

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)

Quarterly Report at 31 March 2003

Consolidated Income Statement

(in euros)

	March 31, 2003	March 31, 2002	Dec. 31, 2002
A) Revenues			
1) Sales	15.783.384	14.138.051	56.945.939
2) Change in work in progress, semi-finished and finished goods inventories	79.876	230.144	1.566.451
4) Increase in assets due to internal construction	164.583	268.335	871.870
5) Other revenues:			
a) sundry	8.008	26.575	49.559
b) contributions received	–	–	–
Total operating value	16.035.851	14.663.105	59.433.819
B) Operating Costs			
6) Raw materials	(4.761.859)	(5.211.902)	(19.980.602)
7) Services	(2.624.481)	(2.335.144)	(10.016.860)
8) Leases and rentals	(251.636)	(227.148)	(935.136)
9) Personnel			
a) Wages and salaries	(3.584.531)	(3.426.690)	(13.545.771)
b) Social security	(933.209)	(919.935)	(3.638.452)
c) Employee termination indemnities	(209.913)	(206.571)	(712.522)
d) Retirement benefits	(3.099)	(2.741)	(12.134)
e) Other costs	(29.018)	(20.087)	(125.581)
Total personnel costs	(4.759.770)	(4.576.024)	(18.034.460)
10) Depreciation and write-downs			
a) Amortization of intangible assets	(87.656)	(65.812)	(427.898)
b) Amortization of tangible assets	(988.175)	(848.212)	(3.553.728)
d) Write-down in the value of current assets	(25.214)	(24.714)	(107.053)
Total depreciation and write downs	(1.101.045)	(938.738)	(4.088.679)
11) Change in raw material inventories	(294.219)	431.286	131.804
12) Accruals to risk provisions	(1.477)	(1.550)	(44.416)
14) Other operating costs	(49.258)	(48.616)	(194.633)
Total Operating Costs	(13.843.745)	(12.907.836)	(53.162.982)
Operating income (A-B)	2.192.106	1.755.269	6.270.837

C) Finance Income and expenses	March 31, 2003	March 31, 2002	Dec. 31, 2002
16) Other financial income:			
d) other income	33.605	30.345	73.906
17) Interest and other financial charges	(240.166)	(95.898)	(689.738)
Total	(206.561)	(65.553)	(615.832)
D) Adjustments to the value of financial assets			
18) Revaluations			
b) long-term financial assets	1.588	2.274	5.611
c) marketable securities (excluding subsidiaries)	–	83.592	–
19) Write-downs			
c) marketable securities (excluding subsidiaries)	(7.752)	–	(101.404)
Total adjustments to the value of financial assets	(6.164)	85.866	(95.793)
E) Extraordinary items			
20) Income	8.566	16.395	49.178
21) Losses	(64.369)	(27.188)	(404.077)
Total extraordinary items	(55.803)	(10.793)	(354.899)
Profit before taxes (A-B+C+D+E)	1.923.578	1.764.789	5.204.313

Consolidated net financial position <i>(in euro)</i>	March 31, 2003	March 31, 2002	Dec. 31, 2002
Non-current debts	(4.364.035)	(4.775.140)	(3.978.275)
Subtotal - non-current net financial liabilities	(4.364.035)	(4.775.140)	(3.978.275)
Cash and marketable securities	3.265.776	3.958.321	3.327.237
Current bank loans	(8.989.524)	(2.917.042)	(9.564.392)
Other current debts	(44.809)	(42.552)	(47.070)
Other current financial assets	457.545	650.292	465.296
Subtotal - net current financial liabilities	(5.311.012)	1.649.019	(5.818.929)
Group net financial liabilities	(9.675.047)	(3.126.121)	(9.797.204)

Brescia, May 12, 2003

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

Notes to the accounts for the 1st Quarter of 2003

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

Principles of consolidation and valuation criteria adopted in the present Report for the 1st Quarter of 2003 are in line with those adopted for the Consolidated Financial Statements at December 31, 2002 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 March 31, 2003, and those of the following companies at the same date:

	Share owned by the Group	Share owned by the Group
	March 31, 2003	March 31, 2002
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.

The scope of the consolidation has changed from March 31, 2002 due to the incorporation in July 2002 of General Marking Srl, a wholly-owned subsidiary of Cembre SpA, while no change occurred from December 31, 2002.

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 based on the accrual method.

Year-end bonuses recognized to customers were estimated based on sales and their expected performance. Bonuses to be paid to employees in July and December, in addition to gifts in kind offered to employees and third parties were also estimated based on previous years and sales trends.

Short-term financial payables do not include dividends payable to shareholders for the 2002 financial year, amounting to €1,340,560, the distribution of which was resolved by the Shareholders’ Meeting on the current date.

Notes to the accounts

The increase in the depreciation, amortization and accruals expense for the Quarter, growing from €848,212 to €988,175, is due to the high capital

expenditure in the past year, amounting to about €7.2 million, up sharply on 2001, when it amounted to €3.1 million.

The strong increase in the financial expense, increasing from €95,898 to €240,166, is due to the growth in financial debt, up from about €3.1 million at March 31, 2002, to about €9.7 million at March 31, 2003. The increase in debt is due to the mentioned high capital expenditure in 2002.

Sales by geographical area

(€)	March 31, 2003	March 31, 2002
Italy	7,770,596	6,812,395
Rest of Europe	6,667,829	6,076,175
Rest of the World	1,344,959	1,249,481
Total	<u>15,783,384</u>	<u>14,138,051</u>

Outlook

In 2003, turnover is expected to grow over the previous year, while profit levels are expected to remain good.

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, May 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

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Cembre Group Management Report on the 1st Quarter of 2003

(Amounts are expressed in Euro unless otherwise indicated)

Revenues for the 1st Quarter of 2003 amounted to €15,783,384, up 11.6% on the 1st Quarter of 2002 in which they amounted to €14,138,051.

A total of 49.2% of Group sales were represented by Italy (as compared with 48.2% in the 1st Quarter of 2002), 42.3% by the rest of Europe (43% in the 1st Quarter of 2002), and the remaining 8.5% by the rest of the World (8.8% the 1st Quarter of 2002).

Revenues by Group company

(in Euro)	1st Quarter 2003	1st Quarter 2002
Parent company	9,409,132	8,381,960
Cembre Ltd. (UK)	2,141,499	2,015,820
Cembre S.a.r.l. (France)	1,021,084	1,022,272
Cembre España S.L. (Spain)	1,508,790	1,088,016
Cembre GmbH (Germany)	904,377	878,302
Cembre AS (Norway)	83,181	79,484
Cembre Inc. (USA)	521,384	672,197
General Marking Srl (Italy)	193,937	—
Total	<u>15,783,384</u>	<u>14,138,051</u>

To provide a better understanding of the Group's financial performance for the 1st Quarter of 2003, a Reclassified Consolidated Income Statement is enclosed as Attachment A .

Gross operating profit improved on the 1st Quarter of 2002, growing from €2,669,293, equal to an 18.9% margin on sales, to €3,267,937, a 20.7% margin on sales.

Operating profit amounts to euro 2,192,106, corresponding to a 13.9% margin on sales, up from €1,755,269 in the 1st Quarter of 2002, when it represented a 12.4% margin on sales.

Consolidated profit before taxes for the 1st Quarter of 2003 is equal to €1,923,578, representing a 12.2% margin on sales, up 9% from €1,764,789 in the 1st Quarter of 2002, in which it represented 12.5% of sales. The slight decline in gross profit as a margin on sales from 12.5% to 12.2% is due to the higher interest expense resulting from higher average debt arising from strong investments made in 2002.

Events subsequent to the closing date of the 1st Quarter of 2003

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after March 31, 2003 other than events relating to the distribution of dividends and those reported in the notes to the accounts.

Brescia, May 12, 2003

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

CARLO ROSANI

Attachment A - Management Report
Cembre Group Consolidated Financial Statements

Reclassified Consolidated Income Statement at March 31, 2003

(in euros)	1st Quarter 2003		1st Quarter 2002		2002	
		%		%		%
Sales	15.783.384	100,00	14.138.051	100,00	56.945.939	100,00
Other revenues and gains	8.008		26.575		49.559	
TOTAL REVENUES	15.791.392		14.164.626		56.995.498	
Change in work in progress, semi-finished and finished goods inventories	79.876	0,51	230.144	1,63	1.566.451	2,75
Increase in assets due to internal construction	164.583	1,04	268.335	1,90	871.870	1,53
TOTAL OPERATING VALUE	16.035.851	101,60	14.663.105	103,71	59.433.819	104,37
Materials and services used	(7.932.195)	(50,26)	(7.342.908)	(51,94)	(30.800.794)	(54,09)
Other operating costs	(49.258)	(0,31)	(48.616)	(0,34)	(194.633)	(0,34)
VALUE ADDED	8.054.398	51,03	7.271.581	51,43	28.438.392	49,94
Personnel costs	(4.759.770)	(30,16)	(4.576.024)	(32,37)	(18.034.460)	(31,67)
Accruals to provision for doubtful accounts	(25.214)	(0,16)	(24.714)	(0,17)	(107.053)	(0,19)
Accruals to risk provision	(1.477)		(1.550)		(44.416)	
GROSS OPERATING MARGIN (EBITDA)	3.267.937	20,70	2.669.293	18,88	10.252.463	18,00
Intangible asset amortization	(87.656)	(0,56)	(65.812)	(0,47)	(427.898)	(0,75)
Tangible asset depreciation	(988.175)	(6,26)	(848.212)	(6,00)	(3.553.728)	(6,24)
OPERATING PROFIT (EBIT)	2.192.106	13,89	1.755.269	12,42	6.270.837	11,01
Financial income (expense)	(206.561)	(1,31)	(65.553)	(0,46)	(615.832)	(1,08)
PROFIT BEFORE EXTRAORDINARY ITEMS	1.985.545	12,58	1.689.716	11,95	5.655.005	9,93
Extraordinary items and adjustments to the value of financial assets	(61.967)	(0,39)	75.073	0,53	(450.692)	(0,79)
PROFIT BEFORE TAXES	1.923.578	12,19	1.764.789	12,48	5.204.312	9,14