

# 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 as of 30 september 2003

### Consolidated Income Statement

<i>(in euro)</i>	first nine months 2003	first nine months 2002	full year 2002	Third Quarter 2003	Third Quarter 2002
<b>A) Revenues</b>					
1) Sales	44.839.112	42.098.220	56.945.939	13.921.690	13.106.494
2) Change in work in progress, semi-finished and finished goods inventories	(141.784)	648.514	1.566.451	(114.813)	64.313
4) Increase in assets due to internal construction	473.392	626.663	871.870	183.324	136.232
5) Other revenues:					
a) sundry	49.729	36.827	49.559	0	10.117
b) contributions received	32.777	0	0	32.777	0
<b>Total operating value</b>	<b>45.253.226</b>	<b>43.410.224</b>	<b>59.433.819</b>	<b>14.022.978</b>	<b>13.317.156</b>
<b>B) Operating Costs</b>					
6) Raw materials	(14.029.358)	(14.812.684)	(19.980.602)	(4.171.310)	(4.312.529)
7) Services	(7.883.152)	(7.100.691)	(10.016.860)	(2.522.892)	(2.379.296)
8) Leases and rentals	(745.282)	(691.663)	(935.136)	(232.514)	(234.715)
9) Personnel					
a) Wages and salaries	(10.671.764)	(10.249.247)	(13.545.771)	(3.424.999)	(3.185.800)
b) Social security	(2.923.751)	(2.737.167)	(3.638.452)	(1.023.003)	(894.371)
c) Employee termination indemnities	(613.811)	(541.879)	(712.522)	(215.465)	(178.140)
d) Retirement benefits	(7.031)	(8.579)	(12.134)	(1.367)	(2.884)
e) Other costs	(85.799)	(87.763)	(125.581)	(29.075)	(33.629)
<b>Total personnel costs</b>	<b>(14.302.156)</b>	<b>(13.624.635)</b>	<b>(18.034.460)</b>	<b>(4.693.909)</b>	<b>(4.294.824)</b>
10) Depreciation and write-downs					
a) Amortization of intangible assets	(274.761)	(285.747)	(427.898)	(93.931)	(117.072)
b) Amortization of tangible assets	(2.970.244)	(2.537.692)	(3.553.728)	(977.905)	(838.198)
d) Write-down in the value of current assets	(92.086)	(77.846)	(107.053)	(19.572)	(28.131)
<b>Total depreciation and write downs</b>	<b>(3.337.091)</b>	<b>(2.901.285)</b>	<b>(4.088.679)</b>	<b>(1.091.408)</b>	<b>(983.401)</b>
11) Change in raw material inventories	(86.144)	548.136	131.804	(96.644)	(360.491)
12) Accruals to risk provisions	(5.267)	(8.447)	(44.416)	(2.019)	(1.328)
14) Other operating costs	(188.385)	(166.376)	(194.633)	(67.423)	(56.518)
<b>Total Operating Costs</b>	<b>(40.576.835)</b>	<b>(38.757.645)</b>	<b>(53.162.982)</b>	<b>(12.878.119)</b>	<b>(12.623.102)</b>
<b>Operating income (A-B)</b>	<b>4.676.391</b>	<b>4.652.579</b>	<b>6.270.837</b>	<b>1.144.859</b>	<b>694.054</b>

	first nine months 2003	first nine months 2002	full year 2002	Third Quarter 2003	Third Quarter 2002
<b>C) Finance Income and expenses</b>					
16) Other financial income:					
d) other income	46.075	65.138	73.906	(1.973)	13.489
17) Interest and other financial charges	(480.991)	(428.720)	(689.738)	(82.201)	(62.178)
<b>Total</b>	<b>(434.916)</b>	<b>(363.582)</b>	<b>(615.832)</b>	<b>(84.174)</b>	<b>(48.689)</b>
<b>D) Adjustments to the value of financial assets</b>					
18) Revaluations					
b) long-term financial assets	3.198	4.693	5.611	822	1.096
c) marketable securities (excluding subsidiaries)	69.449	0	0	6.415	(38.248)
19) Write-downs					
c) marketable securities (excluding subsidiaries)	0	(27.994)	(101.404)	0	(27.994)
<b>Total adjustments to the value of financial assets</b>	<b>72.647</b>	<b>(23.301)</b>	<b>(95.793)</b>	<b>7.237</b>	<b>(65.146)</b>
<b>E) Extraordinary items</b>					
20) Income	24.805	44.263	49.178	(29.094)	12.993
21) Losses	(169.056)	(373.248)	(404.077)	(14.484)	(222.801)
<b>Total extraordinary items</b>	<b>(144.251)</b>	<b>(328.985)</b>	<b>(354.899)</b>	<b>(43.578)</b>	<b>(209.808)</b>
<b>Profit before taxes (A-B+C+D+E)</b>	<b>4.169.871</b>	<b>3.936.711</b>	<b>5.204.313</b>	<b>1.024.344</b>	<b>370.411</b>

<b>Consolidated net financial position</b> <i>(in euro)</i>	Sept. 30, 2003	June 30, 2003	Dec. 31, 2002
Non-current debt	(5.575.935)	(4.328.287)	(3.978.275)
<b>Subtotal - non-current net financial liabilities</b>	<b>(5.575.935)</b>	<b>(4.328.287)</b>	<b>(3.978.275)</b>
Cash and marketable securities	5.577.307	2.190.374	3.327.237
Current bank loans	(8.156.799)	(8.255.798)	(9.564.392)
Other current debt	(40.435)	(43.634)	(47.070)
Other available financial assets	534.746	528.331	465.296
<b>Subtotal - current net financial liabilities</b>	<b>(2.085.181)</b>	<b>(5.580.727)</b>	<b>(5.818.929)</b>
<b>Group net financial liabilities</b>	<b>(7.661.116)</b>	<b>(9.909.014)</b>	<b>(9.797.204)</b>

Brescia, November 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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 September 30, 2003, and those of the following companies at the same date:

	Share owned by the Group at Sept. 30, 2003	Share owned by the Group at Sept. 30, 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 is unchanged both from September 30, 2002 and 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.

#### **Notes to the accounts**

The increase in the cost of services in the first nine months of 2003 is due primarily to the increase in technical advisory costs received by parent company Cembre, up about €260 thousand, and to the contribution of General Marking, incorporated in July 2002, whose costs rose from about €59 thousand in 2002, to about €469 thousand in the first nine months of 2003.

The increase in personnel costs is linked to the increase in the average number of employees, up from 450 to 460.

### **Sales by geographical area**

(€ '000)	Sept. 30, 2003	Sept. 30, 2002
Italy	21,907	19,916
Rest of Europe	19,215	18,124
Rest of the World	3,717	4,058
Total	<u>44,839</u>	<u>42,098</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, November 12, 2003

**THE CHAIRMAN OF THE BOARD OF DIRECTORS  
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## Cembre Group Management Report on the 3<sup>rd</sup> Quarter of 2003

In the 3<sup>rd</sup> Quarter of 2003, revenues amounted to €13,921,690, up 6.2% from €13,106,494 in the 3<sup>rd</sup> Quarter of 2002. Revenues for the first nine months of 2003 amounted to €44,839,112, up 6.5% on the same period in 2002.

A total of 48.9% of Group sales were represented by Italy (as compared with 47.3% in the first nine months of 2002), 42.8% by the rest of Europe (43% in the first nine months of 2002), and the remaining 8.3% by the rest of the World (9.7% in the first nine months of 2002).

### Revenues by Group company

(in euro)	First nine months 2003	First nine months 2002
Parent company	26,507,728	24,891,231
Cembre Ltd. (UK)	5,972,387	5,523,240
Cembre S.a.r.l. (France)	2,952,838	3,038,014
Cembre España S.L. (Spain)	4,235,566	3,521,105
Cembre GmbH (Germany)	280,191	433,179
Cembre AS (Norway)	2,820,166	2,775,056
Cembre Inc. (USA)	1,545,247	1,831,057
General Marking Srl (Italy)	524,989	85,338
Total	<u>44,839,112</u>	<u>42,098,220</u>

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

Gross operating profit increased by 6% on the first nine months of 2002 from €7,476,018, representing a 17.8% margin on sales, to €7,921,396, a 17.7% margin on sales.

Operating profit for the first nine months of 2003 amounts to €4,676,391, representing a 10.4% margin on sales, up from €4,652,579 in the first nine months of 2002, in which it represented 11.1% of sales. The decline in the operating profit as a percentage of sales is due to higher of tangible assets depreciation, increasing from €2,537,692 to €2,970,244, up 17%.

Consolidated profit before taxes is equal to €4,169,871, representing a 9.3% margin on sales, down from €3,936,711 in the first nine months of 2002, in which it represented 9.4% of sales.

In comparing the performance for the 3<sup>rd</sup> Quarter of 2003 with that for the same period in 2002, it must be kept into account that results for the latter period were penalized both by low sales, down on the 3<sup>rd</sup> Quarter of 2001, and the recording of extraordinary charges amounting to €200,000.

#### **Events subsequent to the closing date of the 3<sup>rd</sup> Quarter of 2003**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after September 30, 2003.

Brescia, November 12, 2003

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

CARLO ROSANI

Attachment A - Management Report  
Cembre Group Consolidated financial statement

Reclassified Consolidated Income Statement at September 30, 2003

(in euro)	first nine months <b>2003</b>		first nine months <b>2002</b>		full year <b>2002</b>	
		%		%		%
Sales	44.839.112	100,00	42.098.220	100,00	56.945.939	100,00
Other revenues and gains	82.506		36.827		49.559	
<b>TOTAL REVENUES</b>	<b>44.921.618</b>		<b>42.135.047</b>		<b>56.995.498</b>	
Change in work in progress, semi-finished and finished goods inventories	(141.784)	(0,32)	648.514	1,54	1.566.451	2,75
Increase in assets due to internal construction	473.392	1,06	626.663	1,49	871.870	1,53
<b>TOTAL OPERATING VALUE</b>	<b>45.253.226</b>	100,92	<b>43.410.224</b>	103,12	<b>59.433.819</b>	104,37
Materials and services used	(22.743.936)	(50,72)	(22.056.902)	(52,39)	(30.800.794)	(54,09)
Other operating costs	(188.385)	(0,42)	(166.376)	(0,40)	(194.633)	(0,34)
<b>VALUE ADDED</b>	<b>22.320.905</b>	49,78	<b>21.186.946</b>	50,33	<b>28.438.392</b>	49,94
Personnel costs	(14.302.156)	(31,90)	(13.624.635)	(32,36)	(18.034.460)	(31,67)
Accruals to provision for doubtful accounts	(92.086)	(0,21)	(77.846)	(0,18)	(107.053)	(0,19)
Accruals to risk provision	(5.267)		(8.447)		(44.416)	
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>7.921.396</b>	17,67	<b>7.476.018</b>	17,76	<b>10.252.463</b>	18,00
Intangible asset amortization	(274.761)	(0,61)	(285.747)	(0,68)	(427.898)	(0,75)
Tangible asset depreciation	(2.970.244)	(6,62)	(2.537.692)	(6,03)	(3.553.728)	(6,24)
<b>OPERATING PROFIT (EBIT)</b>	<b>4.676.391</b>	10,43	<b>4.652.579</b>	11,05	<b>6.270.837</b>	11,01
Financial income (expense)	(434.916)	(0,97)	(363.582)	(0,86)	(615.832)	(1,08)
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>4.241.475</b>	9,46	<b>4.288.997</b>	10,19	<b>5.655.005</b>	9,93
Extraordinary items and adjustments to the value of financial assets	(71.604)	(0,16)	(352.286)	(0,84)	(450.692)	(0,79)
<b>PROFIT BEFORE TAXES</b>	<b>4.169.871</b>	9,30	<b>3.936.711</b>	9,35	<b>5.204.312</b>	9,14