

TC 24379



**FACI S.P.A.**

**FINANCIAL STATEMENT AT  
31 DICEMBRE 2005**



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# S.R.C. SOCIETÀ DI REVISIONE CONTABILE

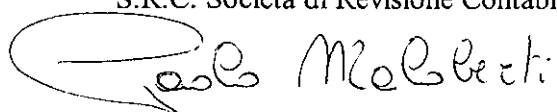
## REPORT OF THE AUDITORS AS PER ARTICLE 2409 TER C.C. ON THE FINANCIAL STATEMENTS OF THE COMPANY FACI S.p.A.

To the Shareholders of the company Faci S.p.A.,

1. we have audited the financial statements of the company Faci S.p.A. for the financial year ended at 31 December 2005. These financial statements are under the responsibility of the company's Directors. Our responsibility is to express a legal opinion on these financial statements based on a qualified audit as per article 2409 *ter* of Italian Civil Code;
2. we have conducted our audit in accordance with Italian Standards on Auditing. Those Standards require that we plan and perform our audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. In the "Balance Sheet" and in the "Profit and Loss Account", 2005's items are compared with 2004's items.
3. in our opinion, the financial statements are properly drawn up in accordance with Italian Accounting Principles, so as to give a true and fair view of the state of affairs of the company at 31 December 2005 and of the results, changes in equity and cash flows of the company for the financial year ended on that date.

Genoa, 21 June 2006

S.R.C. Società di Revisione Contabile S.r.l.



Paolo Maloberti  
(partner audit)



## **FACI S.p.A**

Company under the control and the coordination of Euehemia S.p.A.

Legal Seat: Milan, Via Santa Radegonda n. 11 - 20121 - Italy

Main Office: Carasco, Via Privata Devoto n. 36 - 18042 - Italy

Share capital: €9.726.600,00 full paid up

Fiscal code and number of private company register: Milan n. 03545180105

### **DIRECTOR S REPORT ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2005**

Shareholders,

the financial statements for the year ended at 31 December 2005, which we submit for your attention and approval, show a net profit of €5.525.896 after taxes.

The profit for the year has been influenced by the line up of fiscal and civil value of the tangible assets (permitted by article 1, Law 266/2005 ), which improved the profit of €4.857.982 instead of €650.288.

The industrial result of the Company has registered a growth for different reasons due to advantageous purchases of raw materials, a better commercial policy, a hold down costs policy, etc.

Debts are decreased of €3.000.000 and net financial position has improved of €16.600.000.

Besides this year our English branch has got a positive turnover of €5.054.927 ( €4.931.514 during 2004 ) and a net profit of €171.515 ( €166.259 during 2004 ).

The large presence of the company on every market has led up to a reorganization of commercial department, preferring a direct relationship with main customers.

Besides the Company has developed its commercial division in collaboration with its subsidiaries and associated companies to increase its international presence: Faci Asia Pacific's structure has been developed, a commercial company has been developed in France ( Paris ) and an agency office has been



opened in China ( Shanghai ). Faci has understood that with more integration it can have more advantages and follow better the growing markets.

During the year Faci hasn't sold or purchased any investments in subsidiaries and associated companies.

The English branch ( Faci UK ), which has been purchased at the end of the year 2002, has consolidated its internal organization and its presence on the market with a net result of £ 117.539.

Ambrogio Pagani has registered a loss of €82.129 and an operative margin of €446.334. The negative result of this company is due to a hard period of fatty acids 'market for their difficult supplying in the European market and for Asiatic competition.

Faci Asia Pacific Pte Ltd, at sixth year of full activity, has increased its sales revenue for its growth on the markets of Far East and South East Asiatic and, first of all, of Middle East. The company has invested in the sector of fat acids 'esters with the objective to enter in this market too. Faci Asia Pacific Pte Ltd has increased its share capital from \$-Singapore 5.000.000 to 6.500.000.

Cifrachim Sarl, French commercial company, has improved our position in that market.

Productos Metalest has recorded a profit of €370.245 and a sales revenue of €18.009.935, with a growth than the previous year.

Reinco CA has had a positive year with a net profit of €126.802, consolidating one's position on the sectors of paint and of chemical products 'distribution.

The relations with subsidiaries, associated and parent companies are reported in the following schedule.





ECONOMIC RELATIONS	DIFFERENT INCOME	DIFFERENT COSTS	FINANCIAL INCOME
<b>Subsidiaries</b>			
Faci Asia Pacific Ltd	2.345.121,33	213.891,39	
Chifrachim S.a.r.l.		196.352,64	1.078,03
<b>Associated companies</b>			
Ambrogio Pagani S.p.A.	695,24	2.021.516,38	75.000,00
Productos Metalest S.l.	309.888,35	189.755,40	11.689,72
Reinco Co S.a.	230.945,21	13.904,74	

PATRIMONIAL RELATIONS	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES
<b>Subsidiaries</b>			
Faci Asia Pacific Ltd	1.642.597,92		93.814,69
Chifrachim S.a.r.l.	38.568,90		68.712,57
<b>Associated companies</b>			
Ambrogio Pagani S.p.A.		75.000,00	505.090,39
Productos Metalest S.l.	96.230,62		60.647,27
Reinco Co S.a.	75.665,44		

For the year 2006 we expect positive results, first of all that European industry will resume itself by actual problems, but we think fatty materials 'cost will hardly establish during the next year.

Besides we will continue to develop the commercial division through the structure of the group in order to increase Faci's presence on the international market. It's important to underline that our products are more used in the high growth countries than in Europe.

During the year 2005, a new company ( hold 100% by Faci S.p.A.) has been established in China to produce and sell our products in that market. The Company's name is Faci Chemicals (Zhangjiagang) Co. Ltd. and the production place is in the province of Jiangsu ( in Zhangjiagang town ). The company



has got a commercial office in Shangai too. We expect positive results for this new company, if the market's growth will go on.

We thank you for your confidence and invite you to approve the financial statements as presented.

The Director

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*(Franco Rossi)*







	Period end 31-dic-05	Period end 31-dic-04	Difference
C) Current assets			
I - <i>Inventory</i>			
1) raw, ancillary and consumable materials;	2.724.699	3.070.183	(345.484)
4) finished products and goods;	3.861.125	4.195.378	(334.253)
Total inventory	6.585.824	7.265.561	(679.737)
II - <i>Receivables</i>			
1) trade account			
- current portion	15.862.095	11.875.813	3.986.282
2) due from subsidiaries			
- current portion	111.399	1.415.225	(1.303.826)
3) due from associated companies;			
- current portion	75.000	618.962	(543.962)
4) verso controllanti			
- current portion	754.340	1.337.515	(583.175)
4bis) tax receivables			
- current portion	471.368	1.508.115	(1.036.747)
- long term	65.409	108.404	(42.995)
5) due from other			
5b) due from other			
- current portion	1.077.389	195.197	882.192
- long term	75.782	75.781	1
Total receivables	18.492.782	17.135.012	1.357.770
IV - <i>Liquid assets</i>			
1) Cash at banks and post offices	7.528.955	7.355.900	173.055
3) cash and cash equivalents on hand	4.107	5.093	(986)
Total liquid assets	7.533.062	7.360.993	172.069
Total current assets (C)	32.611.668	31.761.566	850.102
D) Prepaid expenses	58.898	58.843	55
TOTAL ASSETS	80.110.830	79.043.392	1.067.438





	Period end 31-dic-05	Period end 31-dic-04	Difference
<b>LIABILITIES</b>			
<b>A) Shareholders' equity</b>			
I - Share capital	9.726.600	9.726.600	0
II - Share premium reserve	668.992	668.992	0
III - Revaluation reserve			
- Revaluation reserve as per Law n° 342/00	6.667.345	6.667.345	0
- Revaluation reserve as per Law n° 448/01	8.539.344	8.539.344	0
- Revaluation reserve as per Law n° 266/05	2.652.347	0	2.652.347
IV - Legal reserve	659.647	130.302	529.345
VII - Other reserves, split by type:			
- Extraordinary reserve	10.930	10.930	0
- Reserve for "Disinquinamento fiscale" as per italian standard N° OIC1	10.057.556	0	10.057.556
- Reserve for capital grants as per art. 55 tax law	200.197	200.197	0
VIII - Retained earnings (losses)	(1.777.832)	(1.777.832)	0
IX - Net profit (loss) for the year	5.525.896	10.586.901	(5.061.005)
<b>Total Shareholders' equity (A)</b>	<b>42.931.022</b>	<b>34.752.779</b>	<b>8.178.243</b>
<b>B) Reserves for risks and charges</b>			
1) for pension and similar obligations;	904.677	779.917	124.760
2) for taxation	2.269.008	7.107.551	(4.838.543)
3) Other provisions;	135.000	135.000	0
<b>Total reserves for risks and charges (B)</b>	<b>3.308.685</b>	<b>8.022.468</b>	<b>(4.713.783)</b>
<b>C) Reserves for termination indemnities</b>	<b>3.526.758</b>	<b>3.545.072</b>	<b>(18.314)</b>
<b>D) Payables</b>			
4) due to banks:			
- current portion	3.679.532	20.128.204	(16.448.672)
- long term	12.500.000	102.984	12.397.016
6) advances			
- current portion	40.311	47.572	(7.261)
7) trade account			
- current portion	8.052.714	8.673.142	(620.428)
9) due to subsidiary			
- current portion	0	75.104	(75.104)
10) due to associated company			
- current portion	0	18.026	(18.026)
11) due to parent company			
- current portion	0	313.000	(313.000)
12) taxes payable			
- current portion	3.163.378	582.523	2.580.855
13) due to social security authorities			
- current portion	697.570	661.928	35.642
14) other payable:			
14b) other payable:			
- current portion	1.522.345	2.114.440	(592.095)
- long term	5.165	0	5.165
<b>Total payables (D)</b>	<b>29.661.015</b>	<b>32.716.923</b>	<b>(3.055.908)</b>
<b>E) Prepayments and accrued income</b>	<b>683.350</b>	<b>6.150</b>	<b>677.200</b>
<b>TOTAL LIABILITIES</b>	<b>80.110.830</b>	<b>79.043.392</b>	<b>1.067.438</b>
<b>GUARANTEES</b>			
<b>a) Total guarantees</b>	<b>7.219.811</b>	<b>11.629.462</b>	<b>(4.409.651)</b>
<b>TOTAL GUARANTEES</b>	<b>7.219.811</b>	<b>11.629.462</b>	<b>(4.409.651)</b>



# PROFIT & LOSSES

	Period end 31-dic-05	Period end 31-dic-04	Difference
A) Value of production			
1) revenues from sales and services	64.345.662	63.705.851	639.811
2) changes in inventory of work in process and finished products	(341.665)	441.609	(783.274)
5) Other income and revenues			
b) other income	526.520	451.107	75.413
Total value of production (A)	64.530.517	64.598.567	(68.050)
B) Cost of sales			
6) Raw, ancillary and consumable materials and good	32.951.052	37.719.377	(4.768.325)
7) Services	12.568.650	12.229.410	339.240
8) use of third party assets	189.458	205.097	(15.639)
9) Personnel			
a) wages and salaries	7.171.921	7.305.360	(133.439)
b) social contribution	2.334.018	2.462.968	(128.950)
c) termination indemnities	544.598	562.104	(17.506)
e) others	346.046	352.982	(6.936)
Total personnel costs	10.396.583	10.683.414	(286.831)
10) Depreciation and amortization			
a) ammortization of intangible assets	33.419	118.315	(84.896)
b) depreciation of tangible assets	3.645.230	3.504.063	141.167
d) writedowns of non - current assets	78.504	69.978	8.526
11) changes in inventory of raw, ancillary and consumable	349.733	(945.906)	1.295.639
12) provision for risks	0	40.000	(40.000)
13) other provisions	222.742	418.742	(196.000)
14) other operating costs	698.687	292.878	405.809
Total costs of sales (B)	61.134.058	64.335.368	(3.201.310)
Difference between sales and cost of sales (A-B)	3.396.459	263.199	3.133.260
C) Financial income and charges			
15) Income from investments			
b) from parent company	75.000	125.000	(50.000)
16) other financial income			
a) from receivables shown under non-current assets			
- from subsidiary	12.768	17.567	(4.799)
d) other financial income	132.586	66.363	66.223
17) Interests and other financial charges			
d) against other	(490.637)	(565.259)	74.622
17bis) income and charges on foreign money exchange			
a) income	971.885	381.071	590.814
b) charges	(134.084)	(910.729)	776.645
Total financial income and charges C)	567.518	(885.987)	1.453.505



	Period end 31-dic-05	Period end 31-dic-04	Difference
D) Adjustements to the value of financial assets			
19) Writedowns			
a) of equity investmenst	0	(95.000)	95.000
Total adjustements (D)	0	(95.000)	95.000
E) Extraordinary income and charges			
20) Income			
- income for compulsory tax interference elimination	6.829.668	18.879.296	(12.049.628)
21) Charges			
- previous years tax payable	(13.824)	0	(13.824)
- other charges	(2.024.440)	(7.592.521)	5.568.081
Total extraordinary income and charges (E)	4.791.404	11.286.775	(6.495.371)
Profit (loss) before taxes (A-B+C+D+E)	8.755.381	10.568.987	(1.813.606)
22) Income taxes for the year			
- current	(1.255.986)	(317.847)	(938.139)
- deferred	(1.973.499)	0	(1.973.499)
- prepaied	0	335.761	(335.761)
Total taxes	(3.229.485)	17.914	(3.247.399)
23) Net profit (loss) for the year	5.525.896	10.586.901	(5.061.005)

Board of directors  
The President

Ing. Franco Rossi



## FACI S.p.A.

Company under the control and the coordination of Euechemia S.p.A.

Legal Seat: Milan, Via Santa Radegonda 11 – 20121 – Italy

Main Office: Carasco, Via Privata Devoto n. 36 – 18042 - Italy

Share capital: €9.726.600,00 full paid up

Fiscal code and number of private company register: Milan n. 03545180105

Shareholders,

the financial statements we submit for your approval (balance sheet, income statement and explanatory notes) have been drawn up using the Standard Accounting Principles as relevant to our type of business.

### 1. CORPORATE INFORMATION

Faci S.p.A. is a company under the control of Euechemia S.p.A. with its place of business at Carasco, Via Privata Devoto n. 36 (Italy).

The principal activities of the company are that of manufacturers, buyers, sellers and distributors of organic derivatives of fatty acids, metal stearates, metal soaps, oleochemical derivatives for use in all kinds of consumer and industrial products.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements has been prepared in accordance with the specific legal provisions required by Italian Civil Code and it consists of:

?? **balance sheet** (according with articles n. 2424 and 2424 *bis* c.c.)

?? **profit and loss account** (according with articles n. 2425 and 2425 *bis* c.c.)

?? **explanatory notes** (according with article n. 2427 c.c.).

Besides we hereby declare that:

?? as per articles n. 2423 of the Italian Civil Code, the balance sheet and income statement provide enough information to give a truthful and accurate picture of the company's financial position;

?? there have been no exceptional cases of incompatibility between the accounting standards adopted and the requirements of truthful and accurate reporting, so no recourse was made to article n. 2423, clause 4, of the Italian Civil Code;

?? the financial statements has been prepared in euro;

?? items have been valued on a prudent basis on the assumption that the company is a going-concern as per article n. 2423-*ter* c.c.;

?? revenues and charges have been taken into account on an accruals basis, independently of when they were actually collected or paid as per article 2423-*ter* c.c.;

?? risks and losses arising during the year have been taken, even if the company only becomes aware of them after the year end as per article 2423-*ter* c.c.;

?? only gains that have been realized at the end of the year have been shown in the financial statements as per article 2423-*ter* c.c.;





?? no items grouped together has been made in the balance sheet and in the profit and loss account; as per article 2423-ter c.c.;

?? as per article n. 2423-ter, clause 6, of the Italian Civil Code the evaluation principles used are not changed with respect to previous year;

?? no assets or liabilities stated on the balance sheet may fall under more than one item, as per article n. 2424 c.c..

## INFORMATION ON THE BALANCE SHEET

### ASSETS

#### B.I – INTANGIBLE ASSETS

All the intangible assets are recorded at purchase or production cost, including ancillary costs. The goodwill has been booked to the assets side with the consensus of the Board of Statutory Auditors. The cost is systematically amortized each year in proportion to the residual useful life.

<i>Concessions, licences and similar rights:</i>	5 years
<i>Trademarks</i>	10 years
<i>Goodwill:</i>	5 years
<i>Others:</i>	in proportion to their residual life

The movements and the reserve for amortization of the intangible assets are shown in the following schedule.

INTANGIBLE ASSETS	Net value 31/12/2004	Purchases/ decrements	Changes	Amortization	Net value 31/12/2005
Set-up and expansion costs	0	0	0	0	0
Research, development and advertising costs	0	0	0	0	0
Patents and rights to use intellectual property	0	0	0	0	0
Concessions, licences, trademarks and similar rights	26.439	5.232	24	(15.248)	16.447
Goodwill	28.367	0	817	(14.592)	14.592
Intangible assets under formation and advances	0	0	0	0	0
Other intangible assets	4.663	0	0	(3.579)	1.084
<b>TOTAL</b>	<b>59.469</b>	<b>5.232</b>	<b>841</b>	<b>(33.419)</b>	<b>32.123</b>



## B.II – FIXED ASSETS

All the fixed assets are recorded at purchase cost (including ancillary costs), which is increased for revaluations done during the previous years. As per the Italian Fiscal law 2006, this year buildings have been revaluated for an amount of €3.014.031.

The cost is systematically depreciated each year in proportion to the residual useful life of the fixed assets. Ordinary repairs and upkeep costs are recorded in the profit and loss account. Extraordinary repairs and upkeep costs are capitalised to asset items and depreciated on a straight line basis over the residual period of usefulness.

The fixed assets under construction are consisted, first of all, of advances to purchase new plants.

During the exercise new plants, machineries and other goods have been purchased.

The movements and the reserve for depreciation of fixed assets are shown in the following schedule.

FIXED ASSETS	Net value 31/12/2004	Purchases/ Decremets	Changes	Other Movements	Depreciation	Net value 31/12/2005
Land and buildings	17.198.332	(1.464.092)	0	3.368.031	(737.492)	18.364.779
Plant and machinery	22.191.233	1.412.080	4.867	27.958	(2.618.130)	21.018.008
Industrial and trade equipment	231.167	30.093	542	13.392	(91.032)	184.162
Other goods	480.835	76.220	(1.022)	7.731	(198.576)	365.188
Fixed assets under construction and advances	279.662	(100.286)	0	0	0	179.376
<b>TOTAL</b>	<b>40.381.229</b>	<b>(45.985)</b>	<b>4.387</b>	<b>3.417.112</b>	<b>(3.645.230)</b>	<b>40.111.513</b>

## B.III – FINANCIAL ASSETS

The investments in subsidiary and associated companies are recorded at the lower value between purchase cost and method of net equity. So the investments in subsidiary and associated companies can be depreciated, when there are permanent losses of these companies. But this lower value cannot be maintained in subsequent financial statements if the reasons for the adjustment no longer subsist.

The credits have been shown at their estimated realizable value.

The financial assets, different from investments in subsidiary and associated companies, are consisted by three financings: one, given to a subsidiary named Cifrachim Sarl, amounts at €50.000; one, given to an associated company named Productos Metalest, amounts at €405.000 and the last one, given to Faci Chem Zhangjiagang, amounts at €46.081.

The movement of the financial assets are shown in the schedule attached in the next page.



INVESTMENTS	Share capital (a)	Shareholder's equity (b)	Profit or loss 2005 (c)	Investments cost 2005 (d)	% Held (e)	Equity quote (f=b*e)	Difference 2005 (g=f-d)
<b>In subsidiaries</b>							
- Faci Asia Pacific	3.311.596	4.336.912	858.732	2.989.673	100%	4.336.912	1.347.239
- Cifrachim Sarl LTD	8.000	(81.022)	5.996	8.000	100 %	(81.022)	(89.022)
<b>In associated companies</b>							
- Ambrogio Pagani	516.000	10.401.971	(82.129)	526.786	25%	2.600.493	2.073.707
- Reinco Ca	358.503	1.125.110	126.802	668.889	41%	461.295	(207.594)
- Productos Metalest SL	2.985.818	4.960.323	370.245	2.602.199	50%	2.480.161	(122.038)

#### C.I –INVENTORIES

Inventories have been shown at the lower value between market value and purchase or production cost, calculated using the LIFO method.

INVENTORIES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Raw, ancillary and consumable materials			
- raw materials	2.592.276	2.922.774	(330.498)
- raw materials UK	132.423	147.409	(14.986)
Finished products and goods			
- finished products	3.623.545	3.938.192	(314.647)
- finished products	291.477	309.574	(18.097)
- reserve for risks of UK inventories (-)	(53.897)	(52.388)	(1.509)
<b>TOTAL</b>	<b>6.585.823</b>	<b>7.265.561</b>	<b>(679.737)</b>



## C.II – RECEIVABLES

The receivables have been shown at their estimated realizable value.

Foreign currency receivables have been translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Income and charges on foreign money exchange have been registered in the "Profit and Loss Account" in the financial area. Instead net profit should be registered in the "Shareholder's equity".

The reserve for doubtful receivables is considered sufficient.

There aren't any long term receivables exceeding 5 years.

RECEIVABLES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Trade account			
- current portion	15.862.095	11.875.813	3.986.282
- long term	0	0	0
Due from subsidiaries			
- current portion	111.399	1.415.225	(1.303.826)
- long term		0	0
Due from associated companies			
- current portion	75.000	618.962	(543.962)
- long term	0	0	0
Due from parent companies			
- current portion	754.340	1.337.515	(583.175)
- long term	0	0	0
Tax receivables			
- current portion	471.368	1.508.115	(1.036.747)
- long term	65.409	108.404	(42.995)
Receivables for deferred taxes			
- current portion	0	0	0
- long term	0	0	0
Due from others			
- current portion	1.077.389	195.197	882.192
- long term	75.782	75.781	1
<b>TOTAL</b>	<b>18.492.782</b>	<b>17.135.012</b>	<b>1.357.770</b>





#### C.IV – LIQUID ASSETS

Liquid assets are stated in the balance sheet at their par value.

Foreign currency liquid assets have been translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Income and charges on foreign money exchange have been registered in the "Profit and Loss Account" in the financial area. Instead net profit should be registered in the "Shareholder's equity".

LIQUID ASSETS	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Cash at banks and post offices	7.528.955	7.355.900	173.055
Cash and cash equivalents on hands	4.107	5.093	(986)
<b>TOTAL</b>	<b>7.533.062</b>	<b>7.360.993</b>	<b>172.069</b>

#### D. – PREPAYMENTS AND ACCRUED INCOME

Under prepayments and accrued income must be booked any income earned during the period but collectable in future periods, and costs incurred before the end of the period but referring to future periods.

During the year, prepaid expanses have decreased of €58,00.

PREPAYMENTS AND ACCRUED INCOME	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Prepayments	0	314	(314)
Accrued income	58.898	58.529	369
<b>TOTAL</b>	<b>58.898</b>	<b>58.843</b>	<b>55</b>



## LIABILITIES

### A.—SHAREHOLDERS' EQUITY

Shareholders' equity is the difference between assets and liabilities and it consists in share capital, every reserve and retained earnings.

SHAREHOLDERS' EQUITY	Balance value 31/12/2004	Appropriation Result 2004	Increases	Decrements	Profit or loss 31/12/2005	Balance value 31/12/2005
Share capital	9.726.600					9.726.600
Share premium reserve	668.992					668.992
Revaluation reserve	15.206.689		2.652.347			17.859.036
Legal reserve	130.302	529.345				659.647
Statutory reserves	0					0
Reserve for treasury stock held	0					0
Other reserves						
- extraordinary reserve	10.930	10.057.556				10.068.486
- for round euro translation	1					
- for capital grants as per art. 55 tax law	200.197					200.197
Retained earnings (losses)	(1.777.832)					(1.777.832)
Net profit (loss) for the year	10.586.901	(10.586.901)			5.525.896	5.525.896
<b>TOTAL</b>	<b>34.752.779</b>	<b>0</b>	<b>2.652.347</b>	<b>0</b>	<b>5.525.896</b>	<b>42.931.022</b>



## B. – RESERVES FOR RISKS AND CHARGES

These reserves are destined only to cover losses or liabilities of a specific nature, that are certain or probable, of which either the amount or the date of occurrence cannot in any case be determined at the year end. Evaluation of risks and charges also takes account of risks and losses which came to light after the year end and up to the issue of the balance sheet.

This year they have increased of 7.131.671, first of all for the reserve for taxation which amounts at € 7.107.551.

RESERVES FOR RISKS AND CHARGES	Balance value 31/12/2004	Provision 31/12/2005	Different increases	(Decrements)	Balance value 31/12/2005
For pensions and similar obligations					
- supplementary allowance for customers	25.973	2.017			27.990
- resolutive allowance for agency's ratio	218.040	125.000		(100.000)	243.040
- T.F.M. Board of Directors 1999	535.904	97.743			633.647
For taxation					
- reserve for deferred taxation	7.107.551			(4.838.543)	2.269.008
Other provisions					
- reserve for contentious risk	135.000				135.000
- reserve for risk on exchange	0		1		0
<b>TOTAL</b>	<b>8.022.468</b>	<b>224.760</b>		<b>(4.938.543)</b>	<b>3.308.685</b>



## C – RESERVES FOR TERMINATION INDEMNITIES

The reserves for termination indemnities must include the amount calculated in accordance with article n. 2120 c.c.

RESERVES FOR TERMINATION INDEMNITIES	Balance value 31/12/2004	Provision 31/12/2005	Reserve used	(Substitutive Tax)	Different decreases	Balance value 31/12/2005
Workmen	1.979.110	220.225	(78.762)	(6.237)	(18.985)	2.095.351
Technical employee	614.137	87.470	(40.281)	(1.933)	(5.567)	653.826
Administrative employees	561.327	59.948	(50.181)	(1.802)	(4.823)	564.469
Directors	390.781	34.315	(198.067)	(626)	(14.829)	211.574
Tax for revaluation TFR	(283)	10.599	(8.778)	0	0	1.538
<b>TOTAL</b>	<b>3.545.072</b>	<b>412.557</b>	<b>(376.069)</b>	<b>(10.598)</b>	<b>(44.204)</b>	<b>3.526.758</b>





## D – PAYABLES

The payables, estimated at the date of the balance sheet, have been shown at their par value.

Foreign currency payables have been translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Income and charges on foreign money exchange have been registered in the "Profit and Loss Account" in the financial area. Instead net profit should be registered in the "Shareholder's equity".

There aren't any payables due to shareholders and any long term payables exceeding 5 years.

PAYABLES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Due to banks	3.679.532	20.128.204	(16.448.672)
- current portion	12.500.000	102.984	12.397.016
- long term			
Advances	40.311	47.572	(7.621)
- current portion	0	0	0
- long term			
Trade account	8.052.714	8.673.142	(620.428)
- current portion	0	0	0
- long term			
Due to subsidiary	0	75.104	(75.104)
- current portion	0	0	0
- long term			
Due to associated companies	0	18.026	(18.026)
- current portion	0	0	0
- long term			
Due to parent companies	0	0	(313.000)
- current portion	0	313.000	0
- long term			
Taxes payable			
- current portion	3.163.378	582.523	2.580.855
- long term	0	0	0
Due to social security authorities	697.570	661.928	35.642
- current portion	0	0	
- long term			
Other payable			
- current portion	1.522.345	2.114.440	(592.095)
- long term	5.165	0	5.165
<b>TOTAL</b>	<b>29.661.015</b>	<b>32.716.923</b>	<b>(3.055.908)</b>



#### E. – ACCRUED LIABILITIES AND DEFERRED INCOME

Under accrued liabilities and deferred income have to be booked costs for the period payable in future periods and income received before the end of the period but earned in future periods.

ACCRUED LIABILITIES AND DEFERRED INCOME	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Accrued liabilities			
- for interests	56.221	6.150	50.071
- others	0	0	0
Deferred income			
- deferred income	627.129	0	627.129
<b>TOTAL</b>	<b>683.350</b>	<b>6.150</b>	<b>677.200</b>

#### MEMORANDUM ACCOUNTS

Memorandum accounts, shown at the foot of the balance sheet, represent commitments and guarantees existing at the end of the year.

The guarantees given by the company amount at €7.219.811,49 at 31 December 2005.

MEMORANDUM ACCOUNTS	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Mortgages on fixed assets	1.746.016	1.746.016	0
Sureties	5.473.795	9.883.446	(4.409.651)
<b>TOTAL</b>	<b>7.219.811</b>	<b>11.629.462</b>	<b>(4.409.651)</b>



## PROFIT & LOSSES

### A. – VALUE OF PRODUCTION

Income and revenues have to be shown net of returns, discounts, allowances and bonuses, as well as taxes directly connected with the sale of goods and the rendering of services.

VALUE OF PRODUCTION	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Revenues from sales and services	64.345.662	63.705.851	639.811
Changes in inventory of work in process and finished products	(341.665)	441.609	(783.274)
Changes in job order work in progress	0	0	0
Increases in fixed assets constructed internally	0	0	0
Other income and revenues			
- capital grant	90.451	40.155	50.296
- other income	436.069	410.952	25.117
<b>TOTAL</b>	<b>64.530.517</b>	<b>/ 64.598.567</b>	<b>(68.050)</b>



## B. – COST OF SALES

Costs and charges have to be shown net of returns, discounts, allowances and bonuses, as well as taxes directly connected with the sale of goods and the rendering of services.

COST OF SALES	Balance value 31/12/2004	Balance value 31/12/2003	Difference
Raw, ancillary and consumable materials and goods	32.951.052	37.719.377	(4.768.325)
Services	12.568.650	12.229.410	339.240
Use of third party assets	189.458	205.097	(15.639)
Personnel			
- wages and salaries	7.171.921	7.305.360	(133.439)
- social contribution	2.334.018	2.462.968	(128.950)
- termination indemnities	544.598	562.104	(17.506)
- others	346.046	352.982	(6.936)
Depreciation and amortization			
- amortization of intangible assets	33.419	118.315	(84.896)
- depreciation of tangible assets	3.645.230	3.504.063	141.167
- writedowns of non-current assets	78.504	69.978	8.526
- writedowns of receivables included in working capital and liquid assets	0	0	0
Changes in inventory of raw, ancillary and consumable materials and goods	349.733	(945.906)	1.295.639
Provisions for risks	0	40.000	(40.000)
Other provisions	222.742	418.742	(196.000)
Other operating costs	698.687	292.878	405.809
<b>TOTAL</b>	<b>61.134.058</b>	<b>64.335.368</b>	<b>(3.201.310)</b>





## C. – FINANCIAL INCOME AND CHARGES

According with the article n. 2427 c.c., the composition of financial income and charges is considered in the following schedule.

Foreign currency items have been translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Income and charges on foreign money exchange have been registered in the "Profit and Loss Account" in the financial area. Instead net profit should be registered in the "Shareholder's equity".

FINANCIAL INCOME AND CHARGES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Income from investments			
- from subsidiaries	0	0	0
- from associated companies	75.000	125.000	(50.000)
Other financial income			
- from receivables shown under non-current assets			
* from subsidiaries and associated companies	12.768	17.567	(4.799)
* from parent company	0	0	0
- from securities shown under non-current assets which do not constitute equity investments	0	0	0
- from securities shown under current assets which do not constitute equity investments	0	0	0
- Other income	132.586	66.363	66.223
Interest and other financial charges			
- against others	(490.637)	(565.259)	74.622
Income and charges on foreign money exchange			
- income	971.885	381.071	590.814
- charges	(134.084)	(910.729)	776.645
<b>TOTAL</b>	<b>567.518</b>	<b>(885.987)</b>	<b>1.453.505</b>



#### E. – EXTRAORDINARY INCOME AND CHARGES

According with the article n. 2427 c.c., the composition of extraordinary income and charges is considered in the following schedule.

EXTRAORDINARY INCOME AND CHARGES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Income			
- for compulsory tax elimination	6.829.668	18.879.296	(12.049.628)
Charges			
- previous years tax payable	(13.824)	0	(13.824)
- other charges	(2.024.440)	(7.592.521)	5.568.081
<b>TOTAL</b>	<b>4.791.404</b>	<b>11.286.775</b>	<b>(6.495.371)</b>

#### TAXES

Taxes are calculated on the basis of the estimated tax charge for the year under current fiscal legislation. In the profit and losses the impact of prepaid taxes is to reduce the amount of taxes for the year.

TAXES	Balance value 31/12/2005	Balance value 31/12/2004	Difference
Current taxes	(1.255.986)	(317.847)	(938.139)
Prepaid taxes	0	335.761	(335.761)
Deferred taxes	(1.973.499)	0	(1.973.499)
<b>TOTAL</b>	<b>3.229.485</b>	<b>17.914</b>	<b>(3.247.399)</b>

The Director

*(Franco Rossi)*

