



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

QUARTERLY REPORT

AS OF 30 SEPTEMBER
2004

Cembre S.p.A.

Head Office: Via Serenissima 9, Brescia, Italy
Share Capital: EUR 8,840,000 (fully paid-up).
Registration no: 00541390175 (Commercial Register of Brescia)

This document contains translations of the quarterly report prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)

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Quarterly Report at September 30, 2004

Consolidated Income Statement

Consolidated Income Statement

(in euro)

	first nine months 2004	first nine months 2003	Full year 2003	3 rd Quarter 2004	3 rd Quarter 2003
A) Revenues					
1) Sales	48.808.913	44.839.112	59.870.282	15.306.711	13.921.690
2) Change in work in progress, semi-finished and finished goods inventories	16.719	(141.784)	(61.138)	4.473	(114.813)
4) Increase in assets due to internal construction	290.864	473.392	824.509	77.585	183.324
5) Other revenues:					
a) sundry	12.027	49.729	45.268	7.220	-
b) contributions received	12.515	32.777	32.777	-	32.777
Total operating value	49.141.038	45.253.226	60.711.698	15.395.989	14.022.978
B) Operating Costs					
6) Raw materials	(16.183.969)	(14.029.358)	(18.816.949)	(5.457.111)	(4.171.310)
7) Services	(7.876.123)	(7.883.152)	(10.586.661)	(2.411.177)	(2.522.892)
8) Leases and rentals	(713.380)	(745.282)	(971.789)	(236.187)	(232.514)
9) Personnel					
a) Wages and salaries	(11.719.873)	(10.671.764)	(13.973.666)	(3.782.468)	(3.424.999)
b) Social security	(3.105.454)	(2.923.751)	(3.797.468)	(1.072.989)	(1.023.003)
c) Employee termination indemnities	(580.131)	(613.811)	(706.138)	(181.907)	(215.465)
d) Retirement benefits	(5.626)	(7.031)	(11.549)	(1.354)	(1.367)
e) Other costs	(100.547)	(85.799)	(124.627)	(37.175)	(29.075)
Total personnel costs	(15.511.631)	(14.302.156)	(18.613.448)	(5.075.893)	(4.693.909)
10) Depreciation and write-downs					
a) Amortization of intangible assets	(177.114)	(274.761)	(401.451)	(63.750)	(93.931)
b) Depreciation of tangible assets	(2.852.797)	(2.970.244)	(3.977.703)	(957.835)	(977.905)
c) other write-downs of assets	-	-	(148.496)	-	-
d) Write-down in the value of current assets	(78.614)	(92.086)	(150.213)	(20.936)	(19.572)
Total depreciation and write downs	(3.108.525)	(3.337.091)	(4.677.863)	(1.042.521)	(1.091.408)
11) Change in raw material inventories	(12.421)	(86.144)	(399.558)	347.961	(96.644)
12) Accruals to risk provisions	(4.911)	(5.267)	(25.669)	(1.539)	(2.019)
14) Other operating costs	(188.031)	(188.385)	(256.242)	(62.309)	(67.423)
Total Operating Costs	(43.598.991)	(40.576.835)	(54.348.179)	(13.938.776)	(12.878.119)
Operating income (A-B)	5.542.047	4.676.391	6.363.519	1.457.213	1.144.859

C) Finance Income and expense	first nine months	first nine months	Full year	3rd Quarter	3rd Quarter
	2004	2003	2003	2004	2003
16) Other financial income:					
d) other income	15.299	36.420	48.686	5.551	2.861
17) Interest and other financial charges	(274.956)	(324.416)	(417.055)	(85.504)	(98.751)
17- bis) Foreign exchange gains and losses	103.814	(146.920)	(249.478)	(102.942)	11.717
Total	(155.843)	(434.916)	(617.848)	(182.895)	(84.174)
D) Adjustments to the value of financial assets					
18) Revaluations					
b) long-term financial assets	1.335	3.198	2.930	212	822
c) marketable securities (excluding subsidiaries)	93.904	69.449	122.934	93.904	6.415
19) Write-downs					
c) marketable securities (excluding subsidiaries)	-	-	-	13.952	-
Total adjustments to the value of financial assets	95.239	72.647	125.864	108.068	7.237
E) Extraordinary items					
20) Income	47.736	24.805	33.760	5.090	(29.094)
21) Losses	(146.150)	(169.056)	(225.765)	(14.576)	(14.484)
Total extraordinary items	(98.414)	(144.251)	(192.005)	(9.486)	(43.578)
Profit before taxes (A-B+C+D+E)	5.383.029	4.169.871	5.679.530	1.372.900	1.024.344

Consolidated net financial position	Sept. 30,	June 30,	Dec. 31,
<i>(in euro)</i>	2004	2004	2003
Non-current debt	(2.682.022)	(2.746.733)	(2.707.064)
Subtotal - non-current net financial liabilities	(2.682.022)	(2.746.733)	(2.707.064)
Cash and marketable securities	7.577.914	5.031.735	4.058.777
Current bank loans	(7.745.080)	(9.110.654)	(9.373.384)
Other current debt	(50.433)	(54.114)	(36.817)
Other available financial assets	682.134	574.278	588.230
Subtotal - current net financial liabilities	464.535	(3.558.755)	(4.763.194)
Group net financial liabilities	(2.217.487)	(6.305.488)	(7.470.258)

Brescia, November 12, 2004

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 3rd Quarter of 2004

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

Principles of consolidation and valuation criteria adopted in the present Report for the 3rd Quarter of 2004 are in line with those adopted for the Consolidated Financial Statements at December 31, 2003 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, 2004, and those of the following companies at the same date:

	Share owned by the Group at Sept. 30, 2004	Share owned by the Group at Sept. 30, 2003
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%	100%

* 5% share held through Cembre Ltd

** 29% 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. Item “17 bis) Foreign exchange gains and losses” was added and the accounts for previous periods were consequently reclassified for comparative purposes.

The scope of the consolidation has not changed from September 30, 2003 and December 31, 2003.

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 marked reduction in net financial debt, down from €6.3 million at June 30, 2004 to €2.2 million at September 30, 2004, is due to the good operating performance, the decline in capital expenditure from €3.1 million in the first nine months of 2003, to €2.7 million in the same period in 2004, and the fact that the figure at June 30, 2004 included the payment of €1.2 million in dividends.

The net financial expense declined sharply from €435 thousand in the first nine months of 2003, to €156 thousand in the same period in 2004 due to positive net foreign exchange differences. In the 3rd Quarter of 2004 net foreign exchange losses amounted to €103 thousand, as compared with a net gain of €12 thousand in the 3rd Quarter of 2003.

Sales by geographical area

<i>(€ '000)</i>	Sept. 30, 2004	Sept. 30, 2003
Italy	23,260	21,907
Rest of Europe	21,385	19,215
Rest of the World	4,164	3,717
Total	48,809	44,839

Outlook

The company expects to close the 2004 financial year reporting a higher turnover than in 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, 2004

THE CHAIRMAN OF THE BOARD OF DIRECTORS
CEMBRE SPA – GROUP PARENT COMPANY
 CARLO ROSANI

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Cembre Group Management Report on the 3rd Quarter of 2004

In the 3rd Quarter of 2004, revenues amounted to €15,307 thousand, up 9.9% on €13,922 thousand in the 3rd Quarter of 2003. Revenues for the first nine months of 2004 amounted to €48,809 thousand, up 8.9% on €44,839 thousand in the same period in 2003.

A total of 47.7% of Group sales were represented by Italy (as compared with 48.9% in the first nine months of 2003), 43.8% by the rest of Europe (42.8% in the first nine months of 2003), and the remaining 8.5% by the rest of the World (8.3% in the first nine months of 2003). In the first nine months of 2004, domestic sales grew by 6.2%, while exports grew by 11.4%. In the 3rd Quarter of 2004, domestic sales grew over the same period in 2003 by 10.7%, while exports increased by 9.3%.

Revenues by Group company

(€ '000)	First nine months 2004	First nine months 2003
Parent company	28,782	26,508
Cembre Ltd. (UK)	7,517	5,972
Cembre S.a.r.l. (France)	3,210	2,953
Cembre España S.L. (Spain)	4,849	4,236
Cembre GmbH (Germany)	2,357	2,820
Cembre AS (Norway)	272	280
Cembre Inc. (USA)	1,508	1,545
General Marking Srl (Italy)	314	525
Total	<u>48,809</u>	<u>44,839</u>

The decline in sales of Cembre GmbH is due to the continuing weakness of the German market. Figures for General Marking Srl include only sales to third parties managed directly by the subsidiary, excluding sales distributed by other Group companies in their respective market, which are unchanged from the same period in the previous year. The decline in General Marking Srl's direct sales is due to a number of products deemed not strategic.

To provide a better understanding of the Group's financial performance, a Reclassified Consolidated Income Statement for the first nine months of 2004 and the 3rd Quarter of 2004 are enclosed respectively as Attachments A and B.

Gross operating profit increased by 8.2% on the first nine months of 2003 from €7,921 thousand, representing a 17.7% margin on sales, to €8,572 thousand, a 17.6% margin on sales. Gross operating profit for the 3rd Quarter of 2004 grew by 11.8% from €2,217 thousand, representing a 15.9% margin on sales, in the 3rd Quarter of 2003, to €2,479 thousand, equal to a 16.2% margin on sales, in the 3rd Quarter of 2004.

Operating profit amounts to €5,542 thousand, representing an 11.4% margin on sales, up 10.6% thanks to the lower weight of depreciation on €4,676 thousand in the first nine months of 2003, when it represented an 10.4% margin on sales. Operating profit for the 3rd Quarter of 2004 improved from €1,145 thousand, an 8.2% margin on sales, in the 3rd Quarter of 2003, to €1,457 thousand, representing a 9.5% margin on sales, in the current quarter.

Consolidated profit before taxes amounts to €5,383 thousand, representing an 11% margin on sales, up 29.1% on €4,170 thousand in the first nine months of 2003, when it represented a 9.3% margin on sales. The increase is due to the lower interest expense resulting from the reduction in debt, declining from €7.7

million at September 30, 2003, to €2.2 million at September 30, 2004, in addition to positive foreign exchange differences. Consolidated profit before taxes for the 3rd Quarter of 2004 amounted to €1,373 thousand, representing a 9% margin on sales, up 34% on €1,024 thousand in the 3rd Quarter of 2003.

Events subsequent to the closing date of the 3rd Quarter of 2004

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after September 30, 2004.

Brescia, November 12, 2004

**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 for the first nine months of 2004

(in euro)	first nine months 2004		first nine months 2003		Full year 2003		%
		%		%		%	change
Sales	48.808.913	100,0	44.839.112	100,0	59.870.282	100,0	8,9
Other revenues and gains	24.542		82.506		78.045		(70,3)
TOTAL REVENUES	48.833.455		44.921.618		59.948.327		8,7
Change in work in progress, semi-finished and finished goods inventories	16.719	0,0	(141.784)	(0,3)	(61.138)	(0,1)	(111,8)
Increase in assets due to internal construction	290.864	0,6	473.392	1,1	824.509	1,4	(38,6)
TOTAL OPERATING VALUE	49.141.038	100,7	45.253.226	100,9	60.711.698	101,4	8,6
Materials and services used	(24.785.893)	(50,8)	(22.743.936)	(50,7)	(30.774.957)	(51,4)	9,0
Other operating costs	(188.031)	(0,4)	(188.385)	(0,4)	(256.242)	(0,4)	(0,2)
VALUE ADDED	24.167.114	49,5	22.320.905	49,8	29.680.499	49,6	8,3
Personnel costs	(15.511.631)	(31,8)	(14.302.156)	(31,9)	(18.613.448)	(31,1)	8,5
Accruals to provision for doubtful accounts	(78.614)	(0,2)	(92.086)	(0,2)	(150.213)	(0,3)	(14,6)
Accruals to risk provision	(4.911)		(5.267)		(25.669)		(6,8)
GROSS OPERATING MARGIN (EBITDA)	8.571.958	17,6	7.921.396	17,7	10.891.169	18,2	8,2
Intangible asset amortization	(177.114)	(0,4)	(274.761)	(0,6)	(401.451)	(0,7)	(35,5)
Tangible asset depreciation and other assets write-downs	(2.852.797)	(5,8)	(2.970.244)	(6,6)	(4.126.199)	(6,9)	(4,0)
OPERATING PROFIT (EBIT)	5.542.047	11,4	4.676.391	10,4	6.363.519	10,6	18,5
Financial income (expense)	(155.843)	(0,3)	(434.916)	(1,0)	(617.848)	(1,0)	(64,2)
PROFIT BEFORE EXTRAORDINARY ITEMS	5.386.204	11,0	4.241.475	9,5	5.745.671	9,6	27,0
Extraordinary items and adjustments to the value of financial assets	(3.175)	(0,0)	(71.604)	(0,2)	(66.141)	(0,1)	(95,6)
PROFIT BEFORE TAXES	5.383.029	11,0	4.169.871	9,3	5.679.530	9,5	29,1

Attachment B - Management Report
Cembre Group Consolidated financial statement

Reclassified Consolidated Income Statement for the third quarter of 2004

(in euro)	3 rd Quarter 2004		3 rd Quarter 2003		Full year 2003		% change
		%		%		%	
Sales	15.306.711	100,0	13.921.690	100,0	59.870.282	100,0	9,9
Other revenues and gains	7.220		32.777		78.045		(78,0)
TOTAL REVENUES	15.313.931		13.954.467		59.948.327		9,7
Change in work in progress, semi-finished and finished goods inventories	4.473	0,0	(114.813)	(0,8)	(61.138)	(0,1)	(103,9)
Increase in assets due to internal construction	77.585	0,5	183.324	1,3	824.509	1,4	(57,7)
TOTAL OPERATING VALUE	15.395.989	100,6	14.022.978	100,7	60.711.698	101,4	9,8
Materials and services used	(7.756.514)	(50,7)	(7.023.360)	(50,4)	(30.774.957)	(51,4)	10,4
Other operating costs	(62.309)	(0,4)	(67.423)	(0,5)	(256.242)	(0,4)	(7,6)
VALUE ADDED	7.577.166	49,5	6.932.195	49,8	29.680.499	49,6	9,3
Personnel costs	(5.075.893)	(33,2)	(4.693.909)	(33,7)	(18.613.448)	(31,1)	8,1
Accruals to provision for doubtful accounts	(20.936)	(0,1)	(19.572)	(0,1)	(150.213)	(0,3)	7,0
Accruals to risk provision	(1.539)		(2.019)		(25.669)		(23,8)
GROSS OPERATING MARGIN (EBITDA)	2.478.798	16,2	2.216.695	15,9	10.891.169	18,2	11,8
Intangible asset amortization	(63.750)	(0,4)	(93.931)	(0,7)	(401.451)	(0,7)	(32,1)
Tangible asset depreciation and other assets write-downs	(957.835)	(6,3)	(977.905)	(7,0)	(4.126.199)	(6,9)	(2,1)
OPERATING PROFIT (EBIT)	1.457.213	9,5	1.144.859	8,2	6.363.519	10,6	27,3
Financial income (expense)	(182.895)	(1,2)	(84.174)	(0,6)	(617.848)	(1,0)	117,3
PROFIT BEFORE EXTRAORDINARY ITEMS	1.274.318	8,3	1.060.685	7,6	5.745.671	9,6	20,1
Extraordinary items and adjustments to the value of financial assets	98.582	0,6	(36.341)	(0,3)	(66.141)	(0,1)	(371,3)
PROFIT BEFORE TAXES	1.372.900	9,0	1.024.344	7,4	5.679.530	9,5	34,0