Cembre

COSTRUZIONI ELETTROMECCANICHE BRESCIANE

2014 ANNUAL REPORT

Cembre S.p.A.

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

This document contains translations of the draft statutory annual financial statements and consolidated annual financial statements prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)

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Operating Review

2014 was a positive year for Cembre that reported a consistent growth in turnover and strengthened further its financial position on the previous year.

Consolidated sales reached €112.9 million, up 8% on 2013. All markets contributed to this result and in particular the domestic market resumed growth after a lasting contraction and accounted for 58% of the increase in sales of the Group.

A total of 39.1% of Group sales in 2014 were represented by Italy (as compared with 37.5% in 2013), with sales up 12.4%, 45.3% by the rest of Europe (45.9% in 2013), with sales growing by 6.7%, and the remaining 15.6% by the rest of the World (16.6% in 2013), marking a 1.7% increase in sales.

Sales by geographical area

(€'000)	2014	2013	Var.	2012	2011	2010	2009	2008
Italy	44,100	39,252	12.4%	41,096	44,834	41,450	30,783	41,100
Rest of Europe	51,204	47,980	6.7%	46,837	43,857	40,284	35,694	42,249
Rest of the World	17,601	17,315	1.7%	15,966	14,337	12,200	9,507	10,939
Total	**112,905**	**104,547**	**8.0%**	**103,899**	**103,028**	**93,934**	**75,984**	**94,288**

In 2014 all Group companies registered an increase in sales. Among them, the Spanish subsidiary reported a 14.2% increase in sales while the US subsidiary confirmed past years' positive trend posting a 6.3% increase in sales.

Revenues by Group company (net of intragroup sales)

(€'000)	2014	2013	Var.	2012	2011	2010	2009	2008
Parent company	58,554	53,814	8.8%	54,861	58,834	54,279	40,740	52,422
Cembre Ltd. (UK)	20,577	19,390	6.1%	17,535	13,920	11,845	10,626	12,374
Cembre S.a.r.l. (F)	8,354	7,763	7.6%	7,615	7,606	6,407	6,224	6,477
Cembre España S.L. (E)	7,016	6,139	14.3%	6,363	7,151	8,309	7,681	11,518
Cembre GmbH (D)	7,558	7,238	4.4%	8,201	7,815	6,368	5,264	5,358
Cembre AS (NOR)	960	791	21.4%	985	859	1,014	713	762
Cembre Inc. (USA)	9,886	9,412	5.0%	8,339	6,843	5,712	4,736	5,377
Total	**112,905**	**104,547**	**8.0%**	**103,899**	**103,028**	**93,934**	**75,984**	**94,288**

In 2014, Group companies reported the following results, before the consolidation:

	Sales						
(€'000)	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Parent company	84,903	78,100	79,487	80,777	72,986	56,546	75,461
Cembre Ltd. (UK)	22,271	20,914	19,193	16,093	13,356	11,807	13,727
Cembre S.a.r.l. (F)	8,423	7,815	7,623	7,634	6,413	6,255	6,511
Cembre España S.L. (E)	7,019	6,145	6,727	7,155	8,309	7,683	11,518
Cembre GmbH (D)	7,685	7,388	8,235	7,981	6,390	5,319	5,369
Cembre AS (NOR)	960	798	1,004	893	1,014	713	767
Cembre Inc. (USA)	10,052	9,456	8,389	6,856	5,744	4,810	5,383

	Net profit						
(€'000)	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Parent company	12,202	8,676	9,918	10,226	9,870	4,762	9,306
Cembre Ltd. (UK)	2,603	2,308	1,794	1,266	883	895	632
Cembre S.a.r.l. (F)	194	171	113	100	63	379	289
Cembre España S.L. (E)	305	230	(67)	(120)	273	516	770
Cembre GmbH (D)	303	289	664	621	364	255	302
Cembre AS (NOR)	69	11	76	22	157	84	114
Cembre Inc. (USA)	561	804	494	320	224	186	337

For a more direct evaluation of the effect of foreign exchange translation, we include below sales figures of companies operating outside the euro area in the respective currency.

	Currency	**Sales**		**Net profit**	
(€'000)		**2014**	**2013**	**2014**	**2013**
Cembre Ltd. (UK)	£	17,953	17,761	2,098	1,960
Cembre AS (NOR)	NOK	8,021	6,231	576	82
Cembre Inc. (USA)	US$	13,354	12,559	746	1,067

To provide a better understanding of the Company's financial performance for 2014, a Reclassified Consolidated Income Statement for the years ended December 31, 2014 and 2013 showing percentage changes is enclosed as Attachment 1.

Gross operating profit for 2014 amounted to €24,352 thousand, representing a 21.6% margin on sales, up 19.3% on 2013 when it amounted to €20,407 thousand, representing a 19.5% margin on sales. In the year, the cost of goods sold as a percentage of total sales declined slightly alongside with the cost of services. Personnel costs as a percentage of sales also declined, despite the slight growth in the average number of employees on the previous year from 612 to 618.

Consolidated operating profit for 2014 amounted to €19,433 thousand, representing a 17.2% margin on sales, up 22.7% on €15,838 thousand in 2013, when it represented a 15.1% margin on sales.

Consolidated profit before taxes amounted in 2014 to €19.702 thousand, representing a 17.5% margin on sales, up 26.4% on €15,585 thousand in 2013, when it represented a 14.9% margin on sales.

Consolidated net profit for the year amounted to €13,542 thousand, representing a 12.0% margin on sales, up 28.9% on 2013, when it amounted to €10,503 thousand and represented a 10.0% margin on sales.

The net financial position improved from a surplus of €5.9 million at December 31, 2013 to a surplus of €11.7 million at the end of December 2014. Further detail is provided in the notes.

Capital expenditure

In 2014 capital expenditure, net of depreciation and divestments, amounted to €9.2 million, up from €7.4 million in the previous year.

Among investments made in the year are costs for the renovation of industrial buildings adjacent to the Company's main complex, acquired in 2011, amounting to €2.7 million, allowing the transfer of some production departments, the technical office, test laboratories and the quality control department into larger spaces.

The Parent company also acquired new machinery for €3.3 million. More detail is provided in the notes under Property, plant and equipment.

Results of the parent company

Results of the parent company for 2014 and 2013 are shown in the table below.

(€'000)	2014	%	2013	%	Change
Sales	84,903	100	78,100	100	8.7%
Gross operating profit	19,178	22.6	14,175	18.1	35.3%
Operating profit	15,087	17.8	10,344	13.2	45.9%
Pre-tax profit	17,210	20.3	12,270	15.7	40.3%
Net profit	12,202	14.4	8,676	11.1	40.6%

Sales revenues grew by 8.7% from €78,100 thousand in 2013 to €84,903 thousand in 2014. Domestic sales grew by 12.4%, while sales in other European countries posted a 6.7% increase and sales in the rest of the World a 1.6% increase.

(€'000)	2014	2013	% change
Italy	44,100	39,252	12.4%
Rest of Europe	27,777	26,026	6.7%
Rest of the World	13,026	12,822	1.6%
Total	**84,903**	**78,100**	**8.7%**

In 2014 the parent company received €1,941 thousand in dividends from its subsidiaries as compared with €2,119 in the previous year.

On February 3, 2014 Tax Authorities began an audit of the parent company regarding fiscal year 2011. The audit was concluded on March 11, 2014 after 21 days of presence of tax officials at the Company's offices reviewing the regular upkeep of the accounting records and the correct calculation of the tax expense for 2011. No fiscally relevant issue emerged and no violation was contested.

Definition of alternative performance indicators

In compliance with Consob Communication DEM/6064293 dated July 28, 2007, below we define alternative performance indicators used in the present document to illustrate the financial and operating performance of the Group.

Gross operating profit (EBITDA): defined as the difference between sales revenues and costs for materials, of services received, and the net balance of operating income and charges. It represents the profit before depreciation, amortization and write-downs, financial flows and taxes.

Operating profit (EBIT): defined as the difference between gross operating profit and the value of depreciation, amortization and write-downs. It represents the profit achieved before financial flows and taxes.

Net financial position: represents the algebraic sum of cash and cash equivalents, financial receivables and current and non-current financial debt.

Reclassified Consolidated Statement of Financial Position

	(€'000)	Dec. 31, 2013	Dec. 31, 2012
	Trade receivables, net	25,625	24,854
	Inventories	38,291	36,758
	Other non-financial assets	1,384	2,185
	Trade payables	(13,219)	(12,779)
	Other non-financial liabilities	(8,141)	(7,182)
A)	**Net current assets (working capital)**	**43,940**	**43,836**
	Property, plant and equipment	65,846	61,602
	Intangible assets	1,219	1,153
	Prepaid taxes	2,474	1,937
	Other non-current assets	19	15
B)	**Net non-current assets**	**69,558**	**64,707**
C)	**Non-current assets available for sale**	**-**	**-**
D)	**Employee termination indemnity**	**2,554**	**2,438**
E)	**Provisions for risks and charges**	**269**	**79**
F)	**Deferred taxes**	**2,439**	**2,426**
G)	**Net capital employed (A+B+C-D-E-F)**	**108,236**	**103,600**
	Sources of funds:		
H)	**Shareholders' Equity**	**119,895**	**109,492**
	Cash and short-term financial receivables	(11,659)	(7,539)
	Short-term financial debt	-	1,647
I)	**Net debt/(surplus)**	**(11,659)**	**(5,892)**
J)	**Total sources of funds (H+I)**	**108,236**	**103,600**

Shareholders' Equity

Consolidation adjustments determined the following differences between the Financial Statements of the parent company at December 31, 2014 and the consolidated accounts at the same date:

(€'000)	**Shareholders' Equity**	**Net Profit**
Parent company's financial statements	**99,221**	**12,202**
Book value of consolidated companies	24,274	4,034
Elimination of intra-group profits included in the value of inventories (*)	(3,623)	(732)
Currency translation differences from elimination of intragroup payables and receivables	6	3
German subsidiary product warranty provision reversal (*)	21	-
Netting of intragroup dividends (**)	-	(1,965)
Netting of intragroup capital gains	(4)	-
Consolidated Financial Statements	**119,895**	**13,542**

(*) Net of the related tax effect

(**) Includes currency translation differences amounting to €25 thousand.

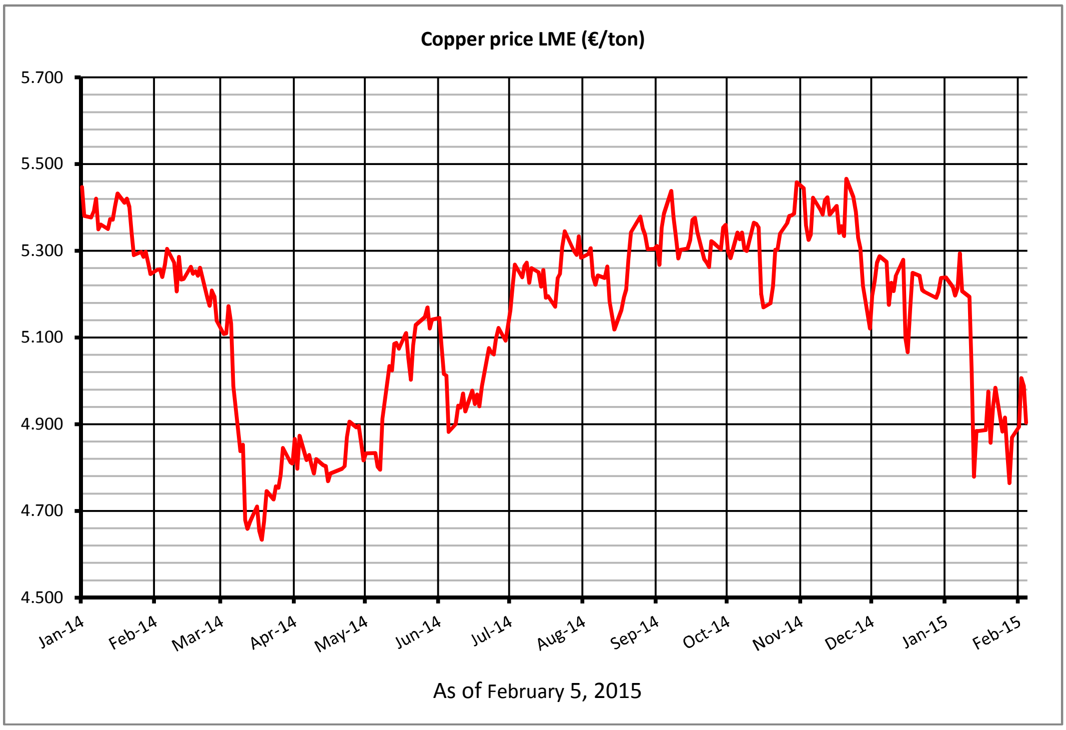
Main risks and uncertainties

Risks connected to the economic situation

The economic and financial situation of the Group is influenced by macroeconomic factors such as changes in the Gross Domestic Product, consumer and business confidence, changes in interest rates and the cost of raw materials.

In 2014 the American economy posted a strong recovery which has not however been able to lift the state of the world economy due to the persisting weakness of the euro area, the slowdown of China and the fall of the Russian economy affected strongly by sanctions imposed by the West after the start of the war in the Ukraine. The euro was affected by political uncertainties made more serious by the growth of anti-European movements, particularly in the South of the continent, that resulted in volatility in the financial markets. In the past months consumer prices continued to decline, pushing the ECB to follow an expansive policy which, coupled with the decline in oil prices, contributed to a recovery in consumption also in Italy.

Projections of the Bank of Italy for the Italian economy in 2015 point to a growth of 0.4% with an acceleration to 1.2% in 2016.



In 2014 copper traded at levels considerably lower than those at the end of 2013, declining until March and subsequently recovering up to its starting point in November, then turning again downwards through the first days of 2015.

The Cembre Group, thanks to its strong financial position and good competitive hedge is confident about the future and feels it is in a position to take advantage of opportunities that may arise and to react to possible changes in the economic scenario that may develop in the next months.

Risks connected with the market

The Group protects its market position by pursuing ongoing innovation, the widening of the product range, the launch of lower cost products and by introducing into production processes the most advanced methods and machinery, while implementing focused marketing policies with the help of its foreign subsidiaries.

Credit risk

Cembre and its subsidiaries have focused over time on a careful selection of their customers, managing prudently sales to customers that do not possess an adequate credit standing. The Group has accrued a provision for doubtful accounts and the management of litigation, while the review of customers has become more careful, with an ongoing monitoring of overdues and immediate contact with problem customers.

Exposure to credit risk relates exclusively to trade receivables.

Liquidity risk

Thanks to its solid financial position, the Group is not currently subject to particular liquidity risk, even in case the cash flow generated by operations should decline drastically.

Interest rate risk

At December 31, 2014 Cembre had no loans outstanding.

Currency risk

Despite its strong international presence, the Group does not have a significant exposure to currency risk, as it operates almost entirely in the euro area, the currency in which its trade transactions are mainly denominated. Exposure to currency risk is basically limited to sales in US dollars and British pounds, but the size of these transactions is not significant in influencing the overall performance of the Group or its financial position.

Integrity and reputation risk

Possible illicit behavior of employees, aimed at obtaining benefits for themselves and for the Group, can imply the risk of a loss of reputation and of sanctions against the Group. To prevent the risk of these occurrences and in line with Legislative Decree 231/2001, the Company adopted an organizational, management and control model that identifies processes that are subject to risk and establishes the conduct that the various persons involved are to keep in carrying out their tasks. The model was illustrated to employees through specific training sessions. The Company constantly integrates and upgrades the model.

Further information on main risks and uncertainties is contained in the notes.

Environmental management

Cembre S.p.A. deemed it fundamental for its development to adopt an environmental management system that covers in an integrated manner every aspect of its activities. Thanks to the setting of behavioral guidelines and of rigorous procedures, the Company obtained in 2008 an Environmental Certification under standard UNI EN ISO 14001:2004 that singles out companies that are more sensitive to environmental protection issues.

Worker safety management

In 2012 Cembre S.p.A. obtained the certification of its worker health and safety management system according to the OHSAS 18001: 2007 standard.

Ratios

To provide a better understanding of results of the Group, we provide below the value of some ratios commonly used in financial statement analysis.

Financial ratios

		Dec. 31, 2014	Dec. 31, 2013
ROE	Return on Equity	0.11	0.10
ROS	Return on Sales	0.17	0.15
ROI	Return on Investment	0.13	0.12

ROE (Return on Equity): is the ratio between net profit and Shareholders' Equity. It is an index of the profitability of capital invested, used to compare the investment in the company with investments of a different nature on a yield basis.

ROS (Return on Sales): is calculated as the ratio between operating profit and net revenues. It indicates profitability as a proportion of revenues, or the ability to generate profit from operations.

ROI (Return on Investment): is the ratio between capital employed (total assets net of investments in non-operating assets, which for the Group do not exist). It indicates the ability of the company to generate profits through operating activities.

Liquidity ratios

		Dec. 31, 2014	Dec. 31, 2013
CR	Current Ratio	3.6	3.3
LR	Liquidity Ratio	1.8	1.6

CR: it is computed by dividing current assets by current liabilities. It indicates the ability of the company to face current liabilities with current assets. A value above 2 signals an optimal situation.

LR: it is computed by dividing the sum of current and deferred liquidity by current liabilities, and is used to assess the firm's ability to pay off current liabilities. A value between 1 and 2 signals an ideal liquidity position.

Debt management ratios

		Dec. 31, 2014	Dec. 31, 2013
CI	Equity to fixed assets ratio	1.79	1.67
LEV	Leverage (Gearing)	1.22	1.3
IN	Debt ratio	18.2%	20.2%

CI: it is computed by dividing Shareholders' Equity by Fixed Assets and it indicates the ability of the company's equity to cover its investment needs. A value above 1 signals an optimal situation.

LEV (Leverage): it is computed by dividing capital employed by the Shareholders' Equity and it represents the degree of debt of the company. The higher the ratio, the higher the riskiness of the company. A value between 1 and 2 represents equilibrium in the sources of funds.

IN: it is computed by dividing the sum of current and non-current liabilities by capital employed and it indicates the percentage share of funds provided by third parties in financing the company. A value below 50% indicates an adequate financial structure.

Research & Development

The total cost of activities carried out by the parent company for in-house research and the development of new products amounts in 2014 to €628 thousand. Of these, the part relating to pure research was expensed in the year, while the part relating to development (€232 thousand) was capitalized among intangible assets. Outsourcing costs for consulting services and design amounted to €123 thousand.

Below we include an overview of activities in the year.

Cable terminals

Requests from the market led to the study of 29 new cable terminals meeting specific customer needs; tools for their manufacturing were designed and laboratory tests were carried out.

Railroad equipment

Tools and accessories for cutting, drilling and fastening rails to sleepers were developed.

A new clamp for the arms of our automatic cutter was developed. The clamp allows to fasten the machine also on to Y-shaped rails and is interchangeable with the existing clamp.

The range of new cutters featuring new Titanium Nitrade coated tools was completed. These cutters – denominated CY series – were developed specifically for mounting on our sleeper drills. They are manufactured in-house and the sharpening is carried out in an automated self-standing station made up by two sharpeners fed by an anthropomorphous arm.

Tools

The whole range of pistol-grip battery operated utensils was updated. All new utensils for the compression of cables derive from the B500 tool, introduced at the end of 2013. The innovative characteristics featured in these products place them at the top of their respective class.

The new range of pistol-grip battery operated utensils for the cutting of electrical and steel cables was completed.

The study of a new family of battery operated utensils in the lunch box configuration was completed. The new product, named B1300, replaces the B131 utensil. The new family of tools features technical innovations with respect to previous models such as:

the electronic control of running pressure, LEDs for the illumination of the work area, a multifunction display for information relating to compression operations and the state of the utensil, a new high efficiency pump already introduced for the B500 family, and the storage of information on compression operations carried out.

A dedicated software allowing to visualize information contained in the new utensil's memory was developed and will be distributed in the next months.

A new small pump, derived from the B1300 utensil, combines a compact size and light weight with the possibility to mount different types of heads and to control operating parameters through an easily readable display.

The whole range of in-line utensils, previously powered with 9.6V Ni-MH batteries, have been equipped with Lithium Ion 18V batteries, allowing a substantial improvement in performance and an increase in the number of operations that may be carried out per recharge cycle.

Cable marking

A total of 39 new labels – both flat and printed – used in the marking of cable terminals, cables and electric boxes, were developed.

Related parties

Transactions concluded between the parent company and its subsidiaries in 2014 are summarized in the table below:

(€)	**Receivables**	**Payables**	**Revenues**	**Purchases**
Cembre Ltd.	521,640	5,705	9,006,909	254,726
Cembre S.a.r.l.	365,526	900	4,264,479	64,591
Cembre España S.L.	409,043	1,452	3,644,736	2,759
Cembre AS	2,068	-	361,028	-
Cembre Inc.	2,177,129	-	5,664,142	91,494
Cembre GmbH	429,331	91,649	3,872,095	135,651
TOTAL	**3,904,737**	**99,706**	**26,813,389**	**549,221**

Revenues include, in addition to the sale of products, revenues from the charging to subsidiaries of the respective shares of costs incurred for the maintenance of the information system and royalties for the use of the Cembre trademark, totaling in 2014 to €439 thousand.

No loans or financing were extended between Group companies in 2014.

Cembre S.p.A. also leases property for a cumulative annual rent of €528 thousand from Tha Immobiliare S.p.A., with registered office in Brescia, owned by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, Directors of Cembre S.p.A.

Cembre S.p.A. also leases from Montifer S.r.l. a portion of an industrial building adjacent to the Company's main industrial complex and measuring 2,970 square meters. The spouse of Mr. Fabio Fada, independent director of the parent company, is a non-executive director of Montifer S.r.l. Rent for the buildings in 2014 amounted to €76 thousand. Cembre S.p.A. terminated before their natural expiration these contracts respectively on September 30 and November 30, 2014 following the transfer of the departments hosted in the leased properties to the newly restructured buildings of the Company.

Invoices issued in the year relating to the above contracts were all paid in full.

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A., for an annual rent of £43 thousand (equal to €53 thousand). Such amount is in line with market conditions.

	2014	2013	Change
Rent paid by the parent company to Tha Immobiliare	528	526	2
Rent paid by the parent company to Montifer	76	97	(21)
Rent paid by UK subsidiary to Borno Ltd.	53	49	4
TOTAL	**657**	**672**	**(15)**

Detail of compensation received by directors and statutory auditors is provided in the notes.

With reference to assets and liabilities relating to subsidiaries shown above, we confirm that transactions with the same and with related parties fall within the scope of normal operating activities.

Absence of control and coordination

Despite the fact that article 2497-*sexies* of the Italian Civil Code states that "it is presumed that, unless otherwise proved, the direction and coordination activities of companies is exercised by the company or entity that is required to consolidate the same in its accounts or that, in any case, controls the former company pursuant to article 2359 (of the Italian Civil Code)", Cembre S.p.A. believes to be operating in full autonomy from its parent Lysne S.p.A.. In particular, as a non-exhaustive example, the Company manages autonomously its own treasury and relationships with its customers and suppliers, and does not make use of any service provided by its parent company.

Relationships with parent company Lysne S.p.A. are limited to the normal exercise of shareholders' rights on the part of the parent.

Companies incorporated under the laws of States that are not part of the European Union

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

- Cembre Inc., incorporated in the US, and

- Cembre AS, incorporated in Norway.

The company deems the administrative, accounting and reporting systems currently in use to be adequate in supplying regularly its management and the company's independent auditors with the operating and financial information necessary for the preparation of the consolidated financial statements.

The accounts prepared by said foreign subsidiaries and used in the preparation of the consolidated financial statements, are audited and made available to the public, as provided by current regulations.

Cembre S.p.A. is active in ensuring an adequate flow of information from said subsidiaries to its independent auditors and believes the current communication process in place with the independent auditors to be effective.

Cembre S.p.A. already possesses the by-laws, the composition and of powers of company boards and its individual members, and directives ensuring the timely transmission of any information regarding the update of such information have been issued.

Own shares and shares of parent companies

In 2014, the Cembre Group did not acquire or sell any of its own shares, nor did it own, either directly or through any of its subsidiaries, trust companies or intermediaries, any of its own shares or any of its parent company's shares.

Ownership Structure and Corporate Governance

In compliance with norms contained in article 123-*bis* of Legislative Decree 58, dated February 24, 1998 (*Testo Unico* Consolidated Finance Act), we refer to the Report on Corporate Governance which, in addition to providing a general description of corporate governance, contains information regarding the ownership structure of the Company, the adoption of the Code of Conduct and the observance of the resulting commitments. Said Report is available in the Investor Relations section of the Group's institutional web site (www.cembre.it).

Subsequent events

No event having significant effects on Cembre's financial or operating performance occurred after December 31, 2014.

Outlook

Making forecasts of economic activity is at present difficult due to uncertainty and volatility shown by major markets. The Group however forecasts for 2015 a slight growth on all markets with respect to 2014 and thus expects to close the year achieving an increase in turnover and a consolidated profit.

Proposal for the Allocation of the Company's Net Profit

In order to complete the Company's planned investments and to benefit from self-financed growth, it is advisable that at least a portion of net profit generated be retained. In seeking the approval for our actions by submitting to you the present Financial Statements and Report on Operations, we also invite you, in view of the fact that the legal reserve has already reached 20% of the share capital, to approve our proposed allocation of net profit for 2014, amounting to €12,202,350.62 (rounded off to €12,202,351) as follows:

- €0.36 to be distributed to each of the Company's 17,000,000 shares entitled to dividends, for a total of €6,120,000;
- the remainder, amounting to €6,082,350.62, to the extraordinary reserve.

With regard to the distribution of dividends we propose the following dates:

- May 18, 2015 as the ex-dividend date;
- May 19, 2015 as the record date pursuant to article 83-terdecies of *TUF* (Finance Act);
- May 20, 2015 as the payment date

Attachments

The present Report on Operations includes the following attachments:

Attachment 1	Reclassified Consolidated Income Statement for the year ended December 31, 2014.
Attachment 2	Company Boards.

Brescia, March 11, 2015

THE CHAIRMAN AND MANAGING DIRECTOR
OF CEMBRE S.P.A.

Giovanni Rosani

Attachment 1 - Report on Operations for Financial Year 2014

Comparative Consolidated Income Statement

(€ '000)	Year 2014	% of sales	Year 2013	% of sales	Change
Revenues from sales and services provided	112.905	100,0%	104.547	100,0%	8,0%
Other revenues	920		729		26,2%
TOTAL REVENUES	**113.825**		**105.276**		8,1%
Cost of goods and merchandise	(40.787)	-36,1%	(38.516)	-36,8%	5,9%
Change in inventories	529	0,5%	285	0,3%	85,6%
Cost of services received	(14.615)	-12,9%	(13.882)	-13,3%	5,3%
Lease and rental costs	(1.380)	-1,2%	(1.359)	-1,3%	1,5%
Personnel costs	(32.108)	-28,4%	(30.759)	-29,4%	4,4%
Other operating costs	(1.277)	-1,1%	(997)	-1,0%	28,1%
Increase in assets due to internal construction	913	0,8%	782	0,7%	16,8%
Write-down of receivables	(607)	-0,5%	(415)	-0,4%	46,3%
Accruals to provisions for risks and charges	(141)	-0,1%	(8)	0,0%	1662,5%
GROSS OPERATING PROFIT	**24.352**	21,6%	**20.407**	19,5%	19,3%
Property, plant and equipment depreciation	(4.506)	-4,0%	(4.206)	-4,0%	7,1%
Intangible asset amortization	(413)	-0,4%	(363)	-0,3%	13,8%
OPERATING PROFIT	**19.433**	17,2%	**15.838**	15,1%	22,7%
Financial income	21	0,0%	16	0,0%	31,3%
Financial expenses	(99)	-0,1%	(163)	-0,2%	-39,3%
Foreign exchange gains (losses)	347	0,3%	(106)	-0,1%	-427,4%
PROFIT BEFORE TAXES	**19.702**	17,5%	**15.585**	14,9%	26,4%
Income taxes	(6.160)	-5,5%	(5.082)	-4,9%	21,2%
NET PROFIT	**13.542**	12,0%	**10.503**	10,0%	28,9%

Attachment 2 – Report on Operations

CORPORATE BOARDS

Board of Directors

Giovanni Rosani	Chairman and Managing Director
Anna Maria Onagri	Vice Chairman
Sara Rosani	Director
Giovanni De Vecchi	Director
Aldo Bottini Bongrani	Director
Giancarlo Maccarini	Independent Director
Fabio Fada	Independent Director
Renzo Torchiani	Independent Director

Board of Statutory Auditors

Fabio Longhi	Chairman
Guido Astori	Permanent Auditor
Andrea Boreatti	Permanent Auditor
Maria Grazia Lizzini	Substitute Auditor
Gabriele Baschetti	Substitute Auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

The above list is updated at March 11, 2015.

The Board of Directors and Board of Statutory Auditor’s term expires with the approval of the Financial Statements at December 31, 2014.

The Chairman holds by statute (article 18) powers of legal representation of the Company. The Board of Directors conferred to the Chairman and Managing Director Giovanni Rosani all the ordinary management powers not specifically reserved to it by law, including exclusive powers over the organization, management and monitoring of the internal control system.

In case of absence or impediment of the Chairman and Managing Director Giovanni Rosani, Vice Chairman and Managing Director Anna Maria Onofri holds all ordinary management powers not reserved to the Board by law, with the exception of the appointment of professionals. All Managing Directors must keep the Board of Directors informed of all relevant transactions concluded in the context of their mandate. The Board of Directors has approved rules that define which particularly relevant transactions may be concluded exclusively by the same.

Consolidated Financial Statements at December 31, 2014

Consolidated Statement of Financial Position

ASSETS	Notes	Dec. 31, 2014		Dec. 31, 2013	
(euro '000)			*of which: related parties*		*of which: related parties*
NON CURRENT ASSETS					
Tangible assets	*1*	65.846		61.602	
Intangible assets	*2*	1.219		1.153	
Other investments		10		5	
Other non-current assets		9		10	
Deferred tax assets	*11*	2.474		1.937	
TOTAL NON-CURRENT ASSETS		**69.558**		**64.707**	
CURRENT ASSETS					
Inventories	*3*	38.291		36.758	
Trade receivables	*4*	25.625		24.854	
Tax receivables	*5*	847		807	
Other receivables	*6*	537		1.378	
Cash and cash equivalents	26	11.659		7.539	
TOTAL CURRENT ASSETS		**76.959**		**71.336**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		**-**		**-**	
TOTAL ASSETS		**146.517**		**136.043**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2014		Dec. 31, 2013	
(euro '000)			*of which: related parties*		*of which: related parties*
SHAREHOLDERS' EQUITY					
Capital stock	*7*	8.840		8.840	
Reserves	*7*	97.513		90.149	
Net profit	*7*	13.542		10.503	
TOTAL SHAREHOLDERS' EQUITY		**119.895**		**109.492**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	*8*	-		-	
Employee Severance Indemnity and other personnel benefits	*9*	2.554	160	2.438	153
Provisions for risks and charges	*10*	269	50	79	
Deferred tax liabilities	*11*	2.439		2.426	
TOTAL NON-CURRENT LIABILITIES		**5.262**		**4.943**	
CURRENT LIABILITIES					
Current financial liabilities	*8*	-		1.647	
Trade payables	*12*	13.219		12.779	
Tax payables		1.744		720	
Other payables	*13*	6.397		6.462	
TOTAL CURRENT LIABILITIES		**21.360**		**21.608**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		**-**		**-**	
TOTAL LIABILITIES		**26.622**		**26.551**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**146.517**		**136.043**	

Consolidated Financial Statements at December 31, 2014

Statement of Consolidated Comprehensive Income

	Notes	2014		2013	
(euro '000)			*of which: related parties*		*of which: related parties*
Revenues from sales and services provided	*14*	112.905		104.547	
Other revenues	*15*	920		729	
TOTAL REVENUES		**113.825**		**105.276**	
Cost of goods and merchandise		(40.787)		(38.516)	
Change in inventories	*3*	529		285	
Cost of services received	*16*	(14.615)	(631)	(13.882)	(581)
Lease and rental costs	*17*	(1.380)	(657)	(1.359)	(672)
Personnel costs	*18*	(32.108)	(304)	(30.759)	(279)
Other operating costs	*19*	(1.277)		(997)	
Increase in assets due to internal construction		913		782	
Write-down of receivables	*4*	(607)		(415)	
Accruals to provisions for risks and charges	*20*	(141)		(8)	
GROSS OPERATING PROFIT		**24.352**		**20.407**	
Property, plant and equipment depreciation	*1*	(4.506)		(4.206)	
Intangible asset amortization	*2*	(413)		(363)	
OPERATING PROFIT		**19.433**		**15.838**	
Financial income	*21*	21		16	
Financial expenses	*21*	(99)		(163)	
Foreign exchange gains (losses)	*29*	347		(106)	
PROFIT BEFORE TAXES		**19.702**		**15.585**	
Income taxes	*22*	(6.160)		(5.082)	
NET PROFIT FROM ORDINARY ACTIVITIES		**13.542**		**10.503**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		**-**		**-**	
NET PROFIT		**13.542**		**10.503**	
Items that will not be reclassified to profit and loss					
Gains (losses) from discounting of Employees' Termination Indemnity	*23*	(126)		33	
Income tax relating to items that will not be reclassified	*23*	35		(9)	
Items that may be reclassified subsequently to profit and loss					
Conversion differences included in equity	*23*	1.372		(371)	
COMPREHENSIVE INCOME		**14.823**		**10.156**	
BASIC AND DILUTED EARNINGS PER SHARE	*24*	**0,80**		**0,62**	

Consolidated Financial Statements at December 31, 2014

Consolidated Statement of Cash Flows

	2014	2013
€ '000		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**7.539**	**4.839**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the PERIOD	13.542	10.503
Depreciation, amortization and write-downs	4.919	4.569
(Gains)/Losses on disposal of assets	190	(31)
Net change in Employee Severance Indemnity	116	7
Net change in provisions for risks and charges	190	(2)
Operating profit (loss) before change in working capital	**18.957**	**15.046**
(Increase) Decrease in trade receivables	(771)	244
(Increase) Decrease in inventories	(1.533)	57
(Increase) Decrease in other receivables and deferred tax assets	264	1.727
Increase (Decrease) of trade payables	390	(508)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	972	541
Change in working capital	**(678)**	**2.061**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**18.279**	**17.107**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(477)	(573)
- tangible	(8.759)	(6.802)
- financial	(5)	-
Proceeds from disposal of tangible, intangible, financial assets		
- tangible	142	66
Increase (Decrease) of trade payables for assets	50	(1.577)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(9.049)**	**(8.886)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	1	3
Increase (Decrease) in bank loans and borrowings	(1.647)	(2.572)
Dividends distributed	(4.420)	(2.720)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**(6.066)**	**(5.289)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**3.164**	**2.932**
F) Foreign exchange differences	1.047	(256)
G) Discounting of Employee Termination Indemnity	(91)	24
H) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)	**11.659**	**7.539**

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**11.659**	**7.539**
Current financial liabilities	-	(1.647)
NET CONSOLIDATED FINANCIAL POSITION	**11.659**	**5.892**

INTERESTS PAID IN THE PERIOD	**(6)**	**(54)**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	13	17
Banks	11.646	7.522
	11.659	**7.539**

Consolidated Financial Statements at December 31, 2014

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2013	Merger's effects	Allocation of previous year net profit	Other changes	Comprehensive income of the period	Balance at December 31, 2014
Capital stock	**8.840**					**8.840**
Share premium reserve	**12.245**					**12.245**
Legal reserve	**1.768**					**1.768**
Suspended-tax revaluation reserve	**585**					**585**
Other suspended-tax reserves	**68**					**68**
Other reserves (Note 7)	**17.758**		1.827		1	**19.586**
Conversion differences	**(1.619)**				1.371	**(248)**
Extraordinary reserve	**51.030**		4.256			**55.286**
Reserve for FTA (Note 7)	**3.715**					**3.715**
Reserve for discounting of Employee Termination Indemnity	**202**				(91)	**111**
Merger surplus reserve	**4.397**					**4.397**
Retained earnings	-					-
Net profit	**10.503**		(10.503)		13.542	**13.542**
Total Shareholders' Equity	**109.492**	**-**	**(4.420)**	**-**	**14.823**	**119.895**

(€ '000)	Balance at December 31, 2012 Restated	Merger's effects	Allocation of previous year net profit	Other changes	Comprehensive income of the period	Balance at December 31, 2013
Capital stock	**8.840**					**8.840**
Share premium reserve	**12.245**					**12.245**
Legal reserve	**1.768**					**1.768**
Suspended-tax revaluation reserve	**585**					**585**
Other suspended-tax reserves	**68**					**68**
Other reserves	**19.595**	(4.397)	2.635		(75)	**17.758**
Conversion differences	**(1.323)**				(296)	**(1.619)**
Extraordinary reserve	**44.878**		6.152			**51.030**
Reserve for FTA	**3.715**					**3.715**
Reserve for discounting of Employee Termination Indemnity	**178**				24	**202**
Merger surplus reserve	-	4.397				**4.397**
Retained earnings	-					-
Net profit	**11.507**		(11.507)		10.503	**10.503**
Total Shareholders' Equity	**102.056**	**-**	**(2.720)**	**-**	**10.156**	**109.492**

Notes to the Consolidated Financial Statements at December 31, 2014

I. CORPORATE INFORMATION

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9. The company is listed in the Italian Market of Shares (MTA) managed by Borsa Italiana S.p.A.

Cembre S.p.A. and its subsidiaries (hereinafter referred to jointly as "the Cembre Group" or "the Group") are active primarily in the manufacturing and sale of electrical connectors and related tools.

The publication of the Consolidated Financial Statements of Cembre S.p.A. for the year ended December 31, 2014 was authorized by a resolution of the Board of Directors dated March 11, 2015.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not direct or coordinate its subsidiary.

II. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The present Consolidated Financial Statements at December 31, 2014 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

Principles adopted in the preparation of the Consolidated Financial Statements are those formally approved by the European Union as at December 31, 2014.

The consolidated financial statements were prepared in the expectation of the continuation of the Group's activities.

With the exception of those items for which international accounting principles provide for a different valuation, the consolidated financial statements were prepared in accordance with the historical cost principle.

Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective starting in 2014, which were taken into account, where applicable, in the preparation of the present Consolidated Financial Statements.

	Effective from
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Consolidated and Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Disclosure of Interests in Other Entities	January 1, 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

Future changes in accounting principles

The following updates of IFRS (already approved by the IASB), interpretations and amendments are in the process of being incorporated into European Union regulations:

	Effective from
New Principles	
IFRS 9 – Financial Instruments	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 12 – Revenue from Contracts with Customers	January 1, 2017
Changes in Accounting Principles	
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	July 1, 2016
Amendments to IAS 16 and IAS 38 – Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	January 1, 2016
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendments to IAS 27 – Equity Method in Separate Financial Statements	January 1, 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016

Annual Improvements to IFRS: Cycle 2010-2012	July 1, 2014
Annual Improvements to IFRS: Cycle 2011-2013	July 1, 2014
Annual Improvements to IFRS: Cycle 2012-2014	January 1, 2016

The Cembre Group will evaluate in the next months the possible effects of the adoption of the new principles.

Principles of consolidation

The Consolidated Financial Statements of the Cembre Group include the statutory accounts at December 31 of every year of Cembre S.p.A. and of its subsidiaries. Accounting principles adopted in the preparation of the financial statements of subsidiaries are consistent with those of the parent company.

The financial statements of consolidated subsidiaries are consolidated under the line-by-line method, thus including all items, irrespective of the share held by the Group, of the elimination of intragroup transactions and of unrealized gains on transactions with third parties.

The book value of investments is netted against the related share in the shareholders' equity of consolidated companies, attributing to assets and liabilities the respective current value at the time control was acquired and recording contingent liabilities, where appropriate. Where positive, the residual amount is recorded among non-current assets as goodwill. Negative residual differences are recorded in the income statement.

All subsidiaries are wholly-owned and in no case therefore have minority interests been recorded.

The following companies were consolidated at December 31, 2014:

		% held
1.	Cembre Ltd. (UK)	100%
2.	Cembre S.a.r.l. *(France)	100%
3.	Cembre España SL *(Spain)	100%
4.	Cembre AS (Norway)	100%
5.	Cembre Gmbh*(Germany)	100%
6.	Cembre Inc.**(US)	100%

*5% share held through Cembre Ltd.

**29% share held through Cembre Ltd.

Translation of financial statements expressed in currencies other than the euro

The functional and reporting currency of the Group is the euro.

Financial statements denominated in functional currencies other than the euro are translated according to the following criteria:

- assets and liabilities are translated at the exchange rate applicable at the date of the financial statements;
- income statement items are translated at the average exchange rate for the year;
- foreign-exchange translation differences are recorded in a specific Shareholders' Equity reserve.

At the time at which a foreign subsidiary is disposed of, accumulated foreign-exchange differences recorded under Shareholders' Equity relating to the same are taken to the Income Statement.

Exchange rates applied in the translation of financial statements of subsidiaries are shown in the table below.

Currency	Exchange rate at Dec. 31, 2014	Average exchange rate for 2014
British pound (£/€)	0.7789	0.8061
US dollar ($/€)	1.2141	1.3285
Norwegian kroner (NOK/€)	9.0420	8.3544

III. CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

Form of the financial statements

The financial statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Consolidated Statement of Financial Position;
- the analysis of costs in the Statement of Consolidated Comprehensive Income is carried out based on the nature of the same;

- the Consolidated Statement of Cash Flows is prepared by applying the indirect method.

Financial Statements forms are unchanged from previous year.

Finally, with reference to CONSOB Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value. Ordinary maintenance and repair costs are not capitalized, and are charged to the income statement in the year in which they are incurred.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets and are summarized below:

- Buildings and light installations:	2% – 10%
- Plant and machinery:	5% – 25%
- Industrial and commercial equipment:	6% – 25%
- Other assets:	6% – 33%

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication, the assets or cash generating units are written down to reflect their expected realizable value.

The residual value of assets, their useful life and methods applied are reviewed annually and adjusted, where necessary, at the end of each year.

Tangible assets are eliminated from the Balance Sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal. Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leased assets

Assets held under a financial lease, through which all risks and benefits relating to ownership are transferred to the Group, are recorded under assets at the lower of their current value and the present value of minimum lease payments due according to the contract, including the bullet payment due at the end of the lease to exercise the purchase option.

The liability corresponding to the lease contract is recorded under financial liabilities.

Leased assets are classified under the respective category among property, plant and equipment, and depreciated over the shorter period between the term of the lease and the expected residual useful life of the asset.

Lease contracts in which the lessor holds all risks and enjoys all benefits deriving from the leased asset are classified as operating leases and recorded as costs in the Income Statement over the term of the contract.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalized at cost, while those acquired through mergers are capitalized at their fair value at the time of acquisition.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortization calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortized and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following:

- concessions and licenses:	5 to 10 years
- software licenses	3 to 5 years
- patents	2 years
- development costs:	5 years
- trademarks:	10 to 20 years

Amortization commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the amortization schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realizable value, the value of the asset is written-down to its expected realizable value.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, whose change is recorded in the Income Statement

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Unless specifically designated as effective hedge, derivatives are classified as financial assets held for trading purposes. Gains and losses on financial assets held for trading purposes are recorded in the income statement.

Financial assets held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity, are classified as Financial assets held to maturity when the Group intends to and is capable of holding them to maturity.

Financial assets that the Group decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are accounted for at the amortized cost, using the effective rate of interest method, are discounted to their present value.

The amortized cost is calculated keeping into account discounts and premiums, amortized over the term of the financial asset.

Loans extended and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. Such assets are recorded at the amortized cost using the actual discount rate method. Gains and losses are recorded in the Income Statement whenever loans extended and receivables are eliminated from the accounts or they experience losses in value, together with the related amortization.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After the initial recording, these are accounted for at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the income statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Loss in value of financial assets

The Group verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve.

The purchase, sale, issue or cancellation of treasury shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realizable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The cost of inventories is determined under the weighted-average method, inclusive of the cost of beginning inventories. Provisions for slow-moving stock are accrued for finished products, materials and other supplies, keeping into account their expected useful life and retrievable value.

Receivables and payables

Receivables are recorded initially at fair value and subsequently carried at the amortized cost, written-down in case of loss in value. Payables are normally valued at the amortized cost, adjusted under exceptional conditions for changes in value.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recorded at cost, corresponding to the fair value of the amount received, net of accessory costs.

After the initial recording, loans are valued at the amortized cost, using the effective interest method.

Translation of amounts denominated in currencies other than the euro

Transactions denominated in currencies other than the euro are initially accounted for in euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the euro are translated into euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Functional currencies adopted by Group companies correspond to the currencies of the respective county in which subsidiaries are based.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, whose existence is certain or probable, but whose amount and expiration cannot be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfillment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income (expense).

Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

After the reform, the provisions of which were adopted by the Group from the 2007 Half-year Report, employee termination indemnities accrued up to December 31, 2006, continue to be accounted for as defined benefit plans, while those accrued from January 1, 2007 are accounted for in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007 and until the time at which the choice is made by the employee, are accounted for as a defined benefit plan. Subsequently they are accounted for as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are accounted for as a defined contribution plan.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Group ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Group.

A financial liability is written-off exclusively when the related obligation is cancelled, fulfilled or expired. Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability. Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

The revenue is recognized when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements. When the result of the service rendered cannot be reliably estimated, revenues are recorded only to the extent of retrievable costs.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recorded in the period in which it accrues, using the effective interest method.

Dividends

Dividends are recorded when the right of shareholders to receive them arises.

Grants

Grants are recorded at fair value when there exists a reasonable certainty that that the same will actually be received and the company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under “other revenues” and amortized over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalized development costs), is suspended under long-term liabilities and released to the income statement under “other revenues” over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue. In accordance with IAS 23 Revised, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalized.

Cost of goods purchased and services received

The cost of goods purchased and services received is recorded in the income statement based on the accrual method.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations in the respective countries.

The Group records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related values reported for tax purposes, in addition to differences in the value of assets and liabilities generated by consolidation adjustments.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed. Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Financial derivatives

Derivative financial instruments are valued at market value (*fair value*). A derivative financial instrument can be acquired for trading or hedging purposes.

Gains and losses on financial instruments acquired for trading purposes are charged to the income statement.

Derivatives acquired for hedging purposes may be accounted for under the hedge accounting method – offsetting the recording of the derivative in the income statement with adjustments to the value of assets and liabilities hedged – only when derivatives meet specific criteria.

Hedge derivatives are classified as "fair value hedges" when they are acquired to hedge against the risk of fluctuations in the market value of an underlying asset or liability or the risk of fluctuations in the financial flows deriving from the same, both in the case of existing assets and liabilities or those deriving from a future transaction.

In the case of fair value hedges, gains and losses on the restatement of the market value of a derivative instrument are taken to the income statement.

With regard to the hedging of financial flows, gains and losses on the hedge instrument are recorded under Shareholders' Equity when they relate to the portion of the hedge considered effective, while the portion not hedged is recorded in the income statement.

In 2014 the Group did not stipulate financial derivative contracts.

Earnings per share

Earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation for the period.

Fully diluted earnings per share (calculated by subtracting from consolidated net profit the cost of converting all stock options into ordinary shares) are obtained by adjusting the number of shares in circulation assuming the exercise of stock options having a diluting effect.

Use of estimates

In accordance with IAS/IFRS, the Group made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same.

Below we describe review processes and key assumptions used by management in applying accounting principles.

Provision for inventory depreciation

The provision for inventory depreciation is accrued to bring the book value of inventories into line with their expected realizable value.

Management reviews the composition of inventories with particular reference to slow moving stock to determine the amount to be accrued prudentially to reflect the obsolescence of stocks.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

Losses on trade receivables expected by the Group are based on past experience on similar portfolios of receivables, current overdues vs. historical overdues, losses and collections, the close monitoring of credit risk and credit worthiness of customers, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets.

Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Group, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same.

Whenever the book value of a non-current asset experiences a loss in value, the Company records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Group makes use of traditional actuarial techniques based on stochastic simulations of the “Monte Carlo” type. Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Group make also use of demographic projections based on current mortality rates, employee disablement and resignation rates observed in Parent Company Cembre S.p.A..

In 2014, based on past turnover experience, the probability of a Cembre S.p.A.'s employee terminating his or her employment for causes other than death is the following:

Male	6.18%
Female	4.46%

Assumptions regarding the discounting and inflation rates were:

Discounting rate	2,50%
Yearly inflation rate	1,50%
Yearly real increase in retributions	1,00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Retrievability of deferred tax assets

The Group evaluates the possibility to retrieve deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same.

Potential liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Group ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

IV. SEGMENT INFORMATION

IFRS 8 requires segment information to be supplied using the same elements on which management bases internal reporting.

Cembre adopted as its primary reporting focus information by geographical area based on the location in which the operations of the company are based or the production process takes place. As the Cembre Group operates in a single segment denominated "Electric connectors and related tools", items based on this element are not usually utilized for the purposes of internal reporting.

2014	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	58,554	44,465	9,886		112,905
Sales to other Group companies	26,349	1,893	166	(28,408)	-
Revenues by sector	84,903	46,358	10,052	(28,408)	112,905
Operating profit by sector	14,012	4,515	906		19,433
Cost/Gains not assigned					-
Operating profit					19,433
Financial income/(expenses)					269
Income taxes					(6,160)
Net profit					13,542

2013	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	53,813	41,322	9,412		104,547
Sales to other Group companies	24,287	1,739	45	(26,071)	-
Revenues by sector	78,100	43,061	9,457	(26,071)	104,547
Operating profit by sector	10,672	3,875	1,291		15,838
Cost/Gains not assigned					-
Operating profit					15,838
Financial income/(expenses)					(253)
Income taxes					(5,082)
Net profit					10,503

As the distribution of sales by geographical area is different from that of the related Group activities, a breakdown of sales by geographical area of customers is shown below.

	2014	2013
Italy	44,100	39,253
Europe	51,204	47,980
Rest of World	17,601	17,315
	112,905	**104,547**

The breakdown of assets and liabilities is shown below:

Dec. 31, 2014	Italy	Rest of Europe	Rest of World	TOTAL
Assets and Liabilities				
Assets of the sector	107,486	34,968	7,691	150,145
Unassigned assets				(3,628)
Total assets				**146,517**
Liabilities of the sector	22,215	4,308	122	26,645
Unassigned liabilities				(23)
Total liabilities				**26,622**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	8,052	551	156	8,759
- Intangible assets	455	22	-	477
Total investments				**9,236**
Depreciation and amortization:				
- Property, plant and equipment	(3,706)	(717)	(83)	(4,506)
- Intangible assets	(386)	(27)	-	(413)
Accruals to provision for employee benefits	(774)	(71)	-	**(845)**
Average no. of employees	418	178	22	**618**

Dec. 31, 2013	Italy	Rest of Europe	Rest of World	TOTAL
Assets and Liabilities				
Assets of the sector	99,070	33,686	6,183	138,939
Unassigned assets				(2,896)
Total assets				**136,043**
Liabilities of the sector	22,132	4,216	226	26,574
Unassigned liabilities				(23)
Total liabilities				**26,551**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	6,183	490	129	6,802
- Intangible assets	534	39	-	573
Total investments				**7,375**
Depreciation and amortization:				
- Property, plant and equipment	(3,487)	(652)	(67)	(4,206)
- Intangible assets	(345)	(18)	-	(363)
Accruals to provision for employee benefits	763	16	-	**779**
Average no. of employees	418	174	20	**612**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	42,796	46,177	9,556	6,810	37	1,570	106,946
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	77	-	3	-	-	1,016
Accumulated depreciation	(9,390)	(30,088)	(7,600)	(5,196)	(7)	-	(52,281)
Bal. at Dec. 31, 2013	**40,263**	**16,166**	**1,956**	**1,617**	**30**	**1,570**	**61,602**
Increases	1,017	5,500	799	781	-	662	8,759
Currency translation differences	195	96	1	33	-	-	325
Depreciation	(962)	(2,506)	(387)	(645)	(6)	-	(4,506)
Net divestments	(126)	(156)	-	(50)	-	(2)	(334)
Reclassifications	734	462	122	-	-	(1,318)	-
Bal. at Dec. 31, 2014	**41,121**	**19,562**	**2,491**	**1,736**	**24**	**912**	**65,846**

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	40,895	40,280	9,121	6,878	48	4,203	101,425
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	81	-	3	-	-	1,020
Accumulated depreciation	(8,309)	(28,338)	(7,259)	(5,298)	(5)	-	(49,209)
Bal. at Dec. 31, 2012	**39,443**	**12,023**	**1,862**	**1,583**	**43**	**4,203**	**59,157**
Increases	928	3,662	346	624	-	1,242	6,802
Currency translation differences	(63)	(36)	-	(16)	-	-	(115)
Depreciation	(1,087)	(2,197)	(350)	(565)	(7)	-	(4,206)
Net divestments	(10)	(10)	-	(9)	(6)	(1)	(36)
Reclassifications	1,052	2,724	98	-	-	(3,874)	-
Bal. at Dec. 31, 2013	**40,263**	**16,166**	**1,956**	**1,617**	**30**	**1,570**	**61,602**

Capital expenditure in 2014 amounted to €8,759 thousand and related primarily to investments made by the parent company. Investments in buildings consisted mainly in the completion and bringing into full operation of warehouses and offices purchased in 2011 in addition to an investment of approximately €0.8 million in the completion of complementary work (parking, access ramps, etc.). Expenditure on equipment for the coming into use of new buildings and the renovation of old ones reached €1.9 million while investment in production machinery reached €3.3 million. Expenditure for the manufacturing of dies amounted to €0.6 million.

Investments made by foreign subsidiaries include €0.2 million spent by Cembre Ltd. on plant and equipment, while Cembre Inc. renewed its motor vehicle fleet for an expenditure of €0.1 million.

Item Land and buildings includes the €5,921 thousand revaluation made upon the first-time application of international accounting principles (IAS).

2. INTANGIBLE ASSETS

	Development costs	Patents	Software	Other intangible assets	Work in progress	Total
Historical cost	730	236	4,019	-	71	5,056
Accumulated amortization	(446)	(165)	(3,292)	-	-	(3,903)
Balance at Dec. 31, 2013	**284**	**71**	**727**	**-**	**71**	**1,153**
Increases	232	34	176	5	30	477
Currency translation difference	-	-	2	-	-	2
Amortization	(110)	(65)	(235)	(3)	-	(413)
Reclassifications	-	-	23	48	(71)	-
Balance at Dec. 31, 2014	**406**	**40**	**693**	**50**	**30**	**1,219**

3. INVENTORIES

	Dec. 31, 2014	Dec. 31, 2013	Change
Raw materials	8,540	8,201	339
Work in progress and semi-finished goods	10,016	9,372	644
Finished goods	19,735	19,185	550
Total	**38,291**	**36,758**	**1,533**

The value of finished goods inventories is adjusted to its expected realizable value through a provision for slow-moving stock amounting approximately to €2,042 thousand. Changes in the provision in 2014 are shown in the table that follows:

	2014	2013
Balance at January 1	**1.709**	**1.486**
Accruals	444	241
Uses	(166)	(3)
Currency translation differences	55	(15)
Balance at December 31	**2.042**	**1.709**

4. TRADE RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Gross trade receivables	26,810	25,670	1,140
Provision for doubtful accounts	(1,185)	(816)	(369)
Total	**25,625**	**24,854**	**771**

Trade receivables by geographical area

	Dec. 31, 2014	Dec. 31, 2013	Change
Italy	15,202	14,349	853
Europe	9,868	9,047	821
North America	1,415	1,125	290
Oceania	103	356	(253)
Middle East	59	58	1
Far East	87	584	(497)
Africa	76	151	(75)
Total	**26,810**	**25,670**	**1,140**

Average collection time shortened from 81 days in 2013 to 78 days in 2014.

Changes in the provision for doubtful accounts are shown in the table that follows:

	2014	2013
Balance at January 1	**816**	**884**
Accruals	607	415
Uses	(242)	(481)
Currency translation differences	4	(2)
Balance at December 31	**1,185**	**816**

Breakdown of receivables by maturity at December 31, 2014

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2014	22,642	3,098	371	189	361	149	**26,810**
2013	21,421	2,818	547	253	374	257	**25,670**

5. TAX RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Tax receivables	847	807	40

The amount consists prevalently of receivables of the parent on retroactive IRES deductions of IRAP on personnel expenses for years 2007-2011 on which a refund was applied for.

6. OTHER ASSETS

	Dec. 31, 2014	Dec. 31, 2013	Change
Receivables from employees	59	70	(11)
VAT and other indirect taxes receivable	132	933	(801)
Advances to suppliers	239	233	6
Other	107	142	(35)
Total	**537**	**1.378**	**(841)**

Item Other includes prevalently receivables of the parent company relating to social security.

7. SHAREHOLDERS' EQUITY

The capital stock of the parent company amounts to €8,840 thousand, and is made up of 17 million ordinary shares of par value €0.52 each, fully underwritten and paid-up.

At December 31, 2014 the Company did not hold treasury shares.

A reconciliation between the Shareholders' Equity and net profit of the parent company and the Consolidated Shareholders' Equity and net profit is provided in the Report on Operations.

Changes in individual components of the Consolidated Shareholders' Equity are shown in the Statement of Changes in the Consolidated Shareholders' Equity included in the Consolidated Financial Statements.

Other reserves are made up as follows:

	Dec. 31, 2014	Dec. 31, 2013
Elimination of investments in subsidiaries	20,368	18,763
Elimination of unrealized intra-group profit in stock	(2,891)	(3,130)
German subsidiary product warranty provision reversal	21	20
Dividends from subsidiaries	2,085	2,120
Currency translation differences on intra-group payables and receivables	3	(13)
Intra Group reconciliation and gains	-	(2)
Total	**19,586**	**17,758**

Upon the first-time application of IFRS, the parent company chose to adopt as inventory valuation method the average cost, in line with the rest of the Group. For this reason the consolidated *Reserve for the first-time adoption of IFRS* differs by €336 thousand from the one recorded under equity by the parent company.

8. FINANCIAL LIABILITIES

	Effective interest rate	Maturity	Dec. 31, 2014	Dec. 31, 2013
Bank overdrafts				
(bills discount)				
Cembre S.p.A.	0,9 – 1,1%	On demand		
Credito Bergamasco			-	727
Unicredt			-	770
Popolare di Sondrio			-	118
BNL			-	32
Total			**-**	**1,647**
NON-CURRENT FINANCIAL LIABILITIES			**-**	**1,647**

9. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

The item includes the Employee Severance Indemnity accrued for employees of Italian companies. Special retirement benefits, due in accordance with French regulations to persons employed in France at the time of retirement, are also included in the provision.

With the reform of employee termination indemnities, starting with January 1, 2007 Cembre S.p.A. is no longer required to accrue retirement benefits in favor of its employees in a provision, but pays out benefits accrued after such date to the INPS treasury account, unless such benefits have been destined to other pension funds by individual employees.

Employee termination indemnities accrued at December 31, 2014 was discounted on the basis of an evaluation made by a registered actuary, in accordance with current regulations.

	2014	2013
Beginning balance	**2,438**	**2,431**
Accruals	845	779
Uses	(282)	(201)
Social security (INPS) treasury account	(664)	(635)
Discounting effect	217	64
Closing balance	**2,554**	**2,438**

Total termination indemnities accrued with INPS' treasury account at the end of the year amount to €4,617 thousand.

10. PROVISIONS FOR RISKS AND CHARGES

Changes in the year are shown in the table below.

	Customer indemnities	Directors' variable compensation	Other risks	Total
At December 31, 2013	**79**	**-**	**-**	**79**
Accruals	10	50	131	191
Uses	(1)	-	-	(1)
At December 31, 2014	**88**	**50**	**131**	**269**

In line with the remuneration policy of the Company, variable compensation linked to the achievement of medium-long term objectives was introduced in favor of the Chairman and Managing Director. Such compensation could be paid out in 2018 in case targets set for years 2014-2017 by the Board of Directors, upon proposal of the Remuneration Committee, are achieved. The amount of the accrual against the possible compensation of directors is recorded among the cost of services.

The provision includes accruals for charges on commercial litigation pending that had not been defined at the date of the financial statements.

11. DEFERRED TAX ASSETS AND LIABILITIES

	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	1,660	1,323
Write-down of inventories	274	227
Goodwill amortization	13	18
Provision for French personnel costs	78	54
Provision for doubtful accounts of parent company	223	123
Differences on depreciation of parent company	131	117
Other	95	75
Gross deferred tax assets	**2,474**	**1,937**
Deferred tax liabilities		
Average cost valuation of inventories by the parent	(231)	(284)
Accelerated depreciation	(214)	(167)
Elimination of Cembre GmbH product warranty provision	(10)	(10)
Reversal of land depreciation	(27)	(27)
Revaluation of land	(1,859)	(1,859)
Discounting of employee termination indemnity	(19)	(79)
Differences on depreciation of US subsidiary	(56)	-
Currency translation differences	(23)	-
Gross deferred tax liabilities	**(2,439)**	**(2,426)**
Net deferred tax liabilities	**35**	**(489)**

12. TRADE PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Payable to suppliers	12,898	12,763	135
Advances	321	16	305
Total	**13,219**	**12,779**	**440**

Trade payables by geographical area

	Dec. 31, 2014	Dec. 31, 2013	Change
Italy	10,873	10,582	291
Rest of Europe	1,981	1,879	102
America	37	3	34
Oceania	-	100	(100)
Other	7	199	(192)
Total	**12,898**	**12,763**	**135**

13. OTHER PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Payables to employees	1,618	1,419	199
Employee withholding taxes payable	988	940	48
Bonuses owed to customers	317	464	(147)
VAT and similar foreign taxes payable	812	954	(142)
Commissions payable	186	176	10
Payable to Statutory Auditors and similar foreign boards	73	84	(11)
Payable to Directors	6	6	-
Social security payables	2,404	2,258	146
Payable on sundry taxes	39	46	(7)
Other	50	184	(134)
Accrued liabilities	(96)	(69)	(27)
Total	**6,397**	**6,462**	**(65)**

14. REVENUES FROM SALES AND SERVICES PROVIDED

In 2014, revenues grew by 8% on the previous year. A total of 39.1% of Group sales were represented by Italy (12.4% more than in 2013). The rest of Europe represented instead 45.3% of sales, (6.7% more than in the previous year), while sales to the rest of the World represented a 15.6% share of total sales (1.7% more than in 2013). Further detail is provided in the Report on Operations.

15. OTHER REVENUES

Other revenues are made up as follows:

	2014	2013	Change
Rent	57	111	(54)
Capital gains	45	14	31
Uses of provisions	6	3	3
Insurance damages	14	54	(40)
Reimbursements	402	377	25
Other	395	61	334
Grants	1	109	(108)
Total	**920**	**729**	**191**

Reimbursements relate primarily to transport costs charged to customers.

Item *Other* includes 350 thousand of damages awarded to Cembre at the conclusion of a commercial litigation.

16. COST OF SERVICES

	2014	2013	Change
Subcontracted work	2,688	2,536	152
Electricity, heating and water	1,498	1,533	(35)
Transport of goods sold	1,721	1,766	(45)
Fuel	460	487	(27)
Travelling expenses	852	853	(1)
Maintenance and repair	2,120	1,789	331
Consulting	1,368	1,293	75
Advertising and promotion	558	558	-
Insurance	587	570	17
Boards' compensation	680	627	53
Postage and telephone	404	400	4
Commissions	356	275	81
Security and cleaning	505	608	(103)
Bank charges	151	147	4
Other	667	440	227
Total	**14,615**	**13,882**	**733**

17. LEASES AND RENTALS

	2014	2013	Change
Rent and related costs	818	878	(60)
Vehicle leasing	562	481	81
Total	**1,380**	**1,359**	**21**

18. PERSONNEL COSTS

	2014	2013	Change
Wages and salaries	24,036	23,183	853
Social security contributions	6,213	5,953	260
Employee termination indemnity	1,035	1,023	12
Retirement benefits	279	163	116
Other costs	545	437	108
Total	**32,108**	**30,759**	**1,349**

Wages and salaries include €829 thousand relating to outsourced personnel, mainly of the parent company.

Average number of employees by category

	2014	2013	Change
Managers	15	15	-
Administrative and commercial staff	282	279	3
Workers	298	286	12
Outsourced personnel	23	32	(9)
Total	**618**	**612**	**6**

Average number of employees by Group company

	Managers	White collars	Blue collars	Outsourced personnel	Total 2014	Total 2013	Change
Cembre S.p.A.	6	176	215	21	418	418	-
Cembre Ltd.	3	36	62	-	101	96	5
Cembre Sarl	1	18	5	-	24	24	-
Cembre España SL	1	22	7	1	31	31	-
Cembre AS	-	2	-	-	2	2	-
Cembre Inc.	3	14	5	-	22	20	2
Cembre GmbH	1	14	4	1	20	21	(1)
Total	**15**	**282**	**298**	**23**	**618**	**612**	**6**

19. OTHER OPERATING COSTS

	2014	2013	Change
Sundry taxes	685	662	23
Losses on receivables	4	10	(6)
Capital losses	235	26	209
Donations	18	16	2
Other	335	283	52
Total	**1.277**	**997**	**280**

Item *Other* consists primarily sundry expenses of the parent company. *Capital losses* include €126 thousand resulting from disposals of leasehold improvements following the early termination by Cembre of a number of lease contracts upon the transfer of production departments in other locations owned by the Company.

20. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

	2014	2013	Change
Customer indemnities	9	8	1
Other risks	132	-	132
Total	**141**	**8**	**133**

The customer indemnities provision amounts to €9,204 thousand and was accrued against possible charges in the case of termination of agency mandates.

Item *Other risks* includes accruals for possible charges on commercial litigation not concluded at the date of approval of the financial statements.

21. FINANCIAL INCOME (EXPENSE)

	2014	2013	Change
Interest earned on bank account balances	20	14	6
Other financial income	1	2	(1)
Total financial income	**21**	**16**	**5**
Loans and bank overdrafts	(6)	(54)	48
Financial charges on discounting of Employee Termination Indemnity	(91)	(98)	7
Other financial charges	(2)	(11)	9
Total financial expense	**(99)**	**(163)**	**64**
Financial income (expense)	**(78)**	**(147)**	**69**

22. INCOME TAXES

Income taxes are made up as follows:

	2014	2013	Change
Current taxes	(6,663)	(5,403)	(1,260)
Deferred taxes	503	321	182
Total	**(6,160)**	**(5,082)**	**(1,078)**

The table that follows shows a reconciliation between the theoretical tax expense, calculated at the normal tax rate of the parent company (Corporate (*IRES*) + Regional Tax on Productive Activities (*IRAP*) = 31.4%), and the actual tax expense recorded in the consolidated accounts.

	2014		2013	
	amount	% tax rate	amount	% tax rate
Profit before taxes	19,702		15,585	
Theoretical tax expense	**6,186**	31.40%	**4,894**	31.40%
Effect of non-deductible costs	987	5.01%	1,084	6.96%
Effect of tax-exempt income and deductions	(1,082)	-5.49%	(1,068)	-6.85%
Effect of different IRAP taxable income	495	2.51%	542	3.48%
Other deductions	(86)	-0.44%	(88)	-0.56%
Effect of change in tax rate of UK subsidiary	(3)	-0.02%	(24)	-0.15%
Extraordinary items	(114)	-0.58%	(175)	-1.12%
Effect of different foreign tax rates	(223)	-1.13%	(83)	-0.53%
Actual tax expense recorded	**6,160**	31.27%	**5,082**	32.61%

At December 31, 2014, there did not exist temporary differences and loss carry-forwards on which no deferred tax assets or liability had been recorded.

Deferred tax assets and liabilities are made up as follows:

	2014	2013
Elimination of unrealized intra-group profits in stock	337	(110)
Provision for doubtful accounts of the parent company	100	40
Differences on depreciation of US subsidiary	(56)	-
Average cost valuation of inventories of parent company	53	232
Accelerated depreciation	(47)	19
Write down of inventories	47	37
Discounting of employee termination indemnity	25	18
Provision for French personnel costs	24	5
Differences on depreciation of parent company	14	83
Amortization of goodwill	(5)	(5)
Reversal of German subsidiary’s product warranty	-	3
Other	11	(1)
Deferred tax assets and liabilities for the period	**503**	**321**

23. COMPREHENSIVE INCOME

The Cembre Group chose to adopt IAS 1 Revised providing for the use of a single table to report its comprehensive income. In particular, the economic effects recorded directly under Shareholders’ Equity are reported separately and result as an increase or decrease of net profit for the period.

At December 31, 2014, the only difference relates to foreign exchange translation differences arising upon consolidation on the translation into euro of the financial statements of companies whose functional currency is not the European currency and the effect of the discounting of Employee Termination Indemnities.

24. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing net profit by the weighted average number of shares in circulation for the period, excluding treasury shares held at the end of the year (the Group does not hold treasury shares).

	2014	2013
Consolidated net profit (€'000)	13,542	10,503
No. of ordinary shares ('000)	17,000	17,000
Basic and diluted earnings per share	**0.80**	**0.62**

25. DIVIDENDS

On May 22, 2014 the company distributed (with ex-dividend date May 19) a dividend on net profit for the year ended December 31, 2013, amounting to €4,420 thousand, equivalent to €0.26 for each share entitled to dividends.

	2014	2013
Resolved and paid in the year Balance due for 2013 dividend: €0.26 (2012: €0.16)	4,420	2,720
Proposal submitted to the Shareholders' Meeting (not recorded as liability at December 31) Balance due for 2014 dividend: €0.36 (2013: €0.26)	6,120	4,420

Proposed dividends submitted for approval to the Shareholders' Meeting amount to €0.36 per share, for a total of €6,120 thousand. This amount was not recorded as a liability.

26. COMMITMENTS AND RISKS

	Dec. 31, 2014	Dec. 31, 2013	Change
Guarantees granted	547	637	(90)

Commitments at December 31, 2014 included guarantees granted to the Brescia Municipality amounting to €352 thousand against the construction of development infrastructure in connection with the construction of new parking spaces and entrance at the Brescia main complex. The residual amount relates to guarantees for supplies granted to electrical and railway companies.

27. NET FINANCIAL POSITION

The net financial position of the Group amounted at the end of 2014 to a surplus of €11,659 thousand, improving on December 31, 2013.

At December 31, 2014, the Group had no outstanding debt involving covenants or negative pledges. Below we include the Net Financial Position of the Group, as provided by Consob in Regulation DEM/6064313 dated July 28, 2006.

		Dec. 31, 2014	Dec. 31, 2013
A	Cash	13	17
B	Bank deposits	11,646	7,522
C	**Cash and cash equivalents (A+B)**	**11,659**	**7,539**
D	**Financial receivables**	**-**	**-**
E	Current bank debt	-	(1,647)
F	**Current financial debt (E)**	**-**	**(1,647)**
G	**Net current financial position (C+D+F)**	**11,659**	**5,892**
H	**Non-current financial debt**	**-**	**-**
I	**Net financial position (G+H)**	**11,659**	**5,892**

28. RELATED PARTIES

The table that follows shows transactions between the parent company and its subsidiaries at December 31, 2014.

	Payables	Receivables	Revenues	Purchases
Cembre Ltd.	522	6	9,007	255
Cembre S.a.r.l.	366	1	4,264	64
Cembre España S.L.	409	1	3,645	3
Cembre AS	2	-	361	-
Cembre GmbH	429	92	3,872	136
Cembre Inc.	2,177	-	5,664	91
TOTAL	**3,905**	**100**	**26,813**	**549**

With reference to assets and liabilities relating to subsidiaries shown above, we confirm that transactions with the same and with related parties fall within the scope of normal operating activities. Revenues include, in addition to those from the sale of products, charges made to subsidiaries for costs relating to information system maintenance and royalties for the use of the *Cembre* trademark, totaling €439 thousand.

Among assets leased to Cembre by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Milan, Padua and Bologna sales offices, all of which are owned by company Tha Immobiliare S.p.A., with registered office in Brescia, controlled by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, directors of Cembre S.p.A. Lease payments for 2013 amounted to €528 thousand. Rent is in line with market conditions. It is in the Company's interest to benefit from the continuity of office space reducing the risk of early termination of leases. At the end of 2014, all amounts due to Tha Immobiliare had been settled.

Cembre S.p.A. also leased from Montifer S.r.l. a portion of an industrial building adjacent to the Company's main industrial complex and measuring 2,970 square meters. The spouse of Mr. Fabio Fada, independent director of the parent company, is a non-executive director of Montifer S.r.l. Rent for these properties in 2014 amounted to €76 thousand. Cembre S.p.A. terminated before their natural expiration these contracts respectively on September 30 and November 30, 2014 following the transfer of the departments hosted in the leased properties to the newly restructured buildings of the Company.

Cembre Ltd. leased an industrial building from Borno Ltd., a company controlled by Lysne S.p.A., for an annual rent of £43 thousand (equal to €53 thousand); this fee is in line with market conditions.

Rent paid between group companies

	2014	2013	Change
Rent paid by Cembre SpA to Tha Immobiliare	528	526	2
Rent paid by Cembre SpA to Montifer	76	97	(21)
Rent paid by Cembre Ltd to Borno Ltd.	53	49	4
TOTAL	**657**	**672**	**(15)**

Cembre S.p.A. does not have direct relationships with its parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

Boards' compensation

In 2014, compensation for the Board of Directors and the Board of Statutory Auditors, net of social security contributions, amounted to:

	Statutory Auditors	Directors
Emoluments as directors and auditors of the parent company	84	492
Retribution as employees	-	234
Accrual for variable compensation	-	50
Non-monetary benefits	-	14

Non-monetary benefits relate to the use of a company car and insurance policies underwritten on their behalf.

In line with the remuneration policy of the Company, variable compensation linked to the achievement of medium-long term objectives was introduced in favor of the Chairman and Managing Director. Such compensation could be paid out in 2018 in case targets set for years 2014-2017 by the Board of Directors, upon proposal of the Remuneration Committee, are achieved. The amount accrued is equal to €50 thousand.

29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group does not make significant use of derivative instruments to hedge against interest risk and currency exposure.

The short term maturity of a large part of the financial instruments held is such that their carrying value is in line with their fair value of the same.

Risks connected with the market

The Group faces these risks with ongoing innovation, the widening of the product range, high automation and the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

At December 31, 2014 the Group had no loans outstanding.

Currency risk

Despite a strong international presence, the Group does not have a significant exposure to currency risk (on an operating or equity basis), as it operates mainly in the euro area, the currency in which its trade transactions are mainly denominated.

Exposure to currency risk is determined mainly by sales in US dollars, British pounds and Norwegian kroners. The size of these transactions is not significant in influencing the overall performance of the Group.

As described in the consolidation principles section, financial statements of consolidated companies prepared in currencies other than the euro are translated into euro at the exchange rate published on the Internet site of the Ufficio Italiano Cambi. In the table that follows we report the economic effect of possible fluctuations in exchange rates for main financial figures of consolidated companies operating outside the euro area.

	Currency	Exchange rate fluctuation	Effect on Shareholders' Equity	Effect on sales	Effect on pre-tax profit
Cembre Ltd.	£	5% / -5%	708/ (708)	1,114 / (1,114)	167 / (167)
Cembre AS	NOK	5% / -5%	25 / (25)	48 / (48)	5 / (5)
Cembre Inc.	US$	5% / -5%	274 / (274)	503 / (503)	48 / 48

At December 31, 2014, the effect of foreign-exchange transactions is positive by €347 thousand.

Liquidity risk

The exposure of the Group to liquidity risk is not material as its financial position is balanced. The collection and payment cycle is also in balance, as shown by the ratio of current assets to current liabilities which is considerably above 2.

Credit risk

Exposure to credit risk relates exclusively to trade receivables.

As shown in note 4, none of the areas in which the Group operates poses relevant credit risks.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide secured guarantees. Receivables matured over 12 months and those under litigation are widely covered by the provision for bad debt accrued.

30. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after December 31, 2014.

31. CONSOLIDATED COMPANIES

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at Dec. 31, 2014	Share held at Dec. 31, 2013
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	GBP 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris)	EURO 1,071,000	100% (*)	100% (*)
Cembre España SL	Torrejón de Ardoz (Madrid)	EURO 2,902,000	100% (*)	100% (*)
Cembre AS	Stokke (Norway)	NOK 2,400,000	100%	100%
Cembre GmbH	Munich (Germany)	EURO 1,812,000	100% (*)	100% (*)
Cembre Inc.	Edison (New Jersey , US)	US $ 1,440,000	100%(**)	100%(**)

* 5% share held through Cembre Ltd.

**29% share held through Cembre Ltd.

Brescia, March 11, 2015

THE CHAIRMAN AND MANAGING DIRECTOR
OF CEMBRE S.P.A.

Giovanni Rosani

Sede:
Via Serenissima, 9
25135 Brescia
Tel.: 030 3692.1
Telefax: 030 3365766
www.cembre.com
E-mail: Info@cembre.com

Attestation in respect of the Consolidated financial statements

pursuant to art 154-bis Paragraph 5, of Legislative Decree 58 dated Feb. 24, 1998 “Consolidated Law on financial intermediation regulations” and subsequent integrations and updatings

The undersigned Giovanni Rosani and Claudio Bornati, in their position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2014 consolidated financial statements and during the period covered by the report, were:

• adequate to the Company structure, and

• effectively applied during the process.

The undersigned officers certify that this 2014 consolidated financial statements:

a) corresponds to the Company’s evidence and accounting books and entries, and

b) was prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Brescia, March 11, 2015

Chairman and
Managing Director

signed by:
Giovanni Rosani

Manager responsible for the
preparation of financial reports

signed by:
Claudio Bornati

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Cembre SpA

1 We have audited the consolidated financial statements of Cembre SpA and its subsidiaries ("Cembre Group") as of 31 December 2014 which comprise the statement of financial position, statement of comprehensive income, statement of cash flows , statement of changes in shareholder's equity, and related notes. The directors of Cembre SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 27 march 2014.

3 In our opinion, the consolidated financial statements of the Cembre Group as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Cembre Group for the period then ended.

4 The directors of Cembre SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Investor relations" of the website of Cembre SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required

by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Cembre SpA as of 31 December 2014.

Brescia, 26 March 2015

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEMBRE GROUP AT DECEMBER 31, 2014

To our Shareholders:

the Consolidated Financial Statements for the 2014 financial year delivered to the Board of Statutory Auditors within the term provided, consisting of the Consolidated Statement of Financial Position, Consolidated Statement of Income, Statement of Changes in the Consolidated Shareholders' Equity and Notes to the Consolidated Financial Statements, were prepared under International Financial Reporting Standard (IFRS) adopted by the European Union and in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005, in force at December 31, 2014.

International accounting principles, amendments and interpretations issued by IASB applicable from January 1, 2014 and described in the Notes to the consolidated accounts, were employed in the preparation of the Consolidated Financial Statements. The coming into force of amendments to *IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28, IAS 32, IAS 36, IAS 39 and e IFRIC 21* did not find an application in the Consolidated Accounts of the Cembre Group.

Items in the Financial Statements were recorded at the historical cost with the exception of those items for which accounting principles provide for a different valuation method.

The Consolidated Financial Statements for the 2014 financial year report a consolidated net profit of €13,542 thousand as compared with a consolidated net profit of €10,503 thousand in the previous year.

Checks carried out by Independent Auditors PricewaterhouseCoopers, appointed for the auditing of the accounts, as stated in the Auditing Report, ascertained that:

- paragraph 3: "in our opinion the Consolidated Financial Statements of the Cembre Group at December 31, 2014 are consistent with IFRS adopted by the European Union and are in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005. They are therefore clear and represent in a truthful and correct manner the operating and financial situation, the net profit and the cash flows of the Cembre Group for the financial year closed December 31, 2014".
- paragraph 4: "in our opinion the Report of the Board and information contained in paragraphs 1, section c), d), f), l), m) and paragraph 2, section b) of article 123-*bis* of Legislative Decree no. 58/1998 presented in the Report on Corporate Government, are consistent with the Consolidated Financial Statements of the Cembre Group for the financial year closed December 31, 2014".

In compliance with article 41, par. 3 of Legislative Decree no. 127, dated April 9, 1991, with the exception of the issues specified below, the Consolidated Financial Statements, were therefore not audited by the Board of Statutory Auditors.

The Notes to the consolidated accounts provide a detail of Balance Sheet and Income Statement items and illustrate accounting principles, consolidation principles and valuation criteria applied in the preparation of the same, in addition to changes in accounting principles.

The consolidation area, unchanged from the previous year, the choice of consolidation principles in application of the line-by-line method, of subsidiaries to be consolidated and of procedures for the consolidation, are consistent with IFRS.

Information provided in the Report on Operations illustrates adequately the operating and financial situation of the parent company, investments made, alternative performance indicators, Shareholders' Equity, main risks and uncertainties, environmental management, worker safety, performance indicators, research, development and technological innovation activities, relationships with subsidiaries, parent companies and related parties – shown also in financial statements – its operating performance in 2014 and the outlook for 2015 of the parent company and the Group as a whole.

The review performed shows the consistency of the Report on Operations with the Consolidated Financial Statements.

Brescia, March 26, 2015

The Board of Statutory Auditors

The Chairman

Fabio Longhi

Financial Statement at December 31, 2014

Statement of financial position

ASSETS	Notes	Dec. 31, 2014		Dec. 31, 2013	
			of which: related parties		*of which: related parties*
NON CURRENT ASSETS					
Tangible assets	***1***	54.213.117		50.163.367	
Intangible assets	***2***	1.166.122		1.097.478	
Investments in subsidiaries	***3***	10.144.083		10.144.083	
Other investments	***4***	10.333		5.224	
Other non-current assets	***5***	5.558		5.273	
Deferred tax assets	***14***	704.753		530.101	
TOTAL NON-CURRENT ASSETS		**66.243.966**		**61.945.526**	
CURRENT ASSETS					
Inventories	***6***	26.908.930		25.976.903	
Trade receivables	***7***	15.830.675		16.215.533	
Trade receivables from subsidiaries	***8***	3.904.737	3.904.737	4.478.720	4.478.720
Tax receivables	***9***	815.967		800.205	
Other assets	***10***	488.260		1.317.110	
Cash and cash equivalents	***33***	7.342.623		2.957.545	
TOTAL CURRENT ASSETS		**55.291.192**		**51.746.016**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		-		-	
TOTAL ASSETS		**121.535.158**		**113.691.542**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2014		Dec. 31, 2013	
			of which: related parties		*of which: related parties*
EQUITY					
Capital stock	***11***	8.840.000		8.840.000	
Reserves	***11***	78.179.016		74.014.051	
Net profit		12.202.351		8.676.088	
TOTAL SHAREHOLDERS' EQUITY		**99.221.367**		**91.530.139**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities		-		-	
Employee Severance Indemnity and other personnel benefits	***12***	2.333.101	160.155	2.287.527	152.927
Provisions for risks and charges	***13***	269.327	50.000	78.815	
Deferred tax liabilities	***14***	2.164.903		2.257.876	
TOTAL NON-CURRENT LIABILITIES		**4.767.331**		**4.624.218**	
CURRENT LIABILITIES					
Current financial liabilities	***15***	-		1.647.539	
Trade payables	***16***	12.094.491		11.900.008	
Trade payables to subsidiaries	***17***	99.706	99.706	30.183	30.183
Other Payables	***18***	4.253.331		3.928.498	
TOTAL CURRENT LIABILITIES		**17.546.460**		**17.537.185**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		**-**		**-**	
TOTAL LIABILITIES		**22.313.791**		**22.161.403**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**121.535.158**		**113.691.542**	

Financial Statement at December 31, 2014

Statement of comprehensive income

	Notes	2014		2013	
			of which: related parties		*of which: related parties*
Revenues from sales and services provided	*19*	84.902.582	26.348.498	78.100.447	24.286.533
Other revenues	*20*	1.043.041	464.891	853.410	429.833
TOTAL REVENUES		**85.945.623**		**78.953.857**	
Cost of goods and merchandise	*21*	(33.755.814)	(549.221)	(31.500.182)	(382.021)
Change in inventories	*6*	932.026		(746.597)	
Cost of services received	*22*	(10.007.214)	(630.876)	(9.715.034)	(580.676)
Lease and rental costs	*23*	(957.087)	(604.052)	(975.106)	(622.720)
Personnel costs	*24*	(22.235.392)	(304.015)	(21.611.175)	(278.695)
Other operating costs	*25*	(918.047)		(631.161)	
Increase in assets due to internal construction		882.965		776.711	
Write-down of receivables	*7*	(568.533)		(367.944)	
Accruals to provisions for risks and charges	*26*	(140.989)		(8.034)	
GROSS OPERATING PROFIT		**19.177.538**		**14.175.335**	
Tangible asset depreciation	*1*	(3.704.120)		(3.486.290)	
Intangible asset amortization	*2*	(386.171)		(344.922)	
OPERATING PROFIT		**15.087.247**		**10.344.123**	
Financial income	*27*	1.954.227	1.941.019	2.123.034	2.119.003
Financial expenses	*27*	(96.818)		(151.807)	
Foreign exchange gains (losses)	*28*	265.525		(45.287)	
PROFIT BEFORE TAXES		**17.210.181**		**12.270.063**	
Income taxes	*29*	(5.007.830)		(3.593.975)	
NET PROFIT FROM ORDINARY ACTIVITIES		**12.202.351**		**8.676.088**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		-		-	
NET PROFIT		**12.202.351**		**8.676.088**	
Items that will not be reclassified to profit and loss					
Gains (losses) from discounting of Employees' Termination Indemnity	*30*	(125.687)		33.313	
Income tax relating to items that will not be reclassified	*30*	34.564		(9.161)	
COMPREHENSIVE INCOME		**12.111.228**		**8.700.240**	
BASIC AND DILUTED EARNINGS PER SHARE		**0,72**		**0,51**	

Financial Statement at December 31, 2014

Statement of Cash Flows

	2014	2013
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2.957.545**	**540.488**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	12.202.351	8.676.088
Depreciation, amortization and write-downs	4.090.291	3.831.212
(Gains)/Losses on disposal of assets	76.351	(14.445)
Net change in Employee Severance Indemnity	45.574	(8.779)
Net change in provisions for risks and charges	190.512	(2.303)
Operating profit (loss) before change in working capital	**16.605.079**	**12.481.773**
(Increase) Decrease in trade receivables	958.841	1.277.218
(Increase) Decrease in inventories	(932.027)	746.597
(Increase) Decrease in other receivables and deferred tax assets	638.436	1.591.310
Increase (Decrease) of trade payables	213.837	(81.725)
Increase (Decrease) of other payables and deferred tax liabilities	1.299.835	(60.549)
Change in working capital	**2.178.922**	**3.472.851**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**18.784.001**	**15.954.624**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(454.815)	(533.436)
- tangible	(8.052.358)	(6.182.455)
- financial	(5.109)	-
Proceeds from disposal of tangible, intangible, financial assets		
- tangible	222.137	19.967
Increase (Decrease) of trade payables for assets	50.169	(1.577.629)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(8.239.976)**	**(8.273.553)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	(285)	3.102
Increase (Decrease) in bank loans and borrowings	(1.647.539)	(2.571.268)
Dividends distributed	(4.420.000)	(2.720.000)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**(6.067.824)**	**(5.288.166)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**4.476.201**	**2.392.905**
F) Discounting of employees' termination indemnities	(91.123)	24.152
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E+F)	**7.342.623**	**2.957.545**

CASH AND CASH EQUIVALENTS AT END OF YEAR	**7.342.623**	**2.957.545**
Current financial liabilities	-	(1.647.539)
NET FINANCIAL POSITION	**7.342.623**	**1.310.006**

INTEREST PAID IN THE YEAR	**(5.374)**	**(54.235)**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	7.946	3.104
Banks	7.334.677	2.954.441
	7.342.623	**2.957.545**

Financial Statement at December 31, 2014

Statement of Changes in the Shareholders' Equity

	Balance at December 31, 2013	Merger's effects	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at June 30, 2014
Capital stock	**8.840.000**					**8.840.000**
Share premium reserve	**12.244.869**					**12.244.869**
Legal reserve	**1.768.000**					**1.768.000**
Suspended-tax revaluation reserve	**585.159**					**585.159**
Other suspended-tax reserves	**68.412**					**68.412**
Extraordinary reserve	**50.696.734**		4.256.088			**54.952.822**
Reserve for FTA	**4.051.204**					**4.051.204**
Reserve for discounting of Employee Termination Indemnity	**202.535**				(91.123)	**111.412**
Merger surplus reserve	**4.397.138**					**4.397.138**
Retained earnings	**-**					**-**
Net profit	**8.676.088**		(8.676.088)		12.202.351	**12.202.351**
Total Shareholders' Equity	**91.530.139**	**-**	**(4.420.000)**	**-**	**12.111.228**	**99.221.367**

	Balance at Dec. 31, 2012 Restated*	Merger's effects	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at December 31, 2013
Capital stock	**8.840.000**					**8.840.000**
Share premium reserve	**12.244.869**					**12.244.869**
Legal reserve	**1.768.000**					**1.768.000**
Suspended-tax revaluation reserve	**585.159**					**585.159**
Other suspended-tax reserves	**68.412**					**68.412**
Extraordinary reserve	**44.542.089**		6.154.645			**50.696.734**
Reserve for FTA	**4.051.204**					**4.051.204**
Reserve for discounting of Employee Termination Indemnity	**178.383**				24.152	**202.535**
Merger surplus reserve	**-**	4.397.138				**4.397.138**
Retained earnings	**-**					**-**
Net profit	**8.874.645**		(8.874.645)		8.676.088	**8.676.088**
Total Shareholders' Equity	**81.152.761**	**4.397.138**	**(2.720.000)**	**-**	**8.700.240**	**91.530.139**

Notes to the Financial Statements of Cembre S.p.A. at December 31, 2014

I. CORPORATE INFORMATION

Cembre S.p.A. is a joint-stock company with registered office in Brescia, via Serenissima 9. The company is listed in the Italian Market of Shares (MTA) managed by Borsa Italiana S.p.A.

Cembre S.p.A. (hereinafter referred to as the "Company") is active primarily in the manufacturing and sale of electrical connectors and related tools.

The publication of the Financial Statements of Cembre S.p.A. for the year ended December 31, 2014 was authorized by a resolution of the Board of Directors dated March 11, 2015.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not direct or coordinate its subsidiary.

II. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The present Financial Statements at December 31, 2014 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

Principles adopted in the preparation of the Financial Statements are those formally approved by the European Union as of December 31, 2014.

Items in the Balance Sheet were recorded at the historical cost with the exception of those items for which international accounting principles provide for a different measurement.

Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The Financial Statements at December 31, 2014 were prepared in the expectation of the continuation of the Company's activities.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective from 2014, which were taken into account, where applicable, in the preparation of the present Financial Statements.

	Effective from
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Consolidated and Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Disclosure of Interests in Other Entities	January 1, 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

The above changes did not find an application in the financial statements of Cembre S.p.A.

Future changes in accounting principles

The following updates of IFRS (already approved by the IASB), interpretations and amendments are in the process of being incorporated into European Union regulations:

	Effective from
New Principles	
IFRS 9 – Financial Instruments	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 12 – Revenue from Contracts with Customers	January 1, 2017
Changes in Accounting Principles	
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	July 1, 2016
Amendments to IAS 16 and IAS 38 – Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	January 1, 2016
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendments to IAS 27 – Equity Method in Separate Financial Statements	January 1, 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016

Annual Improvements to IFRS: Cycle 2010-2012	July 1, 2014
Annual Improvements to IFRS: Cycle 2011-2013	July 1, 2014
Annual Improvements to IFRS: Cycle 2012-2014	January 1, 2016

Cembre will evaluate in the next months the possible effects of the adoption of the new principles and amendments.

III. ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Form of the Financial Statements

The financial statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Statement of Financial Position;
- the analysis of costs in the Statement of Comprehensive Income is carried out based on the nature of the same;
- the Statement of Cash Flows is prepared by applying the indirect method.

Financial Statements forms are not changed from previous year.

With reference to Consob Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value.

Ordinary maintenance and repair costs are not capitalized, and are charged to the income statement in the year in which they are incurred, with the exception of those that result in an extension of the useful life of the asset.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets. Main depreciation rates used are:

- Buildings and light installations:	3% – 10%
- Plant and machinery:	10% – 15%
- Industrial and commercial equipment:	15% – 25%
- Other assets:	12% – 25%

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication, the assets or cash generating units are written down to reflect their expected realizable value.

The residual value of assets, their useful life and methods applied are reviewed annually and adjusted, where necessary, at the end of each year.

Tangible assets are eliminated from the Balance Sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal. Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leased assets

Assets held under a financial lease, through which all risks and benefits relating to ownership are transferred to the Company, are recorded under assets at the lower of their current value and the present value of minimum lease payments due according to the contract, including the bullet payment due at the end of the lease to exercise the repurchase option.

The liability corresponding to the lease contract is recorded under financial liabilities. Leased asset are classified under the respective category among property, plant and equipment, and depreciated over the shorter period between the term of the lease and the expected residual useful life of the asset.

Lease contracts in which the lessor holds all risks and enjoys all benefits deriving from the leased asset are classified as operating leases and recorded as costs in the Income Statement over the term of the contract.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalized at cost, while those acquired through mergers are capitalized at their fair value at the time of acquisition.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortization calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortized and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following:

- concessions and licenses:	5 to 10 years
- software licenses	3 to 5 years
- patents	2 years
- development costs:	5 years
- trademarks:	10 to 20 years

Amortization commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the amortization schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realizable value, the value of the asset is written-down to its expected realizable value.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost, adjusted where necessary for losses in value.

Any positive difference that emerges upon acquisition between the purchase cost and the portion of the Shareholders' Equity acquired is therefore included in the book value of the investment.

Investments in subsidiaries are subjected to an impairment test whenever indicators of a loss in value are detected. Whenever it appears that an investment in a subsidiary has experienced a loss in value, the same is recorded in the Income Statement as a write-down.

Whenever losses of a subsidiary exceed the book value of the investment, the value of the same is written-down to zero and losses exceeding such value are recorded in a specific liability provision. In case the loss is subsequently reversed or reduced, the related amount is written-up in the Income Statement to the original cost of the investment.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, whose change is recorded in the Income Statement

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Unless specifically designated as effective hedging instruments, derivatives are classified as financial assets held for trading purposes. Gains and losses on financial assets held for trading purposes are recorded in the income statement.

Financial assets held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity are classified as Financial assets held to maturity when the Company intends to and is capable of holding them to maturity.

Financial assets that the Company decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are accounted for at the amortized cost, using the effective rate of interest method, representing the rate at which estimated future payments or collections over the expected useful life of the asset are discounted to their present value.

The amortized cost is calculated keeping into account discounts and premiums, amortized over the term of the financial asset.

Loans extended and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. Such assets are recorded at the amortized cost using the actual discount rate method. Gains and losses are recorded in the Income Statement whenever loans extended and receivables are eliminated from the accounts or they experience losses in value, in addition to the amortization process.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After the initial recording, these are accounted for at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the income statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Loss in value of financial assets

The Company verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve.

The purchase, sale, issue or cancellation of own shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realizable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The cost of inventories is determined under the weighted-average method, inclusive of the cost of beginning inventories. Provisions for slow-moving stock are accrued for finished products, materials and other supplies, keeping into account their expected useful life and retrievable value.

Payables and receivables

Receivables are recorded initially at fair value and subsequently carried at the amortized cost, written-down in case of loss in value. Payables are normally valued at the amortized cost, adjusted under exceptional conditions for changes in value.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recorded at cost, corresponding to the fair value of the amount received, net of accessory costs. After the initial recording, loans are valued at the amortized cost, using the effective interest method.

Foreign currency translation

Transactions denominated in currencies other than the euro are initially accounted for in euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the euro are translated into euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, of certain or probable existence, whose amount and expiration cannot however be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfillment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income (expense). Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee retirement benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

After the reform, employee termination indemnities accrued up to December 31, 2006, continue to be accounted for as defined benefit plans, while those accrued from January 1, 2007 are accounted for in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007 and until the time at which the choice is made by the employee, are accounted for as a defined benefit plan. Subsequently they are accounted for as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are accounted for as a defined contribution plan.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Company ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Company.

A financial liability is written-off when the related obligation is cancelled, fulfilled or expired. Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability. Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

The revenue is recognized when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements. When the result of the service rendered cannot be reliably estimated, revenues are recorded only to the extent of retrievable costs.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recorded in the period in which it accrues, using the effective interest method.

Dividends

Dividends are recorded when the right of shareholders to receive them arises.

Grants

Grants are recorded when there exists a reasonable certainty that that the same will actually be received and the company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under "other revenues" and amortized over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalized Development costs), is suspended under long-term liabilities and released to the income statement under "other revenues" over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue.

In accordance with IAS 23 Revised, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalized.

Cost of goods purchased and services received

The cost of goods purchased and services received is recorded in the income statement based on the accrual method.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations. The Company records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related amounts reported for tax purposes.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed.

Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Financial derivatives

Derivative financial instruments are valued at market value (*fair value*). A derivative financial instrument can be acquired for trading or hedging purposes.

Gains and losses on financial instruments acquired for trading purposes are charged to the income statement.

Derivatives acquired for hedging purposes may be accounted for under the hedge accounting method – offsetting the recording of the derivative in the income statement with adjustments to the value of assets and liabilities hedged – only when derivatives meet specific criteria.

Hedge derivatives are classified as “fair value hedges” when they are acquired to hedge against the risk of fluctuations in the market value of the underlying asset or liability or fluctuations in the financial flows deriving from the same, both in the case of existing assets and liabilities or those deriving from a future transaction.

In the case of fair value hedges, gains and losses on the restatement of the market value of a derivative instrument are taken to the income statement.

With regard to the hedging of financial flows, gains and losses on the hedge instrument are recorded under Shareholders’ Equity when they relate to the portion of the hedge considered effective, while the portion not hedged is recorded in the income statement.

In 2014 the Company did not stipulate financial derivative contracts.

Use of estimates

In the case of certain items and in accordance with IAS/IFRS, the Company made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same. Below we describe review processes and key assumptions used by management in applying accounting principles.

Provision for inventory depreciation

The provision for inventory depreciation is accrued to bring the book value of inventories into line with their expected realizable value.

Management reviews the composition of inventories with particular reference to slow moving stock to determine the amount to be accrued prudentially to reflect the obsolescence of stocks.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

Losses on trade receivables expected by the Company are based on past experience on similar portfolios of receivables, current overdues vs. historical overdues, losses and collections, the close monitoring of credit risk and credit worthiness of customers, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets. Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Company, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same. Whenever the book value of a non-current asset experiences a loss in value, the Company records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Company makes use of traditional actuarial techniques based on stochastic simulations of the "Montecarlo" type. Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Company make also use of demographic projections based on current mortality rates, employee disablement and resignation rates.

In 2014, based on past turnover experience, the probability of an employee terminating his or her employment for causes other than death is the following:

Male	6.18%
Female	4.46%

Assumptions regarding the discounting and inflation rates were:

Discounting rate	2.50%
Yearly inflation rate	1.50%
Yearly real increase in retributions	1.00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Retrievability of deferred tax assets

The Company evaluates the possibility to retrieve deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same.

Potential liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Company ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

IV. NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE S.P.A.

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Work in progress	Total
Historical cost	39,163,135	42,533,410	8,726,008	3,973,496	1,569,772	95,965,821
Accumulated depreciation	(7,865,798)	(27,878,200)	(7,025,417)	(3,033,039)	-	(45,802,454)
Bal. at Dec. 31, 2013	**31,297,337**	**14,655,210**	**1,700,591**	**940,457**	**1,569,772**	**50,163,367**
Increases	952,870	5,227,161	715,664	494,182	662,481	8,052,358
Depreciation	(800,828)	(2,218,854)	(332,618)	(351,820)	-	(3,704,120)
Net divestments	(125,633)	(156,705)	-	(13,830)	(2,320)	(298,488)
Reclassifications	733,918	461,714	122,264	-	(1,317,896)	-
Bal. at Dec. 31, 2014	**32,057,664**	**17,968,526**	**2,205,901**	**1,068,989**	**912,037**	**54,213,117**

	Land and buildings	Plant and machinery	Equipment	Other assets	Work in progress	Total
Historical cost	37,192,588	35,201,249	6,839,544	3,863,269	4,201,920	87,298,570
Accumulated depreciation	(6,944,238)	(25,797,037)	(5,361,316)	(3,003,494)	-	(41,106,085)
Bal. at Dec. 31, 2012	**30,248,350**	**9,404,212**	**1,478,228**	**859,775**	**4,201,920**	**46,192,485**
Effect of merger	-	1,136,978	83,557	59,704	-	1,280,239
Increases	911,834	3,346,376	336,360	345,894	1,241,991	6,182,455
Depreciation	(915,739)	(1,951,754)	(296,159)	(322,638)	-	(3,486,290)
Net divestments	-	(3,244)	-	(2,278)	-	(5,522)
Reclassifications	1,052,892	2,722,642	98,605	-	(3,874,139)	-
Bal. at Dec. 31, 2013	**31,297,337**	**14,655,210**	**1,700,591**	**940,457**	**1,569,772**	**50,163,367**

Capital investments made by Cembre in 2014 amounted to €8,052 thousand. Property improvements and development costs included €953 thousand of building improvements and €1,911 of plant and equipment, while expenditure on new production capacity included €3,316 thousand of machinery and €716 thousand of equipment and dies. Among machinery acquired are 2 transfer machines for €508 thousand, one grinding machine for €340 thousand and a turning center for €359 thousand.

Expenditure on equipment and dies under construction amounted to €388 thousand, while advances paid on plant and equipment to be supplied amount to €274 thousand.

Item "Land and buildings" includes the €5,921 thousand revaluation of land carried out upon the first-time application of international accounting principles (IAS).

A list of revaluations made in the past on property, plant and equipment and recorded in the Balance Sheet at December 31, 2014 is provided below:

(€)	Law 576/75	Law 72/83	Law 413/91	Total
Land and buildings	-	248,220	687,441	935,661
Plant and machinery	227	52,760	-	52,988
Other assets	43	-	-	43
Total	**271**	**300,980**	**687,441**	**988,692**

2. INTANGIBLE ASSETS

	Development costs	Patents	Software	Other intangible assets	Work in progress	Total
Historical cost	729,283	236,339	3,788,999	-	70,570	4,825,191
Accumulated amortization	(445,541)	(165,506)	(3,116,666)	-	-	(3,727,713)
Balance at Dec. 31, 2013	**283,742**	**70,833**	**672,333**	**-**	**70,570**	**1,097,478**
Increases	231,881	33,913	154,291	4,600	30,130	454,815
Amortization	(110,394)	(64,691)	(208,456)	(2,630)	-	(386,171)
Reclassifications	-	-	23,000	47,570	(70,570)	-
Balance at Dec. 31, 2014	**405,229**	**40,055**	**641,168**	**49,540**	**30,130**	**1,166,122**

Among software purchases was a quality system software.

3. INVESTMENTS IN SUBSIDIARIES

	Dec. 31, 2013	Changes	Write-downs	Dec. 31, 2014
Cembre Ltd.	3,437,433	-	-	3,437,433
Cembre Sarl	1,048,197	-	-	1,048,197
Cembre España SL	2,760,194	-	-	2,760,194
Cembre AS	293,070	-	-	293,070
Cembre GmbH	1,716,518	-	-	1,716,518
Cembre Inc.	888,671	-	-	888,671
Total	**10,144,083**	**-**	**-**	**10,144,083**

The table below shows financial highlights of subsidiaries, all of which are directly owned.

	Share Capital	Shareholders' Equity	Net Profit	% held
Cembre Ltd (Sutton Coldfield - Birmingham)	2,182,565	14,157,835	2,602,598	100
Cembre Sarl (Morangis – Paris - France)	1,071,000	2,982,506	169,573	95(a)
Cembre España SL (Torrejon – Madrid - Spain)	2,902,200	7,113,840	304,812	95(a)
Cembre AS (Stokke - Norway)	265,428	446,028	68,983	100
Cembre GmbH (Monaco - Germany)	1,812,000	4,869,837	302,922	95(a)
Cembre Inc. (Edison - New Jersey-USA)	1,186,063	5,358,321	561,169	71(b)

(a) the remaining 5% held through Cembre Ltd.

(b) the remaining 29% held through Cembre Ltd.

Share Capital, Shareholders' Equity and Net Profit figures above relate to the respective Financial Statements at December 31, 2014 approved by the boards of the above subsidiaries. Share Capital and Reserves originally not expressed in euro were translated at the year-end exchange rates, while Net Profit figures were translated into euro at the average exchange rate for the year.

4. OTHER INVESTMENTS

	Dec. 31, 2014	Dec. 31, 2013	Change
Inn.tec. S.r.l.	5,165	5,165	-
Conai	59	59	-
A.Q.M. S.r.l	5,109	-	5,109
Total	**10,333**	**5,224**	**5,109**

Other investments consist in the equity investments in Consorzio Nazionale Imballaggi and that in Inn.tec. S.r.l., technology innovation consortium, both with registered office at the Brescia Province head office. In 2014 Cembre S.p.A. acquired an interest in A.Q.M. S.r.l., a consortium for the supply of technical services to businesses.

5. OTHER NON-CURRENT ASSETS

The item consists exclusively of security deposits.

6. INVENTORIES

	Dec. 31, 2014	Dec. 31, 2013	Change
Raw materials	7,328,255	7,116,829	211,426
Work in progress and semi-finished goods	9,797,092	9,132,282	664,810
Finished goods	9,783,583	9,727,792	55,791
Total	**26,908,930**	**25,976,903**	**932,027**

The provision for inventory depreciation amounts to €950 thousand. The provision was charged directly to the value of finished products to bring their value into line with their expected realizable value. Changes in the provision in 2014 were as follows:

	2014	2013
Balance at January 1	**778,961**	**630,000**
Accruals	292,171	150,000
Uses	(121,132)	(1,039)
Balance at December 31	**950,000**	**778,961**

7. TRADE RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Gross trade receivables	16,761,583	16,779,294	(17,711)
Provision for doubtful accounts	(930,908)	(563,761)	(367,147)
Total	**15,830,675**	**16,215,533**	**(384,858)**

Trade receivables by geographical area

	Dec. 31, 2014	Dec. 31, 2013	Change
Italy	15,202	14,349	853
Europe	1,159	1,199	(40)
North America	76	82	(6)
Oceania	103	356	(253)
Middle East	59	58	1
Far East	87	584	(497)
Africa	76	151	(75)
Total	**16,762**	**16,779**	**(17)**

The provision for doubtful accounts is reviewed periodically on the basis of the retrievability of the most risky exposures. Whenever bankruptcy procedures are opened, the amount receivable from the related customer is written-off.

Changes in the provision are shown below.

	2014	2013
Balance at January 1	**563,761**	**567,395**
Accruals	568,534	367,944
Uses	(201,387)	(371,578)
Balance at December 31	**930,908**	**563,761**

Trade receivables by maturity at Dec. 31, 2014

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2014	15,447	511	188	182	383	51	**16,762**
2013	14,829	776	463	263	388	60	**16,779**

8. TRADE RECEIVABLES FROM SUBSIDIARIES

Subsidiary	Dec. 31, 2014	Dec. 31, 2013	Change
Cembre Ltd. (UK)	521,640	1,479,658	(958,018)
Cembre S.a.r.l. (F)	365,526	321,058	44,468
Cembre España S.L. (S)	409,043	437,971	(28,928)
Cembre AS (N)	2,068	1,500	568
Cembre GmbH (D)	429,331	452,145	(22,814)
Cembre Inc. (US)	2,177,129	1,786,388	390,741
Total	**3,904,737**	**4,478,720**	**(573,983)**

9. TAX RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
IRES refund on IRAP	695,475	695,475	-
Sundry refunds	120,492	104,730	15,762
Total	**815,967**	**800,205**	**15,762**

Pursuant to article 2, comma 1-quater of Law Decree no. 201/2011, Cembre S.p.A. in 2012 applied for a refund of IRES on retroactive deductions of IRAP on personnel expenses. The refund applied for amounts to €695 thousand.

Item *Sundry refunds* includes a €82 thousand credit relating to a VAT refund on expenses for automobiles for years 2003-2006.

10. OTHER ASSETS

	Dec. 31, 2014	Dec. 31, 2013	Change
Advances to suppliers	236,157	227,709	8,448
Receivable from employees	20,494	26,250	(5,756)
Indirect taxes receivable	132,274	933,476	(801,202)
Other	99,335	129,675	(30,340)
Total	**488,260**	**1,317,110**	**(828,850)**

Item "Other" consists mainly of social security (INPS) receivables, while item "Indirect taxes receivable" includes VAT receivables.

11. SHAREHOLDERS' EQUITY

The capital stock of the parent company amounts to €8,840 thousand, and is made up of 17 million ordinary shares of par value €0.52 each, fully underwritten and paid-up.

The legal reserve amounts to 20% of the share capital.

The table that follows shows the origin, possible uses and availability for distribution of equity reserves.

Nature/description	Amount	Uses	Portion available
Share capital	8,840,000		
Equity reserves:			
Share premium reserve	12,244,869	A B C	12,244,869
Suspended revaluation reserve	585,159	A B	---
Other suspended-tax reserves	68,412	B	---
Reserves accrued from earnings:			
Legal reserve	1,768,000	B	---
Reserve for first-time application IAS/IFRS	4,051,204	B	---
Discounting of Employee Termination Indemnities	111,412	B	---
Merger difference	4,397,138	A B C	4,397,138
Extraordinary reserve	54,952,822	A B C	54,952,822
Total	**87,019,016**		**71,594,829**
		Portion not available for distribution	511,565
		Portion available for distribution	71,083,264

Legend: A= capital increases; B= coverage of losses; C= distribution to Shareholders.

The portion not available for distribution to shareholders is made up by the sum of the unamortized balance of development costs and the residual accelerated depreciation, net of related deferred tax liabilities.

12. EMPLOYEE TERMINATION INDEMNITY AND OTHER PERSONNEL PROVISIONS

Changes in the provision are shown below.

	2014	2013
Balance at January 1	**2,287,527**	**2,296,306**
Accruals	773,893	762,959
Uses	(281,945)	(200,790)
Discounting effect	217,130	64,258
Social Security (INPS) pension fund	(663,504)	(635,206)
Balance at December 31	**2,333,101**	**2,287,527**

With the reform of employee termination indemnities, starting with January 1, 2007, Cembre S.p.A. is no longer required to accrue retirement benefits in favor of its employees in a provision, but pays out benefits accrued after such date to the INPS treasury account, unless such benefits have been destined to other pension funds by individual employees. The amount accrued with INPS at December 31, 2014 amounts to €4,617 thousand.

Employee termination indemnities accrued at December 31, 2014 were discounted on the basis of an evaluation made by a registered actuary, in accordance with current regulations.

A fluctuation in the discounting rate used could have the following effect on the amount of benefits accrued:

Change in discounting rate	Dec. 31, 2014	Dec. 31, 2013
0.5%	2,231,585	2,191,948
-0.5%	2,443,405	2,387,268

13. PROVISIONS FOR RISKS AND CHARGES

	Customer indemnities	Directors' variable compensation	Other risks	Total
At December 31, 2013	**78,815**	**-**	**-**	**78,815**
Accruals	9,204	50,000	131,785	190,989
Uses	(477)	-	-	(477)
At December 31, 2014	**87,542**	**50,000**	**131,785**	**269,327**

In line with the remuneration policy of the Company, variable compensation linked to the achievement of medium-long term objectives was introduced in favor of the Chairman and Managing Director. Such compensation could be paid out in 2018 in case targets set for years 2014-2017 by the Board of Directors, upon proposal of the Remuneration Committee, are achieved. The amount of the accrual against the possible compensation of directors is recorded among the cost of services.

The provision includes accruals for charges on commercial litigation pending that had not been defined at the date of the financial statements.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recorded prevalently against the provision for inventory depreciation described above, and against the discounting of employee termination indemnities, limited to the portion of the accrual that may not be deducted for tax purposes. Deferred tax liabilities are instead recorded prevalently against the revaluation of land carried out upon the first-time application of IFRS, against the valuation of inventories at the average cost (as for tax purposes these are valued at LIFO), in addition to the discounting of employee termination indemnities. Further detail is provided in the note on Income taxes.

No receivable matures beyond five years.

	Dec. 31, 2014	Dec. 31, 2013	Change
Deferred tax assets			
Write-down of inventories	274,138	227,103	47,035
Amortization of goodwill	13,020	18,003	(4,983)
Provision for bad accounts	222,781	122,600	100,181
Differences on depreciation	131,408	117,113	14,295
Risk provision	41,381	-	41,381
Other	22,025	45,282	(23,257)
Gross deferred tax assets	**704,753**	**530,101**	**174,652**
Deferred tax liabilities			
Average cost valuation of inventories	(231,009)	(283,535)	52,526
Accelerated depreciation	(5,965)	(9,277)	3,312
Reversal of land depreciation	(27,030)	(27,030)	-
Revaluation of land	(1,859,165)	(1,859,165)	-
Discounting of Employee Termination Indemnities	(19,159)	(78,869)	59,710
Foreign exchange differences	(22,575)	-	(22,575)
Gross deferred tax liabilities	**(2,164,903)**	**(2,257,876)**	**92,973**
Net deferred tax liabilities	**(1,460,150)**	**(1,727,775)**	**267,625**

There do not exist other temporary differences or accruals that can generate deferred taxes not accounted for.

15. CURRENT FINANCIAL LIABILITIES

	Actual interest rate	Repayable	Dec. 31, 2014	Dec. 31, 2013
Bank overdrafts (on bills discounted)	0.9 – 1.1%	On demand	-	1,647,539
CURRENT FINANCIAL LIABILITIES			**-**	**1,647,539**

16. TRADE PAYABLES TO SUPPLIERS

	Dec. 31, 2014	Dec. 31, 2013	Change
Payable to suppliers	11,773,635	11,883,927	(110,292)
Advances	320,856	16,081	304,775
Total	**12,094,491**	**11,900,008**	**194,483**

Trade payables to suppliers are recorded net of trade discounts. Cash discounts are instead recorded at the time of payment. The nominal value of trade payables is adjusted for returns and trade discounts (invoicing adjustments) agreed upon with the counterpart.

Trade payables by geographical area

	Dec. 31, 2014	Dec. 31, 2013	Change
Italy	10,874	10,582	292
Europe	887	985	(98)
North America	7	18	(11)
Oceania	-	100	(100)
Other	6	199	(193)
Total	**11,774**	**11,884**	**(110)**

17. TRADE PAYABLES TO SUBSIDIARIES

	Dec. 31, 2014	Dec. 31, 2013	Change
Cembre Ltd. (UK)	5,706	11,805	(6,099)
Cembre GmbH (Germania)	91,648	80	91,568
Cembre GmbH (Germany)	1,452	3,921	(2,469)
Cembre España (Spain)	900	2,209	(1,309)
Cembre Sarl (France)	-	6,479	(6,479)
Cembre Inc. (US)	-	5,689	(5,689)
Total	**99,706**	**30,183**	**69,523**

18. OTHER PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Change
Payables to employees	1,392,405	1,227,337	165,068
Employee withholding taxes payable	856,211	812,014	44,197
Commissions payable	170,725	161,106	9,619
Payable to Statutory Auditors	18,720	31,200	(12,480)
Social security payables	1,849,092	1,745,191	103,901
Payable on other taxes and withholding taxes	11,398	9,469	1,929
Other	17,855	16,588	1,267
Accrued liabilities	(63,075)	(74,407)	11,332
Total	**4,253,331**	**3,928,498**	**324,833**

19. REVENUES FROM SALES AND SERVICES PROVIDED

Revenues by geographical area

	2014	2013	Change
Italy	44,099,660	39,252,560	4,847,100
Rest of Europe	27,777,191	26,025,979	1,751,212
Rest of the world	13,025,731	12,821,908	203,823
Total	**84,902,582**	**78,100,447**	**6,802,135**

Changes are commented upon in the Management Report.

20. OTHER REVENUES

	2014	2013	Change
Extraordinary gains	33,179	14,445	18,734
Rent	56,613	110,664	(54,051)
Insurance damages	9,676	40,680	(31,004)
Other reimbursements	107,553	128,653	(21,100)
Reimbursement of intragroup transport costs	26,057	25,778	279
Intercompany services	438,834	404,055	34,779
Other	369,789	19,962	349,827
Grants	1,340	109,173	(107,833)
Total	**1,043,041**	**853,410**	**189,631**

Intercompany services include prevalently advisory services, support and training provided by the parent company's personnel at the subsidiaries upon the implementation of the SAP management software. The item includes also royalties for the use of the Cembre trademark.

Item *Other* includes damages awarded to the Company at the conclusion of a commercial litigation, amounting to €350 thousand.

Item Rent includes revenues from the lease to other parties of office spaces that are part of buildings purchased in 2011. In 2014 all lease contracts for property leased to third parties were terminated.

Grants relate almost entirely to subsidies recognized by INPS (Social Security) on the hiring of young employees.

21. COST OF RAW MATERIALS AND GOODS

	2014	2013	Change
Raw materials and goods	30,904,460	28,875,779	2,028,681
Consumables and auxiliary materials	2,604,825	2,386,578	218,247
Transport and customs	246,529	237,825	8,704
Total	**33,755,814**	**31,500,182**	**2,255,632**

22. COST OF SERVICES

	2014	2013	Change
Subcontracted work	2,688,384	2,535,748	152,636
Transport	881,274	967,664	(86,390)
Maintenance and repair	1,276,104	1,124,009	152,095
Electricity, heating and water	1,253,449	1,296,042	(42,593)
Consulting	925,952	867,963	57,989
Directors' compensation	592,182	539,551	52,631
Statutory Auditors' compensation	87,360	87,360	-
Commissions	288,492	243,054	45,438
Postage and telephone	204,440	194,846	9,594
Fuel	242,512	257,227	(14,715)
Travelling expenses	230,329	242,886	(12,557)
Insurance	223,765	219,978	3,787
Bank expenses	64,287	68,654	(4,367)
Personnel training	39,598	28,940	10,658
Advertising and promotion	109,067	84,261	24,806
Security and cleaning	411,217	516,346	(105,129)
Other	488,802	440,505	48,297
Total	**10,007,214**	**9,715,034**	**292,180**

23. LEASES AND RENTALS

	2014	2013	Change
Rent and related costs	619,366	635,053	(15,687)
Vehicle leasing	337,721	340,053	(2,332)
Total	**957,087**	**975,106**	**(18,019)**

Lease and rental costs are made up by rent paid on buildings leased from others and related parties, as described in the Report on Operations, and by motor vehicle lease costs.

24. PERSONNEL COSTS

The item includes the cost of employees, inclusive of paid holidays and accruals made pursuant to current regulations and collective labor contracts. Employee termination indemnities include the accrual for the year inclusive of the revaluation of the provision, the amount accrued by employees terminating employment in the year, and the share borne by employees of contributions to the COMETA integrative pension fund.

	2014	2013	Change
Wages and salaries	15,896,567	15,580,910	315,657
Social security contributions	4,772,502	4,580,571	191,931
Employee termination indemnities	1,035,096	1,023,104	11,992
Retirement benefits	41,402	40,415	987
Other costs	489,825	386,175	103,650
Total	**22,235,392**	**21,611,175**	**624,217**

Average number of employees by category

	2014	2013	Change
Managers	6	6	-
Administrative and commercial staff	176	175	1
Workers	215	207	8
Outsourced personnel	21	30	(9)
Total	**418**	**418**	**-**

In 2014 Cembre S.p.A. employed an average of 21 persons outsourced from others for a total cost of €779 thousand. The amount was classified under wages and salaries.

25. OTHER OPERATING COSTS

	2014	2013	Change
Sundry taxes	357,811	356,775	1,036
Donations	18,500	16,000	2,500
Capital losses	235,161	5,522	229,639
Fines	-	1,055	(1,055)
Other	306,575	251,809	54,766
Total	**918,047**	**631,161**	**286,886**

Capital losses include €126 thousand resulting from disposals of improvements on third party property following the early termination by Cembre of a number of lease contracts upon the transfer of production departments in other locations owned by the Company.

26. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

	2014	2013	Change
Customer indemnities	9,204	8,034	1,170
Other risks	131,785	-	131,785
Total	**140,989**	**8,034**	**132,955**

The customer indemnities provision amounts to €9,204 thousand and was accrued against possible charges in the case of the termination of agency mandates.

Item *Other risks* includes accruals for possible charges on commercial litigation not concluded at the date of approval of the financial statements.

27. FINANCIAL INCOME (EXPENSE)

	2014	2013	Change
Dividends from subsidiaries	1,941,019	2,119,003	(177,984)
Interest earned on bank account balances	12,673	3,184	9,489
Other financial income	535	847	(312)
Total financial income	**1,954,227**	**2,123,034**	**(168,807)**
Loans and bank overdrafts	(5,374)	(54,235)	48,861
Financial charges on discounting of Employee Termination Indemnities	(91,442)	(97,571)	6,129
Other financial charges	(2)	(1)	(1)
Total financial charges	**(96,818)**	**(151,807)**	**54,989**
Financial income (expense)	**1,857,409**	**1,971,227**	**(113,818)**

In 2014, Cembre S.p.A. received dividends from the following:

- French subsidiary Cembre Sarl (€379 thousand);
- UK subsidiary Cembre Ltd (£816 thousand, equivalent to €992 thousand).
- German subsidiary Cembre GmbH (€138 thousand);
- Spanish subsidiary Cembre España SL (€381 thousand);
- Norwegian subsidiary Cembre AS (NOK 420 thousand, equivalent to €51 thousand).

Cembre Sarl and Cembre GmbH and Cembre España SL also paid respectively €16 thousand, €6 thousand and €16 thousand in dividends to Cembre Ltd.

28. FOREIGN-EXCHANGE GAINS (LOSSES)

	2014	2013	Change
Realized foreign exchange gains	229,418	109,564	119,854
Realized foreign exchange losses	(82,446)	(184,940)	102,494
Gains on foreign exchange translation	119,556	31,427	88,129
Losses on foreign exchange translation	(1,003)	(1,338)	335
Total	**265,525**	**(45,287)**	**310,812**

29. INCOME TAXES

	2014	2013	Change
Current corporate (IRES) taxes	(4,188,889)	(3,170,195)	(1,018,694)
Current taxes on productive activity (IRAP)	(1,165,820)	(1,020,768)	(145,052)
Deferred and prepaid tax assets	233,060	422,026	(188,966)
Extraordinary gains	113,819	175,198	(61,379)
Extraordinary losses	-	(236)	236
	(5,007,830)	**(3,593,975)**	**(1,413,855)**

The accrual to the tax provision is made in accordance with expected taxable income, taking into account adjustments made to income reported in the statutory accounts.

Item *Extraordinary gains* consists primarily in the collection in December 2014 of a tax refund following an application made in 2009 at the time when IRAP (tax on productive activities) applicable on the interest expense was made deductible from IRES (company tax) for fiscal years 2004-2006.

The table that follows shows a reconciliation between the theoretical tax expense, calculated at the nominal tax rate, and the actual tax expense.

	IRES
Profit before taxes	17,210,181
Theoretical tax expense (27.5%)	**4,732,800**
Effect of permanent differences	(756,397)
Effect of temporary differences	228,919
Sundry deductions	(16,433)
Actual tax expense recorded	**4,188,889**

	IRAP
Gross taxable income for IRAP purposes	38,092,003
Theoretical tax expense (3.9%)	**1,485,588**
Effect of permanent differences	24,105
Effect of temporary differences	5,121
Deductions for personnel	(348,994)
Actual tax expense recorded	**1,165,820**

Deferred tax assets and liabilities are made up as follows:

	2014	2013	Change
Average cost valuation of inventories	52.526	232.517	(179.991)
Accelerated depreciation	3.312	14.854	(11.542)
Discounting of employee termination indemnity	25.146	26.834	(1.688)
Foreign exchange translation differences	(22.575)	-	(22.575)
Amortization of goodwill	(4.983)	(4.983)	-
Write down of inventories	47.035	40.965	6.070
Differences on depreciation	14.295	82.977	(68.682)
Accruals to provision for risks	41.381	-	41.381
Other	76.923	28.862	48.061
Total deferred tax assets and liabilities	**233.060**	**422.026**	**(188.966)**

30. COMPREHENSIVE INCOME

As a result of the adoption of amendments to IAS 19, differences arising from the discounting of Employee Termination Indemnities were recorded directly under equity in a specific reserve. These amounts constitute components of Comprehensive Income and are recorded separately from the related tax effect. The net effect for 2014 amounts to €91 thousand.

31. DIVIDENDS

On May 22, 2014 the company distributed (with ex-dividend date May 19) a dividend on net profit for the year ended December 31, 2013, amounting to €4,420 thousand, equivalent to €0.26 for each share entitled to dividends.

	2014	2013
Resolved and paid in the year Balance due for 2013 dividend: €0.26 (2012: €0.16)	4,420,000	2,720,000
Proposal submitted to the Shareholders' Meeting (not recorded as liability at December 31) Balance due for 2014 dividend: €0.36 (2013: €0.26)	6,120,000	4,420,000

Proposed dividends submitted for approval to the Shareholders' Meeting amount to €0.36 per share, for a total of €6,120 thousand. This amount was not recorded as a liability.

32. COMMITMENTS AND RISKS

At December 31, 2014, guarantees granted by Cembre S.p.A. to third parties amounted to €546,982, as compared with €636,750 at December 31, 2013.

Commitments with third parties at December 31, 2014 included guarantees granted to the Brescia Municipality amounting to €352 thousand against the construction of development infrastructure in connection with the building of new parking spaces and entrance at the Brescia main complex.

The residual part (€195 thousand) relates to guarantees for supplies granted to electrical and railway companies, both Italian and foreign.

33. NET FINANCIAL POSITION

At December 31, 2014, the net financial position of Cembre S.p.A. amounted to a surplus of €7,343 thousand, improving on December 31, 2013. At year end, the Company did not have outstanding loans containing covenants or negative pledges.

The table that follows provides a detail of the net financial position as provided by CONSOB Regulation DEM/6064313 dated July 28, 2006.

		Dec. 31, 2014	Dec. 31, 2013
A	Cash	7,946	3,104
B	Bank deposits	7,334,677	2,954,441
C	**Cash and equivalents (A+B)**	**7,342,623**	**2,957,545**
D	Current bank debt	-	(1,647,539)
E	**Current financial debt (D)**	**-**	**(1,647,539)**
F	**Net current financial position (C+E)**	**7,342,623**	**1,310,006**
G	**Non-current financial debt**	**-**	**-**
H	**Net financial position (F+G)**	**7,342,623**	**1,310,006**

34. RELATED PARTIES

The table that follows shows transactions between Cembre S.p.A. and its subsidiaries in 2014, limited to sales and purchases. Debit and credit balances are shown in the related paragraphs of the present notes.

Subsidiary	Sales	Purchases
Cembre Ltd.	9,006,909	254,726
Cembre S.a.r.l.	4,264,479	64,591
Cembre España S.L.	3,644,736	2,759
Cembre AS	361,028	-
Cembre Inc.	5,664,142	91,494
Cembre GmbH	3,872,095	135,651
TOTAL	**26,813,389**	**549,221**

With reference to assets and liabilities relating to subsidiaries shown above, we confirm that transactions with the same and with related parties fall within the scope of normal operating activities.

Revenues include, in addition to the sale of products, revenues from the charging to subsidiaries of the respective share of maintenance costs for the information system and royalties for the use of the Cembre trademark, amounting in total to €439 thousand.

Below we show shares held in subsidiaries at December 31, 2014.

Company	Head Office	Share capital	% held				% voting rights
			directly	indirectly	through	total	
Cembre Ltd	Sutton Coldfield (Birmingham-UK)	£ 1,700,000	100%			100%	100%
Cembre Sarl	Morangis (Paris - France)	Euro 1,071,000	95%	5%	Cembre Ltd	100%	100%
Cembre España SL	Torrejon de Ardoz (Madrid - Spain)	Euro 2,902,200	95%	5%	Cembre Ltd	100%	100%
Cembre AS	Stokke (Norway)	Nok 2,400,000	100%			100%	100%
Cembre GmbH	Munich (Germany)	Euro 1,812,000	95%	5%	Cembre Ltd	100%	100%
Cembre Inc.	Edison (NJ- USA)	US$ 1,440,000	71%	29%	Cembre Ltd	100%	100%

All shares shown in the table above are held in full ownership.

Among assets leased to Cembre by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Monza, Padua and Bologna sales offices, all of which are owned by company Tha Immobiliare S.p.A., with registered office in Brescia, controlled by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, directors of Cembre S.p.A. Lease payments for 2014 amounted to €528 thousand. Rent is in line with market conditions. It is in the Company's interest to benefit from the continuity of office space reducing the risk of early termination of leases. At the end of 2014, all amounts due to Tha Immobiliare had been settled.

Cembre S.p.A. also leased from Montifer S.r.l. a portion of an industrial building adjacent to the Company's main industrial complex and measuring 2,970 square meters. The spouse of Mr. Fabio Fada, independent director of the parent company, is a non-executive director of Montifer S.r.l. Rent for these properties in 2014 amounted to €76 thousand. Cembre S.p.A. terminated before their natural expiration these contracts respectively on September 30 and November 30, 2014 following the transfer of the departments hosted in the leased properties to the newly restructured buildings of the Company.

	2014	2013	Change
Rent paid by Cembre SpA to Tha Immobiliare	528,278	525,862	2,416
Rent paid by Cembre SpA to Montifer	75,774	96,858	(21,084)
TOTAL	**604,052**	**622,720**	**(18,668)**

Cembre S.p.A. does not have direct relationships with its parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

35. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Due to its minimal exposure, Cembre S.p.A. does not make significant use of derivative instruments to hedge against interest risk and currency exposure.

Risks connected with the market

The Company faces these risks with ongoing innovation, the widening of the product range, high automation and the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

Cembre S.p.A. has negligible exposure to this type of risk and at December 31, 2014 it had no loans outstanding.

Currency risk

Despite a strong international presence, Cembre S.p.A. does not have a significant exposure to currency risk (on an operating or equity basis), as it operates mainly in the euro area, the currency in which its trade transactions are mainly denominated.

At December 31, 2014, the following foreign exchange positions were held:

	2014		2013	
		€		€
Receivables in US$	2,789,706	2,297,756	2,617,966	1,898,315
Payables in US$	182,975	150,708	197,828	143,447
Payables in AUS$	-	-	153,420	99,475
Current account in US$	265	218	565,798	410,266

Amounts were translated into euro at the exchange rate applicable at December 31, 2014. The translation generated a positive €82 thousand difference with respect to the value originally booked, difference which was recorded in the income statement.

In the table that follows we report the economic effect of possible fluctuations in exchange rates of the said amounts.

	Exchange rate change	Receivables *(€'000)*	Payables *(€'000)*
2014	5%	(109)	7
	-5%	121	(15)
2013	5%	(90)	12
	-5%	100	(24)

As illustrated above, the size of these transactions and the resulting balances are not significant in influencing the overall performance of the Company.

Liquidity risk

The exposure of the Company to liquidity risk is not material as its financial position is balanced. The collection and payment cycle is also in balance, as shown by the ratio of current assets to current liabilities which is considerably above 2.

The breakdown of trade receivables by expiration is shown in the table below:

		0-30 days	31-60 days	61-90 days	91-120 days	over 120 days	TOTAL
2014	Expired	3,195	505	157	100	111	4,068
	Not expired	1,222	5,589	876	19	-	7,706
2013	Expired	3,787	338	194	22	301	4,642
	Not expired	864	5,585	751	42	-	7,242

Credit risk

Exposure to credit risk relates exclusively to trade receivables.

As shown in note 7, none of the areas in which Cembre S.p.A. operates poses relevant credit risks. Average collection time of trade receivables is 87 days, as compared with 90 days in 2013.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide guarantees.

Receivables matured over 12 months and those under litigation are widely covered by the provision for doubtful accounts accrued.

36. SUBSEQUENT EVENTS

No event having significant effects on the Company's financial position or operating performance occurred after December 31, 2014.

Attachments

The present document contains the following attachments:

Attachment 1: Comparative Income Statement.

Attachment 2: Summary of last approved financial statements of consolidated subsidiaries.

Attachment 3: Independent Auditors' compensation.

Brescia, March 11, 2015

THE CHAIRMAN AND MANAGING DIRECTOR
OF CEMBRE S.P.A.

Giovanni Rosani

Attachment 1 – Notes to the Financial Statements of Cembre S.p.A.

Comparative Income Statement

	YEAR 2014	%	YEAR 2013	%	change
Revenues from sales and services provided	84.902.582	100,0%	56.943.716	100,0%	49,1%
Other revenues	1.043.041		669.604		55,8%
Total Revenues	**85.945.623**		**57.613.320**		49,2%
Cost of goods and marchandise	(33.755.814)	-39,8%	(23.317.330)	-40,9%	44,8%
Change in inventories	932.026	1,1%	(607.153)	-1,1%	-253,5%
Cost of services received	(10.007.214)	-11,8%	(7.098.372)	-12,5%	41,0%
Lease and rental costs	(957.087)	-1,1%	(725.298)	-1,3%	32,0%
Personnel costs	(22.235.392)	-26,2%	(16.111.086)	-28,3%	38,0%
Other operating costs	(918.047)	-1,1%	(428.059)	-0,8%	114,5%
Increase in assets due to internal construction	882.965	1,0%	493.067	0,9%	79,1%
Write-down of current assets	(568.533)	-0,7%	(158.280)	-0,3%	259,2%
Accruals to provisions for risks and charges	(140.989)	-0,2%	(5.866)	0,0%	2303,5%
Gross Operating Profit	**19.177.538**	22,6%	**9.654.943**	17,0%	98,6%
Tangible assets depreciation	(3.704.120)	-4,4%	(2.503.322)	-4,4%	48,0%
Intangible assets amortization	(386.171)	-0,5%	(242.360)	-0,4%	59,3%
Operating Profit	**15.087.247**	17,8%	**6.909.261**	12,1%	118,4%
Financial income	1.954.227	2,3%	1.545.807	2,7%	26,4%
Financial expenses	(96.818)	-0,1%	(47.241)	-0,1%	104,9%
Foreign exchange gains (losses)	265.525	0,3%	(7.366)	0,0%	-3704,7%
Profit Before Taxes	**17.210.181**	20,3%	**8.400.461**	14,8%	104,9%
Income taxes	(5.007.830)	-5,9%	(2.532.784)	-4,4%	97,7%
Net Profit	**12.202.351**	14,4%	**5.867.677**	10,3%	108,0%

Attachment 2 – Notes to the Financial Statements of Cembre S.p.A.

Summary financial data of consolidated subsidiaries
(ex article 2429 of the Italian Civil Code)

(amounts in euro)	Non-current assets	Current assets	Total assets	Shareholders' Equity	Total Liabilities	Total Liabilities and Shareholders' Equity
Cembre Ltd	5.388.071	11.499.166	16.887.237	14.157.835	2.729.402	16.887.237
Cembre Sarl	593.581	3.852.775	4.446.356	2.982.506	1.463.850	4.446.356
Cembre España SL	3.289.187	4.770.067	8.059.254	7.113.840	945.415	8.059.254
Cembre AS	21.422	579.457	600.878	446.028	154.850	600.878
Cembre GmbH	2.751.938	2.994.550	5.746.488	4.869.837	876.651	5.746.488
Cembre Inc.	316.221	7.377.878	7.694.099	5.358.321	2.335.778	7.694.099

(amounts in euro)	Total revenues	Gross operating profit	Operating profit	Profit before taxes	Income taxes	Net profit (loss)
Cembre Ltd	22.377.786	3.730.831	3.234.640	3.339.399	(736.801)	2.602.598
Cembre Sarl	8.452.626	362.020	287.918	286.432	(116.859)	169.573
Cembre España SL	7.072.852	519.125	430.091	435.446	(130.634)	304.812
Cembre AS	960.126	130.600	112.919	104.410	(35.428)	68.983
Cembre GmbH	7.837.238	515.793	449.616	450.700	(147.778)	302.922
Cembre Inc.	10.159.743	988.800	906.040	904.289	(343.120)	561.169

Figures above relate to the respective Financial Statements at December 31, 2014

The translation of amounts expressed in currencies other than the euro was carried out as described in the notes to the Financial Statements at December 31, 2014.

Attachment 3

Notes to the Financial Statements of Cembre S.p.A.

COMPENSATION FOR AUDITING SERVICES AND SERVICES OTHER THAN AUDITING

pursuant to article 149-*duodecies* of Listed Companies Code (CONSOB)

Service	Independent auditors	Service received by	Compensation *(€'000)*
Auditing	PricewaterhouseCoopers	Cembre S.p.A.	66
Auditing	PricewaterhouseCoopers	Subsidiaries (excluding Cembre	79
Auditing	WeiserMazars	Cembre Inc.	17
Tax Advisory	PricewaterhouseCoopers	Cembre Ltd.	7
Tax Advisory	WeiserMazars	Cembre Inc.	11

Sede:
Via Serenissima, 9
25135 Brescia
Tel.: 030 3692.1
Telefax: 030 3365766
www.cembre.com
E-mail: Info@cembre.com

Cembre

Attestation in respect of the statutory financial statements

pursuant to art 154-bis Paragraph 5, of Legislative Decree 58 dated Feb. 24, 1998 "Consolidated Law on financial intermediation regulations" and subsequent integrations and updatings

The undersigned Giovanni Rosani and Claudio Bornati, in their position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2014 statutory financial statements and during the period covered by the report, were:

• adequate to the company structure, and

• effectively applied during the process.

The undersigned officers certify that this 2014 statutory financial statements:

a) corresponds to the company's evidence and accounting books and entries, and

b) was prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Brescia, March 11, 2015

Chairman and
Managing Director

signed by:
Giovanni Rosani

Manager responsible for the
preparation of financial reports

signed by:
Claudio Bornati

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Cembre SpA

1 We have audited the separate financial statements of Cembre SpA as of 31 December 2014 which comprise the statement of financial position, statement of comprehensive income, statement of cash flows , statement of changes in shareholder's equity, and related notes. The directors of Cembre SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 27 march 2014.

3 In our opinion, the separate financial statements of Cembre SpA as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Cembre SpA for the period then ended.

4 The directors of Cembre SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Investor relations" of the website of Cembre SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and

paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Cembre SpA as of 31 December 2014.

Brescia, 26 march 2015

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS OF CEMBRE S.p.A. AT DECEMBER 31, 2014

Pursuant to Article 153 of Legislative Decree 58/98 of TUF (*Testo Unico della Finanza,* Consolidated Finance Act) and of article 2429, comma 3, of the Italian Civil Code.

To our Shareholders:

pursuant to article 2429, comma 2 of the Italian Civil Code and article 153 of legislative decree no. 58, dated February 24, 1998, the Board of Statutory Auditors reports to the Shareholders' Meeting called to approve the 2013 Financial Statements on the monitoring activity carried out and on omissions and censurable facts observed, in addition to expressing a recommendation on the Financial Statements, their approval and other pertinent issues.

In compliance with responsibilities assigned by article 149 of legislative decree no. 58, dated February 24, 1998, the Board of Statutory Auditors reports the following:

In 2014 the Board:

- attended one Shareholders' Meeting;
- attended four of Board of Directors' Meetings at which Directors informed the Board of Statutory Auditors on main operations of economic and financial relevance carried out by the Company and its subsidiaries. In this regard, we can reasonably state that operations resolved and/or carried out, complied with the Law and the provisions of the By-laws, were not in potential conflict of interest or in contrast with Shareholders' resolutions taken, were carried out in compliance with correct management principles, were not manifestly imprudent, did not involve an excessive amount of risk, constitute a potential conflict of interest or were such as to compromise the integrity of the company's assets;

- met five times to carry out periodical monitoring, reviewing financial reports and taking the related resolutions, with all auditors attending the meetings.
- met twice as a Board with the Company's independent auditors, PricewaterhouseCoopers S.p.A.;
- the Chairman alone attended three meetings with the Remuneration Committee;
- met also: five times with the Internal Control and Risk Committee and with the Monitoring Board – of which on three occasions represented solely by its Chairman – ascertaining the adequacy of the company's structure to its size;

The Board monitored the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/1998 and subsequent amendments, and on the correct flow of information between them, and deems the Company to be capable of complying with disclosure requirements set by Law.

With reference to the two subsidiaries incorporated in countries that are not part of the European Union (Cembre Inc., incorporated in the US, and Cembre A.S., incorporated in Norway) whose accounts are audited, we attest that the administrative, accounting and reporting systems used are adequate in providing a regular flow of operating and financial information to the company's management and Independent auditors.

The Company adopted the Self Conduct Code of listed companies approved by the Committee for Corporate Governance promoted by Borsa Italiana S.p.A., adopting in 2014 further resolutions aimed at amending the Company's Managerial and Control Model to ensure compliance with new regulations. The corporate governance system adopted by the Company is described in detail in the 2014 Report on Corporate Governance and the Company's ownership structure, approved by the Board of Directors on March 11, 2015.

We have acquired direct knowledge and monitored, to the extent required by our task, the adequacy of the organizational structure of the Company and of its administrative and managerial organization in relation to its size, gathering information from persons in charge of the management of the Company and through meetings with the independent auditors, the Person in charge of internal control, with the Person in charge of Internal Audit, the Internal Control and Risk Committee and the Monitoring Board, involving exchange of data and relevant information, to verify the respect of diligent and correct administration principles.

The Board of Statutory Auditors thus believes that the diligent and correct administration principles were respected.

The Board also monitored the ability of the managerial accounting system of the Company to represent correctly the performance of the Company through the gathering of information from the Appointed Manager and competent head of departments, the review of corporate documents and the analysis of results of work carried out by the independent auditors. In particular, the Board reports that in 2014 the Appointed Manager verified, with the help of the Internal Audit Department, the adequacy and actual application of administrative and accounting procedures as per article 154-*bis*, TUF; such activity allowed to attest that the financial statements provide a true and correct representation of the financial situation and economic performance of the Company and its subsidiaries. In light of the monitoring activity carried out and of the positive opinion on the adequacy of the organizational, administrative and accounting structure of the Company expressed by the Board of Directors at its meeting of November 14, 2014, the Board of Statutory Auditors deems, within the scope of its responsibilities, such system to be adequate and reliable in providing a correct representation of the Company's performance.

The Board continued to monitor the adequacy of the internal auditing and risk management system, also at the consolidated level, through the exhaustive collection of information, by:

- reviewing the report of the Person in charge of Internal Audit on the adequacy and functioning of internal audit and risk management systems of the Company;
- attending meetings of the Internal Control and Risk Committee and of the Monitoring Board;
- reviewing the report of the Internal Control and Risk Committee on the internal audit system;
- reviewing information on measures taken and procedures adopted pursuant to Legislative Decree 231/2001 and subsequent amendments, on the administrative responsibility of organizations with regard to crimes referred to in the above legislation;
- maintaining the Environmental management system with periodical internal and external audits;
- reviewing information on monitoring activity and the implementation of corrective action devised also by seeking specific independent advice on hygiene, employee safety and the environment in general;
- reviewing the results of work carried out by the Independent auditors;
- reviewing information provided by the management and respective boards of subsidiaries, pursuant to commas 1 and 2 of article 151 of Legislative Decree 58/98;
- attesting the financial statements of the parent company pursuant to article 81-*ter* of Consob Regulation dated May 14, 1999 and subsequent amendments, underwritten by the Managing Director and Manager in charge of drafting the Company's accounts;
- verifying the correct update of the Administrative and Management Control Model to comply with normative changes in the year.

In light of the monitoring activity carried out and of the positive opinions regarding the adequacy, effectiveness and functioning of the internal control and risk management system formulated by the Internal Audit and Risk Committee and by the Board of Directors, the Board of Statutory Auditors deems, within the scope of its responsibilities, such system to be adequate.

Information pursuant to article 150 of Legislative Decree no. 58/98 and subsequent amendments was supplied and sought independently by the Board of Statutory Auditors, from which no data or relevant information, omissions, censurable facts, irregularities or in any case significant events worth reporting to relevant Authorities or monitoring boards, or of mention in the present report have emerged.

The Board of Statutory Auditors did not receive any report pursuant to article 2408 of the Italian Civil Code or has any knowledge of any other denunciation pursuant to the same received by others.

The Board of Directors transmitted to us, within the term set by law, the Report on the first six months of 2014, publishing it pursuant to current regulations, publishing also interim reports for the 1st Quarter and the 3rd Quarter of 2014.

Likewise, the Board of Directors transmitted to us the Consolidated Financial Statements and the parent company's accounts for the year, consisting of Statement of Financial Position, Income Statement, Statement of Cash Flows and Statement of Changes in the Shareholders' Equity, together with the Notes to the accounts, the Statutory Accounts, three attachments (comparative income statement, summary financial data of the last published financial statements of consolidated subsidiaries pursuant to article 2429 of the Italian Civil Code, disclosure of compensation for independent auditing and other services) and the certifications of the same by the Managing Director and Person in charge of drafting the company's accounts pursuant to article 81-*ter* of CONSOB

Regulation no. 11971/99 and following, and of article 154-bis, commas 3 and 4, of Legislative Decree no. 58 of February 24, 1998.

The Report on Operations for the 2014 financial year illustrates results of the Group and the parent company, includes as attachments a Comparative Consolidated Income Statement and a list of Members of Corporate Boards, illustrating also subsequent events and the outlook for 2015.

With regard to CONSOB's requirements and recommended disclosures, within the scope of its responsibilities, the Board attests that:

- information provided by Directors in the Report on Operations are deemed exhaustive and complete;
- the Report on Operations includes, in addition to the Comparative Consolidated Income Statement and a list of Members of Corporate Boards, performance indicators, investments, detail of main risks and uncertainties connected with the overall economic situation, the market for the Company's products, credit markets, liquidity, interest rates, exchange rates, the integrity and reputation of the Company, environmental management and workplace safety, research and development activities;
- in the periodical verifications and checks we performed on the Company, we did not encounter any atypical or unusual transaction either with third parties, related parties or between Group companies;
- with regard to transactions between Group companies and those with related parties, the Report on Operations and the Notes to the accounts describe and explain exchanges of goods and services between the Company and its subsidiaries or other related parties, attesting that the same were carried out at market conditions, keeping into account the quality of goods and services exchanged;

- the “Related Parties Procedure” was evaluated and confirmed pursuant to paragraph 6.1 of Consob’s Communication no. 10078683/2010
- in the field of risk management and financial instruments, the nature and amount of risks were reported;
- the Audit Report does not contain reference to lack of disclosure or related observations and proposals;
- in compliance with articles 123bis of the Finance Act (Testo Unico), article 89-*bis* of CONSOB’s Listed Companies Regulation, we acknowledge that, as it appears in the Report on Corporate Governance, the Cembre Group participates and complies with the Self-conduct Code issued by the Committee for Corporate Governance of listed companies, as integrated and implemented, through its adoption and compliance with Regulations for STAR segment listed companies;
- the adoption of said Code was verified by the Board of Statutory Auditors and represented the subject, in its various aspects, of the Report on Corporate Governance made available to you and to which we refer.

In the year, the Board of Statutory Auditors expressed a favorable opinion on the medium-long term incentive plan for executive directors and directors invested with particular responsibilities.

Cembre S.p.A. appointed PricewaterhouseCoopers S.p.A. to carry out an audit of its statutory accounts and consolidated financial statements, a limited audit of its Consolidated Half-year Report and other auditing activities pursuant to article 155 comma 1 letter a) of Legislative Decree no 58/98.

The report of Independent Auditors PricewaterhouseCoopers S.p.A. (the “Independent Auditors”) on the financial statements of Cembre S.p.A., issued pursuant to article 14 and 16 of Legislative Decree no. 39 of January 27, 2014 on March 26, 2015, does not contain exceptions or raises issues, and attests that said financial statements are clear and have been prepared in compliance with norms that regulate the preparation of financial statements, representing in a true and correct manner the financial position and operating performance, the income and cash flows of the Company and the Group for the year ended December 31, 2014. Said report attest also that the Report on Operations and information pursuant to paragraph 1, section c), d), f), l), m) and paragraph 2, section b) of article 123-*bis* of Legislative Decree no. 58/1998 published in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of the Company.

On March 26, 2015, Independent Auditors PricewaterhouseCoopers issued a communication, regarding independence, related to auditing and tax compliance services supplied to the company. Taking into account principles stated by law and professionals regulations, they confirmed their position of independence and objectivity towards Cembre S.p.A. They also declared that no changes generating incompatibilities, as those indicated by art. 160 of Legislative Decree 58/98 and by section I-*bis* of paragraph VI "Independent Audit"- Incompatibility - of CONSOB Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations, occurred.

Services other than audit carried out by companies belonging to the PricewaterhouseCoopers network, regarding tax compliance, amounted to €7 thousand and related to tax compliance, while advisor WeiserMazars provided tax compliance services for a total fee of €11 thousand.

The Board of Statutory Auditors, in compliance with the Self-conduct Code, verified the independence requisites of permanent and alternate Statutory Auditors, in addition to the correct application of criteria and procedures adopted by the Board of Directors in the year to evaluate the independence of Non-executive Independent Directors.

The statutory accounts, for which we verified compliance with laws regulating its format and preparation through checks carried out by us, within the limits of our task, as provided by article 149 of Legislative Decree no. 58, February 24, 1998, and subsequent amendments – having ascertained that no waivers pursuant to article 2423 of the Italian Civil Code were exercised – and information provided by the Independent Auditors, report a net income of €12,202,351, as compared with a net income of €8,676,088 in the previous year.

The Board of Statutory Auditors therefore deems the Financial Statements at December 31, 2014 and the proposed allocation of net profit for the year submitted by the Board of Directors to be suitable to receive your approval.

The tree year appointment of the Board of Statutory Auditors expires with the approval of the Financial Statements at December 31, 2014. In concluding our term we take the occasion to express our thanks for the wide cooperation received from the management and the administration of the Company that allowed us to carry out our task in an effective and accurate way. We therefore thank for the trust placed in us and wish the company to continue with success along the path towards the achievement of the important goals it has set for itself.

Brescia, March 26, 2015

The Board of Statutory Auditors

The Chairman

Fabio Longhi