

Cembre S.p.A.

Registered Office: Via Serenissima 9, Brescia, Italy

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

Registration no: 00541390175 (Commercial Register of Brescia)

Consolidated Income Statement

for the Full Year and Fourth Quarter ending 31 December 2001

<i>(in euros)</i> <i>Financial period ending 31 December</i>	Full Year		4th Quarter	
	2001	2000	2001	2000
Operating Revenues				
1) Sales	56,002,417	50,415,311	14,008,948	13,804,607
2) Change in work in progress, semi-finished and finished goods inventories	1,997,639	1,494,393	49,090	737,130
4) Non-current assets – internal construction	643,015	852,188	107,135	406,718
5) Other business revenues				
a) general	73,335	53,184	37,049	20,498
b) subsidies and contributions	78,606	44,465	32,581	0
Total Operating Revenues	58,795,012	52,859,541	14,234,803	14,968,952
Operating Costs				
6) Raw materials, consumables and goods	(20,677,607)	(18,003,287)	(4,931,807)	(5,088,456)
7) Services	(9,410,605)	(8,481,980)	(2,437,018)	(2,248,710)
8) Use of third party assets	(701,920)	(562,308)	(231,524)	(152,372)
9) Personnel costs				
a) Wages and salaries	(13,010,888)	(11,263,202)	(3,581,186)	(3,164,952)
b) Social charges	(3,482,506)	(3,202,993)	(844,247)	(800,748)
c) Employee termination benefits	(674,570)	(602,285)	(190,976)	(163,971)
d) Retirement and related benefits	(5,430)	(3,546)	(2,986)	(685)
e) Other	(81,886)	(97,872)	(12,379)	(24,789)
Total personnel costs	(17,255,280)	(15,169,898)	(4,631,774)	(4,155,145)
10) Depreciation/amortisation and write-downs				
a) Intangible non-current asset amortisation	(552,972)	(596,729)	(140,483)	(177,991)
b) Property, plant and equipment depreciation	(3,531,538)	(3,348,031)	(885,575)	(907,557)
d) Receivables write-downs	(118,499)	(92,396)	(24,828)	(32,054)
Total depreciation/amortisation and write-downs	(4,203,009)	(4,037,156)	(1,050,886)	(1,117,602)
11) Change in raw materials, consumables and merchandise inventories	653,334	136,344	(174,470)	(464,235)
12) Provision for liabilities	(6,963)	(6,840)	(1,686)	(1,771)
14) Miscellaneous management charges	(268,026)	(259,214)	(112,281)	(89,931)
Total Operating Costs	(51,870,076)	(46,384,339)	(13,571,446)	(13,318,222)
Operating Profit	6,924,936	6,475,202	663,357	1,650,730

Cembre SpA
Statement of Consolidated Net Financial Position
at 31 December 2001

(in euros)

31 December 2001 30 September 2001 31 December 2000

Non-current borrowings	(4,819,514)	(2,995,808)	(3,754,923)
Total non-current net financial liabilities	(4,819,514)	(2,995,808)	(3,754,923)
Cash and marketable securities	4,846,675	3,215,295	2,812,046
Current bank borrowings	(3,871,245)	(3,814,843)	(4,020,410)
Other current borrowings	(45,278)	(44,908)	(44,389)
Other available financial assets	566,700	579,348	579,348
Total current net financial liabilities	1,496,852	(65,108)	(673,405)
Total Group net financial liabilities	(3,322,662)	(3,060,916)	(4,428,328)

Brescia, Italy
13 February 2002

Chairman of the Board of Directors
Cembre S.p.A. – Group Parent Company
CARLO ROSANI

Cembre S.p.A.

Registered Office: *Via Serenissima 9, Brescia, Italy*

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

Registration no: FC 00541390175 (Commercial Register of Brescia)

Notes to the Consolidated Financial Statements for the Full Year and Fourth Quarter ending 31 December 2001

Consolidated financial statements form, content and accounting principles

The consolidation and valuation principles and methods adopted are consistent with those used in the preparation of the 31 December 2000 full year consolidated financial statements. Quarterly financial statements are prepared in accordance with CONSOB Regulation 11971 of 14 May 1999 and any succeeding modifications.

Consolidated financial statements at 31 December 2001 incorporate the Income Statements and Net Financial Position Statements of Cembre S.p.A., the parent company, and its subsidiaries:

	% Group Ownership	
	31 Dec 2001	31 Dec 2000
1. Cembre Ltd. (United Kingdom)	100%	100%
2. Cembre S.a.r.l.* (France)	100%	100%
3. Cembre España S.L.* (Spain)	100%	100%
4. Cembre AS (Norway)	100%	100%
5. Cembre GmbH (Germany)*	100%	100%
6. Cembre Inc** (USA)	100%	100%
7. Oelma srl (Italy)	100%	100%

* 5% of share capital owned through Cembre Ltd

** 50% of share capital owned through Cembre Ltd

These companies are controlled pursuant to Article 2359 of the Italian Civil Code.

There were no modifications to the consolidation scope during the first nine months of 2001 compared to the consolidation scope as at 31 December 2000. Uniform and consistently applied valuation methods were used throughout the consolidated accounts, with reclassifications and adjustments made as required. Quarterly financial statements are prepared in accordance with the principle of distinct periods, whereby each quarter is treated as a separate accounting period. Accordingly, the quarterly financial statements incorporate all of the economic results that occurred during this period of time.

Fourth quarter results were determined using the same estimates as those used in the preparation of full year results.

Analysis of significant variances

The increase in ‘use of third party assets’ operating cost arises primarily from the signing by Cembre S.p.A of a contract to lease an industrial facility near the Company’s registered office for a period of six years beginning 1 October 2001. The building covers an area of 5,960 m² over three floors, and its layout can accommodate any production use that may be required as a result of attaining full capacity from existing facilities. The annual lease payment amount is €309,874.

The increase in personnel costs arises from a higher payroll, emanating from an increase in workforce size from 384 to 405.

Analysis of Group full year sales by geographic region

<i>(in euro thousands)</i>	2001	2000
Italy	28,095	26,389
Rest of Europe	23,629	20,647
Rest of World	4,278	3,379
Total	<u>56,002</u>	<u>50,415</u>

2002 Financial Year Prospects

Fourth quarter results incorporated all significant costs at year-end.

The Group's business is not affected by cyclical or seasonal factors, other than a partial slowdown during the month of August for holidays and the month of December for Christmas holidays.

Brescia, Italy
13 February 2002

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Board of Directors' Report on the Group's 2001 Full Year and Fourth Quarter Results

(All values in euros unless otherwise indicated)

Cembre Group 2001 financial year sales increased by 11.1% to €6,002,417 from €50,415,311 for 2000. 2001 fourth quarter sales increased to €4,008,948 from €13,804,607 for the same period last year.

50.2% of Group full year sales were realised in Italy, 42.2% in the Rest of Europe and the remaining 7.6% in the Rest of World, compared with 52.3%, 40.1% and 6.7% respectively for last year. Italy and Rest of Europe enjoyed respective sales increases of 6.5% and 14.4%.

Group full year sales by company were as follows:

(in euros)	2001	2000
Cembre S.p.A. (Parent Company)	32,253,425	29,250,271
Cembre Ltd. (United Kingdom)	7,244,722	6,578,431
Cembre S.a.r.l. (France)	4,032,865	4,172,500
Cembre España S.L. (Spain)	3,828,592	2,960,167
Cembre GmbH (Germany)	4,181,035	3,257,094
Cembre AS (Norway)	378,865	460,038
Cembre Inc (USA)	1,705,441	1,019,873
<u>Oelma srl (Italy)</u>	2,377,472	2,716,937
Total	56,002,417	50,415,311

Oelma srl sales declined as a result of the transfer of some of its customers to Cembre S.p.A., prior to its merger with the latter on 1 January 2002. Cembre AS sales decline is due to a yet unstable trend of orders portfolio.

2001 financial year gross operating profit improved by 5.7% to €1,009,446, or 19.7% of sales, from €10,419,962 or 20.7% of sales for the previous year.

2001 financial year operating profit improved by 7% to €6,924,936, or 12.4% of sales, from €6,475,202 or 12.8% of sales for the previous year.

In order to provide a better understanding of the Group's results, the 2001 consolidated income statement has been restated in Appendix A of this report.

Group investments in property, plant and equipment during 2001 amounted to €2,489,000, consisting of €1,042,000 in new plant and machinery, €95,000 in commercial and industrial equipment, and €754,000 in other assets. Cembre S.p.A. was the most consistent investor, with €756,000 invested in plant and machinery and €427,000 invested in commercial and industrial equipment, including €426,000 for new presses, €127,000 for an automatic belt for washing and sifting, €127,000 for two cutters, €64,000 for hydraulic shears, and €46,000 for a galvanic transport vehicle.

Cembre Spa has signed a contract to lease an industrial facility near the Company's head office for a period of six years beginning 1 October 2001. The building covers an area of 5,960 m² over three floors, and its layout can accommodate any production use that may be required as a result of attaining full capacity from existing facilities. In addition, construction work has begun on a new building near the Company's head office, which will be used as a storage facility. This building is expected to be operational by April 2002.

Post Balance Sheet Events

No event arose after the end of the fourth quarter that has a significant impact on the Group's profit or net assets.

Brescia, Italy
13 February 2002

Chairman of the Board of Directors
Cembre S.p.A. – Group Parent Company
CARLO ROSANI

Appendix A

Cembre S.p.A.

Restated Consolidated Partial Income Statement for the Financial Year ending 31 December 2001

(in euros)

<i>Financial year ending 31 December</i>	2001	%	2000	%	% Change
Sales	56,002,417	100.00	50,415,311	100.00	11.1%
Other business revenues	151,941		97,649		55.6%
TOTAL SALES AND BUSINESS REVENUES	56,154,358		50,512,960		11.2%
Inventory movements	1,997,639	3.57	1,494,393	2.96	33.7%
Non-current assets – internal construction	643,015	1.15	852,188	1.69	(24.6%)
TOTAL OPERATING REVENUES	58,795,012	104.99	52,859,541	104.85	11.2%
Materials and services used	(30,136,798)	(53.81)	(26,911,231)	(53.38)	12%
Sundry management charges	(268,026)	(0.48)	(259,214)	(0.51)	3.4%
ADDED VALUE	28,390,188	50.69	25,689,096	50.95	10.5%
Personnel costs	(17,255,280)	(30.81)	(15,169,898)	(30.09)	13.8%
Allowance for doubtful accounts	(118,499)	(0.21)	(92,396)	(0.18)	28.3%
Other provisions for liabilities and charges	(6,963)		(6,840)		1.8%
GROSS OPERATING PROFIT (EBITDA)	11,009,446	19.66	10,419,962	20.67	5.7%
Intangible assets amortisation	(552,972)	(0.99)	(596,729)	(1.18)	(7.3%)
Property, plant and equipment depreciation	(3,531,538)	(6.31)	(3,348,031)	(6.64)	5.5%
OPERATING PROFIT (EBIT)	6,924,936	12.37	6,475,202	12.84	7%