	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
Extraordinary gains	22,788	11,017
Extraordinary losses	(18,887)	(57,545)
Returns of goods sold in past years	(203,222)	(94,314)
<hr/>		
Total	(199,321)	(140,842)

Returns of merchandise sold in previous years relate to goods returned following agreements with customers.

22) *Income taxes*

Balance at Dec. 31, 2001	2,009,257
Balance at Dec. 31, 2000	1,768,743
<hr/>	
Change	240,514

The accrual to the tax provision is made in accordance with expected taxable income, taking into account adjustments made to income reported in the statutory accounts. Income taxes for the year include € 20,787 of prepaid taxes, calculated on € 51,646 accrued to the provision for slow moving.

Pursuant to paragraph 14 of Article 2427 of the Italian Civil Code, we point out that no value adjustments were carried out other than those previously discussed relating to tangible asset depreciation.

Please refer to the Management Report for information relating to events subsequent to the closing date of the financial statements and transactions with related parties.

Compensation of Directors and emoluments paid to the Board of Statutory Auditors are reported under item B7 "Costs for services" of the Income Statement. Pursuant to disclosure requirements set by Consob, implementing Legislative Decree no. 58 of 2001, we include in Attachment 4 the breakdown of compensation paid to Directors and Auditors of the company.



The present Notes include the following attachments:

- no. 1 Changes in tangible assets
- no. 2 Changes in the shareholders' equity
- no. 3 Financial highlights of subsidiaries, pursuant to Article 2429 of the Italian Civil Code
- no. 4 Directors and Auditors' compensation

The present financial statements, that include a Balance Sheet, Income Statement and explanatory Notes, truly and fairly represent the Company's assets, liabilities and financial position, in addition to its operating performance for the 2001 financial year, and correspond to its accounting records.

Supplementary information required by Consob

Pursuant to a CONSOB requirement, the Company's (Cembre S.p.A) shareholdings over 10% held in limited liability publicly traded companies and unlisted joint-stock companies at December 31, 2001, are as follows:

Company	Head office	Capital stock	% held				% holding voting rights
			directly	indirectly	through	total	
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	Gbp 1,200,000	100%			100%	100%
Cembre Sarl	Morangis (Paris - France)	Euro 1,071,000	95%	5%	Cembre Ltd	100%	100%
Cembre España SL	Coslada (Madrid-Spain)	Euro 900,000	95%	5%	Cembre Ltd	100%	100%
Cembre AS	Stokke (Norway)	Nok 2,400,000	100%			100%	100%
Cembre GmbH	Munich (Germany)	Euro 512,000	95%	5%	Cembre Ltd	100%	100%
Cembre Inc.	Edison (New Jersey - USA)	Us \$ 840,000	50%	50%	Cembre Ltd	100%	100%
Oelma srl	San Giuliano Milanese (Italy)	Lire 198,000,000	100%			100%	100%

The only change relative to December 31, 2000 relates to the € 708 capital stock increase carried out by Cembre GmbH following the conversion of the capital stock in euro.

Brescia, March 25, 2002

THE CHAIRMAN OF THE BOARD OF DIRECTORS
CARLO ROSANI



ATTACHMENT NO.1 NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE SPA AT DECEMBER 31, 2001
CHANGES IN TANGIBLE ASSETS (in euro)

	GROSS BOOK VALUE			DEPRECIATION				NET BOOK VALUE		
	Balance at Dec. 31, 2000	Increases	Decreases and write-downs	Balance at Dec. 31, 2001	Accumulated depreciation at Dec. 31, 2000	Depreciation expense	Uses of provision for accumulated depreciation	Accumulated depreciation at Dec. 31, 2001	Net book value at Dec. 31, 2001	Net book value at Dec. 31, 2000
Land and buildings	7,317,208			7,317,208	2,798,352	251,342		3,049,694	4,267,514	4,518,856
Plant and machinery	18,868,990	755,741	(50,212)	19,574,519	13,893,904	2,448,826	(50,212)	16,292,518	3,282,001	4,975,086
Equipment	2,303,910	426,544		2,730,454	1,744,546	506,513		2,251,059	479,395	559,364
Other assets	2,625,951	392,963	(115,527)	2,903,387	2,122,046	355,660	(115,527)	2,362,179	541,208	503,905
	31,116,059	1,575,248	(165,739)	32,525,568	20,558,848	3,562,341	(165,739)	23,955,450	8,570,118	10,557,211
Work in progress and advances (1)	202,470	632,678	(202,470)	632,678					632,678	202,470
TOTAL	31,318,529	2,207,926	(368,209)	33,158,246	20,558,848	3,562,341	(165,739)	23,955,450	9,202,796	10,759,681

(1) Work in progress and advances include transfers in the year recorded under increases and decreases.

ATTACHMENT NO. 2 NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE SPA AT DECEMBER 31, 2001
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2001

(in euro)	Share capital	Share premium	Restatement reserve	Legal reserve	Reserve for own shares	Extraordinary reserve	Suspended tax reserves	Retained earnings	Net profit	Total shareholders' equity
Balance at Dec. 31, 2000	8,779,767	12,305,102	585,159	834,168	579,348	1,268,751	68,412	5,131,080	2,615,131	32,166,918
Transfer due to write-down of sown shares					(12,648)	12,648				
Transfer following Sh. Meeting resolution of May 14, 2001						5,131,080		(5,131,080)		
Conversion of share capital in euro	60,233	(60,233)								
Allocation of 2000 net profit ⁽¹⁾				130,756		1,013,148			(2,615,131)	(1,471,227)
Net profit									2,889,440	2,889,440
Balance at December 31, 2001	8,840,000	12,244,869	585,159	964,924	566,700	7,425,627	68,412	0	2,889,440	33,585,131

(1) With reference to the allocation of 2000 net profit, item Total Shareholders' Equity include dividends approved by resolution at the Shareholders' Meeting held on May 14, 2001.



ATTACHMENT NO. 3 NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE SPA
FINANCIAL HIGHLIGHTS OF CONSOLIDATED SUBSIDIARIES
PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

(in euro)	Fixed assets	Current assets, accruals and prepayments	Total assets	Shareholders' equity	Total payables, provisions, accruals and deferrals	Total liabilities
Cembre Ltd	3,567,039	3,930,544	7,497,583	4,943,402	2,554,181	7,497,583
Cembre Sarl	669,191	2,719,810	3,389,001	1,779,562	1,609,439	3,389,001
Cembre España SL	971,313	2,942,490	3,913,803	1,034,683	2,879,120	3,913,803
Cembre AS	4,584	331,171	335,755	63,655	272,100	335,755
Cembre GmbH	72,589	2,189,946	2,262,535	892,271	1,370,264	2,262,535
Cembre Inc	167,444	2,071,116	2,238,560	348,088	1,890,472	2,238,560
Oelma srl	251,034	1,870,333	2,121,367	759,632	1,361,735	2,121,367

	Total operating value	Operating costs	Financial income (expense)	Extraordinary items	Income taxes	Net profit (loss)
Cembre Ltd	8,098,715	(7,395,648)	11,214	3,547	(214,960)	502,869
Cembre Sarl	4,089,318	(3,778,767)	(22,261)	1,397	(112,905)	176,782
Cembre España SL	3,829,897	(3,613,178)	(20,665)	39,256	(71,679)	163,632
Cembre AS	379,179	(390,946)	(825)	0	0	(12,592)
Cembre GmbH	4,213,023	(4,056,358)	15,588	0	(65,591)	106,662
Cembre Inc	1,708,217	(1,978,167)	39,386	0	0	(230,565)
Oelma srl	2,987,399	(2,699,230)	(33,843)	13,578	(90,683)	177,247

Data relates to the financial statements of subsidiaries at December 31, 2001.

The translation of amounts in currencies other than the euro was carried out as described in the Notes to the Consolidated Financial Statements at December 31, 2001.

Brescia, March 25, 2002

THE CHAIRMAN OF THE BOARD
CARLO ROSANI

ATTACHMENT NO. 4 TO THE FINANCIAL STATEMENTS OF CEMBRE SPA
DIRECTORS AND STATUTORY AUDITORS' COMPENSATION

	POSITION		Emoluments for position	COMPENSATION in euro (1)		
	Position	Expiration of term		Non monetary benefits	Bonuses and other incentives	Other compensation
CARLO ROSANI	Chairman & Chief Executive Officer	Approval of 2002 financial statements	155,867			
ANNA MARIA ONOFRI	Vice Chairman & Managing Director	Approval of 2002 financial statements	78,398			
ALDO COPETTA	Managing Director	financial statements	62,904			7,747 (3)
GIOVANNI DE VECCHI	Director	Approval of 2002 financial statements	40,180			120,973 (2)
ALDO BOTTINI BONGRANI	Director	Approval of 2002 financial statements	19,522			119,278 (2)
MARIO COMANA	Director	Approval of 2002 financial statements	35,236			17,560
PAOLO LECHI	Director	App. of 2002 finan. statem.	12,240			
SARA ROSANI	Director	App. of 2002 finan. statem.	19,522			35,054 (2)
GIOVANNI ROSANI	Director	Approval of 2002 financial statements	19,367			
GUIDO ASTORI	Chairman of the Board of Statutory Auditors	Approval of 2002 financial statements	21,540			
AUGUSTO REZZOLA	Statutory Auditor	Approval of 2002 financial statements	14,184			
LEONE SCUTTI	Statutory Auditor	App. of 2002 finan. statem.	14,290			

(1) Compensation paid in 2001 includes also compensation paid by subsidiaries

(2) Gross remuneration for employment, including fringe-benefits

(3) Compensation for services. See Relationships with related parties in the Management report

**RECONTA ERNST & YOUNG**■ Corso Magenta 29
25121 Brescia■ Tel.: (030) 2896111 r.a.
Fax: (030) 295437

AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders
of Cembre S.p.A.

1. We have audited the financial statements of Cembre S.p.A. as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Cembre S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (**the Italian Stock Exchange Regulatory Agency**¹). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 27, 2001.

3. In our opinion, the financial statements of Cembre S.p.A. comply with the **Italian**¹ regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Cembre S.p.A. as of December 31, 2001, and the results of its operations for the year then ended.

¹ **Words added in translation from original Italian text**

■ Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G. D. Romagnosi 18/A
Capitale Sociale € 1.043.330,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

**RECONTA ERNST & YOUNG**

4. As illustrated in the Notes to the financial statements the Oelma S.r.l. subsidiary has been merged through incorporation into Cembre S.p.a. having effect since January 1, 2002.
5. As in prior years, the Company booked accelerated depreciation expenses in addition to those based on useful lives of the fixed assets; the effects on the financial statements of the accelerated depreciation expenses are illustrated in the Notes to the financial statements.
6. The Company, together with the financial statements, has prepared the consolidated financial statements as requested by the law. The consolidated financial statements, also audited by us, has enclosed our audit report dated March 26, 2002.

Brescia March 26, 2002

RECONTA ERNST & YOUNG S.P.A.
Signed by: Stefano Colpani, partner

*Cembre Group Management Report
at 31 December 2001*



Cembre Group Management Report at December 31, 2001

The first part of 2001 was characterised by a recovery of the Italian and European markets, with the exception of France and Germany, which were affected by stagnation. Recovery in the United States was stronger.

The Spanish railroads made strong investments, while work on the Madrid-Barcelona high-speed link continued. Investment by the Italian railroads remained stable, while German and French capital expenditure was low.

In the last four months of the year, partly as a result of international events, the global market experienced a downturn. Our sales network, however, successfully countered the effect of the contraction, achieving an 11.1% increase in revenues over the previous year, up from € 50,415,000 in 2000 to € 56,002,000 in the current year.

The consolidated cash flow, representing income and depreciation, grew by 5.2%, from € 7,495,000 (14,8 % of sales) at December 31, 2000, to € 7,884,000 (14,1% of sales) at December 31, 2001. To provide a better understanding of the Group's results, a reclassified consolidated income statement for the year ending December 31, 2001 has been included as Attachment A of this report.

Revenues by Group company

(€ '000)	31.12.2001	31.12.2000
Parent company Cembre S.p.a.	32,253	29,250
Cembre Ltd. (UK)	7,245	6,578
Cembre S.a.r.l. (France)	4,033	4,173
Cembre España S.L. (Spain)	3,829	2,960
Cembre GmbH (Germany)	4,181	3,257
Cembre AS (Norway)	379	460
Cembre Inc (USA)	1,705	1,020
Oelma srl (Italy)	2,377	2,717
Total	56,002	50,415

Sales by geographical area

(€ '000)	31.12.2001	31.12.2000
Italy	28,095	26,389
Rest of Europe	23,629	20,647
Rest of the World	4,278	3,379
Total	56,002	50,415

A total of 50.2% of Group sales were represented by Italy (as compared with 52.3% in 2000), 42.2% by the rest of Europe (40.1% in 2000), and the remaining 7.6% by the rest of the World (6.7% in



2000). Italy and the rest of Europe registered respectively a 6.5% and 14.4% growth in sales. Sales in the rest of the World resulted in part from increased activity of our American subsidiary, despite its continuing difficulties in expanding its presence in the market. All Group companies reported sales increases, with the exception of the French subsidiary Cembre Sarl, operating in a stagnant market, and Cembre AS, affected by fluctuating orders. The decline in profits reported by Oelma srl is due to the transfer of some of its customers to Cembre S.p.A, in view of the merger with the parent company, effective January 1, 2002.

Gross operating margin improved by 5.7 %, from € 10,420,000 in 2000 to € 11,009,000 in 2001 (19.7% of sales). Group operating income amounted to € 6,931,000 increasing by 7% over € 6,475,000 in 2000, representing 12.4% of sales.

Consolidated net profit for 2001 amounts to € 3,806,000 (6.8% of sales), up 7.2% on € 3,550,000 in 2000 (7% of sales).

Consolidated net financial position

(€ '000)	31.12.2001	31.12.2000
Long-term financial debt	(4,820)	(3,755)
Total medium and long-term debt	(4,820)	(3,755)
Cash	4,846	2,812
Short-term bank loans	(3,871)	(4,020)
Short-term debt	(45)	(44)
Marketable securities	567	579
Short-term financial assets	1,497	(673)
Consolidated net financial position at year-end	(3,323)	(4,428)

Capital expenditure

Cembre SpA made significant investments in property, plant and equipment, totaling € 1,575,000, gross of depreciation and disposals. Of these, € 756,000 relate to the acquisition of new plant and machinery, and € 427,000 to the purchase of new equipment. These investments are described more in detail in the Management Report included in the statutory accounts of Cembre SpA. Cembre Ltd has also acquired new plant and machinery, amounting to € 285,000.

Research and development

Thanks to its greater experience and numerous technicians, Cembre SpA carries out most of the Group's research and development activities, described in the Parent Company management report.



Nevertheless, other Group companies participate actively in product development and research. Our UK subsidiary based in Birmingham, for example, designed and manufactured a number of new systems for positioning drills to rails and selected cable terminals for special applications.

Related Parties

For details regarding transactions with related parties, please refer to the Parent Company management report.

Own Shares

At December 31, 2001, Cembre SpA held 243,000 of its own shares recorded at cost, amounting to € 566,700, written down by € 140,556 to reflect their current market value. Cembre SpA own shares have a total par value of € 126,360, representing 1.43% of its share capital. No shares were acquired or disposed of in the year. At December 31, 2001, Cembre SpA had not acquired, disposed of, or owned directly or indirectly through subsidiary companies, trust companies or intermediaries, shares or holdings in companies having a controlling share in the company.

Subsequent Events

Wholly-owned subsidiary Oelma srl was merged into Cembre SpA effective January 1, 2002. No event having significant effects on the Group's assets or financial performance occurred after the closing of the financial year.

Management expectations of operations in 2002

In 2002, management expects activity to grow both in Italy and abroad. Profit levels are expected to remain good.

ATTACHMENTS

The present document includes two attachments:

Attachment A: Reclassified Consolidated Income Statement at December 31, 2001;

Attachment B: Consolidated Statement of Cash Flows for the year ended December 31, 2001.

Brescia, Italy March 25, 2002

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



ATTACHMENT A - MANAGEMENT REPORT - CEMBRE GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001
RECLASSIFIED INCOME STATEMENT AT DECEMBER 31, 2001

(in euro)	31.12.2001	%	31.12.2000	%	Incr. %
Sales	56,002,417	100,00	50,415,311	100,00	11,08%
Other revenues and gains	151,941		97,649		55,60%
TOTAL REVENUES	56,154,358		50,512,960		11,17%
Change in work in progress, semi-finished and finished goods inventories	1,997,639	3,57	1,494,393	2,96	33,68%
Increase in assets due to internal construction	643,015	1,15	852,188	1,69	(24,55)%
TOTAL OPERATING VALUE	58,795,012	104,99	52,859,541	104,85	11,23%
Materials and services used	(30,136,799)	53,81	(26,911,231)	53,38	11,99%
Other operating costs	(268,027)	0,48	(259,214)	0,51	3,40%
VALUE ADDED	28,390,186	50,69	25,689,096	50,95	10,51%
Personnel costs	(17,255,280)	30,81	(15,169,898)	30,09	13,75%
Accruals to provision for doubtful accounts	(118,499)	0,21	(92,396)	0,18	28,25%
Accruals to risk provision	(6,963)		(6,840)		1,80%
GROSS OPERATING MARGIN (EBITDA)	11,009,444	19,66	10,419,962	20,67	5,66%
Intangible asset amortization	(552,972)	0,99	(596,729)	1,18	(7,33)%
Tangible asset depreciation	(3,525,005)	6,29	(3,348,031)	6,64	5,29%
OPERATING PROFIT (EBIT)	6,931,467	12,38	6,475,202	12,84	7,05%
Financial income (expense)	(278,882)	0,50	(286,017)	0,57	(2,49)%
PROFIT BEFORE EXTRAORDINARY ITEMS	6,652,585	11,88	6,189,185	12,28	7,49%
Extraordinary items and adjustments to the value of financial assets	(86,971)	0,16	(230,653)	0,46	(62,29)%
PROFIT BEFORE TAXES	6,565,614	11,72	5,958,532	11,82	10,19%
Income taxes	(2,759,633)	4,93	(2,408,539)	4,78	14,58%
NET PROFIT	3,805,981	6,80	3,549,993	7,04	7,21%
CASH FLOW (net income plus depreciation and amortization)	7,883,958	14,08	7,494,753	14,87	5,19%



**ATTACHMENT B - CEMBRE GROUP CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT REPORT**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

(€ '000)

Sources of funds	31.12.2001	31.12.2000
Net profit	3,806	3,550
Adjustments for items not having an impact on cash flow:		
Tangible asset depreciation and write-downs	3,525	3,348
Intangible asset amortization and write-downs	553	597
Accruals to provisions for risks and charges	7	6
Employee termination indemnities	675	588
Cash flow generated by operating activities	8,566	8,089
Increase in long-term bank debt	2,500	1,719
Increase in long-term payables to other financing entities	1	26
Net book value of assets sold	190	43
Change in provisions for risks and charges	295	289
Decline in long-term receivables	27	22
Other changes in assets	162	16
TOTAL SOURCES OF FUNDS	11,741	10,204
Uses of funds		
Increase in intangible assets	28	180
Acquisition of tangible assets	3,121	3,480
Decrease in long-term bank debt	506	0
Transfer of current portion of long-term debt	955	310
Payment of employee termination indemnities	146	186
Dividends paid	1,471	1,385
TOTAL USES OF FUNDS	6,227	5,541
INCREASE (DECREASE) IN WORKING CAPITAL	5,514	4,664



Changes in working capital		
Current assets		
Cash and banks	2,034	411
Marketable securities	(12)	(126)
Short-term financial assets	1	
Trade receivables	766	1,390
Other receivables	(252)	619
Inventories	2,771	1,648
Accrued income and prepaid expenses	(19)	47
	5,289	3,989
Current liabilities		
Bank overdrafts	(149)	(2,915)
Short-term bonds	0	(516)
Trade payables	(191)	1,732
Taxes payable	(39)	800
Other payables	142	258
Accrued expenses and deferred income	12	(33)
	(225)	(674)
INCREASE (DECREASE) IN WORKING CAPITAL	5,514	4,664

*Consolidated Balance Sheet
at 31 December 2001*



Consolidated Financial Statements at December 31, 2001

Balance Sheet (in euro) - Assets 31.12.2001 31.12.2000

A) Capital not paid-in

B) Fixed assets

I - Intangible assets

1) Incorporation costs	11,176	243,748
3) Industrial patents and intellectual property rights	93,523	155,497
4) Concessions, licenses and trademarks	4,499	8,033
5)a Consolidation differences	270,446	497,740
Total	379,644	905,018

II - Tangible assets

1) Land and buildings	8,630,311	8,845,050
2) Plant and machinery	7,864,118	8,932,221
3) Equipment	1,228,574	1,130,560
4) Other assets	1,718,981	1,544,761
5) Work in progress and advances	632,678	216,569
Total	20,074,662	20,669,161

III - Financial assets

1) Investments in:		
d) other companies	5,224	5,224
2) Receivables		
d) short-term receivables from others	1,550	1,492
d) long-term receivables from others	222,745	245,871
Total	229,519	252,587

Total assets	20,683,825	21,826,766
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C) Current assets

I - Inventories

1) Raw materials	4,749,763	4,271,543
2) Work in progress and semi-finished goods	4,444,374	4,776,683
4) Finished goods	11,387,379	8,761,566
Total	20,581,516	17,809,792



<i>II - Receivables</i>		
1) Trade		
- short-term	16,871,756	16,106,400
5) From others		
- short-term	1,163,935	1,416,095
- long-term	7,614	11,505
Total receivables from others	1,171,549	1,427,600
Total receivables	18,043,305	17,534,000
 <i>III - Marketable securities</i>		
5) Own shares (par value € 126,360)	566,700	579,348
 <i>IV - Cash and cash equivalents</i>		
1) Bank deposits	4,829,553	2,793,777
3) Cash	17,122	18,269
Total cash and cash equivalents	4,846,675	2,812,046
Total current assets	44,038,197	38,735,186
D) Accrued income and prepaid expenses	110,726	129,945
Total assets	64,832,748	60,691,897

Liabilities and Shareholders' Equity	31.12.2001	31.12.2000
---------------------------------------------	-------------------	-------------------

A) Shareholders' Equity		
<i>I - Share capital</i>	8,840,000	8,779,767
<i>II - Paid-in capital in excess of par value</i>	12,244,869	12,305,102
<i>III - Revaluation reserve</i>	585,159	585,159
<i>IV - Legal reserve</i>	964,924	834,168
<i>V - Reserve for own shares</i>	566,700	579,348
<i>VI - Statutory reserves</i>	0	0
<i>VII - Other reserves</i>		
Provisions for suspended tax reserves	68,412	68,412
Consolidation reserve	3,371,291	2,461,808
Translation difference reserve	625,208	463,652
Extraordinary reserve	7,425,627	1,268,751
<i>VIII - Retained earnings</i>	0	5,131,080
<i>IX - Net profit</i>	3,805,981	3,549,993
Consolidated Shareholders' Equity	38,498,171	36,027,240



B) Provision for risks and charges		
2) Income taxes	2,400,546	2,074,813
3) Other	48,412	71,957
Total provisions for risks and charges	2,448,958	2,146,770
C) Employee termination indemnities		
	3,128,020	2,598,866
D) Payables		
3) Bank loans		
- short-term	3,871,246	4,020,410
- long-term	4,755,776	3,717,272
Total bank loans	8,627,022	7,737,682
4) Other financial payables		
- short-term	45,278	44,389
- long-term	63,738	37,651
Total other financial payables	109,016	82,040
5) Advances	24,176	18,691
6) Trade payables	7,648,649	7,845,859
11) Taxes payable	1,557,109	1,711,132
12) Social security payables	903,285	787,621
13) Other payables	1,817,586	1,676,626
Total payables	20,686,843	19,859,651
E) Accrued expenses and deferred income		
	70,756	59,370
Total liabilities	64,832,748	60,691,897
Commitments		
2) Guarantees given	76,727	158,291
3) Guarantees received	237,062	299,037



Income Statement (in euro)	31.12.2001	31.12.2000
A) Revenues		
1) Sales	56,002,417	50,415,311
2) Change in work in progress, semi-finished and finished goods inventories	1,997,639	1,494,393
4) Increase in assets due to internal construction	643,015	852,188
5) Other revenues:		
a) sundry	73,335	53,184
b) contributions received	78,606	44,465
Total operating value	58,795,012	52,859,541
B) Operating costs		
6) Raw materials	(20,677,607)	(18,003,287)
7) Services	(9,410,606)	(8,481,980)
8) Leases and rentals	(701,920)	(562,308)
9) Personnel		
a) Wages and salaries	(13,010,888)	(11,263,202)
b) Social security	(3,482,506)	(3,202,993)
c) Employee termination indemnities	(670,662)	(602,285)
d) Retirement benefits	(9,338)	(3,546)
e) Other costs	(81,886)	(97,872)
Total personnel costs	(17,255,280)	(15,169,898)
10) Depreciation and write-downs		
a) Amortization of intangible assets	(552,972)	(596,729)
b) Amortization of tangible assets	(3,525,005)	(3,348,031)
d) Write-down in the value of current assets	(118,499)	(92,396)
Total depreciation and write-downs	(4,196,476)	(4,037,156)
11) Change in raw material inventories	653,334	136,344
12) Accruals to risk provisions	(6,963)	(6,840)
14) Other operating costs	(268,027)	(259,214)
Total operating costs	(51,863,545)	(46,384,339)
Operating income (A-B)	6,931,467	6,475,202



C) Financial income and expense		
16) Other financial income:		
d) other income	180,637	445,179
17) Interest and other financial charges	(459,519)	(731,196)
Total	(278,882)	(286,017)
D) Adjustments to the value of financial assets		
18) Revaluations		
b) long-term financial assets	6,512	7,649
19) Write-downs		
c) marketable securities	(12,647)	(127,909)
Total adjustments to the value of financial assets	(6,135)	(120,260)
E) Extraordinary items		
20) Income	88,533	43,479
21) Losses	(169,369)	(153,872)
Total extraordinary items	(80,836)	(110,393)
Profit before taxes (A-B+C+D+E)	6,565,614	5,958,532
22) Income taxes		
a) current	(2,563,671)	(2,198,829)
b) deferred	(195,962)	(209,710)
Total income taxes	(2,759,633)	(2,408,539)
23) Net profit	3,805,981	3,549,993

Brescia, March 25, 2002

THE CHAIRMAN OF THE BOARD
OF PARENT COMPANY CEMBRE S.P.A.
CARLO ROSANI



Notes to the Consolidated Financial Statements for the year ending December 31, 2001

The Consolidated Financial Statements for the year ended December 31, 2001 have been prepared in accordance with Legislative Decree no. 127, April 9, 1991.

The included notes contain the following information:

1. Content and form of the consolidated financial statements
2. Consolidation principles and valuation criteria
3. Significant information relating to Balance Sheet items
4. Sales revenues
5. Raw material costs
6. Cost of services received
7. Personnel costs
8. Other financial income
9. Net financial charges
10. Adjustments to the value of financial assets
11. Board compensation
12. List of consolidated companies

Valuation criteria used in the Consolidated Financial Statements are those adopted by the Parent Company. These have been consistently and uniformly applied with the exception, consistent with prior years, of Parent Company's raw material inventories, valued at the average cost instead of the LIFO method, to allow for consistency in valuation criteria applied throughout the Group.

We also bring to your attention that:

- no event requiring the application of exemptions provided for by Article 29, paragraphs 4 and 5 of the mentioned Legislative Decree occurred;
- amounts recorded in the Consolidated Financial Statements for the year ended December 31, 2001, are consistent with those reported for the previous year. Changes in Balance Sheet and Income Statement items due to changes in the area of consolidation are explained and commented upon in the notes, where significant;
- valuation criteria applied are in compliance with current regulations;
- changes relating to significant Balance Sheet and Income Statement items are commented upon;
- risks and charges relating to the year whose existence became known after the closing date of the Financial Statements were taken into account.



1. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group include the statutory accounts at December 31, 2001 of Cembre S.p.A., its parent company, and those of the following companies:

	Group share at December 31, 2001	Group share at December 31, 2000
1. Cembre Ltd (UK)	100%	100%
2. Cembre Sarl *(France)	100%	100%
3. Cembre Espana SL *(Spain)	100%	100%
4. Cembre AS (Norway)	100%	100%
5. Cembre GmbH *(Germany)	100%	100%
6. Cembre Inc **(US)	100%	100%
7. Oelma s.r.l. (Italy)	100%	100%

* 5% share held through Cembre Ltd

** 50% share held through Cembre Ltd

The Group has control of the above companies pursuant to Article 2359 of the Italian Civil Code. No change in the consolidation scope occurred in 2001.

The Consolidated Financial Statements include the statutory accounts at December 31, 2001 approved by the boards of the respective subsidiaries and by the Board of Directors of parent company Cembre SpA in the case of the parent company itself and Oelma Srl.

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

2. CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

2.1 Consolidation principles

Consolidation was carried out using the line-by-line method, in accordance with principles defined in articles 31, 32 and 33 of Legislative Decree no. 127, April 9, 1991.

Criteria adopted in applying this method were the following:

- a) assets, liabilities, revenues, expenses, gains and losses of consolidated companies were included in full in the consolidated financial statements. The following items were instead eliminated:
 - 1) equity investments in consolidated companies and the corresponding share in the respective Shareholders' Equity;
 - 2) receivables and payables between consolidated companies;
 - 3) revenues and expenses arising from transactions between consolidated companies;
 - 4) gains and losses arising from transactions concluded between consolidated companies, and the related assets, other than contract work in progress;
- b) value adjustments and accruals made exclusively pursuant to tax regulations have been eliminated;



c) differences between the acquisition cost and the related book value of consolidated companies existing at the time of their first consolidation, were recorded under Shareholders' Equity as "Consolidation reserve".

The 'Consolidation reserve' was reduced by positive differences arising from the first-time consolidation of subsidiaries Cembre Espana S.L. and Cembre A.S, amounting to € 31,113 and € 172,480, respectively. The latter amount relates also to the acquisition made subsequent to the first consolidation. Positive differences arising from the acquisition of Cembre Ltd. shares in the first half of 1997 and Oelma Srl shares in the first half of 1999, considering their significance, were classified under assets 'Consolidation differences'.

Income and losses recorded by subsidiaries following their first consolidation are added or subtracted from the Consolidation reserve.

2.2 Valuation criteria applied

Intangible assets

Intangible assets are recorded at cost, net of amortization calculated on a straight line over their expected useful economic life, as provided by the Italian Civil Code.

Consolidation differences are amortized over 5 years.

Tangible assets

Tangible assets are recorded at the acquisition or production cost, inclusive of all costs directly attributable to the assets. They are adjusted to take into account revaluations made in accordance with the Law, and the recording, where appropriate, of the difference between the cost of the investment and the corresponding share in the Shareholders' Equity acquired. The book value of intangible assets is adjusted to take into account of depreciation calculated on a straight line over the expected residual useful life of the assets, reflecting their physical depletion, in accordance with the provisions of Article 2426 of the Italian Civil Code.

Tangible assets acquired through leasing transactions are recorded at cost under assets in the Balance Sheet, net of accumulated depreciation. The amount of the loan relating to the respective asset is recorded under liabilities as payable to other financing entities, in accordance with international accounting principles.

Depreciation rates applied, unchanged from the previous year, are:

Buildings and light installations	between 2% and 10%
Plant and machinery	between 10% and 25%
Equipment	between 12% and 25%
Other assets (Office furniture and equipment, vehicles)	between 12% and 33%

Ordinary maintenance and repair costs are recorded in the income statement in the year in which they are incurred.

Inventories

Inventories are valued at the lower of acquisition or production cost and their expected realisable market value. Raw materials, semi-finished and finished goods inventories are valued using the weighted-average cost method.

Work in progress inventories are valued at their processing cost, inclusive of raw materials, labor and direct and indirect manufacturing costs, taking into account stages of completion.



Receivables and payables

Receivables are recorded at the expected realisable value, represented by the face value adjusted, where necessary, for provisions for doubtful accounts. Payables are recorded at face value, representative of liabilities actually accrued.

Marketable securities

Marketable securities are recorded at the lower of cost, represented by the weighted average acquisition cost, and market value. Write-downs are reversed whenever the impairment in value ceases to exist.

Accrued income and prepaid expenses, accrued liabilities and deferred income

These are recorded in accordance with the accrual method.

Provisions for risks and charges

Provisions for risks and charges are accrued against known or probable liabilities whose amount and timing could not be determined at the date of their recording.

Provision for employee termination indemnities

The provision for employee termination indemnities reflects the amount owed by the Group at the end of the year to its employees upon termination of their employment, in accordance with labor agreements and laws applicable in Italy. Special retirement benefits, due in accordance with French regulations to persons employed in France, are also included in this provision.

Deferred tax provision and prepaid taxes

The provision includes deferred taxes resulting from differences between taxable and reported income, consisting mainly of accelerated depreciation and the difference between the valuation of the parent company's inventories at the average cost as opposed to the LIFO method.

Prepaid taxes, resulting from the netting of unrealized gains recorded on the sale of goods within the Group that at the end of the year have not been sold to a third party, in addition to amounts recorded by Group companies as prepaid taxes relating to taxed accruals, are classified as 'receivable from third parties' under current asset in the Balance Sheet. Deferred tax assets are recorded if only where there exists reasonable certainty of their retrieval through future profits.

Taxes payable

They include taxes payable for the year, net of prepaid and withholding taxes. The tax expense for the year is determined according to applicable tax rates and expected taxable income. Taxes payable include the amount payable by Group companies as taxes withheld from employees's salaries.

Commitments

These represent guarantees given and received from others and commitments, excluding those relating to receivables or payables recorded in the Balance Sheet, in accordance with accounting principles applied. They are recorded at face value.

Revenues and expenses

Revenues and expenses are recorded using the accrual method. They are recorded net of returns, discounts, allowances and bonuses.



2.3 Translation of financial statements denominated in foreign currency

Criteria adopted in the conversion of financial statements denominated in foreign currency are:

- assets and liabilities are translated at the exchange rate in force at the closing date of the financial statements, with the exception of Balance Sheet items, translated at the historical exchange rate;
- revenues and expenses are translated at the average exchange rate for the year.

Differences emerging from the conversion of amounts denominated in foreign currency are recorded in the Provision for conversion adjustments under Shareholders' Equity.

Exchange rates applied were:

Currency	Year-end exchange rate (€/curr.)	Average exchange rate for 2001
Pound Sterling	0,6085	0,6219
US Dollar	0,8813	0,8956
Norwegian Krone	7,9515	8,0484

3. BALANCE SHEET ITEMS

3.1 Intangible assets

3.1.1 Incorporation costs

The item includes € 9,224 representing incorporation costs incurred by the French subsidiary, and € 1,952 incurred by the Spanish subsidiary, both net of amortization. The large reduction over the previous year is due to the full amortization of costs incurred by the parent company in 1997, following the listing of its stock on the Milan Stock Exchange.

3.1.2 Industrial patents and intellectual property rights

These include exclusively the cost of user licenses for application software.

3.1.3 Consolidation adjustments

Consolidation adjustments amount to € 270,446, net of amortization amounting to € 866,020, and arise from the difference between the price paid and the book value of assets acquired regarding the acquisition of Cembre Ltd (€ 552,421) and Oelma Srl (€ 584,046), net of the amount allocated to the building, as described in the Property, plant and equipment note below.



3.2 Property, plant and equipment

(€ '000)	Gross book value	Accumulated depreciation	December 31, 2001	December 31, 2000
Land and buildings	11,706	3,076	8,630	8,845
Plant and machinery	21,224	13,360	7,864	8,932
Equipment	3,665	2,437	1,228	1,131
Other assets	4,771	3,148	1,623	1,485
Leased assets	136	40	96	60
Work in progress	633		633	216
Total	42,135	22,061	20,074	20,669

The largest investments were made by the Group parent company. Investments in Property, plant and equipment included the purchase of an automatic de-barring line for € 127,000, two shearing machines for € 127,000, a piece of equipment for the cutting and drilling of cable terminals for € 64,000, and a overhead hoist for the tin-plating plant for € 46,000. Equipment purchases included the manufacturing and acquisition of dies for € 427,000. With regards to the consolidation of Oelma Srl, part of the difference between the price paid and the book value of assets acquired, equal to € 991,000, net of the related tax effect, was attributed to the building also on the basis of an expert survey.

Assets leased relate exclusively to the Spanish subsidiary. Parent company's tangible assets were revalued by € 1,080,000 pursuant to laws no. 576/75, 72/1983 and 413/1991.

3.3 Investments

3.3.1 Investments in other companies

These are made up by equity investments in Consorzio Nazionale Imballaggi and Inn.tec. Srl, a technology innovation consortium, both with registered office at the Brescia Province main office.

3.3.2 Long-term receivables from other parties

The item includes mainly security deposits and prepaid withholding tax receivables on employee termination indemnities of the Group parent company.



3.4. Inventories

(€ '000)	Dec. 31, 2001	Dec. 31, 2000	Change
Raw materials	4,750	4,271	479
Work in progress and semi-finished goods	4,444	4,777	(333)
Finished goods	11,388	8,762	2,626
Total	20,582	17,810	2,772

The increase in finished goods inventories over the previous year is due to higher sales of the Group parent company. The value of finished goods inventories is adjusted through a provision for slow-moving stock amounting to approximately € 155,000, recorded in the financial statements of the Group parent company to bring the value of inventories in line with their expected realisable value. The balance of the provision at December 31, 2000 was equal to € 129,000.

The weighted-average cost valuation of inventories is in line with the market value at December 31, 2001.

3.5 Trade receivables

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Gross trade receivables	17,447	16,660
Provision for doubtful accounts	(575)	(554)
Net trade receivables	16,872	16,106

The increase over the previous year is due to higher sales.



3.6 Other receivables

At December 31, 2001, short-term receivables from other parties were made up as follows:

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Prepaid taxes	870	810
Tax advances	0	352
VAT and related foreign taxes	156	169
Other	138	85
Total	1,164	1,416

Prepaid taxes are made up by: € 793,000 relating to unrealised gains on inventories not resold to third parties, € 11,000 relating to losses of the Spanish subsidiary carried forward to the next financial year, € 62,000 recorded by the Group parent company against the taxed accrual to the provision for inventory depletion, and € 4,000 recorded by subsidiary Oelma due to the write-down of receivables and maintenance charges in excess of tax deductible amounts.

Receivables on tax advances are due to tax advances paid in excess of income taxes payable for the year.

3.7 Marketable securities

3.7.1 Own shares

At December 31, 2001, the parent company held 243,000 own shares. At March 25, 2002, the number of own shares held had not changed.

3.8 Shareholders' Equity

The capital stock of the Group parent company amounts to € 8,840,000 and is made up of 17 million ordinary shares of par value € 0.52 each, fully underwritten and paid-up. The capital stock was converted into euro effective January 1, 2001. On that occasion, the capital stock was increased by € 60,233 through a transfer from the provision for paid-in capital in excess of par value, in accordance with article 17 of Legislative Decree no. 213/1998. The Shareholders' Meeting of Cembre SpA held on May 14, 2001, resolved to transfer retained earnings resulting from the financial statements at December 31, 2001, to the extraordinary reserve.

Following the € 12,647 write-down in the value of own shares held, the part of the Provision for own shares that came available, was transferred to the extraordinary reserve.

A Statement of Changes in the Shareholders' Equity is enclosed below and constitutes an integral part of the present Notes. Changes in all Shareholders' Equity items are detailed.

Consolidation adjustments determined resulted in the following differences between the statutory ac-



counts of parent company Cembre SpA at December 31, 2001 and the Consolidated Financial Statements at the same date:

Reconciliation between the parent company's statutory accounts and the consolidated financial statements of the Group (€ '000)	<i>Shareholders' Equity</i>	<i>Net income</i>
Shareholders' Equity and net income reported in the parent company's statutory accounts at December 31, 2001	33,585	2,889
<i>Elimination of entries made exclusively for tax purposes:</i>		
- accelerated depreciation - Italian companies tax effect	4,885 (1,925)	680 (268)
	2,960	412
- Cembre Gmbh provision for product warranty (net of tax effect)	12	(3)
- adjustment of parent company's inventories to Group's valuation method tax effect	618 (249)	129 (52)
	369	77
<i>Consolidation differences:</i>		
- difference between book value of the investment and shareholders' equity and net income acquired	1,511	884
- consolidation adjustments	270	(227)
- value of building in excess of book value	917	(30)
<i>Inter-company transactions:</i>		
- unrealized intra-group gains included in the value of inventories (net of tax effect)	(1,177)	(190)
- conversion difference on elimination of intra-group payables and receivables	49	(13)
Consolidated Shareholders' Equity and net income at December 31, 2001	38,498	3,806



The consolidation reserve is made up as follows:	Dec. 31, 2001	Dec. 31, 2000
Investment elimination reserve	1,446	999
Accelerated depreciation and German subsidiary product warranty provision reversal	2,558	1,957
Provision for inventory depletion	292	262
Elimination of intra-group income	(987)	(856)
Conversion difference on elimination of intra-group payables and receivables	62	100
Total	3,371	2,462

3.9 Provisions for risks and charges

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Deferred tax provision	2,401	2,075
Other provisions: - supplementary client compensation	48	46
- other	0	26
Total	2,449	2,147

The deferred tax provision is made up as follows:	Dec. 31, 2001	Dec. 31, 2000
Consolidated companies' provisions	219	215
Deferred taxes on reversal of accelerated depreciation	1,925	1,656
Deferred taxes resulting from the use of weighted average vs. LIFO in valuing parent company's inventory	249	197
German subsidiary product warranty provision reversal	8	6
Total	2,401	2,074

Consolidated companies' reserves include accruals made for amortization charges of Cembre UK recorded solely for tax purposes amounting to € 136,000 and those of the Spanish subsidiary amounting to € 83,000. The provision for product warranties, accrued exclusively for tax purposes by the German subsidiary was eliminated.



3.10 Provision for employee termination indemnities

Dec. 31, 2000	Accruals	Uses	Dec. 31, 2001
2,599	659	(130)	3,128

Extraordinary termination indemnities recognized pursuant to French law to French employees terminating their employment was classified under the provision.

3.11 Payables

3.11.1 Bank debt

(€ '000)	Dec. 31, 2001		Dec. 31, 2000	
	Current	Long-term	Current	Long-term
Short-term loans and bank overdrafts	2,916		2,849	
Medium- and long-term loans	955	4,756	1,171	3,717
Total	3,871	4,756	4,020	3,717

A € 2,5 million, 18-month, 3,65% loan repayable in full at expiration was concluded in November 2001. The last installment of the Istituto Mobiliare Italiano S.p.A. (IMI) loan will be repaid in January 2003. It is guaranteed by a first mortgage of € 2,892,000 on one of the buildings hosting the Company's main office in Brescia, and has a residual balance at December 31, 2001 of € 465,000. Cembre S.p.A. extended guarantees corresponding to the residual amount of loans extended to Cembre Sarl and Cembre Espana SL, amounting respectively to € 200,000 and € 150,000.

3.11.2 Taxes payable

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Withholding taxes payable	663	686
Current taxes	283	564
VAT and similar foreign taxes	450	435
Other taxes	161	26
Total	1,557	1,711



3.11.3 Other payables

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Payable to employees	737	704
Bonuses owed to customers	811	738
Commissions payable	182	166
Board of Statutory Auditors and equivalent foreign board compensation	19	48
Other	69	21
Total	1,818	1,677

The increase in bonuses payable to customers is due to higher sales.

4. SALES REVENUES

Sales by geographical area

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Italy	28,095	26,389
Rest of Europe	23,629	20,647
Rest of the World	4,278	3,379
Total	56,002	50,415

5. RAW MATERIAL COSTS

The increase in raw material costs is due to the increase in sales.



6. COST OF SERVICES RECEIVED

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Subcontracted production	2,047	1,759
Electricity, heating and water	623	558
Transport of goods sold	1,210	1,001
Fuel	180	163
Traveling expenses	602	654
Maintenance and repair	975	878
Consulting	875	722
Advertising and promotion	291	312
Insurance	287	238
Board compensation	586	528
Postage and telephone	292	322
Commissions	296	321
Security and cleaning	250	226
Other	897	800
Total	9,411	8,482

7. PERSONNEL COSTS

The increase in the cost of personnel is due to the higher number of Group employees and the increase in retributions. The average number of employees by category is shown in the table below.

	2001	2000
MANAGEMENT	15	14
ADMINISTRATIVE AND COMMERCIAL STAFF	204	179
PLANT AND WAREHOUSE WORKERS	198	191
TOTAL	417	384



8. OTHER FINANCIAL INCOME

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Interest on bank accounts	48	49
Interest on trade receivables	2	4
Foreign exchange gains	127	389
Other	4	3
Total	181	445

9. INTEREST AND OTHER FINANCIAL EXPENSES

(€ '000)	Dec. 31, 2001	Dec. 31, 2000
Interest on bank loans	370	349
Interest on debenture loans	0	5
Bank and other charges	18	33
Foreign exchange losses and accruals	36	20
Foreign exchange translation difference	36	324
Total	460	731

Negative foreign exchange translation differences are due to the elimination of transactions between Group companies denominated in foreign currencies.

10. ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS

The write-down of marketable securities relates to own shares held by the parent company.

11. BOARD COMPENSATION

Compensation of the Board of Directors and Board of Statutory Auditors is indicated in the Notes to the statutory accounts of Cembre SpA. The only Director of the parent company who received compensation from other Group companies is Giovanni De Vecchi, Chairman of Oelma Srl, who received € 20,658 for this appointment.



12. LIST OF CONSOLIDATED COMPANIES

Investments in companies consolidated line-by-line, pursuant to Article 26 of Legislative Decree no. 127, April 9, 1991, are listed below:

Company	Registered office	Share capital	Share held at Dec. 31, 2001	Share held at Dec. 31, 2000
Cembre Ltd	<i>Sutton Coldfield</i> (Birmingham)	UK £ 1,200,000	100%	100%
Cembre Sarl	<i>Morangis</i> (Parigi)	EURO 1,071,000	100% (*)	100% (*)
Cembre España SL	<i>Coslada</i> (Madrid)	EURO 900,000	100% (*)	100% (*)
Cembre AS	<i>Stokke</i> (Norway)	NOK 2,400,000	100%	100%
Cembre GmbH	<i>Munich</i> (Germany)	EURO 512,000	100% (*)	100% (*)
Cembre Inc	<i>Edison</i> (New Jersey - Usa)	US \$ 840,000	100%**)	100%**)
Oelma srl	<i>San Giuliano</i> (Milan)	Lire 198,000,000	100%	100%

(*) of which 5% held through Cembre Ltd

(**) of which 50% held through Cembre Ltd

To provide more complete information regarding the financial and economic situation of the Company, the Consolidated Financial Statements contain – in addition to the Balance Sheet, Income Statement and Notes – a Statement of Changes in the Consolidated Shareholders' Equity for the year ended December 31, 2001 (Attachment no. 1).

Brescia, March 25, 2002

CHAIRMAN OF THE BOARD OF
PARENT COMPANY CEMBRE S.P.A.
CARLO ROSANI



**ATTACHMENT NO.1 TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEMBRE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2001
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2001**

(in euro)	Share capital	Paid-in capital in excess of par value	Restatement reserve	Legal reserve	Reserve for own shares	Suspended tax reserves	Consolidation reserve	Translation differences	Extraordinary reserve	Retained earnings	Net profit	Total shareholders' equity
Balance at December 31, 2000	8.779.767	12.305.102	585.159	834.168	579.348	68.412	2.461.808	463.652	1.268.751	5.131.080	3.549.993	36.027.240
Capital increase following conversion in euro	60.233	(60.233)										
Translation adjustments								161.556				161.556
Transfer due to write-down of own shares					(12.648)				12.648			
Transfer following Sh. Meeting resolution of May 14, 2001									5.131.080	(5.131.080)		
Transfer of net income				130.756			909.483		1.013.148		(3.549.993)	(1.496.606)
2001 net profit											3.805.981	3.805.981
Balance at December 31, 2001	8.840.000	12.244.869	585.159	964.924	566.700	68.412	3.371.291	625.208	7.425.627	0	3.805.981	38.498.171

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AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders
of Cembre S.p.A.

1. We have audited the consolidated financial statements of Cembre S.p.A. as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Cembre S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the **Italian Stock Exchange Regulatory Agency**¹). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 27, 2001.

3. In our opinion, the consolidated financial statements of Cembre S.p.A. comply with the **Italian**¹ regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Cembre S.p.A. as of December 31, 2001, and the consolidated results of its operations for the year then ended.

Brescia March 26, 2002

RECONTA ERNST & YOUNG S.P.A.
signed by: Stefano Colpani, partner

¹ **Words added in translation from original Italian text**

■ Reconta Ernst & Young S.p.A.
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Capitale Sociale € 1.043.330,00 i.v.
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(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

*Abstract of 13 May 2002 Shareholders
General Meeting resolutions regarding
the Financial Statement for the year
ending 31 December 2001*



Abstract of 13 May 2002 Shareholders General Meeting resolutions regarding the Financial Statement for the year ending 31 December 2001

- Shareholders General Meeting approved the parent company Financial Statement for the financial year ending 31 December 2001 and the documents annexed. Shareholders General meeting approved the allocation of the Company's 2001 financial year net profit of € 2,889,439.88 (rounded of to 2,889,440 in Financial Statement) as follows:

- 5% of Net Profit to the legal reserve	€	144,472
- dividend payments to shareholders, in the amount of € 0.10 for each of the Company's 16,757,000 outstanding shares, whose holders are entitled to dividends pursuant to Article 2357 of the Italian Civil Code	€	1,675,700
- to the extraordinary reserve	€	1,069,267.88

The dividend, with full tax credits, is payable from 30 May 2002 with a date of record of 27 May 2002.

The consolidated financial statement and the documents annexed have been presented to Shareholders General meeting



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