

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 Third Quarter 2006

Consolidated Financial Statements at September 30, 2006

Consolidated Income Statement

<i>(euro '000)</i>	01/01 - 09/30 2006	01/01 - 09/30 2005	01/01 - 12/31 2005	III Quarter 07/01 - 09/30 2006	III Quarter 07/01 - 09/30 2005
Revenues from sales and services provided	61.781	51.215	69.997	19.856	16.233
Other revenues	110	47	105	3	35
TOTAL REVENUES	61.891	51.262	70.102	19.859	16.268
Cost of goods and merchandise	(25.615)	(16.655)	(22.599)	(8.290)	(5.326)
Cost of services received	(9.026)	(7.688)	(10.395)	(2.938)	(2.358)
Lease and rental costs	(777)	(756)	(1.014)	(259)	(189)
Personnel costs	(16.665)	(15.744)	(20.579)	(5.487)	(5.146)
Other operating costs	(320)	(335)	(470)	(122)	(169)
Change in inventories	4.187	216	(605)	1.114	(185)
Increase in assets due to internal construction	399	431	508	168	137
Write-down of receivables	(87)	(80)	(209)	(29)	(25)
Accruals to provisions for risks and charges	(6)	(10)	(21)	2	(3)
GROSS OPERATING PROFIT	13.981	10.641	14.718	4.018	3.004
Tangible asset depreciation	(2.264)	(2.523)	(3.364)	(765)	(861)
Intangible asset amortization	(71)	(79)	(104)	(31)	(32)
Write-down of long-term assets	0	(227)	(227)	0	0
OPERATING PROFIT	11.646	7.812	11.023	3.222	2.111
Financial income (expense)	(8)	(122)	(142)	1	(29)
Foreign exchange gains (losses)	(56)	301	311	10	(17)
PROFIT BEFORE TAXES	11.582	7.991	11.192	3.233	2.065

Consolidated net financial position at September 30, 2006

<i>(euro '000)</i>	09/30/2006	06/30/2006	12/31/2005
Cash and cash equivalents	7.134	4.620	6.026
Non-current financial liabilities	(88)	(102)	(89)
Current financial liabilities	(1.545)	(2.460)	(3.139)
Liabilities on derivative instruments	0	(7)	(21)
NET FINANCIAL POSITION	5.501	2.051	2.777

Cembre S.p.A.

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Notes to the consolidated accounts for the 3rd Quarter of 2006

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

Principles of consolidation and valuation criteria adopted in the present Consolidated Report for the 3rd Quarter of 2006 are consistent with international accounting principles (IAS/IFRS). The present Consolidated 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 September 30, 2006, and those of the following companies at the same date:

	<i>Share held by the Group at September 30, 2006</i>	<i>Share held by the Group at September 30, 2005</i>
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 September 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 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 in the cost of raw materials and goods resulted from higher sales and the increase in raw material prices. The cost of services, and in particular operating costs (subcontracted manufacturing work, utilities and transport costs) were similarly affected.

The net financial position improved sharply from €2.8 million at December 31, 2005 to €5.5 million at the end of September 2006 due to the good operating

performance. In the first nine months of 2006, sales grew by 20.6%, thanks to the recovery of the Italian and foreign markets. A more detailed analysis is provided in the Management Report. Stronger operating activities lead to an increase in the cost of services, up 17.4%, and in the cost of goods manufactured, influenced also by the sharp rise in raw material prices.

Cash flow from operations in the first nine months of 2006 was negative and amounted to €64 thousand, after negative exchange differences amounting to €56 thousand. In the same period in 2005, cash flow from operations was positive and amounted to €179 thousand, after positive exchange differences amounting to €301 thousand.

Sales by geographical area

(€ '000)	<i>First nine months 2006</i>	<i>First nine months 2005</i>	<i>3rd Quarter 2006</i>	<i>3rd Quarter 2005</i>
Italy	27,346	22,113	8,929	6,813
Rest of Europe	28,590	24,551	9,268	7,951
Rest of the World	5,845	4,551	1,659	1,469
Total	<u>61.781</u>	<u>51,215</u>	<u>19,856</u>	<u>16,233</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 characterized by cyclical or seasonal factors, with the exception of the slowdown registered in August due to the closing of

production facilities for the summer holydays and in December for the Christmas season.

Brescia, November 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 3rd Quarter of 2006

In the 3rd Quarter of 2006, revenues amounted to €19,856 thousand, up 22.3% on €16,233 in the 3rd Quarter of 2005. Sales for the first nine months of 2006 grew by 20.6% on the same period in 2005, from €51,215 thousand to €61,781.

In the first nine months of 2006, 44.3% of Group sales were represented by Italy (as compared with 43.2% in the first nine months of 2005), 46.3% by the rest of Europe (47.9% in the first nine months of 2005), and the remaining 9.5% by the rest of the World (8.9% in the first nine months of 2005). In the 3rd Quarter of 2006 domestic sales increased by 31.1% on the same period in 2005, while exports grew by 16%. In the first nine months of 2006, domestic sales grew by 23.7%, while exports grew by 18.3%.

The table that follows shows sales of Group companies for the first nine months of 2006:

Net revenues by Group company

<i>(€ '000)</i>	<i>First nine months 2006</i>	<i>First nine months 2005</i>
Parent company	33,993	27,936
Cembre Ltd. (UK)	9,636	8,526
Cembre S.a.r.l. (France)	3,968	3,999
Cembre España S.L. (Spain)	7,551	5,904
Cembre GmbH (Germany)	3,144	2,295
Cembre AS (Norway)	416	288
Cembre Inc. (USA)	2,792	1,978
General Marking Srl (Italy)	281	289
Total	<u>61,781</u>	<u>51,215</u>

Sales of subsidiary General Marking reported in the table above include only sales to third parties managed directly by the same. In the table above, sales made by General Marking to other Group companies for resale are not attributed to General Marking. In the first nine months of 2006, these sales grew by 68.4% to €1,098, up from €52 thousand in the first nine months of 2005, thousand.

To provide a better understanding of the Group's financial performance for the first nine months and the 3rd Quarter of 2006, a Reclassified Consolidated Income Statement is enclosed as Attachment A.

Gross operating profit for the first nine months of 2006 amounts to €13,981 thousand, corresponding to a 22.6% margin on sales, up 31.4% on €10,641 thousand reported in the first nine months of 2005 (20.8% of sales). Gross operating profit for the 3rd Quarter of 2006 is equal to €4,018 thousand, corresponding to a 20.2% margin on sales, up 33.8% on €3,004 thousand reported in the 3rd Quarter of 2005 (18.5% of sales).

Operating profit for the first nine months of 2006 amounts to €11,646 thousand, representing an 18.9% margin on sales, up from €7,812 in the first nine months of 2005 (a 15.3% margin on sales). The operating profit improved also in the 3rd Quarter from €2,111 thousand in 2005 (a 13% margin on sales), to €3,222 in the 3rd Quarter of 2006 (a 16.2% margin on sales).

Consolidated profit before taxes in the first nine months of 2006 amounts to €1,582 thousand, representing an 18.7% margin on sales, up 44.9% on €7,991 thousand in the first nine months of 2005, when it represented a 15.6% margin on sales. Consolidated profit before taxes for the 3rd Quarter of 2006 amounts

to €3,233 thousand, corresponding to a 16.3% margin on sales, up 56.6% on €2,065 thousand in the 3rd Quarter of 2005.

The net financial position grew from positive €2.8 million at the end of December 2005, to positive €5.5 million at the end of September, as a result of the good economic performance recorded in the current year.

Events subsequent to September 30, 2006

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after September 30, 2006.

Brescia, November 14, 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 3rd Quarter of 2006

Consolidated Income Statement

(€ '000)	1/1 - 09/30 2006	%	1/1 - 09/30 2005	%	change	3rd Qtr. 2006	%	3rd Qtr. 2005	%	change
Revenues from sales and services provided	61.781	100,0%	51.215	100	20,6%	19.856	100,0%	16.233	100,0%	22,3%
Other revenues	110		47			3		35		
TOTAL REVENUES	61.891		51.262			19.859		16.268		22,1%
Cost of goods and merchandise	(25.615)	-41,5%	(16.655)	-32,5%	53,8%	(8.290)	-41,8%	(5.326)	-32,8%	55,7%
Cost of services received	(9.026)	-14,6%	(7.688)	-15,0%	17,4%	(2.938)	-14,8%	(2.358)	-14,5%	24,6%
Lease and rental costs	(777)	-1,3%	(756)	-1,5%	2,8%	(259)	-1,3%	(189)	-1,2%	37,0%
Personnel costs	(16.665)	-27,0%	(15.744)	-30,7%	5,8%	(5.487)	-27,6%	(5.146)	-31,7%	6,6%
Other operating costs	(320)	-0,5%	(335)	-0,7%	-4,5%	(122)	-0,6%	(169)	-1,0%	-27,8%
Change in inventories	4.187	6,8%	216	0,4%		1.114	5,6%	(185)	-1,1%	
Increase in assets due to internal construction	399	0,6%	431	0,8%	-7,4%	168	0,8%	137	0,8%	22,6%
Write-down of current assets	(87)	-0,1%	(80)	-0,2%	8,7%	(29)	-0,1%	(25)	-0,2%	16,0%
Accruals to provisions for risks and charges	(6)	0,0%	(10)	0,0%	-40,0%	2	0,0%	(3)	0,0%	-166,7%
GROSS OPERATING PROFIT	13.981	22,6%	10.641	20,8%	31,4%	4.018	20,2%	3.004	18,5%	33,8%
Tangible assets depreciation	(2.264)	-3,7%	(2.523)	-4,9%	-10,3%	(765)	-3,9%	(861)	-5,3%	-11,1%
Intangible assets amortization	(71)	-0,1%	(79)	-0,2%	-10,1%	(31)	-0,2%	(32)	-0,2%	-3,1%
Write-down of long-term assets	0	0,0%	(227)	-0,4%		0	0,0%	0	0,0%	
OPERATING PROFIT	11.646	18,9%	7.812	15,3%	49,1%	3.222	16,2%	2.111	13,0%	52,6%
Financial income (expense)	(8)	0,0%	(122)	-0,2%	-93,4%	1	0,0%	(29)	-0,2%	
Foreign exchange gains (losses)	(56)	-0,1%	301	0,6%	-118,6%	10	0,1%	(17)	-0,1%	
PROFIT BEFORE TAXES	11.582	18,7%	7.991	15,6%	44,9%	3.233	16,3%	2.065	12,7%	56,6%