

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 December 31, 2004

Consolidated Income Statement

Consolidated Income Statement

(in euro)

	Full year 2004	Full year 2003	4 th Quarter 2004	4 th Quarter 2003
A) Revenues				
1) Sales	65.309.688	59.870.282	16.500.775	15.031.170
2) Change in work in progress, semi-finished and finished goods inventories	(10.018)	(61.138)	(26.737)	80.646
4) Increase in assets due to internal construction	344.637	824.509	53.772	351.117
5) Other revenues:				
a) sundry	24.650	45.268	12.623	(4.461)
b) contributions received	12.515	32.777	-	-
Total operating value	65.681.472	60.711.698	16.540.433	15.458.472
B) Operating Costs				
6) Raw materials	(21.104.747)	(18.816.949)	(4.920.778)	(4.787.591)
7) Services	(10.495.839)	(10.586.661)	(2.619.716)	(2.703.509)
8) Leases and rentals	(961.994)	(971.789)	(248.614)	(226.507)
9) Personnel				
a) Wages and salaries	(14.850.690)	(13.973.666)	(3.130.817)	(3.302.736)
b) Social security	(4.055.789)	(3.797.468)	(950.335)	(873.975)
c) Employee termination indemnities	(733.492)	(706.138)	(153.361)	(91.496)
d) Retirement benefits	(11.018)	(11.549)	(5.392)	(4.518)
e) Other costs	(144.874)	(124.627)	(44.327)	(38.828)
Total personnel costs	(19.795.863)	(18.613.448)	(4.284.232)	(4.311.553)
10) Depreciation and write-downs				
a) Amortization of intangible assets	(251.104)	(401.451)	(73.990)	(126.690)
b) Depreciation of tangible assets	(3.825.964)	(3.977.703)	(973.167)	(1.007.459)
c) other write-downs of assets	(405.299)	(148.496)	(405.299)	(148.496)
d) Write-down in the value of current assets	(140.859)	(150.213)	(62.245)	(58.127)
Total depreciation and write downs	(4.623.226)	(4.677.863)	(1.514.701)	(1.340.772)
11) Change in raw material inventories	(338.502)	(399.558)	(326.081)	(313.414)
12) Accruals to risk provisions	(17.977)	(25.669)	(13.066)	(20.402)
14) Other operating costs	(290.547)	(256.242)	(102.516)	(41.715)
Total Operating Costs	(57.628.694)	(54.348.179)	(14.029.704)	(13.745.463)
Operating income (A-B)	8.052.778	6.363.519	2.510.729	1.713.009

C) Finance Income and expense	Full year 2004	Full year 2003	4th Quarter 2004	4th Quarter 2003
16) Other financial income:				
c) marketable securities (excluding subsidiaries)	83.974	-	83.974	-
d) other income	31.514	48.686	16.215	12.266
17) Interest and other financial charges	(378.219)	(417.055)	(103.263)	(92.639)
17- bis) Foreign exchange gains and losses	(96.316)	(249.479)	(200.130)	(102.559)
Total	(359.047)	(617.848)	(203.204)	(182.932)
D) Adjustments to the value of financial assets				
18) Revaluations				
b) long-term financial assets	1.147	2.930	(188)	91
c) marketable securities (excluding subsidiaries)	48.982	122.934	(44.922)	53.485
Total adjustments to the value of financial assets	50.129	125.864	(45.110)	53.576
E) Extraordinary items				
20) Income	200.993	33.760	153.257	8.955
21) Losses	(229.828)	(225.765)	(83.679)	(56.709)
Total extraordinary items	(28.835)	(192.005)	69.578	(47.754)
Profit before taxes (A-B+C+D+E)	7.715.025	5.679.530	2.331.993	1.535.899

Consolidated net financial position <i>(in euro)</i>	Dec. 31, 2004	Sept. 30, 2004	Dec. 31, 2003
Non-current debt	(2.260.161)	(2.682.022)	(2.707.064)
Subtotal - non-current net financial liabilities	(2.260.161)	(2.682.022)	(2.707.064)
Cash and marketable securities	6.506.715	7.577.914	4.058.777
Current bank loans	(6.199.362)	(7.745.080)	(9.373.384)
Other current debt	(46.739)	(50.433)	(36.817)
Other available financial assets	291.052	682.134	588.230
Subtotal - current net financial liabilities	551.666	464.535	(4.763.194)
Group net financial liabilities	(1.708.495)	(2.217.487)	(7.470.258)

Brescia, February 11, 2005

**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: €8,840,000 (fully paid-up)

Registration no. 00541390175 (Brescia Commercial Register)

Notes to the accounts for the 4th 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 4th Quarter of 2004 are in line with those adopted for the Consolidated Financial Statements at December 31, 2003 to which we make reference. 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 December 31, 2004, and those of the following companies at the same date:

	Share owned by the Group at Dec. 31, 2004	Share owned by the Group at Dec. 31, 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, as provided by article 2425 of the Italian Civil Code, and the accounts for previous periods were consequently reclassified for comparative purposes.

The scope of the consolidation is unchanged from 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.

The present Quarterly Report does not contain data estimated using criteria different from those adopted in the Consolidated Financial Statements for the year.

Notes to the accounts

The marked reduction in net financial debt, declining from €7.5 million at December 31, 2003 to €1.7 million at December 31, 2004, is due, in addition to the good operating performance that generated a strong cash flow, to the decline in working capital and a reduction in capital expenditure from €3.7 million in 2003, to €3 million in 2004.

The net financial expense declined sharply from €18 thousand in 2003, to €59 thousand in 2004, due primarily to positive net foreign exchange

differences and revenues amounting to €84 million from the disposal of part of own shares held. In the 4th Quarter of 2004, however, net foreign exchange losses amounted to €200 thousand, as compared with a net loss of €103 thousand in the 4th Quarter of 2003.

The increase in net extraordinary gains is due primarily to the positive outcome of the settlement of litigation resulting in the awarding of €130 thousand.

Sales by geographical area

(€ '000)	2004	2003
Italy	31,298	29,765
Rest of Europe	28,480	25,310
Rest of the World	5,532	4,795
Total	65,310	59,870

Outlook

Figures for the Financial Statements at December 31, 2004 are not expected to diverge significantly from those published in the present Quarterly Report.

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, February 11, 2005

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

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Cembre Group Management Report on the 4th Quarter of 2004

In the 4th Quarter of 2004 revenues grew by 9.8% to €16,501 thousand, up from €15,031 thousand in the 4th Quarter of 2003. In 2004, revenues grew by 9.1% to €65,310 thousand, up from €59,870 thousand in the previous year.

A total of 47.9% of Group sales were represented by Italy (as compared with 49.7% in 2003), 43.6% by the rest of Europe (42.3% in 2003), and the remaining 8.5% by the rest of the World (8% in 2003).

In 2004, domestic sales were up 5.1%, while exports grew by 13%. In the 4th Quarter of 2004 domestic sales grew by 2.3% over the same period in 2003, while exports increased by 18%.

Revenues by Group company

(€ '000)	2004	2003
Parent company	38,490	35,722
Cembre Ltd. (UK)	9,722	7,700
Cembre S.a.r.l. (France)	4,409	3,990
Cembre España S.L. (Spain)	6,521	5,598
Cembre GmbH (Germany)	3,229	3,737
Cembre AS (Norway)	364	376
Cembre Inc. (USA)	2,169	2,115
General Marking Srl (Italy)	406	632
Total	<u>65,310</u>	<u>59,870</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, whose decline is due to a number of

products deemed not strategic. Part of General Marking's sales to other Group companies that distribute products in their respective markets are not attributed to General Marking in the table above. Such sales grew by 37% from €542 thousand to €742 thousand.

To provide a better understanding of the Group's financial performance, a Reclassified Consolidated Income Statement for 2004 and the 4th Quarter of 2004 are enclosed respectively as Attachments A and B.

Gross operating profit increased in 2004 by 15.1% from €10,891 thousand, representing an 18.2% margin on sales, to €12,535 thousand, a 19.2% margin on sales. In the 4th Quarter of 2004, gross operating profit grew by 32.3% from €2,996 thousand in the same period in the previous year (a 19.9% margin on sales), to €3,963 thousand in 2004 (a 24% margin on sales). Such increase is due to higher sales, the containment of costs and efficiency gains pursued by the Group in 2004.

Operating profit for 2004 amounts to €8,053 thousand, representing a 12.3% margin on sales, up 26.5% from €6,364 thousand in 2003, in which it represented 10.6% of sales. Operating profit improved also in the 4th Quarter, up from €1,713 thousand (an 11.4% margin on sales) in 2003, to €2,511 thousand (a 15.2% margin on sales) in the 4th Quarter of 2004.

Consolidated profit before taxes amounts in 2004 to €7,715 thousand, representing an 11.8% margin on sales, up 35.8% on €5,680 thousand in 2003, when it represented a 9.5% margin on sales. Consolidated pre-tax profit for the 4th Quarter of 2004 amounted to €2,332 thousand, representing a 14.1% margin on sales, up 51.8% on €1,536 thousand in the 4th Quarter of 2003.

The improvement is due, in addition to the reasons mentioned above, also to the good financial performance and to extraordinary items. Financial debt declined from €7.5 million at December 31, 2003, to €1.7 million at December 31, 2004.

Events subsequent to the closing date of the 4th Quarter of 2004

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after December 31, 2004.

Brescia, February 11, 2005

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

CARLO ROSANI

Attachment A
Cembre Group Management Report on the 4th Quarter of 2004

Reclassified Consolidated Income Statement for 2004

(in euro)	2004	%	2003	%	% change
Sales	65.309.688	100,0	59.870.282	100,0	9,1
Other revenues and gains	37.165		78.045		(52,4)
TOTAL REVENUES	65.346.853		59.948.327		9,0
Change in work in progress, semi-finished and finished goods inventories	(10.018)	(0,0)	(61.138)	(0,1)	(83,6)
Increase in assets due to internal construction	344.637	0,5	824.509	1,4	(58,2)
TOTAL OPERATING VALUE	65.681.472	100,6	60.711.698	101,4	8,2
Materials and services used	(32.901.082)	(50,4)	(30.774.957)	(51,4)	6,9
Other operating costs	(290.547)	(0,4)	(256.242)	(0,4)	13,4
VALUE ADDED	32.489.843	49,7	29.680.499	49,6	9,5
Personnel costs	(19.795.863)	(30,3)	(18.613.448)	(31,1)	6,4
Accruals to provision for doubtful accounts	(140.859)	(0,2)	(150.213)	(0,3)	(6,2)
Accruals to risk provision	(17.977)		(25.669)		(30,0)
GROSS OPERATING MARGIN (EBITDA)	12.535.144	19,2	10.891.169	18,2	15,1
Intangible asset amortization	(251.104)	(0,4)	(401.451)	(0,7)	(37,5)
Tangible asset depreciation and other assets write-downs	(4.231.263)	(6,5)	(4.126.199)	(6,9)	2,5
OPERATING PROFIT (EBIT)	8.052.777	12,3	6.363.519	10,6	26,5
Financial income (expense)	(359.047)	(0,5)	(617.848)	(1,0)	(41,9)
PROFIT BEFORE EXTRAORDINARY ITEMS	7.693.730	11,8	5.745.671	9,6	33,9
Extraordinary items and adjustments to the value of financial assets	21.294	0,0	(66.141)	(0,1)	(132,2)
PROFIT BEFORE TAXES	7.715.023	11,8	5.679.530	9,5	35,8

Attachment B
Cembre Group Management Report on the 4th Quarter of 2004

Reclassified Consolidated Income Statement for the fourth quarter

(in euro)	4 th Quarter 2004		4 th Quarter 2003		%
		%		%	change
Sales	16.500.775	100,0	15.031.170	100,0	9,8
Other revenues and gains	12.623		(4.461)		(383,0)
TOTAL REVENUES	16.513.398		15.026.709		9,9
Change in work in progress, semi-finished and finished goods inventories	(26.737)	(0,2)	80.646	0,5	(133,2)
Increase in assets due to internal construction	53.772	0,3	351.117	2,3	(84,7)
TOTAL OPERATING VALUE	16.540.433	100,2	15.458.472	102,8	7,0
Materials and services used	(8.115.189)	(49,2)	(8.031.021)	(53,4)	1,0
Other operating costs	(102.516)	(0,6)	(41.715)	(0,3)	145,8
VALUE ADDED	8.322.728	50,4	7.385.736	49,1	12,7
Personnel costs	(4.284.232)	(26,0)	(4.311.553)	(28,7)	(0,6)
Accruals to provision for doubtful accounts	(62.245)	(0,4)	(58.127)	(0,4)	7,1
Accruals to risk provision	(13.066)		(20.402)		(36,0)
GROSS OPERATING MARGIN (EBITDA)	3.963.185	24,0	2.995.654	19,9	32,3
Intangible asset amortization	(73.990)	(0,4)	(126.690)	(0,8)	(41,6)
Tangible asset depreciation and other assets write-downs	(1.378.466)	(8,4)	(1.155.955)	(7,7)	19,2
OPERATING PROFIT (EBIT)	2.510.729	15,2	1.713.009	11,4	46,6
Financial income (expense)	(203.204)	(1,2)	(182.932)	(1,2)	11,1
PROFIT BEFORE EXTRAORDINARY ITEMS	2.307.525	14,0	1.530.077	10,2	50,8
Extraordinary items and adjustments to the value of financial assets	24.468	0,1	5.822	0,0	320,3
PROFIT BEFORE TAXES	2.331.993	14,1	1.535.899	10,2	51,8