# RIBER GROUP

**133 boulevard National**

**92500 RUEIL-MALMAISON**

# CONSOLIDATED FINANCIAL STATEMENTS

# 2002 FINANCIAL YEAR

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# RIBER GROUP
# Consolidated Balance Sheet
# at December 31,2002

| *(€ thousands)* | Note | Dec. 31, 2002 | Dec. 31, 2001 | Dec. 31, 2000 |
|---|---|---|---|---|
| | | **Net** | **Net** | **Net** |
| **NON-CURRENT ASSETS** | | | | |
| **Intangible Assets** | (4) | 239 | 398 | 534 |
| **Property, plant and equipment** | | | | |
| Land | (5) | 5,734 | 5,734 | 0 |
| Buildings | (5) | 3,612 | 3,805 | 0 |
| Machinery and industrial equipment | (5) | 2,361 | 2,304 | 415 |
| Motor vehicles | (5) | 23 | 51 | 44 |
| Office equipment | (5) | 291 | 299 | 311 |
| Fittings and fixtures | (5) | 1,120 | 1,261 | 1,333 |
| | | **13,140** | **13,453** | **2,103** |
| **Investments** | (6) | 37 | 52 | 131 |
| **TOTAL NON-CURRENT ASSETS** | | **13,417** | **13,903** | **2,767** |
| **CURRENT ASSETS** | | | | |
| Inventories | (7) | 18,552 | 28,903 | 16,689 |
| Advances and prepayments on orders | | 191 | 533 | 151 |
| Trade receivables | (8) | 4,322 | 7,808 | 18,713 |
| Other receivables and prepaid expenses | (9) | 5,386 | 2,278 | 1,713 |
| Cash and marketable securities | (11) | 16,733 | 9,613 | 35,927 |
| **TOTAL CURRENT ASSETS** | | **45,184** | **49,135** | **73,195** |
| | | | | |
| **TOTAL ASSETS** | | **58,601** | **63,038** | **75,962** |

# RIBER GROUP
# Consolidated Balance Sheet
# at December 31, 2002

| *(€ thousands)* | Note | Dec. 31, 2002 | Dec. 31, 2001 | Dec. 31, 2000 |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Share capital | | 3,012 | 3,012 | 3,010 |
| Share premium | | 33,555 | 33,555 | 33,555 |
| Reserves | | 10,841 | 7,672 | 1,972 |
| Translation adjustment | | 30 | 9 | 2 |
| Net profit/(loss) | | (9,284) | 3,167 | 7,042 |
| **TOTAL EQUITY** | (20) | **38,154** | **47,415** | **45,582** |
| **MINORITY INTEREST** | | 0 | 0 | 0 |
| **TOTAL EQUITY AND MINORITY INTEREST** | | **38,154** | **47,415** | **45,582** |
| | | | | |
| **Provisions for liabilities and charges** | (12) | 612 | 511 | 1,360 |
| **LIABILITIES** | | | | |
| **Borrowings** | | | | |
| Financial institutions loans and debts | (11) | 0 | 0 | 24 |
| Other borrowings | (13) | 10,100 | 39 | 88 |
| **Operating liabilities** | | | | |
| Advances and prepayments received on orders | | 2,764 | 5,546 | 14,582 |
| Trade payables | (8) | 4,264 | 7,042 | 9,576 |
| Other operating liabilities | (10) | 2,706 | 2,485 | 4,749 |
| **TOTAL LIABILITIES** | | **19,835** | **15,113** | **29,020** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **58,601** | **63,038** | **75,962** |

# RIBER GROUP
## Consolidated Income Statement
## for the financial year ending December 31,2002

| *(€ thousands)* | Note | 2002 | 2001 | 2000 |
|---|---|---|---|---|
| Sales | (17) | 18,634 | 34,240 | 41,185 |
| Cost of sales | | (11,903) | (19,970) | (21,698) |
| **GROSS PROFIT** | | **6,731** | **14,270** | **19,486** |
| Provision for inventory writedowns | | (9,980) | (1,681) | (472) |
| Sales and marketing expenses | | (3,501) | (3,801) | (4,671) |
| Research and Development expenses | | (2,281) | (1,961) | (530) |
| Administrative expenses | | (1,766) | (2,156) | (1,722) |
| Net other operating revenues/(expenses) | (23) | (1,199) | 263 | (1,761) |
| **OPERATING PROFIT/(LOSS)** | | **(11,997)** | **4,933** | **10,330** |
| Net finance income/(costs) | (24) | 42 | (41) | 1,012 |
| **PROFIT/(LOSS) FROM ORDINARY ACTIVITIES** | | **(11,955)** | **4,892** | **11,342** |
| | | | | |
| Income tax credit/(expense) | (14) | 2,672 | (1,725) | (4,300) |
| | | | | |
| **GROUP PROFIT** | | **(9,284)** | **3,167** | **7,042** |
| Minority interest | | 0 | 0 | 0 |
| **NET PROFIT/(LOSS)** | | **(9,284)** | **3,167** | **7,042** |
| **Earnings/(Loss) per share (€)** | | | | |
| Basic | (2.15) | (0.50) | 0.17 | 0.41 |
| Diluted | (2.15) | (0.48) | 0.17 | 0.39 |

# RIBER GROUP
# Consolidated Cash Flow Statement
# for the financial year ending December 31, 2002

| *(€ thousands)* | 2002 | 2001 | 2000 |
|---|---|---|---|
| **CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Net profit/(loss) | **(9,284)** | **3,167** | **7,042** |
| *Adjustments for items not having an impact on cash flow* | | | |
| Depreciation, amortization and provision charges (1) | 2,880 | (22) | 1,252 |
| Deferred tax movements | (1,022) | 378 | 99 |
| Government grants allocated to income | 0 | 0 | (6) |
| Capital gains on disposals, net of taxes | 1 | 5 | 48 |
| **Cash generated from operations** | **(7,424)** | **3,527** | **8,436** |
| Movements in working capital | | | |
| Inventories | 10,351 | (12,214) | (10,109) |
| Receivables | 827 | 9,590 | (12,515) |
| Liabilities | (5,798) | (13,834) | 17,224 |
| **Net cash from/(used in) operating activities** | **(2,044)** | **(12,931)** | **3,035** |
| **CASH FLOW USED IN INVESTING ACTIVITIES** | | | |
| Non-current assets acquisitions | | | |
| Intangible assets | (180) | (259) | (494) |
| Property, plant and equipment | (720) | (11,783) | (1,190) |
| Non-current assets disposals | 13 | 0 | 0 |
| Net movement in borrowings and financial receivables | (57) | 78 | (128) |
| **Net cash used in investing activities** | **(944)** | **(11,964)** | **(1,812)** |
| **CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 10,114 | 3 | 36 |
| Repayment of borrowings | (54) | (52) | (56) |
| Sale/(purchase) of treasury shares | 2 | (1,325) | 0 |
| Proceeds from share capital issue | 0 | 1 | 33,707 |
| **Net cash from/(used in) financing activities** | **10,063** | **(1,374)** | **33,688** |
| Impact - translation differences | 44 | (18) | (8) |
| Impact - changes in Group structure | 0 | (3) | 0 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **7,119** | **(26,290)** | **34,904** |
| Cash and cash equivalents at the beginning of the year | 9,613 | 35,903 | 999 |
| **Cash and cash equivalents at the end of the year** | **16,733** | **9,613** | **35,903** |

(1) excluding current assets' provisions

# RIBER GROUP
## Consolidated Statements of Change in Shareholder's Equity
## for each of the years ended December 31

| | Share capital | Share premium | Consolidated reserves | Net profit/(loss) | Other | | | Total Equity |
|---|---|---|---|---|---|---|---|---|
| ***(€ thousands)*** | | | | | Translation adjustment | Treasury shares | Total | |
| | | | | | | | | |
| December 31, 1999 balance | 2,287 | 458 | 855 | 1,242 | (7) | 0 | (7) | 4,835 |
| Share capital increase | 610 | | | | | | | 610 |
| Share premium increase net of listing expenses | | 33,097 | | | | | | 33,097 |
| Incorporation of reserves into share capital | 113 | | (113) | | | | | 0 |
| Allocation of 1999 financial year net profit | | | 1,242 | (1,242) | | | | 0 |
| 2000 financial year net profit | | | | 7,042 | | | | 7,042 |
| Translation adjustment movement | | | | | (3) | | (3) | (3) |
| Other (share warrants) | | 1 | | | | | | 1 |
| December 31, 2000 balance | 3,010 | 33,555 | 1,984 | 7,042 | (10) | 0 | (10) | 45,582 |
| Allocation of 2000 financial year net profit | | | 7,042 | (7,042) | | | | 0 |
| 2001 financial year net profit | | | | 3,167 | | | | 3,167 |
| Share capital increase | 2 | | | | | | | 2 |
| Net disposal of treasury shares | | | | | | (1,325) | (1,325) | (1,325) |
| Translation adjustment movement | | | (28) | | 19 | | 19 | (9) |
| Other movements | | | (1) | | | | | (1) |
| December 31, 2001 balance | 3,012 | 33,555 | 8,997 | 3,167 | 9 | (1,325) | (1,316) | 47,415 |
| Allocation of 2001 financial year net profit | | | 3,167 | (3,167) | | | | 0 |
| 2002 financial year net loss | | | | (9,284) | | | | (9,284) |
| Share capital increase | 0 | | | | | | | 0 |
| Net acquisition of treasury shares | | | | | | 2 | 2 | 2 |
| Translation adjustment movement | | | | | 21 | | 21 | 21 |
| Other movements | | | 0 | | | | | 0 |
| December 31, 2002 balance | 3,012 | 33,555 | 12,164 | (9,284) | 30 | (1,323) | (1,293) | 38,154 |

# NOTES TO THE DECEMBER 31, 2002
# CONSOLIDATED FINANCIAL STATEMENTS

## 1. BUSINESS OVERVIEW AND ACCOUNTING PRINCIPLES

### 1.1 Business overview and company background

RIBER SA and its subsidiaries ("the Group") are engaged in the development, manufacture and sale of epitaxial machines and related components for the compound semiconductor industry, using molecular beam epitaxy (MBE) technology.

### 1.2 Consolidation principles

The consolidated financial statements have been prepared in accordance with French legal requirements, particularly Accounting Regulatory Committee Regulation 99-02 dated April 29, 1999.

Subsidiaries in which RIBER SA exercises exclusive control are consolidated using the full consolidation method.

The Supervisory Board of RIBER SA, at its meeting of December 19, 2000, decided to sell its German subsidiary. The 2000 fiscal year results were not restated to reflect this disposal, because of its insignificant nature. From January 1, 2001, RIBER SA consolidates its only sales subsidiary, Riber Inc., using the full consolidation method.

The financial statements of those companies included in the consolidation have been prepared in accordance with the accounting principles and methods in force for those countries, and, where necessary, have been restated in order to apply the Group accounting principles and methods.

All Group companies have a December 31 fiscal year-end.

### 1.3 Translation of foreign currency denominated financial statements

The financial statements of the US subsidiary Riber Inc. have been translated as follows:

- Income Statement items were translated at the average rate for the fiscal year,
- Balance Sheet assets and liabilities were translated at the closing rate,
- Translation differences arising have been recorded as a "Translation Adjustment" in the Equity section of the Balance Sheet.

## 2. VALUATION PRINCIPLES AND METHODS

### 2.1 Revenue recognition

Systems sales are recognized as realized at the moment when risk and ownership are transferred to the customer, which is generally at the time of shipping. Subsequent to shipping, the Group bears installation and guarantee costs. All of these costs are provided for, either as expenses payable or provisions for liabilities and charges at the moment of revenue recognition.

### 2.2 Research and Development costs

Research and development costs are expensed as they are incurred.

The Group incurred total Research and Development costs for the fiscal year of € 3.3 million, of which € 1 million was allocated to the manufacturing cost of systems.

### 2.3 Other intangible assets

Other intangible assets relate primarily to acquired software amortized on a 1-year or 3-year basis.

### 2.4 Property, plant and equipment

Property, plant and equipment items are carried on the Balance Sheet at their acquisition cost or production cost.
Depreciation is calculated using the straight-line or declining balance method, based on the estimated useful life of the asset.

| | Estimated Life | Method |
|---|---|---|
| Buildings | 20 years | Straight-line |
| Machinery and industrial equipment | 3 to 10 years | Straight-line |
| | 5 to 10 years | Declining balance |
| Improvements and fittings | 10 years | Straight-line |
| Motor Vehicles | 5 years | Straight-line |
| Computer equipment | 3 to 5 years | Straight-line or Declining balance |
| Furniture | 10 years | Straight-line |

### 2.5 Finance leases

When the Group is the lessee of an asset pursuant to a long-term lease contract or a finance lease contract whose features are similar to those of a purchase, the fair market value of the asset is capitalized and depreciated in accordance with the above-described method(s), with the offsetting debt recorded as a liability.

The book value of assets acquired through finance leases, and their corresponding accumulated depreciation, amounted to € 105,279 and € 61,788, respectively, at December 31, 2002 (see Note 5).

### 2.6 Inventories

Manufactured products, whether in a finished or semi-finished state, are valued at their manufacturing cost, comprising the cost of materials used, direct and indirect manufacturing costs, and the allocation of depreciation expenses of equipment and machines used during the manufacturing process. A provision for writedowns is established when their gross book value exceeds their net realizable value.

The gross book value of materials and components includes the purchase price and related costs. The Group uses the weighted average cost method.

A provision for writedowns is established for materials and components to take into account their utility value, determined in particular by their consumption.

RIBER SA held an inventory of metals (tantalum and molybdenum) at December 31, 2002 amounting to € 5.2 million. This inventory represents several years' supply, and has not been written down due to its strategic importance to RIBER SA's manufacturing activities.

An exceptional provision for € 2.8 million was established at December 31, 2002 in order to provide for the risk of deferred sales of certain production machines.

### 2.7 Foreign currency denominated transactions

Foreign currency denominated transactions are translated at their transaction date rate. Assets and liabilities' balances denominated in foreign currencies are translated at the closing rate, with any unrealized foreign exchange gains or losses arising recorded in the Income Statement.

The Group realized a net foreign exchange gain of € 140 thousand for 2002.

### 2.8 Trade receivables

Trade receivables are valued at their net realizable value.

A provision for writedowns is established for doubtful accounts and those that are the subject of litigation, in the amount of the estimated loss.

### 2.9 Provisions for liabilities and charges

Provisions for liabilities and charges cover liabilities and charges whose amount and subject are clearly identifiable, that events in the process of occurring or having occurred have rendered probable.

*Provisions for guarantees*
Systems sold benefit from a one-year guarantee from the date of their effective commissioning. In this regard, the Group recognizes an estimated liability on all products covered by a guarantee at the end of the fiscal year.
This estimated liability is determined in the following manner: a coefficient, corresponding to the ratio of fiscal year guarantee costs to sales that generated these expenses, is applied to sales covered by the guarantee at fiscal year-end.

*Provision for litigation*
The Company and its subsidiary may be a party to certain contentious procedures that are the subject of a provision based on the estimated risk involved. The Group considers that the outcome of such litigation and procedures, when it occurs, will have no impact on the Group's financial situation, its net profit and its financing.

### 2.10 Deferred taxes

Deferred taxes are calculated using the liability method for all temporary differences arising from the difference between the tax and accounting treatment of assets and liabilities. Tax rates enshrined in law are used in the calculation of deferred taxes.

The main temporary differences arise from non-tax-deductible provisions, primarily comprising pension benefit provisions and other employment benefit provisions.

### 2.11 Pension benefits and other employee commitments

The Group's commitments in the areas of pensions, supplementary pension benefits, and retirement indemnities are accounted for as provisions whose value is estimated on the basis of actuarial valuations. Benefits arising from these provisions are payable at the time an employee retires, on condition that he/she was employed within the Group on his/her retirement date.

Commitments are calculated in accordance with the retrospective method, using the following actuarial assumptions and salary projections:

- IFC discount rate 5.00%
- Médailles discount rate 4.20%
- inflation rate 2.00%
- annual salary inflation rate 3.50%

The following table enables a reconciliation of the valuation of commitments and the provision accrued in the "provision for liability and charges" section of the December 31, 2002 financial statements:

| *(€ thousands)* | Present value of future commitments | Transition and deferred actuarial differences | Accrued provision |
|---|---|---|---|
| **December 31, 2001** | **433** | **(54)** | **487** |
| Cost of services | 46 | - | 46 |
| Interest expenses | 24 | - | 24 |
| Transition difference amortization | - | (19) | 19 |
| Net actuarial gain amortization | - | (1) | 1 |
| Benefits paid | - | - | 0 |
| Actuarial losses | 4 | 4 | 0 |
| **December 31, 2002** | **507** | **(70)** | **577** |

### 2.12 Employee profit sharing and employee savings plan

A profit sharing plan, entitling employees to 4% of the pre-tax net profit, was ended on December 31, 2000. This plan was replaced by a performance bonus, which amounted to € 114,000 at December 31, 2001. Corresponding employer's contributions accrued at that date amounted to € 51,300.

The application of the legal formula for the incentive remuneration resulted in no liability for 2002 and a liability of € 22,575 and € 207,839 at December 31, 2001 and December 31, 2000 respectively.

Riber Inc. has instituted a savings plan for its full-time employees. This plan offers eligible employees the possibility of saving part of their remuneration, to which Riber Inc. contributes. On an annual basis, Riber Inc's Board of Directors sets the amount of its contribution, which for the 2002 fiscal year was insignificant.

### 2.13 Estimates

The consolidated financial statements are prepared in accordance with French Generally Accepted Accounting Principles, which require that management make estimates that will impact on the value of some Balance Sheet assets and liabilities and some Income Statement items, as well as on the value of some items disclosed in the Notes. It is possible that actual outcomes could differ from these estimates.

### 2.14 Criteria used for identifying exceptional events

Items not relating to the ordinary activities of the Group are treated as exceptional items. Items relating to ordinary activities that are exceptional by their frequency or amount are included in the results from ordinary activities.

### 2.15 Earnings per share

Basic earnings per share are calculated by dividing the net income by the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per share is calculated using the weighted average number of common shares outstanding, adjusted to take into account the conversion into potentially dilutive common shares of options that have been granted.

| | December 31, 2002 | December 31, 2001 | December 31, 2000 |
|---|---|---|---|
| Weighted average number of common shares outstanding used to compute basic earnings per share | 18,519,999 | 18,523,709 | 17,277,099 |
| Potential common shares, assuming the complete exercise of share subscription warrants/options | 831,540 | 566,937 | 804,517 |
| Weighted average number of common shares, including those arising from the exercise of warrants/options, used to calculate the diluted earnings per share figure | 19,351,539 | 19,090,646 | 18,081,615 |

Treasury shares deducted from consolidated equity have been excluded from the weighted average number of common shares in circulation at December 31, 2002, that is 284,073 shares, as well as 21,203 treasury shares held through a liquidity contract.

This calculation is based on the assumption that funds were collected on the date of issuance of share subscription warrants and are assumed to be allocated to the purchase of shares at market price.

## 3. CONSOLIDATION SCOPE INFORMATION

**Companies consolidated using the full consolidation method**

| Company | Registered office | % share capital held | % voting interest held |
|---|---|---|---|
| RIBER SA | 133 boulevard National<br>92500 Rueil Malmaison<br>France | parent company | parent company |
| Riber Inc | 3880 Park Avenue,<br>Edison, New Jersey, 08820<br>USA | 100 | 100 |

## 4. INTANGIBLE ASSETS

| *(€ thousands)* | Software |
|---|---|
| Jan. 1, 2001 – gross book value | 771 |
| Jan. 1, 2001 – accumulated amortization | (237) |
| **Jan. 1, 2001 – net book value** | **534** |
| | |
| Translation differences | 0 |
| Change in group structure | (1) |
| Additions | 259 |
| Disposals | (1) |
| Amortization charges | (394) |
| Amortization reversals | 1 |
| **Dec. 31, 2001 – net book value** | **398** |
| | |
| Dec. 31, 2001 – gross book value | 1,027 |
| Dec. 31, 2001 – accumulated amortization | (629) |
| **Dec. 31, 2001 – net book value** | **398** |
| | |
| Translation differences | 0 |
| Change in group structure | 0 |
| Additions | 180 |
| Disposals | 0 |
| Amortization charges | (339) |
| Amortization reversals | 0 |
| **Dec. 31, 2001 – net book value** | **239** |
| | |
| Dec. 31, 2002 – gross book value | 1,207 |
| Dec. 31, 2002 – accumulated amortization | (968) |
| **Dec. 31, 2002 – net book value** | **239** |

## 5. PROPERTY PLANT AND EQUIPMENT

| *(€ thousands)* | Land & Buildings (1) | Machinery & industrial equipment | Fittings & fixtures | Motor vehicles | Office equipment | Total |
|---|---|---|---|---|---|---|
| Jan. 1, 2001 – gross book value | 0 | 1,013 | 2,463 | 68 | 479 | 4,023 |
| Jan. 1, 2001 – acc. depreciation | (0) | (598) | (1,130) | (24) | (169) | (1,920) |
| **Jan. 1, 2001 – net book value** | **0** | **415** | **1,333** | **44** | **311** | **2,103** |
| | | | | | | |
| Translation differences | | | | | 1 | 1 |
| Additions | 9,604 | 1,982 | 84 | 21 | 93 | 11,784 |
| Disposals | (0) | (148) | (15) | (0) | (20) | (183) |
| Depreciation charges | (65) | (94) | (155) | (14) | (101) | (429) |
| Depreciation reversals | 0 | 148 | 14 | 0 | 16 | 178 |
| **Dec. 31, 2001 – net book value** | **9,539** | **2,303** | **1,261** | **51** | **299** | **13,453** |
| | | | | | | |
| Dec. 31, 2001 – gross book value | 9,604 | 2,844 | 2,531 | 89 | 553 | 15,621 |
| Dec. 31, 2001 – acc. depreciation | (65) | (541) | (1,270) | (38) | (254) | (2,168) |
| **Dec. 31, 2001 – net book value** | **9,539** | **2,303** | **1,261** | **51** | **299** | **13,453** |
| | | | | | | |
| Translation differences | 0 | 0 | 0 | 0 | (2) | (2) |
| Additions | 0 | 593 | 18 | 0 | 109 | 720 |
| Disposals | 0 | 0 | 0 | (25) | (5) | (30) |
| Depreciation charges | (193) | (535) | (159) | (15) | (115) | (1,017) |
| Depreciation reversals | 0 | 0 | 0 | 11 | 5 | 16 |
| **Dec. 31, 2002 – net book value** | **9,346** | **2,361** | **1,120** | **22** | **291** | **13,140** |
| | | | | | | |
| Dec. 31, 2002 – gross book value | 9,604 | 3,437 | 2,549 | 64 | 651 | 16,305 |
| Dec. 31, 2002 – acc. depreciation | (258) | (1,076) | (1,429) | (42) | (360) | (3,165) |
| **Dec. 31, 2002 – net book value** | **9,346** | **2,361** | **1,120** | **22** | **291** | **13,140** |
| | | | | | | |
| ***Including finance leases*** | | | | | | |
| Dec. 31, 2001 – gross book value | | | | 50 | 55 | 105 |
| Dec. 31, 2001 – acc. depreciation | | | | (26) | (20) | (46) |
| | | | | | | |
| Dec. 31, 2002 – gross book value | | | | 50 | 55 | 105 |
| Dec. 31, 2002 – acc. depreciation | | | | (33) | (28) | (61) |

(1) acquisition of Rueil-Malmaison site in August 2001

## 6. INVESTMENTS

| *(€ thousands)* | **Dec. 31, 2002 Net** | **Dec. 31, 2001 Net** | **Dec. 31, 2000 Net** |
|---|---|---|---|
| Miscellaneous receivables | 257 | 200 | 100 |
| Deposits and guarantees | 30 | 30 | 31 |
| Provision for writedowns | (250) | (178) | (0) |
| **Total** | **37** | **52** | **131** |

## 7. INVENTORIES

| *(€ thousands)* | **Dec. 31, 2002 Net** | **Dec. 31, 2001 Net** | **Dec. 31, 2000 Net** |
|---|---|---|---|
| Finished goods | 5,199 | 3,749 | 2,257 |
| Provision for writedowns | (2,666) | (592) | (283) |
| **Net** | **2,533** | **3,157** | **1,974** |
| Work in process | 11,893 | 12,599 | 7,471 |
| Provision for writedowns | (2,838) | 0 | 0 |
| **Net** | **9,055** | **12,599** | **7,471** |
| Materials and components | 14,000 | 15,694 | 8,344 |
| Provision for writedowns | (7,036) | (2,547) | (1,100) |
| **Net** | **6,964** | **13,147** | **7,244** |
| Total - Gross | 31,092 | 32,042 | 18,072 |
| Total - Provisions | (12,540) | (3,139) | (1,383) |
| **Total - Net** | **18,552** | **28,903** | **16,689** |

## 8. TRADE RECEIVABLES AND TRADE PAYABLES

| *(€ thousands)* | **Dec. 31, 2002 Net** | **Dec. 31, 2001 Net** | **Dec. 31, 2000 Net** |
|---|---|---|---|
| Trade Receivables | | | |
| Gross book value | 5,494 | 7,966 | 18,754 |
| Writedown provisions | (1,172) | (158) | (41) |
| **Total** | **4,322** | **7,808** | **18,713** |
| | | | |
| Trade Payables | | | |
| Trade payables - operations | 4,264 | 7,042 | 9,576 |
| **Total** | **4,264** | **7,042** | **9,576** |

## 9. OTHER RECEIVABLES AND PREPAID EXPENSES

| *(€ thousands)* | **Dec. 31, 2002 Net** | **Dec. 31, 2001 Net** | **Dec. 31, 2000 Net** |
|---|---|---|---|
| State receivables - VAT | 610 | 226 | 887 |
| Deferred tax asset | 1,811 | 351 | 721 |
| Deferred tax assets provision | (1,352) | 0 | 0 |
| Prepaid expenses | 365 | 809 | 56 |
| State receivables – income tax | 3,576 | 677 | 0 |
| Other | 376 | 215 | 49 |
| **Total** | **5,386** | **2,278** | **1,713** |

## 10. OTHER OPERATING LIABILITIES

| *(€ thousands)* | **Dec. 31, 2002** | **Dec. 31, 2001** | **Dec. 31, 2000** |
|---|---|---|---|
| Personnel remuneration and benefits | 516 | 766 | 1,300 |
| Social security | 686 | 700 | 588 |
| Deferred tax liabilities | 459 | 0 | 0 |
| Grants | 294 | 294 | 0 |
| State – VAT and related taxes | 435 | 269 | 168 |
| State – income tax | 0 | 0 | 2,032 |
| Commissions payable to agents | 315 | 455 | 633 |
| Other liabilities and accruals | 1 | 1 | 28 |
| **Total** | **2,706** | **2,485** | **4,749** |

## 11. CASH AND MARKETABLE SECURITIES

| *(€ thousands)* | **Dec. 31, 2002** | **Dec. 31, 2001** | **Dec. 31, 2000** |
|---|---|---|---|
| Cash | 741 | 2,587 | 5,544 |
| Marketable securities | 15,992 | 7,026 | 30,383 |
| Bank overdrafts | (0) | (0) | (24) |
| **Total** | **16,733** | **9,613** | **35,903** |

The Group invests its surplus cash balances in highly liquid marketable securities (SICAV). These securities are valued at acquisition cost, reduced as need be by a provision representing the difference between acquisition cost and fair market value.

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

| *(€ thousands)* | **Dec. 31, 2000** | **2001 Charges** | **2001 Reversals** | **Dec. 31, 2001** | **2002 Charges** | **2002 Reversals** | **Dec. 31, 2002** |
|---|---|---|---|---|---|---|---|
| Pension benefits provision | 425 | 62 | | 487 | 90 | 0 | 577 |
| Guarantee provision | 48 | 0 | (37) | 11 | 25 | 11 | 25 |
| Doubtful accounts provision | 112 | 0 | (112) | 0 | 0 | 0 | 0 |
| Other provisions | 775 | | (762) | 13 | 0 | 3 | 10 |
| **Total** | **1,360** | **62** | **(911)** | **511** | **115** | **14** | **612** |

The € 762,000 provision accrued at December 31, 2000, in anticipation of the required replacement of certain production machine components, was reversed in its entirety at December 31, 2001, as it was no longer required.

## 13. OTHER BORROWINGS

| (€ thousands) | December 31, 2002 Total value | Less than 1 year | From 1 to 5 years | More than 5 years | December 31, 2001 Total value | Less than 1 year | From 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| Other financial loans and debts | 10,079 | 723 | 2,518 | 6,838 | 10 | 2 | 8 | 0 |
| Finance leases | 17 | 11 | 6 | 0 | 29 | 12 | 17 | 0 |
| Guarantee deposits | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **10,100** | **734** | **2,528** | **6,938** | **39** | **14** | **25** | **0** |

In July 2002, RIBER SA obtained a € 10 million variable-rate mortgage, repayable in 15 years. This financing follows the purchase of an industrial site in August 2001.

## 14. INCOME TAXES AND DEFERRED TAXES

**Analysis of fiscal year tax credit/(charge)**

| *(€ thousands)* | **2002** | **2001** | **2000** |
|---|---|---|---|
| Income taxes | 3,002 | (1,348) | (4,200) |
| Deferred taxes | 1,022 | (378) | (100) |
| **Total** | **4,024** | **(1,726)** | **(4,300)** |
| Deferred tax provision | (1,352) | 0 | 0 |
| **Total – Income Statement Amount** | **2,672** | **(1,726)** | **(4,300)** |

**Analysis of deferred tax balance**

| *(€ thousands)* | **Dec. 31, 2002** | **Dec. 31, 2001** | **Dec. 31, 2000** |
|---|---|---|---|
| Pension benefit commitments | 204 | 178 | 161 |
| Other deferred tax assets | 1,607 | 173 | 560 |
| Deferred tax liabilities | (459) | 0 | 0 |
| **Total – Gross Deferred Tax** | **1,352** | **351** | **721** |
| Deferred tax asset provision | (1,352) | 0 | 0 |
| **Total – Balance Sheet Amount** | **0** | **351** | **721** |

Deferred tax assets were provided for in the amount of the deferred tax liabilities as a matter of prudence.

**Reconciliation of theoretical income tax expense and Income Statement income tax expense**

| *(€ thousands)* | **2002** | **2001** | **2000** |
|---|---|---|---|
| (Loss)/profit before tax | (11,955) | 4,895 | 11,341 |
| Theoretical income tax expense (using applicable rate for consolidating company) | 4,236 | (1,783) | (4,283) |
| Differences between the income tax rates | (211) | (6) | 2 |
| Other differences | (1) | 63 | (19) |
| **Total – Gross Deferred Tax Amount** | **4,024** | **(1,726)** | **(4,300)** |

## 15. FINANCIAL INSTRUMENTS

A significant portion of international sales is realized in US dollars, whereas the majority of the costs incurred are in Euros.

In order to shield itself from foreign exchange rate movements, the Group avails itself of foreign exchange futures hedge contracts.

These agreements are concluded at the moment a system sales order is received, based on the payment timetable specified in the sales contract. The resultant guaranteed rate is used to value the system sale and its corresponding receivable.

The aggregate notional value of current hedge contracts at December 31, 2002 amounted to € 3,435 thousand, € 210,000 below their related aggregate market value, determined using the year-end exchange rate.

## 16. OTHER COMMITMENTS

| *(€ thousands)* | **Dec. 31, 2002** | **Dec. 31, 2001** | **Dec. 31, 2000** |
|---|---|---|---|
| Guarantees granted to customers | 895 | 3,927 | 544 |
| Miscellaneous banking guarantees | 0 | 0 | 57 |
| Guarantee for the benefit of ISA Inc. | 0 | 0 | 275 |
| Futures hedge commitments | 3,435 | 0 | 0 |
| Mortgage | 9,961 | 0 | 0 |
| Equipment leasing | 1,161 | 0 | 0 |
| Materials purchasing commitments | 0 | 1,534 | 5,872 |

The Group finances some of its industrial equipment acquisitions by virtue of finance lease contracts. The minimum value of future lease payments arising from these contracts at December 31, 2002 is as follows:

| *(€ thousands)* | |
|---|---|
| 2003 | 12 |
| 2004 | 6 |
| Total minimum future lease payments | 18 |

## 17. SEGMENT INFORMATION

The Group operates in a single business segment. Therefore, sales and profitability information by business segment is not applicable. However, the following analyses of sales by product line and geographic region is of relevance:

***Analysis of sales by product line***

| *(€ thousands)* | **2002** | **2001** | **2000** |
|---|---|---|---|
| Production machines | 10,207 | 25,913 | 35,365 |
| Research and development machines | 3,373 | 2,594 | 2,344 |
| Accessories and components | 5,053 | 5,733 | 3,476 |
| **Total** | **18,633** | **34,240** | **41,185** |

***Analysis of sales by geographic region***

| *(€ thousands)* | **2002** | **2001** | **2000** |
|---|---|---|---|
| North America | 6,188 | 19,539 | 15,692 |
| Asia | 4,989 | 3,950 | 15,708 |
| Europe | 6,843 | 10,203 | 9,785 |
| Rest of World | 613 | 548 | 0 |
| **Total** | **18,633** | **34,240** | **41,185** |

## 18. WORKFORCE SIZE AND PERSONNEL COSTS

***Workforce size analysis***

| | **Dec. 31, 2002** | **Dec. 31, 2001** | **Dec. 31, 2000** |
|---|---|---|---|
| Managers and engineers | 36 | 32 | 27 |
| Supervisors | 16 | 13 | 14 |
| Employees and technicians | 71 | 82 | 59 |
| Operatives | 6 | 6 | 7 |
| **Total** | **129** | **133** | **107** |

Group personnel costs for 2002 amounted to € 6,827 thousand, compared with € 7,050 thousand for 2001 (excluding mandatory contributions to employees' incentive remuneration plans).

## 19. REMUNERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The Group paid € 845,095 thousand in 2002 to its Executive Board members and senior executives, comprising ten persons in total. It did not pay any remuneration to members of the Supervisory Board for 2002.

## 20. EQUITY

On March 14, 2000, the parent company converted the par value of its shares into Euros, resulting in an increase of €113,250 in share capital value.

On May 24, 2000, the parent company issued 3,720,930 shares with a par value each of € 0.16 at a price of €10 per share, within the framework of an international private share placement and the listing of its share on the Nouveau Marché. The new share issuance transaction resulted in proceeds of € 37,209,300 (including € 595,348.8 allocated to share capital), less € 3,517,375 in after-tax transaction costs incurred.

During 2001, the Company's share capital increased by € 1,517 following the issue of 9,480 new shares arising from the exercise of subscription warrants relating to the first plan.

During 2002, the Company's share capital increased by € 379 following the issue of 2,370 new shares arising from the exercise of subscription warrants relating to the first plan.

## 21. SHARE SUBSCRIPTION WARRANTS AND OPTIONS

The timetable at December 31, 2002 of share subscription warrants granted by the Combined Meeting of June 29, 1998 is as follows:

| Share subscription warrants | Total number | June 1998 to June 1999 | June 1999 to June 2000 | June 2000 to June 2001 | June 2001 to June 2002 | June 2002 to June 2003 |
|---|---|---|---|---|---|---|
| Issued | 630,255 | 126,051 | 126,051 | 126,051 | 126,051 | 126,051 |
| Exercised | (105,630) | (33,630) | (33,630) | (33,630) | (2,370) | (2,370) |
| Cancelled | (379,165) | (75,833) | (75,833) | (75,833) | (75,833) | (75,833) |
| Total | 145,460 | 16,588 | 16,588 | 16,588 | 47,848 | 47,848 |

Each warrant grants a subscription right to one (1) new share, pursuant to the payment of a price equal to one French Franc (FRF 1) per share. These warrants expire on June 29, 2003.

The timetable at December 31, 2002 of share subscription warrants granted by the Combined Meeting of March 14, 2000 is as follows:

| Share subscription warrants | Total number | May 2000 to March 2001 | March 2001 to March 2002 | March 2002 to March 2003 | March 2003 to March 2004 | March 2004 to March 2005 |
|---|---|---|---|---|---|---|
| Issued | 350,000 | 117,000 | 134,000 | 38,000 | 38,000 | 23,000 |
| Exercised | -- | -- | -- | -- | -- | -- |
| Total | 350,000 | 117,000 | 134,000 | 38,000 | 38,000 | 23,000 |

Each warrant grants a subscription right to one (1) new share, pursuant to the payment of a price equal to ten euros (€ 10) per share. These warrants expire on March 14, 2005.

The 300,000 stock subscription options allocated by the Executive Board on October 19, 2001 at an exercise price of € 3.08 may only be exercised in three equal tranches four years after their allocation.

On August 26, 2002, the Executive Board made use of the authorization granted to it by the Combined General Meeting of June 13, 2001, and decided to allocate 100,000 RIBER SA share subscription options. Each of these subscription options enables their holders to subscribe, until August 25, 2009 inclusive, to one new share issued by the Company resulting in an increase of its share capital, up to a maximum amount of € 16,000, comprising 100,000 new shares, each with a par value of € 0.16. The subscription price is set at € 3.08, representing the average price of the RIBER SA share during the last 20 trading days preceding the date of allocation, that is, August 26, 2002. Holders may only exercise their options at the end of four years after August 26, 2002, in three equal tranches over three years.

## 22. TREASURY SHARES

A share buyback plan was established by the Management Board pursuant to the authorization granted to it by the Combined General Meeting of June 13, 2001. Information note 02-631 describing this share buyback plan was approved on May 27, 2002 by the Commission des Opérations de Bourse.

At December 31, 2002, there were 284,073 treasury shares, acquired at an aggregate cost of € 1,328,056, an average cost of € 4.67 per share. These shares were subject to a € 1,062,433 write-down provision, determined on the basis of the share's average December 2002 market price of € 0.94. The aggregate book value of these treasury shares is deducted from the Group's equity.

## 23 NET OTHER OPERATING EXPENSES

Net other operating expenses are primarily comprised of € 1,052 thousand trade receivables writedown provision charges.

## 24. NET FINANCE COSTS

Marketable securities generated finance income of € 319 thousand during 2002.

Interest costs arising from the July 2002 loan amounted to € 216 thousand, while other finance costs amounted to € 201 thousand.

A net exchange gain of € 140 thousand was realized.

## 25. POST-BALANCE SHEET EVENTS

No post-Balance Sheet event occurred having a significant impact on the financial statements for the fiscal year ending December 31, 2002.