

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 March 31, 2004

Consolidated Income Statement

<i>(in euro)</i>	1st Quarter 2004	1st Quarter 2003	full year 2003
A) Revenues			
1) Sales	15.993.711	15.783.384	59.870.282
2) Change in work in progress, semi-finished and finished goods inventories	520.127	79.876	(61.138)
4) Increase in assets due to internal construction	58.195	164.583	824.509
5) Other revenues:			
a) sundry	2.252	8.008	45.268
b) contributions received	–	–	32.777
Total operating value	16.574.285	16.035.851	60.711.698
B) Operating Costs			
6) Raw materials	(5.000.439)	(4.761.859)	(18.816.949)
7) Services	(2.664.278)	(2.624.481)	(10.586.661)
8) Leases and rentals	(241.054)	(251.636)	(971.789)
9) Personnel			
a) Wages and salaries	(3.822.525)	(3.584.531)	(13.973.666)
b) Social security	(988.092)	(933.209)	(3.797.468)
c) Employee termination indemnities	(185.882)	(209.913)	(706.138)
d) Retirement benefits	(1.346)	(3.099)	(11.549)
e) Other costs	(32.537)	(29.018)	(124.627)
Total personnel costs	(5.030.382)	(4.759.770)	(18.613.448)
10) Depreciation and write-downs			
a) Amortization of intangible assets	(53.975)	(87.656)	(401.451)
b) Depreciation of tangible assets	(932.339)	(988.175)	(3.977.703)
c) other write-downs of fixed assets	–	–	(148.496)
d) Write-down in the value of current assets	(23.117)	(25.214)	(150.213)
Total depreciation and write downs	(1.009.431)	(1.101.045)	(4.677.863)
11) Change in raw material inventories	(252.486)	(294.219)	(399.558)
12) Accruals to risk provisions	(1.859)	(1.477)	(25.669)
14) Other operating costs	(57.850)	(49.258)	(256.242)
Total Operating Costs	(14.257.779)	(13.843.745)	(54.348.179)
Operating income (A-B)	2.316.506	2.192.106	6.363.519

	1st Quarter 2004	1st Quarter 2003	full year 2003
C) Finance Income and expenses			
16) Other financial income:			
d) other income	163.667	33.605	101.395
17) Interest and other financial charges	(146.755)	(240.166)	(719.243)
Total	16.912	(206.561)	(617.848)
D) Adjustments to the value of financial assets			
18) Revaluations			
b) long-term financial assets	675	1.588	2.930
c) marketable securities (excluding subsidiaries)	–	–	122.934
19) Write-downs			
c) marketable securities (excluding subsidiaries)	(10.765)	(7.752)	–
Total adjustments to the value of financial assets	(10.090)	(6.164)	125.864
E) Extraordinary items			
20) Income	19.383	8.566	33.760
21) Losses	(108.533)	(64.369)	(225.765)
Total extraordinary items	(89.150)	(55.803)	(192.005)
Profit before taxes (A-B+C+D+E)	2.234.178	1.923.578	5.679.530

Consolidated net financial position <i>(in euro)</i>	March 31, 2004	March 31, 2003	Dec. 31, 2003
Non-current debt	(2.710.675)	(4.364.035)	(2.707.064)
Subtotal - non-current net financial liabilities	(2.710.675)	(4.364.035)	(2.707.064)
Cash and marketable securities	5.148.922	3.265.776	4.058.777
Current bank loans	(9.145.616)	(8.989.524)	(9.373.384)
Other current debt	(33.070)	(44.809)	(36.817)
Other available financial assets	577.465	457.545	588.230
Subtotal - current net financial liabilities	(3.452.299)	(5.311.012)	(4.763.194)
Group net financial liabilities	(6.162.974)	(9.675.047)	(7.470.258)

Brescia, May 14, 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 accounts for the 1st 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 1st 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 March 31, 2004, and those of the following companies at the same date:

	Share owned by the Group at March 31, 2004	Share owned by the Group at March 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

** 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 March 31, 2003 and 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.

Year-end bonuses recognized to customers were estimated based on sales and their expected performance.

Short-term financial payables do not include dividends payable to shareholders for the 2003 financial year, amounting to €1,223,261, the distribution of which was resolved by the Shareholders’ Meeting on the current date.

Notes to the accounts

The increase in personnel costs, up from €4,760 thousand in the 1st Quarter of 2003 to €5,030 thousand in the current quarter, is due to contractual pay increases granted by the Parent company and to the increase in the average number of employees, up from 459 to 463 in the same period.

The increase in sundry financial income, growing from €34 thousand in the first three months of 2003, to €164 thousand in the 1st Quarter of 2004, is due primarily to higher positive foreign exchange differences, up from €6 thousand to €161 thousand in the same period.

The decline in the financial expense from €240 thousand in the 1st Quarter of 2003, to €147 thousand in the same period in 2004 is due primarily to the reduction in foreign exchange losses and negative differences, down from €121 thousand to €52 thousand in the same period.

Sales by geographical area

<i>(€ '000)</i>	1 st Quarter 2004	1 st Quarter 2003
Italy	7,620,734	7,770,596
Rest of Europe	6,958,977	6,667,829
Rest of the World	1,414,000	1,344,959
Total	<u>15,993,711</u>	<u>15,783,384</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, May 14, 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 1st Quarter of 2004

(Amounts are expressed in euro unless otherwise indicated)

In the 1st Quarter of 2004, revenues amounted to €15,993,711, up 1.3% from €15,783,384 in the 1st Quarter of 2003.

A total of 47.7% of Group sales were represented by Italy (as compared with 49.2% in the 1st Quarter of 2003), 43.5% by the rest of Europe (42.3% in the 1st Quarter of 2003), and the remaining 8.8% by the rest of the World (8.5% in the 1st Quarter of 2003).

Revenues by Group company

(€)	1 st Quarter 2004	1 st Quarter 2003
Parent company	9,415,516	9,409,132
Cembre Ltd. (UK)	2,356,191	2,141,499
Cembre S.a.r.l. (France)	1,051,799	1,021,084
Cembre España S.L. (Spain)	1,697,905	1,508,790
Cembre GmbH (Germany)	741,333	904,377
Cembre AS (Norway)	87,415	83,181
Cembre Inc. (USA)	526,413	521,384
General Marking Srl (Italy)	117,139	193,937
Total	15,993,711	15,783,384

To provide a better understanding of the Group's financial performance for the 1st Quarter of 2004, a Reclassified Consolidated Income Statement is enclosed as Attachment A.

Gross operating profit improved from €3,267,937 in the first three months of 2003, to €3,302,820 in the 1st Quarter of 2004, remaining stable at a 20.7% margin on sales.

Operating profit for the quarter amounts to €2,316,506, representing a 14.5% margin on sales, up from €2,192,106 in the 1st Quarter of 2003 (a 13.9% margin on sales) due to lower depreciation and amortization charges.

Consolidated profit before taxes for the 1st Quarter of 2004 is equal to €2,234,178, representing a 14% margin on sales, up from €1,923,578 in the 1st Quarter of 2003, in which it represented 12.2% of sales. The increase is due to the lower interest expense resulting from the reduction of debt from €9.7 million to €6.2 million, and higher positive foreign exchange differences.

Events subsequent to the closing date of the 1st Quarter of 2004

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after March 31, 2004 other than the distribution of dividends resolved and other issues commented upon in the notes to the accounts.

Brescia, May 14, 2004

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

CARLO ROSANI

Attachment A - Management Report
Cembre Group Consolidated Financial Statements

Reclassified Consolidated Income Statement at March 31, 2004

(in euro)	1st Quarter 2004	%	1st Quarter 2003	%	full year 2003	%	% change
Sales	15.993.711	100,0	15.783.384	100,0	59.870.282	100,0	1,3
Other revenues and gains	2.252		8.008		78.045		-71,9
TOTAL REVENUES	15.995.963		15.791.392		59.948.327		1,3
Change in work in progress, semi-finished and finished goods inventories	520.127	3,3	79.876	0,5	(61.138)	-0,1	551,2
Increase in assets due to internal construction	58.195	0,4	164.583	1,0	824.509	1,4	-64,6
TOTAL OPERATING VALUE	16.574.285	103,6	16.035.851	101,6	60.711.698	101,4	3,4
Materials and services used	(8.158.257)	-51,0	(7.932.195)	-50,3	(30.774.957)	-51,4	2,8
Other operating costs	(57.850)	-0,4	(49.258)	-0,3	(256.242)	-0,4	17,4
VALUE ADDED	8.358.178	52,3	8.054.398	51,0	29.680.499	49,6	3,8
Personnel costs	(5.030.382)	-31,5	(4.759.770)	-30,2	(18.613.448)	-31,1	5,7
Accruals to provision for doubtful accounts	(23.117)	-0,1	(25.214)	-0,2	(150.213)	-0,3	-8,3
Accruals to risk provision	(1.859)		(1.477)		(25.669)		25,9
GROSS OPERATING MARGIN (EBITDA)	3.302.820	20,7	3.267.937	20,7	10.891.169	18,2	1,1
Intangible asset amortization	(53.975)	-0,3	(87.656)	-0,6	(401.451)	-0,7	-38,4
Tangible asset depreciation and other asset write-downs	(932.339)	-5,8	(988.175)	-6,3	(4.126.199)	-6,9	-5,7
OPERATING PROFIT (EBIT)	2.316.506	14,5	2.192.106	13,9	6.363.519	10,6	5,7
Financial income (expense)	16.912	0,1	(206.561)	-1,3	(617.848)	-1,0	-108,2
PROFIT BEFORE EXTRAORDINARY ITEMS	2.333.418	14,6	1.985.545	12,6	5.745.671	9,6	17,5
Extraordinary items and adjustments to the value of financial assets	(99.240)	-0,6	(61.967)	-0,4	(66.141)	-0,1	60,1
PROFIT BEFORE TAXES	2.234.178	14,0	1.923.578	12,2	5.679.530	9,5	16,1