

# Cembre SpA

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

## Consolidated financial statements at December 31, 2005

### Consolidated income statement

<i>(euro '000)</i>	1/1 - 31/12 2005	1/1 - 31/12 2004	4 <sup>th</sup> Quarter 1/10 - 31/12 2005	4 <sup>th</sup> Quarter 1/10 - 31/12 2004
Revenues from sales and services provided	69.997	65.149	18.782	16.426
Other revenues	105	208	58	146
<b>TOTAL REVENUES</b>	<b>70.102</b>	<b>65.357</b>	<b>18.840</b>	<b>16.572</b>
Cost of goods and merchandise	(22.599)	(21.102)	(5.944)	(4.917)
Cost of services received	(10.395)	(10.414)	(2.707)	(2.596)
Lease and rental costs	(1.014)	(963)	(257)	(249)
Personnel costs	(20.579)	(20.208)	(4.835)	(4.527)
Other operating costs	(470)	(320)	(136)	(107)
Change in inventories	(605)	(349)	(820)	(353)
Increase in assets due to internal construction	508	345	76	54
Write-down of receivables	(209)	(141)	(130)	(62)
Accruals to provisions for risks and charges	(21)	(18)	(11)	(13)
<b>GROSS OPERATING PROFIT</b>	<b>14.718</b>	<b>12.187</b>	<b>4.076</b>	<b>3.802</b>
Tangible asset depreciation	(3.364)	(3.869)	(840)	(972)
Intangible asset amortization	(104)	(257)	(25)	(76)
Write-down of long-term assets	(227)	(405)	0	(405)
<b>OPERATING PROFIT</b>	<b>11.023</b>	<b>7.656</b>	<b>3.211</b>	<b>2.349</b>
Financial income (expense)	(142)	(297)	(20)	(111)
Foreign exchange gains (losses)	311	(96)	10	(200)
<b>PROFIT BEFORE TAXES</b>	<b>11.192</b>	<b>7.263</b>	<b>3.201</b>	<b>2.038</b>

### Consolidated net financial position at December 31, 2005

<i>(euro '000)</i>	31/12/2005	30/09/2005	31/12/2004
Cash and cash equivalents	6.026	7.209	6.507
Non-current financial liabilities	(89)	(65)	(282)
Current financial liabilities	(3.139)	(5.276)	(8.320)
Liabilities on derivative instruments	(21)	(34)	(30)
<b>NET FINANCIAL POSITION</b>	<b>2.777</b>	<b>1.834</b>	<b>(2.125)</b>

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

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### **Notes to the consolidated accounts for the 4<sup>th</sup> Quarter of 2005**

#### **Accounting principles, form and content of the Financial Statements, estimates**

Principles of consolidation and valuation criteria adopted in the present Report for the 4<sup>th</sup> Quarter of 2005 are consistent with international accounting principles (IAS/IFRS). The present Quarterly Report was prepared in accordance with Regulations for the implementation of Legislative Decree no. 58 dated February 24, 1998 concerning rules for listed companies, adopted by Consob.

The Consolidated Financial Statements are based on the Statutory Accounts of Cembre SpA (parent company) at December 31, 2005, and those of the following companies at the same date:

	Share owned by the Group at December 31, 2005	Share owned by the Group at December 31, 2004
1. Cembre Ltd (UK)	100%	100%
2. Cembre Sarl *(France)	100%	100%
3. Cembre España SL *(Spain)	100%	100%
4. Cembre AS (Norway)	100%	100%
5. Cembre GmbH *(Germany)	100%	100%
6. Cembre Inc. **(USA)	100%	100%

7. General Marking Srl	100%	100%
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\* 5% share held through Cembre Ltd

\*\* 29% share held through Cembre Ltd

The parent company has control of the above companies pursuant to Article 2359 of the Italian Civil Code.

Criteria used in the preparation of the financial statements were applied consistently within the Group. Where necessary, financial data was adjusted and reclassified. In compliance with IFRS 1, in the financial statements costs were classified by nature.

The scope of the consolidation is unchanged from December 31, 2004.

The present Quarterly Report was prepared in accordance with the “period separation criteria”, based on which the period considered is treated as an independent financial period. The income statement for the quarter thus reflects the income components relating to the period based on the accrual method.

The present Quarterly Report does not contain data estimated with criteria different from those adopted in the Consolidated Financial Statements for the full year.

The reconciliation of figures at December 31, 2004 is reported in the Interim Report at June 30, 2005 to which we refer.

#### **Notes to the accounts**

The net financial position improves sharply from a net indebtedness of €2.1 million at December 31, 2004, to positive €2.8 million at December 31, 2005 due to the good operating performance that allowed to reduce the Group’s exposure with banks, in addition to the reduction in capital expenditure on

property, plant and equipment that declined from €3.1 million in 2004 to €1.9 million in 2005.

Net cash generated by operations in 2005 amounts to €169 thousand, as compared with negative €93 thousand in 2004. The improvement is due prevalently to favourable currency performance and the decline in the interest expense connected with the reduction in the average bank debt.

### **Sales by geographical area**

(€'000)	<b>2005</b>	<b>2004</b>
Italy	31,239	31,179
Rest of Europe	32,486	28,438
Rest of the World	6,272	5,532
Total	<u>69,997</u>	<u>65,149</u>

### **Outlook**

Figures for the Financial Statements at December 31, 2005 are not expected to diverge significantly from those published in the present Quarterly Report. The Company's activity is not characterised by cyclical or seasonal factors, with the exception of the slowdown registered in August due to the closing of production facilities for the summer holidays and in December for the Christmas season.

Brescia, February 14, 2006

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

CARLO ROSANI

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

Head Office: Via Serenissima 9, Brescia, Italy  
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### **Management Report**

#### **on the consolidated accounts for the 4<sup>th</sup> Quarter of 2005**

In the 4<sup>th</sup> Quarter of 2005 revenues grew by 14.3% to €18,782 thousand, up from €16,426 thousand in the 4<sup>th</sup> Quarter of 2004. For the full year, revenues grew by 7.4% to €69,997 thousand, up from €65,149 thousand in 2004.

In 2005 sales grew by 5.1% on the previous year, from €48,723 thousand to €51,215. Of these, 44.6% of Group sales were represented by Italy (as compared with 47.9% in 2004), 46.4% by the rest of Europe (43.7% in 2004), and the remaining 9.0% by the rest of the World (8.4% in 2004). In the year, domestic sales grew by 0.2% on 2004, while exports climbed 14.1%. In the 4<sup>th</sup> Quarter of 2005 domestic sales grew on the same period in 2004 by 14.0%, while exports grew by 14.7%.

#### **Net revenues by Group company**

<i>(€ '000)</i>	<b>2005</b>	<b>2004</b>
Parent company	38,943	38,371
Cembre Ltd. (UK)	10,867	9,722
Cembre S.a.r.l. (France)	5,245	4,409
Cembre España S.L. (Spain)	7,853	6,479
Cembre GmbH (Germany)	3,409	3,229
Cembre AS (Norway)	454	364
Cembre Inc. (USA)	2,846	2,169
General Marking Srl (Italy)	380	406
Total	69,997	65,149

Sales of subsidiary General Marking reported in the table above include only sales to third parties managed directly by the same. The decline relates to a number of products deemed not strategic. Sales made by General Marking to

other Group companies for resale are not attributed to General Marking in the table above. Sales to other Group companies grew by 23% from €742 thousand in 2004, to €914 thousand in 2005.

To provide a better understanding of the Group's financial performance for the full year and the 4<sup>th</sup> Quarter of 2005, a Reclassified Consolidated Income Statement for both periods is enclosed.

Gross operating profit for 2005 was equal to €4,718 thousand, corresponding to a 21% margin on sales, up 20.8% on €2,187 thousand in 2004 (18.7% of sales). Gross operating profit for the 4<sup>th</sup> Quarter of 2005 grew to €4,076 thousand, corresponding to a 21.7% margin on sales, up 7.2% on €3,802 thousand reported in the 4<sup>th</sup> Quarter of 2004 (23.1% of sales). Such positive result is due to the increase in sales, the containment of costs and efficiency gains pursued by the Group in 2005.

Operating profit for 2005 amounted to €1,023 thousand, representing a 15.7% margin on sales, up 44% from €7,656 thousand in 2004 (a 11.8% margin on sales) due to the lower weight of depreciation and amortization charges. The operating profit improved also in the 4<sup>th</sup> Quarter from €2,349 thousand in the 4<sup>th</sup> Quarter of 2004 (a 14.3% margin on sales), to €3,211 thousand in the 4<sup>th</sup> Quarter of 2005 (a 17.1% margin on sales).

Consolidated profit before taxes for 2005 amounted to €1,192 thousand, representing a 16% margin on sales, up 54.1% on €7,263 thousand in 2004, when it represented an 11.1% margin on sales. Consolidated profit before taxes for the 4<sup>th</sup> Quarter of 2005 was equal to €3,201 thousand, representing a 17% margin on sales, up 57.1% on €2,038 thousand in the 4<sup>th</sup> Quarter of 2004.

The increase is partly due to the lower interest expense resulting from the improvement in the net financial position from an indebtedness of €2.1 million at December 31, 2004, to positive €2.8 million at December 31, 2005, in addition to higher foreign exchange gains.

**Events subsequent to December 31, 2005**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after December 31, 2005.

Brescia, February 14, 2006

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

CARLO ROSANI

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## Attachment A to the Report on Operations for the 4th Quarter of 2005

### Consolidated Income Statement

(€'000)	1/1 - 12/31 2005		1/1 - 12/31 2004		change	4th quarter 10/1 - 12/31 2005		4th quarter 10/1 - 12/31 2004		change
		%		%			%		%	
Revenues from sales and services provided	69.997	100	65.149	100	7,4%	18.782	100	16.426	100	14,3%
Other revenues	105		208			58		146		
<b>TOTAL REVENUES</b>	<b>70.102</b>		<b>65.357</b>			<b>18.840</b>		<b>16.572</b>		
Cost of goods and merchandise	(22.599)	(32,3)	(21.102)	(32,4)	7,1%	(5.944)	(31,6)	(4.917)	(29,9)	20,9%
Cost of services received	(10.395)	(14,9)	(10.414)	(16,0)	-0,2%	(2.707)	(14,4)	(2.596)	(15,8)	4,3%
Lease and rental costs	(1.014)	(1,4)	(963)	(1,5)	5,3%	(257)	(1,4)	(249)	(1,5)	3,2%
Personnel costs	(20.579)	(29,4)	(20.208)	(31,0)	1,8%	(4.835)	(25,7)	(4.527)	(27,6)	6,8%
Other operating costs	(470)	(0,7)	(320)	(0,5)	46,9%	(136)	(0,7)	(107)	(0,7)	27,1%
Change in inventories	(605)	(0,9)	(349)	(0,5)		(820)	(4,4)	(353)	(2,1)	132,3%
Increase in assets due to internal construction	508	0,7	345	0,5	47,2%	76	0,4	54	0,3	40,7%
Write-down of current assets	(209)	(0,3)	(141)	(0,2)	48,2%	(130)	(0,7)	(62)	(0,4)	109,7%
Accruals to provisions for risks and charges	(21)	(0,0)	(18)	(0,0)	16,7%	(11)	(0,1)	(13)	(0,1)	-15,4%
					0,0					
<b>GROSS OPERATING PROFIT</b>	<b>14.718</b>	<b>21,0</b>	<b>12.187</b>	<b>18,7</b>	<b>20,8%</b>	<b>4.076</b>	<b>21,7</b>	<b>3.802</b>	<b>23,1</b>	<b>7,2%</b>
Tangible assets depreciation	(3.364)	(4,8)	(3.869)	(5,9)	-13,1%	(840)	(4,5)	(972)	(5,9)	-13,6%
Intangible assets amortization	(104)	(0,1)	(257)	(0,4)	-59,5%	(25)	(0,1)	(76)	(0,5)	-67,1%
Write-down of long-term assets	(227)	(0,3)	(405)	(0,6)		0	0,0	(405)	(2,5)	
<b>OPERATING PROFIT</b>	<b>11.023</b>	<b>15,7</b>	<b>7.656</b>	<b>11,8</b>	<b>44,0%</b>	<b>3.211</b>	<b>17,1</b>	<b>2.349</b>	<b>14,3</b>	<b>36,7%</b>
Financial income (expense)	(142)	(0,2)	(297)	(0,5)	-52,2%	(20)	(0,1)	(111)	(0,7)	-82,0%
Foreign exchange gains (losses)	311	0,4	(96)	(0,1)		10	0,1	(200)	(1,2)	
<b>PROFIT BEFORE TAXES</b>	<b>11.192</b>	<b>16,0</b>	<b>7.263</b>	<b>11,1</b>	<b>54,1%</b>	<b>3.201</b>	<b>17,0</b>	<b>2.038</b>	<b>12,4</b>	<b>57,1%</b>