

# 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 First Quarter 2007

### Consolidated Income Statement of the First Quarter 2007

<i>(euro '000)</i>	01/01 - 03/31	01/01 - 03/31	01/01 - 12/31
	2007	2006	2006
Revenues from sales and services provided	24.022	19.930	84.127
Other revenues	90	46	88
<b>TOTAL REVENUES</b>	<b>24.112</b>	<b>19.976</b>	<b>84.215</b>
Cost of goods and merchandise	(10.749)	(7.851)	(35.818)
Cost of services received	(3.646)	(3.011)	(12.413)
Lease and rental costs	(266)	(257)	(1.047)
Personnel costs	(6.140)	(5.568)	(22.276)
Other operating costs	(108)	(99)	(404)
Change in inventories	2.376	1.080	6.399
Increase in assets due to internal construction	148	128	607
Write-down of receivables	(32)	(76)	(124)
Accruals to provisions for risks and charges	(3)	(4)	(8)
<b>GROSS OPERATING PROFIT</b>	<b>5.692</b>	<b>4.318</b>	<b>19.131</b>
Tangible asset depreciation	(737)	(732)	(3.092)
Intangible asset amortization	(20)	(16)	(98)
Write-down of long-term assets	0	0	0
<b>OPERATING PROFIT</b>	<b>4.935</b>	<b>3.570</b>	<b>15.941</b>
Financial income (expense)	(19)	5	(6)
Foreign exchange gains (losses)	(46)	(44)	(74)
<b>PROFIT BEFORE TAXES</b>	<b>4.870</b>	<b>3.531</b>	<b>15.861</b>

### Consolidated net financial position at March 31, 2007

<i>(euro '000)</i>	03/31/2007	03/31/2006	12/31/2006
Cash and cash equivalents	4.560	5.040	3.964
Non-current financial liabilities	(57)	(118)	(71)
Current financial liabilities	(3.163)	(1.049)	(2.822)
Liabilities on derivative instruments	0	(13)	0
<b>NET FINANCIAL POSITION</b>	<b>1.340</b>	<b>3.860</b>	<b>1.071</b>

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

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

#### **for the 1<sup>st</sup> Quarter of 2007**

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

Principles of consolidation and valuation criteria adopted 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 March 31, 2007, and those of the following companies at the same date:

	Share owned by the Group at March 31, 2007	Share owned by the Group at March 31, 2006
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 March 31, 2006 and December 31, 2006.

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 production costs resulted from the growth in sales and the increase in the cost of raw materials. Also costs of services were effected by turnover increase, in particular subcontracted manufacturing, maintenance and consulting.

The net financial position declined from positive €3.9 million at March 31, 2006, to positive €1.3 million at March 31, 2007, in particular, after investments made in the second half of past year, however, the net financial position increased €0.3 million from year’s end situation.

The net financial expense in the first three months of 2007 amounts to €19 thousand, as compared with a net financial income of €5 thousand in the same period in 2006. Exchange rate performance was substantially the same.

### **Sales by geographical area**

Please refer to management report for detailed information about sales

### **Outlook**

In 2007, 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 holidays, and in December for the Christmas season.

Brescia, May 14, 2007

**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 1<sup>st</sup> Quarter of 2007

In the 1<sup>st</sup> Quarter of 2007, sales grew by 20.5% on the same period in 2006, from €19,930 thousand to €24,022.

The increase of sales is due to the good market trend, but also to the attention of the Group to innovation and products renewal, resulting in a larger range of goods offered to customers.

Sales by geographical area are the following:

(€'000)	1st Quarter 2007	1st Quarter 2006
Italy	10,401	8,894
Rest of Europe	10,780	9,242
Rest of the World	2,841	1,794
Total	<u>24.022</u>	<u>19,930</u>

In the first three months of 2007, 43.3% of Group sales were represented by Italy (as compared with 44.6% in the first three months of 2006), 44.9% by the rest of Europe (46.4% in the first three months of 2006), and the remaining 11.8% by the rest of the World (9% in the first three months of 2006). In the 1<sup>st</sup> Quarter of 2007 domestic sales grew by 16.9% on the same period in 2006, while exports grew by 23.4%.

Following table shows Group's companies sales (net from intercompany):

(€ '000)	1 <sup>st</sup> Quarter 2007	1 <sup>st</sup> Quarter 2006
Parent company	13,362	11,008
Cembre Ltd. (UK)	3,193	3,055
Cembre S.a.r.l. (France)	1,435	1,261
Cembre España S.L. (Spain)	3,262	2,544
Cembre GmbH (Germany)	1,224	867
Cembre AS (Norway)	124	103
Cembre Inc. (USA)	1,301	1,004
General Marking S.r.l. (Italy)	121	88
Total	<u>24,022</u>	<u>19,930</u>

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 grew by 67% from €314 thousand in the first three months of 2006, to €524 thousand in the same period in 2007.

To provide a better understanding of the Group's financial performance for the 1<sup>st</sup> Quarter of 2007, a Reclassified Consolidated Income Statement is enclosed as Attachment A.

Gross operating profit for the 1<sup>st</sup> Quarter of 2007 is equal to €5,692 thousand, corresponding to a 23.7% margin on sales, up 31.8% on €4,318 thousand reported in the 1<sup>st</sup> Quarter of 2006 (21.7% of sales).

Operating profit for the first three months of 2007 amounts to €4,935 thousand, representing a 20.5% margin on sales, up 38.2% from €3,570 in the first three months of 2006 (a 17.9% margin on sales) due to the lower weight of depreciation and amortization charges.

Consolidated profit before taxes in the first three months of 2007 is equal to €4,870 thousand, representing a 20.3% margin on sales, up 37.9% on €3,531 thousand in the first three months of 2006, when it represented a 17.7% margin on sales.

Increase of sales led to positive results, while, at the same time, thanks to process innovation and economies of scale, costs grew slowly.

Net consolidated financial position remained positive, but declined, cause of investments made in the second half of 2006, from €3.8 million at the end of March 2006, to €1.3 million at March 31, 2007.

Investments in tangible assets made in the first three months of 2007, amounts to €1 million.

Short-term financial debt does not include 2006 dividends, amounting to €3,740 thousand, payable to Shareholders from May 31, 2007, as resolved today by the Shareholders' Meeting.

#### **Events subsequent to March 31, 2007**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after March 31, 2007.

Brescia, May 14, 2007

**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 1st Quarter of 2007

### Consolidated Income Statement

(€ '000)	1/1 - 03/31 2007	%	1/1 - 03/31 2006	%	change
Revenues from sales and services provided	24,022	100.0%	19,930	100	20.5%
Other revenues	90		46		
<b>TOTAL REVENUES</b>	<b>24,112</b>		<b>19,976</b>		
Cost of goods and merchandise	(10,749)	-44.7%	(7,851)	-39.4%	36.9%
Cost of services received	(3,646)	-15.2%	(3,011)	-15.1%	21.1%
Lease and rental costs	(266)	-1.1%	(257)	-1.3%	3.5%
Personnel costs	(6,140)	-25.6%	(5,568)	-27.9%	10.3%
Other operating costs	(108)	-0.4%	(99)	-0.5%	9.1%
Change in inventories	2,376	9.9%	1,080	5.4%	
Increase in assets due to internal construction	148	0.6%	128	0.6%	15.6%
Write-down of current assets	(32)	-0.1%	(76)	-0.4%	-57.9%
Accruals to provisions for risks and charges	(3)	0.0%	(4)	0.0%	-25.0%
<b>GROSS OPERATING PROFIT</b>	<b>5,692</b>	23.7%	<b>4,318</b>	21.7%	31.8%
Tangible assets depreciation	(737)	-3.1%	(732)	-3.7%	0.7%
Intangible assets amortization	(20)	-0.1%	(16)	-0.1%	25.0%
Write-down of long-term assets	0	0.0%	0	0.0%	
<b>OPERATING PROFIT</b>	<b>4,935</b>	20.5%	<b>3,570</b>	17.9%	38.2%
Financial income (expense)	(19)	-0.1%	5	0.0%	
Foreign exchange gains (losses)	(46)	-0.2%	(44)	-0.2%	4.5%
<b>PROFIT BEFORE TAXES</b>	<b>4,870</b>	20.3%	<b>3,531</b>	17.7%	37.9%