

# 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, 2004

### Consolidated Income Statement

<i>(in euro)</i>	<b>1<sup>st</sup> Half 2004</b>	<b>1<sup>st</sup> Half 2003</b>	<b>Full year 2003</b>	<b>2<sup>nd</sup> Quarter 2004</b>	<b>2<sup>nd</sup> Quarter 2003</b>
<b>A) Revenues</b>					
1) Sales	33.502.202	30.917.422	59.870.282	17.508.491	15.134.038
2) Change in work in progress, semi-finished and finished goods inventories	12.246	(26.971)	(61.138)	(507.881)	(106.847)
4) Increase in assets due to internal construction	213.279	290.068	824.509	155.084	125.485
5) Other revenues:					
a) sundry	4.807	49.729	45.268	2.555	41.721
b) contributions received	12.515	0	32.777	12.515	0
<b>Total operating value</b>	<b>33.745.049</b>	<b>31.230.248</b>	<b>60.711.698</b>	<b>17.170.764</b>	<b>15.194.397</b>
<b>B) Operating Costs</b>					
6) Raw materials	(10.726.858)	(9.858.048)	(18.816.949)	(5.726.419)	(5.096.189)
7) Services	(5.464.946)	(5.360.260)	(10.586.661)	(2.800.668)	(2.735.779)
8) Leases and rentals	(477.193)	(512.768)	(971.789)	(236.139)	(261.132)
9) Personnel					
a) Wages and salaries	(7.937.405)	(7.246.765)	(13.973.666)	(4.114.880)	(3.662.234)
b) Social security	(2.032.465)	(1.900.748)	(3.797.468)	(1.044.373)	(967.539)
c) Employee termination indemnities	(398.224)	(398.346)	(706.138)	(212.342)	(188.433)
d) Retirement benefits	(4.272)	(5.664)	(11.549)	(2.926)	(2.565)
e) Other costs	(63.372)	(56.724)	(124.627)	(30.835)	(27.706)
<b>Total personnel costs</b>	<b>(10.435.738)</b>	<b>(9.608.247)</b>	<b>(18.613.448)</b>	<b>(5.405.356)</b>	<b>(4.848.477)</b>
10) Depreciation and write-downs					
a) Amortization of intangible assets	(113.364)	(180.830)	(401.451)	(59.389)	(93.174)
b) Depreciation of tangible assets	(1.894.962)	(1.992.339)	(3.977.703)	(962.623)	(1.004.164)
c) other write-downs of assets	0	0	(148.496)	0	0
d) Write-down in the value of current assets	(57.678)	(72.513)	(150.213)	(34.561)	(47.300)
<b>Total depreciation and write downs</b>	<b>(2.066.004)</b>	<b>(2.245.682)</b>	<b>(4.677.863)</b>	<b>(1.056.573)</b>	<b>(1.144.638)</b>
11) Change in raw material inventories	(360.382)	10.500	(399.558)	(107.896)	304.719
12) Accruals to risk provisions	(3.372)	(3.247)	(25.669)	(1.513)	(1.771)
14) Other operating costs	(125.722)	(120.962)	(256.242)	(67.872)	(71.704)
<b>Total Operating Costs</b>	<b>(29.660.215)</b>	<b>(27.698.714)</b>	<b>(54.348.179)</b>	<b>(15.402.436)</b>	<b>(13.854.971)</b>
<b>Operating income (A-B)</b>	<b>4.084.834</b>	<b>3.531.534</b>	<b>6.363.519</b>	<b>1.768.328</b>	<b>1.339.426</b>

	1 <sup>st</sup> Half 2004	1 <sup>st</sup> Half 2003	Full year 2003	2 <sup>nd</sup> Quarter 2004	2 <sup>nd</sup> Quarter 2003
<b>C) Finance Income and expense</b>					
16) Other financial income:					
d) other income	298.971	48.048	101.395	135.304	14.443
17) Interest and other financial charges	(271.919)	(398.790)	(719.243)	(125.164)	(158.624)
<b>Total</b>	<b>27.052</b>	<b>(350.742)</b>	<b>(617.848)</b>	<b>10.140</b>	<b>(144.181)</b>
<b>D) Adjustments to the value of financial assets</b>					
18) Revaluations					
b) long-term financial assets	1.123	2.376	2.930	448	788
c) marketable securities (excluding subsidiaries)	0	63.034	122.934	0	63.034
19) Write-downs					
c) marketable securities (excluding subsidiaries)	(13.952)	0	0	(3.187)	7.752
<b>Total adjustments to the value of financial assets</b>	<b>(12.829)</b>	<b>65.410</b>	<b>125.864</b>	<b>(2.739)</b>	<b>71.574</b>
<b>E) Extraordinary items</b>					
20) Income	42.646	53.899	33.760	23.263	45.333
21) Losses	(131.574)	(154.572)	(225.765)	(23.041)	(90.203)
<b>Total extraordinary items</b>	<b>(88.928)</b>	<b>(100.673)</b>	<b>(192.005)</b>	<b>222</b>	<b>(44.870)</b>
<b>Profit before taxes (A-B+C+D+E)</b>	<b>4.010.129</b>	<b>3.145.529</b>	<b>5.679.530</b>	<b>1.775.951</b>	<b>1.221.949</b>

<b>Consolidated net financial position</b> <i>(in euro)</i>	June 30, 2004	March 31, 2004	Dec. 31, 2003
Non-current debt	(2.746.733)	(2.710.675)	(2.707.064)
<b>Subtotal - non-current net financial liabilities</b>	<b>(2.746.733)</b>	<b>(2.710.675)</b>	<b>(2.707.064)</b>
Cash and marketable securities	5.031.735	5.148.922	4.058.777
Current bank loans	(9.110.654)	(9.145.616)	(9.373.384)
Other current debt	(54.114)	(33.070)	(36.817)
Other available financial assets	574.278	577.465	588.230
<b>Subtotal - current net financial liabilities</b>	<b>(3.558.755)</b>	<b>(3.452.299)</b>	<b>(4.763.194)</b>
<b>Group net financial liabilities</b>	<b>(6.305.488)</b>	<b>(6.162.974)</b>	<b>(7.470.258)</b>

Brescia, August 6, 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 2<sup>nd</sup> 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 2<sup>nd</sup> 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 June 30, 2004, and those of the following companies at the same date:

	Share owned by the Group at June 30, 2004	Share owned by the Group at June 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.

The scope of the consolidation has not changed from June 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**

Sundry financial income grew both in the second quarter, up from €14 thousand in the second quarter of 2003, to €135 thousand in the same period in 2004, and for the first six months of the year, up from €48 thousand to €299 thousand, due to higher profits and foreign exchange differences, growing from €14 thousand in 2003, to €289 thousand in 2004.

In the second quarter, the reduction of interest and other financial charges, down from €159 thousand in the second quarter of 2003 to €125 thousand in the same period in 2004, is consistent with the strong reduction recorded in the

first quarter. For the first six months of the year, financial charges decline from €399 thousand in 2003, to €272 thousand in the same period in 2004. The decline is due primarily to the reduction in losses and negative foreign exchange differences, down from €173 thousand in the first six months of 2003, to €82 thousand in the same period in 2004.

#### **Sales by geographical area**

(€)	June 30, 2004	June 30, 2003
Italy	15,876,102	15,234,626
Rest of Europe	14,648,896	13,090,999
Rest of the World	2,977,204	2,591,797
Total	<u>33,502,202</u>	<u>30,917,422</u>

#### **Outlook**

In 2004, 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, 2004

**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

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### **Cembre Group Management Report on the 2<sup>nd</sup> Quarter of 2004**

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

Revenues for the 2<sup>nd</sup> Quarter of 2004 grew by 15.7% from €15,134 thousand in the 2<sup>nd</sup> Quarter of 2003 to €17,508 thousand in the same period in 2004. The strong growth recorded in the second quarter resulted in an overall increase in sales from 1.3% in the first three months of the year, to 8.4% for the first half, up from €30,917 thousand in the first half of 2003, to €33,502 thousand in the same period in 2004. Such good sales performance resulted in a considerable improvement in profit margins thanks to the better absorption of fixed costs.

A total of 47.4% of Group sales were represented by Italy (as compared with 49.3% in the 1<sup>st</sup> Half of 2003), 43.7% by the rest of Europe (42.3% in the 1<sup>st</sup> Half of 2003), and the remaining 8.9% by the rest of the World (8.4% in the 1<sup>st</sup> Half of 2003). Domestic sales for the first six months of 2004 increased by 4.2%, while sales abroad grew by 12.4%. In the 2<sup>nd</sup> Quarter of 2004 domestic sales grew by 10.6% over the same period in 2003, while foreign sales grew by 20.6%.

### Revenues by Group company

(€)	1 <sup>st</sup> Half 2004	1 <sup>st</sup> Half 2003
Parent company	19,698,195	18,441,397
Cembre Ltd. (UK)	5,088,232	4,148,059
Cembre S.a.r.l. (France)	2,260,533	1,996,337
Cembre España S.L. (Spain)	3,422,274	2,891,104
Cembre GmbH (Germany)	1,539,308	1,869,162
Cembre AS (Norway)	184,772	196,303
Cembre Inc. (USA)	1,057,219	971,250
General Marking Srl (Italy)	251,669	403,810
Total	<u>33,502,202</u>	<u>30,917,422</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 1<sup>st</sup> Half of 2004 and the 2<sup>nd</sup> Quarter of 2004 are enclosed respectively as Attachments A and B.

Gross operating profit for the first half of the year amounted to €6,093,160, representing an 18.2% margin on sales, up 6.8% on the first half of 2003 when it amounted to €5,704,703, representing an 18.5% margin on sales.

Operating profit amounts to €4,084,834, representing a 12.2% margin on sales, up by 15.7% thanks to the lower weight of depreciation from €3,531,534 in the 1<sup>st</sup> Half of 2003, when it represented an 11.4% margin on sales.

Consolidated profit before taxes amounts to €4,010,129, representing a 12% margin on sales, up from €3,145,529 in the 1<sup>st</sup> Half of 2003, when it represented a 10.2% margin on sales. The increase is due to the lower interest expense

resulting from the reduction in debt, declining from €9.9 million at June 30, 2003, to €6.3 million at June 30, 2004, in addition to positive foreign exchange differences

**Events subsequent to the closing date of the 2<sup>nd</sup> Quarter of 2004**

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

Brescia, August 6, 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 at June 30, 2004

(in euro)	<b>1<sup>st</sup> Half 2004</b>	%	<b>1<sup>st</sup> Half 2003</b>	%	<b>Full year 2003</b>	%	<b>% change</b>
Sales	33.502.202	100,0	30.917.422	100,0	59.870.282	100,0	8,4
Other revenues and gains	17.322		49.729		78.045		(65,2)
<b>TOTAL REVENUES</b>	<b>33.519.524</b>		<b>30.967.151</b>		<b>59.948.327</b>		<b>8,2</b>
Change in work in progress, semi-finished and finished goods inventories	12.246	0,0	(26.971)	(0,1)	(61.138)	(0,1)	(145,4)
Increase in assets due to internal construction	213.279	0,6	290.068	0,9	824.509	1,4	(26,5)
<b>TOTAL OPERATING VALUE</b>	<b>33.745.049</b>	100,7	<b>31.230.248</b>	101,0	<b>60.711.698</b>	101,4	8,1
Materials and services used	(17.029.379)	(50,8)	(15.720.576)	(50,8)	(30.774.957)	(51,4)	8,3
Other operating costs	(125.722)	(0,4)	(120.962)	(0,4)	(256.242)	(0,4)	3,9
<b>VALUE ADDED</b>	<b>16.589.948</b>	49,5	<b>15.388.711</b>	49,8	<b>29.680.499</b>	49,6	7,8
Personnel costs	(10.435.738)	(31,1)	(9.608.247)	(31,1)	(18.613.448)	(31,1)	8,6
Accruals to provision for doubtful accounts	(57.678)	(0,2)	(72.513)	(0,2)	(150.213)	(0,3)	(20,5)
Accruals to risk provision	(3.372)		(3.247)		(25.669)		3,8
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>6.093.160</b>	18,2	<b>5.704.703</b>	18,5	<b>10.891.169</b>	18,2	6,8
Intangible asset amortization	(113.364)	(0,3)	(180.830)	(0,6)	(401.451)	(0,7)	(37,3)
Tangible asset depreciation and other assets write-downs	(1.894.962)	(5,7)	(1.992.339)	(6,4)	(4.126.199)	(6,9)	(4,9)
<b>OPERATING PROFIT (EBIT)</b>	<b>4.084.834</b>	12,2	<b>3.531.534</b>	11,4	<b>6.363.519</b>	10,6	15,7
Financial income (expense)	27.052	0,1	(350.742)	(1,1)	(617.848)	(1,0)	(107,7)
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>4.111.886</b>	12,3	<b>3.180.792</b>	10,3	<b>5.745.671</b>	9,6	29,3
Extraordinary items and adjustments to the value of financial assets	(101.757)	(0,3)	(35.263)	(0,1)	(66.141)	(0,1)	188,6
<b>PROFIT BEFORE TAXES</b>	<b>4.010.129</b>	12,0	<b>3.145.529</b>	10,2	<b>5.679.530</b>	9,5	27,5

Attachment B - Management Report  
Cembre Group Consolidated financial statement

Reclassified Consolidated Income Statement for the second quarter of 2004

(in euro)	2 <sup>nd</sup> Quarter 2004		2 <sup>nd</sup> Quarter 2003		Full year 2003		% change
		%		%		%	
Sales	17.508.491	100,0	15.134.038	100,0	59.870.282	100,0	15,7
Other revenues and gains	15.070		41.721		78.045		(63,9)
<b>TOTAL REVENUES</b>	<b>17.523.561</b>		<b>15.175.759</b>		<b>59.948.327</b>		<b>15,5</b>
Change in work in progress, semi-finished and finished goods inventories	(507.881)	(2,9)	(106.847)	(0,7)	(61.138)	(0,1)	375,3
Increase in assets due to internal construction	155.084	0,9	125.485	0,8	824.509	1,4	23,6
<b>TOTAL OPERATING VALUE</b>	<b>17.170.764</b>	98,1	<b>15.194.397</b>	100,4	<b>60.711.698</b>	101,4	13,0
Materials and services used	(8.871.122)	(50,7)	(7.788.381)	(51,5)	(30.774.957)	(51,4)	13,9
Other operating costs	(67.872)	(0,4)	(71.704)	(0,5)	(256.242)	(0,4)	(5,3)
<b>VALUE ADDED</b>	<b>8.231.770</b>	47,0	<b>7.334.312</b>	48,5	<b>29.680.499</b>	49,6	12,2
Personnel costs	(5.405.356)	(30,9)	(4.848.477)	(32,0)	(18.613.448)	(31,1)	11,5
Accruals to provision for doubtful accounts	(34.561)	(0,2)	(47.300)	(0,3)	(150.213)	(0,3)	(26,9)
Accruals to risk provision	(1.513)		(1.771)		(25.669)		(14,6)
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>2.790.340</b>	15,9	<b>2.436.764</b>	16,1	<b>10.891.169</b>	18,2	14,5
Intangible asset amortization	(59.389)	(0,3)	(93.174)	(0,6)	(401.451)	(0,7)	(36,3)
Tangible asset depreciation and other assets write-downs	(962.623)	(5,5)	(1.004.164)	(6,6)	(4.126.199)	(6,9)	(4,1)
<b>OPERATING PROFIT (EBIT)</b>	<b>1.768.328</b>	10,1	<b>1.339.426</b>	8,9	<b>6.363.519</b>	10,6	32,0
Financial income (expense)	10.140	0,1	(144.181)	(1,0)	(617.848)	(1,0)	(107,0)
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>1.778.468</b>	10,2	<b>1.195.245</b>	7,9	<b>5.745.671</b>	9,6	48,8
Extraordinary items and adjustments to the value of financial assets	(2.517)	(0,0)	26.704	0,2	(66.141)	(0,1)	(109,4)
<b>PROFIT BEFORE TAXES</b>	<b>1.775.951</b>	10,1	<b>1.221.949</b>	8,1	<b>5.679.530</b>	9,5	45,3