

# 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 Fourth Quarter 2006

### Consolidated Financial Statements at December 31, 2006

#### Consolidated Income Statement

<i>(euro '000)</i>	01/01 - 12/31 2005	01/01 - 12/31 2005	IV Quarter 10/01 - 12/31 2006	IV Quarter 10/01 - 12/31 2005
Revenues from sales and services provided	84.163	69.997	22.382	18.782
Other revenues	88	105	(22)	58
<b>TOTAL REVENUES</b>	<b>84.251</b>	<b>70.102</b>	<b>22.360</b>	<b>18.840</b>
Cost of goods and merchandise	(35.818)	(22.599)	(10.203)	(5.944)
Cost of services received	(12.410)	(10.395)	(3.384)	(2.707)
Lease and rental costs	(1.047)	(1.014)	(270)	(257)
Personnel costs	(22.250)	(20.579)	(5.585)	(4.835)
Other operating costs	(404)	(470)	(84)	(136)
Change in inventories	6.399	(605)	2.212	(820)
Increase in assets due to internal construction	607	508	208	76
Write-down of receivables	(124)	(209)	(37)	(130)
Accruals to provisions for risks and charges	(33)	(21)	(27)	(11)
<b>GROSS OPERATING PROFIT</b>	<b>19.171</b>	<b>14.718</b>	<b>5.190</b>	<b>4.076</b>
Tangible asset depreciation	(3.092)	(3.364)	(828)	(840)
Intangible asset amortization	(98)	(104)	(27)	(25)
Write-down of long-term assets	0	(227)	0	0
<b>OPERATING PROFIT</b>	<b>15.981</b>	<b>11.023</b>	<b>4.335</b>	<b>3.211</b>
Financial income (expense)	(6)	(142)	2	(20)
Foreign exchange gains (losses)	(74)	311	(18)	10
<b>PROFIT BEFORE TAXES</b>	<b>15.901</b>	<b>11.192</b>	<b>4.319</b>	<b>3.201</b>

#### Consolidated net financial position at December 31, 2006

<i>(euro '000)</i>	12/31/2006	09/30/2006	12/31/2005
Cash and cash equivalents	4.264	7.134	6.026
Non-current financial liabilities	(71)	(88)	(89)
Current financial liabilities	(2.822)	(1.545)	(3.139)
Liabilities on derivative instruments	0	0	(21)
<b>NET FINANCIAL POSITION</b>	<b>1.371</b>	<b>5.501</b>	<b>2.777</b>

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

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### **Notes to the Consolidated Accounts for the 4<sup>th</sup> Quarter of 2006**

#### **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 December 31, 2006, and those of the following companies at the same date:

	Share owned by the Group at December 31, 2006	Share owned by the Group at December 31, 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 IAS 1, in the financial statements costs were classified by nature.

The scope of the consolidation is unchanged from 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.

The present Quarterly Report and those prepared for previous quarters do not contain data estimated using criteria different from those used in the preparation of the Consolidated Financial Statements at December 31, 2005.

### **Notes to the accounts**

The increase of production costs resulted from the growth in sales and the worldwide increase in the cost of raw materials, as is the case of the increase in the cost of services, particularly those more closely related to operations (sub-contracted work, utilities and transport).

The net financial position declined from positive €2.8 million at December 31, 2005, to positive €1.4 million at December 31, 2006, after capital expenditure on tangible assets amounting to €5.6 million, of which €4.7 million made by the parent company. Among the latter is the acquisition for €2.3 million of a parcel of land adjacent to the Brescia head office of the Group.

In 2006, consolidated revenues grew by 20.2% due to the recovery of the Italian market and of main foreign markets. Further detail is provided in the Management Report. The increase in turnover resulted in an increase in the

cost of services, up 19.4%, and in the cost of materials and goods, affected in turn by the increase in the cost of raw materials.

The net financial expense in 2006 amounts to €80 thousand, as compared with a net financial income of €69 thousand in 2005. The decline is due to the unfavorable exchange rate performance.

#### **Sales by geographical area**

<i>(€'000)</i>	2006	2005
Italy	37,156	31,239
Rest of Europe	38,512	32,486
Rest of the World	8,495	6,272
Total	<u>84,163</u>	<u>69,997</u>

#### **Outlook**

Figures for the Financial Statements at December 31, 2006 are not expected to diverge significantly from those published in the present Quarterly Report. 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, February 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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## Cembre Group Management Report on the 4<sup>th</sup> Quarter of 2006

In the 4<sup>th</sup> Quarter of 2006 revenues grew by 19.2% to €22,382 thousand, up from €18,782 thousand in the 4<sup>th</sup> Quarter of 2005. In 2006, revenues grew by 20.2% to €84,163 thousand, up from €69,997 thousand in the previous year.

In 2006, 44.2% of sales were represented by Italy (as compared with 44.6% in 2005), 45.8% by the rest of Europe (46.4% in 2005) and 10% by the rest of the world (9% in 2005). Domestic sales grew in 2006 by 18.9%, while exports increased by 21.3%. In the 4<sup>th</sup> Quarter of 2006 domestic sales grew by 7.5%, while exports increased by 30.2% on the same period in 2005.

### Revenues by Group company

(€ '000)	2006	2005
Parent company	46,805	38,943
Cembre Ltd. (UK)	12,678	10,867
Cembre S.a.r.l. (France)	5,340	5,245
Cembre España S.L. (Spain)	9,934	7,853
Cembre GmbH (Germany)	4,513	3,409
Cembre AS (Norway)	528	454
Cembre Inc. (USA)	3,978	2,846
General Marking Srl (Italy)	387	380
Total	<u>84,163</u>	<u>69,997</u>

Sales of subsidiary General Marking reported in the table above include only

Marking to other Group companies for resale, not included in the table above, grew by 70% from €14 thousand in the 4<sup>th</sup> Quarter of 2005, to €1,554 thousand in the same period in 2006.

To provide a better understanding of the Group's financial performance, a Reclassified Consolidated Income Statement respectively for 2006 and for the 4<sup>th</sup> Quarter of 2006 are enclosed.

Gross operating profit for 2006 amounted to €9,171 thousand, corresponding to a 22.8% margin on sales, up 30.3% on €14,718 thousand reported in 2005 (21% of sales). In the 4<sup>th</sup> Quarter of 2006, gross operating profit grew to €5,190 thousand, corresponding to a 23.2% margin on sales, up 27.3% on €4,076 thousand reported in the 4<sup>th</sup> Quarter of 2005 (21.7% of sales).

Operating profit for 2006 amounted to €15,981 thousand, representing a 19% margin on sales, up 45% from €11,023 in 2005 (a 15.7% margin on sales) due to lower depreciation and amortization charges. Operating profit for the 4<sup>th</sup> Quarter of 2006 grew to €4,335 thousand, representing a 19.4% margin on sales, up from €3,211 thousand (a 17.1% margin on sales) in the 4<sup>th</sup> Quarter of 2005.

Consolidated profit before taxes for 2006 amounted to €15,901 thousand, representing an 18.9% margin on sales, up 42.1% on €11,192 thousand in 2005, when it represented a 16% margin on sales. In the 4<sup>th</sup> Quarter of 2006, consolidated profit before taxes for amounted to €4,319 thousand, representing a 19.3% margin on sales, up 34.9% on €3,201 thousand in the 4<sup>th</sup> Quarter of 2005.

The net financial position declined from positive €2.8 million at December 31, 2005, to positive €1.4 million at December 31, 2006, after capital expenditure

on tangible assets amounting to €5.6 million, of which €4.7 million made by the parent company. Among the latter is the acquisition for €2.3 million of a parcel of land adjacent to the Brescia head office of the Group.

**Events subsequent to December 31, 2006**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after December 31, 2006.

Brescia, February 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 4th Quarter of 2006

#### Consolidated Income Statement

(€ '000)	1/1 - 12/31 2006	%	1/1 - 12/31 2005	%	change	4th Qtr. 2006	%	4th Qtr. 2005	%	change
Revenues from sales and services provided	84.163	100,0%	69.997	100	20,2%	22.382	100,0%	18.782	100,0%	19,2%
Other revenues	88		105			(22)		58		
<b>TOTAL REVENUES</b>	<b>84.251</b>		<b>70.102</b>			<b>22.360</b>		<b>18.840</b>		18,7%
Cost of goods and merchandise	(35.818)	-42,6%	(22.599)	-32,3%	58,5%	(10.203)	-45,6%	(5.944)	-31,6%	71,7%
Cost of services received	(12.410)	-14,7%	(10.395)	-14,9%	19,4%	(3.384)	-15,1%	(2.707)	-14,4%	25,0%
Lease and rental costs	(1.047)	-1,2%	(1.014)	-1,4%	3,3%	(270)	-1,2%	(257)	-1,4%	5,1%
Personnel costs	(22.250)	-26,4%	(20.579)	-29,4%	8,1%	(5.585)	-25,0%	(4.835)	-25,7%	15,5%
Other operating costs	(404)	-0,5%	(470)	-0,7%	-14,0%	(84)	-0,4%	(136)	-0,7%	-38,2%
Change in inventories	6.399	7,6%	(605)	-0,9%		2.212	9,9%	(820)	-4,4%	
Increase in assets due to internal construction	607	0,7%	508	0,7%	19,5%	208	0,9%	76	0,4%	
Write-down of current assets	(124)	-0,1%	(209)	-0,3%	-40,7%	(37)	-0,2%	(130)	-0,7%	-71,5%
Accruals to provisions for risks and charges	(33)	0,0%	(21)	0,0%	57,1%	(27)	-0,1%	(11)	-0,1%	
<b>GROSS OPERATING PROFIT</b>	<b>19.171</b>	22,8%	<b>14.718</b>	21,0%	30,3%	<b>5.190</b>	23,2%	<b>4.076</b>	21,7%	27,3%
Tangible assets depreciation	(3.092)	-3,7%	(3.364)	-4,8%	-8,1%	(828)	-3,7%	(840)	-4,5%	-1,4%
Intangible assets amortization	(98)	-0,1%	(104)	-0,1%	-5,8%	(27)	-0,1%	(25)	-0,1%	8,0%
Write-down of long-term assets	0	0,0%	(227)	-0,3%		0	0,0%	0	0,0%	
<b>OPERATING PROFIT</b>	<b>15.981</b>	19,0%	<b>11.023</b>	15,7%	45,0%	<b>4.335</b>	19,4%	<b>3.211</b>	17,1%	35,0%
Financial income (expense)	(6)	0,0%	(142)	-0,2%	-95,8%	2	0,0%	(20)	-0,1%	
Foreign exchange gains (losses)	(74)	-0,1%	311	0,4%		(18)	-0,1%	10	0,1%	
<b>PROFIT BEFORE TAXES</b>	<b>15.901</b>	18,9%	<b>11.192</b>	16,0%	42,1%	<b>4.319</b>	19,3%	<b>3.201</b>	17,0%	34,9%