

# 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 June 30, 2003

### Consolidated Income Statement

<i>(in euro)</i>	<b>June 30, 2003</b>	<b>June 30, 2002</b>	<b>Dec. 31, 2002</b>	<b>2nd Quarter 2003</b>	<b>2nd Quarter 2002</b>
<b>A) Revenues</b>					
1) Sales	30.917.422	28.991.726	56.945.939	15.134.038	14.853.675
2) Change in work in progress, semi-finished and finished goods inventories	(26.971)	584.201	1.566.451	(106.847)	354.057
4) Increase in assets due to internal construction	290.068	490.431	871.870	125.485	222.096
5) Other revenues:					
a) sundry	49.729	26.710	49.559	41.721	135
<b>Total operating value</b>	<b>31.230.248</b>	<b>30.093.068</b>	<b>59.433.819</b>	<b>15.194.397</b>	<b>15.429.963</b>
<b>B) Operating Costs</b>					
6) Raw materials	(9.858.048)	(10.500.155)	(19.980.602)	(5.096.189)	(5.288.253)
7) Services	(5.360.260)	(4.721.395)	(10.016.860)	(2.735.779)	(2.386.251)
8) Leases and rentals	(512.768)	(456.948)	(935.136)	(261.132)	(229.800)
9) Personnel					
a) Wages and salaries	(7.246.765)	(7.063.447)	(13.545.771)	(3.662.234)	(3.636.757)
b) Social security	(1.900.748)	(1.842.796)	(3.638.452)	(967.539)	(922.861)
c) Employee termination indemnities	(398.346)	(363.739)	(712.522)	(188.433)	(157.168)
d) Retirement benefits	(5.664)	(5.695)	(12.134)	(2.565)	(2.954)
e) Other costs	(56.724)	(54.134)	(125.581)	(27.706)	(34.047)
<b>Total personnel costs</b>	<b>(9.608.247)</b>	<b>(9.329.811)</b>	<b>(18.034.460)</b>	<b>(4.848.477)</b>	<b>(4.753.787)</b>
10) Depreciation and write-downs					
a) Amortization of intangible assets	(180.830)	(168.675)	(427.898)	(93.174)	(102.863)
b) Amortization of tangible assets	(1.992.339)	(1.699.494)	(3.553.728)	(1.004.164)	(851.282)
d) Write-down in the value of current assets	(72.514)	(49.715)	(107.053)	(47.300)	(25.001)
<b>Total depreciation and write downs</b>	<b>(2.245.683)</b>	<b>(1.917.884)</b>	<b>(4.088.679)</b>	<b>(1.144.638)</b>	<b>(979.146)</b>
11) Change in raw material inventories	10.500	908.627	131.804	304.719	477.341
12) Accruals to risk provisions	(3.248)	(7.119)	(44.416)	(1.771)	(5.569)
14) Other operating costs	(120.962)	(109.858)	(194.633)	(71.704)	(61.242)
<b>Total Operating Costs</b>	<b>(27.698.716)</b>	<b>(26.134.543)</b>	<b>(53.162.982)</b>	<b>(13.854.971)</b>	<b>(13.226.707)</b>
<b>Operating income (A-B)</b>	<b>3.531.532</b>	<b>3.958.525</b>	<b>6.270.837</b>	<b>1.339.426</b>	<b>2.203.256</b>

	June 30, 2003	June 30, 2002	Dec. 31, 2002	2nd Quarter 2003	2nd Quarter 2002
<b>C) Finance Income and expenses</b>					
16) Other financial income:					
d) other income	83.713	51.649	73.906	50.108	21.304
17) Interest and other financial charges	(434.455)	(366.542)	(689.738)	(194.289)	(270.644)
<b>Total</b>	<b>(350.742)</b>	<b>(314.893)</b>	<b>(615.832)</b>	<b>(144.181)</b>	<b>(249.340)</b>
<b>D) Adjustments to the value of financial assets</b>					
18) Revaluations					
b) long-term financial assets	2.376	3.597	5.611	788	1.323
c) marketable securities (excluding subsidiaries)	63.034	38.248	0	63.034	(45.344)
19) Write-downs					
c) marketable securities (excluding subsidiaries)	0	0	(101.404)	7.752	0
<b>Total adjustments to the value of financial assets</b>	<b>65.410</b>	<b>41.845</b>	<b>(95.793)</b>	<b>71.574</b>	<b>(44.021)</b>
<b>E) Extraordinary items</b>					
20) Income	53.899	31.270	49.178	45.333	14.875
21) Losses	(154.572)	(150.447)	(404.077)	(90.203)	(123.259)
<b>Total extraordinary items</b>	<b>(100.673)</b>	<b>(119.177)</b>	<b>(354.899)</b>	<b>(44.870)</b>	<b>(108.384)</b>
<b>Profit before taxes (A-B+C+D+E)</b>	<b>3.145.527</b>	<b>3.566.300</b>	<b>5.204.313</b>	<b>1.221.949</b>	<b>1.801.511</b>

<b>Consolidated net financial position</b> <i>(in euro)</i>	June 30, 2003	March 31, 2003	Dec. 31, 2002
Non-current debts	(4.328.288)	(4.364.035)	(3.978.275)
<b>Subtotal - Non-current net financial liabilities</b>	<b>(4.328.288)</b>	<b>(4.364.035)</b>	<b>(3.978.275)</b>
Cash and marketable securities	2.190.374	3.265.776	3.327.237
Current bank loans	(8.255.798)	(8.989.524)	(9.564.392)
Other current debts	(43.634)	(44.809)	(47.070)
Other available financial assets	528.331	457.545	465.296
<b>Subtotal - current net financial liabilities</b>	<b>(5.580.727)</b>	<b>(5.311.012)</b>	<b>(5.818.929)</b>
<b>Group net financial liabilities</b>	<b>(9.909.015)</b>	<b>(9.675.047)</b>	<b>(9.797.204)</b>

Brescia, August 6, 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 consolidated accounts**

**for the 2<sup>nd</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 2<sup>nd</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 June 30, 2003, and those of the following companies at the same date:

	Share owned by the Group at June 30, 2003	Share owned by the Group at June 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 has changed from June 30, 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.

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

The increase in the cost of services is due to the contribution of General Marking, not consolidated at June 30, 2002, equal to about €322 thousand for the first six months of the year, in addition to the increase in costs relating to services received by parent company Cembre, up about €230 thousand in the first six months of 2003, due primarily to higher technical advisory costs.

### **Sales by geographical area**

(€)	June 30, 2003	June 30, 2002
Italy	15,234,626	14,170,905
Rest of Europe	13,090,999	12,334,178
Rest of the World	2,591,797	2,486,643
Total	<u>30,917,422</u>	<u>28,991,726</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, August 6, 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 2<sup>nd</sup> Quarter of 2003**

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

Revenues for the 2<sup>nd</sup> Quarter of 2003 amounted to €15,134,038, up 1.9%, on €14,853,675 recorded in the 2<sup>nd</sup> Quarter of 2002. For the first six months of 2003, revenues amounted to €30,917,422, up 6.6% on the first six months of 2002.

A total of 49.3% of Group sales were represented by Italy (as compared with 48.9% in the 1<sup>st</sup> Half of 2002), 42.3% by the rest of Europe (42.5% in the 1<sup>st</sup> Half of 2002), and the remaining 8.4% by the rest of the World (8.6% in the 1<sup>st</sup> Half of 2002).

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

(in euro)	<b>1<sup>st</sup> Half 2003</b>	<b>1<sup>st</sup> Half 2002</b>
Parent company	18,441,397	17,387,199
Cembre Ltd. (UK)	4,148,059	3,823,129
Cembre S.a.r.l. (France)	1,996,337	2,046,799
Cembre España S.L. (Spain)	2,891,104	2,322,560
Cembre GmbH (Germany)	1,869,162	1,861,172
Cembre AS (Norway)	196,303	311,708
Cembre Inc. (USA)	971,250	1,239,159
General Marking Srl (Italy)	403,810	—
Total	<u>30,917,422</u>	<u>28,991,726</u>

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

Gross operating profit declined from the 1<sup>st</sup> Half of 2002 from €5,826,694, equal to a 20.1% margin on sales, to €5,704,701, a 18.5% margin on sales.

Operating profit amounts to €3,531,532, corresponding to a 11.4% margin on sales, down from €3,958,525 in the 1<sup>st</sup> Half of 2002, when it represented a 13.7% margin on sales, due partly to higher depreciation charges.

Consolidated profit before taxes is equal to €3,145,527, representing a 10.2% margin on sales, declining from €3,566,300 in the 1<sup>st</sup> Half of 2002, in which it represented 12.3% of sales. The decline in profit before taxes in the 2<sup>nd</sup> Quarter from €1,801,511 to €1,221,949 is due primarily to lower sales in the 2<sup>nd</sup> Quarter, and to higher costs for services received, attributable mainly to the increase in technical advisory costs, as discussed in the notes.

#### **Events subsequent to the closing date of the 2<sup>nd</sup> Quarter of 2003**

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

Brescia, August 6, 2003

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

CARLO ROSANI

Attachment A - Management Report  
Cembre Group Quarterly Report at June 30, 2003

Reclassified Consolidated Income Statement for the 1st Half of 2003

(in euros)	<b>1st Half 2003</b>	%	<b>1st Half 2002</b>	%	<b>1/1 - 31/12 2002</b>	%
Sales	30.917.422	100,00	28.991.726	100,00	56.945.939	100,00
Other revenues and gains	49.729		26.710		49.559	
<b>TOTAL REVENUES</b>	<b>30.967.151</b>		<b>29.018.436</b>		<b>56.995.498</b>	
Change in work in progress, semi-finished and finished goods inventories	(26.971)	(0,09)	584.201	2,02	1.566.451	2,75
Increase in assets due to internal construction	290.068	0,94	490.431	1,69	871.870	1,53
<b>TOTAL OPERATING VALUE</b>	<b>31.230.248</b>	101,01	<b>30.093.068</b>	103,80	<b>59.433.819</b>	104,37
Materials and services used	(15.720.576)	(50,85)	(14.769.871)	(50,95)	(30.800.794)	(54,09)
Other operating costs	(120.962)	(0,39)	(109.858)	(0,38)	(194.633)	(0,34)
<b>VALUE ADDED</b>	<b>15.388.710</b>	49,77	<b>15.213.339</b>	52,47	<b>28.438.392</b>	49,94
Personnel costs	(9.608.247)	(31,08)	(9.329.811)	(32,18)	(18.034.460)	(31,67)
Accruals to provision for doubtful accounts	(72.514)	(0,23)	(49.715)	(0,17)	(107.053)	(0,19)
Accruals to risk provision	(3.248)		(7.119)		(44.416)	
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>5.704.701</b>	18,45	<b>5.826.694</b>	20,10	<b>10.252.463</b>	18,00
Intangible asset amortization	(180.830)	(0,58)	(168.675)	(0,58)	(427.898)	(0,75)
Tangible asset depreciation	(1.992.339)	(6,44)	(1.699.494)	(5,86)	(3.553.728)	(6,24)
<b>OPERATING PROFIT (EBIT)</b>	<b>3.531.532</b>	11,42	<b>3.958.525</b>	13,65	<b>6.270.837</b>	11,01
Financial income (expense)	(350.742)	(1,13)	(314.893)	(1,09)	(615.832)	(1,08)
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>3.180.790</b>	10,29	<b>3.643.632</b>	12,57	<b>5.655.005</b>	9,93
Extraordinary items and adjustments to the value of financial assets	(35.263)	(0,11)	(77.332)	(0,27)	(450.692)	(0,79)
<b>PROFIT BEFORE TAXES</b>	<b>3.145.527</b>	10,17	<b>3.566.300</b>	12,30	<b>5.204.312</b>	9,14