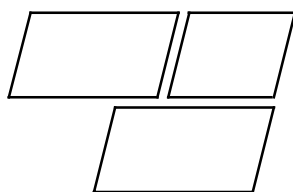


*Industrie Zignago Santa Margherita SpA*

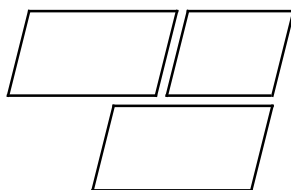


**Board of Directors' Report  
on FY2005 first-half performance  
(January 1st – June 30th 2005)**



# **Board of Directors' Report on FY2004 first-half performance (January 1st – June 30th 2005)**

pursuant to Article 2428, paragraph 3, of the Italian Civil Code,  
and to Article 81 of the CONSOB (Italian securities and exchange commission)  
resolution 11971 dated May 14th 1999 and its subsequent amendments and additions



INDUSTRIE ZIGNAGO SANTA MARGHERITA SpA  
Registered headquarters: Via Ita Marzotto 8, Fossalta di Portogruaro (VE), Italy  
Share capital, fully paid up: EUR 13,000,000  
Tax code and Venice Companies Register no.: 00168350270

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## **CORPORATE BODIES AND OFFICERS**

### **Board of Directors**

in office for 3-year period 2003 - 2005

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chairman

Antonio Favrin

deputy chairman

Andrea Donà dalle Rose

chief executive officer

Angelo Milanello

directors

Francesco Caretti

Marco Donà dalle Rose

Nicolò Marzotto

Pietro Marzotto

Stefano Marzotto

Umberto Marzotto

Vittorio Emanuele Marzotto

Roberto Notarbartolo di Villarosa

Dario Segre

### **Statutory Auditors' Committee**

in office for 3-year period 2003 - 2005

---

Carlo Domenico Vanoni

president

Franco Corgnati

standing statutory auditor

Carlo Pesce

standing statutory auditor

Antonio Zanarotti

substitute statutory auditor

Paolo Nicolai

substitute statutory auditor

Nevio Dalla Valle

substitute statutory auditor

### **Executive Committee**

---

president

Antonio Favrin

Andrea Donà dalle Rose

Angelo Milanello

Nicolò Marzotto

Pietro Marzotto

Vittorio Emanuele Marzotto

Dario Segre

### **General Management**

---

general manager

Angelo Milanello

head of administration

Alberto Faggion

head of human resources

Maurizio Pizzolotto

### **Compensation Committee**

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Andrea Donà dalle Rose

Francesco Caretti

Umberto Marzotto

### **Independent Auditor**

for the years 2004-2005-2006

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Reconta Ernst & Young SpA

### **Internal Audit & Corporate Governance Committee**

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Stefano Marzotto

Vittorio Emanuele Marzotto

Roberto Notarbartolo di Villarosa

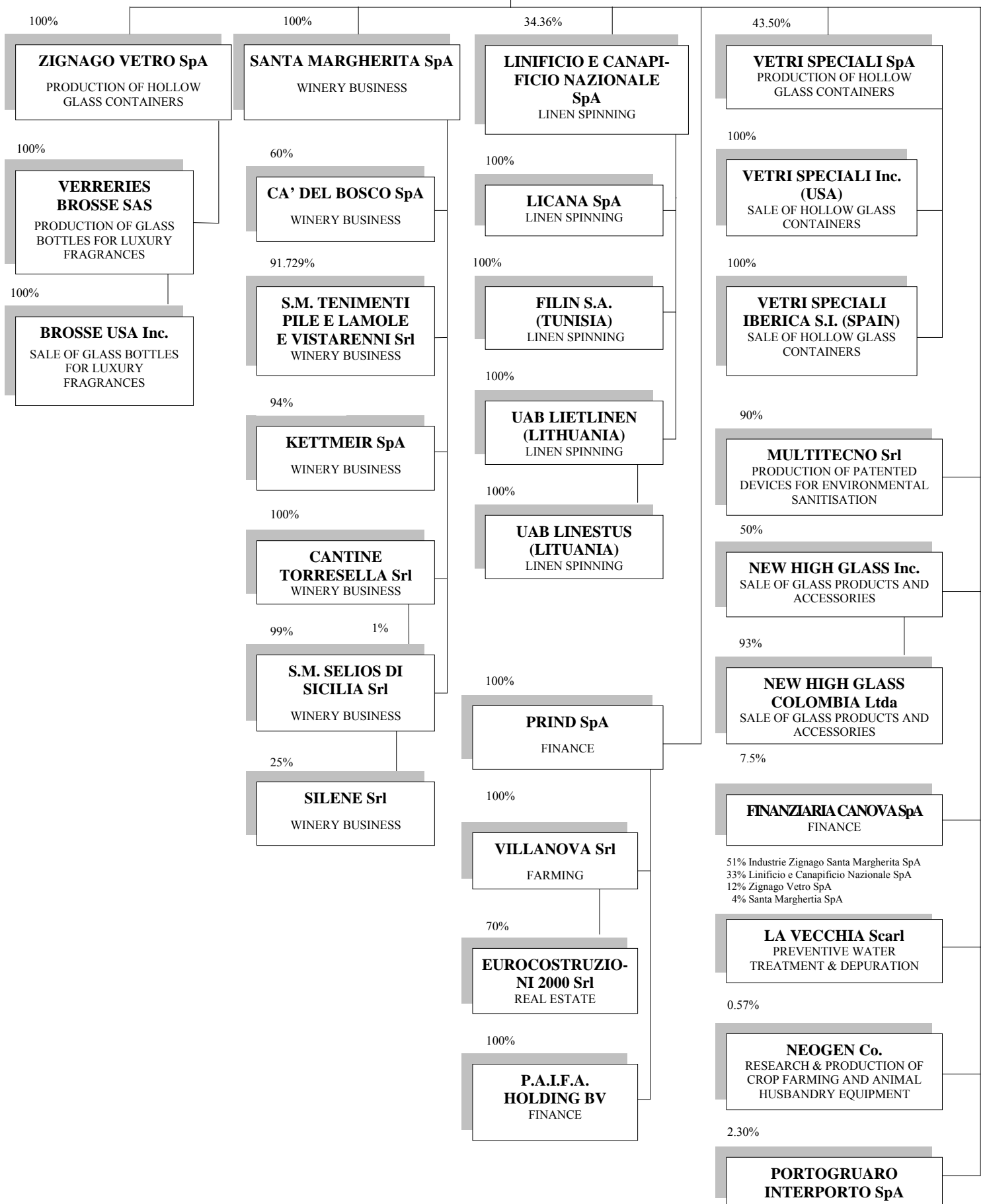


# STRUCTURE OF THE ZIGNAGO GROUP

As at September 9th 2005

## BUSINESSES AND EQUITY INTERESTS

**INDUSTRIE ZIGNAGO SANTA MARGHERITA SpA**  
GROUP PARENT COMPANY





# **First-Half Operating Performance**

(pursuant to Article 2428, paragraph 3, of the Italian Civil Code,  
and to Article 81 of the CONSOB resolution 11971 dated May 14th 1999)

## **CONSOLIDATED GROUP RESULTS**

### **Introduction**

This report has been drawn up as per the requirements of Article 2428, paragraph 3, of the Italian Civil Code, of Article 206 of the Consolidated Finance Act concerning corporate information (Italian Legislative Decree 58/1998), and of Heading III, Chapter 1 and Article 81/2 of CONSOB resolution no. 11971 dated May 14th 1999, adopted to implement the said Legislative Decree 58, whilst also taking into account the guidelines contained in CONSOB resolution no. 14990 dated April 17th 2005.

The report – which substitutes, pursuant to Article 82, paragraph 2, of the aforementioned CONSOB resolution no. 11971, the second-quarter report – consists of financial statements (balance sheet and profit & loss account) as at and up to June 30th 2005, prepared according to the Italian Civil Code, modified effective January 1st 2004 by Articles 1 and 10 of Italian Legislative Decree no. 6 of January 17th 2003, shown in comparison with those as at and up to June 30th 2004 and December 31st 2004, of consolidated group and parent-company results, and of the “explanatory and supplementary notes” concerning directors’ information on the operating performance of the group, parent company, and of subsidiary and associated companies.

The financial year FY2005 is the first year of IAS/IFRS application. Pursuant to the requirements of Article 81/2 of the same resolution, we provide:

- a) Quantitative reconciliation of net equity as at the first-half and full-year end date of the previous FY and of profit as at the first-half end date – calculated according to the accounting policies and standards used for the previous FY’s year-end financial statements (Italian GAAP) – with the same items’ value based on application of international accounting and financial reporting standards (IAS/IFRS). The statement of reconciliation describes clearly and with appropriate analytical detail the nature and amount of the most significant adjustments made to the period’s net equity and net profit.
- b) In a separate appendix, the reconciliations envisaged by paragraphs 39 and 40 of IFRS 1 – “First-Time Adoption of International Financial Reporting Standards” (FTA), adopted according to the procedure indicated in Article 6 of regulation EC 1606/2002, and accompanied by notes explaining the approach to preparation and the items shown in the statements of reconciliation. The said reconciliations, in compliance with CONSOB resolution 14990 of April 14th 2005, are those between net equity as at January 1st and December 31st 2004, and January 1st 2005 and the FY2004 net profit stemming from application of Italian GAAP and the corresponding figures shown on the basis of IAS/IFRS. According to the indications given in CONSOB memorandum DEM 5025723 of April 15th 2005, which established the method to follow and the extent of independent auditing to be performed during the phase of transition to international accounting standards, Reconta Ernst & Young SpA was awarded the assignment of fully auditing the said statements of reconciliation.

We also point out that Industrie Zignago Santa Margherita will apply Italian GAAP for preparation of its statutory year-end financial statements for the year ending on December 31st 2005.

For the sake of better understanding and to permit continuity of comparison, financial statements presented on the following pages are also shown in restated summary form.

The figures shown in this report and in financial schedules are expressed in thousands of euro (indicated hereinafter, for the sake of brevity, as €...k), whilst the consolidated data of the associated company New High Glass Inc. are shown in thousands of USD.

Before proceeding with review of the Zignago Group's operating results, we specify that financial statements for the first half ending on June 30th 2005 and 2004 (1H05 and 1H04), and for the year ending on December 31st 2004 (FY2004) have been consolidated on a **100% line-by-line basis** for the parent company Industrie Zignago Santa Margherita SpA and for the following controlled (i.e. subsidiary) companies:

- ◆ Zignago Vetro SpA and its subsidiary:
  - Verreries Brosse SAS and its subsidiary:
    - Brosse USA Inc.
  
- ◆ Santa Margherita SpA and its subsidiaries:
  - Ca' del Bosco SpA
  - S.M. Tenimenti Pile e Lamole e Vistarenni Srl
  - Cantine Torresella Srl
  - Kettmeir SpA
  - S.M. Selios di Sicilia Srl
  
- ◆ Attività Industriali Friuli Srl (for 1H04)
  
- ◆ Prind SpA and its subsidiaries:
  - P.A.I.F.A. Holding BV (a financial company, now being wound up)
  - Villanova Srl and its subsidiary:
    - Eurocostruzioni 2000 Srl (1H05 and December 31st 2004)
  
- ◆ Multitecno Srl
  
- ◆ La Vecchia Scarl (1H05 and December 31st 2004)

The companies Linificio e Canapificio Nazionale SpA and, for results as at June 30th 2005, Vetri Speciali SpA and their respective subsidiaries have been **proportionally consolidated**. Specifically:

- In Linificio e Canapificio Nazionale SpA there is an accompanying agreement for joint management of the company, made between the controlling shareholders Industrie Zignago Santa Margherita SpA (owner of 34.36%) and Marzotto SpA (owner of 33.44%).
  
- In October 2004 Vetri Speciali SpA undertook a business reorganization operation, which led to acquisition of three companies active in the “special glass” sector, including the ex-subsidiary Attività Industriali Friuli Srl (AIF). With legal effects as from June 1st 2005 and accounting/tax effects as from January 1st 2005, these companies, with the merger deed signed on May 30th 2005, were merged by incorporation in Vetri Speciali SpA. The shareholder group features Industrie Zignago Santa Margherita SpA with a 43.50% stake, AVIR SpA with 43.50%, and other minority shareholders owning the total remaining 13% interest.

The associated company New High Glass Inc., its subsidiary New High Glass Colombia Ltda., and Silene Srl have been **accounted for at equity**.

Accounting and consolidation policies, with the equity interests ascribable to the group parent company, are illustrated on pages 63 and 64.

To meet the requirements of Article 126 of CONSOB resolution no. 11971 of May 14th 1999, on page 96 we present notification of equity interests featuring the group parent company's ownership – either direct or indirect – of over 10% of voting stock.

### **Independent auditing**

The task of independent auditing of the statutory accounts of Industrie Zignago Santa Margherita SpA and of consolidated group accounts in the 3-year period 2004-2005-2006, has been assigned to **Reconta Ernst & Young SpA**.

In compliance with dictates of Article 165 of the Consolidated Finance Act already mentioned, we have also awarded the assignment to audit the accounts of subsidiaries, for which independent auditing has become necessary.

### **Group operating performance**

The trends described below feel the effects of the fact that, in the “special glass” business, figures for the current year are shown on a proportional basis (43.50%) for Vetri Speciali SpA, whereas in FY2004, prior to the business reorganisation operations, Attività Industriali Friuli Srl, 51% owned, was consolidated on a 100% line-by-line basis.

**Consolidated net sales** achieved in 1H05 amounted to € 132,079k vs. € 136,143k in 1H04 (-3%).

**EBITDA** in 1H05 amounted to € 30,250k, as opposed to € 34,085k in 1H04 (-11.3%).

**EBIT** as at June 30th 2005 totalled € 14,450k (June 30th 2004: € 18,046k) and included higher depreciation & amortisation (€ 1,389k) as a consequence of the business reorganisation operation in Vetri Speciali SpA.

**EBT before non-recurrent items** in 1H05 was -17.8% lower than that of 1H04 (€ 16,263k vs. € 19,777k). This reduction reflects higher depreciation & amortisation and financial charges following the acquisition, already mentioned, of Vetri Speciali SpA and the absence, compared with 1H04, of income from unconsolidated equity investments (€ 831k) and marketable securities held as current assets (€ 663k).

The group's **consolidated net profit** in 1H05, inclusive of minority interests, was € 11,353, down by -5.6% vs. 1H04 (€ 12,021k). This result included capital gains made on asset disposals by Linificio e Canapificio Nazionale SpA and a tax rate down from 41.1% to 38.4%.

Group parent company shareholders' share of the midyear net profit amounted to € 11,394k, growing by 12.6% over 1H04 (€ 10,120k).

Given the aforementioned business reorganisation in Vetri Speciali SpA, year-over-year changes relate to entities that are not objectively comparable. For the sake of easier consultation and, when possible, of comparison, we have consolidated on a pro-forma basis Attività Industriali Friuli Srl's results as at June 30th 2004 applying the proportional method.

Comparing proportional 2005 and 2004 figures, the changes in key items feature:

- <b>Net revenues</b>	<b>+ 2.9%</b>
- <b>EBITDA</b>	<b>- 1.7%</b>
- <b>EBIT</b>	<b>- 6.2%</b>

From the operating standpoint, 2005 **EBIT**, net of proportional amortisation of goodwill and of premiums on fixed assets recognised at the time of acquisition, shows an increase of **2.8%** over the pro-forma 1H04 figure.

The salient features of the P&L account in 1H05 can be summarised as follows:

- In the glass sector, growing sales and results in a market environment feeling the effects of the unfavourable economic situation
- In the winery sector, sales and margins down, mainly because of postponement to the second half of restocking in the US distribution system
- In the linen sector, sales and operating margins down, with the bottom line showing strong growth due to the contribution of non-recurrent income.

Information on individual businesses' performance and on the outlook for the current financial year is presented later on in this report.

The following table shows summary data of the **consolidated profit & loss account** as at June 30th 2005 and 2004.

	1st Half 2005		1st Half 2004		Change	1st Half 2004	
	(1)		(1)			Pro-forma - proportional figures (2)	
	€ '000	%	€ '000	%	%	€ '000	%
<b>Net revenues</b>	<u>132,079</u>	---	<u>136,143</u>	---	(3.0%)	<u>128,372</u>	---
<b>Production value</b>	143,190	100.0%	144,136	100.0%	(0.7%)	136,507	100.0%
Costs of goods and services	<u>(81,887)</u>	<u>(57.2%)</u>	<u>(80,548)</u>	<u>(55.9%)</u>	1.7%	<u>(77,486)</u>	<u>(56.8%)</u>
<b>Value added</b>	61,303	42.8%	63,588	44.1%	(3.6%)	59,021	43.2%
Payroll costs	<u>(31,053)</u>	<u>(21.7%)</u>	<u>(29,503)</u>	<u>(20.5%)</u>	5.3%	<u>(28,260)</u>	<u>(20.7%)</u>
<b>EBITDA</b>	30,250	21.1%	34,085	23.6%	(11.3%)	30,761	22.5%
Depreciation & amortisation	(15,418)	(10.7%)	(14,346)	(9.9%)	7.5%	(13,667)	(10.0%)
Provisions	<u>(382)</u>	<u>(0.3%)</u>	<u>(1,693)</u>	<u>(1.2%)</u>	(77.4%)	<u>(1,684)</u>	<u>(1.2%)</u>
<b>EBIT</b>	14,450	10.1%	18,046	12.5%	(19.9%)	15,410	11.3%
Income from equity investments not consolidated line-by-line	---	---	831	0.6%	nmf	831	0.6%
Net financial income/(charges)	(781)	(0.5%)	(460)	(0.3%)	69.8%	(456)	(0.3%)
Net capital gains on securities held as current assets	---	---	663	0.5%	nmf	663	0.5%
Net exchange-rate differences	16	---	63	---	(74.6%)	63	---
Net recurrent non-operating income/(charges)	<u>2,578</u>	<u>1.8%</u>	<u>634</u>	<u>0.4%</u>	nmf	<u>509</u>	<u>0.4%</u>
<b>EBT and non-recurrent items</b>	16,263	11.4%	19,777	13.7%	(17.8%)	17,020	12.5%
Net non-recurrent income/(charges)	<u>2,154</u>	<u>1.5%</u>	<u>617</u>	<u>0.4%</u>	nmf	<u>617</u>	<u>0.4%</u>
<b>EBT and before minorities</b>	18,417	12.9%	20,394	14.1%	(9.7%)	17,637	12.9%
Income tax and regional business tax (1H05: 38.4%) (1H04: 41.1%)	<u>(7,064)</u>	<u>(4.9%)</u>	<u>(8,373)</u>	<u>(5.8%)</u>	(15.6%)	<u>(7,293)</u>	<u>(5.3%)</u>
<b>Net profit before minorities</b>	11,353	8.0%	12,021	8.3%	(5.6%)	10,344	7.6%
Minorities' share of net profit	<u>41</u>	---	<u>(1,901)</u>	<u>(1.3%)</u>	nmf	<u>(224)</u>	<u>(0.2%)</u>
<b>Group net profit</b>	<u>11,394</u>	<u>8.0%</u>	<u>10,120</u>	<u>7.0%</u>	12.6%	<u>10,120</u>	<u>7.4%</u>

(1) As already mentioned, figures for 1H05 feature proportional line-by-line consolidation (43.50%) of Vetri Speciali SpA and its subsidiaries. 1H04 figures instead featured 100% line-by-line consolidation of Attività Industriali Friuli Srl.

(2) Data for Attività Industriali Friuli Srl as at June 30th are shown for the 51% interest belonging to the group parent company.

The full P&L account as required by current regulations is shown on page 62 with relevant comments shown on pages 74 and 75. The reconciliation between reported results of the group parent company and its subsidiaries and consolidated net profit is shown on page 78.

The chart showing reconciliation with the template of the P&L account drawn up pursuant to Italian Legislative Decree 6/2003 is presented on page 15.

**Cash flow** (net profit + depreciation & amortisation) in 1H05 totalled € 26,812k vs. € 24,466k in 1H04 (+9.6%).

Consolidated sales in 1H05, which were down by -3% vs. 1H04, featured a positive trend in the glass business (+4.8% in total) and a decrease in the winery business (-20.7%) and in linen (-9.5%). More specifically (€ k):

	1st Half 2005	1st Half 2004	% Change
Industrie Zignago Santa Margherita SpA	2,371	2,540	(6.7%)
Zignago Vetro SpA	60,683	60,995	(0.5%)
Verreries Brosse SAS and its subsidiary	15,204	13,846	9.8%
Vetri Speciali SpA and its subsidiaries (1)	19,157	15,858	20.8%
Santa Margherita SpA and its subsidiaries	25,570	32,250	(20.7%)
Linificio e Canapificio Nazionale SpA and its subsidiaries	13,037	14,410	(9.5%)
Others	826	424	94.8%
Aggregate total	136,848	140,323	(2.5%)
Elimination of intercompany sales	(4,769)	(4,180)	14.1%
Consolidated total	132,079	136,143	(3.0%)

(1) 1H05: Vetri Speciali SpA and its subsidiaries = proportional (43.5%); 1H04: Attività Industriali Friuli Srl = 100%

**Group sales outside Italy** in 1H05 amounted to € 44,026k (-14.3% vs. 1H04: € 51,402k) and accounted for 33.3% of total sales (vs. 37.8% in 2004). There was decrease in the case of the glass business (-5.3%), the winery business (-33.3%), and the linen business (-10.1%). Going into greater detail (€k)

	1st Half 2005	1st Half 2004	% Change
Zignago Vetro SpA	9,355	10,051	(6.9%)
Verreries Brosse SAS and its subsidiary	14,761	14,885	(0.8%)
Vetri Speciali SpA and its subsidiaries (1)	4,394	5,075	(13.4%)
Santa Margherita SpA and its subsidiaries	10,880	16,309	(33.3%)
Linificio e Canapificio Nazionale SpA and its subsidiaries	4,569	5,082	(10.1%)
Multitecno Srl	67	---	nmf
Consolidated total	44,026	51,402	(14.3%)

(1) 1H05: Vetri Speciali SpA and its subsidiaries = proportional (43.5%); 1H04: Attività Industriali Friuli Srl = 100%

The foreign markets involved were (€k):

	1st Half 2005	1st Half 2004	% Change
Rest of EU	22,562	24,556	(8.1%)
Rest of Europe	887	1,780	(50.2%)
North America	15,468	20,437	(24.3%)
Asia	1,241	1,531	(18.9%)
Rest of World	3,868	3,098	24.9%
Total	44,026	51,402	(14.3%)

The breakdown of **net profit** for the period was as follows (€k):

	1st Half 2005	1st Half 2004	% Change
Industrie Zignago Santa Margherita SpA	15,493	11,560	34.0%
Zignago Vetro SpA	5,850	3,182	83.8%
Verreries Brosse SAS and its subsidiary	397	670	(40.7%)
Vetri Speciali SpA and its subsidiaries (1)	750	3,423	(78.1%)
Santa Margherita SpA and its subsidiaries	877	2,537	(65.4%)
Linificio e Canapificio Nazionale SpA and its subsidiaries	2,518	1,122	nmf
Multitecno Srl	19	22	(13.6%)
P.A.I.F.A. Holding BV	13	578	(97.8%)
Villanova Srl	(22)	(27)	(18.5%)
Prind SpA	1,313	(12)	nmf
La Vecchia Scarl	24	---	---
Eurocostruzioni 2000 Srl	(2)	---	---
Aggregate total	27,230	23,055	18.1%
Consolidation adjustments (2)	(15,877)	(11,034)	43.9%
Net profit	11,353	12,021	(5.6%)
Minorities' share of net profit	41	(1,901)	nmf
Group net profit	11,394	10,120	12.6%

(1) 1H05: Vetri Speciali SpA and its subsidiaries = proportional (43.5%); 1H04: Attività Industriali Friuli Srl = 100%

(2) Dividends collected from subsidiaries amounted to € 16,396k in 1H05 and € 11,160k in 1H04.

**Reconciliation between restated P&L account shown in report on operating performance and the reporting template required by Italian Legislative Decree no. 127/91**

(€ k)

Restated P&L account	1st Half 2005	1st Half 2004	Template as per Leg. Decree 127/91	1st Half 2005	1st Half 2004
<b>Production value</b>	143,190	144,136			
- Restated items:					
- Other revenues and income	2,828	1,263			
<b>Total</b>	<u>146,018</u>	<u>145,399</u>	<b>A. PRODUCTION VALUE</b>	<u>146,018</u>	<u>145,399</u>
<b>EBIT:</b>	14,450	18,046			
- Restated items:					
- Other revenues and income	2,828	1,263			
- Reclassif. of capital gains on Vetri Speciali SpA pallet sales	12	---			
- Incidental costs	(250)	(267)			
- Capital losses on asset disposal	(12)	(3)	<b>DIFFERENCE BETWEEN</b>		
<b>Total</b>	<u>17,028</u>	<u>19,039</u>	<b>PRODUCTION VALUE AND COST</b>	<u>17,028</u>	<u>19,039</u>
<b>EBT and before non-recurrent items:</b>	16,263	19,777	to be summed:		
- Restated items:					
- Write-backs on securities held as current assets	---	(663)			
- Capital gains on property disposal	---	359	<b>C. FINANCIAL INCOME/CHARGES</b>	(765)	434
<b>Total</b>	<u>16,263</u>	<u>19,473</u>	<b>Total</b>	<u>16,263</u>	<u>19,473</u>
<b>Net non-recurrent income/charges:</b>	2,154	617			
- Restated items:			<b>D. ADJUSTMENTS TO VALUE</b>		
- Write-backs on securities held as current assets	---	663	<b>OF FINANCIAL ASSETS</b>	84	951
- Capital gains on property disposal	---	(359)	<b>E. NON-RECURRENT ITEMS</b>	2,070	(30)
<b>Total</b>	<u>2,154</u>	<u>921</u>	<b>Total</b>	<u>2,154</u>	<u>921</u>

The reclassified profit & loss account is shown on page 12, whilst the template completed as per the reporting requirements of Italian Legislative Decree 127/91 is shown on page 62.

**Group condensed balance sheet and financial position**

**Consolidated net shareholder equity** pertaining to the parent company as at June 30th 2005, inclusive of first-half net profit, amounted to € 187,815k vs. €180,846k as at June 30th 2004 and € 193,359k as at December 31st 2004. The change vs. June 30th 2004 (€ +6,969k) was due to bottom-line performance in the 12-month period (€ +24,103k), after deduction of dividend pay-out (€ -17,500) and addition of other changes that were positive overall (€ +366k).

The following table shows the group's condensed balance sheet and financial position as at June 30th 2005 and 2004 and as at December 31st 2004.

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Trade receivables	69,672		76,640		77,226	
Sundry receivables	9,658		10,049		12,043	
Inventory	88,091		83,315		73,767	
Current trade payables	(71,846)		(71,516)		(82,521)	
<i>A) Working capital</i>	<u>95,575</u>	<u>40.8%</u>	<u>98,488</u>	<u>44.8%</u>	<u>80,515</u>	<u>36.0%</u>
Net tangible and intangible fixed assets	148,560		141,290		155,309	
Vetri Speciali SpA goodwill	12,175		---		12,833	
Equity investments not consolidated on 100% line-by-line basis	13,093		13,689		12,784	
Other non-current financial assets	151		86		157	
Provisions and non-financial medium-/long-term payables	(35,474)		(33,844)		(37,651)	
<i>B) Net fixed capital</i>	<u>138,505</u>	<u>59.2%</u>	<u>121,221</u>	<u>55.2%</u>	<u>143,432</u>	<u>64.0%</u>
<i>A+B = Net capital employed</i>	<u>234,080</u>	<u>100.0%</u>	<u>219,709</u>	<u>100.0%</u>	<u>223,947</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	62,620		58,196		72,774	
Cash & cash equivalents	(79,371)		(53,430)		(92,329)	
Short-term net financial debt/(cash)	(16,751)	(7.2%)	4,766	2.2%	(19,555)	(8.7%)
Non-current financial debt	53,690	22.9%	17,673	8.0%	40,519	18.1%
<i>C) Net financial debt</i>	<u>36,939</u>	<u>15.8%</u>	<u>22,439</u>	<u>10.2%</u>	<u>20,964</u>	<u>9.4%</u>
<i>D) Minorities' net equity</i>	<u>9,326</u>	<u>4.0%</u>	<u>16,424</u>	<u>7.5%</u>	<u>9,624</u>	<u>4.3%</u>
Initial net equity	193,359		187,043		187,043	
Dividends paid out in period	(17,500)		(16,500)		(16,500)	
Other changes in net equity	562		183		(13)	
Net profit for period	11,394		10,120		22,829	
<i>E) Closing net equity</i>	<u>187,815</u>	<u>80.2%</u>	<u>180,846</u>	<u>82.3%</u>	<u>193,359</u>	<u>86.3%</u>
<i>C+D+E = Total financial debt and net equity</i>	<u>234,080</u>	<u>100.0%</u>	<u>219,709</u>	<u>100.0%</u>	<u>223,947</u>	<u>100.0%</u>

The balance sheet drawn up as per current regulations and related comments are respectively shown on pages 60 and 61 and on page 65 et seq. Reconciliation between the group parent company's reported statutory net equity and the net equity pertaining to the group parent company is shown on page 79.

The group's **net financial position** as at June 30th 2005 showed net debt of € 36,939k. As at June 30th 2004 and December 31st 2004 it featured net debt of € 22,439k and € 20,964k respectively.

The following table shows cash flows in the period that changed the consolidated balance sheet structure in the first half of 2005 (in € k):

	June 30th 2005	June 30th 2004
<b>Net financial debt as at FY2004 year-end</b>	<b><u>20,964</u></b>	<b><u>11,428</u></b>
- Internal financing		
Net profit in the period	(11,394)	(10,120)
Depreciation and amortisation	(15,418)	(14,346)
Other provisions, net	<u>2,177</u>	<u>(243)</u>
	<u>(24,635)</u>	<u>(24,709)</u>
- Increase in working capital	15,060	12,453
- Investments in fixed operating assets	11,119	8,098
- Investments in intangible fixed assets	149	103
- Book value of fixed operating assets sold	<u>(3,257)</u>	<u>(2,065)</u>
	<u>23,071</u>	<u>18,589</u>
<b>Free cash flow</b>	<b><u>(1,564)</u></b>	<b><u>(6,120)</u></b>
- Dividend distribution	17,500	16,500
- Increase in unconsolidated equity investments, net	309	396
- Decrease of non-current financial assets, net	(6)	(14)
- Decrease in minority interests	298	432
- Effect on net equity of translation of foreign subsidiaries' financial statements	<u>(562)</u>	<u>(183)</u>
	<u>17,539</u>	<u>17,131</u>
Increase in net financial debt	<u>15,975</u>	<u>11,011</u>
<b>Net financial debt as at June 30th 2005</b>	<b><u>36,939</u></b>	<b><u>22,439</u></b>

## Investments

Operating investments made in the quarter amounted to € 11,119k (€8,098k as up to June 30th 2004). They specifically related to:

- **Zignago Vetro SpA** = € 4,047k, for technological upgrading and for equipment replacement – mainly moulds and pallets
- **Verrerries Brosse Sas** = € 1,614k, mainly for completion of new plant and equipment replacement
- **Vetri Speciali SpA** (proportional share) = € 666k, for equipment replacement – mainly moulds and pallets and for machinery for checking and for internal handling
- **Santa Margherita SpA, Ca' del Bosco SpA, and SM Tenimenti Pile e Lamole e Vistarenni Srl** = €2,966k in total, mainly for new plant and for cellar and farming equipment
- **Linificio e Canapificio Nazionale SpA** (proportional share) = € 1,576k, for new plant in the bleaching and powerhouse areas and for replacements.

## Employee headcount

As at June 30th 2005, the group's headcount (with employees of Vetri Speciali and of Linificio e Canapificio Nazionale calculated proportionally) totalled 1,764, of which 59 part-time and 37 seasonally employed workers. As at June 30th 2004 employees totalled 1,747, of which 55 part-time and 38 seasonally employed workers, and as at December 31st 2004 1,719, of which 60 part-time and 10 seasonally employed workers.

Headcount status was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	End of period	Average*	End of period	Average*	End of period	Average**
Managers	29	28.5	26	26.5	28	27.5
White-collars	397	395.0	371	367.5	393	378.5
Blue-collars	1,338	1,318.0	1,350	1,333.0	1,298	1,307.0
Total	1,764	1,741.5	1,747	1,727.0	1,719	1,713.0
of which:						
- Part-time	59	59.5	55	52.5	60	55.0
- Seasonal	37	23.5	38	25.0	10	11.0

\* 6-month average

\*\* 12-month average

As regards details, reference should be made to the comments concerning the individual companies.

### **Corporate developments and events**

On May 23rd 2005, the shareholders Andrea Donà dalle Rose, Isabella Donà dalle Rose, Rosanna Donà dalle Rose, Umberto Marzotto, Antonio Favrin, and the company Trenora SapA (the “**Other Shareholders**”) advised that they had made an agreement (the “**Agreement between Other Shareholders**”) designed to consolidate, via a newly incorporated legal vehicle, their equity interests in the Company. Under the Agreement between Other Shareholders, the legal vehicle should have thus acquired the shares in the Company owned by Trenora SapA, Umberto Marzotto, Matteo Marzotto, Diamante Marzotto, Vittorio Emanuele Marzotto, Paola Marzotto, Antonio Favrin, and by the companies Rosdo Srl, Continentale Srl, and Caetana Dieci Srl, and consequently to launch a mandatory total public tender offer (PTO) at € 18,00 per share.

On June 6th 2005, the shareholders Marco Luca Umberto Donà dalle Rose, Gaetano Marzotto, Stefano Marzotto, Nicolò Marzotto, Luca Marzotto, and Zi.Fi. Srl (the “**Offerers**”) advised that, in turn, they had stipulated agreements designed to implement a project for consolidation of their respective equity interests in a legal vehicle and to regulate the Company’s governance and ownership structure (the “**Agreements between Offerers**”).

On July 7th 2005, the Offerers, since the conditions for so doing had materialised by virtue of stipulation of the Agreements between Offers, launched a mandatory total public tender offer (PTO) pursuant to Article 102 of Italian Legislative Decree 58/1998 and to Article 37 of CONSOB Regulation 11971/1999.

On July 14th 2005 the Company received notification from the legal firm assisting the Other Shareholders announcing dissolution, on July 12th 2005, of the Agreement between Other Shareholders.

Besides what is mentioned on page 9 and, later on, on page 35, with reference to Vetri Speciali SpA, no other significant events took place. The disclosure concerning the PTO is shown on page 56.

### **Business-segment information**

As regards CONSOB requirement no. 98084143 of October 26th 1998 concerning the need for listed companies’ reports to provide information on the operating performance of the various business categories and geographical areas in which such companies are active – i.e. the so-called Segment Information envisaged by IAS 14 – we point out that the business segments in which the Zignago Group is active are organised in the form of individual companies. Given this, information on performance in the various business categories and geographies is included in the illustration of the figures of each company’s financial statements, which are an integral part of this report on operating performance.

### **Security and protection of personal data**

Pursuant to rule 26 of Attachment B to Italian Legislative Decree no. 196 of June 30th 2003 (code concerning protection of personal data), we advise that the company is arranging adoption of the new security measures envisaged by the aforementioned decree and will update its mandatory Security Plan by the deadline envisaged for adoption of the measures concerned.

## THE GROUP PARENT COMPANY

### *Industrie Zignago Santa Margherita SpA*

Industrie Zignago Santa Margherita SpA is the group's parent company – listed on the Milan stock exchange – which has the task of co-ordinating and orienting industrial subsidiaries, the associated company New High Glass Inc, and minor equity interests and subsidiaries.

Below we provide information and summary P&L and balance-sheet data, plus a comparison with the same period in the previous year.

Pages 88 to 96 present the company's balance sheet and P&L account prepared as required by Italian Legislative Decree 6/2003, together with capital and business transactions with group companies, a list of equity interests in subsidiary and associated companies, a list of indirectly controlled subsidiaries as per Article 2427, no. 5, of the Italian Civil Code, and the list of investee companies featuring direct or indirect ownership of more than 10% of voting stock, as per notification obligations envisaged by Article 120, paragraph 3, of Italian Legislative Decree 58/1998 and Article 126 of CONSOB resolution 11971/1999.

#### Operating performance

The company's **net profit** as up to June 30th 2005 amounted to € 15,493k, with an increase of € 3,933k (+34%) vs. € 11,560k in 1H04. Going into greater detail we highlight:

- Dividends received from investee companies, compared with 1H04, as follows (in € k):

	<u>1st Half 2005</u>	<u>1st Half 2004</u>
Dividends from:		
- Zignago Vetro SpA	10,000	3,999
- Santa Margherita SpA	3,080	2,939
- Linificio e Canapificio Nazionale SpA	2,375	950
- Multitecno Srl	180	90
- Attività Industriali Friuli Srl	---	3,182
- Vetrerie Venete SpA	---	632
<b>Total</b>	<u>15,635</u>	<u>11,792</u>

It is expected that further distribution of dividends will be decided upon during 2005.

- Revenues for sales and services and sundry income totalled € 2,591k vs. € 2,743k as up to June 30th 2004 (-5.5%)
- Net financial income as up to June 30th 2005 made on current liquidity amounted to € 478k and was higher than that of € 304 achieved in 1H04 (+57.2%), due to increased cash resources in banks
- Operating costs and sundry expenses, totalling € 3,011k, decreased by 4.6% vs. June 30th 2004 (€ 3,157k), mainly because of lower service costs
- Miscellaneous charges as at June 30th 2005, amounting to € 27, related solely to capital losses on liquidation of a financial investment (set against write-backs on financial investments of € 150k in 1H04)
- Income tax of € 173k was € 99k lower than € 272k as at June 30th 2004 due to the effect of application of tax-consolidation regulations.

**Restated Profit & Loss Account**

	1st Half 2005	1st Half 2004
	€ '000	€ '000
<b>Revenues and income</b>		
Dividends	15,635	11,792
Revenues from sales and services	2,371	2,540
Other revenues and income	220	203
Financial income from marketable securities	113	97
Foreign exchange gains	7	5
Other financial income	383	203
	<u>18,729</u>	<u>14,840</u>
<b>Costs and expenses</b>		
Products and merchandise	(172)	(167)
Payroll	(1,442)	(1,291)
Services	(1,202)	(1,416)
Depreciation & amortisation	(104)	(108)
Other costs and expenses	(91)	(175)
Financial expenses	(25)	(1)
	<u>(3,036)</u>	<u>(3,158)</u>
<b>Miscellaneous income (expenses)</b>		
Capital losses on sale of equity investments	(27)	---
Net write-ups of securities posted in non-current financial assets	---	150
	<u>---</u>	<u>150</u>
<b>EBT</b>	15,666	11,832
Corporate income tax & regional business tax	(173)	(272)
<b>Net profit</b>	<u>15,493</u>	<u>11,560</u>

Reconciliation with the statutory reported P&L account is shown overleaf.

**Reconciliation between restated P&L account shown in report on operating performance and the reporting template required by Italian Legislative Decree no. 127/91**

(€k)

<b>Restated P&amp;L account</b>	<b>1st Half 2005</b>	<b>1st Half 2004</b>	<b>Template ex Leg.Decree 127/91</b>	<b>1st Half 2005</b>	<b>1st Half 2004</b>
<b>Revenues and income:</b>					
- Dividends	15,635	11,792			
			<b>C.15 Income from equity interests</b>	15,635	11,792
- Revenues from sales and services	2,371	2,540			
- Other revenues and income	220	203			
	2,591	2,743	<b>A. PRODUCTION VALUE</b>	2,591	2,743
- Financial income from marketable securities	113	97			
- Other financial income	383	203			
	496	300	<b>C.16 Other financial income</b>	496	300
Foreign exchange gains	7	5			
	18,729	14,840	<b>C.17/2 Foreign exchange gains</b>	7	5
<b>Costs and expenses:</b>					
- Products and merchandise	172	167			
- Payroll	1,442	1,291			
- Services	1,202	1,416			
- Depreciation & amortisation	104	108			
- Other costs & expenses	91	175			
	3,011	3,157	<b>B. PRODUCTION COSTS</b>	3,011	3,157
- Financial expenses	25	1			
	3,036	3,158	<b>C.17 Interest and other financial expenses</b>	25	1

**Condensed balance sheet and financial position**

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Sundry receivables	4,166		1,620		5,049	
Inventory	32		29		35	
Current trade payables	(5,100)		(2,313)		(6,095)	
<i>A) Working capital</i>	<u>(902)</u>	<u>(2.5%)</u>	<u>(664)</u>	<u>(2.7%)</u>	<u>(1,011)</u>	<u>(2.8%)</u>
Equity investments	37,405		24,553		37,602	
Other non-current financial assets	24		24		24	
Net tangible and intangible fixed assets	1,471		1,600		1,322	
Provisions and non-current financial payables	(1,357)		(1,269)		(1,321)	
<i>B) Net fixed assets</i>	<u>37,543</u>	<u>102.5%</u>	<u>24,908</u>	<u>102.7%</u>	<u>37,627</u>	<u>102.8%</u>
<i>A+B = Net capital employed</i>	<u>36,641</u>	<u>100.0%</u>	<u>24,244</u>	<u>100.0%</u>	<u>36,616</u>	<u>100.0%</u>
<i>Financed by:</i>						
<i>C) Net cash &amp; cash equivalents</i>	<u>(42,494)</u>	<u>(116.0%)</u>	<u>(24,024)</u>	<u>(99.1%)</u>	<u>(44,526)</u>	<u>(121.6%)</u>
Initial net equity	81,142		53,208		53,209	
Dividends paid out in period	(17,500)		(16,500)		(16,500)	
Other changes in net equity	---		---		(1)	
Net profit (loss) in period	15,493		11,560		44,434	
<i>D) Closing net equity</i>	<u>79,135</u>	<u>216.0%</u>	<u>48,268</u>	<u>199.1%</u>	<u>81,142</u>	<u>221.6%</u>
<i>C+D = Total net equity, net of cash &amp; cash equivalents</i>	<u>36,641</u>	<u>100.0%</u>	<u>24,244</u>	<u>100.0%</u>	<u>36,616</u>	<u>100.0%</u>

The breakdown of **equity interests** in subsidiary, associated and other companies was as follows (€ k):

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>B.III.1.a. Subsidiary companies:</b>			
- Zignago Vetro SpA	4,134	4,131	4,134
- Santa Margherita SpA	7,232	7,228	7,232
- Vetri Speciali SpA	13,051	---	13,051
- Attività Industriali Friuli Srl	---	263	---
- Linificio e Canapificio Nazionale SpA	1,839	1,840	1,839
- Multitecno Srl	313	313	313
- Prind SpA	5,663	5,663	5,663
- La Vecchia Scarl	694	---	694
Total subsidiary companies	<u>32,926</u>	<u>19,438</u>	<u>32,926</u>
<b>B.III.1.b. Associate companies:</b>			
- New High Glass Inc.	63	63	63
Total associate companies	<u>63</u>	<u>63</u>	<u>63</u>
<b>B.III.1.d. Other companies:</b>			
- Vetriere Venete SpA	---	487	---
- Neogen Co.	115	115	115
- Finanziaria Canova SpA	3,038	3,038	3,038
- Emerald UK N. 2 Ltd Partnership	1,053	658	855
- Portogruaro Interporto SpA	72	72	72
- Others	4	3	4
Total other companies	<u>4,282</u>	<u>4,373</u>	<u>4,084</u>
<b>B.III.1.e. Other investments:</b>			
- Deutsche Morgan Grenfell Capital Italy Scpa	134	235	155
- Telecom Partners 1 L.P.	---	444	374
Total other investments	<u>134</u>	<u>679</u>	<u>529</u>
Total equity investments	<u>37,405</u>	<u>24,553</u>	<u>37,602</u>

During 1H05 the following changes took place:

- We subscribed 19.8 equity quotas for a total of € 198k in **Emerald U.K. N. 2 Ltd Partnership** as part of the maximum subscription commitment made by Industrie Zignago Margherita SpA for a total of €3,000k. The remaining subscription commitment – posted in memorandum accounts – amounts to €1,300k
- 41 Category A shares in **Deutsche Morgan Grenfell Capital Italy** were repaid for a total of € 21k
- The investment in **Telecom Partners 1 L.P.** was liquidated, making a capital loss of € 27k.

There were no write-ups in previous financial years of equity interests owned (either non-current or current), either voluntary or pursuant to monetary alignment laws.

The **financial position** showed a **net surplus** as at June 30th 2005 of € 42,494k, compared with € 24,024k as at June 30th 2004 and € 44,526k as at December 31st 2004 (€ 44,526k). The breakdown was as follows (€k):

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
Bonds:			
- Maturing within 12 months	11,201	6,863	6,803
- Maturing after 12 months	256	256	256
Subtotal	<u>11,457</u>	<u>7,119</u>	<u>7,059</u>
Term bank deposits	30,000	15,500	36,000
Cash and banks	1,037	1,405	1,467
Total	<u>42,494</u>	<u>24,024</u>	<u>44,526</u>

Cash resources are invested with the aim of maximising return, consistently with a logic of flexibility, easy monetisation, and minimum risks of the investments concerned.

The average rate of return is about 2.25%.

As at June 30th 2005 the company's **headcount** numbered 42 employees, of which 3 part-time. The breakdown featured 5 managers, 33 white-collars, and 4 blue-collars. As at December 31st 2004 it featured 41 heads (4 managers, 33 white-collars, and 4 blue-collars, and, as at June 30th 2004, there were 39 employees (3 managers, 32 white-collars, and 4 blue-collars).

\* \* \* \* \*

As regards the second half of the year, besides collection of dividends as mentioned on page 20, no significant changes are expected in the provision of services to subsidiaries.

## CONSOLIDATED EQUITY INTERESTS

**In the following pages we review and comment on consolidated companies' results in the first half of 2005 and compare them with those of 1H04.**

### *Zignago Vetro SpA*

Registered HQ: Fossalta di Portogruaro (VE)  
Business segment: Hollow glass containers

In 1H05 the **European market** for hollow glass containers for foods and beverages felt the effects of the less than favourable economic situation. In France the negative trend of the “Wine” market continued due to low domestic consumption and export difficulties. In Germany domestic demand decreased. In the UK there was a sharp decline in the segment of “alcoholic soft drinks” (i.e. alcopops), which no longer seem to be “trendy” in the world of the young.

The global “Perfumery” market featured slowdown. The “Cosmetics” market continued to feature a marked decrease in demand, much of which was due to fashion. Demand from customers in the dollar area decrease. Asian producers continued to feature a strong supply-side offering.

In **Italy** demand for containers in the “wine” market was weak in the medium-high quality segment but good in the medium-low segment. Overall it was positive. Consumption was down of beer and juice bottles. The food-jar market featured less demand for containers for premium-quality products. Conversely, there was growth of standard jars for private-label products. Demand in the “Olive Oil” market was modest.

On the whole, supply seems to be in line with demand.

Zignago Vetro's contribution to the group's **consolidated P&L account** was as follows:

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	60,683	---	60,995	---	(0.5%)
Change in inventories of finished products, semiprocessed goods, and work in progress	3,048	---	1,007	---	nmf
<b>Production value</b>	63,731	100.0%	62,002	100.0%	2.8%
Materials and outside services	(36,531)	(57.3%)	(35,144)	(56.7%)	3.9%
<b>Added value</b>	27,200	42.7%	26,858	43.3%	1.3%
Payroll costs	(11,665)	(18.3%)	(11,482)	(18.5%)	1.6%
<b>EBITDA</b>	15,535	24.4%	15,376	24.8%	1.0%
Depreciation & amortisation	(8,060)	(12.7%)	(8,438)	(13.6%)	(4.5%)
Provisions	(92)	(0.1%)	(1,072)	(1.7%)	nmf
<b>EBIT</b>	7,383	11.6%	5,866	9.5%	25.9%
Net financial income	214	0.3%	32	---	nmf
Net foreign exchange gains/(losses)	(45)	---	27	---	nmf
Net recurrent non-operating income/(charges)	1,683	2.6%	(22)	---	nmf
<b>EBT before non-recurrent items</b>	9,235	14.5%	5,903	9.5%	56.4%
Corporate income tax & regional business tax (1H05: 36.7%) (1H04: 46.1%)	(3,385)	(5.3%)	(2,721)	(4.4%)	24.4%
<b>Net profit</b>	<u>5,850</u>	<u>9.2%</u>	<u>3,182</u>	<u>5.1%</u>	<u>83.8%</u>

Zignago Vetro's net revenues in 1H05 amounted to € 60,683k vs. € 60,995k in 1H04 (-0.5%). Sales to the wine market offset the drop in sales to other market segments.

Exports accounted for 15.4% of net revenues (16.5% in 1H04).

Overall, prices, although on the increase in the "Food & Beverage" market, did not recover the increases in production factor costs, headed by energy costs.

EBITDA in 1H05 amounted to € 15,535k vs. € 15,376k in 1H04 (+1%).

EBIT totalled € 7,383k, growing by 25.9% vs. June 30th 2004.

Recurrent non-operating income reflected incidental income stemming mainly from release of the provision for industrial risks of € 1,549k following non-materialisation of the liability that had caused its allocation.

The company's contribution to the group's consolidated **balance sheet** was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Trade receivables	30,775		32,039		31,167	
Sundry receivables	1,679		2,009		2,776	
Inventories	25,532		25,142		22,428	
Current trade payables	(27,277)		(26,353)		(26,548)	
Trade payables for fixed assets	(2,102)		(2,172)		(9,310)	
<i>A) Working capital</i>	<u>28,607</u>	<u>43.7%</u>	<u>30,665</u>	<u>43.4%</u>	<u>20,513</u>	<u>33.3%</u>
Net tangible and intangible fixed assets	52,558		56,589		58,735	
Equity investments	4,199		4,034		4,199	
Provisions and non-current financial payables	(19,948)		(20,661)		(21,849)	
<i>B) Net fixed capital</i>	<u>36,809</u>	<u>56.3%</u>	<u>39,962</u>	<u>56.6%</u>	<u>41,085</u>	<u>66.7%</u>
<i>A+B = Net capital employed</i>	<u>65,416</u>	<u>100.0%</u>	<u>70,627</u>	<u>100.0%</u>	<u>61,598</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	4,420		3,079		2,525	
Cash & cash equivalents	(21,467)		(13,673)		(27,540)	
<i>C) Net cash &amp; cash equivalents</i>	<u>(17,047)</u>	<u>(26.1%)</u>	<u>(10,594)</u>	<u>(15.0%)</u>	<u>(25,015)</u>	<u>(40.6%)</u>
Initial net equity	86,613		82,039		82,039	
Dividends paid out in period	(10,000)		(4,000)		(4,000)	
Net profit for period	5,850		3,182		8,574	
<i>D) Closing net equity</i>	<u>82,463</u>	<u>126.1%</u>	<u>81,221</u>	<u>115.0%</u>	<u>86,613</u>	<u>140.6%</u>
<i>C+D = Total net equity, net of cash &amp; cash equivalents</i>	<u>65,416</u>	<u>100.0%</u>	<u>70,627</u>	<u>100.0%</u>	<u>61,598</u>	<u>100.0%</u>

Working capital, compared with 1H04, decreased by € 2,058k. This was due to the decrease of trade receivables and of sundry receivables and to the increase in inventories and current non-financial payables.

As at June 30th 2005 inventories amounted to the equivalent of 2.8 months of sales (2.9 months as at June 30th 2004).

Net fixed assets decreased by € 4,276 vs. December 31st 2004 due to investments lower than depreciation & amortisation, also taking into account the reduction of non-financial payables and provisions.

Operating investments made in the first half – amounting to € 4,047k – related to technological upgrading, moulds, and pallets (€ 4,601k as at June 30th 2004).

The net financial position showed net cash of € 17,047k, down by € 7,968k vs. December 31st 2004, after payment of dividends totalling € 10,000k and payment of € 7,208k to plant suppliers.

As at June 30th 2005 the company's headcount totalled 587 employees (573 and 596 employees respectively as at December 31st and June 30th 2004).

Full-year operating results are expected to be in line with those of the previous year.

\* \* \*

Below we show the results – contributing to the group's **consolidated P&L account** and **consolidated balance sheet** – of **Verreries Brosse SAS**, a company 100% owned by Zignago Vetro SpA.

### ***Verreries Brosse SAS***

Registered HQ: Vieux-Rouen-sur-Bresle (France)

Business segment: Glass bottles for luxury fragrances

In the first half of 2005 the market confirmed a slowing trend in launches of new products, particularly in Europe, as already experienced in 2004.

The uncertain economic situation caused a prudent stance by clients, who often undertook new launches simply changing the decoration of existing bottles. The quantity of orders for new launches and suppliers was also lower.

In the last month of 1H05 there was recovery in requests for bids for innovative bottles, scheduled for use in 2006.

Verreries Brosse SAS markets its products in the USA via **Brosse USA Inc.**, a company 100% owned.

The contribution to the group's **consolidated P&L account** was as follows:

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	15,204	---	13,846	---	9.8%
Change in inventories of finished products, semiprocessed goods, and work in progress	1,267	---	1,594	---	nmf
<b>Production value</b>	16,471	100.0%	15,440	100.0%	6.7%
Materials and outside services	(7,820)	(47.5%)	(6,532)	(42.3%)	19.7%
<b>Added value</b>	8,651	52.5%	8,908	57.7%	(2.9%)
Payroll costs	(6,182)	(37.5%)	(5,894)	(38.2%)	4.9%
<b>EBITDA</b>	2,469	15.0%	3,014	19.5%	(18.1%)
Depreciation & amortisation	(1,716)	(10.4%)	(1,429)	(9.3%)	20.1%
Provisions	(56)	(0.3%)	(356)	(2.3%)	nmf
<b>EBIT</b>	697	4.3%	1,229	7.9%	(43.3%)
Net financial expenses	(216)	(1.3%)	(229)	(1.5%)	(5.7%)
Net foreign exchange losses	(28)	(0.2%)	(7)	---	nmf
Net recurrent non-operating income (expenses)	104	0.6%	---	---	nmf
<b>EBT before non-recurrent items</b>	557	3.4%	993	6.4%	nmf
Net non-recurrent income	---	---	23	0.1%	nmf
<b>EBT</b>	557	3.4%	1,016	6.5%	nmf
Income tax	(160)	(1.0%)	(346)	(2.2%)	nmf
<b>Net profit</b>	397	2.4%	670	4.3%	nmf

Net revenues in 1H05 totalled € 15,204k with a 9.8% increase over 1H04 (€ 13,846k), mainly driven by sales of “eau di toilette” (toilet water) bottles to leading brands.

Prices were generally stable.

EBITDA amounted to € 2,469k, down vs. 1H04 (€ 3,014k), with a 15.0% margin on production value (19.5% in 1H04). This was due to the increase in costs for energy, maintenance, outsourced processing, and of the “taxe professionnelle” (a local business tax based on capital employed and number of employees). Contingent technical difficulties affected production in the first quarter.

EBIT amounted to € 697k (vs. € 1,229k in 1H04) with a 4.2% margin on production value.

Brosse's contribution to the group's **consolidated balance sheet** was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Trade receivables	8,326		7,433		7,433	
Sundry receivables	804		660		1,383	
Inventories	8,783		7,284		7,393	
Current trade payables	(6,572)		(6,113)		(7,199)	
Trade payables for fixed assets	(634)		(419)		(2,134)	
<i>A) Working capital</i>	<u>10,707</u>	<u>47.6%</u>	<u>8,845</u>	<u>45.8%</u>	<u>6,876</u>	<u>36.7%</u>
Net tangible and intangible fixed assets	12,796		11,203		12,893	
Provisions and non-current financial payables	(1,004)		(726)		(1,008)	
<i>B) Net fixed capital</i>	<u>11,792</u>	<u>52.4%</u>	<u>10,477</u>	<u>54.2%</u>	<u>11,885</u>	<u>63.3%</u>
<i>A+B = Net capital employed</i>	<u>22,499</u>	<u>100.0%</u>	<u>19,322</u>	<u>100.0%</u>	<u>18,761</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	6,101		2,317		4,110	
Cash & cash equivalents	(376)		(1,467)		(355)	
Short-term net financial debt	5,725	25.5%	850	4.4%	3,755	20.0%
Medium-/long-term financial debt	10,400	46.2%	13,000	67.3%	9,100	48.5%
<i>C) Net financial debt</i>	<u>16,125</u>	<u>71.7%</u>	<u>13,850</u>	<u>71.7%</u>	<u>12,855</u>	<u>68.5%</u>
Initial net equity	5,906		4,719		4,719	
Changes in net equity	397		670		(31)	
Net profit for period	71		83		1,218	
<i>D) Closing net equity</i>	<u>6,374</u>	<u>28.3%</u>	<u>5,472</u>	<u>28.3%</u>	<u>5,906</u>	<u>31.5%</u>
<i>C+D = Total financial debt and net equity</i>	<u>22,499</u>	<u>100.0%</u>	<u>19,322</u>	<u>100.0%</u>	<u>18,761</u>	<u>100.0%</u>

Compared with June 30th 2004, working capital increased by € 1,862k due to the increase in trade and sundry receivables and inventories, partly offset by the increase in current trade payables.

Finished-product inventory was equivalent to 6.6 months of sales.

Net fixed capital, amounting to € 11,792k, included investments of € 1,614k made in the period in equipment, moulds, and completion of the palletisation system.

As at June 30th 2005 the employee headcount of the Verreries Brosse Group totalled 303 people (as at December 31st 2004 the total was 301 and as at June 30th 2004 311).

Full-year EBITDA is expected to be in line with that of the previous year.

### *Consolidated accounts of Zignago Vetro and its subsidiaries*

For the sake of completeness of information, below we present the consolidated data of Zignago Vetro SpA, its direct subsidiary Verreries Brosse SAS, and of its indirect subsidiary Brosse USA Inc.

The summary **consolidated profit & loss account** was as follows:

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	75,527	---	74,490	---	1.4%
Changes in inventories of finished products, semiprocessed goods, and work in process	4,315	---	2,601	---	nmf
<b>Production value</b>	79,842	100.0%	77,091	100.0%	3.6%
Materials and outside services	(43,991)	(55.1%)	(41,325)	(53.6%)	6.5%
<b>Added value</b>	35,851	44.9%	35,766	46.4%	0.2%
Payroll costs	(17,847)	(22.4%)	(17,376)	(22.5%)	2.7%
<b>EBITDA</b>	18,004	22.5%	18,390	23.9%	(2.1%)
Depreciation & amortisation	(9,776)	(12.2%)	(9,867)	(12.8%)	(0.9%)
Provisions	(148)	(0.2%)	(1,428)	(1.9%)	nmf
<b>EBIT</b>	8,080	10.1%	7,095	9.2%	13.9%
Net financial charges	(14)	---	(197)	(0.3%)	(92.9%)
Net foreign exchange losses	(61)	(0.1%)	20	---	nmf
Net recurrent non-operating income/(charges)	1,683	2.1%	(22)	---	nmf
<b>EBT before non-recurrent items</b>	9,688	12.1%	6,896	8.9%	40.5%
Net non-recurrent income	104	0.1%	23	0.1%	352.2%
<b>EBT</b>	9,792	12.3%	6,919	9.0%	41.5%
Income tax & regional business tax (1H05: 36.20%) (1H04: 44.3%)	(3,545)	(4.5%)	(3,067)	(4.0%)	15.6%
<b>Net profit</b>	<u>6,247</u>	<u>7.8%</u>	<u>3,852</u>	<u>5.0%</u>	<u>62.2%</u>

Net revenues progressed by 1.4% vs. 1H04 thanks to the Brosse Group's contribution.

Production value was 3.6% higher.

Costs for raw materials and services increased by +6.5%, primarily due to raw materials and energy for Zignago Vetro and to energy, maintenance, outsourced processing, and the "taxe professionnelle" for the Brosse Group.

Payroll costs increased by +2.7% due to increase in hours worked in the case of both companies.

EBITDA margin on production value was 22.5% (vs. 23.9% in 1H04). EBIT margin rose from 9.2% in 1H04 to 10.1% in 1H05.

The consolidated Zignago Vetro **condensed balance sheet and financial position** was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Trade receivables	39,040		39,407		38,542	
Sundry receivables	2,483		2,669		4,160	
Inventories	34,315		32,426		29,821	
Current trade payables	(33,787)		(32,405)		(33,689)	
Trade payables for fixed assets	(2,736)		(2,587)		(11,444)	
<b>A) Capitale di funzionamento</b>	<b>39,315</b>	<b>46.9%</b>	<b>39,510</b>	<b>46.0%</b>	<b>27,390</b>	<b>35.9%</b>
Net tangible and intangible fixed assets	65,354		67,792		71,628	
Equity investments	199		34		199	
Provisions and non-current financial payables	(20,952)		(21,387)		(22,857)	
<b>B) Net fixed capital</b>	<b>44,601</b>	<b>53.1%</b>	<b>46,439</b>	<b>54.0%</b>	<b>48,970</b>	<b>64.1%</b>
<b>A+B = Net capital employed</b>	<b>83,916</b>	<b>100.0%</b>	<b>85,949</b>	<b>100.0%</b>	<b>76,360</b>	<b>100.0%</b>
<i>Financed by:</i>						
Current financial payables	10,521		5,396		6,635	
Cash & cash equivalents	(21,843)		(15,140)		(27,895)	
Short-term net cash	(11,322)	(13.5%)	(9,744)	(11.3%)	(21,260)	(27.8%)
Medium-/long-term financial debt	10,400	12.4%	13,000	15.1%	9,100	11.9%
<b>C) Net financial debt (cash)</b>	<b>(922)</b>	<b>(1.1%)</b>	<b>3,256</b>	<b>3.8%</b>	<b>(12,160)</b>	<b>(15.9%)</b>
Initial net equity	88,520		82,758		82,758	
Dividends paid out in period	(10,000)		(4,000)		(4,000)	
Other changes in net equity	71		83		(31)	
Net profit in period	6,247		3,852		9,793	
<b>D) Closing net equity</b>	<b>84,838</b>	<b>101.1%</b>	<b>82,693</b>	<b>96.2%</b>	<b>88,520</b>	<b>115.9%</b>
<b>C+D = Total financial debt and net equity (net of cash &amp; cash equivalents)</b>	<b>83,916</b>	<b>100.0%</b>	<b>85,949</b>	<b>100.0%</b>	<b>76,360</b>	<b>100.0%</b>

In working capital, as at June 30th 2005, in the increase in inventories was offset by the decrease in receivables and the increase in current trade payables.

Net fixed assets decreased due to depreciation & amortisation in the period higher than investments and despite a reduction in provisioning.

The financial position as at June 30th 2005 featured net cash of € 922k vs. net debt of € 3,256k as at June 30th 2004.

ROI was 19.3% (vs. 16.5% in 1H04).

ROE was 14.7% (vs. 9.3% in 1H04).

## ***Vetri Speciali SpA***

Registered HQ: Trento (TN)

Business segment: Special types of hollow glass containers

Vetri Speciali SpA controls two commercial companies that sell its products:

- Vetri Speciali Inc., Bernicia – California (USA) (100% of share capital)
- Vetri Speciali Iberica S.I., Barcelona (Spain) (100% " " " )

On October 20th 2004 Vetri Speciali SpA acquired a 100% equity interest in Nord Vetri SpA, Vetrerie Venete SpA, and Attività Industriali Friuli Srl (AIF) as part of a merger deal in the special glass sector.

As part of this deal Zignago Santa Margherita SpA sold its equity interests in Attività Industriali Friuli Srl and Vetrerie Venete SpA, and subscribed a 43.50% equity interest in Vetri Speciali SpA.

On May 30th 2005 Vetri Speciali SpA incorporated, with a merger deed, the three companies mentioned above. For accounting and tax purposes, these companies' operations are posted in Vetri Speciali SpA's accounts as from January 1st 2005. All other effects of the merger took effect as from June 1st 2005.

This means that 1H05 results pertaining to Industrie Zignago Santa Margherita SpA therefore reflect the contribution of Vetri Speciali SpA, of its foreign subsidiaries, and of the non-surviving companies Attività Industriali Friuli Srl, Vetrerie Venete SpA, and Nord Vetri SpA, for the 43.50% stake owned, included in the Group's year-end counts on the basis of proportional line-by-line consolidation.

Below we show the results as at June 30th 2005 of Vetri Speciali SpA and its subsidiaries, for the 43.50% portion, corresponding to the equity interest owned by Industrie Zignago Santa Margherita SpA, and those as at June 30th 2004 of Attività Industriali Friuli Srl (consolidated on a 100% line-by-line basis), which reflect the effective reported contribution to the Group's consolidated year-end accounts, as mentioned on page 9.

For the sake of easier consultation and, when possible, of comparison – since year-over-year changes relate to entities that are not objectively comparable - we have also shown figures as at June 30th 2004 for the 51% portion pertaining to Industrie Zignago Santa Margherita SpA.

The year-over-year changes in the key operating figures, calculated proportionally for both periods (43.50% in 1H05 and 51% in 1H04), show:

- <b>Net revenues</b>	+ <b>136.9%</b>
- <b>EBITDA</b>	+ <b>94,4%</b>
- <b>EBIT</b>	+ <b>6.7%</b>

From the operating standpoint, 1H05 **EBIT**, net of proportional goodwill amortisation and of premiums on fixed assets recognised at the time of acquisition, shows an increase of **100.7%** over the proportional figure for 1H04.

The contribution to the Group's **consolidated P&L account** was as follows:

	Vetri Speciali Group (43.50%)		Attività Industriali Friuli Srl (100%)		Change %	Attività Industriali Friuli Srl: pro-forma - propor- tional figures (51%)	
	1st Half 2005		1st Half 2004			1st Half 2004	
	€ '000	%	€ '000	%		€ '000	%
<b>Net revenues</b>	19,157	---	15,858	---	20.8%	8,088	---
Change in inventory of finished products, semiprocessed goods & work in process	(817)	---	(288)	---	nmf	(147)	---
<b>Production value</b>	18,340	100.0%	15,570	100.0%	17.8%	7,941	100.0%
Materials and outside services	(7,939)	(43.3%)	(6,249)	(40.1%)	27.0%	(3,187)	(40.1%)
<b>Added value</b>	10,401	56.7%	9,321	59.9%	11.6%	4,754	59.9%
Payroll costs	(3,677)	(20.0%)	(2,537)	(16.3%)	44.9%	(1,294)	(16.3%)
<b>EBITDA</b>	6,724	36.7%	6,784	43.6%	(0.9%)	3,460	43.6%
Depreciation & amortisation	(1,949)	(10.6%)	(1,385)	(8.9%)	nmf	(707)	(8.9%)
Goodwill amortisation	(1,848)	(10.1%)	---	---	nmf	---	---
Provisions	---	---	(18)	(0.1%)	nmf	(9)	(0.1%)
<b>EBIT</b>	2,927	16.0%	5,381	34.6%	(45.6%)	2,744	34.6%
Net financial expenses	(683)	(3.7%)	(8)	---	nmf	(4)	---
Net foreign exchange gains	19	0.1%	---	---	nmf	---	---
Net recurrent non-operating income/(charges)	415	2.2%	255	1.6%	62.7%	130	1.6%
<b>EBT and before extraordinary items</b>	2,678	14.6%	5,628	36.2%	(52.4%)	2,870	36.2%
Corporate income tax and regional business tax	(1,928)	(10.5%)	(2,205)	(14.2%)	(12.6%)	(1,124)	(14.2%)
<b>Net profit</b>	750	4.1%	3,423	22.0%	(78.1%)	1,746	22.0%

During 1H05, demand for special containers continued to be good. Collections of product by customers were 6.0% higher than in 1H04.

Relevant net revenue amounted to € 19,157k, compared with € 15,858k in 1H04. On average, prices were slightly on the increase.

Considering indirect exports via distributors, exports accounted for some 24% of net revenues.

Relevant quantities sold as up to June 30th 2005 totalled 28,690 tonnes whilst production output totalled 26,744 tonnes.

The effects on the P&L account of the company reorganisation operation – already highlighted - are significant as regards “depreciation & amortisation” and “net financial expenses”, with these respectively relating to goodwill recognised upon acquisition of the equity interests and to net financial debt.

The contribution to the group's **consolidated balance sheet** was as follows:

	Vetri Speciali Group		Attività Industriali Friuli		Vetri Speciali Group	
	(1)		Srl		(1)	
	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Net trade receivables	8,518		10,472		6,068	
Sundry receivables	812		150		2,188	
Inventories	6,123		4,704		6,836	
Current trade payables	(9,819)		(5,843)		(9,229)	
<i>A) Working capital</i>	<u>5,634</u>	<u>10.7%</u>	<u>9,483</u>	<u>52.5%</u>	<u>5,863</u>	<u>10.5%</u>
Net tangible and intangible fixed assets	17,530		10,711		18,743	
Goodwill	34,200		---		36,048	
Equity investments	6		34		6	
Provisions and non-current financial payables	(4,507)		(2,165)		(4,582)	
<i>B) Net fixed capital</i>	<u>47,229</u>	<u>89.3%</u>	<u>8,580</u>	<u>47.5%</u>	<u>50,215</u>	<u>89.5%</u>
<i>A+B = Net capital employed</i>	<u>52,863</u>	<u>100.0%</u>	<u>18,063</u>	<u>100.0%</u>	<u>56,078</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	12,014		826		16,045	
Cash & cash equivalents	(4,977)		(1,592)		(5,192)	
Short-term net cash	7,037	13.3%	(766)	(4.2%)	10,853	19.4%
Medium-/long-term financial debt	31,544	59.7%	2,734	15.1%	31,706	56.5%
<i>C) Net financial debt (cash)</i>	<u>38,581</u>	<u>73.0%</u>	<u>1,968</u>	<u>10.9%</u>	<u>42,559</u>	<u>75.9%</u>
Initial net equity	13,519		18,912		272	
Capital increase	---		(6,240)		---	
Dividends paid out in period	---		---		13,000	
Other changes in net equity	13		---		104	
Net profit in period	750		3,423		143	
<i>D) Closing net equity</i>	<u>14,282</u>	<u>27.0%</u>	<u>16,095</u>	<u>89.1%</u>	<u>13,519</u>	<u>24.1%</u>
<i>C+D = Total financial debt and net equity</i>	<u>52,863</u>	<u>100.0%</u>	<u>18,063</u>	<u>100.0%</u>	<u>56,078</u>	<u>100.0%</u>

(1) The amounts refer to the relevant portion, i.e. 43.50%.

Relevant working capital as at June 30th 2005 was down by € 229k vs. December 31st 2004. Trade receivables increased (€ +2,450k) in correlation with higher sales in the last part of the first half, not offset by the reduction in inventories (€ -713k) and sundry receivables (€ -1,376k) and by the increase in current payables, mainly concerning suppliers (€ +590k).

Relevant finished-product inventories as at June 30th 2005 were –15.4% lower than as at December 31st 2004.

Relevant net fixed assets decreased by € 2,986k in 1H05 due to depreciation & amortisation higher than new investments made.

Relevant net capital employed decreased by € 3,215k vs. 2004 year-end.

Relevant investments totalled € 666k and related to equipment replacement – specifically moulds and pallets, checking machinery, and refractory material, plus plant enhancement.

The relevant portion of net financial debt – amounting to € 38,581k as at June 30th 2005 – was down by € 3,978k vs. December 31st 2004 (€ 42,559k).

The employee headcount of the company and its subsidiaries as at June 30th 2005 totalled 401 employees and 403 employees as at December 31st 2004 (with the proportional number being 174 and 175 employees respectively).

\* \* \*

For the second half we expect demand to confirm the first-half trend.

## ***Santa Margherita SpA***

Registered HQ: Fossalta di Portogruaro (VE)

Business segment: Winery

As at June 30th 2005 Santa Margherita SpA controlled five companies, all active in the winery business:

- Ca' del Bosco SpA, registered offices in Erbusco (BS)	(60%	of share capital)
- S.M. Tenimenti Pile e Lamole e Vistarenni Srl, reg. offices in Gaiole in Chianti (SI)	(91.729%	" " ")
- Cantine Torresella Srl, registered offices in Fossalta di Portogruaro (VE)	(100%	" " ")
- Kettmeir SpA, registered offices in Caldaro (BZ)	(94%	" " ")
- S.M. Selios di Sicilia Srl, registered offices in Fossalta di Portogruaro (VE)	(100%	" " ") (*)

(\*) of which 1% via Cantine Torresella Srl

In Italy 1H05 featured a general economic picture that was not positive, with further decline of the main macroeconomic indicators.

In this economic scenario the winery sector showed general firmness of consumption in the home market. Italian export performance in the first few months of the year was positive, with recovery in traditional markets (headed by Germany and the UK), as well as in the USA.

On a general level, there was a noticeable tendency to give preference to inventory reduction via particularly aggressive price policies.

Group companies measured themselves against this state of affairs with a limited decrease in the home market – with the exception of Ca' del Bosco which had more marked difficulties. As regards exports, in the second quarter of the year there was a tangible downturn in shipments to the USA due to distributors' postponement of stock replenishment. This decrease in revenue is being fully made up in the third quarter – also thanks to US distributors' positive sales trend in the “still wine” segment.

The contribution made by Santa Margherita SpA and its subsidiaries to the group's **consolidated profit & loss account** was as follows:

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	25,570	---	32,250	---	(20.7%)
Change in inventories of finished products, semiprocessed goods, and work in process	5,621	---	3,209	---	nmf
<b>Production value</b>	31,191	100.0%	35,459	100.0%	(12.0%)
Materials and outside services	(23,072)	(74.0%)	(25,049)	(70.6%)	(7.9%)
<b>Added value</b>	8,119	26.0%	10,410	29.4%	(22.0%)
Payroll costs	(3,989)	(12.8%)	(3,820)	(10.8%)	4.4%
<b>EBITDA</b>	4,130	13.2%	6,590	18.6%	(37.3%)
Depreciation & amortisation	(1,783)	(5.7%)	(1,619)	(4.6%)	10.1%
Provisions	(148)	(0.5%)	(174)	(0.5%)	(14.9%)
<b>EBIT</b>	2,199	7.1%	4,797	13.5%	(54.2%)
Net financial expenses	(568)	(1.8%)	(526)	(1.5%)	8.0%
Net foreign exchange gains	78	0.3%	2	---	nmf
Recurrent non-operating income/(charges)	56	0.2%	152	0.5%	(63.2%)
<b>EBT and before non-recurrent items</b>	1,765	5.7%	4,425	12.5%	(60.1%)
Corporate income tax and regional business tax (Rate in 1H05: 50.3%) (Rate in 1H04: 42.7%)	(888)	(2.9%)	(1,888)	(5.3%)	(53.0%)
<b>Net profit before minorities</b>	877	2.8%	2,537	7.2%	(65.4%)
Minorities' share of net profit	47	0.2%	(173)	(0.5%)	nmf
<b>Net profit</b>	924	3.0%	2,364	6.7%	(60.9%)

The following table shows the six winery companies' effective participation in consolidated net revenues and their contribution to net profit (in €k).

	Net Revenues		Net profit/(loss)	
	1st Half 2005	1st Half 2004	1st Half 2005	1st Half 2004
Santa Margherita SpA	20,284	25,735	1,875	3,150
Ca' del Bosco SpA	4,706	5,917	(104)	453
S.M. Tenimenti Pile e Lamole e Vistarenni Srl	974	1,038	(44)	(71)
Cantine Torresella Srl	216	394	(43)	(26)
Kettmeir SpA	879	901	(34)	(36)
S.M. Selios di Sicilia Srl	---	---	---	(1)
Aggregate total	27,059	33,985	1,650	3,469
Consolidation adjustments	(1,489)	(1,735)	(773)	(932)
Consolidated total	25,570	32,250	877	2,537
Minority interests			47	(173)
Net total			924	2,364

In 1H05 the trend in unit sales volume dropped by -21.1% YoY. This was mainly due to the decrease in shipments to the USA, as discussed earlier.

Net sales achieved in the first half, i.e. € 25,570k, were -20.7% lower than in 1H04 (€ 32,250k) due to decreases in the Italian market (-7.8%) and in the international market (-33.3%).

Exports accounted for 42.6% of net revenues (vs. 50.6% as up to June 30th 2004).

Earnings before tax and extraordinary items – amounting to € 1,765k (with a 5.7% margin on production value) was lower than that of 1H04, i.e. € 4,425k (12.5% margin on production value), due to the higher incidence of fixed costs set against a -12% decrease in production value.

The winery sector's contribution to the group's **consolidated balance sheet** was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Net trade receivables	12,635		17,155		20,751	
Sundry receivables	3,502		3,406		3,421	
Inventories	37,472		35,968		29,092	
Current trade payables	(15,048)		(19,497)		(17,217)	
<i>A) Working capital</i>	<u>38,561</u>	<u>44.1%</u>	<u>37,032</u>	<u>44.6%</u>	<u>36,047</u>	<u>43.0%</u>
Net tangible and intangible fixed assets	47,460		44,752		46,321	
Equity investments	4,812		4,759		4,812	
Provisions and non-current financial payables	(3,393)		(3,466)		(3,306)	
<i>B) Net fixed capital</i>	<u>48,879</u>	<u>55.9%</u>	<u>46,045</u>	<u>55.4%</u>	<u>47,827</u>	<u>57.0%</u>
<i>A+B = Net capital employed</i>	<u>87,440</u>	<u>100.0%</u>	<u>83,077</u>	<u>100.0%</u>	<u>83,874</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	39,620		51,048		46,562	
Cash & cash equivalents	(2,429)		(5,747)		(5,179)	
Short-term net financial debt	37,191	42.5%	45,301	54.5%	41,383	49.3%
Medium-/long-term financial debt	10,213	11.7%	---	---	---	---
<i>C) Net financial debt</i>	<u>47,404</u>	<u>54.2%</u>	<u>45,301</u>	<u>54.5%</u>	<u>41,383</u>	<u>49.3%</u>
<i>D) Minorities' share of net equity</i>	<u>8,963</u>	<u>10.3%</u>	<u>8,111</u>	<u>9.8%</u>	<u>9,262</u>	<u>11.0%</u>
Initial net equity	33,229		30,241		30,241	
Dividends paid out	(3,080)		(2,940)		(2,940)	
Net profit in period	924		2,364		5,928	
<i>E) Closing net equity</i>	<u>31,073</u>	<u>35.5%</u>	<u>29,665</u>	<u>35.7%</u>	<u>33,229</u>	<u>39.6%</u>
<i>C+D+E = Total financial debt and net equity</i>	<u>87,440</u>	<u>100.0%</u>	<u>83,077</u>	<u>100.0%</u>	<u>83,874</u>	<u>100.0%</u>

The net financial position as at June 30th 2005 showed net debt of € 47,404k, up by € 2,103k vs. June 30th 2004.

Working capital increased by € 1,529k vs. 1H04 as a result of the increase in inventories (€ +1,504k) and decrease in trade payables (€ -4,449k), set against a reduction of € -4,424k in receivables).

Net fixed assets increased by € 2,834k, mainly because in investments in operating fixed assets exceeding depreciation by € 2,708, and because of provisions and non-financial medium-/long-term debt exceeding provisioned amounts by € 73k.

Operating investments made in 1H05 totalled € 2,966k (€ 1,760k in 1H04) and were made in Santa Margherita (€ 531k), Ca' del Bosco (€ 2,420k), S.M. Tenimenti Pile e Lamole e Vistarenni (€ 10k), and in Kettmeir and Cantine Torresella (€ 5k).

Shareholders' equity, net of minority interests, which amounted to € 31,073k, increased by € 1,408k vs. June 30th 2004 (and decreased by € 2,156k vs. December 31st 2004) after distribution in the period of € 3,080k (€2,940k in 1H04).

The employee headcount of the Santa Margherita Group as at June 30th 2005 totalled 211 heads, of which 37 seasonally employed (as at June 30th 2004: 211 heads of which 38 seasonally employed: December 31st 2004: 185 heads of which 10 seasonally employed).

\* \* \*

As regards the second half of the year, the economic situation is expected to feature the same characteristics as in the 6-month period that has just ended. We foresee positive results, in line with those of the previous year.

## *Linificio e Canapificio Nazionale SpA*

Linificio e Canapificio Nazionale SpA controls four companies active in the linen sector:

- Licana SpA, registered offices in Fara Gera d'Adda (BG)	(100%	of share capital)
- Filin SA, registered offices in Fouchana (Tunisia)	(100%	" " ")
- UAB Lietlinen, registered offices in Kaunas (Lithuania)	(100%	" " ")
- UAB Linestus, registered offices in Kaunas (Lithuania) (*) via UAB Lietlinen	(100%	" " ") (*)

Linen remains significantly present in fashion collections also for the 2006 spring/summer season. The general difficulties being suffered by the textile sector as a whole have also involved linen consumption, leading to an early conclusion of production for the 2005 spring/summer season and a less than brilliant start to the new season – featuring great uncertainty in the procurement programmes of weavers and clothes makers.

The first part of the year was also affected by the abolition of EU import quotas for textile products from China, triggering an increase in linen yarn imports from China by over 50% vs. the same period in 2004.

This consequently created over-supply of yarn at very low prices, above all in the medium-weight range, reducing European spinners' selling possibilities in this market segment.

The agreement between the EU and China to re-introduce quotas for linen yarns for the period 2005-2007 should enable European spinners, in the second half of the year, to recover at least in terms of volume.

In this scenario the Linificio Group achieved unit sales volume that was –7.9% (net) lower than in 1H04. This decrease was entirely due to the range of medium-weight yarns suffering from Chinese competitive pressure, whereas in all other product segments sales were equal to or higher than those of the previous year.

Unit selling prices decreased by –4.3% overall vs. 1H04 – but trends were very different between medium-weight yarns, with prices down by some –8%, and other product segments, which featured reductions of –2/3%, lower than the effect of the reduction of raw material purchase prices on production costs.

Contributory factors to the period's results were also the phases of production repositioning following the 2004 merger with Zignago Tessile.

Already in the second half of the current year completion of actions envisaged in the business plan will permit recovery in operating results – by virtue of the increase in the group's overall competitiveness.

The contribution made to the **consolidated P&L account** of the Industrie Zignago Santa Margherita Group, with proportional consolidation (34.36%) of Linificio e Canapificio Nazionale SpA, was as follows:

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	13,037	---	14,410	---	(9.5%)
Changes in inventories of finished products, semiprocessed goods, and work in progress	1,898	---	2,420	---	nmf
	43	---	3	---	nmf
<b>Production value</b>	14,978	100.0%	16,833	100.0%	(11.0%)
Materials and outside services	(9,011)	(60.2%)	(9,767)	(58.0%)	(7.7%)
<b>Added value</b>	5,967	39.8%	7,066	42.0%	(15.5%)
Payroll costs	(4,005)	(26.7%)	(4,391)	(26.1%)	(8.8%)
<b>EBITDA</b>	1,962	13.1%	2,675	15.9%	(26.6%)
Depreciation & amortisation	(1,123)	(7.5%)	(1,339)	(8.0%)	(16.1%)
Provisions	(86)	(0.6%)	(73)	(0.4%)	17.8%
<b>EBIT</b>	753	5.0%	1,263	7.5%	(40.4%)
Net financial expenses	(40)	(0.2%)	(31)	(0.2%)	29.0%
Net foreign exchange differences	(15)	(0.1%)	36	0.2%	nmf
Net recurrent non-operating income/(charges)	178	1.2%	207	1.3%	(14.0%)
<b>EBT before non-recurrent items</b>	876	5.9%	1,475	8.8%	(40.6%)
Net non-recurrent income	2,100	14.0%	307	1.8%	nmf
<b>EBT</b>	2,976	19.9%	1,782	10.6%	67.0%
Corporate income tax & regional business tax (Rate in 1H05: 15.4%) (Rate in 1H04: 37%)	(458)	(3.1%)	(660)	(3.9%)	(30.6%)
<b>Net profit before minorities</b>	2,518	16.8%	1,122	6.7%	nmf
Minorities' share of net profit	---	---	(47)	(0.3%)	nmf
<b>Net profit</b>	2,518	16.8%	1,075	6.4%	nmf

Relevant consolidated sales of € 13,037k were down by -9.5% vs. € 14,410k in 1H04.

Relevant EBIT, i.e. € 753k, was down by -40.4% vs. € 1,263k as at June 30th 2004. As well as to lower unit sales volume and lower prices, this reduction was also due to lower production output in the period due to transfer of machinery. This output will be partly recouped in the second part of 2005 when the new production set-up comes fully on-stream.

Relevant net profit of € 2,518k more than doubled vs. € 1,075k as at June 30th 2004, having benefited from the capital gain of € 2,109 made on the sale of the factory site in Frattamaggiore (Naples) of the subsidiary Licana SpA.

The contribution made to the **consolidated balance sheet** of the Industrie Zignago Santa Margherita Group, with proportional consolidation (34.36%) of Linificio e Canapificio Nazionale SpA, was as follows:

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Net trade receivables	9,690		9,880		11,935	
Sundry receivables	1,543		2,421		1,185	
Inventories	10,227		9,987		7,856	
Current trade payables	(8,652)		(9,213)		(8,558)	
<i>A) Working capital</i>	<u>12,808</u>	<u>57.3%</u>	<u>13,075</u>	<u>56.5%</u>	<u>12,418</u>	<u>56.6%</u>
Net tangible and intangible fixed assets	14,677		15,550		14,985	
Equity investments	161		31		159	
Provisions and non-current financial payables	(5,307)		(5,513)		(5,641)	
<i>B) Net fixed capital</i>	<u>9,531</u>	<u>42.7%</u>	<u>10,068</u>	<u>43.5%</u>	<u>9,503</u>	<u>43.4%</u>
<i>A+B = Net capital employed</i>	<u>22,339</u>	<u>100.0%</u>	<u>23,143</u>	<u>100.0%</u>	<u>21,921</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	336		822		1,319	
Cash & cash equivalents	(1,639)		(864)		(2,841)	
Short-term net cash	(1,303)	(5.8%)	(42)	(0.2%)	(1,522)	(6.9%)
Medium-/long-term financial debt	1,533	6.8%	1,939	8.4%	1,533	7.0%
<i>C) Net financial debt (cash)</i>	<u>230</u>	<u>1.0%</u>	<u>1,897</u>	<u>8.2%</u>	<u>11</u>	<u>0.1%</u>
<i>D) Minorities' share of net equity</i>	<u>---</u>	<u>---</u>	<u>355</u>	<u>1.5%</u>	<u>---</u>	<u>---</u>
Initial net equity	21,910		20,803		20,803	
Dividends paid out	(2,375)		(950)		(950)	
Other changes in net equity	56		(37)		(326)	
Net profit in period	2,518		1,075		2,383	
<i>E) Closing net equity</i>	<u>22,109</u>	<u>99.0%</u>	<u>20,891</u>	<u>90.3%</u>	<u>21,910</u>	<u>99.9%</u>
<i>C+D+E = Total financial debt and net equity</i>	<u>22,339</u>	<u>100.0%</u>	<u>23,143</u>	<u>100.0%</u>	<u>21,921</u>	<u>100.0%</u>

Relevant net capital employed as at June 30th 2005, amounting to € 22,339k, decreased by € 804k vs. June 30th 2004 (€ +418k vs. December 31st 2004).

More specifically, relevant trade receivables of € 9,690k decreased by € 190k vs. June 30th 2004, in the face of a downturn in sales, and decreased vs. December 31st 2004 by € 2,245k due to the effect of the sector's seasonality.

Relevant sundry receivables, i.e. € 1,543k, decreased by € 878k vs. June 30th 2004 and increased by € 358k vs. December 31st 2004.

Relevant inventories (€ 10,227k) increased by € 240k vs. June 30th 2004 basically because of the increase in finished products. The total increase vs. December 31st 2004 was € 2,371k, related to seasonality.

Relevant current trading payables amounted to € 8,652k. Their reduction of € 561k vs. June 30th 2004 was mainly the consequence of the reduction in supplier payables due to lower purchases and lower prices. Compared with December 31st 2004 there was an increase of € 94k.

Relevant net tangible and intangible fixed assets of € 14,667k decreased vs. December 31st 2004, mainly because of disposals.

Relevant investments in tangible assets made in 1H05 amounted to € 1,576k (vs. € 635k in 1H04).

The relevant net financial position as at June 30th 2005 showed net debt of € 230k, down vs. June 30th 2004 (€ 1,897k) and up vs. December 31st 2004 (€ 11k), after distribution of dividends totalling € 2,375k (€ 950k in 1H04).

The employee headcount of Linificio e Canapificio Nazionale and its subsidiaries as at June 30th 2005 totalled 1,279 employees and as at June 30th 2004 1,299 employees (with the proportional number being 439 and 446 employees respectively).

The scenario of the first half - initially featuring abolition of EU import quotas – has changed radically since July, following the agreement between China and the EU to re-introduce the quota system for EU imports of Chinese linen yarn. This agreement envisages gradual growth of imports from China for the years 2005-2007.

For 2005 the import volume authorised is just over 4,000 tonnes – equal to the volume already imported in the first 7 months of the year. This makes it impossible, in the last 5 months of the year, to import further Chinese linen yarn into the EU.

This fact, plus the widespread presence of linen in customers' collections, enables us to project good demand for European yarn in the second part of the year.

**Multitecno Srl**

Registered HQ: Fossalta di Portogruaro (VE)

Business segment: Production and sale of electronic devices for pest and vermin control

The difficult economic situation in general – both in Italy and in the foreign countries where the company's products aroused a satisfactory degree of interest - did not permit achievement of budgeted sales targets. Weather conditions in the period also penalised sales.

**Profit & loss account**

	1st Half 2005		1st Half 2004		Change
	€ '000	%	€ '000	%	%
<b>Net revenues</b>	390	---	424	---	(8.0%)
Changes in inventories of finished products, semiprocessed goods, and work in progress	11	---	17	---	nmf
<b>Production value</b>	401	100.0%	441	100.0%	(9.1%)
Materials and outside services	(262)	(65.3%)	(298)	(67.6%)	(12.1%)
<b>Added value</b>	139	34.7%	143	32.4%	(2.8%)
Payroll costs	(93)	(23.2%)	(88)	(19.9%)	5.7%
<b>EBITDA</b>	46	11.5%	55	12.5%	(16.4%)
Depreciation & amortisation	(11)	(2.8%)	(17)	(3.9%)	(35.3%)
<b>EBIT</b>	35	8.7%	38	8.6%	(7.9%)
Net financial income	1	0.3%	---	---	nmf
Net recurrent non-operating income/(charges)	3	0.7%	4	0.9%	(25.0%)
<b>EBT before non-recurrent items</b>	39	9.7%	42	9.5%	(7.1%)
Corporate income tax & regional business tax	(20)	(5.0%)	(20)	(4.5%)	---
<b>Net profit</b>	19	4.7%	22	5.0%	(13.6%)

**Condensed balance sheet and financial position**

	30.06.2005		30.06.2004		31.12.2004	
	€'000	%	€'000	%	€'000	%
Net trade receivables	218		192		178	
Sundry receivables	28		44		48	
Inventories	210		175		143	
Current trade payables	(170)		(224)		(114)	
<i>A) Working capital</i>	<u>286</u>	<u>109.2%</u>	<u>187</u>	<u>100.5%</u>	<u>255</u>	<u>103.2%</u>
Net tangible and intangible fixed assets	20		34		31	
Provisions and non-current financial payables	(44)		(35)		(39)	
<i>B) Net fixed capital</i>	<u>(24)</u>	<u>(9.2%)</u>	<u>(1)</u>	<u>(0.5%)</u>	<u>(8)</u>	<u>(3.2%)</u>
<i>A+B = Net capital employed</i>	<u>262</u>	<u>100.0%</u>	<u>186</u>	<u>100.0%</u>	<u>247</u>	<u>100.0%</u>
<i>Financed by:</i>						
Current financial payables	56		54		61	
Cash & cash equivalents	(79)		(291)		(280)	
<i>C) Net cash</i>	<u>(23)</u>	<u>(8.8%)</u>	<u>(237)</u>	<u>(127.4%)</u>	<u>(219)</u>	<u>(88.7%)</u>
Initial net equity	466		501		501	
Dividends paid in period	(200)		(100)		(100)	
Net profit in period	19		22		65	
<i>D) Closing net equity</i>	<u>285</u>	<u>108.8%</u>	<u>423</u>	<u>227.4%</u>	<u>466</u>	<u>188.7%</u>
<i>C+D = Total net equity, net of net cash &amp; cash equivalents</i>	<u>262</u>	<u>100.0%</u>	<u>186</u>	<u>100.0%</u>	<u>247</u>	<u>100.0%</u>

The net financial position – positive – decreased from € 219k as at December 31st 2004 to € 23k as at June 30th 2005, mainly as a result of dividend distribution.

As at June 30th 2005 the company's headcount consisted of 5 employees (December 31st 2004: 5; June 30th 2004: 5).

It is expected to end the year with sales recovery and with a profit, but down versus the previous year.

## *Prind SpA*

Registered HQ: Fossalta di Portogruaro (VE)

Business segment: Finance

### Profit and loss account

(€ '000)	1st Half 2005	1st Half 2004
<b>Income</b>		
Interest income	25	3
Dividends	761	---
Income from liquidation of equity interests	559	---
	1,345	3
<b>Costs and expenses</b>		
G&A costs	(16)	(14)
Amortisation of long-term costs	(1)	(1)
Financial charges	---	---
	(17)	(15)
<b>EBT</b>	1,328	(12)
Income tax	(15)	---
<b>Net profit/(loss)</b>	1,313	(12)

“Dividends” and “Income from liquidation of equity interests” came from P.A.I.F.A. Holding BV, a wholly owned company that is being wound up.

**Condensed balance sheet and financial position**

	30.06.2005		30.06.2004		31.12.2004	
	€ '000	%	€ '000	%	€ '000	%
Sundry receivables	85		76		79	
Current trade payables	(9)		(7)		(6)	
<i>A) Working capital</i>	<u>76</u>	<u>27.1%</u>	<u>69</u>	<u>1.6%</u>	<u>73</u>	<u>1.7%</u>
Net tangible and intangible fixed assets	2		4		3	
Equity investments	205		4,331		4,331	
Provisions and non-current financial payables	(3)		(7)		(3)	
<i>B) Net fixed capital</i>	<u>204</u>	<u>72.9%</u>	<u>4,328</u>	<u>98.4%</u>	<u>4,331</u>	<u>98.3%</u>
<i>A+B = Net capital employed</i>	<u>280</u>	<u>100.0%</u>	<u>4,397</u>	<u>100.0%</u>	<u>4,404</u>	<u>100.0%</u>
<i>Financed by:</i>						
<i>C) Cash &amp; cash equivalents</i>	<u>(6,746)</u>	<u>nmf</u>	<u>(1,320)</u>	<u>(30.0%)</u>	<u>(1,309)</u>	<u>(29.7%)</u>
Initial net equity	5,713		5,729		5,729	
Net profit for period	1,313		(12)		(16)	
<i>D) Closing net equity</i>	<u>7,026</u>	<u>nmf</u>	<u>5,717</u>	<u>130.0%</u>	<u>5,713</u>	<u>129.7%</u>
<i>C+D = Total net equity, net of cash &amp; cash equivalents</i>	<u>280</u>	<u>100.0%</u>	<u>4,397</u>	<u>100.0%</u>	<u>4,404</u>	<u>100.0%</u>

As at June 30th 2004 the company possessed liquid resources of € 6,746k, had no financial debt, and could count on net equity of € 7,026k. The increase in liquidity originated from P.A.I.F.A. Holding BV, a wholly owned company that is now being wound up.

No significant changes are envisaged in the year in management of equity interests owned.

\* \* \*

Prind SpA wholly owns **P.A.I.F.A. Holding BV**, which is now being wound up, and **Villanova Srl** and 70% of **Eurocostruzioni 2000 Srl**.

The aforementioned companies' contribution to the Group's consolidated profit & loss account and balance sheet as at June 30th 2005 was not significant and did not feature tangible changes vs. 1H04.

## THE ASSOCIATED EQUITY INTEREST

### *New High Glass Inc.*

Registered HQ: Miami – Florida, USA

Business segment: Sale of glass containers and of accessory products

The American market for small bottles featured recovery in demand whilst pressure on supply by Asian producers - at very competitive prices – persisted. The economic difficulties of some major Latin American countries continued, penalising trade for merchandise coming from countries with strong currencies. The euro's high value versus the US dollar makes sale of merchandise of European origin more difficult.

The company owns a 93% equity interest in **New High Glass Colombia Ltda**, which markets its parent company's products, above all in Colombia and Latin America.

**Consolidated profit & loss account**

	1° semestre 2005		1° semestre 2004		Variazioni
	USD '000	%	USD '000	%	%
<b>Net revenues</b>	10,607	100.0%	10,194	100.0%	4.1%
Costs of materials and outside services	(8,272)	(78.0%)	(8,014)	(78.6%)	3.2%
<b>Added value</b>	2,335	22.0%	2,180	21.4%	7.1%
Payroll costs	(1,802)	(17.0%)	(1,754)	(17.2%)	2.7%
<b>EBITDA</b>	533	5.0%	426	4.2%	25.1%
Depreciation & amortisation	(71)	(0.7%)	(88)	(0.9%)	(19.3%)
Net provisioning of reserves	(51)	(0.4%)	(59)	(0.6%)	(13.6%)
<b>EBIT</b>	411	3.9%	279	2.7%	47.3%
Net financial income	12	0.1%	51	0.5%	nmf
Net foreign exchange gains	36	0.3%	206	2.0%	nmf
Net recurrent non-operating income	31	0.3%	20	0.2%	55.0%
<b>EBT before non-recurrent items</b>	490	4.6%	556	5.4%	(11.9%)
Income tax	(204)	(1.9%)	(207)	(2.0%)	(1.4%)
<b>Net profit before minorities</b>	286	2.7%	349	3.4%	(18.1%)
Minorities' share of net profit	(4)	---	(5)	---	nmf
<b>Net profit</b>	282	2.7%	344	3.4%	(18.0%)

Modest sales growth in the period (+4.1%) was accompanied by major improvement of EBITDA (+25.1%) with a margin of 5.0% on 1H05 net revenues (vs. 4.2% in 1H04). This, however, was more than neutralised by lower foreign exchange gains (USD 36k vs. USD 206k as up to June 30th 2004). Net profit was therefore down from USD 344k as at June 30th 2004 to USD 282k as at June 30th 2005.

**Consolidated condensed balance sheet and financial position**

	30.06.2005		30.06.2004		31.12.2004	
	USD '000	%	USD '000	%	USD '000	%
Trade receivables	4,784		5,320		5,878	
Sundry receivables	1,685		1,510		1,390	
Inventories	4,976		4,747		5,347	
Current trade payables	(2,103)		(3,202)		(3,335)	
<i>A) Working capital</i>	<u>9,342</u>	<u>93.5%</u>	<u>8,375</u>	<u>92.9%</u>	<u>9,280</u>	<u>93.4%</u>
Net tangible and intangible fixed assets	646		631		654	
Non-current financial assets	1		11		1	
<i>B) Net fixed capital</i>	<u>647</u>	<u>6.5%</u>	<u>642</u>	<u>7.1%</u>	<u>655</u>	<u>6.6%</u>
<i>A+B = Net capital employed</i>	<u><u>9,989</u></u>	<u><u>100.0%</u></u>	<u><u>9,017</u></u>	<u><u>100.0%</u></u>	<u><u>9,935</u></u>	<u><u>100.0%</u></u>
<i>Financed by:</i>						
<i>C) Net cash &amp; cash equivalents</i>	<u>(2,378)</u>	<u>(23.8%)</u>	<u>(2,864)</u>	<u>(31.8%)</u>	<u>(2,132)</u>	<u>(21.4%)</u>
<i>D) Minorities' net equity</i>	<u>35</u>	<u>0.3%</u>	<u>23</u>	<u>0.3%</u>	<u>31</u>	<u>0.3%</u>
Initial net equity	12,036		11,460		11,460	
Dividends	---		---		(200)	
Other changes in net equity	14		54		141	
Net profit for period	282		344		635	
<i>E) Closing net equity</i>	<u>12,332</u>	<u>123.5%</u>	<u>11,858</u>	<u>131.5%</u>	<u>12,036</u>	<u>121.1%</u>
<i>C+D+E = Total net equity, net of cash &amp; cash equivalents</i>	<u><u>9,989</u></u>	<u><u>100.0%</u></u>	<u><u>9,017</u></u>	<u><u>100.0%</u></u>	<u><u>9,935</u></u>	<u><u>100.0%</u></u>

The financial position as at June 30th 2005 continued to be positive, with net cash of USD 2,378k, lower than at the end of June 2004 (USD 2,864k) but higher than on December 31st 2004 (USD 2,132k) mainly because of the decrease in trade payables.

As at June 30th 2005 the portion of net equity pertaining to Industrie Zignago Santa Margherita SpA (50%) amounted to USD 6,166k (June 30th 2004 = USD 5,929k, December 31st 2004 = USD 6,018k).

On August 9th New High Glass Inc. distributed dividends totalling USD 720k.

New High Glass Inc., in agreement with Zignago Vetro SpA, the Group company that is the main supplier of bottles, is enlarging the range of products marketed, selecting them from among those featuring higher added value, to offer them in market segments where the standard of quality required is generally higher.

The year-end result – considerably influenced by the US dollar's trend – is expected to be positive, in line with the first half.

**General indications for the second half,  
major events, and year-end projections**

## ***Industrie Zignago Santa Margherita Group***

### **Major events occurring after the end of the first half**

Zignago's Board of Directors, which met on August 3rd, examined the statement issued on July 7th 2005 prepared by Zi.Fi Srl (the "**Offerer**") pursuant to Article 102 of Italian Legislative Decree no. 58 dated February 24th 1998 and Article 37, paragraph 2, of CONSOB (Italian securities and exchange commission) Regulation no. 11971 dated May 14th 1999, as subsequently amended and supplemented concerning the mandatory public tender offer (the "**Offer**") launched by the Offerer pursuant to Articles 102, 106 and 109 of Legislative Decree 58/1998 on Zignago's ordinary shares and the offer document, publication of which was authorised by CONSOB on July 22nd 2005.

As regards the evaluation and assessment of the price offered, i.e. € 18.60 per Zignago ordinary share, the Board of Directors availed itself of the support of a premier independent financial advisor, identified as being Banca IMI SpA. Also on the basis of the aforesaid opinion of the financial advisor, the Board of Directors, with a unanimously approved resolution, judged the Offer price to be fair and approved the statement drawn up pursuant to Article 103, paragraph 3, of Legs. Decree 58/1998, which was published on August 8th 2005 in compliance with current regulations.

On August 2nd 2005 the Board of Directors received a request made by Zi.Fi Srl, pursuant to Article 2367 of the Italian Civil Code, from Marco Luca Umberto Donà dalle Rose, Gaetano Marzotto, Stefano Marzotto, Nicolò Marzotto, and Luca Marzotto, in their capacity as shareholders owning a total shareholding of 12,075,898 Zignago ordinary shares or 48.30% of the share capital of Zignago, to summon an ordinary general shareholders' meeting to address the following agenda: "Revocation of the Board of Directors. Appointment of a new board of directors. Relevant and consequent resolutions". Zignago's Board of Directors, at the same meeting on August 3rd 2005, consequently unanimously decided to summon an ordinary general meeting of shareholders to be held on September 21st 2005, on first call, and on September 23rd 2005, on second call.

No other events of major significance have occurred.

### **Year-end projections**

As far as the glass business is concerned, for the second half we project, overall, revenues line with those of the same period in 2004 and margins affected by higher energy costs.

In the winery business, in the second half of the year we expect substantial recovery of sales and margins, particularly in the US market.

In the linen business we project seasonal market recovery, with revenues and EBITDA showing growth compared with the first half of 2005.

At consolidated level, the policies implemented by the group in the various business segments lead us to project, for the full year, revenue firmness and operating margins showing recovery vs. 1H05, in line with the previous year, in terms of proportional figures.

September 9th, 2005

*THE BOARD OF DIRECTORS*



**Industrie Zignago Santa Margherita Group**

**Consolidated first-half interim financial statements**

(pursuant to Italian Legislative Decree 127/1991)

Balance Sheet  
Profit & Loss Account  
Accounting and consolidation policies  
Information on the balance sheet  
Information on the profit & loss account

Note: in order to facilitate perusal of financial statements, items not featuring any accounting entries have been eliminated.

**Industrie Zignago Santa Margherita Group**

<b>ASSETS (€'000)</b>	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12.2004</b>
<b>A. AMOUNTS RECEIVABLE FROM SHAREHOLDERS</b>			
For capital subscribed but not paid in	---	---	---
<b>B. FIXED ASSETS</b>			
<b>I Intangible fixed assets</b>			
1 Incorporation and expansion costs	100	167	137
2 R&D and advertising costs	83	152	111
3 Industrial patents and rights to use intellectual properties	358	353	376
4 Concessions, licenses, trademarks and similar rights	162	148	239
5 Goodwill and consolidation differences	12,175	11	12,833
6 Assets in progress and down payments	36	---	---
7 Other intangibles	533	276	519
<b>Total</b>	<b>13,447</b>	<b>1,107</b>	<b>14,215</b>
<b>II Tangible fixed assets</b>			
1 Land & buildings	48,953	43,627	48,114
2 Plant & machinery	84,334	81,805	89,983
3 Industrial & commercial equipment	9,213	9,520	9,901
4 Other tangibles	2,012	1,713	1,696
5 Assets in progress and down payments	2,776	3,518	4,233
<b>Total</b>	<b>147,288</b>	<b>140,183</b>	<b>153,927</b>
<b>III Financial fixed assets</b>			
1 Equity interests in:			
a Controlled companies (subsidiaries)	---	75	---
b Associated companies	8,633	8,464	8,127
d Other companies	4,326	4,471	4,128
e Other investments	134	679	529
Subtotal	13,093	13,689	12,784
2 Receivables:			
d Amounts due from others	150	85	156
3 Other securities	1	1	1
<b>Total</b>	<b>13,244</b>	<b>13,775</b>	<b>12,941</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>173,979</b>	<b>155,065</b>	<b>181,083</b>
<b>C. CURRENT ASSETS</b>			
<b>I Inventories</b>			
1 Raw and secondary materials, plus consumables	29,115	30,264	27,420
2 Work in process and semiprocessed goods	13,204	12,006	10,044
3 Job order work in progress	---	---	77
4 Finished products and merchandise	43,510	41,005	35,769
5 Payments on account	2,215	---	457
6 Advance grower payments	47	40	---
<b>Total</b>	<b>88,091</b>	<b>83,315</b>	<b>73,767</b>
<b>II Receivables</b>	<i>Amounts collectable after 1 year</i>		
	30.06.2005	30.06.2004	31.12.2004
1 Customers	---	---	---
3 Associated companies	---	---	---
4/2 Tax credits	329	859	366
4/3 Deferred tax assets	---	---	---
5 Others	---	---	72
<b>Total</b>	<b>329</b>	<b>859</b>	<b>438</b>
<b>III Current financial assets</b>			
6 Other securities	18,457	11,791	9,559
<b>Total</b>	<b>18,457</b>	<b>11,791</b>	<b>9,559</b>
<b>IV Cash &amp; cash equivalents</b>			
1 Bank & post office deposits	60,888	41,612	82,738
3 Cash & valuables in hand	26	27	32
<b>Total</b>	<b>60,914</b>	<b>41,639</b>	<b>82,770</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>246,351</b>	<b>222,953</b>	<b>254,384</b>
<b>D. ACCRUED INCOME &amp; PREPAYMENTS</b>			
1 Accrued income	159	122	280
2 Prepayments	282	359	701
	<b>441</b>	<b>481</b>	<b>981</b>
<b>TOTAL ASSETS</b>	<b>420,771</b>	<b>378,499</b>	<b>436,448</b>

## Industrie Zignago Santa Margherita Group

<b>LIABILITIES (€'000)</b>	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12.2004</b>
<b>A. NET EQUITY</b>			
<b>I Share capital</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>
<b>II Share premium reserve</b>	<b>5,918</b>	<b>5,918</b>	<b>5,918</b>
<b>III Revaluation reserves</b>	<b>25,337</b>	<b>26,122</b>	<b>25,337</b>
<b>IV Legal reserve</b>	<b>2,600</b>	<b>2,600</b>	<b>2,600</b>
<b>V Statutory reserves</b>	---	---	---
<b>VI Treasury stock reserve</b>	---	---	---
<b>VII Other reserves</b>	<b>7,522</b>	<b>7,680</b>	<b>7,522</b>
<b>VIII Retained earnings/(losses carried forward)</b>	<b>122,044</b>	<b>115,406</b>	<b>116,153</b>
<b>IX Net profit/(loss) for period</b>	<b>11,394</b>	<b>10,120</b>	<b>22,829</b>
<i>Consolidated group net equity</i>	<u><b>187,815</b></u>	<u><b>180,846</b></u>	<u><b>193,359</b></u>
<i>Minorities' capital and reserves</i>	<u><b>9,326</b></u>	<u><b>16,424</b></u>	<u><b>9,624</b></u>
<b>CONSOLIDATED NET EQUITY OF GROUP AND MINORITIES</b>	<u><b>197,141</b></u>	<u><b>197,270</b></u>	<u><b>202,983</b></u>
<b>B. PROVISIONS FOR RISKS AND CHARGES</b>			
2 Taxes, including deferred taxes	14,428	11,824	15,406
3 Others	5,897	8,954	7,583
<b>Total</b>	<u><b>20,325</b></u>	<u><b>20,778</b></u>	<u><b>22,989</b></u>
<b>C. ACCRUED EMPLOYEE SEVERANCE INDEMNITY PROVISION</b>	<u><b>15,149</b></u>	<u><b>13,066</b></u>	<u><b>14,665</b></u>
<b>D. PAYABLES</b>			
	<i>Amounts payable after 1 year</i>		
	30.06.2005	30.06.2004	31.12.2004
4 Banks	49,323	17,673	36,348
5 Other sources of finance	4,367	---	4,171
6 Payments on account received	---	---	70
7 Suppliers	---	---	47,394
10 Associated companies	---	---	561
12 Taxes	---	---	5,724
13 Pension and social security agencies	---	---	8,007
14 Others	---	---	4,168
<b>Total</b>	<u><b>53,690</b></u>	<u><b>17,673</b></u>	<u><b>40,519</b></u>
<b>111,689</b>	<u><b>184,135</b></u>	<u><b>145,391</b></u>	<u><b>191,355</b></u>
<b>E. ACCRUED LIABILITIES &amp; DEFERRED INCOME</b>			
1 Accrued liabilities	591	308	904
2 Deferred income	3,430	1,686	3,552
<b>Total</b>	<u><b>4,021</b></u>	<u><b>1,994</b></u>	<u><b>4,456</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>420,771</b></u>	<u><b>378,499</b></u>	<u><b>436,448</b></u>
<b>MEMORANDUM ACCOUNTS</b>	<b>6,100</b>	<b>6,591</b>	<b>5,945</b>
<b>1 Guarantees:</b>	<b>2,280</b>	<b>2,510</b>	<b>2,281</b>
a 3rd-party sureties	2,017	2,186	2,011
b Securities c/o 3rd parties as surety	261	261	261
c Other guarantees for subsidiaries	2	61	9
d Our sureties and mortgage pledges issued to 3rd parties	---	2	---
<b>2 Commitments:</b>	<b>3,820</b>	<b>4,081</b>	<b>3,664</b>
a 3rd-party assets held by us	1,714	1,234	1,493
b Discounted portfolio	43	8	15
c Commitment to subscribe shares	1,300	2,078	1,497
d Our assets c/o 3rd parties	763	761	659

**Industrie Zignago Santa Margherita Group**

<b>PROFIT &amp; LOSS ACCOUNT (€'000)</b>		<b>1st Half 2005</b>	<b>1st Half 2004</b>	<b>FY2004</b>
<b>A. PRODUCTION VALUE</b>				
1	Revenues from sales and services	132,079	136,143	284,370
2	Change in inventory of work in progress, semiprocessed goods and finished products	11,059	7,990	1,544
3	Change in job order work in progress	(77)	—	77
4	In-house enhancement of fixed assets	129	3	321
5	Other revenues and income	2,828	1,263	2,772
<b>TOTAL</b>		<b>146,018</b>	<b>145,399</b>	<b>289,084</b>
<b>B. PRODUCTION COSTS</b>				
6	Raw & secondary materials, consumables and merchandise	50,811	52,063	92,755
7	Services	32,884	31,013	61,179
8	Use of 3rd-party assets (rental, leasing, and royalties)	762	551	1,312
9	<b>Payroll:</b>	<b>31,053</b>	<b>29,503</b>	<b>58,621</b>
	a Wages & salaries	21,547	20,457	41,321
	b Social security charges	8,219	7,819	14,805
	c Employee severance indemnities	1,286	1,227	2,475
10	<b>Depreciation, amortisation, and write-downs</b>	<b>1</b>	<b>—</b>	<b>20</b>
	a Amortisation of intangible fixed assets	15,660	14,670	29,289
	b Depreciation of tangible fixed assets	917	266	796
	d Write-downs of receivables posted in current assets and of cash & cash equivalents	14,501	14,080	28,180
		242	324	313
11	Change in inventories of raw & secondary materials, consumables and merchandise	(3,479)	(3,913)	60
12	Risk provisions	31	1,000	242
13	Other provisions	109	369	406
14	Sundry operating costs	1,159	1,104	3,109
<b>TOTAL</b>		<b>128,990</b>	<b>126,360</b>	<b>246,973</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)</b>		<b>17,028</b>	<b>19,039</b>	<b>42,111</b>
<b>C. FINANCIAL INCOME AND CHARGES</b>				
15	<b>Income from equity interests:</b>	<b>—</b>	<b>831</b>	<b>904</b>
	b Income from equity interests in associate companies	—	—	74
	c Income from equity interests in other companies	—	831	830
16	<b>Other financial income:</b>	<b>984</b>	<b>546</b>	<b>2,615</b>
	c Securities posted among current assets that are not equity interests	141	99	1,572
	g Income other than the above	843	447	1,043
17	<b>Interest and other financial charges:</b>	<b>(1,765)</b>	<b>(1,006)</b>	<b>(2,374)</b>
	d Interest and other financial charges	(1,765)	(1,006)	(2,374)
17/2	<b>Exchange-rate gains/(losses)</b>	<b>16</b>	<b>63</b>	<b>70</b>
<b>TOTAL</b>		<b>(765)</b>	<b>434</b>	<b>1,215</b>
<b>D. ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS</b>				
18	<b>Write-ups:</b>	<b>84</b>	<b>951</b>	<b>449</b>
	a Equity interests	84	288	449
	c Securities posted among current assets that are not equity interests	—	663	—
19	<b>Write-downs:</b>	<b>—</b>	<b>—</b>	<b>(54)</b>
	a Equity interests	—	—	(4)
	c Securities posted among current assets that are not equity interests	—	—	(50)
<b>NET ADJUSTMENTS</b>		<b>84</b>	<b>951</b>	<b>395</b>
<b>E. NON-RECURRENT INCOME/(CHARGES)</b>				
20	Income	2,108	92	407
21	Charges	(38)	(122)	(549)
<b>NET NON-RECURRENT INCOME/(CHARGES)</b>		<b>2,070</b>	<b>(30)</b>	<b>(142)</b>
<b>PRE-TAX PROFIT</b>		<b>18,417</b>	<b>20,394</b>	<b>43,579</b>
22	<b>Income tax - current, prepaid, deferred</b>	<b>7,064</b>	<b>8,373</b>	<b>17,589</b>
<b>NET PROFIT BEFORE MINORITIES</b>		<b>11,353</b>	<b>12,021</b>	<b>25,990</b>
	Minorities' share of net (profit)/loss	41	(1,901)	(3,161)
23	<b>NET PROFIT/(LOSS) FOR PERIOD</b>	<b>11,394</b>	<b>10,120</b>	<b>22,829</b>

## ACCOUNTING AND CONSOLIDATION POLICIES

With the premise that the amendments made to the Italian Issuer Regulation no. 11971/1999 by CONSOB resolution no. 14990 dated April 17th 2005 have introduced a transitional regime for mandatory interim financial reports relating to the financial year starting on January 1st 2005 and that are approved by September 30th 2005, as permitted by Article 81/2 of the amended Regulation, we specify that:

1. The profit & loss accounts and balance sheets presented reflect the same classification policies applied to consolidated year-end financial statements for FY2004 so as to assure consistency and continuity of information and interpretation between interim and year-end accounts.

Following the new statutory reporting rules introduced in Italian company law reform under Legislative Decrees no. 6/2003 and 310/2004, the formats of financial statements have been adapted to the new requirements. It has consequently been necessary to reclassify some items in 1H04 financial statements to make them comparable.

The first-half interim report is completed by quantitative reconciliation of net equity as at the initial and end date of the first half and as at year-end date of the previous FY and the result as at the end date of 1H05, determined using the same preparation policy as for the previous FY's year-end financial statements, with the same figures calculated applying the international accounting and financial reporting standards (IAS/IFRS).

2. The consolidation policies adopted for the balance sheet and profit & loss account as at and up to June 30th 2005 are the same as those used for the interim report as at June 30th 2004 and for preparation of year-end financial statements as at December 31st 2004.
3. Accounting policies are the same as those applied when preparing year-end financial statements. Specifically:
  - Revenues, costs and non-recurrent income allocated to the portion of the full financial year are those effectively occurring in the six-month period and in the full financial year
  - Costs relating to the entire financial year are allocated on an accrual basis
  - Taxes for the period have been posted in the profit & loss account on an accrual basis by each company consolidated.
4. As already illustrated on page 9, consolidated financial statements originate from consolidation of the interim and annual financial statements prepared by the group parent company and by the subsidiaries highlighted below. As required under Article 38, paragraph 2 and Article 39, paragraph 1 of Italian Legislative Decree 127/1991, these are listed below, pointing out that, for indirectly controlled subsidiaries, we have taken into account the portions of equity ascribable to the group parent company via the direct investee company.

As already mentioned on page 9, Linificio e Canapificio Nazionale SpA and Vetri Speciali SpA, together with their respective subsidiaries, are proportionally consolidated.

The associate company New High Glass Inc., with its subsidiary New High Glass Colombia Ltda, and the company Silene Srl are accounted for at equity.

Consolidated companies/Registered location	Share capital (in euro)	% Group ownership
Group parent company: Industrie Zignago Santa Margherita SpA - Fossalta di Portogruaro (VE)	13,000,000	---
Zignago Vetro SpA - Fossalta di Portogruaro (VE) and its subsidiary:	4,132,000	100.00
- Verreries Brosse SAS – Vieux-Rouen-sur-Bresle (France) and its subsidiary:	4,000,000	100.00
- Brosse USA Inc. – New York (USA)	USD 10,000	100.00%
Vetri Speciali SpA and its subsidiaries:	10,062,400	43.50%
- Vetri Speciali Iberica – Barcelona (Spain)	3,006	43.50%
- Vetri Speciali Inc. – Benicia, California (USA)	USD 100,000	43.50%
Santa Margherita SpA - Fossalta di Portogruaro (VE) and its subsidiaries:	7,231,000	100.00%
- Ca' del Bosco SpA - Erbusco (BS)	14,000,000	60.00%
- S.M. Tenimenti Pile e Lamole e Vistarenni Srl – Gaiole in Chianti (SI)	2,840,514	91.729%
- Cantine Torresella Srl - Fossalta di Portogruaro (VE)	400,000	100.00%
- Kettmeir SpA - Caldaro (BZ)	2,210,000	94.00%
- S.M. Selios di Sicilia Srl - Fossalta di Portogruaro (VE) (1)	90,000	99.00%
Linificio e Canapificio Nazionale SpA – Milan (MI) and its subsidiaries:	27,648,000	34.36%
- Licana SpA – Fara Gera d'Adda (BG)	7,010,000	34.36%
- Filin SA – Fouchana (Tunisia)	TND 14,000,000	34.36%
- UAB Lietlinen – Kaunas (Lithuania) and its subsidiary:	LTL 29,120,000	34.36%
- UAB Linestus – Kaunas (Lithuania)	LTL 1,726,400	34.36%
Multitecno Srl – Fossalta di Portogruaro (VE)	209,166	90.00%
Prind SpA – Fossalta di Portogruaro (VE) and its subsidiaries:	3,150,000	100.00%
- P.A.I.F.A. Holding BV – Amsterdam (The Netherlands)	53,640	100.00%
- Villanova Srl – Fossalta di Portogruaro (VE) and its subsidiary:	98,127	100.00%
- Eurocostruzioni 2000 Srl – Fossalta di Portogruaro (VE))	10,330	100.00%
La Vecchia Scarl – Fossalta di Portogruaro (VE)	100,000	78.34%

(1) The other 1% is owned by Cantine Torresella Srl

## INFORMATION ON CONSOLIDATED BALANCE SHEET

Below we indicate the most significant changes occurring in the entity of asset and liability items to complete the information presented in the section on operating performance, on pages 16-18.

### ASSET ITEMS

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>B.II. Tangible fixed assets</b>	<b>147,288</b>	<b>140,183</b>	<b>153,927</b>

Changes occurring in 1H05 are summarised as follows:

	<u>Historical cost</u>	<u>Revaluations</u>	<u>Cumulative depreciation</u>	<u>Net book value</u>
Balance as at 31.12.2004	342,225	55,167	(243,465)	153,927
- Purchases	11,119	---	---	11,119
- Disposals	(3,257)	---	---	(3,257)
- Depreciation for period	---	---	(14,501)	(14,501)
Balance as at 30.06.2005	350,087	55,167	(257,966)	147,288

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>B.III.1 Equity interests</b>	<b>13,093</b>	<b>13,689</b>	<b>12,784</b>

Equity interests were as follows:

	<u>% ownership</u>	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>B.III.1.a. Subsidiaries:</b>				
- Eurocostruzioni 2000 Srl	69.99%	---	75	---
<b>B.III.1.b. Associated companies:</b>				
- New High Glass Inc.	50.00%	3,878	3,709	3,372
- Silene Srl	24.99%	4,755	4,755	4,755
Total associated companies		<u>8,633</u>	<u>8,464</u>	<u>8,127</u>
<b>B.III.1.c. Other companies:</b>				
- Finanziaria Canova SpA	7.50%	3,033	3,033	3,033
- Emerald UK N. 2 Ltd Partnership		1,053	658	856
- Neogen Co.	0.57%	115	115	115
- Portogruaro Interporto SpA	2.00%	72	72	72
- Equity interests in consortia and others		53	75	52
- Vetrerie Venete SpA	14.70%	---	487	---
- Vetri Speciali Srl	17.00%	---	31	---
Total other companies		<u>4,326</u>	<u>4,471</u>	<u>4,128</u>
<b>B.III.1.e. Other investments:</b>				
- Deutsche Morgan Grenfell Capital Italy SCpA		134	235	155
- Telecom Partners 1 L.P.		---	444	374
Total other investments		<u>134</u>	<u>679</u>	<u>529</u>
<b>Total</b>		<u>13,093</u>	<u>13,689</u>	<u>12,784</u>

**New High Glass Inc.**, its subsidiary **New High Glass Colombia Ltda**, and **Silene Srl**, a winery company 24.99% owned by S.M. Selios di Sicilia Srl, have been accounted for using the net equity method.

The increase in the value of **New High Glass Inc.** is a consequence of the period's positive business result of € 80k and of the positive change of translation into euro of net equity as at June 30th 2005, amounting to €426k.

Changes during 1H05 in the equity interests owned by the group parent company in **Emerald U.K. N. 2 Ltd Partnership**, **Deutsche Morgan Grenfell Capital Italy**, and in **Telecom Partners 1 L.P.**, are illustrated in the notes on page 25.

There were no write-ups of equity interests owned (either non-current or current) in previous financial years, either voluntary or pursuant to monetary alignment laws.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.I. Inventories</b>	<b>88,091</b>	<b>83,315</b>	<b>73,767</b>

The item in question is already detailed in the balance sheet. The increase in inventory was generally related to sales performance, taking into account the normal seasonality of some businesses. In the winery sector in particular there was an increase of wines undergoing fining.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.II.1 Trade receivables</b>	<b>68.856</b>	<b>65.119</b>	<b>76.496</b>

Trade receivables relate to normal sales transactions. Most of these receivables are backed by insurance policies.

The increase as at June 30th 2005 vs. June 30th 2004 (€ +3,737k, +5.7%) related to the sales trend. In particular, there were increases in the glass business and decreases in the winery and linen businesses.

The geographical breakdown of trade receivables was as follows:

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
Italy	48,082	42,741	49,680
Rest of EU	12,778	9,663	9,867
Rest of Europe	230	422	2,924
North America	4,894	10,007	12,527
Asia	193	264	452
Rest of World	2,679	2,022	1,046
<b>Total</b>	<b>68,856</b>	<b>65,119</b>	<b>76,496</b>

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.II.3 Amounts receivable from associate companies</b>	<b>816</b>	<b>11,521</b>	<b>730</b>

As at June 30th 2005 this item consisted of amounts of € 733k and € 83k respectively receivable by Zignago Vetro SpA and by the group parent company from New High Glass Inc., a company booked at equity. As at June 30th 2004 this item included trade amounts receivable by Attività Industriali Friuli Srl from Vetri Speciali Srl (€ 10,417k), by Zignago Vetro SpA and by the group parent company (€ 975k and € 119k respectively), and from other minor associated companies.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.II.4/2 Tax credits</b>	5,274	2,172	5,534

This item reflects payment of taxes on account on employee severance indemnity provision and related interest, consequent to application of Italian Law 662/1996 and indicated in the balance sheet as an amount collectable after more than one year.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.II.4/3 Deferred tax assets</b>	2,787	5,197	4,807

This item shows solely credits for deferred tax assets (i.e. prepaid taxes) relating to the temporary negative differences between reported business results and corresponding taxable income.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.III.6 Other securities</b>	18,457	11,791	9,559

As at June 30th 2005 there were bonds owned by the group parent company, Zignago Vetro SpA, and by Prind SpA. As at June 30th 2004 there were bonds totalling € 7,119k owned by the group parent company and equities totalling € 4,672k owned by P.A.I.F.A. Holding BV.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C.IV Cash &amp; cash equivalents</b>	60,914	41,639	82,770

This item included:

	<u>Balance as at 30.06.2005</u>	<u>Balance as at 30.06.2004</u>	<u>Balance as at 31.12.2004</u>
Bank term deposit accounts	43,000	23,089	57,000
Bank and post-office current accounts	17,888	18,523	25,738
Cash and valuables in hand	26	27	32
<b>Total</b>	<b>60,914</b>	<b>41,639</b>	<b>82,770</b>

**LIABILITY ITEMS**

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>A. NET EQUITY</b>	<b>197,141</b>	<b>197,270</b>	<b>202,983</b>

Changes in net equity occurring since December 31st 2004 and leading to a net reduction of € 7,391k were as follows:

NET EQUITY AS AT 31.12.2004			202,983
- Allocation of FY2004 earnings to dividends and to reserves as approved by shareholder meetings		(17,772)	
- Group portion of net profit for period		11,394	
- Minorities' share of net profit for period		(41)	
- Payment of third-party shareholder into capital in Eurocostruzioni 2000 Srl		15	
- Translation differences for investee companies' accounts in foreign currencies		562	(5,842)
NET EQUITY AS AT 30.06.2005			197,141

As at June 30th 2005 net equity included reserves subject to tax suspension for a total of € 45,878k (unchanged vs. December 31st 2004). Deferred taxes were not provisioned for these reserves because it is not envisaged that they will be distributed.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>B. PROVISIONS FOR RISKS AND CHARGES</b>	<b>20,325</b>	<b>20,778</b>	<b>22,989</b>

The breakdown and changes of these provisions in 1H04 were as follows:

	<u>31.12.2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>30.06.2005</u>
<b>B.2. Tax provision, inc. deferred tax</b>	15,406	328	(1,306)	14,428
<b>B.3. Other provisions:</b>				
- Agent indemnities	1,210	10	(1)	1,219
- Technical, commercial and other typical business risks	3,615	---	(1,549)	2,066
- Contractual risks	1,284	14	(150)	1,148
- Industrial risks	806	20	(26)	800
- Retirement indemnities	668	---	(4)	664
Total other provisions	7,583	44	(1,730)	5,897
Total	22,989	372	(3,036)	20,325

**Tax provision**, of € 14,428k, decreased by € 978k vs. December 31st 2004 due to the trend in tax provisioning and utilisation relating to allocations and reversals of surplus depreciation.

**Provision for agent indemnities** refers to estimated liabilities vis-à-vis agents based on current regulations. During the period there was utilisation of € 1k and an increase of € 10k by the winery companies and by Linificio e Canapificio Nazionale for termination payments to agents.

**Provision for technical, commercial and other typical business risks**, made in previous financial years by Zignago Vetro SpA, represents the directors' prudent assessment of future costs relating to maintenance of the present production capacity of the company's furnaces, commercial risks and other typical risks. During 1H05 provision of € 1,549k was released by Zignago Vetro SpA because the liability causing provision to be did not materialise.

**Provision for contractual risks**, made by some companies against claims pending court rulings, was used by Linificio e Canapificio Nazionale (€ 138k) and by Zignago Vetro SpA (€ 12k) and increased by Linificio e Canapificio Nazionale SpA by € 14k for settlement of disputes.

In 1H05 **provision for industrial risks** - made by our glass companies against customer complaints of production defects to be settled and against potential losses on packaging materials for which a repurchase commitment has been agreed – was increased by € 20k by Zignago Vetro SpA used to pay for pending items settled by Zignago Vetro SpA (€ 10k) and by Vetri Speciali SpA (€ 16k).

Of the **provision for retirement indemnities**, posted by Verreries Brosse Sas against estimated liabilities vis-à-vis employees who cease their employment relationship with the company solely because they retire – net of the amount already paid into a specific insurance fund (€ 152k) - € 4k was used to pay retirement indemnities.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>C. ACCRUED EMPLOYEE SEVERANCE INDEMNITY PROVISION</b>	<b>15,149</b>	<b>13,066</b>	<b>14,665</b>

Changes occurring during 1H05 were as follows:

Balance as at 31.12.2004	14,665
- Amount accruing in period	1,286
- Indemnities paid in period	(802)
Balance as at 30.06.2005	<u>15,149</u>

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>D.4 Bank payables</b>	<b>111,689</b>	<b>75,869</b>	<b>108,419</b>

The breakdown of bank payables was as follows:

	<u>Balance as at 30.06.2005</u>	<u>Balance as at 30.06.2004</u>	<u>Balance as at 31.12.2004</u>
Current account overdrafts	4,902	596	15,186
Advances on cash orders	7,291	6,366	5,342
Advances on invoices	7,578	2,317	4,110
Advances in euro	39,860	47,800	44,713
Advances in foreign currencies	1,232	77	---
Secured medium-/long-term loans	50,826	18,713	39,062
Secured medium-/long-term farming loans	---	---	6
Total	<u>111,689</u>	<u>75,869</u>	<u>108,419</u>

The repayment instalments of secured medium-/long-term loans have due dates between one and ten years. The amounts payable after more than one year are shown in the balance sheet. They are generally backed by mortgages and some also by sureties issued by the parent company or group parent company. The portion of debt falling due after more than five years amounted to € 19,741k.

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>D.7 Trade payables</b>	<b>47.394</b>	<b>46,589</b>	<b>56,685</b>

These are generally amounts payable to suppliers of materials and services, and also of plant and machinery. All these debts are payable within one year.

The geographical breakdown of trade payables was as shown below:

	<b>Balance as at 30.06.2005</b>	<b>Balance as at 30.06.2004</b>	<b>Balance as at 31.12.2004</b>
Italy	39,057	38,898	45,419
Rest of EU	7,785	7,050	10,161
Rest of Europe	28	34	666
North America	236	320	315
Rest of World	288	287	124
<b>Total</b>	<b>47,394</b>	<b>46,589</b>	<b>56,685</b>

	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>31.12.2004</u>
<b>MEMORANDUM ACCOUNTS</b>	<b>6,100</b>	<b>6,591</b>	<b>5,945</b>

This item has already been detailed in the balance sheet. No significant changes took place vs. December 31st 2004.

## INFORMATION ON THE CONSOLIDATED PROFIT & LOSS ACCOUNT

To complete what is presented in the section on operating performance (pages 10-14), below we comment on some significant items of the profit & loss account.

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
<b>A.1. Revenues from sales and services</b>	<b>132,079</b>	<b>136,143</b>	<b>284,370</b>

The breakdown of revenues for the sale of goods and provision of services was as follows:

	<u>1st Half 2005</u>		<u>1st Half 2004</u>		<u>FY2004</u>	
	€ '000	%	€ '000	%	€ '000	%
Glass business	92,821	70.3%	88,850	65.3%	181,905	64.0%
Wine business	25,410	19.2%	32,087	23.6%	67,849	23.8%
Textile business	12,868	9.8%	14,235	10.4%	32,610	11.5%
Other revenues	980	0.7%	971	0.7%	2,006	0.7%
<b>Total</b>	<b>132,079</b>	<b>100.0%</b>	<b>136,143</b>	<b>100.0%</b>	<b>284,370</b>	<b>100.0%</b>

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
<b>C.17 Interest and other financial expenses</b>	<b>1,765</b>	<b>1,006</b>	<b>2,374</b>

The breakdown of this item was as shown below:

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
Interest expenses for bank debt and other financial charges	823	778	1,945
Interest expense for medium-/long-term loans	736	228	296
Discounts and other financial expenses	206	---	133
<b>Total</b>	<b>1,765</b>	<b>1,006</b>	<b>2,374</b>

Information on the consolidated profit & loss account

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
<b>C.17/2 Foreign exchange gains/(losses)</b>	<b>16</b>	<b>63</b>	<b>70</b>

The breakdown of this item was as follows:

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
Foreign exchange gains	290	99	408
Foreign exchange (losses)	(274)	(36)	(338)
Net foreign exchange gains	16	63	70

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
<b>E.20 NON-RECURRENT INCOME/(LOSSES)</b>	<b>2,108</b>	<b>92</b>	<b>407</b>

This item included:

	<u>1st Half 2005</u>	<u>1st Half 2004</u>	<u>FY2004</u>
Capital gain on sale of buildings	2,108	---	357
Positive settlement of a contractual controversy with suppliers	---	---	50
Release of provisions	---	92	---
Total	2,108	92	407



**Reconciliation of  
1H05 consolidated net profit and net equity**

**STATEMENT OF RECONCILIATION OF STATUTORY REPORTED RESULTS  
AS UP TO JUNE 30th 2004 OF GROUP PARENT COMPANY AND SUBSIDIARIES  
WITH RESULTS ADJUSTED FOR CONSOLIDATION**

(€ '000)

Item	Consolidated Companies							Consolidated Figures
	Zignago Vetro SpA	Vetri Speciali SpA and subsidiaries	Verreries Brosse SAS and subsidiary	Santa Margherita SpA and subsidiaries	Linificio e Canapificio Nazionale SpA and subsidiaries	Multitecno Srl Villanova Srl Prind SpA P.A.I.F.A. H. BV Eurocostruzioni 2000 Srl La Vecchia Scarl	Industrie Zignago Santa Margherita SpA (group parent company)	
<b>Net profit reported in statutory accounts of:</b>								
- Group parent company	---	---	---	---	---	---	15,493	15,493
- Consolidated companies	5,850	750	397	1,650	2,589	1,345	---	12,581
								---
<b>a. Net amortisation of premiums recognised on buildings in acquisitions of equity interests</b>	---	---	---	5	---	---	1,202	1,207
								---
<b>b. Portion of period's net profit attributable to minority shareholders</b>	---	---	---	47	---	---	(6)	41
<b>c. Other consolidation adjustments:</b>								
- Reversal of intercompany dividend distribution	---	---	---	(778)	(1,585)	---	(16,396)	(18,759)
- Posting of equity interests using net equity method	---	---	---	---	3	---	81	84
- Alignment with group accounting standards and policies	---	---	---	---	---	---	(196)	(196)
- Reversal of capital gain on liquidation of consolidated equity interests	---	---	---	---	---	---	(559)	(559)
- Reversal of intercompany profits included in closing inventories	---	---	---	---	---	---	9	9
- Other consolidation adjustments	---	---	---	---	1,511	---	(18)	1,493
<b>Net profit pertaining to group parent company</b>	<b>5,850</b>	<b>750</b>	<b>397</b>	<b>924</b>	<b>2,518</b>	<b>1,345</b>	<b>(390)</b>	<b>11,394</b>

**STATEMENT OF RECONCILIATION OF STATUTORY REPORTED NET EQUITY  
AS UP TO JUNE 30th 2004 OF GROUP PARENT COMPANY AND SUBSIDIARIES  
WITH RESULTS ADJUSTED FOR CONSOLIDATION**

(€ '000)

Item	Consolidated Companies							Consolidated Figures
	Zignago Vetro SpA	Vetri Speciali Brosse SAS SpA and subsidiaries	Verrieres and subsidiary	Santa Margherita SpA and subsidiaries	Linificio e Canapificio Nazionale SpA and subsidiaries	Multitecno Srl Villanova Srl Prind SpA P.A.I.F.A. H. BV Eurocostruzioni 2000 Srl La Vecchia Scarl	Industrie Zignago Santa Margherita SpA (group parent company)	
<b>Net equity shown in statutory accounts of:</b>								
- Group parent company	---	---	---	---	---	---	79,135	79,135
- Consolidated companies	82,463	14,282	6,374	54,887	32,962	9,006	---	199,974
<b>Carrying value of subsidiaries</b>	---	---	---	(14,503)	(10,012)	---	(37,614)	(62,129)
<b>a. Reversal of intercompany capital gains on fixed asset sales, net of depreciation &amp; amortisation</b>	---	---	---	(306)	(895)	---	(22,239)	(23,440)
<b>b. Portion of net equity attributable to minority shareholders</b>	---	---	---	(8,963)	---	---	(363)	(9,326)
<b>c. Other consolidation adjustments</b>								
- Posting of equity interests using the net equity method	---	---	---	---	3	---	3,815	3,818
- Alignment with group accounting standards	---	---	---	---	---	---	(196)	(196)
- Reversal of intercompany profits included in closing inventories	---	---	---	(42)	---	---	(22)	(64)
- Other adjustments	---	---	---	---	51	---	(8)	43
<b>Net equity pertaining to group parent company</b>	<u>82,463</u>	<u>14,282</u>	<u>6,374</u>	<u>31,073</u>	<u>22,109</u>	<u>9,006</u>	<u>22,508</u>	<u>187,815</u>



**Reconciliation with IAS/IFRS  
as required by Article 81/2 of  
Italian Issuer Regulation**

Below we present the balance sheet and profit & loss account as at June 30th 2005 and the statement of net equity as at December 31st 2005, January 1st and June 30th 2005 and the result of 1H05, determined applying Italian GAAP, compared with the same figures obtained applying IAS/IFRS as required pursuant to Article 81/2 of the Italian Issuer Regulation (Regolamento Emittenti).

### Balance sheet as at June 30th 2005

	Italian GAAP	IAS/IFRS adjustments	IAS/IFRS	Notes
<b>Assets</b>				
Intangible assets	13,447	708	14,155	(1)
Property, plant, and equipment	138,112	(113)	137,999	(2)
Investment property	267	-	267	
Biological assets	6,641	6,852	13,493	(3)
Equity investments	13,093	521	13,614	(4)
Financial assets	151	-	151	
Deferred tax assets	2,787	593	3,380	(5)
<b>Total non-current assets</b>	<b>174,498</b>	<b>8,561</b>	<b>183,059</b>	
Inventories	88,091	1,166	89,257	(6)
Trade and other receivables	71,269	-	71,269	
Current tax assets	5,274	-	5,274	
Property assets designated for sale	2,268	-	2,268	
Cash & cash equivalents	79,371	-	79,371	
<b>Total current assets</b>	<b>246,273</b>	<b>1,166</b>	<b>247,439</b>	
<b>Total Assets</b>	<b>420,771</b>	<b>9,727</b>	<b>430,498</b>	
<b>Net equity</b>				
Share capital	13,000	-	13,000	
Share premium reserve	5,917	-	5,917	
Reserves and undivided profits	41,259	3,660	44,919	
Retained earnings/(losses carried forward)	127,639	598	128,237	
<b>Group net equity</b>	<b>187,815</b>	<b>4,258</b>	<b>192,073</b>	
<b>Minority interests</b>	<b>9,326</b>	<b>186</b>	<b>9,512</b>	
<b>Net equity attributable to equity holders of parent</b>	<b>197,141</b>	<b>4,444</b>	<b>201,585</b>	
<b>Liabilities</b>				
Long-term provision for risks and charges	5,897	(2,066)	3,831	(7)
Long-term provision for employee severance indemnities	15,149	66	15,215	(8)
Medium-/long-term loans	55,447	597	56,044	(9)
Other non-current liabilities	-	485	485	(10)
Deferred tax liabilities	14,428	6,201	20,629	(11)
<b>Total non-current liabilities</b>	<b>90,921</b>	<b>5,283</b>	<b>96,204</b>	
Short-term bank overdrafts and loans	60,863	-	60,863	
Trade and other payables	66,122	-	66,122	
Current tax liabilities	5,724	-	5,724	
<b>Total current liabilities</b>	<b>132,709</b>	<b>-</b>	<b>132,709</b>	
<b>Total Liabilities</b>	<b>223,630</b>	<b>5,283</b>	<b>228,913</b>	
<b>Total Liabilities and Net Equity</b>	<b>420,771</b>	<b>9,727</b>	<b>430,498</b>	

## 1H05 Profit & loss account June 30th 2005

	Italian GAAP	IAS/IFRS adjustments	IAS/IFRS	Notes
Net sales revenue	132,079	--	132,079	
Change in inventories of work in process, semiprocessed and finished products	10,982	511	11,493	(12)
Other operating income	5,065	--	5,065	
Materials and service costs	(80,978)	75	(80,903)	(13)
<b>Value added</b>	<b>67,148</b>	<b>586</b>	<b>67,734</b>	
Payroll costs	(31,053)	(45)	(31,098)	(14)
Other operating costs	(1,293)	(158)	(1,451)	(15)
<b>EBITDA</b>	<b>34,802</b>	<b>383</b>	<b>35,185</b>	
Depreciation, amortisation, and write-downs	(15,660)	918	(14,742)	(16)
Other write-downs	(44)	--	(44)	
<b>EBIT</b>	<b>19,098</b>	<b>1,301</b>	<b>20,399</b>	
Equity investment income	84	--	84	
Financial income	984	2	986	(17)
Financial expenses	(1,765)	(43)	(1,808)	(17)
Foreign exchange gains/(losses)	16	--	16	
<b>EBT</b>	<b>18,417</b>	<b>1,260</b>	<b>19,677</b>	
Income tax	(7,064)	(243)	(7,307)	(18)
<b>Net profit/(loss) before minorities</b>	<b>11,353</b>	<b>1,017</b>	<b>12,370</b>	
Minority interests' share of profit/(loss)	(41)	72	31	
Group profit/(loss)	11,394	945	12,339	
<b>Net profit attributable to equity holders of parent</b>	<b>11,353</b>	<b>1,017</b>	<b>12,370</b>	

For the main adjustments made to the balance sheet and profit & loss account as at June 30th 2005, we provide the following explanatory notes.

### ADJUSTMENTS

#### Balance sheet items – Assets

##### 1) Intangible assets

(€ +708k): this adjustment is summarised in the following table:

€k	
Incorporation & expansion costs and other intangible assets	-376
Goodwill	1,084
<b>Total</b>	<b>+708</b>

The above adjustments refer to elimination of some incorporation & expansion costs, research costs, and other intangible assets that do not meet IAS/IFRS eligibility requisites, and reversal of amortisation of goodwill relating to the acquisition of Vetri Speciali SpA in 2004, no longer envisaged under IAS/IFRS.

- 2) **Property, plant and equipment** (€-113k): This adjustment relates to reversal of cumulative depreciation of appurtenant land, which according to IAS/IFRS has to be separated from buildings and no longer subjected to depreciation (€ +35k), and to reversal of plant held under leasing contracts due accounting according to the financial method (€ -148k).
- 3) **Biological assets** (+€ 6,852k): this adjustment relates to the effect of fair-value measurement of owned vineyards and of vineyards acquired via finance lease contracts.
- 4) **Equity investments** (+€ 521k): This adjustment refers to the effect of fair-value measurement of equity interests.
- 5) **Deferred tax assets** (€ +593k): this amount reflects the balance sheet asset stemming from tax effects on the items subjected to reconciliation in the statement of net equity presented later on in this note.
- 6) **Inventories** (+€ 1,166k): this amount refers to the effect of measurement of inventories – previously measured on a LIFO basis, a method not envisaged by IAS/IFRS – according to the weighted-average-cost method (€ +1,031k) and to fair-value measurement of agricultural produce (grapes) in the process of being made into wine (€ +135k).

#### **Balance sheet items – Liabilities**

- 7) **Long-term provision for risks and charges** (€ -2,066k): this adjustment refers to reversal of provision for technical risks because it does not meet IAS/IFRS eligibility criteria. The latter envisage posting of provisions when there is a legal or constructive obligation stemming from a past event.
- 8) **Long-term provision for employment indemnities** (+€ 66k): this adjustment refers to application of actuarial methods to provision for employee severance indemnities – considered by IAS/IFRS to be a liability relating to a defined-benefit programme – and to posting of the financial/actuarial present value of liabilities projected and related cost and income, including financial expenses and actuarial gains and losses.
- 9) **Medium-/long-term loans** (€ +597k): this adjustment refers to accounting treatment of finance lease contracts according to the financial method.
- 10) **Other non-current liabilities** (€ +485k): this adjustment relates to effect of fair-value measurement of derivative instruments.
- 11) **Deferred tax liabilities** (€ +6,201k): These liabilities reflect the balance sheet liability stemming from tax effects on the items subjected to reconciliation in the statement of net equity presented later on in this note. The amount includes € +2,437k relating to deferred taxes on reserves subject to tax suspension.

#### **Profit & loss items**

- 12) **Changes in inventories of work in progress, semiprocessed and finished products** (€ +511k): this adjustment refers to the effect of inventory measurement using the weighted-average-cost method.

<b>13) Materials and service costs</b>	(€ +75k): This adjustment refers to the effect of fair-value measurement of agricultural produce (grapes) in the process of being made into wine (€ -81k), to the effect of measurement of raw materials according to the weighted-average-cost method (€ +150k), and to the effect of posting of finance lease contracts according to the financial method (€ +6k).
<b>14) Payroll costs</b>	(€ -45k): € -5k of this adjustment refers to the effect of application of actuarial methods to long-term employee severance indemnity provision and € -40k to the effect of fair-value measurement of stock option plans.
<b>15) Other operating costs</b>	(€ -158k): this adjustment refers to the effect of posting of finance lease contracts according to the financial method.
<b>16) Depreciation, amortisation, write-downs and write-ups</b>	(€ +918k): this adjustment relates to reversal of amortisation of goodwill and other intangible assets (€ +745k), to the effect of fair-value measurement of vineyards (€ +6k), and to the effect of posting of finance lease contracts according to the financial method (€ +167k).
<b>17) Financial income and expenses</b>	(€ -41k): € -8k of this adjustment refers to the effect of posting of finance lease contracts according to the financial method and € -33k to the effect of fair-value measurement of derivative instruments.
<b>18) Income tax</b>	(€ -243k): this amount reflects the tax effects of adjustments made to profit & loss items.

### Statement of net equity and profit reconciliation

Below we show the statement of reconciliation of net equity as at December 31st 2004, January 1st 2005, and June 30th 2005 and of 1H05 net profit.

For comments concerning the changes, reference should be made to the earlier notes concerning the balance sheet and profit & loss account.

	Net equity 31.12.2004	IAS 39 Effects	Net equity 1.1.2005	P&L Account 30.6.2005	Changes in reserves 2005	Net equity 30.6.2005
<b>Italian GAAP</b>	<b>202,983</b>	<b>---</b>	<b>202,983</b>	<b>11,353</b>	<b>(17,195)</b>	<b>197,141</b>
<i>Adjustments:</i>						
Inventory measurement at weighted average cost	370	---	370	661	---	1,031
Separation of land	35	---	35	---	---	35
Finance lease contract debts	(755)	---	(755)	7	4	(746)
Long-term severance indemnity provision	(61)	---	(61)	(5)	---	(66)
Long-term provision for risks	2,066	---	2,066	---	---	2,066
Incorporation costs and other intangibles	(463)	---	(463)	87	---	(376)
Goodwill amortisation	426	---	426	658	---	1,084
Fair value of biological assets – tangible assets	6,846	---	6,846	6	---	6,852
Fair value of biological assets – inventories	216	---	216	(81)	---	135
Fair value of other investments	---	541	541	---	(20)	521
Fair value of derivative instruments	---	(452)	(452)	(33)	---	(485)
Fair value of stock options	---	---	---	(40)	40	---
Deferred taxes on reserves subject to tax suspension	(2,437)	---	(2,437)	---	---	(2,437)
Tax effects of adjustments	(3,077)	149	(2,928)	(243)	---	(3,170)
Total adjustments net of tax effect	3,166	238	3,404	1,017	24	4,444
<b>IAS/IFRS</b>	<b>206,149</b>	<b>238</b>	<b>206,387</b>	<b>12,370</b>	<b>(17,171)</b>	<b>201,585</b>



# **Industrie Zignago Santa Margherita SpA**

## **Parent Company First-Half Interim Financial Statements**

(pursuant to Italian Legislative Decree 6/2003)

Statutory Balance Sheet

Statutory Profit & Loss Account

Capital and business transactions with group companies

Equity interests in subsidiary and associated companies

Equity interests in indirectly controlled subsidiaries

Notification of significant equity interests

Note: in order to facilitate perusal of financial statements, items not featuring any accounting entries have been eliminated.

**Industrie Zignago Santa Margherita SpA**

(€ '000)

<b>ASSETS</b>	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12.2004</b>
<b>A. AMOUNTS RECEIVABLE FROM SHAREHOLDERS</b> for capital subscribed and not paid in	<u>---</u>	<u>---</u>	<u>---</u>
<b>B. FIXED ASSETS</b>			
<b>I Intangible fixed assets</b>			
3 Industrial patents and rights to use intellectual properties	---	14	16
<b>Total</b>	<u>---</u>	<u>14</u>	<u>16</u>
<b>II Tangible fixed assets</b>			
1 Land & buildings	1,080	1,243	1,095
2 Plant & machinery	57	223	67
4 Other tangibles	334	120	143
<b>Total</b>	<u>1,471</u>	<u>1,586</u>	<u>1,305</u>
<b>III Non-current financial assets</b>			
1 Equity interests in:			
a Subsidiaries	32,926	17,598	32,926
b Associated companies	63	1,903	63
d Other companies	4,282	4,373	4,084
e Other investments	134	679	529
Subtotal	37,405	24,553	37,602
2 Receivables:			
d Others	23	23	24
3 Other securities	1	1	1
<b>Total</b>	<u>37,429</u>	<u>24,577</u>	<u>37,627</u>
<b>TOTAL FIXED ASSETS (B)</b>	<u><b>38,900</b></u>	<u><b>26,177</b></u>	<u><b>38,948</b></u>
<b>C. CURRENT ASSETS</b>			
<b>I Inventory</b>			
1 Raw & secondary materials, plus consumables	4	1	9
4 Finished products and merchandise	28	28	26
<b>Total</b>	<u>32</u>	<u>29</u>	<u>35</u>
<b>II Receivables</b>			
1 Customers	3	3	6
2 Subsidiaries	260	68	3,697
3 Associated companies	107	312	154
4/2 Tax credits	2,695	43	32
4/3 Deferred tax assets	938	1,090	938
5 Others	10	20	20
<b>Total</b>	<u>4,013</u>	<u>1,536</u>	<u>4,847</u>
<b>III Current financial assets</b>			
6 Other securities	11,457	7,119	7,059
<b>Total</b>	<u>11,457</u>	<u>7,119</u>	<u>7,059</u>
<b>IV Cash &amp; cash equivalents</b>			
1 Bank and post office deposits	31,031	16,893	37,448
3 Cash and valuables in hand	6	12	19
<b>Total</b>	<u>31,037</u>	<u>16,905</u>	<u>37,467</u>
<b>TOTAL CURRENT ASSETS ( C)</b>	<u><b>46,539</b></u>	<u><b>25,589</b></u>	<u><b>49,408</b></u>
<b>D. ACCRUED INCOME &amp; PREPAYMENTS</b>			
1 Accrued income	141	78	189
2 Prepayments	12	7	13
	<u>153</u>	<u>85</u>	<u>202</u>
<b>TOTAL ASSETS</b>	<u><b>85,592</b></u>	<u><b>51,851</b></u>	<u><b>88,558</b></u>

**Industrie Zignago Santa Margherita SpA**

(€ '000)

<b>LIABILITIES</b>	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12.2004</b>
<b>A. NET EQUITY</b>			
<b>I Share capital</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>
<b>II Share premium preserve</b>	<b>5,917</b>	<b>5,917</b>	<b>5,917</b>
<b>III Revaluation reserves</b>	<b>1,481</b>	<b>1,481</b>	<b>1,481</b>
<b>IV Legal reserve</b>	<b>2,600</b>	<b>2,600</b>	<b>2,600</b>
<b>V Statutory reserves</b>	---	---	---
<b>VI Treasury stock reserve</b>	---	---	---
<b>VII Other reserves:</b>	<b>1,210</b>	<b>1,419</b>	<b>1,210</b>
1 Extraordinary reserve	516	516	516
2 Reserve ex Italian Law 904/1977	469	469	469
3 Reserve ex Italian law 823/1973	18	18	18
4 Reserve for general business risks	207	207	207
5 Reserve ex Art. 4 of Italian Law 488/2001	---	209	---
<b>VIII Retained earnings/(losses carried forward)</b>	<b>39,434</b>	<b>12,292</b>	<b>12,500</b>
<b>IX Net profit/(loss) for period</b>	<b>15,493</b>	<b>11,560</b>	<b>44,434</b>
<b>Total</b>	<b>79,135</b>	<b>48,269</b>	<b>81,142</b>
<b>B. PROVISIONS FOR RISKS AND CHARGES</b>			
1 Taxes, including deferred taxes	13	16	13
3 Others	299	349	299
	<b>312</b>	<b>365</b>	<b>312</b>
<b>C. ACCRUED EMPLOYEE SEVERANCE INDEMNITY PROVISION</b>	<b>1,045</b>	<b>904</b>	<b>1,009</b>
<b>D. PAYABLES</b>			
7 Suppliers	1,249	1,090	1,062
9 Subsidiaries	2,722	4	256
10 Associated companies	410	539	3,754
12 Taxes	226	191	135
13 Pension and social security agencies	493	489	887
14 Other payables	5,100	2,313	6,094
<b>Total</b>			
<b>E. ACCRUED LIABILITIES &amp; DEFERRED INCOME</b>	<b>---</b>	<b>---</b>	<b>1</b>
1 Accrued liabilities	85,592	51,851	88,558
<b>TOTAL LIABILITIES</b>			
<b>MEMORANDUM ACCOUNTS</b>	<b>1,572</b>	<b>2,352</b>	<b>1,770</b>
1 <b>Guarantees:</b>	<b>272</b>	<b>274</b>	<b>273</b>
a Sureties given	9	9	9
b Guarantees for subsidiaries	2	4	3
c Securities lodged c/o 3rd parties as surety	261	261	261
2 <b>Commitments:</b>	<b>1,300</b>	<b>2,078</b>	<b>1,497</b>
a Commitment to subscribe shares	1,300	2,078	1,497

**Industrie Zignago Santa Margherita SpA**

(€ '000)

<b>PROFIT &amp; LOSS ACCOUNT</b>		<b>1° sem. 2005</b>	<b>1° sem. 2004</b>	<b>2004</b>
<b>A. PRODUCTION VALUE</b>				
1	Revenues from sales and services	2,371	2,540	5,142
5	Other revenues and income	220	203	574
<b>TOTAL</b>		<b>2,591</b>	<b>2,743</b>	<b>5,716</b>
<b>B. PRODUCTION COSTS</b>				
6	Raw & secondary materials, consumables and goods	169	169	366
7	Services	1,159	1,372	2,514
8	Use of 3rd-party assets (rental, leasing, royalties)	43	44	86
9	<b>Payroll:</b>	<b>1,442</b>	<b>1,291</b>	<b>2,644</b>
a	Wages & salaries	1,038	955	1,896
b	Social security charges	320	262	597
c	Employee severance indemnities	84	74	151
10	<b>Depreciation, amortisation, and write-downs</b>	<b>104</b>	<b>108</b>	<b>187</b>
a	Amortisation of intangible fixed assets	22	19	17
b	Depreciation of tangible fixed assets	82	89	170
11	Changes in inventory of raw & secondary materials, consumables, and goods	3	(2)	(9)
14	Sundry operating costs	91	175	353
<b>TOTAL</b>		<b>3,011</b>	<b>3,157</b>	<b>6,141</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE &amp; COSTS (A-B)</b>		<b>(420)</b>	<b>(414)</b>	<b>(425)</b>
<b>C. FINANCIAL INCOME AND CHARGES</b>				
15	<b>Income from equity interests:</b>	<b>15,635</b>	<b>11,792</b>	<b>11,866</b>
a	Equity interests in subsidiaries	15,635	10,210	11,160
b	Equity interests in associated companies	---	950	74
c	Other companies	---	632	632
16	<b>Other financial income:</b>	<b>496</b>	<b>300</b>	<b>716</b>
c	Securities posted among current assets that are not equity interests	113	97	240
d	Income other than the above from subsidiaries	---	---	1
g	Income other than the above	383	203	475
17	<b>Interest and other financial charges</b>	<b>(25)</b>	<b>(1)</b>	<b>(1)</b>
d	Other interest and financial charges	(25)	(1)	(1)
17/2	<b>Exchange-rate gains/(losses)</b>	<b>7</b>	<b>5</b>	<b>5</b>
<b>TOTAL</b>		<b>16,113</b>	<b>12,096</b>	<b>12,586</b>
<b>D. ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS</b>				
18	<b>Write-ups:</b>			
a	Equity interests	---	150	264
19	<b>Write-downs:</b>			
c	Securities posted among current assets that are not equity interests	---	---	(50)
<b>NET ADJUSTMENTS</b>		<b>---</b>	<b>150</b>	<b>214</b>
<b>E. NON-RECURRENT INCOME AND CHARGES</b>				
		<b>(27)</b>	<b>---</b>	<b>32,475</b>
<b>PRE-TAX PROFIT</b>		<b>15,666</b>	<b>11,832</b>	<b>44,850</b>
22	<b>Income tax - current, deferred, prepaid</b>	<b>173</b>	<b>272</b>	<b>416</b>
26	<b>NET PROFIT/(LOSS) FOR PERIOD</b>	<b>15,493</b>	<b>11,560</b>	<b>44,434</b>

**CAPITAL AND BUSINESS TRANSACTIONS WITH GROUP COMPANIES**

(€ '000)

Company	RECEIVABLES			PAYABLES		
	Trade	Financial	Total	Trade	Financial	Total
Zignago Vetro SpA	24	2	26	---	1,412	1,412
Verreries Brosse SAS	---	---	---	---	---	---
Vetri Speciali SpA	20	---	20	---	---	---
Santa Margherita SpA	25	---	25	---	1,140	1,140
Ca' del Bosco SpA	8	---	8	---	86	86
S.M. Tenimenti Pile e Lamole e Vistarenni Srl	1	---	1	---	---	---
Cantine Torresella Srl	1	---	1	---	68	68
Kettmeir SpA	1	---	1	---	---	---
Linificio e Canapificio Nazionale SpA	172	3	175	---	---	---
Multitecno Srl	1	1	2	---	16	16
La Vecchia Scarl	---	---	---	---	---	---
Prind SpA	1	---	1	---	---	---
Total	254	6	260	---	2,722	2,722

Company	REVENUES				COSTS			
	Products	Services	Financial	Total	Products	Services	Financial	Total
Zignago Vetro SpA	---	1,073	---	1,073	---	---	---	---
A.I.F. Srl	---	19	---	19	---	---	---	---
Santa Margherita SpA	---	739	---	739	51	1	---	52
Ca' del Bosco SpA	---	38	---	38	---	---	---	---
S.M. Tenimenti Pile e Lamole e Vistarenni Srl	---	1	---	1	---	---	---	---
Cantine Torresella Srl	---	1	---	1	---	---	---	---
Linificio e Canapificio Nazionale SpA	---	140	---	140	12	1	---	13
Multitecno Srl	---	33	---	33	---	---	---	---
Prind SpA	---	4	---	4	---	---	---	---
La Vecchia Scarl	---	6	---	6	---	---	---	---
Villanova Srl	---	2	---	2	---	---	---	---
Total	---	2,056	---	2,056	63	2	---	65

**EQUITY INTERESTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AS AT JUNE 30th 2005**

Company name	Registered HQ	Share capital	Net equity		Net profit/loss	
			Total amount	Proportional amount	Total amount	Proportional amount
(€'000)						
<b><u>B.III.1.a. Subsidiary companies:</u></b>						
- Zignago Vetro SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	4,132	82,463	82,463	5,850	5,850
- Santa Margherita SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	7,231	27,405	27,405	1,875	1,875
- Vetri Speciali SpA	Trento (TN) Via Mancini, 5	10,062	31,691	13,785	1,640	713
- Linificio e Canapificio Nazionale SpA	Milano (MI) Via Turati, 16	27,648	67,863	23,318	4,505	1,548
- Multitecno Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	209	285	257	19	17
- Prind SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	3,150	7,026	7,026	1,313	1,313
- La Vecchia Scarl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	100	1,379	703	24	12
			218,112	154,957	15,226	11,328
<b><u>B.III.1.b. Associated companies:</u></b>						
- New High Glass Inc.	Miami - Florida (USA)	USD/'000 300	10,199	5,100	233	117
<b>Total</b>			228,311	160,057	15,459	11,445

The net equity and net profit of the associate company New High Glass Inc. have been converted at the EUR/USD exchange rate in force on June 30th 2005 (EUR/USD 1.2092).

**AS PER ART. 2427 OF ITALIAN CIVIL CODE, POSTED AMONG FIXED FINANCIAL ASSETS**

<b>Percent ownership</b>	<b>Book value</b>	<b>Write-downs in previous periods</b>	<b>Book value as at 30.06.2005</b>
100.00%	4,134	---	4,134
100.00%	7,232	---	7,232
43.50%	13,051	---	13,051
34.36%	1,839	---	1,839
90.00%	552	(239)	313
100.00%	5,663	---	5,663
51.00%	694	---	694
	<u>33,165</u>	<u>(239)</u>	<u>32,926</u>
50.00%	63	---	63
	<u>33,228</u>	<u>(239)</u>	<u>32,989</u>

**LIST OF EQUITY INTERESTS IN INDIRECTLY CONTROLLED SUBSIDIARIES AS AT JUNE 30th 2005**

Company name	Registered HQ	Share capital	Net equity	
			Total amount	Proportional amount
(€ '000)				
<b>Direct subsidiary of Zignago Vetro SpA:</b>				
- Verreries Brosse SAS	Vieux Rouen sur Bresle - France 34, Rue Théodule Gérin	4,000	5,782	5,782
its direct subsidiary - Brosse USA Inc.	New York - USA 150 East 58th Street	USD <sup>000</sup> 10	691	691
<b>Direct subsidiaries of Prind SpA:</b>				
- P.A.I.F.A. Holding BV	Amsterdam - The Netherlands Naritaweg 165	4,803	58	58
- Villanova Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	98	141	141
its direct subsidiary - Eurocostruzioni 2000 Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	10	117	82
<b>Direct subsidiaries of Santa Margherita SpA:</b>				
- Ca' del Bosco SpA	Erbusco (BS) Via Case Sparse, 20	14,000	21,395	12,837
- S.M. Tenimenti Pile e Lamole e Vistarenni Srl	Gaiole in Chianti (SI) Località Vistarenni	2,841	3,309	3,035
- Cantine Torresella Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	400	458	458
- Kettmeir SpA	Caldaro (BZ) Via Cantine, 4	2,210	2,183	2,052
- S.M. Selios di Sicilia Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	90	135	134
<b>Direct subsidiaries of Vetri Speciali SpA:</b>				
- Vetri Speciali Iberica S.I.	Barcelona (Spain)	3	98	98
- Vetri Speciali Inc.	Bernicia - California (USA)	USD <sup>000</sup> 100	276	276
<b>Direct subsidiaries of Linificio e Canapificio Nazionale SpA:</b>				
- Filin SA	Fouchana (Tunisia)	TND 14.000.000	10,627	10,627
- Licana SpA	Fara Gera d'Adda (BG)	7,010	6,810	6,810
- UAB Lietlinem	Kaunas (Lithuania)	LTL 29.120.000	10,429	10,429
its direct subsidiary - UAB Linestus	Kaunas (Lithuania)	LTL 1.726.400	354	354

The net equity and net profit of the indirectly controlled subsidiaries Brosse USA Inc., Vetri Speciali Inc., Filin SA, UAB Lietlinem, and UAB Linestus have been converted into euro at the exchange rate in force on June 30<sup>th</sup> 2005 (respectively EUR/USD 1.2092, Tunisian dinar/EUR 0.62, and Lithuanian litas/Eur 0.2896).

**PURSUANT TO ARTICLE 2427, no. 5, OF ITALIAN CIVIL CODE**

<b>Net profit</b>		<b>% ownership of directly controlled subsidiary</b>	<b>Book value</b>	<b>Book value as at 30.06.2005</b>
<b>Ammontare complessivo</b>	<b>Ammontare pro-quota</b>			
309	309	100.00%	4,000	4,000
88	88	100.00%	200	200
13	13	100.00%	47	47
(22)	(22)	100.00%	158	158
(2)	(1)	70.00%	107	107
(104)	(62)	60.00%	8,432	8,432
(44)	(40)	91.729%	3,371	2,581
(43)	(43)	100.00%	410	410
(34)	(32)	94.00%	3,591	2,938
---	---	99.00%	141	141
11	11	100.00%	3	3
25	25	100.00%	93	93
1,497	1,497	100.00%	13,267	13,267
292	292	100.00%	7,011	7,011
1,308	1,308	100.00%	8,361	8,361
(67)	(67)	100.00%	500	500

**NOTIFICATION OF SIGNIFICANT EQUITY INTERESTS:**  
**LIST OF COMPANIES IN WHICH EQUITY INTEREST EXCEEDS**  
**10% OF VOTING STOCK**

**(Italian Leg. Decree 58/1998 – Art. 120, para. 3; CONSOB resolution 11971 (14.05.1999) – Art. 126)**

<b>Companies consolidated</b>	<b>Registered HQ</b>	<b>Direct holder of equity interest</b>	<b>Title to possession</b>	<b>% as at 30.06.05 of direct holder</b>
Zignago Vetro SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Industrie Zignago Santa Margherita SpA	Ownership	100.00%
Verreries Brosse SAS	Vieux-Rouen-sur-Bresle (France) 34, Rue Théodule Gérin	Zignago Vetro SpA	Ownership	100.00%
Brosse USA, Inc.	New York (U.S.A.) 150 East 58 <sup>th</sup> Street	Verreries Brosse SAS	Ownership	100.00%
Vetri Speciali SpA	Trento (TN) Via Mancini, 5	Industrie Zignago Santa Margherita SpA	Ownership	43.50%
Vetri Speciali Iberica S.I.	Barcelona (Spain)	Vetri Speciali SpA	Ownership	43.50%
Vetri Speciali Inc.	Bernicia – California (USA)	Vetri Speciali SpA	Ownership	43.50%
Santa Margherita SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Industrie Zignago Santa Margherita SpA	Ownership	100.00%
Ca' del Bosco SpA	Erbusco (BS) Via Case Sparse, 20	Santa Margherita SpA	Ownership	60.00%
S.M. Tenimenti Pile e Lamole e Vistarenni Srl	Gaiole in Chianti (SI) Località Vistarenni	Santa Margherita SpA	Ownership	91.73%
Cantine Torresella Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Santa Margherita SpA	Ownership	100.00%
Kettmeir SpA	Caldaro (BZ) Via delle Cantine, 4	Santa Margherita SpA	Ownership	94.00%
S.M. Selios di Sicilia Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Santa Margherita SpA Cantine Torresella Srl	Ownership	99.00% 1.00%
Silene Srl	Mezzocorona (TN) Via del Teroldego, 1	S.M. Selios di Sicilia Srl	Ownership Ownership	25.00%
Linificio e Canapificio Nazionale SpA	Milan (MI) Via F. Turati, 16	Industrie Zignago Santa Margherita SpA	Ownership	34.36%
Filin SA	Fouchana (Tunisia)	Linificio e Canapificio Naz.	Ownership	34.36%
UAB Lietlinem	Kaunas (Lithuania)	Linificio e Canapificio Naz.	Ownership	34.36%
UAB Linestus	Kaunas (Lithuania)	Linificio e Canapificio Naz.	Ownership	34.36%
Licana SpA	Fara Gera d'Adda (BG)	Linificio e Canapificio Naz.	Ownership	34.36%
Multitecno Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Industrie Zignago Santa Margherita SpA	Ownership	90.00%
Prind SpA	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Industrie Zignago Santa Margherita SpA	Ownership	100.00%
P.A.I.F.A. Holding BV	Amsterdam (The Netherlands) Naritaweg 165	Prind SpA	Ownership	100.00%
Villanova Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Prind SpA	Ownership	100.00%
Eurocostruzioni 2000 Srl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Villanova Srl	Ownership	70.00%
La Vecchia Scarl	Fossalta di Portogruaro (VE) Via Ita Marzotto, 8	Industrie Zignago Santa Margherita SpA	Ownership	51.00%
New High Glass, Inc.	Miami – Florida (U.S.A.) 12713 S.W. 125th Avenue	Industrie Zignago Santa Margherita SpA	Ownership	50.00%
New High Glass Colombia Ltda	Bogotá D.C. (Colombia) Carrera 36 N. 89-07	New High Glass, Inc.	Ownership	90.00%

**Independent Auditor's Report**  
**on the 2005 First-Half Interim Report**

Translation of the original Italian report:

*The English translation of the auditor's report has been provided by Industrie Zignago Santa Margherita SpA solely for the convenience of non-Italian readers. The original Italian document remains the only official and legally valid text.*

**Independent auditor's report on the limited accounting audit  
of the first-half interim report prepared pursuant to Article 81/2 of CONSOB Regulation adopted with  
Resolution no. 11971 of May 14th 1999 and subsequent amendments and additions**

**To the Shareholders of  
Industrie Zignago Santa Margherita SpA**

1. We have performed a limited accounting audit of the statutory and consolidated financial schedules and related explanatory and supplementary notes included in the first-half interim report for the period ending on June 30th 2005 of **Industrie Zignago Santa Margherita SpA** (group parent company). Preparation of the interim report is the responsibility of the Directors of **Industrie Zignago Santa Margherita SpA**. It is our responsibility to prepare the present report based on the limited accounting audit performed. In addition we have checked the part of the notes containing information on operating performance for the sole purpose of verifying consistency with the remaining part of the midyear interim report.
2. We performed our work according to the criteria for limited accounted audits recommended by CONSOB with its resolution no. 10867 dated July 31st 1997. Other auditors are responsible for the limited accounting audit of the first-half interim figures of a subsidiary company, accounting for approximately 9.0% of consolidated assets and for approximately 9.9% of consolidated revenues. Our limited accounting audit mainly consisted of (a) the gathering of information on items in financial schedules and on the uniformity of accounting policies via discussions with the company's management and (b) performance of financial reporting analyses of data contained in the financial schedules. The limited accounting audit excluded auditing procedures such as tests of conformity and checks or procedures concerning the validity of assets and liabilities and involved a significantly narrower range of work than that of a complete accounting audit performed according to mandatory auditing standards. Consequently, contrary to what is done for the consolidated year-end financial statements and report, we do not express a professional auditing opinion on the first-half interim report.
3. As regards comparative figures relating to the previous year's statutory consolidated year-end report presented in financial statements and those presented in the separate Appendix to the first-half interim report concerning statements of IFRS reconciliation, reference should be made to our reports issued respectively on March 23rd 2005 and September 6th 2005.

The comparative figures of the previous year's first-half report drawn up according to legal regulations and previously existing accounting standards were previously subjected by us to a full audit, for which reference should be made to our report issued on September 15th 2004.

4. Based on the work done, we have not become aware of any significant changes and additions that should be made to the statutory and consolidated financial schedules of **Industrie Zignago Santa Margherita SpA** (group parent company) and to related explanatory and supplementary notes – as identified in paragraph 1 of this report – in order to make them compliant with the rules for preparation of the first-half interim report envisaged by Article 81/2 of the CONSOB Regulation adopted via Resolution no. 11971 dated May 14th 1999 and its subsequent amendments and additions.

Treviso, September 12th 2005

Reconta Ernst & Young SpA

Michele Graziani  
(Partner)



**Transition to  
international accounting and  
financial reporting standards -  
IAS/IFRS**

## Introduction

The information given in this section is intended to provide an exhaustive picture of the process of transition to international accounting standards for Industrie Zignago Santa Margherita SpA and its subsidiaries.

### **Evolution of the regulatory framework**

We now indicate the main guidelines and relevant regulations concerning the approach for transition to international accounting standards.

The European Union approved Regulation no. 1606/2002 on July 19th 2002, for immediate application in member countries. The Regulation established the obligation for all companies listed in EU countries to prepare consolidated year-end accounts, as from January 1st 2005, in compliance with the international accounting and financial reporting standards IAS/IFRS.

The Italian legislator, with the 2003 Community Law (Law 306/2003), delegated the Italian Government to issue a legislative decree making utilisation of IAS/IFRS mandatory also for preparation of listed companies' statutory year-end accounts. With Italian Legislative Decree no. 38 of February 28th 2005, the Italian Government established that listed companies has the option of preparing statutory year-end accounts in compliance with IAS/IFRS for 2005, and the obligation to do so as from 2006.

With its resolution no. 14990 of April 14th 2005, CONSOB (the Italian securities & exchange commission) made the necessary amendments and additions to Italian Issuer Regulation no. 11971 of May 14th 1999 to supplement it with international accounting and financial reporting standards' requirements for the preparation of interim reports and to regulate the first year of transition to the new standards.

### **First-time application of IAS (IFRS 1 –First-Time Adoption)**

Based on current regulations, we highlight that during 2005 (the first year of IAS application) Industrie Zignago Santa Margherita SpA has made the following choices:

- Preparation of the first consolidated quarterly report as at March 31st 2005 according to Italian GAAP and communication of activities underway for transition to IAS/IFRS.
- Preparation of the consolidated midyear interim report as at June 30th 2005, based on the provisions of Article 81/2 (midyear interim report – transitional approach), according to Italian GAAP and preparation of statements of reconciliation of the result of 1H05 and net equity as at June 30th 2005 with the figures calculated in compliance with IAS/IFRS. The present document, published as an appendix to our first-half interim report, in compliance with CONSOB resolution no. 14990 of April 14th 2005, concerns the reconciliation, as envisaged by IFRS 1, between net equity as at January 1st 2004, December 31st 2004, and January 1st 2005 (to show the balance sheet effects stemming from adoption of IAS 32 and IAS 39 as from that date), as well as 2004 net profit, resulting from application of Italian GAAP and the corresponding figures calculated in compliance with IAS/IFRS.

As regards statutory year-end accounts, IAS/IFRS will be adopted as from FY2006.

IFRS 1 establishes that the opening balance sheet as at the date of transition to IFRS (January 1st 2004) must be drawn up according to the following criteria:

- Recognition of all assets and liabilities required to be recognised by IFRS
- Derecognition as assets or liabilities of items recognition of which is not allowed under IFRS
- Reclassification of assets, liabilities, and net equity items based on IFRS indications
- Application of IFRS to measurement of all recognised assets and liabilities.

The effects of transition to IAS/IFRS stem from changes in accounting standards and, consequently, as required by IFRS 1 are reflected in opening net equity as at transition date. The transition to IAS/IFRS has led to maintenance of estimates previously made on the basis of Italian GAAP, unless adoption of IAS/IFRS required formulation of estimates according to different methods.

In the present notes we have prepared:

- Notes concerning the rules for first-time application (FTA) of IAS/IFRS (IFRS 1) and of the other IAS/IFRS selected, including directors' assumptions concerning the IAS/IFRS and related interpretations that will be in force and the accounting policies that will be adopted for preparation for the first full IAS-compliant year-end report for the year ending on December 31st 2005.
- Reconciliations between consolidated balance sheets prepared according to Italian GAAP and IAS-compliant balance sheets as at January 1st 2004, December 31st 2004 and January 1st 2005, and the IAS-compliant profit & loss account for the year ending on December 31st 2004.
- Reconciliation between the consolidated profit & loss account prepared according to Italian GAAP and the IAS-compliant profit & loss account for the year ending on December 31st 2004.
- Comments on the main adjustments made to balance-sheet and P&L items.
- Reconciliation between Italian GAAP and IAS/IFRS of net equity as at January 1st 2004, December 31st 2004, and January 1st 2005, and reconciliation of net profit for the year ending on December 31st 2004.
- The cash flow statement and comments on the main changes made following introduction of the new accounting standards.

## First-time application

The financial statements and statements of reconciliation have been prepared solely for the purposes of the transition project for preparation of the first consolidated year-end statements based on IFRS endorsed by the European Commission. They therefore lack the comparative data and necessary explanatory notes needed for thorough representation of the Industrie Zignago Santa Margherita Group's IAS/IFRS-compliant balance sheet and financial status and business result. This more detailed information will be provided on occasion of preparation of the consolidated year-end report as at December 31st 2005.

We also point out that such statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force to date - including the IFRS recently adopted by the International Accounting Standards Board (IASB) – with International Accounting Standards (IAS) and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC). Such standards are assumed to be those that will be in force as at December 31st 2005. They might not, however, match those in force on that date due both to new orientations of the European Commission concerning their endorsement and to the issue of new standards or interpretations by the relevant bodies. Given this, the data presented here could undergo changes for the purpose of utilisation as comparative data for the first full IAS-compliant year-end accounts.

Industrie Zignago Santa Margherita SpA, based on the approach illustrated in CONSOB memorandum no. DEM/5025723 of April 15th, 2005, which established the approach and extent of independent auditing activities to be performed in the phase of transition of IAS/IFRS, has appointed Reconta Ernst & Young SpA to perform a full audit of statements of IFRS reconciliation relating to the balance sheet as at January 1st 2004, the 2004 profit & loss account, and to the balance sheet as at December 31st 2004 and January 1st 2005. The firm's report is attached to this appendix.

### Accounting options adopted for first-time adoption of IAS/IFRS

Restatement of the opening consolidated balance sheet as at January 1st 2004 and of consolidated balance sheets as at December 31st 2004 and January 1st 2005 required us, on a preparatory basis, to make the following choices from among the options envisaged by IAS/IFRS:

- \* **Presentation formats for financial statements:**  
for the balance sheet we have adopted the “current/non-current” format (which is generally applied by industrial and commercial businesses) whilst for the P&L (income statement) we have adopted the format featuring costs classified by nature. This led to reclassification of historical financial statements prepared according to the formats envisaged by Italian Legislative Decree no. 127/1999.
- \* **Optional exemptions envisaged by IFRS 1 for first-time application of IAS/IFRS (January 1st 2004):**
  - Business combinations: Industrie Zignago Santa Margherita SpA has **not** applied IFRS 3 retrospectively to mergers occurring before the date of transition to IFRS.
  - Measurement of property, plant and equipment, and of intangible assets at fair value or, alternatively, at revalued cost as a surrogate of cost: Industrie Zignago Santa Margherita SpA **has applied**, for some assets categories, revalued cost (i.e. deemed cost) as a surrogate of cost.

- *Employee benefits*: cumulative actuarial gains and losses since the inception of plans up to the IFRS transition date have been posted directly in net equity.
- *Classification and measurement of financial instruments*: Industrie Zignago Santa Margherita SpA **has availed itself of the option** to postpone the transition date of IAS 32 and 39 to January 1st 2005, and decided **not to adopt the** hedge accounting option.
- *Reserve for net foreign exchange differences stemming from translation of financial statements of consolidated companies operating in countries outside the Eurozone*: Industrie Zignago Santa Margherita SpA has **not** opted for this exemption and has maintained the cumulative net foreign exchange differences stemming from previous translation of foreign companies' financial statements as determined previously.

## ACCOUNTING STANDARDS AND POLICIES APPLIED WITHIN THE ACCOUNTING OPTIONS ENVISAGED BY IAS/IFRS

### Consolidation area and policies

Consolidated financial statements comprise the financial statements of Industrie Zignago Santa Margherita SpA and of the Italian and foreign companies over which Industrie Zignago Santa Margherita SpA directly or indirectly exercises control.

Consolidation policies adopted include elimination of the equity investment account against inclusion of investee companies' assets and liabilities in accounts on a 100% or proportional line-by-line basis; inclusion of the portion of net profit and of net equity to adjust the equity investment's value according to the net equity method; indication of the portion of net equity attributable to minority shareholders; and elimination of all intercompany transactions – and therefore of payables & receivables, sales & purchases, and of profits & losses not realised with third parties.

If equity interest' acquisition value is higher than the proportional value of the investee companies' net equity, the positive difference is attributed, where possible, to asset items (it generally goes to increase fixed assets – but in any case within the limits of fair market value – and amortised according to residual useful working life) and the remainder is posted in an asset item called “Goodwill”. The value of goodwill is not amortised but is subjected at least annually to impairment testing and to write-down when events or changes in circumstances indicate that carrying value cannot be realised. Goodwill is booked at cost net of losses in value.

If equity investments' carrying value is lower than the proportional value of the investee companies' net equity, the negative difference is credited to the profit & loss account.

Conversion of companies' financial statements expressed in foreign currency is performed by translation of all monetary assets and liabilities at the exchange rate in force as at balance-sheet closing date. Non-monetary assets and liabilities are maintained at their historical costs of accounting recognition. P&L items are translated at the average exchange rate for the period when they occurred.

## BALANCE SHEET

### Non-current assets

- Property, plant, and equipment:

Tangible assets are recognised at historical cost, inclusive of accessory costs directly ascribable and necessary to bring the asset to working condition for its intended use.

Land, both without buildings, and pertaining to non-industrial and industrial buildings has generally been accounted for separately and is not depreciated because it is an asset with an indefinite useful life.

Some assets that had been revalued as at January 1st 2004 (transition date) or in previous periods are recognised on the basis of the revalued figure as at revaluation date, which is taken to be a surrogate of cost (i.e. deemed cost).

Maintenance and repair expenses that do not enhance assets' value and/or prolong their residual useful life, are expensed in the year when they are borne. Otherwise they are capitalised.

Tangible assets are shown net of their respective cumulative depreciation and of any losses in value calculated according to the method described later on. Depreciation is calculated at straight-line rates according to the asset's estimated useful working life for the company, which is reviewed annually and any changes, if necessary, are applied prospectively.

The main economic/technical rates applied are as follows:

Buildings	3-5.5-10%
Plant & machinery	8.3-22%
Industrial & commercial equipment	20-25-40-100%
Other tangible assets:	
- Electronic office machinery	20%
- Office furniture and furnishings	12-20%
- Motor vehicles	20-25%

The carrying value of tangible assets is tested, to recognise any impairment of value, if events or changes in circumstances suggest that carrying value cannot be recovered. If an indication of this type exists and, if carrying value exceeds presumed realisable value, such assets will be written down to reflect their realisable value. Tangible assets' realisable value is the highest between net selling price and value in use.

Impairment losses are posted in the P&L account (income statement) amongst costs depreciation and write-downs. Such losses in value are written back if the reasons causing them cease to exist.

At the time of sale, or when no future economic benefits are expected from the use of an asset, the asset is eliminated from the balance sheet and any gain or loss (calculated as the difference between disposal proceeds and carrying value) is recognised in the P&L account in the year when such elimination takes place.

Assets acquired by virtue of finance lease contracts are posted at the asset's normal value upon commencement of the contract, with simultaneous recognition among liabilities of the corresponding financial debt vis-à-vis lessor companies.

Depreciation of such assets is calculated according to useful working life similarly to what is done for other tangible assets.

- Grants: Equipment grants, from both public entities and private third parties, are recognised when there is a reasonable certainty that they will be received and that the conditions for their receipt will be met. They are posted as a deduction from the original cost of the asset to which they refer starting from the accounting period when documentary proof of their collectability is acquired.

- Investment property: Land or buildings held in order to earn rentals or for appreciation of capital invested are posted at cost inclusive of related purchase costs and net of depreciation and any impairment losses.

- Intangible assets: Intangible assets are recognised at cost, calculated using the same approach indicated for tangible assets.

Intangible assets with a finite useful life are subsequently posted net of related cumulative amortisation and of any impairment losses, determined with the same approach indicated earlier for tangible assets.

Useful life is reviewed annually and any changes, if necessary, are applied prospectively.

Intangible assets with a finite life are tested for impairment when events or changes in circumstances suggest that the carrying value cannot be recovered.

Gains and losses stemming from disposal of an intangible asset are calculated as the difference between the asset's disposal and carrying value and are recognised in the P&L account at the time of disposal.

Goodwill is not amortised but is tested at least annually to detect any impairment of value. Goodwill is posted at cost net of impairment losses.

- Biological assets: Biological assets (vines) are measured at fair value, with the effects of this posted in the P&L account. Fair value is determined by sector experts using available market prices and taking into account physical changes and other parameters of reference.

Determination of biological assets' requires assumptions to be made in order to achieve the most reliable estimate of fair value within a relatively narrow range of reasonable hypotheses. Estimates and assumptions are reviewed regularly and the effects of any change are reflected in the P&L account.

- Investments in other companies and securities: Investments in other companies and other securities not held for trading are classified, for the purposes of measurement, as available-for-sale financial assets and are measured at fair value with posting of effects in net equity.

When fair value cannot be reliably determined, investments are measured at cost adjusted for impairment of value, the effect of which is recognised in the P&L account.

When the reasons for any write-downs made cease to exist, investments and securities measured at cost are revalued within the limits of any write-downs made, posting this effect in the P&L account.

## Current assets

- Inventories:

Inventories are posted at the lowest between purchase and/or production cost – calculated according to the weighted-average-cost method – and net presumed realisable value. Purchase cost includes accessory costs. Production cost includes directly attributable costs and the portion of indirect costs reasonably attributable to the products.

As regards work in progress, measurement has been performed according to the accounting period's average actual cost, taking into account processing completion status.

For products stemming from farming activities (wine), the value of agricultural produce (grapes) grown internally is measured at value, net of estimated point-of-sale costs at the point of harvest. Value is determined applying available market prices adjusted to achieve the most reliable estimate of fair value.

This valuation represents the cost of grapes produced in the process of their conversion into wine.

Obsolete and/or slow-moving inventories are written down according to the presumed possibility of future use or disposal.

The write-down is eliminated in subsequent periods if the reasons causing it cease to exist.

- Receivables:

Receivables are initially recognised at their fair value, which, generally speaking, is their face value. Subsequently, they are measured at amortised cost and reduced in the case of impairment losses. In addition, they are aligned with their presumed realisable value via posting of specific provision.

Receivables in currencies other than the functional accounting currency are posted at the exchange rate in force on transaction date and are subsequently converted at the year-end exchange rate. The gain or loss arising from conversion is posted in the P&L account.

- Current financial assets:

Financial assets held for trading are measured at fair value with posting of the effects of this in the P&L account.

- Cash & cash equivalents

These items include monetary items, i.e. those items that meet the requisites of availability on demand or at extremely short term, successful cashing in, and absence of cashing-in expenses.

## Non-current liabilities

- Employee benefits: The present value of obligations to employees is calculated according to the projected unit credit method as required by IAS 19. This means that the amount reflects not only the obligations accruing as at balance-sheet closing date but also future salary increases and related statistical trends.
- Long-term provision for risks & charges: In compliance with IAS 37, provisions are made in accounts when (a) a present legal or constructive obligation exists arising from a past event, (b) use of resources to meet the obligation is probable, and (c) the amount stemming from settlement of the obligation can be reliably estimated.  
  
If the time value of the financial effect is significant and the dates of payment of the obligation can be estimated reliably, provision is shown at present value. The subsequent change relating to the time that has passed is posted in the P&L account among financial items.
- Loans: Loans are initially posted at fair value, net of any transaction costs incurred, and are subsequently measured at amortised cost, calculated via application of the effective interest rate.
- Derivative instruments: Derivative instruments are measured at fair value with the effects of this posted in the profit & loss account.

## Current liabilities

- Trade and other payables: Trade payables, the due date of which comes within normal trade terms, cannot be shown at present value and are shown at amortised cost.  
  
Payables in currencies other than the functional accounting currency are posted at the exchange rate in force on transaction date and are subsequently converted at the year-end exchange rate. The gain or loss arising from conversion is posted in the P&L account.  
  
Other payables are shown at their amortised cost.
- Current financial liabilities: Current financial liabilities are shown at their nominal value.

## Profit & loss account (income statement)

- Revenues and costs: Revenues and costs are shown on an accrual accounting basis.  
  
Revenues and income are shown net of return sales, discounts, allowances, and bonuses.  
  
Revenues for the sale of goods are recognised when ownership changes hands, which generally coincides with shipment of the goods.
- Stock options: For stock option plans of the “equity-settled” type, the option’s fair value – determined on its grant-date – is recognised as a cost in the P&L account throughout the benefit’s vesting period set against an increase in net equity reserves.

- Interest: Interest revenues and expenses are recognised on an accrual accounting basis according to the interest accruing on related financial assets and liabilities using the effective interest rate.
  
- Income tax: Income tax provision for the period is calculated on the basis of the taxes envisaged as a result of application of current tax regulations. Provision for current income tax is shown in the balance sheet net of payments on account and taxes withheld.  
  
In addition, deferred tax assets and liabilities are calculated based on the temporary differences arising between financially reported figures and the figures recognised for tax purposes. More specifically, deferred tax assets are posted only if their recoverability is reasonably certain, whereas deferred tax liabilities are posted only if the related debt is unlikely to materialised.
  
- Earnings per share: Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year.
  
- Use of estimates: Preparation of financial statements and related notes in application of IFRS requires management to make estimates and assumptions affecting the entity of balance-sheet assets and liabilities and disclosure concerning potential contingent assets and liabilities as at balance-sheet date. Actual results might differ from such estimates.

We use estimates to measure the fair value of biological assets and agricultural produce, doubtful debt provision, inventory obsolescence, depreciation & amortisation, asset impairment, employee benefits, income tax, restructuring accruals, and other provisions and accruals. These estimates and assumptions are regularly reviewed and the effects of any changes immediately reflected in the profit & loss account.

## Reconciliation between balance sheets as per Italian GAAP and IAS/IFRS as at January 1st 2004

Below we show balance sheets as at January 1st and December 31st 2004 and as at January 1st 2005, with amounts indicated in thousands of euro (€ '000 or €k), which highlight:

- Italian GAAP figures according to IAS/IFRS
- Adjustments made for alignment with IAS/IFRS.

### Balance sheet as at January 1st 2004

	Italian GAAP	IAS/IFRS adjustments	IAS/IFRS	Notes
<b>Assets</b>				
Intangible assets	1,270	(554)	716	(1)
Property, plant, and equipment	135,948	(117)	135,831	(2)
Investment property	268	-	268	
Biological assets	6,545	7,211	13,756	(3)
Equity investments	13,218	-	13,218	
Financial assets	326	-	326	
Deferred tax assets	5,420	596	6,016	(4)
<b>Total non-current assets</b>	<b>162,995</b>	<b>7,136</b>	<b>170,131</b>	
Inventories	71,381	1,409	72,790	(5)
Trade and other receivables	79,284	-	79,284	
Current tax assets	4,542	-	4,542	
Property assets designated for sale	8,608	-	8,608	
Cash & cash equivalents	53,568	-	53,568	
<b>Total current assets</b>	<b>217,384</b>	<b>1,409</b>	<b>218,793</b>	
<b>Total Assets</b>	<b>380,379</b>	<b>8,545</b>	<b>388,924</b>	
<b>Net equity</b>				
Share capital	13,000	-	13,000	
Share premium reserve	5,917	-	5,917	
Reserves and undivided profits	91,898	3,319	95,217	
Retained earnings/(losses carried forward)	76,229	(208)	76,021	
<b>Group net equity</b>	<b>187,044</b>	<b>3,111</b>	<b>190,155</b>	
<b>Minority interests</b>	<b>16,856</b>	<b>279</b>	<b>17,134</b>	
<b>Net equity attributable to equity holders of parent</b>	<b>203,899</b>	<b>3,390</b>	<b>207,289</b>	
<b>Liabilities</b>				
Long-term provision for risks and charges	8,441	(2,066)	6,375	(6)
Long-term provision for employee severance indemnities	13,006	56	13,062	(7)
Medium-/long-term loans	15,780	616	16,396	(8)
Deferred tax liabilities	12,155	6,486	18,641	(9)
<b>Total non-current liabilities</b>	<b>49,382</b>	<b>5,092</b>	<b>54,474</b>	
Short-term bank overdrafts and loans	53,279	-	53,279	
Trade and other payables	65,264	63	65,327	(10)
Current tax liabilities	4,662	-	4,662	
Short-term provision for contingent liabilities	3,893	-	3,893	
<b>Total current liabilities</b>	<b>127,098</b>	<b>63</b>	<b>127,161</b>	
<b>Total Liabilities</b>	<b>176,480</b>	<b>5,155</b>	<b>181,635</b>	
<b>Total Liabilities and Net Equity</b>	<b>380,379</b>	<b>8,545</b>	<b>388,924</b>	

## Reconciliation between balance sheets as per Italian GAP as at December 31st 2004 and January 1st 2005

### Balance sheet as at December 31st 2004 and January 1st 2005

	Italian GAAP 31.12.04	IAS/IFRS adjustments (excluding IAS 39)	IAS/IFRS 31.12.04	IAS 39 effects	IAS/IFRS 1.1.05	Notes
<b>Assets</b>						
Intangible assets	14,215	(37)	14,178	-	14,178	(1)
Property, plant, and equipment	142,551	(116)	142,435	-	142,435	(2)
Investment property	267	-	267	-	267	
Biological assets	6,642	6,846	13,488	-	13,488	(3)
Equity investments	12,784	-	12,784	541	13,325	(18)
Financial assets	157	-	157	-	157	
Deferred tax assets	4,807	513	5,320	149	5,469	(4)
<b>Total non-current assets</b>	<b>181,423</b>	<b>7,206</b>	<b>188,629</b>	<b>690</b>	<b>189,319</b>	
Inventories	73,767	586	74,353	-	74,353	(5)
Trade and other receivables	78,928	-	78,928	-	78,928	
Current tax assets	5,534	-	5,534	-	5,534	
Property assets designated for sale	4,467	-	4,467	-	4,467	
Cash & cash equivalents	92,329	-	92,329	-	92,329	
<b>Total current assets</b>	<b>255,025</b>	<b>586</b>	<b>255,611</b>	<b>-</b>	<b>255,611</b>	
<b>Total Assets</b>	<b>436,448</b>	<b>7,792</b>	<b>444,240</b>	<b>690</b>	<b>444,930</b>	
<b>Net equity</b>						
Share capital	13,000	-	13,000	-	13,000	
Share premium reserve	5,917	-	5,917	-	5,917	
Reserves and undivided profits	39,357	2,119	41,476	238	41,714	
Retained earnings/(losses carried forward)	135,085	858	135,943	-	135,943	
<b>Group net equity</b>	<b>193,359</b>	<b>2,977</b>	<b>196,336</b>	<b>238</b>	<b>196,574</b>	
<b>Minority interests</b>	<b>9,624</b>	<b>189</b>	<b>9,813</b>	<b>-</b>	<b>9,813</b>	
<b>Net equity attributable to equity holders of parent</b>	<b>202,983</b>	<b>3,166</b>	<b>206,149</b>	<b>238</b>	<b>206,387</b>	
<b>Liabilities</b>						
Long-term provision for risks and charges	7,863	(2,066)	5,797	-	5,797	(6)
Long-term provision for employee severance indemnities	14,665	61	14,726	-	14,726	(7)
Medium-/long-term loans	43,936	604	44,540	-	44,540	(8)
Other non-current liabilities	-	-	-	452	452	(19)
Deferred tax liabilities	15,126	6,027	21,153	-	21,153	(9)
<b>Total non-current liabilities</b>	<b>81,590</b>	<b>4,626</b>	<b>86,216</b>	<b>452</b>	<b>86,668</b>	
Short-term bank overdrafts and loans	69,357	-	69,357	-	69,357	
Trade and other payables	71,337	-	71,337	-	71,337	
Current tax liabilities	7,939	-	7,939	-	7,939	
Short-term provision for contingent liabilities	3,242	-	3,242	-	3,242	
<b>Total current liabilities</b>	<b>151,875</b>	<b>-</b>	<b>151,875</b>	<b>-</b>	<b>151,875</b>	
<b>Total Liabilities</b>	<b>233,465</b>	<b>4,626</b>	<b>238,091</b>	<b>452</b>	<b>238,543</b>	
<b>Total Liabilities and Net Equity</b>	<b>436,448</b>	<b>7,792</b>	<b>444,240</b>	<b>690</b>	<b>444,930</b>	

## Reconciliation between profit & loss accounts as per Italian GAAP and as per IAS/IFRS for the year ending on December 31st 2004.

Below we show the FY2004 profit & loss account, with amounts indicated in thousands of euro (€ '000 or €k), which highlights:

- Italian GAAP figures according to IAS/IFRS
- Adjustments made for alignment with IAS/IFRS.

### FY2004 Profit & loss account December 31st 2004

	Italian GAAP	IAS/IFRS adjustments	IAS/IFRS	Notes
Net sales revenue	284,370	---	284,370	
Change in inventories of work in process, semiprocessed and finished products	1,621	81	1,702	(11)
Other operating income	3,950	---	3,950	
Materials and service costs	(155,312)	(927)	(156,239)	(12)
<b>Value added</b>	<b>134,629</b>	<b>(846)</b>	<b>133,783</b>	
Payroll costs	(58,621)	(17)	(58,638)	(13)
Other operating costs	(4,353)	(85)	(4,438)	(14)
<b>EBITDA</b>	<b>71,655</b>	<b>(948)</b>	<b>70,707</b>	
Depreciation, amortisation, and write-downs	(29,290)	292	(28,998)	(15)
<b>EBIT</b>	<b>42,365</b>	<b>(656)</b>	<b>41,709</b>	
Equity investment income	904	---	904	
Financial income	2,615	4	2,619	(16)
Financial expenses	(2,374)	(22)	(2,396)	(16)
Foreign exchange gains/(losses)	70	---	70	
<b>EBT</b>	<b>43,580</b>	<b>(674)</b>	<b>42,906</b>	
Income tax	(17,589)	375	(17,214)	(17)
<b>Net profit/(loss) before minorities</b>	<b>25,991</b>	<b>(299)</b>	<b>25,692</b>	
Minority interests' share of profit/(loss)	3,161	(96)	3,065	
<b>Group profit/(loss)</b>	<b>22,830</b>	<b>(203)</b>	<b>22,627</b>	

## Comment on the main adjustments made to balance-sheet and profit & loss items

For the main adjustments made to individual items in balance sheets and the profit & loss account, below we provide brief explanatory notes.

### ADJUSTMENTS

#### Balance sheet items – Assets

- 1) **Intangible assets** (€ -554k as at January 1st 2004 and € -37k as at December 31st 2004); these adjustments are summarised in the following table:

€k	01.01.2004	31.12.2004
Incorporation & expansion costs and other intangible assets	-629	-463
Goodwill	75	426
<b>Total</b>	<b>-554</b>	<b>-37</b>

The above adjustments refer to elimination of some incorporation & expansion costs and other intangible assets that do not meet IAS/IFRS eligibility requisites, and reversal of amortisation of goodwill, no longer envisaged under IAS/IFRS, mainly relating to the acquisition of Vetri Speciali SpA in 2004.

- 2) **Property, plant and equipment** (€ -117k as at January 1st 2004 and € -116k as at December 31st 2004): these adjustments relate to reversal of cumulative depreciation of appurtenant land, which according to IAS/IFRS has to be separated from buildings and no longer subjected to depreciation (€ +38k as at January 1st 2004 and € +35k as at December 31st 2004), and to reversal of plant held under leasing contracts due accounting according to the financial method (€ -155k as at January 1st 2004 and € -151k as at December 31st 2004).
- 3) **Biological assets** (€ +7,211k as at January 1st 2004 and € +6,846k as at December 31st 2004): these adjustments relate to the effect of fair-value measurement of owned vineyards and of vineyards acquired via finance lease contracts. IAS/IFRS do not envisage posting of such assets at cost.
- 4) **Deferred tax assets** (€ +596k as at January 1st 2004, € +513k as at December 31st 2004 and € +149k as at January 1<sup>st</sup> 2005): these amounts reflect the balance sheet assets stemming from tax effects on the items subjected to reconciliation in the statement of net equity presented later on in this note.
- 5) **Inventories** (€ +1,409k as at January 1st 2004 and € +586k as at December 31st 2004): these adjustments refer to the effect of measurement of inventories (€ +561k as at January 31st 2004 and € +370k as at December 31st 2004) and to fair-value measurement of agricultural produce (grapes) in the process of being made into wine (€ +848k as at January 1st 2004 and € 216k as at December 31st 2004). IAS/IFRS do not allow application of the LIFO method as done previously.

#### Balance sheet items – Liabilities

- 6) **Long-term provision for risks and charges** (€ -2,066k as at January 1st and December 31st 2004): this adjustment refers to reversal of provision for technical risks because it does not meet IAS/IFRS eligibility criteria. The latter envisage posting of provisions when there is a legal or constructive obligation stemming from a past event.

- 7) **Long-term provision for employment indemnities** (€ +56k as at January 1st 2004 and € +61k as at December 31st 2004): these adjustments refer to application of actuarial methods to provision for employee severance indemnities and to posting of the financial/actuarial present value of liabilities projected and related cost and income, including financial expenses and actuarial gains and losses.
- 8) **Medium-/long-term loans** (€ +616k as at January 1st 2004 and € +604k as at December 31st 2004): these adjustments refer to accounting treatment of finance lease contracts according to the financial method.
- 9) **Deferred tax liabilities** (€ +6,486k as at January 1st 2004 and € +6,027k as at December 31st 2004): these liabilities reflect the balance sheet liability stemming from tax effects on the items subjected to reconciliation in the statement of net equity presented later on in this note. The amounts include € +2,437k as at January 1<sup>st</sup> and December 31<sup>st</sup> 2004 relating to deferred taxes on reserves subject to tax suspension.
- 10) **Trade & other payables** (€ +63k as at January 1<sup>st</sup> 2004): this adjustment refers to posting of capital gains in relation to the non-current asset concerned.

#### Profit & loss items

- 11) **Changes in inventories of work in progress, semiprocessed and finished products** (€ +81k): this adjustment refers to the effect of inventory measurement using the weighted-average-cost method.
- 12) **Materials and service costs** (€ -927k): This adjustment refers to the effect of fair-value measurement of agricultural produce (grapes) in the process of being made into wine (€ -632k), to the effect of measurement of raw materials according to the weighted-average-cost method (€ -272k), and to the effect of posting of finance lease contracts according to the financial method (€ -23k).
- 13) **Payroll costs** (€ -17k): € -5k of this adjustment refers to the effect of application of actuarial methods to long-term employee severance indemnity provision and € -12k to the effect of fair-value measurement of stock option plans.
- 14) **Other operating costs** (€ -85k): this adjustment refers to the effect of posting of finance lease contracts according to the financial method.
- 15) **Depreciation, amortisation, write-downs and write-ups** (€ +292k): this adjustment relates to reversal of amortisation of goodwill and other intangible assets (€ +517k), to the effect of fair-value measurement of vineyards (€ -365k), and to the effect of posting of finance lease contracts according to the financial method (€ +140k).
- 16) **Financial income and expenses** (€ -18k): this adjustment refers to the effect of posting of finance lease contracts according to the financial method.
- 17) **Income tax** (€ +375k): this amount reflects the tax effects of adjustments made to profit & loss items.

#### Effects of IAS 39

- 18) **Equity investments** (€ +541k): this adjustment refers to the effect of fair-value measurement of investments in equity interests.
- 19) **Other non-current liabilities** (€ +452k): this adjustment refers to the effect of fair-value measurement of derivative instruments.

**Reconciliation between Italian GAAP and IAS/IFRS of net equity as at January 1st 2004, December 31st 2004, and January 1st 2005 and reconciliation of profit for the year ending on December 31st 2004**

**Statement of net equity and profit reconciliation**

For comments concerning the changes, reference should be made to the earlier notes concerning the balance sheet and profit & loss account.

	Net Equity 1.1.2004	Profit FY2004	Changes in reserves 2004	Net equity 31.12.2004	IAS 39 effects	Net equity 1.1.2005
<b>Italian GAP</b>	<b>203,899</b>	<b>25,991</b>	<b>(26,907)</b>	<b>202,983</b>	<b>---</b>	<b>202,983</b>
<i>Adjustments:</i>						
Inventory measurement at weighted average cost	561	(191)	---	370	---	370
Separation of land	37	(2)	---	35	---	35
Grants	(63)	---	63	---	---	---
Finance lease contract debts	(771)	16	---	(755)	---	(755)
Long-term severance indemnity provision	(56)	(5)	---	(61)	---	(61)
Long-term provision for risks	2,066	---	---	2,066	---	2,066
Incorporation costs and other intangibles	(629)	168	(2)	(463)	---	(463)
Goodwill	76	350	---	426	---	426
Fair value of biological assets – tangible assets	7,211	(365)	---	6,846	---	6,846
Fair value of biological assets – inventories	848	(632)	---	216	---	216
Fair value of other investments	---	---	---	---	541	541
Fair value of derivative instruments	---	---	---	---	(452)	(452)
Fair value of stock options	---	(13)	13	---	---	---
Deferred taxes on reserves subject to tax suspension	(2,437)	---	---	(2,437)	---	(2,437)
Tax effects of adjustments	(3,453)	376	---	(3,077)	149	(2,928)
Total adjustments net of tax effect	3,390	(299)	74	3,166	238	3,404
<b>IAS/IFRS</b>	<b>207,289</b>	<b>25,693</b>	<b>(26,833)</b>	<b>206,149</b>	<b>238</b>	<b>206,387</b>

Minority interests' portion of net equity as at January 1st 2004, December 31st 2004 and January 1st 2005 amounts to € 17,134k, € 9,813k, and € 9,813k respectively and is respectively higher by € 279k, € 189k, and € 189k than the portion arising from application of Italian GAAP. This difference represents minority interests' share of IAS/IFRS adjustments.

**Effects of IAS/IFRS on  
FY2004 cash flow  
statement**

The FY2004 cash flow statement prepared by the Industrie Zignago Santa Margherita Group was intended to show the Group's net financial deficit or surplus emerging from the change in the year's net financial position, whereas the cash flow statement envisaged by IAS 7 aims to show the ability of the Industrie Zignago Santa Margherita Group to generate "cash & cash equivalents".

Based on this standard, cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in their value. Given this, an investment is normally classified as a cash equivalent only when it has a short maturity, i.e. three months or less after purchase date. Financial investments in equities do not come within the category of cash equivalents.

Bank overdrafts normally form part of financing activities, except when they are repayable on demand and form an integral of a company's management of cash or cash equivalents, in which case they are classified as a reduction of cash equivalents.

IAS 7 requires that cash flows stemming from operating, investment, and financing activities be shown separately:

- **Cash flow from operating activities:** cash flows stemming from operating activities are mainly connected with income-generating activities. The Industrie Zignago Santa Margherita Group shows them using the *indirect method*. According to this method, net profit is adjusted for the effects of items that have not involved cash outlay or generation (non-cash transactions) such as, for example, depreciation & amortisation, changes in receivables and payables, etc.
- **Cash flow from investment activities:** investment activity is indicated separately because they also indicate the investments/disposals undertaken with the aim of achieving future revenue and positive cash flows.
- **Cash flow from financing activities:** the financing activity consists of flows causing changes in the entity and composition of net equity and of loans obtained.

**Cash Flow Statement**

Below we present the FY2004 cash flow statement prepared according to IAS/IFRS.

(Amounts in € '000)	<b>31.12.2004</b>
<b>A. Initial net cash &amp; cash equivalents</b>	<b>289</b>
<b>B. Cash flow generated (absorbed) by operating activities</b>	
Profit for the year before minority interests	25,693
Depreciation & amortisation	28,976
(Capital (gains)/losses on disposal of non-current assets	(756)
(Write-ups)/write-downs of equity investments	(449)
Change in assets and liabilities measured at fair value	(153)
Net change in long-term provision for employee severance indemnities	677
Net change in long-term provision for risks & charges	(578)
Net change in deferred tax (assets)/liabilities	921
Net change in current trade and other (receivables) and payables	4,973
	<b>59,304</b>
<b>C. Cash flow generated (absorbed) by investment activities</b>	
Investments in intangible assets	(166)
Investments in tangible assets	(34,950)
Investments in biological assets	(445)
Acquisition of equity interests in subsidiaries, net of cash & cash equivalents acquired	(23,798)
Disposal price of non-current assets	8,275
Net change in other non-current assets	566
	<b>(50,518)</b>
<b>D. Cash flow generated (absorbed) by financing activities</b>	
New medium-/long-term loans taken out	33,974
Repayment of medium-/long-term financial debt	(5,830)
Net change in other financial assets and liabilities	4,008
Dividend distribution	(16,500)
Net change in minority interests' capital and reserves	(1,816)
Other changes in net equity	61
	<b>13,897</b>
<b>E. Cash flow for the period (B+C+D)</b>	<b>22,683</b>
<b>F. Net cash &amp; cash equivalents at end of period</b>	<b>22,972</b>

<b>Breakdown of net cash &amp; cash equivalents at beginning of period:</b>	
Cash & cash equivalents	53,568
Short-term bank overdrafts	(53,279)
	289
<b>Breakdown of net cash &amp; cash equivalents at end of period:</b>	
Cash & cash equivalents	92,329
Short-term bank overdrafts	(69,357)
	22,972

The following table shows the statement of reconciliation between figures previously calculated according to Italian GAAP and those restated according to IAS/IFRS of our net financial position as at December 31st 2004

(Amounts in € '000)	31.12.2004
- Cash & cash equivalents	82,770
- Bonds	9,559
- Short- and medium-/long-term bank debt	-108,419
- Amounts payable to other sources of finance	-4,874
<b>NET FINANCIAL DEBT AS PER ITALIAN GAAP, as reported in consolidated year-end financial statements as at 31.12.2004</b>	<b>(20,964)</b>
- Medium-/long-term bank debt	39,062
- Amounts payable to other sources of finance	4,874
<b>NET CASH &amp; CASH EQUIVALENTS ACCORDING TO IAS/IFRS</b>	<b>22,972</b>



**Independent Auditor's report  
on statements of IFRS reconciliation**

*Translation of the original Italian report:*

*The English translation of the auditor's report has been provided by Industrie Zignago Santa Margherita SpA solely for the convenience of non-Italian readers. The original Italian document remains the only official and legally valid text.*

**Independent auditor's report on statements of IFRS reconciliation  
with illustration of the effects of transition to  
International Financial Reporting Standards (IFRS)**

**To the Board of Directors of  
Industrie Zignago Santa Margherita SpA**

1. We have audited the attached consolidated statements of the **Industrie Zignago Santa Margherita Group** called "Reconciliation between Italian GAAP and IAS/IFRS of the balance sheet as at January 1st 2004", "Reconciliation between Italian GAAP and IAS/IFRS of balance sheets as at December 31st 2004 and January 1st 2005", "Reconciliation between Italian GAAP and IAS/IFRS of the profit & loss account for the year ending on December 31st 2004", "Reconciliation between Italian GAAP and IAS/IFRS of net equity as at January 1st 2004, December 31st 2004, and January 1st 2005 and of profit for the year ending on December 31st 2004" (hereinafter "statements of IFRS reconciliation") and related explanatory notes, presented in the section called "Transition to IFRS" of the first-half interim report as at June 30th 2005. The aforesaid statements of IFRS reconciliation stem from the consolidated year-end financial statements of **Industrie Zignago Santa Margherita SpA** for the year ending on December 31st 2004, prepared in compliance with the legal regulations governing criteria for preparation of year-end financial statements, audited by us, and on which we issued our report on March 23rd 2005. The statements of IFRS reconciliation have been prepared as part of the process of transition to the International Financial Reporting Standards (IFRS) endorsed by the European Commission. Preparation of the statements of IFRS reconciliation is the responsibility of the Directors of **Industrie Zignago Santa Margherita SpA**. We are responsible for the professional opinion expressed on such statements, based on our audit.
2. We performed our examination according to regulatory auditing standards. In compliance with the aforesaid standards, the audit was planned and performed in order to acquire all elements necessary to ascertain whether the statements of IFRS reconciliation were flawed by material errors. The auditing processes includes review, based on random sample tests, of probative elements supporting the figures and information contained in statements of IFRS reconciliation, together with evaluation of the adequacy and correctness of the accounting policies applied and of the reasonableness of estimates made by directors. We believe that the work performed provides a reasonable basis for expression of our professional judgement.

Another auditor was responsible for auditing data concerning a subsidiary company included in the consolidated figures presented in the statements of IFRS reconciliation, representing respectively about 8.7% of consolidated assets as at December 31st 2004 and about 11.6% of consolidated revenues.

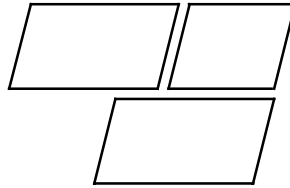
3. In our opinion the statements of IFRS reconciliation, identified in paragraph 1 above, have in general been prepared in compliance with the criteria and standards defined in Article 81/2 of Italian Issuer Regulation no. 11971/1999 adopted by CONSOB with its Resolution 14990 of April 14th 2005.

4. We recall your attention to the fact that, as described in the explanatory notes:
- a) The figures presented in the statements of IFRS reconciliation will be used for the purposes of preparing comparative data for the first full IFRS-compliant year-end financial statements as at December 31st 2005. Such figures might be subject to changes that might be necessary if some new international accounting standard were to be introduced, or if any of those already in force were to be amended, or if any interpretation concerning standards were to be introduced or amended, possibly with retrospective effectives, before publication of 2005 consolidated year-end financial statements.
  - b) As the statements of IFRS reconciliation have been prepared only in order to process of transition of the first full year-end financial statements compliant with IFRS endorsed by the European Commission, the statements of IFRS reconciliation lack some schedules, comparative data and explanatory notes necessary for thorough overall representation of the consolidated IFRS-compliant balance-sheet and financial status and profit result of the **Industrie Zignago Santa Margherita Group**.

Treviso, September 9th 2005

Reconta Ernst & Young SpA

Michele Graziani  
(Partner)



INDUSTRIE ZIGNAGO SANTA MARGHERITA SpA  
Registered HQ: Fossalta di Portogruaro (VE), Italy