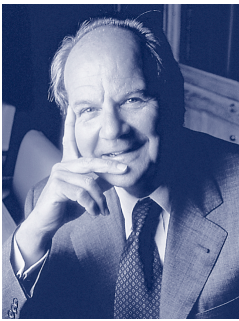




# Fimalac

## The letter to the Shareholders

### Chairman's message



Dear Shareholder,

The first half of the year did not see any improvement on the depressed economic conditions that prevailed in 2002. Despite this unfavorable environment and the sharp fall in the dollar, which significantly weakened the published results of companies such as ours that derive a significant proportion of revenues and earnings from the

United States, we nevertheless succeeded in coming close to matching our first-half 2002 operating income. All told, we turned in a fairly resilient performance, with **like-for-like sales up 3.4% and like-for-like operating income before interest up 0.9%** on the six months ended June 30, 2002.

\* \* \*

However, the period brought **mixed** results for our subsidiaries.

Our Group's revenue and earnings growth is now primarily driven by **FITCH**, one of the world's top three ratings agencies. Over the years, FITCH has steadily carved a position as our foremost business, in terms of both revenue growth and earnings contribution.

**FACOM TOOLS**, our hand tools business, experienced a sharp fall in operating income in the first half of 2003, reflecting the combined effects of a worsening overall economic environment and the growing pace of disindustrialization in France.

During the period, FACOM TOOLS, along with its main competitors, continued to be faced with falling demand, caused by lower corporate capital spending, while various measures in France such as the reduction in the working week to 35 hours without any corresponding decrease in salaries, further weakened the company's competitiveness in international markets.

All of Europe's main hand tools manufacturers experienced similar declines in sales and FACOM TOOLS held onto its market share in Europe, while at the same time consolidating its customer service rate.

FACOM's garage equipment subsidiary, **BEISSBARTH**, recorded a limited falloff in sales. During the period, the company continued to implement the internal business rationalization measures provided for in its recovery plan.

\* \* \*

Like-for-like operating income before interest was largely unchanged compared with first-half 2002. However, our Group ended the period with a **modest €0.9 million net loss**. This was due to unfavorable exchange rates, exceptional expenses – mainly at FACOM – and goodwill amortization.

\* \* \*

I would like to take this opportunity to bring you up to date about the priorities I announced in March and at the Annual Shareholders' Meeting in June, mainly paying down our debt and recovering the necessary financial flexibility. In line with these goals, we have entered into negotiations with One Equity Partners, a US private equity fund, concerning the **sale of LBC**. We have made the decision to divest LBC because the ongoing development of this company would require substantial financial resources.

\* \* \*

Concerning the full-year outlook, as we have already announced, 2003 will be a difficult year.

The economic recession in some of FACOM's markets and the weak dollar will weigh on our performance and while FITCH is set to deliver good results these will not offset FACOM's disappointing first half showing.

We intend to step up our efforts to restore FACOM's cash flow to a positive amount and the action taken begin to produce results in the second half. At the same time, our goal of paying down debt in order to achieve greater financial flexibility should enable us to look ahead confidently to 2004.

Marc Ladreit de Lacharrière

## 1

## KEY FIGURES - FIRST-HALF 2003

(In € millions)	First-half 2002		First-half 2003	
	(published)	(published)	(like-for-like)	
<b>Sales</b>	649.1	627.3	<b>670.9</b>	<b>+3.4% (*)</b>
<b>Operating income before interest</b>	81.0	63.0	<b>81.7</b>	<b>+0.9% (*)</b>
<b>Operating income after interest</b>	52.0	37.6	<b>57.2</b>	<b>+10.0% (*)</b>
<b>Recurring income</b>	27.0	14.0	<b>25.4</b>	<b>-5.9% (*)</b>
<b>Net income (loss)</b>	20.3	- 0.9	<b>NC</b>	

(\*) Like-for-like change, i.e. based on a comparable structure and at constant exchange rates.

Published figures for the first half of 2003 were adversely affected by the sharp drop in the US dollar and, to a lesser extent, by the fall in sterling against the euro. Like-for-like data, which exclude the currency effect as well as the effect of changes in Group structure, provide a more meaningful basis of comparison.

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## FIRST-HALF 2003 BUSINESS REVIEW

## Fitch: an excellent performance

After three years of sustained growth, FITCH turned in another excellent performance in the first half of 2003. Revenues came to **€191.3 million**, up **27.0% (\*)** on the first six months of 2002. Operating income grew at an even faster rate, climbing **59.8% (\*)** to **€46.9 million**, representing 24.5% of revenues.

This strong pace of growth has been driven by rapidly expanding demand for rating services throughout the world. It also testifies to FITCH's growing role in this high potential market. Demand for FITCH's services is increasing in virtually all segments of the ratings market, not only in the United States, but also in Europe and Asia.

FITCH is ranked among the top three ratings companies worldwide and is now the leading contributor to Group results, accounting for over 30% of consolidated revenues and 70% of consolidated operating income before interest for the first half of 2003.

## Facom: sales and earnings dampened by unfavorable economic conditions

In **hand tools**, FACOM TOOLS reported sales of **€212.1 million**, down **3.0% (\*)** on the first half of 2002. The downturn stemmed from the faster pace of disindustrialization and lower corporate capital spending, especially in FACOM TOOLS's domestic market, France, which accounts for the bulk of sales. The company nevertheless fared better than most of its main competitors in France, allowing the company to consolidate its share of a contracting market.

The falloff in sales was accompanied by a more significant decline in operating income before interest, to **€8.9 million** from €18.9 million in first-half 2002. The erosion of operating margin was partly attributable to lower sales volumes. However, productivity also fell, making FACOM TOOLS less competitive in the international market.

In **garage equipment**, BEISSBARTH reported first-half 2003 sales of **€77.2 million** despite the severe economic crisis in German-speaking countries. The company ended the period with an operating loss of **€6.8 million**, due to the one-off impact of additional measures to upgrade certain operating assets, provided for in the recovery plan.

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## LBC: operating income down on first-half 2002 - Divestment planned

LBC's revenues inched up **0.9%** (\*) to **€61.7 million** while operating income before interest contracted **12.3%** (\*) to **€11.9 million**. Capacity utilization rates remained high, but operating margin was weakened by increases in insurance premiums and payroll costs.

As announced to the market on September 15, 2003, negotiations are underway concerning the sale of LBC. If the transaction goes ahead, it will significantly reduce the Group's debt load, representing one of the key targets for 2003. In particular, the Group will avoid having to take on debt to provide the substantial amount of financing needed by LBC to enable it to develop the business and increase its storage capacity.

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## Cassina: lower sales in first-half 2003

CASSINA, the FIMALAC subsidiary specialised in high-end designer furniture, experienced an **11.2%** (\*) downturn in sales to **€60.5 million**. Operating income before interest came to €7.1 million versus €10.1 million in first-half 2002.

During the period, CASSINA was faced with a more difficult market for designer products, especially in Germany and Switzerland.

(\*) *Like-for-like change*

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## SHARE PERFORMANCE SINCE THE MARCH 2003 SHARE ISSUE

The €100 million share issue carried out by FIMALAC in mid-March 2003 was based on an issue price of **€19** per share. On September 15, 2003, FIMALAC shares were trading at **€24**, representing a gain of **26.3%** since the share issue.

A stock warrant was attached to each new share included in the issue. These warrants, which have a four-year life, are exercisable on the basis of 3 warrants per share at a price of €25. On September 15, 2003, the warrants were trading at **€2.35**.

The new shares also carried rights to the 2002 dividend. Consequently, each shareholder who subscribed to the issue has received a net dividend of €0.95 per share on each of the new shares acquired, representing a total revenue including the avoird fiscal tax credit of **€1.425** per share.

**In total**, therefore, if you subscribed to the FIMALAC share issue, your initial investment of €19 per share is now worth **€27.775**. This represents a yield per share of **46.2%** for the six-month period since the share issue.

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## FINANCIAL CALENDAR

- ♦ March 16, 2004: Board Meeting to approve the 2003 accounts
- ♦ June 8, 2004: Annual Shareholders' Meeting



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