

FIMALAC
Letter to shareholders

Message from the Chairman

Dear shareholder,

2002 ended on a mixed note for Fimalac.

Our results were very satisfactory except for Beissbarth, the garage equipment subsidiary of Facom, and also to a lesser extent, Facom Tools, the hand tools division.

On a like-for-like basis, recurring income after tax is estimated to be over **10%** compared with 2001 due to robust business performance particularly in the fourth quarter, outstripping the 5% announced in our press release last October.

The less than favorable financial position of Beissbarth, which is expected to show recurring losses of around €14 million in 2002, led us to write down the value of that company and certain operating assets which appeared overvalued. Beissbarth was acquired before Facom joined the Fimalac Group.

Fimalac is expected to report a net loss in the region of **€35 million**, but the Group's fundamentals remain solid. In 2002, Fimalac is expected to achieve profitability margins which I consider to be quite satisfactory:

- EBITDA should increase compared with last year to over 18% of sales on a like-for-like basis.
- In 2002, the like-for-like operating margin is expected to be about 13%, an important indicator of Fimalac's underlying performance.
- Recurring income after tax will represent a net margin of at least 4.9% on a like-for-like basis versus 4.3% in 2001.

A - Estimated 2002 recurring income after tax revised upwards on a like-for-like basis, thanks to a strong end-of-year performance

Fimalac ended 2002 on a positive note, recording an increase in sales in the fourth quarter of 7.4% (*). As a result we have revised upwards our estimated figure for 2002 recurring income after tax.

1) Robust business in fourth quarter 2002:

As you already know, the Group's performance improved continuously throughout 2002. During the fourth quarter, Fimalac turned in its best performance and strongest quarterly sales rise for the year. This was achieved at a time when the world economy was sinking even further into the doldrums:

<i>2002</i>	Sales (in € millions)	Quarter-on-quarter change (*)	Year-to-date change (*)
First quarter	321.3	- 2.1%	- 2.1%
Second quarter	328.0	- 0.6%	- 1.4%
Third quarter	301.7	+ 1.2%	- 0.6%
Fourth quarter	350.3	+ 7.4 %	+ 1.5%
Total	1,301.3		

Thanks to the sharp increase recorded in the last quarter, Fimalac's consolidated sales for 2002 climbed **1.5% (*)** year on year, to **€1,301.3 million**.

Let us now turn to **each of the Group businesses**:

Fitch performed extremely well in the fourth quarter of 2002, thanks to an increasing demand for this subsidiary's business support services. At **€376 million**, full-year sales advanced **14.3% (*)** versus 10.5% to end-September.

In the United States, demand for Fitch ratings concerned residential mortgage backed securities and also corporate, municipal and other public sector debt issues, where Fitch enhanced its position compared with 2001. In Europe, the main growth drivers were bank and corporate securitizations.

Fitch continued its diversification into the credit and operational risk management business and its subsidiary “Fitch Risk Management“ (FRM) will be fully operational in 2003.

In 2002 Fimalac also set up Core Ratings, a sister company to Fitch which specializes in Corporate Government and social and ethical rating.

LBC posted 2002 sales of **€130.2 million** - up by a satisfactory **3.7%** (*) - and continues to enjoy a high occupancy rate for its storage capacities. Our subsidiary specialized in chemical storage is reaping the rewards of its international operations. LBC is located in all the major European ports, and also has large storage capacity in the United States.

Cassina's sales for 2002 were **€135.6 million**. Like-for-like sales were up only slightly compared with 2001 but published sales grew 7.5%, reflecting the successful integration of Cassina's new international operations and the new lighting business (Illuminating Experiences). The high-end designer furniture company, performed well despite tough market conditions.

Let us now turn our attention to **Facom**. 2002 was a difficult year and I would even go as far as saying it was unsatisfactory, although performance did gradually improve over the year.

Overall, the **Facom** Group continued to report improved figures. This limited the contraction between 2001 and 2002 sales to **3.8%** (*), versus a decrease of 10.7% (*) at end march, 7% (*) at end june and 5.5% (*) at end september. Full-year sales totaled **€98.8 million**.

First-half 2002 was tough for Facom Tools, our hand tools subsidiary. Sales for this company are closely related to changes in the manufacturing market in general and particularly the automobile industry. We undoubtedly suffered from a declining economy in a number of countries, combined with various hold-ups, particularly due to our new Enterprise Resource Planning (ERP) system.

For Beissbarth, the garage equipment subsidiary of Facom, the difficulties encountered in 2002 had a stronger impact. Principally located in Germany, which represents 35% to 40% of its sales, this subsidiary bore the full brunt of the economic slowdown in that country. Beissbarth ended the year with sales 4.3% lower than in 2001. Results were also disappointing as I said last October and we are now obliged to take steps to restore the profitability of the subsidiary.

I will end by saying a few words about Thierry Paternot, who joined us on December 1 as the new Chairman and Chief Executive Officer of the Facom Group. In his new role, he will now manage both Facom Tools and Beissbarth.

Thierry Paternot, 54, has over 10 years high-level experience with the L'Oreal Group where he was in charge of L'Oreal in France and in Germany. From 1998, he was Chairman of the Management Board of Reemtsa in Germany, until its sale in 2002.

I have full confidence in Thierry Paternot, who I am sure will leverage his extensive experience, particularly in Germany, to help us improve Facom's cash flow and results, which in turn will contribute to reducing debt.

2) *Recurring income estimates reviewed upwards for 2002 ():***

I would also like to mention our estimated figures for 2002 recurring income. I refer to estimates because our financial statements have not been finalized or audited at the time of writing. As far as we are concerned, the best indicator of operating performance is recurring income which represents operating income after interest and tax, i.e. net income before exceptional items and amortization of goodwill.

You will no doubt recall that due to Beissbarth's situation, I had indicated last October that Fimalac's 2002 recurring income after tax was only expected to rise 5% on a like-for-like basis over 2001.

In the light of strong performances achieved towards the end of the year, we have reviewed our 2002 estimate upwards. Like-for-like growth in recurring income after tax is expected to largely outstrip 5% and come in at over **10%**. Total like-for-like recurring income after tax is estimated at some €1.5 billion, versus €5.9 billion in 2001. Apart from Beissbarth, which is likely to report a net loss of around €4.4 billion before exceptional items, all of Fimalac's operating subsidiaries look set to record positive full-year results in terms of recurring income after tax.

Published recurring income after tax is expected to amount to about €7.8 billion taking into account the deconsolidation of Secap and Pacsud (an LBC subsidiary) as well as the acquisitions of Illuminating Experiences by Cassina, FRM by Fitch, and Core Ratings.

B - Reorganization of Beissbarth and impact on Fimalac's results ()**

In view of the loss posted by Beissbarth and the worsening economic climate in Germany, it has been decided to write down on an exceptional basis all of Beissbarth's intangible assets (goodwill and trademarks), in the amount of €60 million, as well as other assets for €10 million. Most of the intangible assets were recognized when Beissbarth was acquired in 1997, two years before Facom joined the Fimalac Group.

We felt that the value of those intangible assets booked in the accounts does not represent their actual value but rather an overvaluation at the time of acquisition.

These measures represent an exceptional expense of about **€70 million**, giving rise to a **2002 full-year net loss** for Fimalac **in the region of €35 million**.

It has also been decided to roll out a reorganization plan set up by the new management teams of Beissbarth and Facom as recommended by Thierry Paternot. This plan, whose estimated cost is €10 million, should enable Beissbarth to report positive operating results and cash flow as of 2003.

This estimated cost has no impact on 2002 as it relates to future periods and therefore no provision was booked during the year.

C - Dividend

With regard to the dividend for 2002, I believe that the Group's overall performance was satisfactory on an operational level and the dividend should be a reflection of that.

At its March 11, 2003 meeting, scheduled to approve the 2002 financial statements, the Board of Directors is expected to approve a recommendation to the June 4, 2003 Annual General Meeting to pay an ordinary dividend that should be **at least** equal to the 2001 ordinary dividend (€0.95 excluding the tax credit).

D - Strengthening the Group's financial position: €100 million share issue

As you know, I am always concerned to ensure that the Group has a strong balance sheet. In order to strengthen Fimalac's financial position and in view of Beissbarth's losses, we felt that a capital increase is necessary. A share issue will also enable early repayment of debts and provide us with more room to manoeuvre.

The share issue would be **for cash with pre-emptive subscription rights for existing shareholders**, to raise the Group's capital by about **€100 million** by issuing 5,268,382 new shares at a unit price of **€19** on a one-for-six-basis. **The shares will carry rights to the 2002 dividend**. The subscription period will be from February 6 to February 19, 2003. (***)

Four-year warrants will be provided with each new share, with 3 warrants exercisable for one share at a unit price of **€5**. Even if all of these warrants were exercised, the dilution of earnings per share would be limited because we always hold a certain amount of treasury stock – currently 6.5% of capital – which can be allocated on the exercise of the warrants.

I intend to take up my share of this issue, as a testimony to my confidence in Fimalac and I sincerely hope that you will take advantage of the attractive share price offered in order to fully benefit from Fimalac's development potential.

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Finally, I would like to turn to the Fimalac share price, which I feel does not by any means truly reflect the Group's sound fundamentals, as our sales and profitability indicators show.

We are currently traveling through uncharted waters where the tense economic climate and uncertainty surrounding war with Iraq have made the markets irrational. It seems that only bad news is taken into account at the moment.

I am certain the markets will quickly recognize the quality of our fundamentals and I remain confident going forward into 2003.

() Like-for-like change in relation to the comparable prior-year period (excluding changes in Group structure and exchange-rate effects).*

*(**) 2002 results data are based on estimates at this stage of the year and not on finalized audited financial statements.*

*(***) The information memorandum registered by the COB under visa n° 03-029 of January 30, 2003 is available at Fimalac's headquarters and on the web site.*