

# Cembre SpA

Registered Office: Via Serenissima 9, Brescia, Italy

Share Capital: Euro 8.840.000 (fully paid-up)

Registration no: FC 00541390175 (Commercial Register of Brescia)

## Report on the Quarter ended December 31, 2002

### Consolidated Income Statement

(in Euros)

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

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

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

Brescia, February 12, 2003

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

CARLO ROSANI

## **Cembre S.p.A.**

Head Office: Via Serenissima 9, Brescia, Italy

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

Registration no. 00541390175 (Brescia Commercial Register)

### **Notes to the accounts for the 4<sup>th</sup> Quarter of 2002**

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

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

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

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

\* 5% share held through Cembre Ltd

\*\* 50% share held through Cembre Ltd

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

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

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

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

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

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

## Notes to the accounts

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

## Sales by geographical area

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

### **Management expectations of operations**

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

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

Brescia, February 12 2003

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

CARLO ROSANI

## **Cembre S.p.A.**

Head Office: Via Serenissima 9, Brescia, Italy

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

Registration no. 00541390175 (Brescia Commercial Register)

### **Cembre Group Management Report on the 4<sup>th</sup> Quarter of 2002**

*(Amounts are expressed in Euros unless otherwise indicated)*

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

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

#### **Revenues by Group company**

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

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

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

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

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

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

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

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

**Events subsequent to the closing date of the 4<sup>th</sup> Quarter of 2002**

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

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

Brescia, February 12, 2003

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

CARLO ROSANI

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

Reclassified Consolidated Income Statement at December 31, 2002

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