



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

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2019 half-yearly  

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financial report

# Cembre S.p.A.

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Head Office: Via Serenissima 9, Brescia, Italy  
Share Capital: EUR 8,840,000 (fully paid-up).

Registration no: 00541390175 (Commercial Register of Brescia)

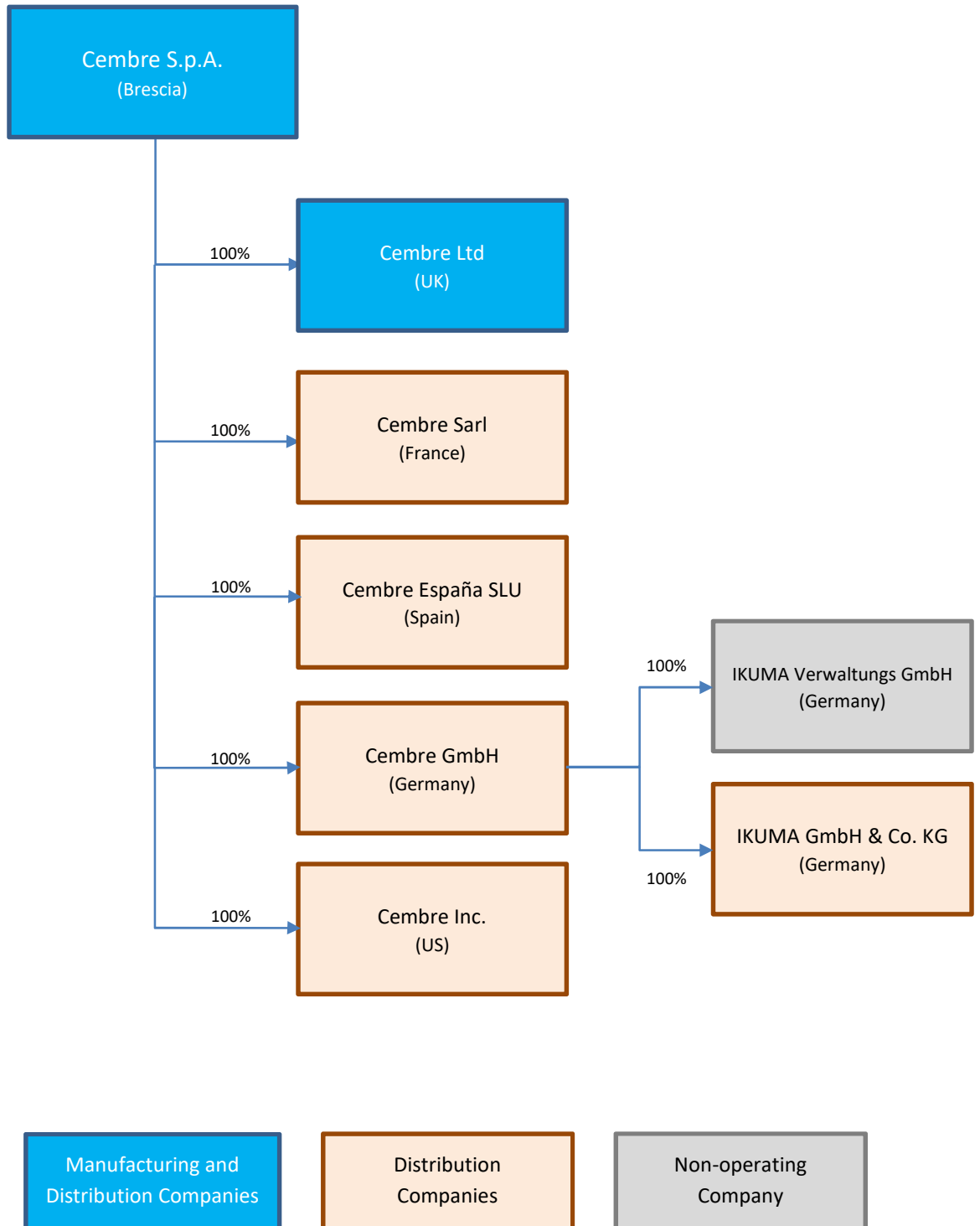
*This document contains translations of the consolidated interim report prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)*

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## Group Structure



## Interim Report on Operations of the Cembre Group for the 1<sup>st</sup> Half of 2019

### Operating Review

The first half of 2019 was characterised by a positive performance of the Cembre Group's sales, despite the fact that the second quarter of the year saw a slowdown in growth compared to the first three months of 2019. The Group's turnover reached €76.9 million, compared to €73.3 million in the first half of 2018, an increase of 4.9 per cent.

The trend in consolidated sales by geographical areas shows a 1.8% drop in the Italian market, with sales of €30.8 million. Revenues in the European market (excluding Italy) grew by 16.3% to €35.7 million, while revenues in non-European markets recorded a drop of 7.8%, with revenues at €10.3 million. In the 1<sup>st</sup> Half of 2019, 40.1% of Group sales were represented by Italy (as compared with 42.8% in the 1<sup>st</sup> Half of 2018), 46.5% by the rest of Europe (41.9% in the 1<sup>st</sup> Half of 2018), and the remaining 13.4% by the rest of the World (15.3% in the 1<sup>st</sup> Half of 2018).

It should be noted that consolidated revenues in the first half of 2018 only partially included the figure for IKUMA, acquired with effect from 1 May 2018. This value amounted to €1.4 million, while for the first half of 2019 IKUMA's turnover included in the Group's turnover amounted to €4.0 million. Without the contribution of IKUMA, the increase in consolidated sales would have been 1.5%.

Sales by geographical area:

(euro '000)	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Italy	30,798	31,349	-1.8%	28,055	25,446	25,312	22,194	19,309	20,968	24,819	19,121
Rest of Europe	35,727	30,718	16.3%	28,014	26,250	26,283	26,100	23,995	23,841	22,168	18,958
Rest of the World	10,353	11,228	-7.8%	10,527	10,989	11,442	8,319	8,955	8,412	6,848	5,362
<b>Total</b>	<b>76,878</b>	<b>73,295</b>	<b>4.9%</b>	<b>66,596</b>	<b>62,685</b>	<b>63,037</b>	<b>56,613</b>	<b>52,259</b>	<b>53,221</b>	<b>53,835</b>	<b>43,441</b>

Revenues from sales and services (net of intragroup sales), in thousands of euros, are broken down by company as follows (IKUMA KG 2018 figures refer exclusively to the period following the acquisition, effective from May 1, 2018):

(euro '000)	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Cembre S.p.A.	40,361	40,680	-0.8%	37,303	35,226	34,732	29,098	26,607	28,308	31,873	24,496
Cembre Ltd. (UK)	10,401	9,320	11.6%	8,883	9,313	9,979	10,636	9,541	9,086	6,759	5,500
Cembre S.a.r.l. (F)	5,633	5,270	6.9%	5,025	4,836	4,300	4,292	4,037	4,081	3,846	3,157
Cembre España S.L.U. (E)	6,045	5,366	12.7%	5,093	4,084	4,406	3,567	3,167	3,093	3,929	4,333
Cembre GmbH (D)	3,710	4,041	-8.2%	4,319	3,824	3,633	3,762	3,535	4,018	3,896	2,981
IKUMA KG (D)	3,979	1,450	174.4%	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.	n.a.	23	591	450	412	528	424	469
Cembre Inc. (USA)	6,749	7,168	-5.8%	5,973	5,379	5,396	4,808	4,960	4,107	3,108	2,505
<b>Total</b>	<b>76,878</b>	<b>73,295</b>	<b>4.9%</b>	<b>66,596</b>	<b>62,685</b>	<b>63,037</b>	<b>56,613</b>	<b>52,259</b>	<b>53,221</b>	<b>53,835</b>	<b>43,441</b>

In the first half of 2019, the Group companies achieved the following pre-consolidation results (the 2018 figures for IKUMA KG refer exclusively to the period following the acquisition, effective from May 1, 2018):

(euro '000)	Revenues from sales prior to consolidation										
	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Cembre S.p.A.	56,836	57,790	-1.7%	52,215	49,264	48,817	42,969	39,071	41,385	43,034	33,823
Cembre Ltd. (UK)	11,404	10,520	8.4%	9,504	10,047	10,779	11,572	10,394	9,970	7,842	6,197
Cembre S.a.r.l. (F)	5,667	5,275	7.4%	5,031	4,845	4,303	4,300	4,080	4,089	3,856	3,161
Cembre España S.L.U. (E)	6,055	5,370	12.8%	5,093	4,084	4,413	3,568	3,167	3,455	3,930	4,334
Cembre GmbH (D)	3,779	4,077	-7.3%	4,365	3,846	3,673	3,796	3,666	4,029	3,909	2,997
IKUMA KG (D)	3,985	1,450	174.8%	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.	n.a.	196	591	450	412	528	430	469
Cembre Inc. (USA)	6,755	7,169	-5.8%	5,979	5,400	5,701	4,914	4,976	4,155	3,109	2,517

(euro '000)	Net result prior to consolidation										
	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Cembre S.p.A.	14,016	12,757	9.9%	10,496	9,275	9,283	6,807	4,305	5,635	6,153	4,835
Cembre Ltd. (UK)	1,150	854	34.7%	2,997	1,049	1,182	1,391	1,139	1,123	635	393
Cembre S.a.r.l. (F)	420	307	36.8%	236	160	211	183	166	100	165	74
Cembre España S.L.U. (E)	312	148	110.8%	289	(40)	264	161	69	(276)	(31)	197
Cembre GmbH (D)	744	139	435.3%	288	166	94	197	98	278	304	156
IKUMA Verw. GmbH (D)	1	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	319	201	58.7%	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.	n.a.	-91	49	31	11	57	37	110
Cembre Inc. (USA)	554	694	-20.2%	245	183	160	294	480	210	131	46

The increase in Cembre GmbH's net profit for the first half of 2019 is due to the recognition of the 2018 profit of IKUMA KG, amounting to €634 thousand, as financial income from equity investments; Cembre GmbH acquired IKUMA KG with effect from May 1, 2018, so that in the first half of 2018 there was no financial income from equity investments in the financial statements of Cembre GmbH.

The significant increase in net profit of Cembre Ltd is due to the £1,928 thousand (€2,231 thousand) capital gain in 2017 on the sale to Cembre S.p.A. of equity investments held by Cembre Ltd in the other Group companies.

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.

	Curr.	Sales										
(euro '000)		1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Cembre Ltd. (UK)	Gbp	9,963	9,255	7.6%	8,179	7,824	7,894	9,504	8,843	8,200	6,808	5,392
Cembre Inc. (USA)	US\$	7,632	8,677	-12.0%	6,475	6,026	6,361	6,734	6,536	5,387	4,363	3,339

	Curr.	Net profit										
(euro '000)		1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change	1 <sup>st</sup> Half 2017	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	1 <sup>st</sup> Half 2014	1 <sup>st</sup> Half 2013	1 <sup>st</sup> Half 2012	1 <sup>st</sup> Half 2011	1 <sup>st</sup> Half 2010
Cembre Ltd. (UK)	Gbp	1,005	751	33.8%	2,580	817	865	1,142	969	923	552	342
Cembre Inc. (USA)	US\$	626	840	-25.5%	266	204	179	402	630	272	183	61

To provide a better understanding of the Company's consolidated results for the 1<sup>st</sup> Half of 2019, a Comparative Consolidated Income Statement is provided in Attachment 1, which shows the percentage changes compared to the same period in 2018.

Consolidated gross operating profit for the 1<sup>st</sup> Half of 2019 amounted to €20,912 thousand, representing a 27.2% margin on sales, up 10.9% on the corresponding period in 2018 when it amounted to €18,859 thousand, representing a 25.7% margin on sales. Both the incidence of the cost of sales and the incidence of the cost of services were stable during the first half, while the incidence of the cost of personnel increased slightly, despite the apparent decrease in the average number of workers employed by the Group from 747 to 741, but with an increase in the number of employees from 685 to 706 and a decrease in temporary staff.

Consolidated operating profit for the period amounted to €16,167 thousand, representing a 21.0% margin on sales, up 4.4% on €15,492 thousand in the 1<sup>st</sup> Half of 2018, when it represented a 21.1% margin on sales.

Consolidated profit before taxes for the period amounted to €16,033 thousand, representing a 20.9% margin on sales, up 4% on €15,421 thousand in the 1<sup>st</sup> Half of 2018, when it represented a 21.0% margin on sales.

Net profit for the half-year amounted to €12,375 thousand, representing a 16.1% margin on sales, up 5.8% on €11,699 thousand in the 1<sup>st</sup> Half of 2018, when it represented a 16.0% margin on sales.

Effective from January 1, 2019, the Group adopted the new IFRS 16 to account for leases and lease agreements. The application of this standard did not generate any significant effects at consolidated income statement level, involving a reduction in Group profit before taxes of €22 thousand, as the joint result of the following entries:

- reversal of lease fees of €721 thousand;
- recognition of amortisation for leasing activities amounting to €679 thousand;
- recognition of lease interest expense of €64 thousand.

At balance sheet level, the application of the aforementioned standard involved the recognition of the following items:

- non-current assets for leasing of €6,383 thousand;
- non-current financial liabilities of €5,049 thousand;
- current financial liabilities of €1,334 thousand;
- reversal of prepaid expenses for €22 thousand.

The table below summarises the main income results, net of the effects of the adoption of IFRS 16.



	1 <sup>st</sup> Half 2019	%	1 <sup>st</sup> Half 2018	%	Change
Revenues from sales and services	76,878	100.00%	73,295	100.00%	4.9%
Gross operating result	20,191	26.26%	18,859	25.73%	7.1%
Operating result	16,125	20.97%	15,492	21.14%	4.1%
Pre-tax result	16,055	20.88%	15,421	21.04%	4.1%

The net financial position, which went from a positive balance of €7.5 million at December 31, 2018 to a negative value of €4.7 million at June 30, 2019, reflects the effects of the application of the new international accounting standard IFRS 16, which resulted in the recognition of €5.0 million under non-current financial liabilities and €1.3 million under current financial liabilities, as liabilities for leased assets, as well as the payment of dividends of €15.0 million by the Parent Company and investments in fixed assets of €5.8 million. Excluding the effect of IFRS 16 entries, the net financial position would have been a positive €1.7 million.

At June 30, 2018, the net financial position was equal to a surplus of €4.0 million.

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

*Operating Result (EBIT)*: defined as the difference between the Gross Operating Result and the value of amortization/impairment. It represents the profit 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 Interim Financial Statements of the parent company Cembre S.p.A. at June 30, 2019 and the interim consolidated accounts at the same date:

(euro '000)	Shareholders' equity	Net Profit
<b>Shareholders' equity and result of the Parent Company</b>	<b>130,029</b>	<b>14,016</b>
Book value of consolidated companies	24,714	3,500
Elimination of intra-group profits included in the value of inventories (*)	(4,105)	(166)
Currency translation differences from elimination of intragroup balances	(11)	(11)
Cembre GmbH product warranty provision reversal (*)	23	-
Intercompany reconciliation	1	1
Cancellation of dividends	-	(4,878)
Netting of intragroup capital gains	(11)	(1)
Amortisation of customer list and IKUMA trademark (*)	(201)	(86)
Consumption surplus IKUMA warehouse (*)	(198)	-
<b>Shareholders' equity and result of the Group</b>	<b>150,241</b>	<b>12,375</b>

(\*) Net of the related tax effect

## Investments

Capital expenditure, gross of amortisation, depreciation and disposals made in the 1<sup>st</sup> Half of 2019 amounted to €5.8 million and consisted mainly in the acquisition of plant and equipment. In the 1<sup>st</sup> Half of 2018 investments amounted to €7.4 million.

## 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.

The global economy is affected by the protracted international trade tensions and the slowdown in activity in China, effects that are also felt in the Eurozone, where a generalised weakness persists, so much so as to prompt the ECB to extend the time horizon within which it expects to keep interest rates low.

In this climate of uncertainty, the Italian economy is stagnant, recording no growth: domestic demand in particular is slowing down, while exports are growing moderately.

According to Bank of Italy forecasts, our country's GDP should by grow by 0.1% this year, 0.8% next year and 1.0% in 2021 (source: Bank of Italy Economic Bulletin 3/2019).

The wide margin of uncertainty on which estimates of future performance are based make it very difficult to make reliable predictions regarding the 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, 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 focused over time on a careful selection of customers, managing prudently sales to those that do not possess an adequate credit standing. The Group has accrued a provision for doubtful accounts and the management doubtful accounts, constantly monitoring overdues and soliciting payment when terms have expired. To further reduce this type of risk, Cembre S.p.A. and Cembre España SLU stipulated a policy with a primary insurance company against commercial credit losses.

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 2018, the Parent Company Cembre S.p.A. took out two loans from Banca Intesa, maturing in October 2019 in April 2020; during 2019, the Parent Company Cembre S.p.A. also took out five loans with Unicredit, maturing in instalments between November 2019 and March 2020. The nature of the rate applied and the relatively short-term maturity protect the Group from any interest rate risk.

### **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 behaviour 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 organisational, 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 Parent 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. has deemed and recognised as a fundamental step in its development the creation of a harmonised Environmental Management System according to the spirit and the interpretation of the UNI EN ISO 14001 standard.

To this end, a demanding project had been undertaken that involved all the functions and all the company processes: from the engineering and design phase, to the choice of materials and processes used, to the careful and conscious management of the production phases.

The project was extended to subsidiary Cembre Ltd. (UK), representing the second production site of the Cembre Group; thus the certification of the Environmental Management System according to the ISO 14001:2015 standard now extends to both Cembre S.p.A. and Cembre Ltd.

The certification of the Environmental Management System of the Group's production sites allows us to ensure the application of common, shared and environmentally friendly behavioural guidelines.

Through the implementation of operating procedures strictly in line with regulations regarding environmental protection and the application of principles for sustainable development Cembre can:

- create opportunities to protect the environment by preventing or mitigating environmental impacts,
- fulfil its compliance obligations,
- improve environmental performance,
- design and manufacture products using materials and processes that ensure the protection of the environment throughout the life of the product, from manufacturing to disposal.

### **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**

Costs incurred by Cembre S.p.A. for personnel employed in Research & Development of new products amounted to €355 thousand, of which €122 thousand were capitalised among intangible assets as Development costs.

Below we include a brief description of projects undertaken in the first half of the year. Information provided is purposely generic because some products will be launched in the second half of the year and are in some cases in the process of obtaining patents.

### **Cable terminals**

A total of 9 requests for new products were dealt with. Each study involved both new connectors and machinery for their manufacturing.

The study of a range of mechanical connectors with snap off screws continued; after a series of experimental tests to validate the theories simulated virtually by computer, the project led to the filing of an industrial patent.

### **Railroad equipment**

Six new product requests for equipment and tools related to the maintenance of railway systems were dealt with.

In the first half of 2019, after the official presentation during Innotrans, the Berlin exhibition dedicated to the railway sector, a drill for drilling wooden sleepers was launched on the market. This product, which is the subject of a patent, has been awarded in the UK as an innovative product and reference point for the sector.

The development and production of drills and cutters continued, respectively for the drilling of wooden sleepers and for the drilling of rails. The huge demand for consumables has led the company to invest in expanding its production, replacing products purchased from external suppliers with items made internally. In fact, the range has been augmented with drilling jigs, adapters and clamps.

Thanks to the results obtained in the last practical tests, the project for the creation of a hydraulic tool for the removal of the clips for fixing the rails to the sleepers is coming to a conclusion.

The advent of a new generation of engines with better emissions and performance, has made it possible to commence a study aimed at making both the version of drill with endothermic engine for drilling sleepers and the one used for drilling rails more eco-sustainable.

Following the increase in demand in the market for battery-powered drills for rail drilling, the production process for these drills was revised in order to improve efficiency.

On market demand, two new battery-powered tools have been designed and developed to simplify certain manual maintenance tasks. These new machines are likely to be patented.

### **Tools**

Five new product requests related to general purpose tools were dealt with.

The project for the production of cutting jaws for the bi-linear tool for the American market has been completed. The three jaws considerably widen the cutting range compared to previous models and differ from each other with respect to the type of conductor on which they operate.

After the research phase carried out in the past year, a project was developed for a new hydraulic head, used to explore, before cutting, potentially under-voltage cables. The project has been patented.

The new patented battery-powered hydraulic pump was officially presented at Innotrans and is currently in the pre-production phase.

With a view to internalising production, two new compression tools have been developed, one manual and one battery-powered hydraulic.

### **Cable marking**

A total of 11 requests for new products relating to flat labels for the marking of cables were dealt with. Studies also included the related manufacturing tools.

The most substantial project certainly concerns the expansion and updating of the range of thermal transfer printers in order to satisfy both occasional and professional users.

### **Pressfit**

Four new product requests for products for the plumbing and heating sector were dealt with.

At the ISH trade fair in Frankfurt, prototypes of two new tools that are being developed were presented: a pump to which heads with different functions can be connected and

equipment, known as "chains", for the radial compression of hydraulic connections above 40 mm nominal diameter.

The new pump is designed to be lightweight, easy to transport and with a simple and intuitive user interface.

The "chains" under development are for nominal diameters 42 and 54 and are subject to patent. Both allow a homogeneous compression along the circumference of the fitting, improving the seal of the hydraulic system.

### **Transactions with subsidiaries, parent companies and related parties**

At June 30, 2019, transactions concluded between the parent company Cembre S.p.A. and its subsidiaries were exclusively of a commercial nature and are summarised in the table below:

	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Purchases</b>
Cembre Ltd.	1,813	132	4,778	296
Cembre S.a.r.l.	589	3	3,089	10
Cembre España S.L.U.	1,703	3	3,755	12
Cembre GmbH	394	76	1,965	124
IKUMA GmbH & Co. KG	3	52	79	52
Cembre Inc.	584	16	3,099	17
<b>TOTAL</b>	<b>5,086</b>	<b>282</b>	<b>16,765</b>	<b>511</b>

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 €244 thousand. Costs include, on the other hand, the recharges relating to personnel costs of Cembre GmbH and IKUMA KG, which carries out commercial activities on behalf of Cembre S.p.A. for a total of €120 thousand, and costs relating to promotional activities carried out by Cembre Ltd for €45 thousand.

With reference to the data relating 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 and that no atypical or unusual transactions were entered into.



Cembre S.p.A. signed leases with “Tha Immobiliare S.p.A.”, with registered office in Brescia, and capital subdivided between Giovanni Rosani and Sara Rosani, members of the Board of Directors of Cembre S.p.A.

Invoices issued in the half-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. (Cembre S.p.A. parent company). The following is a summary of the amounts reported in the financial statements relating to the above contracts.

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	3,473	3,004	466	247	38
Leased assets from Borno - Cembre Ltd	921	812	113	61	7

The table that follows summarizes lease costs towards related parties in the period:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Lease costs towards related parties	354	334	20

Cembre GmbH has recorded €1,487 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €989 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.

### **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 that it operates in full autonomy with respect to 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 New Jersey (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 the company boards 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, 2019, the number of own shares held by Cembre S.p.A. was 280,041, corresponding to 1.65% of the capital stock. No treasury shares were purchased or sold in the first half of 2019. The shareholders' meeting of Cembre S.p.A. on April 18, 2019 resolved the authorisation to purchase own shares, effective for the 18 months subsequent to the date of the 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 della Finanza - Consolidated Finance Act), we refer to the Report on Corporate Governance which, in addition to providing a general description of corporate governance and of risk management and internal control procedures, 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 website “www.cembre.it”.

## **Subsequent events**

No event having significant effects on the Group’s financial or operating performance occurred after the close of the half.

## **Outlook**

Despite the difficulty in making forecasts, given the uncertain scenario at the global level, the Cembre Group expects to see growth compared to 2018, consequently forecasting a slight increase in business volume for the end of 2019 and a positive consolidated result.

## **Attachments**

This document includes the following attachments:

Attachment 1 Comparative Consolidated Income Statement for the year ended June 30, 2019.

Attachment 2 Composition of corporate boards.

Brescia, September 11, 2019

**FOR THE BOARD OF DIRECTORS  
OF THE PARENT COMPANY CEMBRE S.P.A.**  
The Chairman and Managing Director  
Giovanni Rosani

## Attachment 1 - Report on Operations of the Group

### Comparative Consolidated Income Statement

	1 <sup>st</sup> Half 2019	% of sales	1 <sup>st</sup> Half 2018	% of sales	Change
Revenues from contracts with customers	76.878	100,0%	73.295	100,0%	4,9%
Other revenues	565		241		134,4%
<b>TOTAL REVENUES</b>	<b>77.443</b>		<b>73.536</b>		<b>5,3%</b>
Cost of goods and merchandise	(25.358)	-33,0%	(29.674)	-40,5%	-14,5%
Change in inventories	1.144	1,5%	6.465	8,8%	-82,3%
Cost of services received	(10.098)	-13,1%	(9.563)	-13,0%	5,6%
Non-recurring cost of services	-	0,0%	(421)	-0,6%	-100,0%
Lease and rental costs	(178)	-0,2%	(801)	-1,1%	-77,8%
Personnel costs	(21.705)	-28,2%	(20.360)	-27,8%	6,6%
Other operating costs	(864)	-1,1%	(729)	-1,0%	18,5%
Increase in assets due to internal construction	553	0,7%	515	0,7%	7,4%
Impairment losses on contract assets	(14)	0,0%	(98)	-0,1%	-85,7%
Accruals to provisions for risks and charges	(11)	0,0%	(11)	0,0%	0,0%
<b>GROSS OPERATING PROFIT</b>	<b>20.912</b>	<b>27,2%</b>	<b>18.859</b>	<b>25,7%</b>	<b>10,9%</b>
Property, plant and equipment depreciation	(3.634)	-4,7%	(3.040)	-4,1%	19,5%
Intangible asset amortization	(432)	-0,6%	(327)	-0,4%	32,1%
Depreciation of right of use assets	(679)	-0,9%	-		
<b>OPERATING PROFIT</b>	<b>16.167</b>	<b>21,0%</b>	<b>15.492</b>	<b>21,1%</b>	<b>4,4%</b>
Financial income	3	0,0%	3	0,0%	0,0%
Financial expenses	(68)	-0,1%	(24)	0,0%	183,3%
Foreign exchange gains (losses)	(69)	-0,1%	(50)	-0,1%	38,0%
<b>PROFIT BEFORE TAXES</b>	<b>16.033</b>	<b>20,9%</b>	<b>15.421</b>	<b>21,0%</b>	<b>4,0%</b>
Income taxes	(3.658)	-4,8%	(3.722)	-5,1%	-1,7%
<b>NET PROFIT</b>	<b>12.375</b>	<b>16,1%</b>	<b>11.699</b>	<b>16,0%</b>	<b>5,8%</b>

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## Attachment 2 to the Interim Report on Operation of the Cembre Group for the 1<sup>st</sup> Half of 2019

### 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	Auditor
Rosanna Angela Pilenga	Auditor
Maria Grazia Lizzini	Substitute Auditor
Rosella Colleoni	Substitute Auditor

#### Independent Auditors

EY S.p.A.

The above list is updated at September 11, 2019.

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 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.

## Consolidated Financial Statements at June 30, 2019

## Consolidated Statement of Financial Position

ASSETS	Notes	Jun. 30, 2019		Dec. 31, 2018	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>NON-CURRENT ASSETS</b>					
Tangible assets	<b>1</b>	84.708		83.294	
Investment property	<b>2</b>	1.047		1.071	
Intangible assets	<b>3</b>	4.437		4.257	
Goodwill	<b>4</b>	4.608		4.608	
Right of use assets	<b>5</b>	6.383	4.394	-	
Other investments		10		10	
Other non-current assets	<b>6</b>	1.008		1.522	
Deferred tax assets	<b>15</b>	2.925		2.767	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>105.126</b>		<b>97.529</b>	
<b>CURRENT ASSETS</b>					
Inventories	<b>7</b>	51.774		50.619	
Trade receivables	<b>8</b>	30.676		25.626	
Tax receivables	<b>9</b>	2.151		2.035	
Other receivables	<b>10</b>	1.379		1.842	
Cash and cash equivalents		11.837		17.198	
<b>TOTAL CURRENT ASSETS</b>		<b>97.817</b>		<b>97.320</b>	
<b>NON-CURRENT ASSETS AVAILABLE FOR SALE</b>		<b>-</b>		<b>-</b>	
<b>TOTAL ASSETS</b>		<b>202.943</b>		<b>194.849</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Jun. 30, 2019		Dec. 31, 2018	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>SHAREHOLDERS' EQUITY</b>					
Capital stock	<b>11</b>	8.840		8.840	
Reserves	<b>11</b>	129.026		121.302	
Net profit	<b>11</b>	12.375		22.736	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>150.241</b>		<b>152.878</b>	
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	<b>12</b>	5.049	3.816	1.000	
Other non-current payables	<b>6</b>	989	989	1.480	1.480
Employee termination indemnity and other personnel benefits	<b>13</b>	2.444	289	2.557	278
Provisions for risks and charges	<b>14</b>	708	75	606	50
Deferred tax liabilities	<b>15</b>	2.641		2.846	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11.831</b>		<b>8.489</b>	
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	<b>12</b>	11.500	579	8.667	
Trade payables	<b>16</b>	13.334		14.863	
Tax payables		5.811		2.367	
Other payables	<b>17</b>	10.226	498	7.585	498
<b>TOTAL CURRENT LIABILITIES</b>		<b>40.871</b>		<b>33.482</b>	
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>TOTAL LIABILITIES</b>		<b>52.702</b>		<b>41.971</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>202.943</b>		<b>194.849</b>	

## Consolidated Financial Statements at June 30, 2019

## Statement of Consolidated Comprehensive Income

	Notes	1st Half 2019		1st Half 2018	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
Revenues from contracts with customers	<b>18</b>	76.878		73.295	
Other revenues	<b>19</b>	565		241	
<b>TOTAL REVENUES</b>		<b>77.443</b>		<b>73.536</b>	
Cost of goods and merchandise		(25.358)		(29.674)	
Change in inventories		1.144		6.465	
Cost of services received	<b>20</b>	(10.098)	(485)	(9.563)	(334)
Non-recurring cost of services		-		(421)	
Lease and rental costs		(178)		(801)	(333)
Personnel costs	<b>21</b>	(21.705)	(479)	(20.360)	(477)
Other operating costs	<b>22</b>	(864)		(729)	
Increase in assets due to internal construction		553		515	
Impairment losses on contract assets		(14)		(98)	
Accruals to provisions for risks and charges	<b>14</b>	(11)		(11)	
<b>GROSS OPERATING PROFIT</b>		<b>20.912</b>		<b>18.859</b>	
Property, plant and equipment depreciation	<b>1-2</b>	(3.634)		(3.040)	
Intangible asset amortization	<b>3</b>	(432)		(327)	
Depreciation of right of use assets	<b>5</b>	(679)	(308)	-	
<b>OPERATING PROFIT</b>		<b>16.167</b>		<b>15.492</b>	
Financial income	<b>23</b>	3		3	
Financial expenses	<b>23</b>	(68)	(45)	(24)	
Foreign exchange gains (losses)		(69)		(50)	
<b>PROFIT BEFORE TAXES</b>		<b>16.033</b>		<b>15.421</b>	
Income taxes	<b>24</b>	(3.658)		(3.722)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>12.375</b>		<b>11.699</b>	
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT</b>		<b>12.375</b>		<b>11.699</b>	
<b>Items that may be reclassified subsequently to profit and loss</b>					
Conversion differences included in equity	<b>25</b>	36		247	
<b>COMPREHENSIVE INCOME</b>	<b>25</b>	<b>12.411</b>		<b>11.946</b>	
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>26</b>	<b>0,74</b>		<b>0,70</b>	



## Consolidated Financial Statements at June 30, 2019

### Consolidated Statement of Cash Flows

	1st Half 2019	1st Half 2018
€/000		
<b>(A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>17.198</b>	<b>20.232</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	12.375	11.699
Depreciation, amortization and write-downs	4.745	3.367
(Gains)/Losses on disposal of assets	(30)	(5)
Net change in Employee Termination Indemnity	(113)	5
Net change in provisions for risks and charges	102	123
<b>Operating profit (loss) before change in working capital</b>	<b>17.079</b>	<b>15.189</b>
(Increase) Decrease in trade receivables	(5.050)	(4.734)
(Increase) Decrease in inventories	(1.155)	(8.756)
(Increase) Decrease in other receivables and deferred tax assets	189	170
Increase (Decrease) of trade payables	(263)	3.869
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	5.880	4.926
<b>Change in working capital</b>	<b>(399)</b>	<b>(4.525)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>16.680</b>	<b>10.664</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(613)	(2.840)
- tangible	(5.141)	(6.995)
- goodwill	-	(4.615)
- right of use	(7.062)	-
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- tangible	146	114
Increase (Decrease) of trade payables for assets	(1.266)	497
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(13.936)</b>	<b>(13.839)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	514	(1)
(Increase) Decrease in other non current payables	(491)	-
Increase (Decrease) in bank payables	498	14.001
Increase (Decrease) in other loans	6.384	-
Change in reserves	-	56
Dividends distributed	(15.048)	(13.372)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(8.143)</b>	<b>684</b>
<b>(E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>(5.399)</b>	<b>(2.491)</b>
F) Foreign exchange conversion differences	38	237
<b>(G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+E+F)</b>	<b>11.837</b>	<b>17.978</b>
Of which: assets held for disposal	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>11.837</b>	<b>17.978</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>11.837</b>	<b>17.978</b>
Current financial liabilities	(11.500)	(9.333)
Non-current financial liabilities	(5.049)	(4.668)
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>(4.712)</b>	<b>3.977</b>
<b>INTERESTS PAID IN THE PERIOD</b>	<b>4</b>	<b>-</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Cash	15	14
Bank deposits	11.822	17.964
	<b>11.837</b>	<b>17.978</b>

## Consolidated Financial Statements at June 30, 2019

### Statement of Changes in the Consolidated Shareholders' Equity

€/000	Balance at December 31, 2018	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at June 30, 2019
Capital stock	8.840					8.840
Share premium reserve	12.245					12.245
Legal reserve	1.768					1.768
Reserve for own shares	(5.283)					(5.283)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Other reserves	22.753	1.479			(357)	23.875
Conversion differences	(2.413)				393	(2.020)
Extraordinary reserve	83.356	6.209				89.565
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	111					111
Merger surplus reserve	4.397					4.397
Retained earnings	-					-
Net profit	22.736	(7.688)		(15.048)	12.375	12.375
<b>Total Shareholders' Equity</b>	<b>152.878</b>	<b>-</b>	<b>-</b>	<b>(15.048)</b>	<b>12.411</b>	<b>150.241</b>

€/000	Balance at December 31, 2017	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at December 31, 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)		120			(5.283)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Other reserves	23.934	(1.719)			538	22.753
Conversion differences	(2.126)				(287)	(2.413)
Extraordinary reserve	72.283	11.073				83.356
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	42				69	111
Merger surplus reserve	4.397					4.397
Retained earnings	-					-
Net profit	22.727	(9.354)		(13.373)	22.736	22.736
<b>Total Shareholders' Equity</b>	<b>143.075</b>	<b>-</b>	<b>120</b>	<b>(13.373)</b>	<b>23.056</b>	<b>152.878</b>

## **Notes to the Condensed Consolidated Interim Financial Statements at June 30, 2019**

### **I. CORPORATE INFORMATION**

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9. The company is listed on the MTA (screen-based equities market) 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 Financial Report, including these condensed consolidated interim financial statements, was authorised by a resolution of the Board of Directors dated September 11, 2019.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not carry out management and coordination activities.

### **II. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Preparation criteria**

The condensed consolidated interim financial statements at June 30, 2019 were prepared in accordance with the provisions of IAS 34 “Interim financial reporting”.

The condensed consolidated interim financial statements do not include all the economic and financial information required in the annual financial statements and must be read in conjunction with the Group's annual financial statements at December 31, 2018. Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The scope of consolidation has not changed with respect to both December 31, 2018 and June 30, 2018.

## Relevant accounting principles

The standards adopted in the preparation of these condensed consolidated interim financial statements are those formally approved by the European Union in force at June 30, 2019 and are consistent with those adopted in the preparation of the Group's annual financial statements at December 31, 2018, with the exception of the adoption of the new principles and amendments in force from January 1, 2019.

### IFRS 16 – Leases

The standard became effective January 1, 2019 and was adopted by the Group on said date. The Cembre Group chose to apply IFRS 16 using the modified retrospective method (catch-up method); the comparative data are not restated and the liability is calculated as the present value of the rent payments, discounted using the incremental borrowing rate as at the transition date. Therefore, the value of the assets is equal to the value of the liabilities.

The incremental borrowing rate (IBR) was calculated in three steps: first, the risk-free rate for bonds issued in the countries in which the Cembre Group's subsidiaries operate was identified as the reference rate; then, using the Bloomberg platform, the spread applicable to the Cembre Group was determined, based on the liabilities as at September 30, 2018 (equal to 0.57%); lastly, the incremental interest rate was calculated by applying the Group spread to the risk-free rates of the individual countries. The same incremental interest rate was applied for similar contracts.

Contracts with maturity within 12 months were excluded from application of the standard. As far as rental contracts for buildings and offices are concerned, since it is highly probable that they will be extended, from a strategic point of view, the duration was calculated by taking into account the optional period indicated in the contractual clauses as well.

The application of this standard did not generate any significant effects at consolidated income statement level, involving a reduction in Group profit before taxes of €22 thousand, as the joint result of the following entries:

- reversal of lease fees of €721 thousand;
- recognition of amortisation for leasing activities amounting to €679 thousand;
- recognition of lease interest expense of €64 thousand.

At balance sheet level, the application of the aforementioned standard involved the recognition of the following items:

- non-current assets for leasing of €6,383 thousand;
- non-current financial liabilities of €5,049 thousand;
- current financial liabilities of €1,334 thousand;
- reversal of prepaid expenses for €22 thousand.

The table below summarises the main income results, net of the effects of the adoption of IFRS 16.

	1 <sup>st</sup> Half 2019	%	1 <sup>st</sup> Half 2018	%	Change
Revenues from sales and services	76,878	100.00%	73,295	100.00%	4.9%
Gross operating result	20,191	26.26%	18,859	25.73%	7.1%
Operating result	16,125	20.97%	15,492	21.14%	4.1%
Pre-tax result	16,055	20.88%	15,421	21.04%	4.1%

### Other changes in accounting principles

The following amendments to international accounting principles have come into force but have not led to changes in the Group's consolidated financial statements:

Changes in accounting principles	Effective from
IFRIC 23 – Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IAS 28 – <i>Investments in Associates and Joint-Ventures</i>	January 1, 2019
Annual Improvements to IFRS standard 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 - <i>Plan amendments, curtailments and settlements</i>	January 1, 2019

### 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 revised principles	Effective from
IFRS 17 – Insurance Contracts	January 1, 2022

Changes in Accounting Principles	Effective from
Amendments to references to the Conceptual Framework in the IFRS Standards	January 1, 2020
Amendments to IFRS 3 - <i>Definition of a business</i>	January 1, 2020
Amendments to IAS 1 and IAS 8 - <i>Definition of material</i>	January 1, 2020

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

### 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 06/30/2019	Average exchange rate for 2019
British pound (€/£)	0.8966	0.8736
US dollar (€//\$)	1.1380	1.1298

### III. SEASONAL FACTORS

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

#### IV. SEGMENT INFORMATION

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

The Cembre Group 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 business segment called “Electric connectors and related tools and accessories”, items based on this element are not usually utilised for the purposes of internal reporting.

1 <sup>st</sup> Half of 2019	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
<b>Revenues</b>					
Sales to customers	40,361	29,768	6,749		76,878
Sales to other Group companies	16,475	1,115	6	(17,596)	-
Revenues by sector	56,836	30,883	6,755	(17,596)	76,878
Operating profit by sector	12,088	3,357	722		16,167
Costs/income not assigned					-
Operating profit					16,167
Net financial charges					(134)
Income taxes					(3,658)
Net profit for the year					12,375

1 <sup>st</sup> Half of 2018	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
<b>Revenues</b>					
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
Costs/income not assigned					-
Operating profit					15,492
Net financial charges					(71)
Income taxes					(3,722)
Net profit for the year					11,699

Since the location of customers is different from the location of activities, a breakdown of revenues due from third parties is provided below, based on the location of the customers:

	1 <sup>st</sup> Half of 2019	1 <sup>st</sup> Half of 2018
Italy	30,798	31,349
Europe	35,727	30,718
Rest of the world	10,353	11,228
	<b>76,878</b>	<b>73,295</b>

The breakdown of assets and liabilities is shown below:

06/30/2019	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Assets and Liabilities</b>				
Segment assets	146,854	43,991	9,554	200,399
Unassigned assets				2,544
<b>Total assets</b>				<b>202,943</b>
Segment liabilities	42,658	10,813	1,167	54,638
Unassigned liabilities				(1,936)
<b>Total liabilities</b>				<b>52,702</b>

12/31/2018	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Assets and Liabilities</b>				
Segment assets	142,125	41,709	8,494	192,328
Unassigned assets				2,521
<b>Total assets</b>				<b>194,849</b>
Segment liabilities	35,117	8,153	-	43,270
Unassigned liabilities				(1,299)
<b>Total liabilities</b>				<b>41,971</b>

1 <sup>st</sup> Half of 2019	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Other segment information</b>				
Capital expenditure:				
- Property, plant and equipment	4,797	284	60	5,141
- Intangible assets	613	-	-	613
<b>Total investments</b>				<b>5,754</b>
Depreciation and amortisation:				
- Property, plant and equipment	(3,225)	(365)	(43)	(3,633)
- Intangible assets	(305)	(125)	(2)	(432)
- Right of use assets	(399)	(172)	(108)	(679)
<b>Accruals to provision for employee benefits</b>	510	-	-	<b>510</b>
<b>Average no. of employees</b>	485	225	31	<b>741</b>

1 <sup>st</sup> Half of 2018	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Other segment information</b>				
Capital expenditure:				
- Property, plant and equipment	6,609	324	62	6,995
- Intangible assets	364	2,464	12	2,840
<b>Total investments</b>				<b>9,835</b>
Depreciation and amortisation:				
- Property, plant and equipment	(2,658)	(344)	(38)	(3,040)
- Intangible assets	(281)	(44)	(2)	(327)
<b>Accruals to provision for employee benefits</b>	480	-	-	<b>480</b>
<b>Average no. of employees</b>	499	217	31	<b>747</b>



## V. 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	49,851	70,496	12,953	8,533	78	3,482	145,393
FTA Revaluation	5,921	-	-	-	-	-	5,921
Reval. for tax purposes	934	43	-	-	-	-	977
Accumulated depreciation	(13,305)	(40,682)	(9,027)	(5,944)	(39)	-	(68,997)
<b>Balance at Dec. 31, 2018</b>	<b>43,401</b>	<b>29,857</b>	<b>3,926</b>	<b>2,589</b>	<b>39</b>	<b>3,482</b>	<b>83,294</b>
Increases	496	3,236	212	407	-	790	5,141
Currency translation diff.	(4)	-	(1)	4	-	-	(1)
Depreciation	(577)	(2,289)	(353)	(387)	(4)	-	(3,610)
Net divestments	-	(42)	(5)	(36)	-	(33)	(116)
Reclassifications	170	1,573	234	(27)	-	(1,950)	-
<b>Balance at Jun. 30, 2019</b>	<b>43,486</b>	<b>32,335</b>	<b>4,013</b>	<b>2,550</b>	<b>35</b>	<b>2,289</b>	<b>84,708</b>

	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
FTA Revaluation	5,921	-	-	-	-	-	5,921
Reval. for tax purposes	934	43	-	-	-	-	977
Accumulated amortization	(12,282)	(39,010)	(9,111)	(5,839)	(32)	-	(66,274)
<b>Balance at Dec. 31, 2017</b>	<b>38,685</b>	<b>23,221</b>	<b>4,029</b>	<b>1,821</b>	<b>6</b>	<b>4,320</b>	<b>72,082</b>
Increases	1,951	1,247	155	841	-	2,801	6,995
Currency translation diff.	3	2	1	4	-	-	10
Amortization	(483)	(1,866)	(339)	(322)	(3)	-	(3,013)
Net divestments	-	(14)	-	(3)	-	(92)	(109)
Reclassifications	1,724	232	99	(18)	-	(2,037)	-
<b>Balance at Jun. 30, 2018</b>	<b>41,880</b>	<b>22,822</b>	<b>3,945</b>	<b>2,323</b>	<b>3</b>	<b>4,992</b>	<b>75,965</b>

Capital expenditure in 2019 amounted to €5,141 thousand and related primarily to the Parent Company.

Investments in Plant and Machinery, amounting to €3,236 thousand, represent the largest item of expenditure and are linked to the expansion and renewal of the production line, as well as to the installation of fixed systems in the recently constructed building, the latter also involving investments of €496 thousand included under Land and Buildings. Finally, advances of €553 thousand euro were paid, mostly for the renovation of the

offices and canteen of the headquarters. Investments for work in progress carried out in-house amounted to €237 thousand.

## 2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,714	263	5	1,982
Accumulated amortization	(650)	(256)	(5)	(911)
<b>Balance at Dec. 31, 2018</b>	<b>1,064</b>	<b>7</b>	<b>-</b>	<b>1,071</b>
Amortization	(23)	(1)	-	(24)
<b>Balance at Jun. 30, 2019</b>	<b>1,041</b>	<b>6</b>	<b>-</b>	<b>1,047</b>

The item includes only the property in Calcinatè (BG), owned by Cembre S.p.A., which is no longer used for the Group's activities.

## 3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	2,052	697	5,532	495	2,043	70	10,889
Accumulated amortization	(1,444)	(577)	(4,388)	(33)	(190)	-	(6,632)
<b>Balance at Dec. 31, 2018</b>	<b>608</b>	<b>120</b>	<b>1,144</b>	<b>462</b>	<b>1,853</b>	<b>70</b>	<b>4,257</b>
Increases	122	43	267	-	-	181	613
Currency translation diff.	-	-	(1)	-	-	-	(1)
Amortisation	(117)	(73)	(111)	(25)	(106)	-	(432)
Reclassifications	-	-	8	-	-	(8)	-
<b>Balance at Jun. 30, 2019</b>	<b>613</b>	<b>90</b>	<b>1,307</b>	<b>437</b>	<b>1,747</b>	<b>243</b>	<b>4,437</b>

Upon allocation of the purchase price of the investment in IKUMA KG, which took place in May 2018, the Customer List of the acquired company was recognised under Other Intangible Assets for €1,965 thousand (amortizable in 10 years); the value of the trademark was also recognised for €495 thousand.

Assets under construction refer to advances paid for the supply of software.

## 4. GOODWILL

	06/30/2019	12/31/2018	Change
Goodwill	4,608	4,608	-

This item includes the difference between the value of the investment in IKUMA GmbH & Co. KG and its shareholders' equity value, net of intangible assets and other assets

recognised upon allocation of the purchase price. The impairment test on goodwill will be carried out at the end of the year; however, no signs of impairment of the assets have emerged.

## 5. RIGHT OF USE ASSETS

This item was accounted for in 2019, in accordance with IFRS 16. The gross value of the right of use amounts to €7,062 thousand, while the value of the accumulated amortisation amounts to €679 thousand. Please refer to the paragraph "IFRS 16 Leases" in chapter "II. Preparation criteria and accounting principles" for further details.

At June 30, 2019 the following contracts fall under the scope indicated by the standard:

	Motor vehicles	Buildings
Cembre S.p.A.	33	6
Cembre Ltd.	8	2
Cembre Sarl	6	-
Cembre España SLU	16	-
Cembre Inc.	-	3
IKUMA KG	2	1
<b>Total</b>	<b>65</b>	<b>12</b>

## 6. OTHER NON-CURRENT ASSETS

	06/30/2019	12/31/2018	Change
Guarantee deposits	19	42	(23)
Guarantee loan	989	1,480	(491)
<b>Total</b>	<b>1,008</b>	<b>1,522</b>	<b>(514)</b>

The item "Guarantee loan" includes the discounted value of the non-current portion of the sum deposited with the notary public upon acquisition of IKUMA KG. This amount was deposited in order to cover the debt to the Company's sales personnel and administrators, recognized under "Other non-current debt", the payment of which is linked to compliance with certain contractual clauses effective in future years. The actuarial effect of this sum was extremely low, amounting to €11 thousand.

## 7. INVENTORIES

	06/30/2019	12/31/2018	Change
Raw materials	12,732	12,593	139
Work in progress and semi-finished goods	13,681	12,252	1,429
Finished goods	25,361	25,774	(413)
<b>Total</b>	<b>51,774</b>	<b>50,619</b>	<b>1,155</b>

The value of finished goods is adjusted to its presumed realisable value through a provision for slow-moving stock amounting to €4,140 thousand. Changes in the provision in 2019 are shown in the table that follows:

	06/30/2019	12/31/2018
<b>Balance at beginning of the period</b>	<b>3,996</b>	<b>3,070</b>
Accruals	199	991
Uses	(59)	(97)
Currency translation differences	4	32
<b>Provision at end of the period</b>	<b>4,140</b>	<b>3,996</b>

Accruals primarily regarded inventories of Cembre S.p.A. (€106 thousand), Cembre GmbH (€38 thousand) and Cembre Ltd. (€34 thousand).

## 8. TRADE RECEIVABLES

	06/30/2019	12/31/2018	Change
Nominal receivables due from	31,226	26,183	5,043
Provision for bad debts	(550)	(557)	7
<b>Total</b>	<b>30,676</b>	<b>25,626</b>	<b>5,050</b>

Nominal receivables due from customers by geographical area are shown in the table below.

	06/30/2019	12/31/2018	Change
Italy	15,816	13,350	2,466
Europe	13,148	10,649	2,499
North America	1,469	1,326	143
Oceania	74	460	(386)
Middle East	141	132	9
Far East	206	137	69
Africa	372	129	243
<b>Total</b>	<b>31,226</b>	<b>26,183</b>	<b>5,043</b>

The average collection time went from 68 days in 2018 to 67 days in the 1<sup>st</sup> Half of 2019.

Changes in the provision for bad debts are shown in the table that follows:

	06/30/2019	12/31/2018
<b>Balance at beginning of the period</b>	<b>557</b>	<b>841</b>
Accruals	14	89
Uses	(8)	(111)
Release of excess accrual	(13)	(262)
<b>Balance at end of the period</b>	<b>550</b>	<b>557</b>

The breakdown of receivables by maturity at June 30, 2018 and December 31, 2018 is shown below:

Situation at:	Not past due	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
<b>06/30/2019</b>	28,150	2,631	132	32	162	119	<b>31,226</b>
<b>12/31/2018</b>	23,001	2,558	148	97	308	71	<b>26,183</b>

## 9. TAX RECEIVABLES

	06/30/2019	12/31/2018	Change
Tax receivables	2,151	2,035	116

The item mainly includes the receivable recorded by the Parent Company and deriving from the prior agreement reached with the Revenue Agency in December 2017 for the application of the Patent Box regime.

## 10. OTHER ASSETS

	06/30/2019	12/31/2018	Change
Receivables from employees	60	65	(5)
VAT and other indirect taxes receivable	10	339	(329)
Guarantee loan	498	498	-
Advances to suppliers	523	737	(214)
Other	288	203	85
<b>Total</b>	<b>1,379</b>	<b>1,842</b>	<b>(463)</b>

The residual item "Other" includes primarily the receivables of Cembre S.p.A. due from INAIL (National Institute for Insurance against Accidents at Work).

## 11. SHAREHOLDERS' EQUITY

The capital stock of the Parent Company amounts to €8,840 thousand, and is made up of 17 million ordinary shares with a par value of €0.52 each, fully subscribed and paid-up.

At June 30, 2019, Cembre S.p.A. held 280,041 treasury shares, corresponding to 1.65% of its capital stock. Against these shares the Company recorded €5,283 thousand in a specific equity reserve under liabilities.

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.

In the "Statement of changes in consolidated shareholders' equity" all changes in the different items that make up shareholders' equity are analysed.

The "Other reserves" included in the "Statement of changes in consolidated shareholders' equity" consist of the following consolidation adjustments:

	06/30/2019	12/31/2018
Elimination of investments in subsidiaries	23,002	23,079
Elimination of unrealized intra-group profits in stock	(3,940)	(3,471)
German subsidiary product warranty provision reversal	22	22
Dividends from subsidiaries	4,913	3,134
Amortisation of trademark and customer list - IKUMA	(114)	-
Intragroup reconciliations and gains	(8)	(11)
<b>Total</b>	<b>23,875</b>	<b>22,753</b>

## 12. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Effective interest rate	Term ending	06/30/2019	12/31/2018
<b>Bank loans - Non-current portion</b>				
Cembre S.p.A.				
Banca Intesa contract 68407	0.005%	Apr-20	-	1,000
<b>Total non-current portion</b>			<b>-</b>	<b>1,000</b>
<b>Leasing liabilities - Non-current portion</b>				
Cembre S.p.A.			3,425	-
Cembre Ltd.			822	-
Cembre Sarl			51	-
Cembre España SLU			26	-
Cembre GmbH			8	-
Cembre Inc.			585	-
IKUMA KG			132	-
<b>Total non-current portion</b>			<b>5,049</b>	<b>-</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>5,049</b>	<b>1,000</b>

	Effective interest rate	Term ending	06/30/2019	12/31/2018
<b>Bank loans - Current portion</b>				
Cembre S.p.A.				
Banca Intesa contract 33439	0.04%	Oct-19	2,667	6,667
Banca Intesa contract 68407	0.05%	Apr-20	2,001	2,000
UNICREDIT contract 36650	0.18%	Dec-19	1,000	-
UNICREDIT contract 36701	0.18%	Feb-20	1,000	-
UNICREDIT contract 36709	0.18%	Feb-20	1,000	-
UNICREDIT contract 36716	0.18%	Mar-20	1,000	-
UNICREDIT contract 36723	0.18%	Nov-19	1,000	-
<b>Total current portion</b>			<b>9,668</b>	<b>8,667</b>
<b>Bank overdrafts - Current portion</b>				
(on presentation of customer bills)				
Cembre S.p.A.				
Banca Passadore	0.2%	On request	64	-
Unicredit			432	-
<b>Total current portion</b>			<b>496</b>	<b>-</b>
<b>Leasing liabilities - Current portion</b>				
Cembre S.p.A.				
			777	-
Cembre Ltd.				
			146	-
Cembre Sarl				
			56	-
Cembre España SLU				
			54	-
Cembre GmbH				
			9	-
Cembre Inc.				
			207	-
IKUMA KG				
			85	-
<b>Total current portion</b>			<b>1,334</b>	<b>-</b>
Bank charges				
			2	-
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>11,500</b>	<b>8,667</b>

### 13. 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, 2019, no significant changes were made to the actuarial assumptions, therefore, the Group decided to maintain the actuarial effect on the provision calculated as at December 31, 2018 unchanged.

	06/30/2019	12/31/2018
<b>Opening balance</b>	<b>2,557</b>	<b>2,664</b>
Accruals	510	897
Uses	(346)	(394)
Social security (INPS) treasury provision	(277)	(550)
Actuarial effect	-	(60)
<b>Closing balance</b>	<b>2,444</b>	<b>2,557</b>

Total amounts accrued with the INPS (Social Security) treasury provision amounted to €7,244 thousand.

#### 14. PROVISIONS FOR RISKS AND CHARGES

Changes in provisions for risks and charges in the 1<sup>st</sup> Half of are shown in the table below.

	Supplementary customer allowances	Directors' variable compensation	Employee incentives	Total
<b>At December 31, 2018</b>	<b>155</b>	<b>50</b>	<b>401</b>	<b>606</b>
Accruals	11	25	66	102
<b>At June 30, 2019</b>	<b>166</b>	<b>75</b>	<b>467</b>	<b>708</b>

Upon proposal by the Remuneration Committee, and consistent with the remuneration policy of Cembre S.p.A., the Company introduced a variable compensation based on medium- and long-term objectives for its Chairman and Managing Director. This amount will be paid out in 2021 contingent on the achievement of objectives set for financial years 2018-2020 by the Board of Directors. The amount of the accrual against the possible variable compensation of directors is recorded among the cost of services and, given the limited impact, was not discounted.

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 defined by the Company.

#### 15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at June 30, 2019 are summarised as follows:



	06/30/2019	12/31/2018
<b>Deferred tax assets</b>		
Elimination of unrealised intra-group profits in stock	1,589	1,524
Write-down of inventories	572	517
Provision for French personnel costs	99	99
Consulting capitalised by Cembre GmbH	123	130
Provision for bad debts of the Parent Company	86	88
Differences on amortisation and depreciation of Parent Company	207	205
Other	249	204
<b>Gross deferred tax assets</b>	<b>2,925</b>	<b>2,767</b>
<b>Deferred tax liabilities</b>		
Average cost valuation of inventories by the Parent Company	(161)	(326)
Accelerated depreciation	(164)	(164)
Elimination of German subsidiary product warranty provision	(10)	(10)
Reversal of land depreciation	(24)	(24)
Revaluation of land	(1,652)	(1,652)
Discounting of employee termination indemnity	26	26
Allocation of IKUMA investment purchase price	(652)	(689)
Discounting of payables to IKUMA sellers	(4)	(7)
<b>Gross deferred tax liabilities</b>	<b>(2,641)</b>	<b>(2,846)</b>
<b>Net deferred tax liabilities</b>	<b>284</b>	<b>(79)</b>

## 16. TRADE PAYABLES

	06/30/2019	12/31/2018	Change
Trade payables	13,219	14,773	(1,554)
Advances received from customers	115	90	25
<b>Total</b>	<b>13,334</b>	<b>14,863</b>	<b>(1,529)</b>

Trade payables by geographical area, in thousands of Euro, are disclosed here below.

	06/30/2019	12/31/2018	Change
Italy	9,907	13,068	(3,161)
Europe	3,067	1,653	1,414
North America	8	39	(31)
Far East	231	10	221
Other	6	3	3
<b>Total</b>	<b>13,219</b>	<b>14,773</b>	<b>(1,775)</b>

## 17. OTHER PAYABLES

The item "Other payables" may be broken down as follows:

	06/30/2019	12/31/2018	Change
Payables to employees	4,686	2,027	2,659
Employee withholding taxes payable	384	1,208	(824)
Bonuses owed to customers	0	0	0
VAT and similar foreign taxes payable	1,748	631	1,117
Commissions payable	327	394	(67)
Payable to Statutory Auditors and similar foreign boards	31	19	12
Payables to Directors	14	14	-
Payable to IKUMA Directors	498	498	-
Social security payables	1,878	2,670	(792)
Payables for sundry taxes	225	34	191
Other	496	338	158
Deferrals	(61)	(248)	187
<b>Total</b>	<b>10,226</b>	<b>7,585</b>	<b>2,641</b>

The increase in payables to employees, compared to December 31, 2018, is due to the accrual of amounts for holidays, thirteenth month's pay and year-end bonuses that have already matured, but which will be paid in the coming months.

The item "Payables to IKUMA directors" represents the discounted value of the current portion of the management bonus and non-competition bonus provided for in the sales contract, amounting to €498 thousand.

## 18. REVENUES FROM SALES AND SERVICES PROVIDED

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Revenues from sales and services	76,878	73,295	3,583

In the 1<sup>st</sup> Half of 2019, revenues grew by 4.9% on the corresponding period in the previous year. A total of 40.1% of Group sales were to Italian customers (1.8% less than in 2018), while sales in the rest of Europe (excluding Italy) represented 46.5% of total sales (up 16.3% on the previous year). Turnover from non-European countries, equal to 13.4% of sales, decreased by 7.8% compared to the first half of 2018. In accordance with the relevant accounting standards, revenues are recognised net of discounts, allowances and premiums to customers and adjustments to customer estimates relating to previous years.

## 19. OTHER REVENUES

Other operating revenues are made up as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Capital gains	43	18	25
Insurance damages	34	5	29
Reimbursements	210	169	41
Operating grants	216	17	199
Other	62	32	30
<b>Total</b>	<b>565</b>	<b>241</b>	<b>324</b>

Reimbursements relate primarily to transport costs charged to customers. Operating grants are mainly linked to the development of the European Sharework Project, for the creation of a system of interaction between operators and robots in the production process, in which Cembre participates in collaboration with 14 other international partners (7 companies, 6 research institutes, 1 standardisation body).

## 20. COST OF SERVICES

The item is broken down as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Subcontracted work	2,247	2,153	94
Electricity, heating and water	933	877	56
Transport of goods sold	1,339	1,179	160
Fuel	271	223	48
Travelling expenses	558	593	(35)
Maintenance and repair	1,189	1,068	121
Consulting	782	907	(125)
Advertising and promotion	315	330	(15)
Insurance	334	435	(101)
Boards' compensation	378	380	(2)
Postage and telephone	199	175	24
Commissions	484	470	14
Security and cleaning	291	275	16
Bank services	105	84	21
Other	673	414	259
<b>Total cost of services</b>	<b>10,098</b>	<b>9,563</b>	<b>535</b>

The increase in the residual item "Other" is mainly due to the costs incurred for the events organised on the occasion of the celebrations for the fiftieth anniversary of the foundation of Cembre S.p.A..

## 21. PERSONNEL COSTS

Personnel costs are broken down as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Wages and salaries	16,581	15,694	887
Social security contributions	4,092	3,604	488
Employee termination indemnity	614	606	8
Retirement benefits	80	115	(35)
Other costs	338	341	(3)
<b>Total</b>	<b>21,705</b>	<b>20,360</b>	<b>1,345</b>

Wages and salaries include €742 thousand relating to outsourced personnel, mainly of the parent company.

Average number of employees by category:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Managers	15	14	1
Clerical staff	346	337	9
Blue collars	345	334	11
Outsourced personnel	35	62	(27)
<b>Total</b>	<b>741</b>	<b>747</b>	<b>(6)</b>

Average number of employees by Group company:

	Managers	White collars	Blue collars	Outsourced personnel	Total 1 <sup>st</sup> Half 2019	Total 1 <sup>st</sup> Half 2018	Change
Cembre S.p.A.	6	215	232	32	485	499	(14)
Cembre Ltd.	3	30	78	-	111	105	6
Cembre Sarl	1	20	6	-	27	29	(2)
Cembre España SLU	1	31	11	2	45	43	2
Cembre Inc.	1	24	6	-	31	31	-
IKUMA GmbH & Co. KG	2	11	6	1	20	18	2
Cembre GmbH	1	15	6	-	22	22	-
<b>Total</b>	<b>15</b>	<b>346</b>	<b>345</b>	<b>35</b>	<b>741</b>	<b>747</b>	<b>(6)</b>

## 22. OTHER OPERATING COSTS

The item is broken down as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Sundry taxes	389	383	6
Losses on receivables	38	10	28
Capital losses	49	13	36

Donations	15	19	(4)
Other	373	304	69
<b>Total</b>	<b>864</b>	<b>729</b>	<b>135</b>

The residual item "Other" consists primarily of sundry expenses incurred by the parent company.

### 23. FINANCIAL INCOME (EXPENSE)

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Discounting of guarantee loan	-	(22)	22
Bank loans and overdrafts	(4)	(1)	(3)
Interest on leasing	(64)	-	(64)
Other financial charges	-	(1)	1
	<b>(68)</b>	<b>(24)</b>	<b>(44)</b>
Interest earned on bank account balances	3	3	-
	<b>3</b>	<b>3</b>	<b>-</b>
<b>Total financial income (expense)</b>	<b>(65)</b>	<b>(21)</b>	<b>(44)</b>

### 24. INCOME TAXES

Income taxes are composed as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Current taxes	(4,171)	(4,082)	(89)
Deferred taxes	361	347	14
Net extraordinary gains	152	13	139
<b>Total</b>	<b>(3,658)</b>	<b>(3,722)</b>	<b>64</b>

In view of the complexity of the calculation and the immateriality of the differences identified in the past, taxes for some foreign subsidiaries were estimated on the basis of the theoretical tax rate. We therefore limit our analysis to the comparison between actual tax and theoretical tax expense for the 1<sup>st</sup> Half of 2019 and the 1<sup>st</sup> Half of 2018, postponing a reconciliation to the financial statements at year-end.

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018
Profit before taxes	16,033	15,421
Taxes	(3,658)	(3,722)
<b>Effective tax rate</b>	<b>22.82%</b>	<b>24.14%</b>
Theoretical tax rate (*)	27.90%	27.90%

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

At June 30, 2019 there were no temporary differences on which no deferred tax asset and/or liability had been recorded.

Deferred tax assets and liabilities are made up as follows:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018
Elimination of unrealized intra-group profits in stock	65	209
Write-down of inventories	55	98
Provision for doubtful accounts of the Parent Company	(2)	(1)
Differences on amortization and depreciation of Parent Company	2	3
Average cost valuation of inventories by the Parent Company	165	(66)
Allocation of IKUMA investment purchase price	37	55
Other	39	49
<b>Prepaid/deferred taxes for the period</b>	<b>361</b>	<b>347</b>

## 25. COMPREHENSIVE INCOME

The Cembre Group uses a single table to report its comprehensive income. In particular, the economic effects recorded directly under Shareholders' Equity are reported separately and result in an increase or decrease of net profit for the period. At June 30, 2019, 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.

## 26. 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 280,041.

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018
Consolidated net profit	12,375	11,699
No. of ordinary shares ('000)	16,720	16,717
<b>Basic and diluted earnings per share</b>	<b>0.74</b>	<b>0.70</b>

## 27. NET FINANCIAL POSITION

The net financial position of the Group amounted, at the end of the period, to a negative €4,712 thousand, down on December 31, 2018 due to new accounting of leasing payables, investments made in the period and the effect of the payment of dividends for 2018.

Excluding the effect of IFRS 16 entries, the net financial position would have been a positive €1,672 thousand.

At June 30, 2019, 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.

		06/30/2019	12/31/2018
A	Cash	15	12
B	Bank deposits	11,822	17,186
<b>C</b>	<b>Cash and cash equivalents (A+B)</b>	<b>11,837</b>	<b>17,198</b>
<b>D</b>	<b>Financial receivables</b>	-	-
E	Current bank debts	(10,165)	(8,667)
F	Current financial leasing liabilities	(1,335)	-
<b>G</b>	<b>Current financial debt (E+F)</b>	<b>(11,500)</b>	<b>(8,667)</b>
<b>H</b>	<b>Net current financial position (C+D+G)</b>	<b>337</b>	<b>8,531</b>
I	Non-current bank debts	-	(1,000)
J	Non-current financial leasing liabilities	(5,049)	-
<b>K</b>	<b>Non-current financial indebtedness (I+J)</b>	<b>(5,049)</b>	<b>(1,000)</b>
<b>L</b>	<b>Net financial position (H+K)</b>	<b>(4,712)</b>	<b>7,531</b>

## 28. RELATED PARTIES

Among assets leased to Cembre S.p.A. 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. These properties are owned by "Tha Immobiliare S.p.A.", a company with registered office in Brescia, whose capital is held by Giovanni Rosani and Sara Rosani, members of the Board of Directors of the Parent Company Cembre S.p.A.; the interest for the company can be seen in the prospect of continuity and in the reduction of the risks of termination of the lease contract. At the end of the half-year, all amounts due to Tha Immobiliare S.p.A. had been settled.

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. (Cembre S.p.A. parent company). The following is a summary of the amounts reported in the financial statements relating to the above contracts.

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	3,473	3,004	466	247	38
Leased assets from Borno - Cembre Ltd	921	812	113	61	7

The table that follows summarizes lease costs towards related parties in the period:

	1 <sup>st</sup> Half 2019	1 <sup>st</sup> Half 2018	Change
Lease costs towards related parties	354	334	20

Cembre GmbH has recorded €1,487 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €989 thousand. Cembre S.p.A. does not have direct relationships with the 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 the 1<sup>st</sup> Half of 2019, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	Board of Statutory Auditors	Directors
Emoluments as directors and auditors of Cembre S.p.A.	44	334
Remuneration as employees	-	479
Non-monetary benefits	-	5

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

In line with the remuneration policy of the Company, variable compensation linked to the achievement of medium-long term objectives was introduced in favour 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 Company prudentially accrued a provision of €25 thousand for the part relating to the 1<sup>st</sup> Half of 2019.



## 29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group makes very limited 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 2018, the Parent Company Cembre S.p.A. took out two loans with Banca Intesa, respectively for €10 million, with expiry in October 2019, at a fixed rate of 0.04%, whose residual portion as at June 30, 2018 amounts to €2.6 million, and for €4 million, with expiry in April 2020, at a fixed rate of 0.05%, whose residual portion as at June 30, 2019 amounts to €2 million.

During 2019, the Parent Company Cembre S.p.A. also took out five loans with Unicredit, each for a value of €1 million, with maturities staggered between November 2019 and March 2020, at a fixed rate of 0.18 per cent.

The nature of the rate applied and the relatively short-term maturity protect the Group from any interest rate risk.

### 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 some sales in US dollars and British pounds. The entity and volume are not such as to have a significant impact on the Group's results.

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	Change exchange rate	Change Shareholders' Equity	Change Turnover	Change Profit before taxes
Cembre Ltd	GBP	5% / -5%	555/(555)	498/(498)	64/(64)
Cembre Inc.	USD	5% / -5%	444/(444)	382/(382)	40/(40)

At June 30, 2019, the effect of foreign-exchange transactions is negative by €69 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

The Group's exposure to credit risk relates exclusively to trade receivables.

As shown in note 8, 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. Moreover, Cembre S.p.A. has stipulated an insurance policy against commercial credit risk, allowing it to reduce further exposure to credit risk.

### 30. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after the close of the first half.

### 31. CONSOLIDATED COMPANIES

The scope of consolidation did not change during the first half of 2019.

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at Jun 30, 2019	Share held at Dec 31, 2018
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	GBP 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris - France)	EURO 1,071,000	100%	100%
Cembre España SLU	Torrejón de Ardoz (Madrid -Spain)	EURO 2,902,200	100%	100%
Cembre GmbH	Munich (Germany)	EURO 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% (*)	100% (*)
IKUMA Verwaltungs GmbH	Weinstadt (Germany)	EURO 25,000	100% (*)	100% (*)

(\*) fully held via Cembre GmbH

Brescia, September 11, 2019

**FOR THE BOARD OF DIRECTORS  
OF THE PARENT COMPANY CEMBRE S.P.A.**  
The Chairman and Managing Director

Giovanni Rosani

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**C e m b r e**

## **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 updates

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 1<sup>st</sup> Half of 2019.

It is furthermore attested that the Half-year Condensed Financial Statements for the 1<sup>st</sup> Half of 2019:

- 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 Council dated July 19, 2002;
- correspond to the document results, books and accounting records;
- 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, 2019

the Chairman and  
Managing Director

signed by  
Giovanni Rosani

the Manager responsible for  
preparing the financial reports

signed by  
Claudio Bornati

## 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 comprehensive income statement, 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 2019. 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.

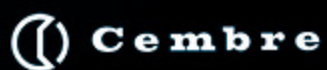
### Conclusion

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, 2019 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.

Brescia, 12 September 2019,

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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