

# 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)

## Report on the Operations of the Second Quarter 2006

### Consolidated Financial Statements at June 30, 2006

#### Consolidated Income Statement

<i>(euro '000)</i>	01/01 - 06/30 2006	01/01 - 06/30 2005	01/01 - 12/31 2005	II Quarter 04/01 - 06/30 2006	II Quarter 04/01 - 06/30 2005
Revenues from sales and services provided	41.925	34.982	69.997	21.995	19.178
Other revenues	107	12	105	61	3
<b>TOTAL REVENUES</b>	<b>42.032</b>	<b>34.994</b>	<b>70.102</b>	<b>22.056</b>	<b>19.181</b>
Cost of goods and merchandise	(17.325)	(11.329)	(22.599)	(9.474)	(6.039)
Cost of services received	(6.088)	(5.330)	(10.395)	(3.077)	(2.839)
Lease and rental costs	(518)	(567)	(1.014)	(261)	(286)
Personnel costs	(11.178)	(10.598)	(20.579)	(5.610)	(5.544)
Other operating costs	(198)	(166)	(470)	(99)	(81)
Change in inventories	3.073	401	(605)	1.993	(184)
Increase in assets due to internal construction	231	294	508	103	178
Write-down of receivables	(58)	(55)	(209)	18	(32)
Accruals to provisions for risks and charges	(8)	(7)	(21)	(4)	(3)
<b>GROSS OPERATING PROFIT</b>	<b>9.963</b>	<b>7.637</b>	<b>14.718</b>	<b>5.645</b>	<b>4.351</b>
Tangible asset depreciation	(1.499)	(1.662)	(3.364)	(767)	(837)
Intangible asset amortization	(40)	(47)	(104)	(24)	(3)
Write-down of long-term assets	0	(227)	(227)	0	(227)
<b>OPERATING PROFIT</b>	<b>8.424</b>	<b>5.701</b>	<b>11.023</b>	<b>4.854</b>	<b>3.284</b>
Financial income (expense)	(9)	(93)	(142)	(14)	(52)
Foreign exchange gains (losses)	(66)	318	311	(22)	155
<b>PROFIT BEFORE TAXES</b>	<b>8.349</b>	<b>5.926</b>	<b>11.192</b>	<b>4.818</b>	<b>3.387</b>

#### Consolidated net financial position at June 30, 2006

<i>(euro '000)</i>	06/30/2006	03/31/2006	12/31/2005
Cash and cash equivalents	4.620	5.040	6.026
Non-current financial liabilities	(102)	(118)	(89)
Current financial liabilities	(2.460)	(1.049)	(3.139)
Liabilities on derivative instruments	(7)	(13)	(21)
<b>NET FINANCIAL POSITION</b>	<b>2.051</b>	<b>3.860</b>	<b>2.777</b>

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

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## **Notes to the consolidated accounts for the 2<sup>nd</sup> Quarter of 2006**

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

Principles of consolidation and valuation criteria adopted in the present Report for the 2<sup>nd</sup> Quarter of 2006 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 June 30, 2006, and those of the following companies at the same date:

	Share owned by the Group at June 30, 2006	Share owned by the Group at June 30, 2005
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%

\* 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 June 30, 2005 and December 31, 2005.

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.

Year-end bonuses recognized to customers were estimated based on sales and their expected performance.

### **Notes to the accounts**

The increase of costs for raw materials and goods is influenced by, either the growth of sales, or the worldwide rise in prices of raw materials.

The net financial position is effected by the payment of dividends 2005 at the end of May (€2.55 million) and the tax advances paid by the parent company (€1.8 million), so it declines from €2.8 million at December 31, 2005 to €2.1 million at the end of June 2006. The net result of financial operations in the first six months of 2006 is negative and amounts to €75 thousand, including

negative exchange differences amounting to €6 thousand, while in the same period of 2005, the net financial result was positive and amounted to €25 thousand, including positive exchange differences amounting to €18 thousand.

### **Sales by geographical area**

(€'000)	First six months 2006	First six months 2005
Italy	18,416	15,300
Rest of Europe	19,322	16,600
Rest of the World	4,187	3,082
Total	<u>41,925</u>	<u>34,982</u>

### **Outlook**

In 2006, turnover is expected to grow over the previous year, while profit levels are expected to remain good.

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, August 04, 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 2<sup>nd</sup> Quarter of 2006

In the 2<sup>nd</sup> Quarter of 2006, revenues amounted to €21,995 thousand, up 14.7% on €19,178 in the 2<sup>nd</sup> Quarter of 2005. Sales for the first six months of 2006 grew by 19.8% on the same period in 2005, from €34,982 thousand to €41,925.

In the first six months of 2006, 43.9% of Group sales were represented by Italy (as compared with 43.7% in the first six months of 2005), 46.1% by the rest of Europe (47.5% in the first six months of 2005), and the remaining 10% by the rest of the World (8.8% in the first six months of 2005). In the 2<sup>nd</sup> Quarter of 2006 domestic sales declined by 15.4% on the same period in 2005, while exports grew by 14.2%.

#### Net revenues by Group company

(€ '000)	First six months 2006	First six months 2005
Parent company	23,192	19,494
Cembre Ltd. (UK)	6,466	5,624
Cembre S.a.r.l. (France)	2,694	2,706
Cembre España S.L. (Spain)	5,262	4,109
Cembre GmbH (Germany)	1,920	1,446
Cembre AS (Norway)	275	153
Cembre Inc. (USA)	1,944	1,263
General Marking Srl (Italy)	172	187
Total	41,925	34,982

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 55.4% from €484 thousand in the first six months of 2005, to €753 thousand in the same period in 2006.

To provide a better understanding of the Group's financial performance for the first six months and the 2<sup>nd</sup> Quarter of 2005, a Reclassified Consolidated Income Statement is enclosed as Attachment A.

Gross operating profit for the first six months of 2006 is equal to €9,963 thousand, corresponding to a 23.8% margin on sales, up 30.5% on €7,637 thousand reported in the first six months of 2005 (21.8% of sales). Gross operating profit for the 2<sup>nd</sup> Quarter of 2006 is equal to €5,645 thousand, corresponding to a 25.7% margin on sales, up 29.7% on €4,351 thousand reported in the 2<sup>nd</sup> Quarter of 2005 (22.7% of sales).

Operating profit for the first six months of 2006 amounts to €8,424 thousand, representing a 20.1% margin on sales, up from €5,701 in the first six months of 2005 (a 16.3% margin on sales) due to the lower weight of depreciation and amortization charges. The operating profit improved also in the 2<sup>nd</sup> Quarter from €3,284 thousand in 2005 (a 17.1% margin on sales), to €4,854 in the 2<sup>nd</sup> Quarter of 2006 (a 47.8% margin on sales).

Consolidated profit before taxes in the first six months of 2006 is equal to €8,349 thousand, representing a 19.9% margin on sales, up 40.9% on €5,926 thousand in the first six months of 2005, when it represented a 16.9% margin on sales. Consolidated profit before taxes for the 2<sup>nd</sup> Quarter of 2006 amounts to €4,818 thousand, corresponding to a 21.9% margin on sales, up 42.2% on €3,387 thousand in the 2<sup>nd</sup> Quarter of 2005.

The net financial position declines from a positive amount of €2.8 million at the end of December 2005, to a positive amount of €2.1 million at the end of June 2006, it is effected by the payment of dividends, amounting to €2,550 thousand, made at the end of May.

**Events subsequent to June 30, 2006**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after June 30, 2005.

Brescia, August 04, 2006

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

CARLO ROSANI

## Cembre SpA

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### Attachment A to the Report on Operations for the 2nd Quarter of 2006

#### Consolidated Income Statement

(€ '000)	1/1 - 06/30 2006	%	1/1 - 06/30 2005	%	change	2nd Qtr. 2006	%	2nd Qtr. 2005	%	change
Revenues from sales and services provided	41.925	100,0%	34.982	100	19,8%	21.995	100,0%	19.178	100,0%	14,7%
Other revenues	107		12			61		3		
<b>TOTAL REVENUES</b>	<b>42.032</b>		<b>34.994</b>			<b>22.056</b>		<b>19.181</b>		15,0%
Cost of goods and merchandise	(17.325)	-41,3%	(11.329)	-32,4%	52,9%	(9.474)	-43,1%	(6.039)	-31,5%	56,9%
Cost of services received	(6.088)	-14,5%	(5.330)	-15,2%	14,2%	(3.077)	-14,0%	(2.839)	-14,8%	8,4%
Lease and rental costs	(518)	-1,2%	(567)	-1,6%	-8,6%	(261)	-1,2%	(286)	-1,5%	-8,7%
Personnel costs	(11.178)	-26,7%	(10.598)	-30,3%	5,5%	(5.610)	-25,5%	(5.544)	-28,9%	1,2%
Other operating costs	(198)	-0,5%	(166)	-0,5%	19,3%	(99)	-0,5%	(81)	-0,4%	22,2%
Change in inventories	3.073	7,3%	401	1,1%		1.993	9,1%	(184)	-1,0%	
Increase in assets due to internal construction	231	0,6%	294	0,8%	-21,4%	103	0,5%	178	0,9%	-42,1%
Write-down of current assets	(58)	-0,1%	(55)	-0,2%	5,5%	18	0,1%	(32)	-0,2%	-156,3%
Accruals to provisions for risks and charges	(8)	0,0%	(7)	0,0%	14,3%	(4)	0,0%	(3)	0,0%	33,3%
<b>GROSS OPERATING PROFIT</b>	<b>9.963</b>	23,8%	<b>7.637</b>	21,8%	30,5%	<b>5.645</b>	25,7%	<b>4.351</b>	22,7%	29,7%
Tangible assets depreciation	(1.499)	-3,6%	(1.662)	-4,8%	-9,8%	(767)	-3,5%	(837)	-4,4%	-8,4%
Intangible assets amortization	(40)	-0,1%	(47)	-0,1%	-14,9%	(24)	-0,1%	(3)	0,0%	
Write-down of long-term assets	0	0,0%	(227)	-0,6%		0	0,0%	(227)	-1,2%	
<b>OPERATING PROFIT</b>	<b>8.424</b>	20,1%	<b>5.701</b>	16,3%	47,8%	<b>4.854</b>	22,1%	<b>3.284</b>	17,1%	47,8%
Financial income (expense)	(9)	0,0%	(93)	-0,3%	-90,3%	(14)	-0,1%	(52)	-0,3%	-73,1%
Foreign exchange gains (losses)	(66)	-0,2%	318	0,9%	-120,8%	(22)	-0,1%	155	0,8%	-114,2%
<b>PROFIT BEFORE TAXES</b>	<b>8.349</b>	19,9%	<b>5.926</b>	16,9%	40,9%	<b>4.818</b>	21,9%	<b>3.387</b>	17,7%	42,2%