Cembre

COSTRUZIONI ELETTROMECCANICHE BRESCIANE

2018 half-yearly financial report

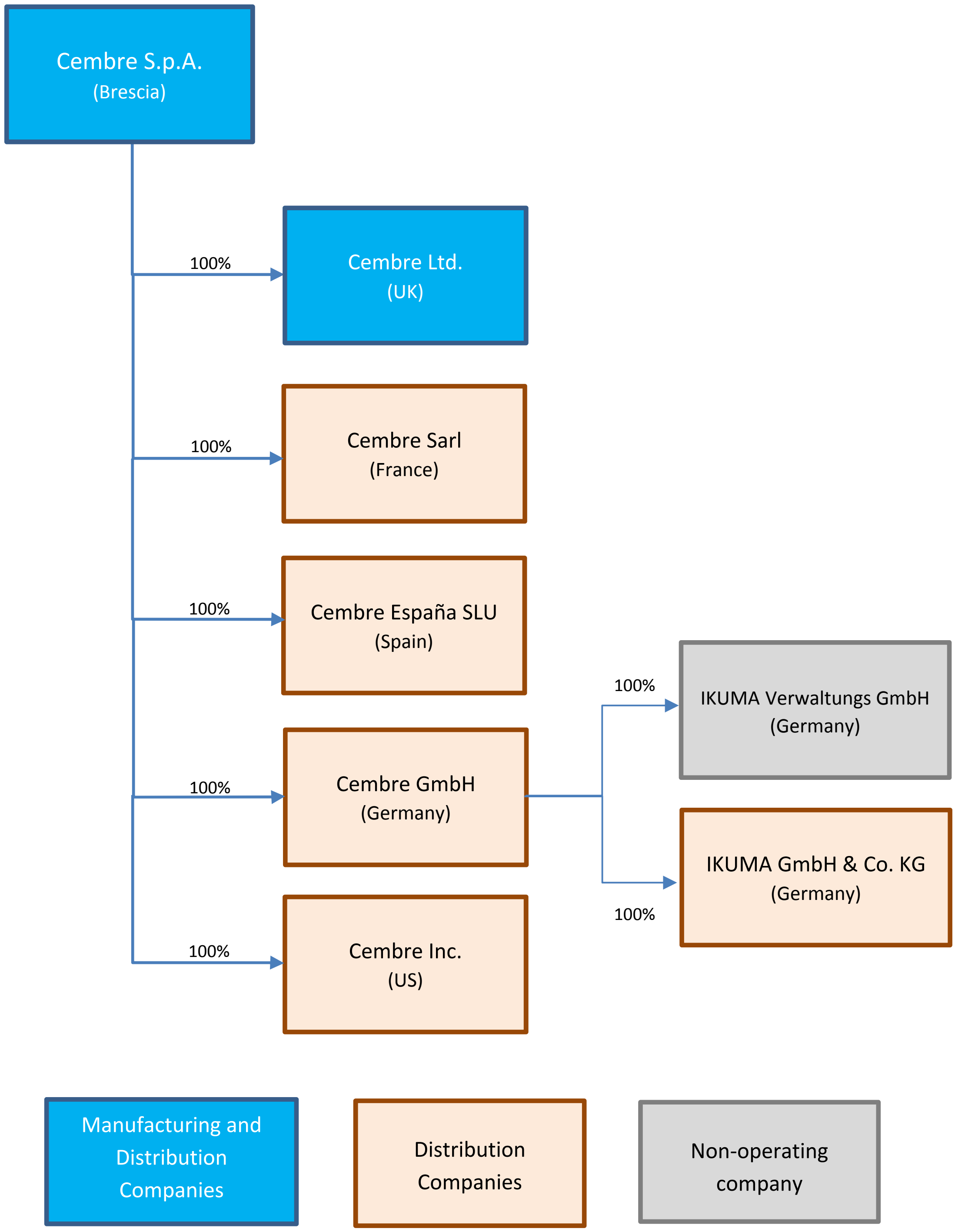
Cembre S.p.A.

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 consolidated interim report prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)

CONTENTS

Group Structure



Report on Operations for the 1st Half of 2018

Operating Review

On May 3rd, 2018, effective May 1st, 2018, wholly-owned German subsidiary Cembre GmbH acquired the entire capital stock of two companies with offices in Weinstadt, near Stuttgart: IKUMA GmbH & Co.KG ("IKUMA KG"), a company active on the German market in the electrical equipment sector and IKUMA Verwaltungs GmbH, a non-operating company whose only activity is to manage and provide strategic advice to IKUMA KG. For more details on this operation please refers to paragraph "IV. Acquisition" of Notes.

Starting from the date of the acquisition, the two acquired companies were included in the consolidation of the Cembre Group and results for the 1st Half of 2018 therefore include those of IKUMA KG and IKUMA Verwaltungs.

In the 1st Half of 2018 sales of the Cembre Group grew, as the good results of the 1st Quarter of the year were confirmed in the 2nd Quarter, bringing the Group's total turnover to €73.3 million, up 10.1% on €66.6 million in the 1st half of 2017. Sales of IKUMA KG for the period amounted to €1.4 million (from 01.05.2018 to 30.06.2018). Excluding this contribution, sales for the period would have been up 7.9% on the corresponding period in 2017.

The breakdown of consolidated sales by geographical area shows a growth in the Italian market, with sales up by 11.7% to €31.3 million, sales to other European countries up by 9.7% to €30.7 million, and sales to the rest of the world growing by 6.7% to €11.2 million. In the 1st Half of 2018, 42.2% of Group sales were represented by Italy (as compared with 42.1% in the 1st Half of 2017), 41.9% by the rest of Europe (42.1% in the 1st Half of 2017), and the remaining 15.3% by the rest of the World (15.8% in the 1st Half of 2017).

Sales by geographical area

(€'000)	1st Half 2018	1st Half 2017	Change	1st Half 2016	1st Half 2015	1st Half 2014	1st Half 2013	1st Half 2012	1st Half 2011	1st Half 2010	1st Half 2009
Italy	31,349	28,055	11.7%	25,446	25,312	22,194	19,309	20,968	24,819	19,121	15,074
Rest of Europe	30,718	28,014	9.7%	26,250	26,283	26,100	23,995	23,841	22,168	18,958	18,466
Rest of the World	11,228	10,527	6.7%	10,989	11,442	8,319	8,955	8,412	6,848	5,362	4,592
Total	**73,295**	**66,596**	**10.1%**	**62,685**	**63,037**	**56,613**	**52,259**	**53,221**	**53,835**	**43,441**	**38,132**

In the 1st Half of 2018 the parent company and its foreign subsidiaries registered an increase in euro sales with the exception of the German subsidiary.

Revenues by Group company (net of intragroup sales)

(€'000)	**1st Half 2018**	**1st Half 2017**	**Change**	**1st Half 2016**	**1st Half 2015**	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**
Parent Company	40,680	37,303	9.1%	35,226	34,732	29,098	26,607	28,308	31,873	24,496	20,064
Cembre Ltd. (UK)	9,320	8,883	4.9%	9,313	9,979	10,636	9,541	9,086	6,759	5,500	5,933
Cembre S.a.r.l. (F)	5,270	5,025	4.9%	4,836	4,300	4,292	4,037	4,081	3,846	3,157	3,197
Cembre España S.L.U. (E)	5,366	5,093	5.4%	4,084	4,406	3,567	3,167	3,093	3,929	4,333	3,790
Cembre GmbH (D)	4,041	4,319	-6.4%	3,824	3,633	3,762	3,535	4,018	3,896	2,981	2,366
IKUMA KG (D)	1,450	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	23	591	450	412	528	424	469	321
Cembre Inc. (USA)	7,168	5,973	20.0%	5,379	5,396	4,808	4,960	4,107	3,108	2,505	2,461
Total	**73,295**	**66,596**	**10.1%**	**62,685**	**63,037**	**56,613**	**52,259**	**53,221**	**53,835**	**43,441**	**38,132**

In the 1st Half of 2018, Group companies reported the following results, before the consolidation:

	Sales										
(€'000)	**1st Half 2018**	**1st Half 2017**	**Change**	**1st Half 2016**	**1st Half 2015**	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**
Parent Company	57,790	52,215	10.7%	49,264	48,817	42,969	39,071	41,385	43,034	33,823	28,713
Cembre Ltd. (UK)	10,520	9,504	10.7%	10,047	10,779	11,572	10,394	9,970	7,842	6,197	6,485
Cembre S.a.r.l. (F)	5,275	5,031	4.8%	4,845	4,303	4,300	4,080	4,089	3,856	3,161	3,207
Cembre España S.L.U. (E)	5,370	5,093	5.4%	4,084	4,413	3,568	3,167	3,455	3,930	4,334	3,790
Cembre GmbH (D)	4,077	4,365	-6.6%	3,846	3,673	3,796	3,666	4,029	3,909	2,997	2,499
IKUMA Verw. GmbH (D)	55	,	.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	1,450	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre AS (NOR) (Wound up in 2016)	-	-	n.a.	196	591	450	412	528	430	469	321
Cembre Inc. (USA)	7,169	5,979	19.9%	5,400	5,701	4,914	4,976	4,155	3,109	2,517	2,417

	Net profit										
(€'000)	**1st Half 2018**	**1st Half 2017**	**Change**	**1st Half 2016**	**1st Half 2015**	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**
Parent Company	12,757	10,496	21.5%	9,275	9,283	6,807	4,305	5,635	6,153	4,835	2,181
Cembre Ltd. (UK)	854	2,997	-71.5%	1,049	1,182	1,391	1,139	1,123	635	393	595
Cembre S.a.r.l. (F)	307	236	30.1%	160	211	183	166	100	165	74	213
Cembre España S.L.U. (E)	148	289	-48.8%	(40)	264	161	69	(276)	(31)	197	153
Cembre GmbH (D)	139	288	-51.7%	166	94	197	98	278	304	156	84

IKUMA Verw. GmbH (D)	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	201	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	-91	49	31	11	57	37	110	56
Cembre Inc. (USA)	694	245	183.3%	183	160	294	480	210	131	46	77

The strong increase in net profit for 2017 of the UK subsidiary was due to the £1,928 thousand (€2,231 thousand) capital gain on the sale to the parent company of shares held by the UK subsidiary in other subsidiaries carried out to streamline the structure of the Group.

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

	Currency	**Sales**										
(€'000)		**1st Half 2018**	**1st Half 2017**	**Change**	**1st Half 2016**	**1st Half 2015**	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**
Cembre Ltd. (UK)	Gbp	9,255	8.179	13.2%	7,824	7,894	9,504	8,843	8,200	6,808	5,392	5,797
Cembre Inc. (USA)	US$	8,677	6.475	34.0%	6,026	6,361	6,734	6,536	5,387	4,363	3,339	3,221

	Currency	**Net profit**										
(€'000)		**1st Half 2018**	**1st Half 2017**	**Change**	**1st Half 2016**	**1st Half 2015**	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**
Cembre Ltd. (UK)	Gbp	751	2,580	-70.9%	817	865	1.142	969	923	552	342	531
Cembre Inc. (USA)	US$	840	266	215.8%	204	179	402	630	272	183	61	103

To provide a better understanding of the Company's financial performance for the 1st Half of 2018, a Comparative Consolidated Income Statement for the 1st Half of 2018 and 2017 showing percentage changes is enclosed as Attachment 1.

Consolidated gross operating profit for the 1st Half of 2018 amounted to €18,859 thousand, representing a 25.7% margin on sales, up 8.8% on the corresponding period in 2017 when it amounted to €17,336 thousand, representing a 26.0% margin on sales. The cost of goods sold and personnel costs as a percentage of sales declined in the period, despite the increase in the average number of persons employed from 680 in the 1st Half of 2017 to 747 in the 1st Half of 2018 (of which 18 are employees of IKUMA KG).

Consolidated operating profit for the period amounted to €15,492 thousand, representing a 21.1% margin on sales, up 8.9% on €14,227 thousand in the 1st Half of 2017, when it represented a 21.4% margin on sales.

Consolidated profit before taxes for the period profit amounted to €15,421 thousand, representing a 21.0% margin on sales, up 8.4% on €14,222 thousand in the 1st Half of 2017, when it represented a 21.4% margin on sales.

Net profit amounted to €11,699 thousand, representing a 16.0% margin on sales, up 15.3% on €10,150 thousand in the 1st Half of 2017, when it represented a 15.2% margin on sales. The decrease of income taxes as a percentage of profit descended from the application of "Patent Box Regime", whose positive effect on the 1st Half of 2018 amounted to €0.6 million. The agreement with tax authorities for the application of this Regime was signed December 22, 2017, so it so it was not included in the net profit of the 1st Half of 2017.

In the 1st Half of 2018, nonrecurring costs relating to the mentioned acquisition amounted to €421 thousand. Net of these costs, results for the 1st Half of 2018 would have been as follows:

- gross operating profit equal to €19,280 thousand, corresponding to a 26.3% of sales, up 11.2% on the same period in 2017;
- operating profit equal to €15,913 thousand, corresponding to a 21.7% margin on sales, up 11.9% on the 1st Half of 2017;
- profit before taxes equal to €15,842 thousand, corresponding to 21.6% of sales, up 11.4% on the 1st Half of 2017.

The consolidated net financial position at June 30, 2018 amounted to a surplus of €4.0 million, down on December 31, 2017, when it amounted to a surplus of €20.3 million. The financial position was affected by the payment of €13.3 million in dividends, capital expenditure made by the parent company in the period, amounting to €7.4 million, and €8.3 million representing the amount paid for the acquisition of IKUMA. At June 30, 2017 the net financial position was equal to a surplus of €14.6 million.

<u>Definition of alternative performance indicators</u>

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.

Shareholders' Equity

Consolidation adjustments determined the following differences between the Financial Statements of the parent company at June 30, 2018 and the consolidated accounts at the same date:

(€'000)	**Shareholders' Equity**	**Net Profit**
Parent company's financial statements	**122,429**	**12,757**
Book value of consolidated companies	23,275	2,214
Elimination of intra-group profits included in the value of inventories (*)	(4,010)	(539)
German subsidiary product warranty provision reversal (*)	23	1
Netting of intragroup dividends	-	(2,735)
Netting of intragroup gains	(12)	1
Consolidated Financial Statements	**141,705**	**11,699**

(*) Net of the related tax effect.

The following values were allocated to assets acquired in the context of the acquisition of IKUMA:

- an intangible asset consisting of the value of business relationships between IKUMA KG and its customers (i.e. its "Customer list") whose value was assessed at €1,965 thousand, with a useful life of 10 years;
- an intangible asset consisting of the value of the IKUMA brand on the market, set at €495 thousand, with a useful life of 10 years;
- a current asset resulting from the difference between the book value of inventories and their fair value, amounting to €283 thousand. On the basis of inventory turnover rotation ratio, such difference is deemed to be eliminated in four months;
- a deferred tax liability equal to €823 thousand resulting from the tax effect – calculated according to tax regulations applicable in Germany – of the above described items upon the acquisition;
- a goodwill, equal to €4,615 thousand, assessed as the residual value of the difference between the acquisition price, the above mentioned items and the book value of IKUMA KG.

Capital expenditure

Capital expenditure, gross of amortization, depreciation and disposals made in the 1st Half of 2018 amounted to €7.4 million and consisted mainly in the acquisition of plant and equipment. In the 1st Half of 2017 investments had amounted to €6.7 million. The increase in intangible assets includes the value of IKUMA KG's customer list, amounting to €2.0 million, and the value of the IKUMA trademark, equal to €0.5 million, as described above.

Main risks and uncertainties

<u>Risks connected to the economic situation</u>

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.

Despite signs of a slowdown, the world economic outlook remains favorable. The risk of a further slowdown due to tension between the US and its trading partners, however, remains. In Europe, a stable inflation scenario lead the ECB to announce the end of quantitative easing purchases by the end of the year, though the bank will continue to pursue its loose monetary policy until the summer.

The Italian economy continued to recover, though also showing signs of a slowdown, mainly in the export sector. The number of both long term and short term employees grew, while youth unemployment is slowly declining.

The Bank of Italy forecasts GDP to grow by 1.3% this year, by 1.0% in 2019 and by 1.2 in 2020. (source: *Bank of Italy Economic Bulletin 3/2018*).

The wide margin of uncertainty on which estimates of future performance are based make it very difficult to predict with reliability the future performance of markets and demand.

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, 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. The Company reviews its customers by monitoring overdues and immediately contacting them regarding problem situations.

Cembre moreover holds an insurance policy against commercial credit risk with a primary insurance company that allows it to further reduce exposure to this type of risk.

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

In April, the parent company was extended by Banca Intesa two loans amounting respectively to €10 million, expiring in October 2019 and bearing a 0.04% fixed interest, and €4 million, expiring in April 2020, bearing a 0.05% fixed interest. The nature of the interest rate applied and the relatively short maturity of the loans are such as to protect the Group from interest rate fluctuation risks.

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 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 an Environmental Certification under standard UNI EN ISO 14001 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.

Research & Development

In the 1st Half of 2018 costs for personnel employed in Research & Development activities amounted to €342 thousand, of which €101 thousand for development, capitalized among intangibles.

Below we include a brief description of projects undertaken in the first half of the year. Information provided is purposely generic because some products are not yet at the manufacturing stage and are in some cases in the process of obtaining patents.

Cable terminals

A total of 19 requests for new products were approached. All studies included both new connectors and equipment for their manufacturing.

The development of our range of our mechanical locking connectors continued, while the development of a rail contact specific for New York City Transit (New York subway) was concluded. The project consisted, in addition to the development of the contact, in the extrusion system for the same, leading to the development of a tool that meets closely the specific needs of the customer.

Railroad equipment

A prototype for a new battery-run machine for the drilling of wooden sleepers was developed and manufactured. The tool has been patented and will be officially presented at Innotrans, Berlin's fair dedicated to the railroad sector.

The production of a family of drill bits for wooden sleepers was started. The drill bits were manufactured entirely in-house and required investments in dedicated machinery and equipment. The project provides for the completion of the range, eliminating entirely items ordered from outside suppliers.

A prototype for a new battery-run hydraulic utensil for inserting clips used to fasten rails to sleepers was developed and manufactured. The utensil features a particular configuration developed by the University of Moscow for the Russian railways. Following tests carried out by personnel in charge of its installation changes in the design were implemented in the manufacturing phase.

Tools

Three new cutting jaws have been studied for the new bi-linear tool specific for the American market. The three cutting jaws greatly extend the cutting range compared to previous models and differ from each other depending on the type of cable being cut.

In order to make its use more convenient, a new system for coupling the 13-ton 'C' compression head to the remote control pump has been designed. The item is manufactured directly with a 3D printer, without requiring finishing work on the machine or the construction of molds.

As requested by customers operating in the British market, the study of a new hydraulic head to be used for the exploration of potentially live cables before proceeding with their cutting, was started. This project is being patented.

A new battery-powered hydraulic pump is under study. The new pump introduces several innovations, is patented, and will be officially presented at Innotrans, the Berlin fair for the railway sector.

Cable marking

A total of 33 of requests for the development of new products for the marking of cables were followed up. Studies included also the related manufacturing tools.

A project relating to the widening and updating of the range of thermal transfer printers is currently underway.

Related parties

Transactions of a commercial nature concluded between the parent company and its subsidiaries in the 1st Quarter of 2018 are summarized in the table below:

(€'000)	**Receivables**	**Payables**	**Revenues**	**Purchases**
Cembre Ltd.	942	44	4,500	338
Cembre S.a.r.l.	570	-	3,085	4
Cembre España S.L.U.	1,029	-	3,133	2
Cembre GmbH	707	8	1,991	26
IKUMA GmbH & Co. KG	3	-	5	-
Cembre Inc.	833	-	4,695	1
TOTAL	**4,084**	**52**	**17,409**	**371**

Revenues above include the charging to subsidiaries of costs incurred in the maintenance of the information system and royalties for the use of the *Cembre* trademark, amounting to €240 thousand.

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.

Cembre S.p.A. currently leases property from Tha Immobiliare S.p.A., with registered office in Brescia, owned by Giovanni Rosani and Sara Rosani, Directors of Cembre S.p.A. Cumulative rent for these contracts for the 1st Half of 2018 amounts to €266 thousand.

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

Cembre Ltd. leased an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. Rent for the 1st Half of 2018 amounts to £60 thousand. Such amount is in line with market conditions.

In the context of the acquisition of IKUMA KG, the German subsidiary recorded under liabilities €1,978 thousand. This amount represents the discounted value of the liability towards the sellers and directors of the company (nominal value €2,000), to be paid in four installments in years 2019-2022, contingent upon the fulfillment of certain contractual clauses. The discounted non-current portion of the liability amounts to €1,480 thousand. Furthermore, Cembre GmbH recorded a liability of €268 thousand towards the same counterparties, relating to the adjustment of the purchase price of IKUMA KG calculated on future performance on results of the company as at April 30, 2018.

Further detail of these transactions 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. currently controls only one company incorporated under the laws of a State that is not part of the European Union and namely Cembre Inc., incorporated in the US.

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 subsidiary and used in the preparation of its 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 subsidiary 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 powers of Cembre Inc., 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

At June 30, 2018, the number of own shares held by Cembre S.p.A. was 282,541, corresponding to 1.66% of the capital stock. In the 1st Half of 2018 no purchases of own shares have been carried out; in the same period 2,116 own shares have been sold. At April 26, 2018, the Shareholders' Meeting of Cembre S.p.A. resolved to authorize the purchase and trade of own shares, for a period of 18 months from the date of the Shareholders' Meeting.

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 June 30, 2018.

Outlook

In light of the increase in turnover achieved in the first six months of the year, strengthened in July and August, obtained also with the contribution in terms of sales of newly acquired company IKUMA KG, Cembre expects to close the year reporting a substantial increase in turnover and margins over 2017.

Attachments

The present Report includes the following attachments:

Attachment 1 Comparative Consolidated Income Statement at June 30, 2018

Attachment 2 Company Boards

Brescia, September 11, 2018

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

Giovanni Rosani

Attachment 1 - Report on Operations of the Group

Comparative Consolidated Income Statement

(€ '000)	1st Half 2018	% of sales	1st Half 2017	% of sales	Change
Revenues from sales and services provided	73.295	100,0%	66.596	100,0%	10,1%
Other revenues	241		253		-4,7%
TOTAL REVENUES	**73.536**		**66.849**		10,0%
Cost of goods and merchandise	(29.674)	-40,5%	(23.992)	-36,0%	23,7%
Change in inventories	6.465	8,8%	2.628	3,9%	146,0%
Cost of services received	(9.563)	-13,0%	(8.555)	-12,8%	11,8%
Non recurring cost of services	(421)	-0,6%	-	0,0%	
Lease and rental costs	(801)	-1,1%	(794)	-1,2%	0,9%
Personnel costs	(20.360)	-27,8%	(18.696)	-28,1%	8,9%
Other operating costs	(729)	-1,0%	(581)	-0,9%	25,5%
Increase in assets due to internal construction	515	0,7%	583	0,9%	-11,7%
Write-down of receivables	(98)	-0,1%	(97)	-0,1%	1,0%
Accruals to provisions for risks and charges	(11)	0,0%	(9)	0,0%	22,2%
GROSS OPERATING PROFIT	**18.859**	25,7%	**17.336**	26,0%	8,8%
Property, plant and equipment depreciation	(3.040)	-4,1%	(2.836)	-4,3%	7,2%
Intangible asset amortization	(327)	-0,4%	(273)	-0,4%	19,8%
OPERATING PROFIT	**15.492**	21,1%	**14.227**	21,4%	8,9%
Financial income	3	0,0%	73	0,1%	-95,9%
Financial expenses	(24)	0,0%	(4)	0,0%	500,0%
Foreign exchange gains (losses)	(50)	-0,1%	(74)	-0,1%	-32,4%
PROFIT BEFORE TAXES	**15.421**	21,0%	**14.222**	21,4%	8,4%
Income taxes	(3.722)	-5,1%	(4.072)	-6,1%	-8,6%
NET PROFIT	**11.699**	16,0%	**10.150**	15,2%	15,3%

Attachment 2 – Report on the 1st Half of 2018

CORPORATE BOARDS

Board of Directors

Giovanni Rosani	Chairman and Managing Director
Anna Maria Onofri	Vice Chairman
Sara Rosani	Director
Aldo Bottini Bongrani	Director
Felice Albertazzi	Director
Franco Celli	Director
Paola Carrara	Independent Director
Fabio Fada	Independent Director

Board of Statutory Auditors

Fabio Longhi	Chairman
Riccardo Astori	Permanent Auditor
Rosanna Angela Pilenga	Permanent Auditor
Maria Grazia Lizzini	Substitute Auditor
Rosella Colleoni	Substitute Auditor

Independent Auditors

EY S.p.A.

The above list is updated at September 11, 2018.

The Board of Directors and Board of Statutory Auditor's term expires with the approval of the Financial Statements at December 31, 2020.

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. 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.

Condensed Consolidated Financial Statements at June 30, 2018

Consolidated Statement of Financial Position

ASSETS	Notes	Jun. 30, 2018		Dec. 31, 2017	
(euro '000)			*of which: related parties*		*of which: related parties*
NON CURRENT ASSETS					
Tangible assets	*1*	75.965		72.082	
Investment property	*2*	1.099		1.126	
Intangible assets	*3*	4.380		1.867	
Goodwill	*4*	4.615		-	
Other investments		10		10	
Other non-current assets	*5*	1.522		41	
Deferred tax assets	*13*	2.662		2.294	
TOTAL NON-CURRENT ASSETS		**90.253**		**77.420**	
CURRENT ASSETS					
Inventories	*6*	50.429		41.673	
Trade receivables	*7*	31.254		26.520	
Tax receivables	*8*	3.036		4.299	
Other receivables	*9*	1.190		465	
Cash and cash equivalents		17.978		20.232	
TOTAL CURRENT ASSETS		**103.887**		**93.189**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		**-**		**-**	
TOTAL ASSETS		**194.140**		**170.609**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Jun. 30, 2018		Dec. 31, 2017	
(euro '000)			*of which: related parties*		*of which: related parties*
SHAREHOLDERS' EQUITY					
Capital stock	*10*	8.840		8.840	
Reserves	*10*	121.166		111.508	
Net profit		11.699		22.727	
TOTAL SHAREHOLDERS' EQUITY		**141.705**		**143.075**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	*11*	4.668		-	
Other non-current payables	*5*	1.480	1.480	-	
Employee termination indemnity and other personnel benefits	*12*	2.669	271	2.664	184
Provisions for risks and charges	*13*	571	25	448	-
Deferred tax liabilities	*14*	2.889		2.047	
TOTAL NON-CURRENT LIABILITIES		**12.277**		**5.159**	
CURRENT LIABILITIES					
Current financial liabilities	*11*	9.333		-	
Trade payables	*15*	18.947	-	14.581	-
Tax payables		2.606		268	
Other payables	*16*	9.272	766	7.526	200
TOTAL CURRENT LIABILITIES		**40.158**		**22.375**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		**-**		**-**	
TOTAL LIABILITIES		**52.435**		**27.534**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**194.140**		**170.609**	

Condensed Consolidated Financial Statements at June 30, 2018

Statement of Consolidated Comprehensive Income

(euro '000)	Notes	1st Half 2018	of which: related parties	1st Half 2017	of which: related parties
Revenues from sales and services provided	17	73.295		66.596	
Other revenues	18	241		253	
TOTAL REVENUES		**73.536**		**66.849**	
Cost of goods and merchandise		(29.674)		(23.992)	
Change in inventories		6.465		2.628	
Cost of services received	19	(9.563)	(334)	(8.555)	(333)
Non-recurring cost of services	19	(421)		-	
Lease and rental costs		(801)	(333)	(794)	(335)
Personnel costs	20	(20.360)	(477)	(18.696)	(160)
Other operating costs	21	(729)		(581)	
Increase in assets due to internal construction		515		583	
Write-down of receivables		(98)		(97)	
Accruals to provisions for risks and charges	13	(11)		(9)	
GROSS OPERATING PROFIT		**18.859**		**17.336**	
Property, plant and equipment depreciation	1-3	(3.040)		(2.836)	
Intangible asset amortization	2	(327)		(273)	
Write-down of long-term assets		-		-	
OPERATING PROFIT		**15.492**		**14.227**	
Financial income	22	3		73	
Financial expenses	22	(24)		(4)	
Foreign exchange gains (losses)		(50)		(74)	
PROFIT BEFORE TAXES		**15.421**		**14.222**	
Income taxes	23	(3.722)		(4.072)	
NET PROFIT FROM ORDINARY ACTIVITIES		**11.699**		**10.150**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		**-**		**-**	
NET PROFIT		**11.699**		**10.150**	
Items that may be reclassified subsequently to profit and loss					
Conversion differences included in equity		247		(799)	
COMPREHENSIVE INCOME	24	**11.946**		**9.351**	

BASIC AND DILUTED EARNINGS PER SHARE	25	**0,70**		**0,60**	

Condensed Consolidated Financial Statements at June 30, 2018

Consolidated Statement of Cash Flows

€ '000	1st Half 2018	1st Half 2017
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**20.232**	**26.709**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	11.699	10.150
Depreciation, amortization and write-downs	3.367	3.109
(Gains)/Losses on disposal of assets	(5)	(26)
Net change in Employee Severance Indemnity	5	6
Net change in provisions for risks and charges	123	110
Operating profit (loss) before change in working capital	**15.189**	**13.349**
(Increase) Decrease in trade receivables	(4.734)	(4.322)
(Increase) Decrease in inventories	(8.756)	(2.124)
(Increase) Decrease in other receivables and deferred tax assets	170	814
Increase (Decrease) of trade payables	3.869	(1.024)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	4.926	1.680
Change in working capital	**(4.525)**	**(4.976)**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**10.664**	**8.373**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(2.840)	(431)
- tangible	(6.995)	(6.261)
- goodwill	(4.615)	-
Proceeds from disposal of tangible, intangible, financial assets		
- intangible	-	(2)
- tangible	114	512
Increase (Decrease) of trade payables for assets	497	363
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(13.839)**	**(5.819)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	(1)	(17)
(Increase) Decrease in financial assets from derivatives	-	(176)
Increase (Decrease) in bank loans and borrowings	14.001	-
Increase (Decrease) in derivative instruments	-	(43)
Change in reserves	56	(1.637)
Dividends distributed	(13.372)	(11.834)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**684**	**(13.707)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**(2.491)**	**(11.153)**
F) Foreign exchange differences	237	(687)
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)	**17.978**	**14.869**
Assets available for sales included above	-	462,00
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**17.978**	**14.407**

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**17.978**	**14.407**
Financial assets from derivative instruments	-	176
Current financial liabilities	(9.333)	-
Non current financial liabilities	(4.668)	-
NET CONSOLIDATED FINANCIAL POSITION	**3.977**	**14.583**

INTERESTS PAID IN THE PERIOD	**-**	**-**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	14	28
Banks	17.964	14.379
	17.978	**14.407**

Condensed Consolidated Financial Statements at June 30, 2018

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2017	Allocation of previous year net profit	Other changes	Comprehensive income of the period	Balance at June 30, 2018
Capital stock	**8.840**				**8.840**
Share premium reserve	**12.245**				**12.245**
Legal reserve	**1.768**				**1.768**
Reserve for own shares	**(5.403)**		56		**(5.347)**
Suspended-tax revaluation reserve	**585**				**585**
Other suspended-tax reserves	**68**				**68**
Other reserves	**23.934**	(1.717)		521	**22.738**
Conversion differences	**(2.126)**			(274)	**(2.400)**
Extraordinary reserve	**72.283**	11.072			**83.355**
Reserve for FTA	**3.715**				**3.715**
Reserve for discounting of Employee Termination Indemnity	**42**				**42**
Merger surplus reserve	**4.397**				**4.397**
Retained earnings	**-**				**-**
Net profit	**22.727**	(22.727)		11.699	**11.699**
Total Shareholders' Equity	**143.075**	**(13.372)**	**56**	**11.946**	**141.705**

(€ '000)	Balance at December 31, 2016	Allocation of previous year net profit	Other changes	Comprehensive income of the period	Balance at December 31, 2017
Capital stock	**8.840**				**8.840**
Share premium reserve	**12.245**				**12.245**
Legal reserve	**1.768**				**1.768**
Reserve for own shares	**(863)**		(4.540)		**(5.403)**
Suspended-tax revaluation reserve	**585**				**585**
Other suspended-tax reserves	**68**				**68**
Other reserves	**22.378**	995		561	**23.934**
Conversion differences	**(631)**			(1.495)	**(2.126)**
Extraordinary reserve	**68.194**	4.098	(9)		**72.283**
Reserve for FTA	**3.715**				**3.715**
Reserve for discounting of Employee Termination Indemnity	**4**		9	29	**42**
Merger surplus reserve	**4.397**				**4.397**
Retained earnings	**-**				**-**
Net profit	**16.927**	(16.927)		22.727	**22.727**
Total Shareholders' Equity	**137.627**	**(11.834)**	**(4.540)**	**21.822**	**143.075**

Notes to the Interim Consolidated Financial Statements at June 30, 2018

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 Interim Consolidated Financial Statements of Cembre S.p.A. for the half-year ended June 30, 2018 was authorized by a resolution of the Board of Directors dated September 11, 2018.

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

Form and content

The present Consolidated Interim Report at June 30, 2018 was prepared under IAS 34 on Interim Reports.

This consolidated interim report does not include all additional information required for annual reports and must be read in conjunction with the Financial Statements at December 31, 2017. Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The scope of consolidation has changed both with respect to December 31, 2017 and June 30, 2017 as a result of the acquisition by the German subsidiary of the entire capital stock of IKUMA GmbH & Co. KG (hereinafter referred to as "IKUMA KG") and IKUMA

Verwaltungs GmbH, both with headquarters in Weinstadt, near Stuttgart, effective May 1, 2018.

Accounting principles

Principles adopted in the preparation of the present Consolidated Interim Report are those formally approved by the European Union in force at June 30, 2018 and are consistent with those adopted in the preparation of the Consolidated Financial Statements at December 31, 2017.

IFRS 9 Financial instruments

The standard came into effect on January 1, 2018 and has been adopted by the Group from that date. Its application did not have significant effects on the Group's financial statements as trade receivables are held exclusively for collection purposes. The review of the allowance for doubtful accounts and their compliance with the new standard did not produce material effects.

IFRS 15 Revenue from contracts with customers

The standard came into effect on January 1, 2018 and has been adopted by the Group from that date. The adoption of IFRS 15 did not result in significant changes due to the fact that contracts underwritten by the Cembre Group envisage only the sale of finished products and not the provision of additional services. Any repair and maintenance service provided to customers is invoiced at the time it is rendered. The pro-quota share for the period of premiums recognized to customers at the end of the year based on individual sales volumes was estimated on the basis of past sales performances and sales forecasts and deducted from revenues.

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:

New and amended Principles	Applicable from
IFRS 16 - Leases	January 1, 2019

The adoption of IFRS 16 will necessarily entail the introduction of software dedicated to the management of leasing contracts and to their accounting in accordance with the same. The Group has reviewed a number of software packages available on the market to be implemented in the coming months.

The following updates of the IFRS standards (already approved by the IASB) and the following interpretations and amendments are currently being implemented by the competent bodies of the European Union:

New and amended Principles	Applicable from
IFRS 17 – Insurance contracts	January 1, 2021

Changes in accounting principles	Effective from
IFRIC 23 – Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*	January 1, 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*	January 1, 2019

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

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 period;
- 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 June 30, 2018	Average exchange rate for the 1st Half of 2018
British pound (€/£)	0.8861	0.8798
US dollar (€/$)	1.1658	1.2104

III. SEASONAL FACTORS

The Group's activity is not subject to cyclical or seasonal swings in activity with the exception of the slowdown registered in August for the Summer holidays, and in December for the Christmas holidays.

IV. ACQUISITIONS

On May 3rd, 2018, effective May 1, 2018, wholly-owned German subsidiary Cembre GmbH acquired the entire capital stock of German company IKUMA GmbH & Co.KG ("IKUMA KG"), a company active on the German market in the electrical equipment sector. Cembre GmbH also acquired the entire capital stock of IKUMA Verwaltungs GmbH, a non-operational company whose only activity is to manage and provide strategic advice to IKUMA KG. The acquisition of the entire capital stock of IKUMA KG and Ikuma Verwaltungs GmbH was made against the payment of a price of €6,300 thousand in cash, in addition to a further €2,000 thousand to be paid as management bonus and non-competition bonus in favor of the previous owners and managers of the acquired company, in four annual installments over years 2019-2022, contingent on the verification of specific conditions. This amount has been transferred to a guarantee account managed by the notary who draw up the sale agreement.

The contract also provides for a price adjustment mechanism based on balance sheet figures at the acquisition date, which resulted in the recording of a payable towards the previous owners of €268 thousand, to be paid out at the conclusion of the verification activities provided for in the agreements.

The following values were allocated to assets acquired in the context of the acquisition of IKUMA:

Customer list	1,965
Capital gains included in inventories	283
Trademark	495
Deferred taxes	(823)
Goodwill	4,615

- Customer list: an intangible asset consisting of trade relationships between IKUMA KG and its customers whose value was assessed at €1,965 thousand, with a useful life of 10 years;
- Capital gains included in inventories: a current asset resulting from the difference between the book value of inventories and their fair value, amounting to €283 thousand. On the basis of inventory turnover rotation ratio, such difference is deemed to disappear in four months;
- Trademark: an intangible asset consisting of the value of the IKUMA brand on the market, set at €495 thousand, with a useful life of 10 years;
- Deferred taxes: a deferred tax liability equal to €823 thousand resulting from the tax effect – calculated according to tax regulations applicable in Germany – of the above described items upon the acquisition;
- Goodwill: equal to €4,615 thousand, assessed as the residual value of the difference between the acquisition price, the above mentioned items and the book value of IKUMA KG.

Assets and Liabilities of IKUMA KG at May 1, 2018 were as follows:

Assets	
Property, plant and equipment	24
Inventories	1,844
Trade receivables	646
Other receivables	13
Cash	418
Total Assets	**2,945**

Liabilities	
Shareholders' Equity	500
Trade payables	711
Taxes payable	127
Other payables	1,607
Total Liabilities and Shareholders' Equity	**2,945**

In the period included between May 1, 2018 and June 30, 2018 la IKUMA KG reported the following results:

Income Statement May 1-30 June 2018	
Revenues	1,450
Purchases	(1,091)
Change in inventories	115
Services+ received	(30)
Rent	(21)
Personnel	(161)
Other costs	(20)
Depreciation	(2)
Income taxes	(39)
Net profit	**201**

V. 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.

1st Half of 2018	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	40,679	25,447	7,169		73,295
Sales to other Group companies	17,110	1,245	1	(18,356)	-
Revenues by sector	57,789	26,692	7,170	(18,356)	73,295
Operating profit by sector	12,268	2,269	955		15,492
Overhead costs not assigned					-
Operating profit					15,492
Financial income (expense)					(71)
Income taxes					(3,722)
Net profit					11,699

1st Half of 2017	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	37,303	23,320	5,973		66,596
Sales to other Group companies	14,912	672	6	(15,590)	-
Revenues by sector	52,215	23,992	5,979	(15,590)	66,596
Operating profit by sector	11,804	2,022	401		14,227
Overhead costs not assigned					-
Operating profit					14,227
Financial income (expense)					(5)
Income taxes					(4,072)
Net profit					10,150

As the breakdown 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.

	1st Half of 2018	1st Half of 2017
Italy	31,349	28,055
Europe	30,718	28,014
Rest of World	11,228	10,527
	73,295	**66,596**

The breakdown of assets and liabilities is shown below:

June 30, 2018	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Assets and Liabilities				
Assets of the sector	141,342	42,884	8,405	192,631
Unassigned assets				1,509
Total assets				**193,835**
Liabilities of the sector	43,855	9,015	279	53,149
Unassigned liabilities				(714)
Total liabilities				**52,435**

December 31, 2017	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Assets and Liabilities				
Assets of the sector	141,342	42,899	8,405	192,646
Unassigned assets				1,537
Total assets				**194,183**
Liabilities of the sector	43,855	9,030	279	53,164
Unassigned liabilities				(702)
Total liabilities				**52,462**

1st Half of 2018	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	6,609	324	62	6,995
- Intangible assets	364	2,464	12	2,840
Total investments				**9,942**
Depreciation and amortization:				
- Property, plant and equipment	(2,658)	(344)	(38)	(3,040)
- Intangible assets	(281)	(44)	(2)	(327)
Accruals to provision for employee benefits	480	-	-	**480**
Average no. of employees	499	219	31	**749**

1st Half of 2017	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	5,864	395	2	6,261
- Intangible assets	427	2	2	431
Total investments				**6,692**
Depreciation and amortization:				
- Property, plant and equipment	(2,442)	(343)	(51)	(2,836)
- Intangible assets	(265)	(7)	(1)	(273)
Accruals to provision for employee benefits	445	-	-	**445**
Average no. of employees	463	191	26	**680**

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	44,112	62,188	13,140	7,660	38	4,320	131,458
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	934	43	-	-	-	-	977
Accumulated depreciation	(12,282)	(39,010)	(9,111)	(5,839)	(32)	-	(66,274)
Bal. at Dec. 31, 2017	**38,685**	**23,221**	**4,029**	**1,821**	**6**	**4,320**	**72,082**
Increases	1,951	1,247	155	841	-	2,801	6,995
Currency translation differences	3	2	1	4	-	-	10
Depreciation	(483)	(1,866)	(339)	(322)	(3)	-	(3,013)
Net divestments	-	(14)	-	(3)	-	(92)	(109)
Reclassifications	1,724	232	99	(18)	-	(2,037)	-
Bal. at June 30, 2018	**41,880**	**22,822**	**3,945**	**2,323**	**3**	**4,992**	**75,965**

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	43,003	56,568	12,449	7,451	38	1,636	121,145
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	934	43	-	-	-	-	977
Accumulated depreciation	(11,323)	(36,042)	(8,701)	(5,653)	(26)	-	(61,745)
Bal. at Dec. 31, 2016	**38,535**	**20,569**	**3,748**	**1,798**	**12**	**1,636**	**66,298**
Increases	945	3,200	220	310	-	1,586	6,261
Currency translation differences	(69)	(29)	(1)	(14)	-	-	(113)
Depreciation	(498)	(1,695)	(307)	(300)	(3)	-	(2,803)
Net divestments	-	(5)	(8)	(4)	-	(3)	(20)
Reclassifications	40	651	143	(2)	-	(834)	(2)
Bal. at June 30, 2017	**38,953**	**22,691**	**3,795**	**1,788**	**9**	**2,385**	**69,621**

Capital expenditure in the 1st Half of 2018 amounted to €6,995 thousand and consisted primarily of investments made by the parent company.

A large part of investments relate to land and buildings and consisted almost entirely in work for the completion of the new warehouse hosting the new section of the automated warehouse and the packaging department, work which absorbed also a large part of advances on work in progress. Overall, investment in buildings amounted to €1,951. Investments for the purchase of machinery and the installation of plant and equipment amounted to € 1,247 thousand, among which a sawing machine for €195 thousand and a new tinning line for €141 thousand. Advances paid amounted to €2,476 thousand, of which, as mentioned, a large portion (€1,397 thousand) was represented by advances on work in progress of the new warehouse and related plant and equipment.

Investments for work in progress carried out in-house amounted to €325 thousand.

2. PROPERTY

	Land and buildings	Plant and equipment	Other assets	Total
Historical cost	1,714	278	5	1,997
Accumulated depreciation	(606)	(261)	(4)	(871)
Balance at Dec. 31, 2017	**1,108**	**17**	**1**	**1,126**
Depreciation expense	(23)	(4)	-	(27)
Balance at June 30, 2018	**1,085**	**13**	**1**	**1,099**

Property includes the building located in Calcinate (Bergamo) that is no longer utilized by the Group.

3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	1,868	642	5,075	-	78	93	7,756
Accumulated amortization	(1,205)	(424)	(4,216)	-	(44)	-	(5,889)
Balance at Dec. 31, 2017	**663**	**218**	**859**	**-**	**34**	**93**	**1,867**
Increases	101	25	254	495	1,965	-	2,840
Amortization expense	(115)	(77)	(87)	(8)	(40)	-	(327)
Reclassifications	-	-	9	-	-	(9)	-
Balance at Dec. 31, 2018	**649**	**166**	**1,035**	**487**	**1,959**	**84**	**4,380**

In allocating the purchase price of the investment in IKUMA KG, the customer list of the company was recorded at €1,965 thousand under other intangible assets; the value of the trademark was also recorded for €495 thousand.

Development costs are discussed more in detail in the Report on Operations.

4. GOODWILL

	June 30, 2018	December 31, 2017	Change
Goodwill	4,615	-	4,615

The item consists of the difference between the price paid for IKUMA GmbH & Co. KG and the book value of the same, net of intangible assets and other assets recorded at the time of the allocation of the purchase price of the company.

5. OTHER NON-CURRENT ASSETS

	June 30, 2018	December 31, 2017	Change
Security deposits	42	41	1
Guarantee credit	1,480	-	1,480
Total	**1,522**	**41**	**1,481**

Item Guarantee credit consists of the discounted non-current portion of the sum deposited with the notary upon the acquisition of IKUMA AG to cover the amount payable in the future to the sellers and directors of the company – recorded under Other non-current payables – contingent on the achievement of certain targets and conditions in future years. The discounting effect is extremely low and equal to €20 thousand.

6. INVENTORIES

	June 30, 2018	December 31, 2017	Change
Raw materials	11,346	9,672	1,674
Work in progress and semi-finished goods	12,986	11,486	1,500
Finished goods	26,097	20,515	5,582
Total	**50,429**	**41,673**	**8,756**

The increase in the value of inventories is mainly due to the increase in stocks of Cembre S.p.A. and Cembre Inc., which registered a considerable increase in sales, in addition to €1,959 thousand in inventories of newly acquired IKUMA KG.

The value of finished goods inventories is adjusted to its expected realizable value through a provision for slow-moving stock amounting approximately to €3,882 thousand. Changes in the provision in the 1st Half of 2018 are shown in the table that follows:

	June 30, 2018	December 31, 2017
Balance at beginning of the period	**3,070**	**2,729**
Accruals	787	678
Uses	-	(244)
Currency translation differences	25	(93)
Balance at end of the period	**3,882**	**3,070**

Accruals relate prevalently to inventories of the parent company (€393 thousand), the US subsidiary (€179 thousand) and Cembre Ltd. (€80 thousand).

7. TRADE RECEIVABLES

	June 30, 2018	December 31, 2017	Change
Gross trade receivables	32,157	27,361	4,796
Provision for doubtful accounts	(903)	(841)	(62)
Total	**31,254**	**26,520**	**4,734**

Trade receivables by geographical area

	June 30, 2018	December 31, 2017	Change
Italy	17,555	14,488	3,067
Europe	12,562	10,021	2,541
America	1,383	1,664	(281)
Oceania	133	211	(78)
Middle East	208	234	(26)
Far East	153	607	(454)
Africa	163	136	27
Total	**32,157**	**27,361**	**4,796**

Average collection time increased from 68 days in 2017 to 73 days in the 1st Half of 2018.

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

	June 30, 2018	December 31, 2017
Balance at beginning of the period	**841**	**1.178**
Accruals	99	8
Uses	(26)	(195)
Reversal of accrual	(11)	(148)
Currency translation differences	-	(2)
Balance at end of the period	**903**	**841**

Breakdown of receivables by maturity

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
June 30, 2018	28,945	2,691	86	83	228	124	**32,157**
Dec. 31, 2017	23,653	3,055	112	107	352	82	**27,361**

8. TAX RECEIVABLES

	June 30, 2018	December 31, 2017	Change
Tax receivables	3,036	4,299	(1,263)

The item includes prevalently the tax credit recorded by the parent company resulting from the agreement reached in December 2017 with Tax Authorities on the application of the Patent Box regime.

9. OTHER ASSETS

	June 30, 2018	December 31, 2017	Change
Receivables from employees	39	28	11
VAT receivables and indirect taxes	-	37	(37)
Guarantee credit	500	-	500
Advances to suppliers	359	184	175
Other	294	216	78
Total	**692**	**465**	**227**

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

10. 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 June 30, 2018 the Company owned 282,541 treasury shares, corresponding to 1.66% of its capital stock. A liability amounting to €5,347 thousand was recorded under equity against the purchase of these 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.

The consolidation reserve is made up as follows:

	June 30, 2018	Dec. 31, 2017
Elimination of investments in subsidiaries	23,071	22,070
Elimination of unrealized intra-group profit in stock	(3,471)	(3,796)
German subsidiary product warranty provision reversal	22	22
Dividends from subsidiaries	3,127	5,649
Currency translation differ. on intra-group payables and receivables	-	(1)
Intra Group gains and reconciliations	(11)	(10)
Total	**22,738**	**23,934**

11. CURRENT AND NON-CURRENT DEBT

	Effective interest rate	Expiration	June 30, 2018	Dec. 31, 2017
Bank loans				
Parent company				
Non-current portion				
Banca Intesa	0.04%	Oct. 2019	2,668	-
Banca Intesa	0.05%	Apr. 2020	2,000	-
NON-CURRENT DEBT			**4,668**	**-**
Bank loans				
Parent company				
Current portion				
Banca Intesa	0.04%	Oct. 2019	7,333	-
Banca Intesa	0.05%	Apr. 2020	2,000	-
CURRENT DEBT			**9,333**	**-**

12. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

The item includes the Employee Severance Indemnity accrued for employees of the parent company. 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.

At June 30, 2018, in view of the lack of changes in the discounting parameters, the Group decided to maintain unchanged the discounting effect at December 31, 2017.

	June 30, 2018	Dec. 31, 2017
Beginning balance	**2,664**	**2,618**
Accruals	480	974
Uses	(147)	(305)
Social security (INPS) treasury account	(328)	(615)
Discounting effect	-	(8)
Closing balance	**2,669**	**2,664**

Total amounts accrued with the INPS (Social Security) treasury amounted at June 30, 2018 to €6,747 thousand.

13. PROVISIONS FOR RISKS AND CHARGES

Changes in the 1st Half of 2018 are shown in the table below.

	Customer indemnities	Directors' variable compensation	Employee incentives	Total
At December 31, 2017	**132**	**-**	**316**	**448**
Accruals	11	25	87	123
At June 31, 2018	**143**	**25**	**403**	**571**

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 2021 in case targets set for years 2018-2020 by the Board of Directors, upon proposal of the Remuneration Committee, are achieved. The amount of the accrual against the possible variable compensation of directors is recorded among the cost of services and has not been discounted in view of the negligible effect.

The provision for employee benefits includes amounts accrued for sales personnel that will be paid out upon the achievement of performance objectives set in the sales development plan launched by the Company.

14. DEFERRED TAX ASSETS AND LIABILITIES

	June 30, 2018	Dec. 31, 2017
Deferred tax liabilities		
Elimination of unrealized intra-group profits in stock	1,552	1,343
Write-down of inventories	468	370
Provision for French personnel costs	100	100
Provision for doubtful accounts of parent company	149	150
Differences on amortization and depreciation of parent company	184	181
Other	203	150
Gross deferred tax liabilities	**2,662**	**2,294**
Deferred tax assets		
Average cost valuation of inventories by the parent	(307)	(241)
Accelerated depreciation	(159)	(159)
Elimination of Cembre GmbH product warranty provision	(11)	(11)
Reversal of land depreciation	(24)	(24)
Land revaluation	(1,652)	(1,652)
Discounting of employee termination indemnity	40	40
IKUMA customer list	(579)	-
Gain on IKUMA inventories	(43)	-
IKUMA trademark	(145)	-
Foreign exchange translation differences	(2)	-

Discounting of payables to IKUMA sellers	(7)	-
Gross deferred tax assets	**(2,889)**	**(2,047)**
Net deferred tax liabilities	**(227)**	**247**

15. TRADE PAYABLES

	June 30, 2018	Dec. 31, 2017	Change
Payable to suppliers	18,542	14,538	4,004
Advances	405	43	362
Total	**18,947**	**14,581**	**4,366**

Trade payables by geographical area

	June 30, 2018	Dec. 31, 2017	Change
Italy	13,898	12,701	1,197
Rest of Europe	3,844	1,786	2,058
Far East	774	21	753
America	22	27	(5)
Other	4	3	1
Total	**18,542**	**14,538**	**4,004**

16. OTHER PAYABLES

	June 30, 2018	Dec. 31, 2017	Change
Payables to employees	4,041	1,904	2,137
Employee withholding taxes payable	454	1,119	(665)
Bonuses owed to customers	-	371	(371)
VAT and similar foreign taxes payable	1,325	751	574
Commissions payable	324	336	(12)
Payable to Statutory Auditors	23	19	4
Payable to Directors	14	200	(186)
Payable to directors of IKUMA	766	-	766
Social security payables	1,806	2,635	(829)
Payable on sundry taxes	232	72	160
Other	297	236	61
Accrued liabilities	(10)	(117)	107
Total	**9,272**	**7,526**	**1,746**

The increase in payables to employee on December 31, 2017, is due to the accruals for holidays, thirteenth monthly payments and year-end bonuses that have have already matured but will be paid out in the next months.

Item Payables to IKUMA directors includes the discounted value of the current portion of the management bonus and the non-competition bonus provided for in the sale contract, amounting to €498 thousand, as well as the price adjustment based on future progression on the situation at April 30, 2018, amounting to €268.

17. REVENUES FROM SALES AND SERVICES PROVIDED

	1st Half of 2018	1st Half of 2017	Change
Revenues from sales and services provided	73,295	66,596	6,699

In the 1st Half of 2018, revenues grew by 10.1% on the corresponding period in the previous year. Domestic sales represented 42,8% of total sales and grew by 11.7% on the 1st Half of 2017, while sales in the rest of Europe represented 41.9% of the total, up 9.7% on the 1st Half of 2017. Sales in the rest of the world represented 15.3% of total sales, up 6.7% on the 1st Half of 2017. In compliance with accounting principles, revenues are recorded net of discounts and bonuses to customers, in addition to adjustments to estimates of prior year's sales.

18. OTHER REVENUES

	1st Half of 2018	1st Half of 2017	Change
Capital gains	18	25	(7)
Insurance damages	5	3	2
Reimbursements	169	201	(32)
Grants	17	-	17
Other	32	24	8
Total	**241**	**253**	**(12)**

Reimbursements relate primarily to transport costs charged to customers.

19. COST OF SERVICES AND NON-RECURRING COST OF SERVICES

	1st Half of 2018	1st Half of 2017	Change
Subcontracted work	2,153	1,596	557
Electricity, heating and water	877	770	107
Transport of goods sold	1,179	1,088	91
Fuel	223	212	11
Travelling expenses	593	590	3
Maintenance and repair	1,068	999	69
Consulting	907	829	78
Advertising and promotion	330	434	(104)
Insurance	435	435	-
Boards' compensation	380	378	2
Postage and telephone	175	176	(1)

Commissions	470	337	133
Security and cleaning	275	281	(6)
Bank charges	84	82	2
Other	414	348	66
Total cost of services	**9,563**	**8,555**	**1,008**

The increase in the cost of subcontracted work is due both to the increase in the volume of production and a different management of copper scraps resulting from the production process.

Non-recurring cost of services, amounting to €421 thousand, descend from due diligence activities and advisory on the acquisition of IKUMA KG.

20. PERSONNEL COSTS

	1st Half of 2018	**1st Half of 2017**	**Change**
Wages and salaries	15,694	14,224	1,470
Social security contributions	3,604	3,527	77
Employee termination indemnity	606	574	32
Retirement benefits	115	112	3
Other costs	341	259	82
Total	**20,360**	**18,696**	**1,664**

Wages and salaries include €1,216 thousand relating to outsourced personnel, mainly of the parent company.

Average number of employees by category

	1st Half of 2018	**1st Half of 2017**	**Change**
Managers	14	15	(1)
Administrative and commercial staff	337	311	26
Workers	334	315	19
Outsourced personnel	62	39	23
Total	**747**	**680**	**67**

Average number of employees by Group company

	Managers	**White collars**	**Blue collars**	**Outsourced personnel**	**Total 1st Half 2018**	**Total 1st Half 2017**	**Change**
Parent Company	6	207	228	58	499	463	36
Cembre Ltd.	3	31	71	-	105	99	6
Cembre Sarl	1	20	7	1	29	27	2
Cembre España SLU	1	29	10	3	43	42	1
Cembre Inc.	2	23	6	-	31	26	5

IKUMA GmbH & Co. KG	-	11	7	-	18	n.a.	18
Cembre GmbH	1	16	5	-	22	23	(1)
Total	**14**	**337**	**334**	**62**	**747**	**680**	**67**

The increase in personnel costs is due mainly to the increase in the number of employees of the parent company and of the UK subsidiary, in addition to personnel contributed by newly acquired company IKUMA KG.

21. OTHER OPERATING COSTS

	1st Half of 2018	**1st Half of 2017**	**Change**
Sundry taxes	383	355	28
Losses on receivables	10	3	7
Capital losses	13	2	11
Donations	19	16	3
Other	304	205	99
Total	**729**	**581**	**148**

Item *Other* includes prevalently sundry costs incurred by the parent company.

22. FINANCIAL INCOME (EXPENSE)

	1st Half of 2018	**1st Half of 2017**	**Change**
Discounting of guarantee credit	(22)	-	(22)
Bank loans and overdrafts	(2)	-	(2)
Other financial charges	(1)	(4)	3
	(3)	(4)	(20)
Interest earned on bank account balances	3	10	(7)
Other financial income	-	63	(63)
	3	73	(70)
Financial income (expense)	**(21)**	**69**	**(90)**

23. INCOME TAXES

Income taxes are made up as follows:

	1st Half of 2018	**1st Half of 2017**	**Change**
Current taxes	(4,082)	(3,894)	(188)
Deferred taxes	347	(163)	517
Net extraordinary gains	13	(15)	28
Total	**(3,722)**	**(4,072)**	**357**

In view of the complexity of the calculation and the immateriality of the difference between theoretical and actual tax expense recorded in the past, taxes for some foreign subsidiaries were calculated based on the theoretical tax rate. We therefore limit our analysis to the comparison between actual tax and theoretical tax expense for the 1st Half of 2018 and the 1st Half of 2017, postponing a reconciliation to the financial statements at December 31, 2018.

	1st Half of 2018	1st Half of 2017
Profit before taxes	15,421	14,222
Income taxes	(3,722)	(4,072)
Effective tax rate	**24.14%**	**28.63%**
Theoretical tax rate (*)	27.90%	27.90%

(*)Tax rate of the parent company (IRES + IRAP)

The decrease of the Effective Tax Rate descended from the application of "Patent Box Regime", whose positive effect on the 1st Half of 2018 amounted to €0.6 million. The agreement with tax authorities for the application of this Regime was signed December 22, 2017, so it was not included in the 1st Half of 2017 accounts.

At June 30, 2018 there were no temporary differences and loss carry-forwards on which no deferred tax asset or liability had been recorded.

Deferred and prepaid taxes

	1st Half of 2018	1st Half of 2017
Elimination of unrealized intra-group profits in stock	209	(117)
Average cost valuation of inventories by the parent	98	(25)
Provision for doubtful accounts of parent company	(1)	10
Differences on amortization and depreciation of parent company	3	-
Average cost valuation of inventories by the parent	(66)	(80)
Accelerated depreciation	-	4
IKUMA customer list	10	-
Gains on IKUMA inventories	42	-
IKUMA trademark	3	-
Other	49	45
Prepaid/deferred taxes for the period	**347**	**(163)**

24. COMPREHENSIVE INCOME

The Cembre Group choose 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 June 30, 2018, 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 euro.

25. 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 period, equal to 282,541.

	1st Half of 2018	1st Half of 2017
Consolidated net profit *(€'000)*	11,699	10,150
No. of ordinary shares *('000)*	16,717	16,848
Basic and diluted earnings per share	**0.70**	**0.60**

26. NET FINANCIAL POSITION

The net financial position of the Group amounted at June 30, 2018 to a surplus of €3,977 thousand, down on December 31, 2017 due to the acquisition of IKUMA, to capital expenditure made in the first six months of the year and the payment of dividends for financial year 2017.

At June 30, 2018, 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.

		1st Half of 2018	1st Half of 2017
A	Cash	14	51
B	Bank deposits	16.487	20.181
C	**Cash and equivalents (A+B)**	**16.501**	**20.232**
D	**Financial receivables**	**-**	**-**
E	Current bank debt	(9.333)	-
F	**Current financial debt (E)**	**(9.333)**	**-**
G	**Net current financial position (C+D+F)**	**8.645**	**20.232**
H	Non-current bank debt	(4.668)	-
I	**Non-current financial debt (H)**	**(4.668)**	**-**
J	**Net financial position (G+I)**	**3.977**	**20.232**

27. RELATED PARTIES

The table that follows shows transactions between the parent company and its subsidiaries at June 30, 2018.

	Payables	Receivables	Revenues	Purchases
Cembre Ltd.	942	44	4,500	338
Cembre S.a.r.l.	570	-	3,085	4
Cembre España S.L.U.	1,029	-	3,133	2
Cembre GmbH	707	8	1,991	26
IKUMA GmbH & Co. KG	3	-	5	-
Cembre Inc.	833	-	4,695	1
TOTAL	**4,084**	**52**	**17,409**	**371**

Revenues above include revenues from the charging to subsidiaries of costs incurred in information technology services provided and of royalties for the use of the *Cembre* trademark, amounting to €240 thousand.

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.

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 Giovanni Rosani and Sara Rosani, directors of Cembre S.p.A. Lease payments for the 1st Half of 2018 amounted to €266 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 June 30, 2018, all amounts due to Tha Immobiliare had been settled.

Cembre Ltd. leased an industrial building from Borno Ltd., a company controlled by Lysne S.p.A.. Rent for the 1st Half of 2018 amounted to £60 thousand, in line with market conditions.

	1st Half of 2018	1st Half of 2017	Change
Rent paid to related parties	334	335	(1)

In the context of the acquisition of IKUMA KG, the German subsidiary recorded under its liabilities €1,978 thousand. This amount represents the discounted value of the liability towards the sellers and directors of the company (nominal value €2,000), to be paid in four installments in years 2019-2022 contingent upon the respect of certain contractual terms. The discounted non-current portion of the liability amounts to €1,480 thousand. Furthermore, Cembre GmbH recorded a liability of €268 thousand towards the same counterparties, relating to the adjustment of the purchase price of IKUMA KG calculated on future performance on results of the company as at April 30, 2018.

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.

<u>Boards' compensation</u>

In the 1st Half of 2018, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	Statutory Auditors	**Directors**
Emoluments as directors and auditors of the parent company	44	311
Retribution as employees	-	477
Non-monetary benefits	-	10

Non-monetary benefits relate to the use of a company car and insurance policies underwritten in favor of directors.

Consistent with its remuneration policy, the Company introduced a variable compensation based on medium- and long-term objectives for its Managing Director. This remuneration will be paid out in 2021 contingent on the achievement of objectives set for financial years 2018-2020 by the Board of Directors, upon proposal of the Remuneration Committee. The Company prudentially accrued a provision of €25 for the part relating to the 1st Half of 2018.

28. 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 and the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

In April, the parent company was extended by Banca Intesa two loans amounting respectively to €10 million – expiring in October 2019 and bearing a 0.04% fixed interest – and €4 million – expiring in April 2020 and bearing a 0.05% fixed interest. The nature of the interest rate applied and the relatively short maturity of the loans are such as to protect the Group from interest rate fluctuations.

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 and British pounds. 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 addition to currency risk, the Group is also exposed to currency translation risk. As described in the consolidation principles section, in fact, 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.	GBP	5% / -5%	612 / (612)	526 / (526)	55 / (55)
Cembre Inc.	USD	5% / -5%	362 / (362)	358 / (358)	48 / (48)

At June 30, 2018, the effect of foreign-exchange transactions, net of currency hedging, was negative by €50 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 5, 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. Cembre moreover holds an insurance policy against commercial credit risk with a primary insurance company, allowing it to reduce further exposure to credit risk.

29. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after June 30, 2018.

30. CONSOLIDATED COMPANIES

The consolidation area has changed from December 31, 2017 as a result of the acquisition by the German subsidiary of the entire capital stock of IKUMA GmbH & Co. KG and IKUMA Verwaltungs GmbH, both German companies based in Weinstadt, near Stuttgart.

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at June 30, 2018	Share held at Dec. 31, 2017
Cembre Ltd.	Sutton Coldfield (Birmingham - UK)	£ 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris)	€ 1,071,000	100%	100% (*)
Cembre España S.L.U.	Torrejón de Ardoz (Madrid)	€ 2,902,000	100%	100% (*)
Cembre GmbH	Munich (Germany)	€ 10,112,000	100%	100% (*)
Cembre Inc.	Edison (New Jersey , US)	US$ 1,440,000	100%	100%(**)
IKUMA GmbH & Co. KG	Weinstadt (Germany)	EURO 40,000	100% (*)	-
IKUMA Verwaltungs GmbH	Weinstadt (Germany)	EURO 25,000	100% (*)	-

(*) held through Cembre GmbH

Brescia, September 11, 2018

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

Giovanni Rosani

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Attestation of the Half-year Condensed 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 capacity respectively of, Managing Director and Manager responsible for preparing the financial reports of Cembre S.p.A., attest, pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no.58 dated February 24, 1998, as amended and integrated:

• the adequacy in relation to the characteristics of the company, and

• the application of

administrative and accounting procedures used in the preparation of the Half-year Condensed Financial Statements for the 1st Half of 2018.

It is furthermore attested that the Half-year Condensed Financial Statements for the 1st Half of 2018:

• correspond to the document results, books and accounting records;

• have been 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 July 19, 2002;

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

It is furthermore attested that the Report on Operations includes reference to important events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the six remaining months of the year, in addition to information on significant related-party transactions. The interim management statement also contains a reliable analysis of the information on significant transactions with related parties.

Brescia, September 11, 2018

the Chairman and Managing Director	the Manager responsible for preparing the financial reports
signed by Giovanni Rosani	signed by Claudio Bornati

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Review report on the half-yearly condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Cembre S.p.A.

Introduction

We have reviewed the half-yearly condensed consolidated financial statements, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows and the related explanatory notes of Cembre S.p.A. and its subsidiaries (the "Cembre Group") as of 30 June 2018. The Directors of Cembre S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Cembre Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The consolidated financial statements for the year ended 31 December 2017 and the half-yearly condensed consolidated financial statements for the half-year period ended 30June 2017 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on 28 March 2018 and expressed an unqualified conclusion on the half-yearly condensed consolidated financial statements on 14 September 2017.

Brescia, 12 September 2018,

EY S.p.A.
Signed by: Stefano Colpani, Partner

This report has been translated into the English language solely for the convenience of international readers

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