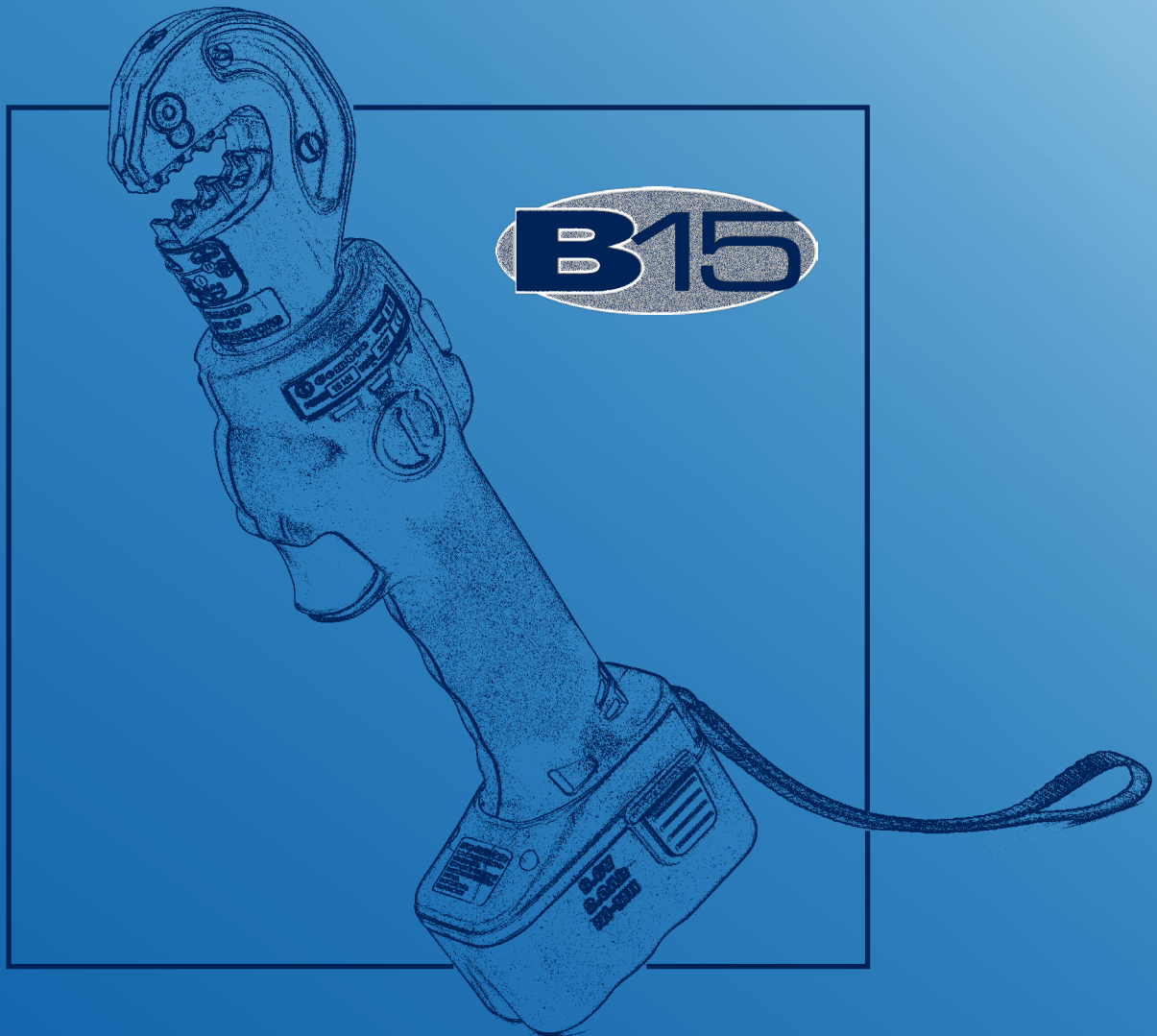




COSTRUZIONI ELETTROMECCANICHE BRESCIANE

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FIRST HALF REPORT  
at June 30, 2007

# Cembre S.p.A.

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Head Office: Via Serenissima 9, Brescia, Italy  
Share Capital: EUR 8,840,000 (fully paid-up).  
Registration no: 00541390175 (Commercial Register of Brescia)

*This document contains translations of the report prepared  
in the Italian language for the purpose of the Italian law  
and of CONSOB regulations (CONSOB is the public authority  
responsible for regulating the Italian securities market)*

*The cover page shows our new  
in-line rechargeable B15 crimping tool.*

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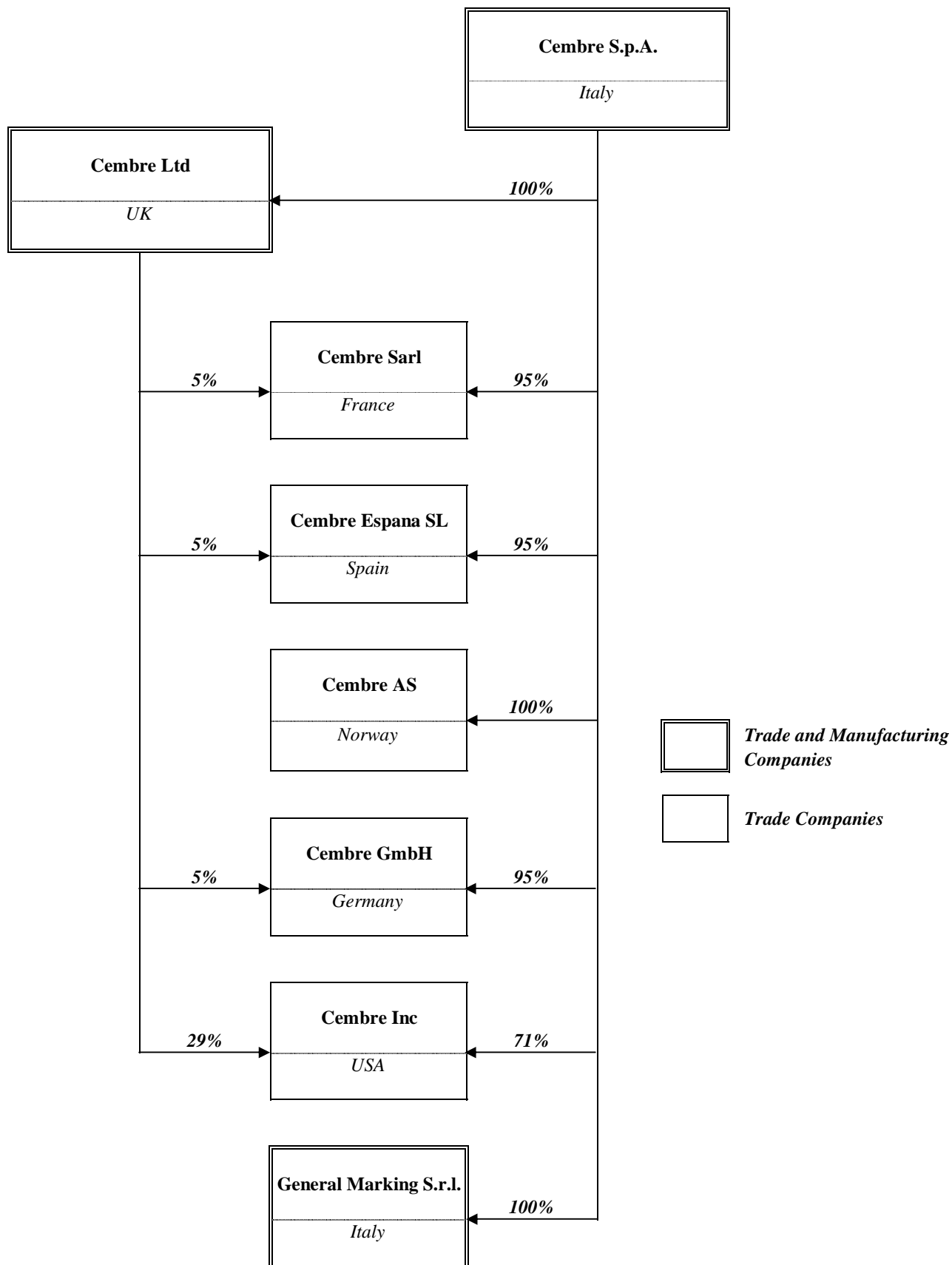
## Cembre Group

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## Cembre S.p.A.

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## GROUP STRUCTURE



**Cembre S.p.A.**

Head Office: Via Serenissima 9, Brescia, Italy

Share Capital: € 8,840,000 (fully paid-up)

Brescia Commercial Register registration no.: 00541390175

**Report on Operations of the Cembre Group  
for the 1<sup>st</sup> Half of 2007**

The Cembre Group closed the 1<sup>st</sup> Half of 2007 reporting a 17.4% increase in revenues from the sale of goods and services, up from €41.8 million in the 1<sup>st</sup> Half of 2006, to €49.1 million for the same period in 2007.

In the first six months of 2007, domestic sales amounted to €20.5 million, up 11.3%, while sales outside Italy amounted to €28.6 million, up 22.3%. A total of 41.7% of Group sales were represented by Italy (as compared with 44% in the 1<sup>st</sup> Half of 2006), 46.8% by the rest of Europe (46.1% in the 1<sup>st</sup> Half of 2006), and the remaining 11.5% by the rest of the World (9.9% in the 1<sup>st</sup> Half of 2006).

Sales by geographical area:

(€'000)	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Italy	20,476	18,405
Rest of Europe	22,981	19,245
Rest of the World	5,614	4,145
Total	49,071	41,795

Sales by Group company (net of intragroup sales):

(€'000)	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Parent company	27,073	23,135
Cembre Ltd. (UK)	6,481	6,432
Cembre S.a.r.l. (France)	3,214	2,686
Cembre España S.L. (Spain)	6,417	5,258
Cembre GmbH (Germany)	2,447	1,916
Cembre AS (Norway)	397	275
Cembre Inc. (USA)	2,789	1,923
General Marking Srl (Italy)	253	170
Total	49,071	41,795

Sales of subsidiary General Marking reported in the table above include only sales to third parties managed directly by the same. Sales made by General Marking to other Group companies for resale are not attributed to General Marking in the table above. Such sales grew by 30% from €753 thousand in the 1<sup>st</sup> Half of 2006, to €975 thousand in the same period in 2007.

In the first six months of 2007, Group companies reported the following pre-consolidated results:

(€'000)	Revenues		Net profit	
	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Cembre S.p.A.	38,888	32,646	5,569	3,744
Cembre Ltd. (Gb)	7,153	6,894	486	404
Cembre S.a.r.l. (F)	3,242	2,698	301	174
Cembre España S.L.	6,418	5,260	732	488
Cembre GmbH (D)	2,488	1,922	126	70
Cembre AS (Nor)	397	275	108	28
Cembre Inc (Usa)	2,793	1,960	305	147
General Marking S.r.l.	1,228	922	560	19

To allow an evaluation of the impact of foreign exchange translations, the table that follows shows financial data for those Group companies whose financial statements are expressed in currencies other than the euro:

	Currency	Revenues		Net profit	
		1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Cembre Ltd. (UK)	£	4,826	4,736	328	277
Cembre AS (Norway)	Nok	3,229	2,181	882	225
Cembre Inc. (USA)	US\$	3,712	2,410	406	181

In the framework of a general growth trend, subsidiaries Cembre Inc. and Cembre España S.L. strengthened considerably their market position.

To provide a better description of the company's operating performance for the 1<sup>st</sup> Half of 2007, a reclassified Consolidated Income Statement for the first six

months of 2007 that includes comparative figures for same period in the previous year, is enclosed as Attachment 1.

Gross operating profit for the first six months of 2007 was equal to €12,922 thousand, corresponding to a 26.3% margin on sales, up 29.7% on €9,963 thousand reported in the first six months of 2006 (23.8% of sales).

Operating profit for the period amounted to €11,345 thousand, representing a 23.1% margin on sales, up 34.7% on €8,424 in the 1<sup>st</sup> Half of 2006, when it represented a 20.2% margin on sales.

Consolidated profit before taxes amounted to €11,271 thousand, representing a 23% margin on sales, up 35% on €8,439 thousand in the 1<sup>st</sup> Half of 2006, when it represented a 20% margin on sales.

The net financial position declined from €1.1 million at December 31, 2006, to an indebtedness of €3 million at June 30, 2007, after the payment at the end of May 2007 of €3.7 million in dividends, the increase in net current assets due primarily to the growth of inventories from €26 million to €30 million, the payment in June of €3 million in taxes by the parent company, in addition to €2 million of capital expenditure for the period.

Net profit for the first six months of 2007 amounted to €7,319 thousand, representing a 14.9% margin on sales, up 46.3% from €5,002 thousand in the 1<sup>st</sup> Half of 2006 in which it represented a 12% margin on sales.

The lower tax expense is due to the recording by subsidiary General Marking of €468 thousand in deferred tax assets against losses accumulated in past years, deemed to be retrievable in view of the improved profitability of the company.

In compliance with new regulations regarding employee termination indemnities applicable from 2007, the Company restated the value of employee

termination indemnities accrued at December 31, 2006 using the advisory services of actuarial consultants. The recalculation resulted in a positive difference of €1,026 which, as provided under article 111 of IAS 19, was recorded in the income statement under “Personnel costs from non recurring operations”, with the parallel recording of €339 thousand in deferred tax liabilities.

To evaluate the operating performance of the Group net of such non recurrent effect, the table that follows shows the operating performance for the 1<sup>st</sup> Half of 2007 net of the said extraordinary component, compared with that for the same period in 2006:

<i>(€'000)</i>	<b>1<sup>st</sup> Half 2007 Restated</b>	<b>% of sales</b>	<b>1<sup>st</sup> Half 2006</b>	<b>% of sales</b>	<b>Change</b>
Sales	49,071	100.0	41,795	100.0	17.4%
Gross operating profit	11,896	24.2	9,963	23.8	19.4%
Operating profit	10,319	21.0	8,424	20.2	22.5%
Pre-tax profit	10,245	20.9	8,349	20.0	22.7%
Net profit	6,632	13.5	5,002	12.0	32.6%

Consolidation adjustments resulted in the emergence of the following differences between the accounts of the parent company and the consolidated accounts at June 30, 2007.

<b>Reconciliation between the statutory accounts of the parent company and the consolidated accounts</b>	<b>Shareholders' Equity</b>	<b>Net profit</b>
<b>Parent company's Shareholders' Equity and net profit</b>	<b>53,402</b>	<b>5,569</b>
Elimination of Cembre GmbH provision for product warranty (*)	16	0
Reversal of write-down of the investment in General Marking Srl	432	0
Reversal of book value of consolidated companies	11,426	2,619
Reversal of unrealized intra-group gains included in the value of inventories (*)	(2,352)	(427)
Currency translation differences on elimination of intra-group payables and receivables	28	16
Eliminations of dividends	0	(466)

Taxes on dividends	8	8
<b>Consolidated Shareholders' Equity and net profit</b>	<b>62,960</b>	<b>7,319</b>

(\*) Net of the related tax effect

The activity of the Group is not subject to cycles or seasonal swings, with the exception of the slowdown registered in August for the summer holidays and in December for the Christmas season.

### **Capital expenditure**

Capital expenditure for the first six months of 2006, gross of amortization, depreciation and disposals, amounted to €2 million.

The increase is due to the Group's intention to improve its production process in line with new technologies, widening the product range to fulfill market needs. A significant investment was represented by the adoption, currently underway, of the SAP administrative software which accounts for a large part of the increase in intangible assets, growing by €302 thousand.

### **Research & Development**

In the first six months of 2007 Research and Development activities focused in the field of cable terminals, railroad equipment, hydraulic tools and cable marking, in which innovations were made.

Research costs were not capitalized, while development costs were instead capitalized. Research activities and projects launched or carried out in the first six months of the year consisted in the widening of the product range included in the catalogue with the introduction of new innovative products previously not available on the market, the improvement of technologies and of the efficiency of the production process, and the enhancement of the company's presence in foreign markets.

Activity focused on:

- the continuation and completion of projects started in the previous year;
- the launch of new projects for the development of innovative products in line with new market trends;
- the development of innovative processes.

Research costs for the first six months of the year included €162 thousand of personnel costs, expensed in the income statement.

Development costs for the first six months of the year included €24 thousand of personnel costs, capitalized among intangible assets.

A description of Research and Development activities by sector is provided below.

#### Research projects in the field of cable terminals

Work continued on the study and development of new cable terminals and joints, in addition to the development and optimization of cable terminals from pipe.

#### Railroad Equipment Research projects

In the field of railroad equipment, the following projects were launched or developed further: an electric version of a tool for the maintenance of wooden sleepers and a range of products for the mechanical and electrical connection to rail tracks.

#### Hydraulic Tools research projects

The following studies were undertaken in the first six months of 2007:

- new battery-operated tools for the compression of connectors that may be used for different types of dies specific for the US market;
- two cable cutting hydraulic tools;

- a battery-operated cable cutting tool;
- a battery-operated hydraulic station;
- a new small-size battery-operated hydraulic tool;
- a small-size battery-operated hydraulic tool with a 3.5 ton head.

#### Cable marking research projects

Research on the following models continued:

- a system for the labelling of pole terminal blocks consisting of labels and related supports;
- a new series of flat labels;
- a new series of cards for plotters.

#### **Related parties**

Detailed information regarding transactions with related parties is provided in the notes to the accounts.

#### **Sales and purchases of own shares and parent company's shares**

In the first six months of 2007, the Group did not purchase or sell any of its shares. At June 30, 2007, Cembre SpA did not own any of its own shares nor did it own, either directly or through any of its subsidiaries, trust companies or intermediaries, any of its parent company's shares.

#### **Subsequent events**

No event having significant effects on the financial or operating performance of the Cembre Group occurred after June 30, 2007.

#### **Outlook**

In the second half of 2007, the company expects to expand its activity, while profit levels are expected to remain in line with the previous year.

**Attachment**

- Attachment 1: Reclassified Consolidated Income Statement
- Attachment 2: Company Boards

Brescia, September 26, 2007

Signed by:

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

CARLO ROSANI

## Cembre S.p.A.

Registered Office: Via Serenissima 9, Brescia, Italy  
 Share Capital: Euro 8,840,000 (fully paid-up)  
 Registration no: FC 00541390175 (Commercial Register of Brescia)

### Attachment 1 to the Report on Operations of the Group

### Consolidated Income Statement

(€ '000)	1 <sup>st</sup> Half 2007	%	1 <sup>st</sup> Half 2006	%	change
Revenues from sales and services provided	49.071	100	41.795	100	17,4%
Other revenues	166		237		
<b>TOTAL REVENUES</b>	<b>49.237</b>		<b>42.032</b>		
Cost of goods and merchandise	(21.282)	(43,4)	(17.325)	(41,5)	22,8%
Cost of services received	(7.079)	(14,4)	(5.956)	(14,3)	18,9%
Lease and rental costs	(539)	(1,1)	(518)	(1,2)	4,1%
Personnel costs	(12.384)	(25,2)	(11.310)	(27,1)	9,5%
Personnel costs from non recurring transactions	1.026	2,1	-	0,0	
Other operating costs	(220)	(0,4)	(198)	(0,5)	11,1%
Change in inventories	3.964	8,1	3.073	7,4	
Increase in assets due to internal construction	289	0,6	231	0,6	25,1%
Write-down of current assets	(85)	(0,2)	(58)	(0,1)	46,6%
Accruals to provisions for risks and charges	(5)	(0,0)	(8)	(0,0)	-37,5%
<b>GROSS OPERATING PROFIT</b>	<b>12.922</b>	<b>26,3</b>	<b>9.963</b>	<b>23,8</b>	29,7%
Tangible assets depreciation	(1.495)	(3,0)	(1.499)	(3,6)	-0,3%
Intangible assets amortization	(82)	(0,2)	(40)	(0,1)	105,0%
Write-down of long-term assets	-	0,0	-	0,0	
<b>OPERATING PROFIT</b>	<b>11.345</b>	<b>23,1</b>	<b>8.424</b>	<b>20,2</b>	34,7%
Financial income (expense)	(27)	(0,1)	(9)	(0,0)	200,0%
Foreign exchange gains (losses)	(47)	(0,1)	(66)	(0,2)	-28,8%
<b>PROFIT BEFORE TAXES</b>	<b>11.271</b>	<b>23,0</b>	<b>8.349</b>	<b>20,0</b>	35,0%
Income taxes	(3.602)	(7,3)	(3.347)	(8,0)	7,6%
deferred taxes from non recurring transactions	(339)	(0,7)	-	0,0	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>	<b>7.330</b>	<b>14,9</b>	<b>5.002</b>	<b>12,0</b>	46,5%
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>	<b>(11)</b>	<b>(0,0)</b>	<b>-</b>		
<b>NET PROFIT</b>	<b>7.319</b>	<b>14,9</b>	<b>5.002</b>	<b>12,0</b>	46,3%

## Corporate Boards

### (Attachment 2 – Report on operations for the First Half of 2007)

#### Board of Directors

<i>Chairman and Managing Director</i>	Carlo Rosani
<hr/>	
<i>Vice Chairman and Managing Director</i>	Anna Maria Onofri
<i>Managing Director</i>	Giovanni Rosani
<hr/>	
<i>Director</i>	Giovanni De Vecchi
<i>Director</i>	Aldo Bottini Bongrani
<i>Independent Director</i>	Mario Comana
<i>Independent Director</i>	Paolo Lechi di Bagnolo
<i>Director</i>	Sara Rosani

#### Secretary

Giorgio Rota

#### Board of Statutory Auditors

<i>Chairman</i>	Guido Astori
<hr/>	
<i>Permanent Auditor</i>	Leone Scutti
<i>Permanent Auditor</i>	Andrea Boreatti
<hr/>	
<i>Substitute Auditor</i>	Maria Grazia Lizzini
<i>Substitute Auditor</i>	Giorgio Astori

The above list is updated at September 26, 2007.

The Board of Directors and Board of Statutory Auditor's term expires with the approval of the Financial Statements at December 31, 2008.

The Chairman and Managing Director Carlo Rosani holds by statute (article 19) powers of legal representation of the Company. The Board of Directors conferred to the Chairman all the ordinary management powers not specifically reserved to it by law. The Board of Directors conferred to Managing Director Giovanni Rosani all the ordinary management powers not specifically reserved to it by law and exclusive powers over the organization, management and monitoring of the internal control system.

In case of absence or impediment of the Chairman and of Managing Director Carlo Rosani, Vice Chairman and Managing Director Anna Maria Onofri holds all ordinary management powers not reserved to the Board by law, with the exception of the appointment of professionals. All Managing Directors must keep the Board of Directors informed of all relevant transactions concluded in the context of their mandate. The Board of Directors has approved rules that define which particularly relevant transactions may be concluded exclusively by the same.

**Cembre S.p.A.**

Registered Office: Via Serenissima 9, Brescia, Italy  
 Share Capital: Euro 8,840,000 (fully paid-up)  
 Registration no: FC 00541390175 (Commercial Register of Brescia)

**Condensed Consolidated Financial Statements at June 30, 2007**

## Consolidated Balance Sheet

	Notes	Jun. 30, 2007	Dec. 31, 2006	
<i>(euro '000)</i>				
<b>ASSETS</b>				
		<i>of which:</i>	<i>of which:</i>	
		<i>related parties</i>	<i>related parties</i>	
<b>A) NON-CURRENT ASSETS</b>				
Property, plant and equipment	1	29.750	30.528	
Intangible assets	2	364	143	
Financial assets available for sale		5	5	
Other non-current assets		90	92	
Deferred tax assets	8	2.303	1.807	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>32.512</b>	<b>32.575</b>	
<b>B) CURRENT ASSETS</b>				
Inventories	3	29.959	26.047	
Trade receivables	4	30.554	26.504	
Tax receivables		43	7	
Other receivables		264	459	
Cash and cash equivalents		3.846	3.964	
<b>TOTAL CURRENT ASSETS</b>		<b>64.666</b>	<b>56.981</b>	
<b>C) NON-CURRENT ASSETS AVAILABLE FOR SALE</b>	1	<b>1.009</b>	-	
<b>TOTAL ASSETS(A+B+C)</b>		<b>98.187</b>	<b>89.556</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>A) SHAREHOLDERS' EQUITY</b>				
Capital stock	5	8.840	8.840	
Reserves	5	46.801	41.268	
Net profit	5	7.319	9.327	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>62.960</b>	<b>59.435</b>	
<b>B) NON-CURRENT LIABILITIES</b>				
Non-current financial liabilities	6	83	71	
Employee Severance Indemnity and other personnel benefits	7	3.737	4.658	133
Provisions for risks and charges		292	288	
Deferred tax liabilities	8	4.275	4.230	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8.387</b>	<b>9.247</b>	
<b>C) CURRENT LIABILITIES</b>				
Current financial liabilities	6	6.790	2.822	
Trade payables	9	11.170	11.464	
Tax payables		2.327	1.816	
Other payables	10	6.553	4.772	
<b>TOTAL CURRENT LIABILITIES</b>		<b>26.840</b>	<b>20.874</b>	
<b>D) LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		-	-	
<b>TOTAL LIABILITIES (B+C+D)</b>		<b>35.227</b>	<b>30.121</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D)</b>		<b>98.187</b>	<b>89.556</b>	

**Cembre S.p.A.**

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**Condensed Consolidated Financial Statements at June 30, 2007****Consolidated Income Statement**

	Notes	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
<i>(euro '000)</i>		<i>of which: related parties</i>	<i>of which: related parties</i>
Revenues from sales and services provided	11	49.071	41.795
Other revenues		166	237
<b>TOTAL REVENUES</b>		<b>49.237</b>	<b>42.032</b>
Cost of goods and merchandise		(21.282)	(17.325)
Cost of services received	12	(7.079)	(5.956) (246)
Lease and rental costs		(539)	(244) (518) (241)
Personnel costs	13	(12.384)	(86) (11.310) (54)
Personnel costs from non recurring transactions	14	1.026	-
Other operating costs		(220)	(198)
Change in inventories		3.964	3.073
Increase in assets due to internal construction		289	231
Write-down of receivables		(85)	(58)
Accruals to provisions for risks and charges		(5)	(8)
<b>GROSS OPERATING PROFIT</b>		<b>12.922</b>	<b>9.963</b>
Tangible asset depreciation		(1.495)	(1.499)
Intangible asset amortization		(82)	(40)
Write-down of long-term assets		-	-
<b>OPERATING PROFIT</b>		<b>11.345</b>	<b>8.424</b>
Financial income (expense)		(27)	(9)
Foreign exchange gains (losses)		(47)	(66)
<b>PROFIT BEFORE TAXES</b>		<b>11.271</b>	<b>8.349</b>
Income taxes	15	(3.602)	(3.347)
Deferred taxes from non recurring transactions	15	(339)	-
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>7.330</b>	<b>5.002</b>
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>	16	<b>(11)</b>	<b>-</b>
<b>NET PROFIT</b>		<b>7.319</b>	<b>5.002</b>
<b>BASIC EARNINGS PER SHARE</b>	17	<b>0,43</b>	<b>0,29</b>

## Cembre S.p.A.

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 Registration no: FC 00541390175 (Commercial Register of Brescia)

## Condensed Consolidated Financial Statements at June 30, 2007

## Consolidated Statement of Cash Flows

euro '000

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	7.319	5.002
Depreciation, amortization and write-downs	1.577	1.539
(Gains)/Losses on disposal of assets	(11)	(22)
Net change in Employee Severance Indemnity	(921)	89
Net change in provisions for risks and charges	4	7
<b>Operating profit (loss) before change in working capital</b>	<b>7.968</b>	<b>6.615</b>
(Increase) Decrease in trade receivables	(4.050)	(4.406)
(Increase) Decrease in inventories	(3.912)	(2.949)
(Increase) Decrease in other receivables and deferred tax assets	(337)	(172)
Increase (Decrease) of trade payables	(294)	2.752
Increase (Decrease) of other payables and deferred tax liabilities	2.337	1.480
<b>Change in working capital</b>	<b>(6.256)</b>	<b>(3.295)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>1.712</b>	<b>3.320</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(303)	(38)
- tangible	(1.763)	(1.622)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets	48	333
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(2.018)</b>	<b>(1.327)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	2	5
Increase (Decrease) in bank loans and borrowings	3.960	(687)
Increase (Decrease) in other loans and borrowings	20	21
Increase (Decrease) in derivative instruments	-	(14)
Change in reserves	(54)	(174)
Dividends distributed	(3.740)	(2.550)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>188</b>	<b>(3.399)</b>
<b>D) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(118)</b>	<b>(1.406)</b>
<b>E) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3.964</b>	<b>6.026</b>
<b>F) CASH AND CASH EQUIVALENTS AT END OF PERIOD (D+E)</b>	<b>3.846</b>	<b>4.620</b>

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3.846</b>	<b>4.620</b>
Current financial liabilities	(6.790)	(2.460)
Non current financial liabilities	(83)	(102)
Liabilities on derivative instruments	-	(7)
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>(3.027)</b>	<b>2.051</b>
<b>INTERESTS PAID IN THE YEAR</b>	<b>(78)</b>	<b>(39)</b>

<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash	16	21
Banks	3.830	4.599
	<b>3.846</b>	<b>4.620</b>

**Cembre S.p.A.**

Registered Office: Via Serenissima 9, Brescia, Italy  
 Share Capital: Euro 8,840,000 (fully paid-up)  
 Registration no: FC 00541390175 (Commercial Register of Brescia)

**Condensed Consolidated Financial Statements at June 30, 2007**  
 Statement of Changes in the Consolidated Shareholders' Equity at June 30, 2007

(€'000)	Capital stock	Share premium reserve	Legal reserve	Suspended-tax reserves	Consolidation reserve	Conversion differences	Extraordinary reserve	Urealized gains reserve	Exchange gains reserve	Net profit	Total Shareholders' Equity
<b>Balance at December 31, 2006</b>	<b>8.840</b>	<b>12.245</b>	<b>1.768</b>	<b>68</b>	<b>5.213</b>	<b>(12)</b>	<b>18.187</b>	<b>3.799</b>	<b>-</b>	<b>9.327</b>	<b>59.435</b>
Conversion differences					27	(81)					(54)
Allocation of previous year net profit (1)					2.662		2.925			(9.327)	(3.740)
First Half 2007 Net profit										7.319	7.319
<b>Balance at June 30, 2007</b>	<b>8.840</b>	<b>12.245</b>	<b>1.768</b>	<b>68</b>	<b>7.902</b>	<b>(93)</b>	<b>21.112</b>	<b>3.799</b>	<b>-</b>	<b>7.319</b>	<b>62.960</b>

Statement of Changes in the Consolidated Shareholders' Equity at June 30, 2006

(€'000)	Capital stock	Share premium reserve	Legal reserve	Suspended-tax reserves	Consolidation reserve	Conversion differences	Extraordinary reserve	Urealized gains reserve	Exchange gains reserve	Net profit	Total Shareholders' Equity
<b>Balance at December 31, 2005</b>	<b>8.840</b>	<b>12.245</b>	<b>1.663</b>	<b>68</b>	<b>3.367</b>	<b>(9)</b>	<b>16.104</b>	<b>3.799</b>	<b>-</b>	<b>6.605</b>	<b>52.682</b>
Conversion differences					16	(190)					(174)
Allocation of previous year net profit (1)			105		1.866		2.069		15	(6.605)	(2.550)
First Half 2006 Net profit										5.002	5.002
<b>Balance at June 30, 2006</b>	<b>8.840</b>	<b>12.245</b>	<b>1.768</b>	<b>68</b>	<b>5.249</b>	<b>(199)</b>	<b>18.173</b>	<b>3.799</b>	<b>15</b>	<b>5.002</b>	<b>54.960</b>

(1) Dividends resolved by the Shareholders' Meeting are included in the Total Shareholders' Equity column under Allocation of previous year net profit.

## **Cembre S.p.A.**

Head Office: Via Serenissima 9, Brescia, Italy

Share Capital: € 8,840,000 (fully paid-up)

Brescia Commercial Register registration no.: 00541390175

# **Notes to the Consolidated Financial Statements at June 30, 2007**

## **I. CORPORATE INFORMATION**

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9.

Cembre S.p.A. and its subsidiaries (hereinafter referred to jointly as “the Cembre Group” or “the Group”) are active primarily in the manufacturing and sale of electrical connectors and related tools.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Bergamo, that does not direct or coordinate its subsidiary.

The publication of the Consolidated Financial Statements of Cembre S.p.A. for the half-year ended June 30, 2007 was authorized by a resolution of the Board of Directors dated September 26, 2007.

## **II. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES**

### **Form and content**

The present consolidated Interim Report at June 30, 2007 was prepared under IAS 34 on Interim Reports and article 81 of Consob Issuers’ Regulation no. 11971/1999.

The consolidated interim report does not include all additional information required for annual reports and should be read in conjunction with the Financial Statements at December 31, 2006.

## Accounting principles

Principles adopted in the preparation of the consolidated interim report are consistent with those adopted in the preparation of the Financial Statements at December 31, 2006. The adoption of mandatory amendments for accounting periods beginning on January 1, 2007 or later had no effect on the operating results or the financial position of the Group.

Principles adopted in the preparation of the present consolidated interim report are those formally approved by the European Union, in force at June 30, 2007.

Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

## Translation of financial statements expressed in currencies other than the euro

The functional currency of the Group is the euro.

Exchange rates applied in the translation of financial statements of subsidiaries are shown in the table below:

	Exchange rate at June 30, 2007	Average exchange rate for the 1 <sup>st</sup> Half of
British pound (€/£)	0.6740	0.6746
US dollar (\$/€)	1.3505	1.3291
Norway kroner (NOK/€)	7.9725	8.1380

## III. SEASONAL SWINGS IN ACTIVITY

The activity of the Group is not subject to cycles or seasonal swings, with the exception of the slowdown registered in August for the summer holidays and in December for the Christmas season.

## IV. INFORMATION BY SECTOR

Cembre adopted as its primary reporting focus information by geographical area based on the location in which the operations of the company are based or the production process takes place.

Information by sector of activity is not provided as the Cembre Group operates in a single sector denominated “Electric connectors and related tools”.

As required under IAS 14, sector information by geographical area, based on the location in which the operations of the company are based or the production process takes place, is provided below:

1 <sup>st</sup> Half 2007	Italy	Rest of Europe	Rest of World	Elimination of intragroup transactions	TOTAL
<b>Revenues</b>					
Sales to customers	27,326	18,956	2,789		49,071
Sales to other Group companies	12,796	742	4	(13,542)	-
Revenues by sector	<u>40,122</u>	<u>19,698</u>	<u>2,793</u>	<u>(13,542)</u>	<u>49,071</u>
Operating profit by sector	<u>8,292</u>	<u>2,546</u>	<u>507</u>		<u>11,345</u>
Overhead costs not assigned					-
Operating profit					11,345
Financial income (expense)					(74)
Income taxes					(3,941)
Gain (loss) from discontinued operations					(11)
Net profit					<u>7,319</u>

1 <sup>st</sup> Half 2006	Italy	Rest of Europe	Rest of World	Elimination of intragroup transactions	TOTAL
<b>Revenues</b>					
Sales to customers	23,353	16,540	1,902		41,795
Sales to other Group companies	10,263	483	37	(10,783)	-
Revenues by sector	<u>33,616</u>	<u>17,023</u>	<u>1,939</u>	<u>(10,783)</u>	<u>41,795</u>
Operating profit by sector	<u>6,415</u>	<u>1,753</u>	<u>256</u>		<u>8,424</u>
Overhead costs not assigned					-
Operating profit					8,424
Financial income (expense)					(75)
Income taxes					(3,347)
Net profit					<u>5,002</u>

As the breakdown of sales by geographical area is different from that of the related Group activities, a breakdown of sales by geographical area of customers is shown below:

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Italy	20,476	18,405
Europe	22,981	19,245
Rest of World	5,614	4,145
	<b>49,071</b>	<b>41,795</b>

The breakdown of assets and liabilities is shown below:

June 30, 2007	Italy	Rest of Europe	Rest of World	TOTAL
<b>Assets and Liabilities</b>				
Assets of the sector	67,505	29,469	3,564	100,538
Unassigned assets				(2,351)
Total assets				98,187
Liabilities of the sector	30,394	5,155	168	35,717
Unassigned liabilities				(490)
Total liabilities				35,227
<b>Other information by sector</b>				
Capital expenditure:				
- Property, plant and equipment	1,438	248	77	1,763
- Intangible assets	302	1	-	303
				2,066
Depreciation and amortization:				
- Property, plant and equipment	(1,165)	(308)	(22)	(1,495)
- Intangible assets	(80)	(2)	-	(82)
Accruals and provisions for employee benefits	390	4	-	394
No. of employees	375	126	11	512

June 30, 2006	Italy	Rest of Europe	Rest of World	TOTAL
<b>Assets and Liabilities</b>				
Assets of the sector	63,217	25,791	2,472	91,480
Unassigned assets				(1,925)
Total assets				89,555
Liabilities of the sector	25,531	4,306	300	30,137
Unassigned liabilities				(18)
Total liabilities				30,119
<b>Other information by sector</b>				
Capital expenditure:				
- Property, plant and equipment	4,896	668	43	5,607
- Intangible assets	81	6	-	87
				5,694

Depreciation and amortization:				
- Property, plant and equipment	2,461	593	38	3,092
- Intangible assets	90	8	-	98
Accruals and provisions for employee benefits	613	25	-	638
No. of employees	341	125	10	476

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost and revaluations	26,227	28,682	6,742	5,754	241	295	67,941
Accumulated depreciation	(4,948)	(22,433)	(5,430)	(4,488)	(114)	-	(37,413)
<b>Balance at Dec. 31, 2006</b>	<b>21,279</b>	<b>6,249</b>	<b>1,312</b>	<b>1,266</b>	<b>127</b>	<b>295</b>	<b>30,528</b>
Increases	10	925	216	453	50	404	2,058
Foreign-exchange differences	(14)	(3)	-	(4)	-	-	(21)
Depreciation	(207)	(776)	(218)	(264)	(30)	-	(1,495)
Net divestments	(1,015)	(5)	-	(5)	-	(295)	(1,320)
Reclassifications	-	-	(8)	8	-	-	-
<b>Balance at June 30, 2007</b>	<b>20,053</b>	<b>6,390</b>	<b>1,302</b>	<b>1,454</b>	<b>147</b>	<b>404</b>	<b>29,750</b>

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost and revaluations	23,836	26,609	6,331	5,726	229	254	62,985
Accumulated depreciation	(4,524)	(20,872)	(4,972)	(4,325)	(88)	-	(34,781)
<b>Balance at Dec. 31, 2005</b>	<b>19,312</b>	<b>5,737</b>	<b>1,359</b>	<b>1,401</b>	<b>141</b>	<b>254</b>	<b>28,204</b>
Increases	2,313	2,084	421	436	58	295	5,607
Foreign-exchange differences	78	9	(1)	(6)	-	-	80
Depreciation	(433)	(1,577)	(467)	(544)	(71)	-	(3,092)
Net divestments	-	(4)	-	(13)	-	(254)	(271)
Reclassifications	9	-	-	(8)	(1)	-	-
<b>Balance at Dec. 31, 2006</b>	<b>21,279</b>	<b>6,249</b>	<b>1,312</b>	<b>1,266</b>	<b>127</b>	<b>295</b>	<b>30,528</b>

Capital expenditure for the 1<sup>st</sup> Half of 2007 consists primarily of purchases made by the parent company. Among these is the acquisition for €450 thousand of a work station to enhance production, the purchase of two pieces of equipment for €250 thousand and the acquisition of dies for €140 thousand.

Divestments include prevalently the reclassification of the building located in San Giuliano among fixed assets held for disposal, for which a preliminary sale contract has already been underwritten.

Leased assets consist exclusively of motor vehicles leased by the Spanish subsidiary.

## 2. INTANGIBLE ASSETS

	Development costs	Software	Licenses	Total
Historical cost	181	2,301	-	2,482
Accumulated amortization	(76)	(2,263)	-	(2,339)
<b>Balance at Dec. 31, 2006</b>	<b>105</b>	<b>38</b>	<b>-</b>	<b>143</b>
Increases	24	179	100	303
Amortization	(21)	(61)	-	(82)
<b>Balance at June 30, 2007</b>	<b>108</b>	<b>156</b>	<b>100</b>	<b>364</b>

Increases relate to costs incurred in the implementation of the SAP administrative software currently being implemented by the parent company.

## 3. INVENTORIES

	June 30, 2007	Dec. 31, 2006	Change
Raw materials	7,940	6,377	1,563
Work in progress and semi-finished goods	7,654	6,617	1,037
Finished goods	14,365	13,053	1,312
<b>Total</b>	<b>29,959</b>	<b>26,047</b>	<b>3,912</b>

The value of finished goods inventories is adjusted through a provision for slow-moving stock amounting approximately to €1,635 thousand. Changes in the provision in the first six months of 2007 are shown in the table that follows:

	Beg. balance	Accruals	Uses	Foreign exchange difference	Ending balance
Provision for slow moving stock	1,648	45	(54)	(4)	1,635

## 4. TRADE RECEIVABLES

	June 30, 2007	Dec. 31, 2006	Change
Gross trade receivables	31,190	27,072	4,118
Provision for doubtful accounts	(636)	(568)	(68)
<b>Total</b>	<b>30,554</b>	<b>26,504</b>	<b>4,050</b>

## Trade receivables by geographical area:

	June 30, 2007	Dec. 31, 2006	Change
Italy	16,340	14,527	1,813
Europe	12,972	10,554	2,418
North America	987	709	278
Oceania	273	449	(176)
Middle East	276	277	(1)
Other	342	556	(214)
<b>Total</b>	<b>31,190</b>	<b>27,072</b>	<b>4,118</b>

As shown in the table above, the growth in sales resulted in a parallel increase in trade receivables, both in the domestic and the European markets. Average collection time remained unchanged at 115 days with respect to 2006.

## 5. SHAREHOLDERS' EQUITY

At June 30, 2007, the capital stock of the parent company amounted to €8,840 thousand, and was made up of 17 million ordinary shares of par value €0.52 each, fully underwritten and paid-up. At the same date the Company did not hold treasury shares.

A reconciliation between the Shareholders' Equity and net profit of the parent company and the Consolidated Shareholders' Equity and net profit is provided in the Report on operations.

Changes in individual components of the Consolidated Shareholders' Equity are shown in the Statement of Changes in the Consolidated Shareholders' Equity included in the Consolidated Financial Statements.

## 6. FINANCIAL LIABILITIES

	Effective interest rate (%)	Maturity	June 30, 2007	Dec. 31, 2006
Bank overdrafts of the parent	4.1	on demand	5,137	2,567
Bank overdrafts of General Marking	7.5	on demand	72	-
Bank overdrafts of Cembre Ltd (£300 thousand limit)	6 (rate+1.5 spread)	on demand	14	99
Intesa-San Paolo loan extended to parent	4.35	July 16, 2007	750	-
Intesa-San Paolo loan extended to parent	4.35	Aug. 31, 2007	750	-
General Marking loan	3.9	July 2007	-	100

Leasing Spanish subsidiary (short-term portion)	3.75-5.87	2007-2008	64	56
Deferrals			3	-
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>6,790</b>	<b>2,822</b>
Leasing Spanish subsidiary (long-term portion)	3.75-5.87	2008-2011	83	71
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>83</b>	<b>71</b>

The reconciliation between minimum future lease payments and their present value (for each year), is shown in the table that follows:

Year	Cash flow	No. of days	Current value
2007	33	184	32
2008	53	549	49
2009	40	914	35
2010	16	1,279	13
2011	5	1,644	4
<b>Total</b>	<b>147</b>		<b>133</b>

<b>Difference</b>	<b>14</b>
<b>Avg. discounting rate</b>	<b>4.53%</b>

Long-term portion of leasing commitments by maturity:

	2008	2009	2010	2011	Total
Minimum lease payments	22	40	16	5	83
Discounted amounts	20	35	13	4	72

The parent company granted guarantees against loans provided to subsidiary General Marking Srl.

## 7. EMPLOYEE SEVERANCE INDEMNITY AND OTHER RETIREMENT BENEFITS

The item includes employee termination indemnities accrued by Italian Group companies for their employees, in addition to extraordinary retirement benefits due according to French law to persons employed in France upon their retirement.

With the reform of employee termination indemnities, starting with January 1, 2007 Cembre SpA will no longer be required to accrue retirement benefits in favor of its employees in a provision, but will pay out benefits accrued after such date to the treasury of INPS, unless such benefits have been destined to

other pension funds by individual employees. Employee termination indemnities accrued at December 31, 2006 must therefore be discounted to their present value without keeping into account expected future pay increases of employees, while amounts accruing from January 1, 2007 are treated for accounting purposes as a defined benefit plan.

In application of the reform of employee termination indemnities, a valuation of employee termination indemnities accrued at June 30, 2007 was carried out on behalf of Cembre by a registered actuary, and the value of employee termination indemnities accrued at December 31, 2006 was restated. The latter calculation resulted in a €1,026 thousand reduction (curtailment) in the value of the provision, recorded in full in the income statement, as provided under paragraph 111 of IAS 19.

The table that follows shows the effect of the reform on the initial value of employee termination indemnities and on the value of the same at June 30, 2007.

(€'000)	Former treatment	New treatment	Initial effect
<b>Employee termination indemnities at December 31, 2006</b>	<b>4,658</b>	<b>3,632</b>	<b>1,026</b>
Employee termination indemnities at June 30, 2007		3,737	
<b>Change accrued in 2007</b>		<b>105</b>	
<i>of which:</i> - accruals		394	
- uses		(256)	
<b>- actuarial effect at June 30, 2007</b>		<b>(33)</b>	

## 8. DEFERRED TAX ASSETS AND LIABILITIES

	June 30, 2007	Dec. 31, 2006
<i>Deferred tax liabilities</i>		
Average cost valuation of inventories by the parent	(485)	(562)
Accelerated depreciation	(1,318)	(1,371)
Elimination of Cembre GmbH product warranty provision	(10)	(10)
Reversal of land depreciation	(32)	(32)
Revaluation of land	(2,255)	(2,255)
Discounting of employee termination indemnity	(175)	-
<b>Gross deferred tax liabilities</b>	<b>(4,275)</b>	<b>(4,230)</b>

<i>Deferred tax assets</i>		
Elimination of unrealized intra-group profits included in the value of inventories	1,396	1,143
Write-down of inventories	335	335
Goodwill amortization	60	63
Write-down of investment	3	7
Discounting of employee termination indemnity	-	166
Provision for employee accident risks	6	6
Provision for doubtful accounts	33	33
Prepaid taxes of General Marking	408	-
Other	62	54
<b>Gross deferred tax assets</b>	<b>2,303</b>	<b>1,807</b>
<b>Net deferred tax liabilities</b>	<b>(1,972)</b>	<b>(2,423)</b>

## 9. TRADE PAYABLES

	June 30, 2007	Dec. 31, 2006	Change
Payable to suppliers	11,073	11,394	(321)
Advances	97	70	27
<b>Total</b>	<b>11,170</b>	<b>11,464</b>	<b>(294)</b>

Trade payables by geographical area:

	June 30, 2007	Dec. 31, 2006	Change
Italy	7,515	8,155	(640)
Europe	3,500	3,089	411
North America	23	61	(38)
Oceania	32	80	(48)
Other	3	9	(6)
<b>Total</b>	<b>11,073</b>	<b>11,394</b>	<b>(321)</b>

## 10. OTHER PAYABLES

Other payables are made up as follows:

	June 30, 2007	Dec. 31, 2006	Change
Payables to employees	2,580	870	1,710
Employee withholding taxes payable	294	785	(491)
Bonuses owed to customers	1,262	895	367
VAT and similar foreign taxes payable	885	454	431
Commissions payable	203	233	(30)
Payable to Statutory Auditors and similar foreign boards	68	48	20
Payable to Directors	20	11	9
Social security payables	1,181	1,382	(201)
Payable on sundry taxes	27	48	(21)
Other	34	46	(12)
<b>Total</b>	<b>6,554</b>	<b>4,772</b>	<b>1,782</b>

## 11. REVENUES FROM SALES AND SERVICES PROVIDED

In the 1<sup>st</sup> Half of 2007, revenues grew by 17.4% on the same period in the previous year. Domestic sales represented 41.7% of total sales, up 11.3% on the 1<sup>st</sup> Half of 2006, while sales in the rest of Europe represented 46.8% of the total, up 19.4% on the same period in the previous year. Sales in the rest of the world grew sharply by 35.4% and represented 11.5% of total sales.

## 12. COST OF SERVICES

The item is made up as follows:

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	Change
Subcontracted work	1,979	1,500	479
Electricity, heating and water	593	566	27
Transport of goods sold	1,155	1,041	114
Fuel	121	136	(15)
Travelling expenses	350	331	19
Maintenance and repair	589	486	103
Consulting	505	318	187
Advertising and promotion	144	155	(11)
Insurance	223	208	15
Boards' compensation	485	347	138
Postage and telephone	176	181	(5)
Commissions	191	143	48
Security and cleaning	152	149	3
Other	416	395	21
<b>Total</b>	<b>7,079</b>	<b>5,956</b>	<b>1,123</b>

The increase in the cost of services is closely connected with the growth in sales, particularly in the case of subcontracted work, transport and maintenance.

The increase in consulting costs is due to work carried out in compliance with Law 262 on savings, costs for the implementation of model 231 and personnel recruitment of the German subsidiary.

Item Other includes prevalently and banking fees and costs for the canteen.

**13. PERSONNEL COSTS**

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	Change
Wages and salaries	9,282	8,585	697
Social security contributions	2,460	2,124	336
Employee termination indemnity	424	394	30
Retirement benefits	48	42	6
Other costs	176	165	11
<b>Total</b>	<b>12,390</b>	<b>11,310</b>	<b>1,080</b>

Wages and salaries include €304 thousand relating to temporary workers hired by the parent company.

The average number of employees by category is shown in the table below:

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	Change
Managers	14	15	(1)
Administrative and commercial staff	226	224	2
Workers	252	237	15
Temporary employees	20	13	7
<b>Total</b>	<b>512</b>	<b>489</b>	<b>23</b>

Employees by Group company:

	Managers	Administrative and commercial staff	Workers	Temporary employees	Total
Cembre S.p.A.	6	146	189	20	361
General Marking S.r.l.	-	5	9	-	14
Cembre Ltd	3	22	35	-	60
Cembre Sarl	1	15	4	-	20
Cembre España SL	1	21	10	-	32
Cembre AS	-	2	-	-	2
Cembre Inc.	2	7	2	-	11
Cembre GmbH	1	8	3	-	12
<b>Total</b>	<b>14</b>	<b>226</b>	<b>252</b>	<b>20</b>	<b>512</b>

**14. PERSONNEL COSTS DERIVING FROM NON RECURRING OPERATIONS**

In compliance with the reform of employee termination indemnities from January 1, 2007, the value of employee termination indemnities accrued at December 31, 2006 was restated using new actuaries. This non recurrent event resulted in a €1,026 thousand reduction (curtailment) in the value of the

provision, recorded in full in the income statement, as provided under paragraph 111 of IAS 19.

## 15. INCOME TAXES

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006	Change
Current taxes	4,449	3,313	1,136
Deferred taxes	(847)	34	(881)
Deferred taxes from non recurring transactions	339	-	339
	<b>3,941</b>	<b>3,347</b>	<b>255</b>

In view of the complexity of the calculation and the immateriality of the difference between theoretical and actual tax expense recorded in the past, taxes for some foreign subsidiaries were calculated based on the theoretical tax rate. We therefore limit our analysis to the comparison between actual tax and theoretical tax expense for the 1<sup>st</sup> Half of 2007 and the 1<sup>st</sup> Half of 2006, demanding a reconciliation to the financial statements at December 31, 2007.

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Income before taxes	11,271	8,349
Income taxes	(3,941)	(3,347)
<b>Actual tax expense</b>	<b>34.97%</b>	<b>40.09%</b>
Theoretical tax expense	37.25%	37.25%

The decline in the effective tax rate is due to the recording of deferred tax assets by subsidiary General Marking against losses accumulated in past years, amounting to €468 thousand. In past financial periods these deferred tax assets had not been recorded in the financial statements because their retrieval had been deemed not probable. The improved profitability of the subsidiary have made it necessary to include these amounts in the financial statements for the 1<sup>st</sup> Half of 2007. Net of such component, the total tax expense would have been equal to €4,409 thousand, representing a 39.12% taxrate.

The table that follows shows the value of losses accrued by Norwegian subsidiary Cembre AS that may be carried forward indefinitely but on which no deferred tax asset was recorded:

Subsidiary	Item	Tax rate	Amount	Deferred tax asset
Cembre AS	Loss carry-forwards	28%	46	13

Deferred and prepaid taxes are made up as follows:

	June 30, 2007	June 30, 2006
<i>Deferred tax liabilities</i>		
Valuation of inventories of the parent at average cost	77	(174)
Accelerated depreciation	53	101
Discounting of employee termination indemnity	(175)	-
	<b>(45)</b>	<b>(73)</b>
<i>Deferred tax assets</i>		
Elimination of unrealized intra-group gains included in the value of inventories	253	73
Amortization of goodwill	(3)	(3)
Write-down of investment	(4)	(3)
Discounting of employee termination indemnity	(166)	-
Provision for employee accident risks	-	2
Prepaid taxes of General Marking	408	-
Other	8	(26)
	<b>496</b>	<b>43</b>
Use of prepaid tax assets	60	-
Foreign exchange differences	(3)	(4)
<b>Deferred taxes for the period</b>	<b>508</b>	<b>(34)</b>

## 16. PROFIT (LOSS) FROM ASSETS HELD FOR DISPOSAL

The item includes depreciation accrued on the building located in San Giuliano, classified under Assets held for disposal from June 2007.

## 17. EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares in circulation for the period, excluding own shares.

	June 30, 2007	June 30, 2006
Consolidated net profit (€ '000)	7,319	5,002
No. of ordinary shares ('000)	17,000	17,000
<b>Earnings per share (€)</b>	<b>0.43</b>	<b>0.29</b>

## 18. RELATED PARTIES

The table that follows shows transactions between the parent company and its subsidiaries at June 30, 2007.

	Receivables	Payables	Revenues	Purchases
Cembre Ltd.	2,207	10	3,185	68
Cembre S.a.r.l.	741	8	1,461	26
Cembre España S.L.	3,220	-	3,220	-
Cembre AS	214	-	214	-
Cembre GmbH	522	-	1,551	37
Cembre Inc.	1,585	-	2,120	-
General Marking S.r.l.	81	482	96	987
<b>Total</b>	<b>8,570</b>	<b>500</b>	<b>11,847</b>	<b>1,118</b>

The parent company extended a €2 million one year loan to subsidiary General Marking (expiring on January 27, 2008) at a fixed 3% rate of interest. At June 30, 2007, interest accrued on the loan amounted to €29 thousand, payable at maturity. Cembre S.p.A. also leased an industrial building to subsidiary General Marking. Rent for the building for the 1st Half of 2007 amounts to €47 thousand.

Among assets leased to Cembre by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Milan, Padua and Bologna sales offices owned by company Tha Immobiliare SpA, with registered office in Bergamo, controlled by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, directors of Cembre SpA. Rent due for 2007 amounts to €335 thousand for the building adjacent to the Company's head office, €0 thousand for the Sesto S. Giovanni (Milan) office, €50 thousand for the Selvazzano (Padua) office, and €43 thousand for the Bologna office. Rent is in line with market conditions. It is in the Company's interest to benefit from the continuity of office space

reducing the risk of early termination of leases. At June 30, 2007, all amounts due to Tha Immobiliare had been settled.

With reference to assets and liabilities relating to subsidiaries shown above, we confirm that transactions with the same and with related parties fall within the scope of normal operating activities.

Cembre S.p.A. does not have direct relationships with its parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

#### Boards' compensation

In 1st Half of 2007, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	<i>Statutory Auditors</i>	<i>Directors</i>
Emoluments as directors and auditors of Cembre SpA	29	320
Emoluments as directors of subsidiaries	-	9
Retribution as employees	-	86
Non-monetary benefits	-	10

Non-monetary benefits relate to the use of a company car and insurance policies underwritten on their behalf.

## **19. NET FINANCIAL POSITION**

The table that follows provides a detail of the net consolidated financial position:

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
A Cash	16	18
B Bank deposits	3,830	3,946
<b>C Cash and equivalents (A+B)</b>	<b>3,846</b>	<b>3,964</b>
<b>D Financial receivables</b>	<b>-</b>	<b>-</b>
E Current bank debt	(6,726)	(2,766)
F Payables on derivatives	-	-
G Other current financial payables	(64)	(56)
<b>H Current financial debt (E+F+G)</b>	<b>(6,790)</b>	<b>(2,822)</b>
<b>I Net current financial position (C+D+H)</b>	<b>(2,944)</b>	<b>1,142</b>

J	Non-current bank debt	-	-
K	Other non-current financial debt	(83)	(71)
<b>L</b>	<b>Non-current financial debt (J+K)</b>	<b>(83)</b>	<b>(71)</b>
<b>M</b>	<b>Net financial position (I+L)</b>	<b>(3,027)</b>	<b>1,071</b>

## 20. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group does not make significant use of derivative instruments to hedge against interest risk and currency exposure. At June 30, 2007, the sole hedging contracts were:

- four currency (€) forward purchase agreements stipulated by UK subsidiary Cembre Ltd., amounting together to €900 thousand, all expired and settled.

### Interest rate risk

The parent company was extended by Banca Intesa-San Paolo two loans amounting to €750 thousand each at a fixed rate of 4.35%. Both loans were repaid at maturity, respectively on July 16 and August 31.

### Currency risk

Despite a strong international presence, the Group does not have a significant exposure to currency risk (on an operating or equity basis), as it operates mainly in the euro area, the currency in which its trade transactions are mainly denominated.

Exposure to currency risk is determined mainly by sales in US dollars, British pounds and Norway kroners. The size of these transactions is not significant in influencing the overall performance of the Group.

To hedge part of the risk deriving from purchases of supplies in euro from the parent company, UK subsidiary Cembre Ltd. entered into forward currency purchase agreements to acquire euro, as described in the table that follows.

Date of contract	Amount in euro	Forward exchange-rate (€/£)	£ amount	Expiration	Actual exchange-rate (€/£)	Forward £ amount	Effect
June 1, 2007	300,000	1.4712	203,915	July 13, 2007	1.4750	203,385	530
June 13, 2007	300,000	1.478	202,977	Aug. 10, 2007	1.4774	203,055	(78)
June 28, 2007	150,000	1.4835	101,112	July 13, 2007	1.4750	101,693	(580)
June 28, 2007	150,000	1.4814	101,256	Aug. 10, 2007	1.4774	101,528	(272)

As apparent, the hedge resulted in a £400 profit at the expiration date, equal to about €600.

### Liquidity risk

The exposure of the Group to liquidity risk is not material.

### Credit risk

Exposure to credit risk relates exclusively to trade receivables.

None of the areas in which the Group operates poses relevant credit risks.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide secured guarantees.

### Price risk

The exposure of the Group to price risk is minimal and relates exclusively to market conditions.

The book value of financial instruments is in line with their fair market value, as for the most part they have short-term maturities.

## **21. SUBSEQUENT EVENTS**

No event having significant effects on the Group's financial position or operating performance occurred after June 30, 2007.

## **22. CONSOLIDATED COMPANIES**

The consolidation area is unchanged from December 31, 2006. Companies consolidated line-by-line are:

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Company	Registered office	Share capital	Share held at June 30, 2007	Share held at Dec. 31, 2006
Cembre Ltd	Sutton Coldfield (Birmingham)	£ 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris)	€ 1,071,000	100% (*)	100% (*)
Cembre España SL	Coslada ()	€ 1,902,000	100% (*)	100% (*)
Cembre AS	Stokke (Norway)	NOK 2,400,000	100%	100%
Cembre GmbH	Munich (Germany)	€ 512,000	100% (*)	100% (*)
Cembre Inc.	Edison (New Jersey - Usa)	US \$ 1,440,000	100%**	100% (**)
General Marking S.r.l.	Brescia (Italy)	€ 99,000	100%	100%

(\*) of which 5% held through Cembre Ltd.

(\*\*) of which 29% held through Cembre Ltd.

Brescia, September 26, 2007

Signed by:

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

**CARLO ROSANI**

**Cembre S.p.A.**

Registered Office: Via Serenissima 9, Brescia, Italy  
 Share Capital: Euro 8,840,000 (fully paid-up)  
 Registration no: FC 00541390175 (Commercial Register of Brescia)

**Financial statements of the parent company at June 30, 2007****Balance Sheet**

<i>euro '000</i>	<b>Jun. 30, 2007</b>	<b>Dec. 31, 2006</b>
<b>ASSETS</b>		
<b>A) NON CURRENT ASSETS</b>		
Property, plant and equipment	21.631	22.348
Intangible assets	357	135
Investments in subsidiaries	8.058	8.115
Financial assets available for sale	5	5
Other non-current assets	10	10
Deferred tax assets	460	628
<b>TOTAL NON-CURRENT ASSETS</b>	<b>30.521</b>	<b>31.241</b>
<b>B) CURRENT ASSETS</b>		
Inventories	22.041	19.148
Trade receivables	18.483	16.823
Trade receivables from subsidiaries	8.570	6.077
Financial receivables from subsidiaries	2.492	2.046
Other assets	225	407
Cash and cash equivalents	387	1.200
<b>TOTAL CURRENT ASSETS</b>	<b>52.198</b>	<b>45.701</b>
<b>C) NON-CURRENT ASSETS AVAILABLE FOR SALE</b>	<b>1.009</b>	<b>-</b>
<b>TOTAL ASSETS(A+B+C)</b>	<b>83.728</b>	<b>76.942</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>A) SHAREHOLDERS' EQUITY</b>		
Capital stock	8.840	8.840
Reserves	38.993	36.068
Net profit	5.569	6.665
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>53.402</b>	<b>51.573</b>
<b>B) NON-CURRENT LIABILITIES</b>		
Employee Severance Indemnity and other personnel benefits	3.582	4.512
Provisions for risks and charges	292	288
Deferred tax liabilities	4.113	4.059
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7.987</b>	<b>8.859</b>
<b>C) CURRENT LIABILITIES</b>		
Current financial liabilities	6.641	2.567
Trade payables	9.596	9.669
Trade payables to subsidiaries	500	423
Tax payables	1.338	987
Other Payables	4.264	2.864
<b>TOTAL CURRENT LIABILITIES</b>	<b>22.339</b>	<b>16.510</b>
<b>D) LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES (B+C+D)</b>	<b>30.326</b>	<b>25.369</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D)</b>	<b>83.728</b>	<b>76.942</b>

**Cembre S.p.A.**

Registered Office: Via Serenissima 9, Brescia, Italy  
 Share Capital: Euro 8,840,000 (fully paid-up)  
 Registration no: FC 00541390175 (Commercial Register of Brescia)

**Financial statements of the parent company at June 30, 2007****Income Statement**

<i>euro '000</i>	<b>1<sup>st</sup> Half 2007</b>	<b>1<sup>st</sup> Half 2006</b>
Revenues from sales and services provided	38.888	32.646
Other revenues	132	145
<b>TOTAL REVENUES</b>	<b>39.020</b>	<b>32.791</b>
Cost of goods and merchandise	(19.018)	(15.513)
Cost of services received	(5.105)	(4.195)
Lease and rental costs	(383)	(368)
Personnel costs	(8.673)	(7.818)
Personnel costs from non recurring transactions ( <i>Note 1</i> )	1.026	-
Other operating costs	(94)	(81)
Change in inventories	2.893	2.627
Increase in assets due to internal construction	289	231
Write-down of receivables	(69)	(57)
Accruals to provisions for risks and charges	(5)	(8)
<b>GROSS OPERATING PROFIT</b>	<b>9.881</b>	<b>7.609</b>
Tangible asset depreciation	(1.048)	(1.074)
Intangible asset amortization	(80)	(36)
<b>OPERATING PROFIT</b>	<b>8.753</b>	<b>6.499</b>
Financial income (expense)	454	34
Foreign exchange gains (losses)	(42)	(52)
<b>PROFIT BEFORE TAXES</b>	<b>9.165</b>	<b>6.481</b>
Income taxes	(3.246)	(2.737)
Deferred taxes from non recurring transactions ( <i>Note 1</i> )	(339)	-
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>	<b>5.580</b>	<b>3.744</b>
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>	<b>(11)</b>	<b>-</b>
<b>NET PROFIT</b>	<b>5.569</b>	<b>3.744</b>

*Note 1: Amounts resulting from the application of new norms regarding employee termination indemnities illustrated in notes 7 and 14*

**Cembre S.p.A.**

Registered Office: Via Serenissima 9, Brescia, Italy  
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**Financial statements of the parent company at June 30, 2007****Statement of Cash Flows**

(euro '000)

	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	5.569	3.743
Depreciation, amortization and write-downs	1.129	1.110
(Gains)/Losses on disposal of assets	(1)	(1)
Net change in Employee Severance Indemnity	(930)	97
Net change in provisions for risks and charges	4	7
<b>Operating profit (loss) before change in working capital</b>	<b>5.771</b>	<b>4.956</b>
(Increase) Decrease in trade receivables	(4.153)	(2.785)
(Increase) Decrease in inventories	(2.893)	(2.627)
(Increase) Decrease in other receivables and deferred tax assets	350	(106)
Increase (Decrease) of trade payables	4	2.710
Increase (Decrease) of other payables and deferred tax liabilities	1.805	1.048
<b>Change in working capital</b>	<b>(4.887)</b>	<b>(1.760)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>884</b>	<b>3.196</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(302)	(36)
- tangible	(1.352)	(1.335)
Proceeds from disposal of tangible, intangible, financial assets	69	255
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(1.585)</b>	<b>(1.116)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease of financial receivables	(446)	(2.000)
Increase (Decrease) in bank loans and borrowings	4.074	1.804
Increase (Decrease) in derivative instruments	-	(15)
Dividends distributed	(3.740)	(2.550)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(112)</b>	<b>(2.761)</b>
<b>D) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(813)</b>	<b>(681)</b>
<b>E) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1.200</b>	<b>3.110</b>
<b>F) CASH AND CASH EQUIVALENTS AT END OF PERIOD (D+E)</b>	<b>387</b>	<b>2.429</b>

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>387</b>	<b>2.429</b>
Financial receivables from subsidiaries	2.492	2.000
Current financial liabilities	(6.641)	(2.095)
Liabilities on derivative instruments	-	(7)
<b>NET FINANCIAL POSITION</b>	<b>(3.762)</b>	<b>2.327</b>
<b>INTEREST PAID IN THE PERIOD</b>	<b>(66)</b>	<b>(14)</b>

<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash	4	11
Banks	383	2.418
	<b>387</b>	<b>2.429</b>

**Auditors' review report on the review of the Management Report for the six months period ended June 30, 2007 prepared in accordance with Article 81 of the Consob Regulation, adopted by the resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations**

(Translation from the original Italian text)

To the Shareholders of  
Cembre S.p.A.

1. We have reviewed the interim consolidated financial statements, consisting of the balance sheet, the statement of income, the statement of changes in shareholders' equity and the statement of cash flows (the "Statements") and the related explanatory notes, included in the Management Report of Cembre S.p.A. as of and for the six months ended June 30, 2007 (the "Six Months Management Report"). The Six Months Management Report is the responsibility of Cembre S.p.A.'s management. Our responsibility is to issue this review report based on our review. We have also examined that part of the information included in the management's discussion and analysis of operations, solely for the purpose of evaluating its consistency with the remaining part of the Six Months Management Report.
2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. The review consisted mainly of obtaining information with respect to the accounts included in the Statements and the consistency of the accounting principles applied, through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities, and the scope of the work performed provides significant less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Six Months Management Report as we do in connection with reporting on our full scope audit of the annual consolidated financial statements of Cembre S.p.A..
3. With respect to the comparative data related to the consolidated financial statements of the preceding year and to the Management Report for the same period of the preceding year presented in the Statements, reference should be made to our audit and review reports issued on March 30, 2007 and on September 28, 2006, respectively.

4. Based on our review, we are not aware of any significant modifications that should be made to the Statements and the related explanatory notes, identified in paragraph 1. of this report, in order for them to be in conformity with International Accounting Standard no. 34 and with the criteria for the preparation of the Six Months Management Report required by Article 81 of Consob Regulation as adopted in its Resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations.

Brescia, September 28, 2007

Reconta Ernst & Young S.p.A.  
Signed by: Egidio Tempini, Partner

**Sede:**

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www.cembre.com  
E-mail: Info@cembre.com



**C e m b r e**

**C.P. 392 - 25100 Brescia (Italia)**

**DECLARATION**

pursuant to art 154-bis Paragraph 2, Part IV, Title III, Heading II, Section V-bis, of Legislative Decree 58 dated Feb. 24, 1998 "Consolidated Law on financial intermediation regulations"

Re: 2007 First Half Report

The undersigned,

Claudio Bornati, Manager responsible for preparing the Cembre S.p.A. financial reports

**DECLARES**

pursuant to Paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the 2007 First Half Report corresponds to the document results, books and accounting records.

Brescia, September 26, 2007

Signed by: Claudio Bornati  
Manager in charge of drafting  
the accounts of Cembre S.p.A.