

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, 2003

Consolidated Income Statement

<i>(in euro)</i>	full year 2003	full year 2002	4th Quarter 2003	4th Quarter 2002
A) Revenues				
1) Sales	59.870.282	56.945.939	15.031.170	14.847.719
2) Change in work in progress, semi-finished and finished goods inventories	(61.138)	1.566.451	80.646	917.937
4) Increase in assets due to internal construction	824.509	871.870	351.117	245.207
5) Other revenues:				
a) sundry	45.268	49.559	(4.461)	12.732
b) contributions received	32.777	0	0	0
Total operating value	60.711.698	59.433.819	15.458.472	16.023.595
B) Operating Costs				
6) Raw materials	(18.816.949)	(19.980.602)	(4.787.591)	(5.167.918)
7) Services	(10.586.661)	(10.016.860)	(2.703.509)	(2.916.169)
8) Leases and rentals	(971.789)	(935.136)	(226.507)	(243.473)
9) Personnel				
a) Wages and salaries	(13.974.500)	(13.545.771)	(3.302.736)	(3.296.524)
b) Social security	(3.797.726)	(3.638.452)	(873.975)	(901.285)
c) Employee termination indemnities	(705.307)	(712.522)	(91.496)	(170.643)
d) Retirement benefits	(11.549)	(12.134)	(4.518)	(3.555)
e) Other costs	(124.627)	(125.581)	(38.828)	(37.818)
Total personnel costs	(18.613.709)	(18.034.460)	(4.311.553)	(4.409.825)
10) Depreciation and write-downs				
a) Amortization of intangible assets	(401.451)	(427.898)	(126.690)	(142.151)
b) Amortization of tangible assets	(3.977.703)	(3.553.728)	(1.007.459)	(1.016.036)
c) other write-downs of assets	(148.496)	0	(148.496)	0
d) Write-down in the value of current assets	(150.213)	(107.053)	(58.127)	(29.207)
Total depreciation and write downs	(4.677.863)	(4.088.679)	(1.340.772)	(1.187.394)
11) Change in raw material inventories	(399.558)	131.804	(313.414)	(416.332)
12) Accruals to risk provisions	(25.669)	(44.416)	(20.402)	(35.969)
14) Other operating costs	(230.100)	(194.633)	(41.715)	(28.257)
Total Operating Costs	(54.322.298)	(53.162.982)	(13.745.463)	(14.405.337)
Operating income (A-B)	6.389.400	6.270.837	1.713.009	1.618.258

	full year 2003	full year 2002	4th Quarter 2003	4th Quarter 2002
C) Financial Income and expense				
16) Other financial income:				
d) other income	101.395	73.906	55.320	8.768
17) Interest and other financial charges	(719.243)	(689.738)	(238.252)	(261.018)
Total	(617.848)	(615.832)	(182.932)	(252.250)
D) Adjustments to the value of financial assets				
18) Revaluations				
b) long-term financial assets	3.289	5.611	91	918
c) marketable securities (excluding subsidiaries)	122.934	0	53.485	0
19) Write-downs				
c) marketable securities (excluding subsidiaries)	0	(101.404)	0	(73.410)
Total adjustments to the value of financial assets	126.223	(95.793)	53.576	(72.492)
E) Extraordinary items				
20) Income	33.760	49.178	8.955	4.915
21) Losses	(225.765)	(404.077)	(56.709)	(30.830)
Total extraordinary items	(192.005)	(354.899)	(47.754)	(25.915)
Profit before taxes (A-B+C+D+E)	5.705.770	5.204.313	1.535.899	1.267.601
22) Income taxes	(2.824.043)	(1.990.813)		
23) NET PROFIT	2.881.727	3.213.500		
Consolidated net financial position <i>(in euro)</i>	Dec. 31, 2003	Sept. 30, 2003	Dec. 31, 2002	
Non-current debt	(2.707.064)	(5.575.935)	(3.978.275)	
Subtotal - non-current net financial liabilities	(2.707.064)	(5.575.935)	(3.978.275)	
Cash and marketable securities	4.058.777	5.577.307	3.327.237	
Current bank loans	(9.373.384)	(8.156.799)	(9.564.392)	
Other current debt	(36.817)	(40.435)	(47.070)	
Other available financial assets	588.230	534.746	465.296	
Subtotal - current net financial liabilities	(4.763.194)	(2.085.181)	(5.818.929)	
Group net financial liabilities	(7.470.258)	(7.661.116)	(9.797.204)	

Brescia, February 13, 2004

**THE 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 4th 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 4th Quarter of 2003 are in line with those adopted for the Consolidated Financial Statements at December 31, 2002 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, 2003, and those of the following companies at the same date:

	Share owned by the Group at Dec. 31, 2003	Share owned by the Group at Dec. 31, 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%	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.

The present Quarterly Report does not contain data estimated using criteria different from those adopted in the Consolidated Financial Statements for the year. Taxes were recorded exclusively in the column relating to the full year and are not calculated on a quarterly basis.

Notes to the accounts

The increase in the cost of services in 2003 is due primarily to higher costs, and in particular technical advisory costs, borne by parent company Cembre S.p.A., up about €165 thousand, and to the contribution of General Marking, incorporated in July 2002, whose costs rose from about €203 thousand in 2002, to about €585 thousand in 2003.

The increase in personnel costs is linked to the increase in the average number of employees, up from 453 to 468.

Sales by geographical area

(€ '000)	2003	2002
Italy	29,765	27,518
Rest of Europe	25,310	24,246
Rest of the World	4,795	5,182
Total	<u>59,870</u>	<u>56,946</u>

Outlook

Figures for the Financial Statements at December 31, 2003 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 13, 2004

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Cembre Group Management Report on the 4th Quarter of 2003

In the 4th Quarter of 2003, revenues amounted to €15,031,170, up 1.2% from €14,847,719 in the 4th Quarter of 2002. Revenues for the whole of 2003 amounted to €59,870,282, up 5.1% on the same period in 2002.

A total of 49.7% of Group sales were represented by Italy (as compared with 48.3% in 2002), 42.3% by the rest of Europe (42.6% in 2002), and the remaining 8% by the rest of the World (9.1% in 2002).

Revenues by Group company

(€)	2003	2002
Parent company	35,721,911	34,105,663
Cembre Ltd. (UK)	7,699,705	7,372,730
Cembre S.a.r.l. (France)	3,990,048	4,006,100
Cembre España S.L. (Spain)	5,598,285	4,723,383
Cembre AS (Norway)	376,575	543,302
Cembre GmbH (Germany)	3,736,584	3,611,363
Cembre Inc. (USA)	2,114,966	2,360,549
General Marking Srl (Italy)	632,208	222,849
Total	<u>59,870,282</u>	<u>56,945,939</u>

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

Gross operating profit increased in 2003 by 6.5% from €10,252,463, representing a 18% margin on sales, to €10,917,050, an 18.2% margin on sales.

Operating profit for 2003 amounts to €6,389,400, representing a 10.7% margin on sales, up from €6,270,837 in 2002, in which it represented 11% of sales. The decline in the operating profit as a percentage of sales is due to higher tangible assets depreciation, increasing from €3,553,728 to €3,977,703, up 11.9%.

Consolidated profit before taxes for 2003 is equal to €5,705,770, representing a 9.5% margin on sales, down from €5,204,313 in 2002, in which it represented 9.1% of sales. The higher tax rate resulted however in a 10.3% reduction in net profit, down from €3,213,500, 5.6% of sales, to €2,881,727, corresponding to 4.8% of sales. The increase in taxes over the previous year is due primarily to the expiration of tax benefits provided by the Tremonti-bis Law that had allowed to reduce the tax expense for 2002 by about €767,000.

Events subsequent to the closing date of the 4th Quarter of 2003

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after December 31, 2003.

Brescia, February 13, 2004

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CEMBRE SPA – GROUP PARENT COMPANY**

CARLO ROSANI

Attachment A - Management Report
Cembre Group Quarterly Report at December 31, 2003

Reclassified Consolidated Income Statement at December 31, 2003

(in euro)	full year 2003	%	full year 2002	%	% change
Sales	59.870.282	100,0	56.945.939	100,0	5,1%
Other revenues and gains	78.045		49.559		57,5%
TOTAL REVENUES	59.948.327		56.995.498		5,2%
Change in work in progress, semi-finished and finished goods inventories	(61.138)	(0,1)	1.566.451	2,8	-103,9%
Increase in assets due to internal construction	824.509	1,4	871.870	1,5	-5,4%
TOTAL OPERATING VALUE	60.711.698	101,4	59.433.819	104,4	2,2%
Materials and services used	(30.774.957)	(51,4)	(30.800.794)	(54,1)	-0,1%
Other operating costs	(230.100)	(0,4)	(194.633)	(0,3)	18,2%
VALUE ADDED	29.706.641	49,6	28.438.392	49,9	4,5%
Personnel costs	(18.613.709)	(31,1)	(18.034.460)	(31,7)	3,2%
Accruals to provision for doubtful accounts	(150.213)	(0,3)	(107.053)	(0,2)	40,3%
Accruals to risk provision	(25.669)		(44.416)		-42,2%
GROSS OPERATING MARGIN (EBITDA)	10.917.050	18,2	10.252.463	18,0	6,5%
Intangible asset amortization	(401.451)	(0,7)	(427.898)	(0,8)	-6,2%
Tangible asset depreciation	(4.126.199)	(6,9)	(3.553.728)	(6,2)	16,1%
OPERATING PROFIT (EBIT)	6.389.400	10,7	6.270.837	11,0	1,9%
Financial income (expense)	(617.848)	(1,0)	(615.832)	(1,1)	0,3%
PROFIT BEFORE EXTRAORDINARY ITEMS	5.771.552	9,6	5.655.005	9,9	2,1%
Extraordinary items and adjustments to the value of financial assets	(65.782)	(0,1)	(450.692)	(0,8)	-85,4%
PROFIT BEFORE TAXES	5.705.770	9,5	5.204.313	9,1	9,6%
Income taxes	(2.824.043)	(4,7)	(1.990.813)	(3,5)	41,9%
NET PROFIT	2.881.727	4,8	3.213.500	5,6	-10,3%
CASH FLOW (net income plus depreciation and amortization)	7.409.377	12,4	7.195.126	12,6	3,0%