



COSTRUZIONI Elettromeccaniche BRESCIANE

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# QUARTERLY REPORT

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2008 THIRD QUARTER

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# Cembre S.p.A.

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

*This document contains translations of the quarterly report prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)*

# Cembre S.p.A.

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Registration no: FC 00541390175 (Commercial Register of Brescia)

## Report on Operations for the 3<sup>rd</sup> Quarter 2008

### Consolidated Financial Statements

#### Consolidated Income Statement

<i>(euro '000)</i>	First Nine Months 2008	First Nine Months 2007	3 <sup>rd</sup> Quarter 2008	3 <sup>rd</sup> Quarter 2007
Revenues from sales and services provided	72.478	70.489	22.347	21.418
Other revenues	283	280	112	114
<b>TOTAL REVENUES</b>	<b>72.761</b>	<b>70.769</b>	<b>22.459</b>	<b>21.532</b>
Cost of goods and merchandise	(27.395)	(30.885)	(8.496)	(9.603)
Cost of services received	(9.990)	(10.186)	(3.120)	(3.107)
Lease and rental costs	(791)	(810)	(274)	(271)
Personnel costs	(19.555)	(18.273)	(6.218)	(5.889)
Personnel costs from non recurring operations	-	1.026	-	-
Other operating costs	(429)	(319)	(123)	(99)
Change in inventories	163	5.573	92	1.609
Increase in assets due to internal construction	535	305	221	16
Write-down of receivables	(123)	(107)	(19)	(22)
Accruals to provisions for risks and charges	(7)	(7)	(2)	(2)
<b>GROSS OPERATING PROFIT</b>	<b>15.169</b>	<b>17.086</b>	<b>4.520</b>	<b>4.164</b>
Property, plant and equipment depreciation	(2.032)	(2.298)	(674)	(803)
Intangible asset amortization	(289)	(126)	(99)	(44)
<b>OPERATING PROFIT</b>	<b>12.848</b>	<b>14.662</b>	<b>3.747</b>	<b>3.317</b>
Financial income (expense)	(188)	(69)	(69)	(42)
Foreign exchange gains (losses)	(62)	(142)	125	(95)
<b>PROFIT BEFORE TAXES</b>	<b>12.598</b>	<b>14.451</b>	<b>3.803</b>	<b>3.180</b>

#### Consolidated Net Financial Position at September 30, 2008

<i>(euro '000)</i>	Sept. 30, 2008	Jun. 30, 2008	Dec. 31, 2007
Cash and cash equivalents	4.141	5.047	4.549
Non-current financial liabilities	(72)	(85)	(86)
Current financial liabilities	(4.916)	(10.072)	(6.183)
<b>CONSOLIDATED NET FINANCIAL POSITION</b>	<b>(847)</b>	<b>(5.110)</b>	<b>(1.720)</b>

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

Head Office: Via Serenissima 9, Brescia, Italy

Share Capital: Euro 8,840,000 (fully paid-up)

Registration no. 00541390175 (Brescia Commercial Register)

## **Notes to the Consolidated Accounts for the 3<sup>rd</sup> Quarter of 2008**

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

Principles of consolidation and valuation criteria adopted in the present Consolidated Report for the 3<sup>rd</sup> Quarter of 2008 are consistent with international accounting principles (IAS/IFRS).

The Consolidated Financial Statements are based on the Statutory Accounts of Cembre SpA (parent company) at September 30, 2008, and those of the following companies at the same date:

	Share held by the Group at September 30, 2008	Share held by the Group at September 30, 2007
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, 2007 and December 31, 2007.

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**

Despite the difficult global economic situation, the Cembre Group registered a growth in turnover, both in the 3<sup>rd</sup> Quarter and in the first nine months of 2008.

The percentage weight of cost of goods sold grew for the first nine months of the year on the corresponding period in 2007, while remaining stable in the 3<sup>rd</sup> Quarter with respect to the 3<sup>rd</sup> Quarter of 2007. Personnel costs grew instead due to the hiring of personnel and the renewal of the labour contract for the metal and mechanical sector. As a result of a survey carried out in the 1<sup>st</sup> Quarter of 2008 on the usage of plant and equipment, Cembre decided to revise their amortization period to bring it into line with the expected useful life of the assets. The adjustment resulted in a €369 thousand reduction in the amortization expense for the first nine months of 2008 as compared with the

amortization expense resulting from the application of depreciation schedules used in 2007. The longer useful life of plant and equipment resulting from the revision of estimates generated a reduction in the hourly cost used in the valuation of finished and semi-finished goods inventories. Profit margins were consequently negatively affected by the revision of amortization schedules. Had the same depreciation schedule applied in 2007 been applied to determine the value of inventories at March 31, 2008, these would have been higher by about €734 thousand. As it would be excessively onerous carry out the same simulation for subsequent periods, due in part to the introduction of a new information system in May, it is however not possible to provide a figure for September 30, 2008.

In the first nine months of 2007, in application of the reform of employee termination indemnities, a valuation of indemnities accrued at December 31, 2006 was carried out by a registered actuary, and the value of the same was restated. This resulted (as provided under paragraph 111 of IAS 19) in a €1,026 thousand reduction in the value of the provision, recorded under “Non recurring personnel costs”.

The consolidated net financial position of the Group improved from an indebtedness of €5.1 million at June 30, 2008, to an indebtedness of €0.8 million at September 30, 2008.

Capital expenditure in the first nine months of 2008 amounted to €3.5 million, and included an expenditure of €1.2 million on plant and equipment, of €1.1 million on assets under construction (consisting in the construction of a new entrance and a new parking lot at the parent company’s main complex and the

renovation of a building of the French subsidiary), in addition to an expenditure of €0.4 million on software.

### **Sales by geographical area**

Sales by geographical area were commented in the Management Report, to which we refer.

### **Outlook**

In 2008, turnover is expected to increase 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, November 13, 2008

**THE PRESIDENT OF  
CEMBRE S.P.A. –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 3<sup>rd</sup> Quarter of 2008

In the 3<sup>rd</sup> Quarter of 2008, revenues amounted to €22,347 thousand, up 4.3% on €21,418 in the 3<sup>rd</sup> Quarter of 2007. Sales for the first nine months of 2008 grew by 2.8% on the correspondent period in 2007, up from €61,593 thousand to €70,489.

#### Revenues by geographical area

(€'000)	First nine months 2008	First nine months 2007	3 <sup>rd</sup> Qtr. 2008	3 <sup>rd</sup> Qtr. 2007
Italy	31,705	29,438	10,182	8,962
Rest of Europe	32,680	33,080	9,993	10,099
Rest of the World	8,093	7,971	2,172	2,357
Total	72,478	70,489	22,347	21,418

In the first nine months of 2008, 43.7% of Group sales were represented by Italy (as compared with 41.8% in the first nine months of 2007), 45.1% by the rest of Europe (46.9% in the first nine months of 2007), and the remaining 11.2% by the rest of the World (11.3% in the first nine months of 2007). In the first nine months of the year, domestic sales grew by 7.7% and exports remained stable on the corresponding period in 2007, while in the 3<sup>rd</sup> Quarter of 2008 exports declined by 2.3% on the same period in 2007, and domestic sales grew by 13.6%.



**Net revenues by Group company**

(€'000)	First nine months 2008	First nine months 2007
<b>Parent company</b>	39,192	38,775
Cembre Ltd. (UK)	9,815	9,441
Cembre S.a.r.l. (France)	4,888	4,594
Cembre España S.L. (Spain)	9,326	8,999
Cembre GmbH (Germany)	3,975	3,608
Cembre AS (Norway)	607	553
Cembre Inc. (USA)	4,243	4,130
General Marking Srl (Italy)	432	389
Total	<hr/> 72,478	<hr/> 70,489

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 2008, these sales grew by 34.9% to €1,874 thousand, up from €1,389 thousand in the first nine months of 2007.

To provide a better understanding of the Group's operating performance for the first nine months and the 3<sup>rd</sup> Quarter of 2008, a Reclassified Consolidated Income Statement is enclosed as Attachment A.

Gross operating profit for the first nine months of 2008 amounted to €15,169 thousand, corresponding to a 20.9% margin on sales, down 11.2% on €17,086 thousand reported in the first nine months of 2007 (24.2% of sales). Gross operating profit for the 3<sup>rd</sup> Quarter of 2008 amounted to €4,520 thousand, corresponding to a 20.2% margin on sales, up 8.5% on €4,164 thousand reported in the 3<sup>rd</sup> Quarter of 2007 (19.4% of sales). The good operating

performance in the 3<sup>rd</sup> Quarter of 2008, improving on the corresponding period in 2007, is due to a stronger growth in sales than in the first half of the year and a stable margin on sales.

Consolidated operating profit for the first nine months of 2008 amounted to €12,848 thousand, corresponding to a 17.7% margin on sales, down 12.4% on €14,662 thousand in the first nine months of 2007 (20.8% of sales).

Consolidated operating profit improved also in the quarter from €3,317 thousand (15.5% of sales) in the 3<sup>rd</sup> Quarter of 2007, to €3,747 thousand (16.8% of sales) in the 3<sup>rd</sup> Quarter of 2008.

Consolidated profit before taxes for the first nine months of 2008 amounts to €12,598 thousand (a 17.4% margin on sales), down 128% on €14,451 thousand in the first nine months of 2007 (a 20.5% margin on sales).

Consolidated profit before taxes for the 3<sup>rd</sup> Quarter of 2008 amounted to €3,803 thousand, representing a 17% margin on sales, up 19.6% on €3,180 million in the 3<sup>rd</sup> Quarter of 2007, when it represented a 14.8% margin on sales. In 3<sup>rd</sup> Quarter, net foreign exchange gains amounted to €125 thousand as a result of the recovery of the dollar against the euro.

### **Compliance with articles 36 and 39 of the Stock Market Regulations**

Cembre S.p.A. controls two companies incorporated under the laws of States that are not part of the European Union. These companies are:

- Cembre Inc., incorporated in the USA
- Cembre AS, incorporated in Norway.

Administrative, accounting and reporting systems currently used are deemed appropriate to provide on a regular basis operating and financial information

necessary for the preparation of the consolidated accounts to the management of the parent company and its independent auditors.

The accounts prepared by the above subsidiaries used in the preparation of the consolidated accounts are being audited and will be made available to the public.

Cembre S.p.A. will monitor and ensure that there is an adequate information flow from said subsidiaries to the independent auditors of the parent company. The current communication flow procedure with the independent auditors is deemed to work efficiently.

Cembre S.p.A. holds the by-laws, the composition of company boards and a list of related powers of said subsidiaries, while directives for the timely communication of any change in the above to the parent company were issued.

**Events subsequent to September 30, 2008**

No particular event that may significantly affect the economic performance, asset structure or financial performance of the Group occurred after September 30, 2008.

Brescia, November 13, 2008

**THE PRESIDENT OF  
CEMBRE S.P.A. –PARENT COMPANY**

**CARLO ROSANI**

## Cembre S.p.A.

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### Attachment A to the Report on Operations for the 3<sup>rd</sup> Quarter of 2008

#### Consolidated Income Statement

(€ '000)	First nine months 2008	%	First nine months 2007	%	change	3 <sup>rd</sup> Quarter 2008	%	3 <sup>rd</sup> Quarter 2007	%	change
Revenues from sales and services provided	72.478	100,0%	70.489	100,0%	2,8%	22.347	100,0%	21.418	100,0%	4,3%
Other revenues	283		280		1,1%	112		114		
<b>TOTAL REVENUES</b>	<b>72.761</b>		<b>70.769</b>			<b>22.459</b>		<b>21.532</b>		
Cost of goods and merchandise	(27.395)	-37,8%	(30.885)	-43,8%	-11,3%	(8.496)	-38,0%	(9.603)	-44,8%	-11,5%
Cost of services received	(9.990)	-13,8%	(10.186)	-14,5%	-1,9%	(3.120)	-14,0%	(3.107)	-14,5%	0,4%
Lease and rental costs	(791)	-1,1%	(810)	-1,1%	-2,3%	(274)	-1,2%	(271)	-1,3%	1,1%
Personnel costs	(19.555)	-27,0%	(18.273)	-25,9%	7,0%	(6.218)	-27,8%	(5.889)	-27,5%	5,6%
Non recurring operations	-	0,0%	1.026	1,5%		-	0,0%	-	0,0%	
Other operating costs	(429)	-0,6%	(319)	-0,5%	34,5%	(123)	-0,6%	(99)	-0,5%	24,2%
Change in inventories	163	0,2%	5.573	7,9%	-97,1%	92	0,4%	1.609	7,5%	-94,3%
Increase in assets due to internal construction	535	0,7%	305	0,4%	75,4%	221	1,0%	16	0,1%	
Write-down of current assets	(123)	-0,2%	(107)	-0,2%	15,0%	(19)	-0,1%	(22)	-0,1%	-13,6%
Accruals to provisions for risks and charges	(7)	0,0%	(7)	0,0%	0,0%	(2)	0,0%	(2)	0,0%	0,0%
<b>GROSS OPERATING PROFIT</b>	<b>15.169</b>	20,9%	<b>17.086</b>	24,2%	-11,2%	<b>4.520</b>	20,2%	<b>4.164</b>	19,4%	8,5%
Property, plant and equipment depreciation	(2.032)	-2,8%	(2.298)	-3,3%	-11,6%	(674)	-3,0%	(803)	-3,7%	-16,1%
Intangible assets amortization	(289)	-0,4%	(126)	-0,2%	129,4%	(99)	-0,4%	(44)	-0,2%	125,0%
<b>OPERATING PROFIT</b>	<b>12.848</b>	17,7%	<b>14.662</b>	20,5%	-12,4%	<b>3.747</b>	16,8%	<b>3.317</b>	15,5%	13,0%
Financial income (expense)	(188)	-0,3%	(69)	-0,1%		(69)	-0,3%	(42)	-0,2%	
Foreign exchange gains (losses)	(62)	-0,1%	(142)	-0,2%	-56,3%	125	0,6%	(95)	-0,4%	-231,6%
<b>PROFIT BEFORE TAXES</b>	<b>12.598</b>	17,4%	<b>14.451</b>	20,5%	-12,8%	<b>3.803</b>	17,0%	<b>3.180</b>	14,8%	19,6%

**Sede:**  
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www.cembre.com  
E-mail: Info@cembre.com



**C e m b r e**

## **DECLARATION**

pursuant to art 154-bis Paragraph 2, Part IV, Title III, Heading II, Section V-bis, of Legislative Decree 58 dated Feb. 24, 1998 "Consolidated Law on financial intermediation regulations"

Re: Quarterly Report for the third Quarter of 2008

The undersigned,

Claudio Bornati, Manager responsible for preparing the Cembre S.p.A. financial reports

## **DECLARES**

pursuant to Paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the Quarterly Report for the third Quarter of 2008 corresponds to the document results, books and accounting records.

Brescia, november 13, 2008

Signed by: Claudio Bornati  
Manager in charge of drafting  
the accounts of Cembre S.p.A.