



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

INTERIM
REPORT
ON OPERATIONS

AT SEPTEMBER 30, 2019

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 quarterly 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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Corporate Boards and Independent Auditors

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

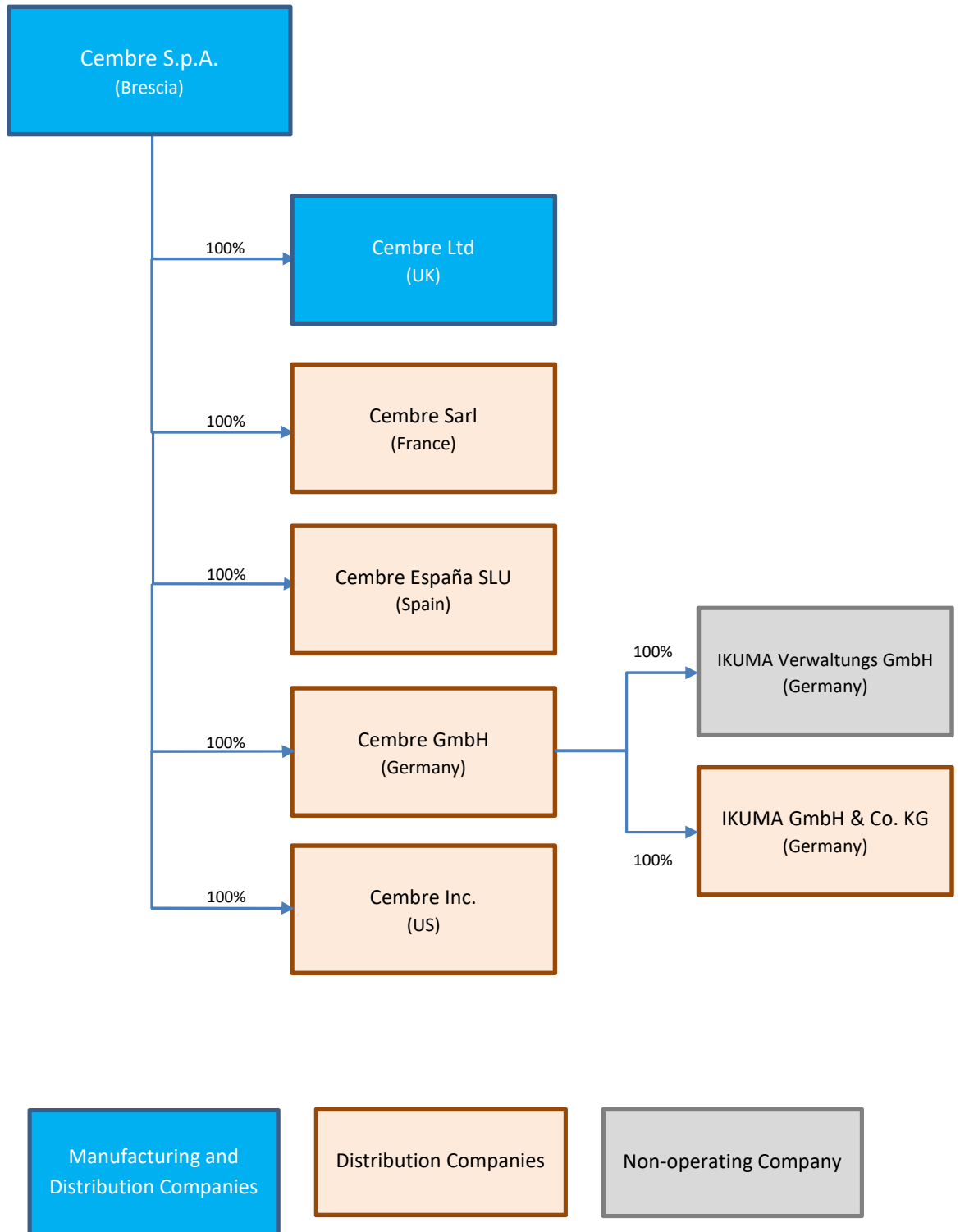
Board of Statutory Auditors

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.

Group Structure



Interim Report on Operations

Consolidated turnover in the first nine months of 2019 recorded growth of 2.8% compared to the figure registered in the first nine months of 2018. In fact, sales went from €107,270 thousand last year to €110,306 thousand in 2019. This increase was due, in particular, to the consolidation of the German company IKUMA KG, acquired effective from May 1, 2018, whose turnover in the first nine months of 2019 came to €5.7 million; this company was included in the Group results in the first nine months of 2018, solely for the May-September period. Excluding said contribution from the turnover figures in 2018 and 2019, the increase in consolidated sales in the current year would have been 0.8%.

The trend in consolidated sales by geographical areas shows a 1.9% drop in the Italian market, with sales of €43.6 million. Revenues on the other European markets rose by 11.9%, standing at €51.8 million, while sales on non-European markets, totalling €15.0 million, fell by 9.7%. In the first nine months of 2019, 39.5% of Group sales were represented by Italy (as compared with 41.4% in the first nine months of 2018), 46.9% by the rest of Europe (43.1% in the first nine months of 2018), and the remaining 13.6% by the rest of the World (15.5% in the first nine months of 2018).

Sales by geographical area:

(euro '000)	First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Italy	43,562	44,413	-1.9%	40,768	36,716	36,632	32,769	28,499	30,549	34,591
Rest of Europe	51,778	46,278	11.9%	41,001	38,848	38,750	37,972	35,625	35,323	33,094
Rest of the World	14,966	16,579	-9.7%	15,786	14,954	15,896	12,923	12,573	11,534	9,965
Total	110,306	107,270	2.8%	97,555	90,518	91,278	83,664	76,697	77,406	77,650

In the first nine months of 2019, the turnover before consolidation of the Italian company Cembre S.p.A. fell by 0.3%; a decrease was also recorded by Cembre GmbH (Germany), down by 3.6%, and by Cembre Inc. (USA), which saw its turnover translated to Euro fall by 8.9% (-14.3% in dollars). The other Group companies recorded a positive performance, in

particular the Spanish company Cembre España SLU, which recorded pre-consolidation growth in sales of 10.8%.

Revenues by Group company (net of intragroup sales):

(euro '000)	First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Parent Company	57,616	58,080	-0.8%	54,587	50,142	49,924	43,371	38,726	40,612	44,886
Cembre Ltd. (UK)	14,594	13,596	7.3%	13,209	13,633	14,479	15,376	14,295	13,402	10,410
Cembre S.a.r.l. (F)	8,036	7,448	7.9%	7,215	6,899	6,481	6,188	5,853	5,759	5,597
Cembre España S.L.U. (E)	8,960	8,094	10.7%	7,237	5,990	6,217	5,101	4,622	4,548	5,442
Cembre GmbH (D)	5,770	5,918	-2.5%	6,552	5,953	5,869	5,706	5,478	6,285	5,903
IKUMA KG (D)	5,662	3,486	62.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre Inc. (USA)	9,668	10,648	-9.2%	8,755	7,878	7,553	7,257	7,141	6,026	4,788
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	n.a.	23	755	665	582	774	624
Total	110,306	107,270	2.8%	97,555	90,518	91,278	83,664	76,697	77,406	77,650

In the first nine months of 2019, Group companies reported the following pre-consolidated results:

(euro '000)	Revenues from sales (prior to consolidation)									
	First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Cembre S.p.A.	81,454	81,659	-0.3%	76,059	70,140	70,016	63,408	56,944	59,309	61,192
Cembre Ltd. (UK)	16,223	15,545	4.4%	14,119	14,719	15,590	16,716	15,530	14,687	12,122
Cembre S.a.r.l. (F)	8,124	7,458	8.9%	7,221	6,925	6,484	6,197	5,903	5,767	5,615
Cembre España S.L.U. (E)	8,973	8,098	10.8%	7,238	5,991	6,233	5,103	4,623	4,910	5,444
Cembre GmbH (D)	5,869	6,091	-3.6%	6,609	6,012	5,978	5,748	5,616	6,300	5,978
IKUMA KG (D)	5,675	3,487	62.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre Inc. (USA)	9,703	10,654	-8.9%	8,782	8,037	7,867	7,376	7,167	6,076	4,795
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	n.a.	194	283	190	200	204	164

(euro '000)	Pre-tax result (prior to consolidation)									
	First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Cembre S.p.A.	21,187	20,360	4.1%	21,521	16,765	16,595	13,602	8,400	10,775	12,684
Cembre Ltd. (UK)	1,951	1,590	22.7%	3,611	1,790	2,022	2,416	2,100	1,936	1,513
Cembre S.a.r.l. (F)	718	551	30.3%	427	286	438	278	318	170	350
Cembre España S.L.U. (E)	604	540	11.9%	996	8	479	246	169	(234)	(162)
Cembre GmbH (D)	1,415	435	225.3%	705	432	595	422	433	736	660
IKUMA Verw. GmbH (D)	3	(1)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	183	473	-61.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Cembre Inc. (USA)	850	1,316	-35.4%	566	271	239	677	1,012	423	371
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	n.a.	(73)	3	15	1	7	(1)

The increase in Cembre GmbH's net profit in the first nine months 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 nine months of 2018 there was no financial income from equity investments in the financial statements of the subsidiary.

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

(euro '000)	Currency	Revenues from sales (prior to consolidation)									
		First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Cembre Ltd. (UK)	Gbp	14,332	13,742	4.3%	12,329	11,820	11,337	13,570	13,234	11,926	10,563
Cembre Inc. (USA)	US\$	10,903	12,723	-14.3%	9,784	8,971	8,767	9,994	9,440	7,782	6,745
Cembre AS (NOR) (Wound up in 2016)	Nok	n.a.	n.a.	n.a.	n.a.	1,844	2,467	1,584	1,483	1,545	1,287

(euro '000)	Currency	Pre-tax result (prior to consolidation)									
		First nine months 2019	First nine months 2018	Change	First nine months 2017	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011
Cembre Ltd. (UK)	Gbp	1,724	1,405	22.7%	3,153	1,438	1,470	1,961	1,789	1,572	1,319
Cembre Inc. (USA)	US\$	955	1,572	-39.2%	645	303	266	917	1,333	542	521
Cembre AS (NOR) (Wound up in 2016)	Nok	n.a.	n.a.	n.a.	n.a.	(861)	580	627	93	892	236

To provide a better understanding of the Company's financial performance for the first nine months of 2019, a Reclassified Consolidated Income Statement for the same period and the corresponding period in 2018 showing percentage changes is enclosed as Attachment 1.

Gross operating profit for the first nine months of 2019 amounted to €28,661 thousand, corresponding to a 26.0% margin on sales, up 7.4% on €26,695 thousand reported in the first nine months of 2018 (24.9% of sales). The incidence of the cost of sales fell slightly in

the period, while the weight of the cost of services and personnel costs increased slightly. The average number of Group staff went from 747 to 745, marking an increase in employees from 687 to 709, and, at the same time, a decrease in temporary staff.

The operating profit for the first nine months of 2019 amounted to €21,374 thousand, corresponding to a 19.4% margin on sales, down 0.6% on €21,507 thousand reported in the first nine months of 2018 (20.0% of sales). Depreciation of tangible fixed assets went from €4,645 thousand to €5,593 thousand, due to the entry into operation of significant investments made in 2018.

Consolidated profit before taxes for the first nine months of 2019 amounts to €21,239 thousand, representing a 19.3% margin on sales, down 1.4% on the profit before taxes reported in the first nine months of 2018, amounting to €21,536 thousand and corresponding to a 20.1% margin on sales. The trend in exchange rates involved a loss of €37 thousand, while it had generated a benefit of €50 thousand in the same period of 2018.

Consolidated net profit for the period grew by 0.2% on the corresponding period in 2018 from €16,606 thousand, representing 15.5% of sales, to €16,633 thousand, representing 15.1% of 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 of €55 thousand (pre-tax), as the joint result of the following entries:

- reversal of lease fees of €1,084 thousand;
- recognition of amortisation for leasing activities amounting to €1,044 thousand;
- recognition of lease interest expense of €95 thousand.

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

- non-current assets for leasing of €6,373 thousand;
- non-current financial liabilities of €4,966 thousand;
- current financial liabilities of €1,404 thousand.
- reversal of prepaid expenses for €35 thousand.
- translation reserves for €23 thousand.

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

	First nine	%	First nine	%	Change
Revenues from sales and services	110,306	100.0%	107,270	100.0%	2.8%
Gross operating result	27,577	25.0%	26,695	24.9%	3.3%
Operating result	21,334	19.3%	21,507	20.0%	-0.8%
Pre-tax result	21,294	19.3%	21,536	20.1%	-1.1%

The net financial position as at September 30, 2019 is composed as follows:

	09/30/2019	12/31/2018	09/30/2018
A Cash	14	12	10
B Bank deposits	19,563	17,186	16,269
C Cash and cash equivalents (A+B)	19,577	17,198	16,279
D Current bank debts	(12,167)	(8,667)	(10,001)
E Current financial leasing liabilities	(1,404)	n.a.	n.a.
F Current financial debt (D+E)	(13,571)	(8,667)	(10,001)
G Net current financial position (C+F)	6,006	8,531	6,278
H Non-current bank debts	-	(1,000)	(2,167)
I Non-current financial leasing liabilities	(4,966)	n.a.	n.a.
J Non-current financial debt (H+I)	(4,966)	(1,000)	(2,167)
K Net Financial Position (G+ J)	1,040	7,531	4,111

The net financial position as at September 30, 2019, equal to a positive €1.0 million, fell compared to December 31, 2018, also as a result of the adoption, from January 1, 2019, of the new accounting standard IFRS 16, which involved the recognition, ex-novo, of financial leasing payables totalling €6.4 million. Net of this item, the net financial position as at September 30, 2019 would have been a positive €7.4 million.

The net financial position at September 30, 2018 was a positive €4.1 million.

The investments made by the Group in the first nine months of the current year came to €0.8 million in intangible assets, and €7.3 million in property, plant and equipment. In the first nine months of 2018, investments had amounted to €15.4 million.

Events subsequent to September 30, 2019

No event having significant effects on the Group's financial position or operating performance occurred after September 30, 2019.

Outlook

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

The Group's activity is not subject to cyclical or seasonal factors except for the slowdown in activity in August for the summer holidays, and in December for the Christmas holidays.

Attachment 1 to the Interim Report on Operations

Comparative Consolidated Income Statement

	First nine months 2019	%	First nine months 2018	%	Change	3rd Qtr. 2019	%	3rd Qtr. 2018	%	Change
<i>(euro '000)</i>										
Revenue from contracts with customers	110,306	100.0%	107,270	100.0%	2.8%	33,428	100.0%	33,975	100.0%	-1.6%
Other revenues	798		549		45.4%	233		308		-24.4%
Total Revenues	111,104		107,819		3.0%	33,661		34,283		-1.8%
Cost of goods and merchandise	(36,433)	-33.0%	(43,301)	-40.4%	-15.9%	(11,075)	-33.1%	(13,627)	-40.1%	-18.7%
Change in inventories	941	0.9%	8,329	7.8%	-88.7%	(203)	-0.6%	1,864	5.5%	-110.9%
Cost of services received	(14,771)	-13.4%	(14,071)	-13.1%	5.0%	(4,673)	-14.0%	(4,495)	-13.2%	4.0%
Costs for non-recurring services	-	0.0%	(383)	-0.4%	-79.1%	-	0.0%	25	0.1%	-81.3%
Lease and rental costs	(261)	-0.2%	(1,246)	-1.2%	4.8%	(83)	-0.2%	(445)	-1.3%	1.1%
Personnel costs	(31,468)	-28.5%	(30,017)	-28.0%	9.7%	(9,763)	-29.2%	(9,657)	-28.4%	-8.6%
Other operating costs	(1,183)	-1.1%	(1,078)	-1.0%	3.4%	(319)	-1.0%	(349)	-1.0%	-5.9%
Capitalised internal construction costs	759	0.7%	734	0.7%	-86.5%	206	0.6%	219	0.6%	-83.3%
Write-down of current assets	(10)	0.0%	(74)	-0.1%	0.0%	4	0.0%	24	0.1%	0.0%
Accruals to provisions for risks and charges	(17)	0.0%	(17)	0.0%		(6)	0.0%	(6)	0.0%	
Gross operating result	28,661	26.0%	26,695	24.9%	7.4%	7,749	23.2%	7,836	23.1%	-1.1%
Property, plant and equipm. depreciation	(5,593)	-5.1%	(4,645)	-4.3%	20.4%	(1,959)	-5.9%	(1,605)	-4.7%	22.1%
Intangible asset amortisation	(650)	-0.6%	(543)	-0.5%	19.7%	(218)	-0.7%	(216)	-0.6%	0.9%
Depreciation of lease assets	(1,044)	-0.9%	-	0.0%		(365)	-1.1%	-	0.0%	
Operating result	21,374	19.4%	21,507	20.0%	-0.6%	5,207	15.6%	6,015	17.7%	-13.4%
Financial income	4	0.0%	5	0.0%	-20.0%	1	0.0%	2	0.0%	-50.0%
Financial charges	(102)	-0.1%	(26)	0.0%	292.3%	(34)	-0.1%	(2)	0.0%	-68.0%
Foreign exchange gains (losses)	(37)	0.0%	50	0.0%	-174.0%	32	0.1%	100	0.3%	-14.9%
Pre-tax result	21,239	19.3%	21,536	20.1%	-1.4%	5,206	15.6%	6,115	18.0%	-21.5%
Income taxes	(4,606)	-4.2%	(4,930)	-4.6%	-6.6%	(948)	-2.8%	(1,208)	-3.6%	-13.2%
Net profit for the period	16,633	15.1%	16,606	15.5%	0.2%	4,258	12.7%	4,907	14.4%	-13.2%

Consolidated Financial Statements at September 30, 2019

Consolidated Comprehensive Income Statement

	First nine months 2019	First nine months 2018
(euro '000)		
Revenue from contracts with customers	110,306	107,270
Other revenues and income	798	549
Total Revenues	111,104	107,819
Cost of goods and merchandise	(36,433)	(43,301)
Change in inventories	941	8,329
Cost of services received	(14,771)	(14,071)
Costs for non-recurring services	-	(383)
Lease and rental costs	(261)	(1,246)
Personnel costs	(31,468)	(30,017)
Other operating costs	(1,183)	(1,078)
Capitalised internal construction costs	759	734
Write-down of current assets	(10)	(74)
Accruals to provisions for risks and charges	(17)	(17)
Gross operating result	28,661	26,695
Property, plant and equipment depreciation	(5,593)	(4,645)
Intangible asset amortisation	(650)	(543)
Depreciation of lease assets	(1,044)	-
Operating result	21,374	21,507
Financial income	4	5
Financial charges	(102)	(26)
Foreign exchange gains (losses)	(37)	50
Pre-tax result	21,239	21,536
Income taxes	(4,606)	(4,930)
Net profit for the period	16,633	16,606
Elements that could be charged to the income statement		
Conversion difference reserves	533	284
Comprehensive Income	17,166	16,890

Consolidated Statement of Financial Position - Assets

ASSETS	30.09.2019	31.12.2018
(euro '000)		
NON-CURRENT ASSETS		
Property, plant and equipment	84,935	83,294
Investment property	1,035	1,071
Intangible fixed assets	4,425	4,257
Goodwill	4,608	4,608
Lease assets	6,373	-
Other investments	10	10
Other non-current assets	1,008	1,522
Deferred tax assets	3,099	2,767
TOTAL NON-CURRENT ASSETS	105,493	97,529
CURRENT ASSETS		
Inventories	51,903	50,619
Trade receivables	23,866	25,626
Tax receivables	1,444	2,035
Other receivables	1,262	1,842
Cash and cash equivalents	19,577	17,198
TOTAL CURRENT ASSETS	98,052	97,320
NON-CURRENT ASSETS HELD FOR DISPOSAL	-	-
TOTAL ASSETS	203,545	194,849

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

LIABILITIES AND SHAREHOLDERS' EQUITY	30.09.2019	31.12.2018
(euro '000)		
SHAREHOLDERS' EQUITY		
Share capital	8,840	8,840
Reserves	129,523	121,302
Net profit	16,633	22,736
TOTAL SHAREHOLDERS' EQUITY	154,996	152,878
NON-CURRENT LIABILITIES		
Non-current financial liabilities	4,966	1,000
Other non-current payables	989	1,480
Employee Severance Indemnity and other personnel benefits	2,218	2,557
Provisions for risks and charges	660	606
Deferred tax liabilities	2,566	2,846
TOTAL NON-CURRENT LIABILITIES	11,399	8,489
CURRENT LIABILITIES		
Current financial liabilities	13,571	8,667
Trade payables	9,605	14,863
Tax payables	3,671	2,367
Other payables	10,303	7,585
TOTAL CURRENT LIABILITIES	37,150	33,482
LIABILITIES ON ASSETS HELD FOR DISPOSAL	-	-
TOTAL LIABILITIES	48,549	41,971
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	203,545	194,849

Consolidated Statement of Cash Flows

	First nine months 2019	First nine months 2018
(euro '000)		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,198	20,232
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	16,633	16,606
Depreciation, amortisation and write-downs	7,287	5,200
(Gains)/Losses on disposal of assets	(17)	(5)
Net change in Employee Termination Indemnity	(339)	(30)
Net change in provisions for risks and charges	54	195
Operating profit (loss) before change in working capital	23,618	21,966
(Increase) Decrease in trade receivables	1,760	(548)
(Increase) Decrease in inventories	(1,284)	(10,632)
(Increase) Decrease in other receivables and deferred tax assets	839	(583)
Increase (Decrease) of trade payables	(2,990)	(1,136)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	3,742	6,312
Change in working capital	2,067	(6,587)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	25,685	15,379
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(833)	(3,035)
- tangible	(7,261)	(12,336)
- goodwill	-	(4,615)
- leasing	(7,417)	-
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- intangible	16	-
- tangible	132	120
Increase (Decrease) of trade payables for assets	(2,268)	1,346
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	(17,631)	(18,520)
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non-current assets	514	(2)
(Increase) Decrease in other non-current liabilities	(491)	-
(Increase) Decrease in bank payables	2,500	12,168
Increase (Decrease) in other loans	6,370	-
Change in reserves on purchase of shares	-	120
Dividends distributed	(15,048)	(13,373)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	(6,155)	(1,087)
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	1,899	(4,228)
F) Foreign exchange conversion differences	480	275
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E+F)	19,577	16,279
Of which: assets held for disposal	-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	19,577	16,279

(continued)

(Continued from previous page)

	First nine months 2019	First nine months 2018
(euro '000)		
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	19,577	16,279
Current financial liabilities	(13,571)	(10,001)
Non-current financial liabilities	(4,966)	(2,167)
NET CONSOLIDATED FINANCIAL POSITION	1,040	4,111

INTEREST EXPENSE FOR THE PERIOD	7	4
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BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	14	10
Bank deposits	19,563	16,269
	19,577	16,279

Statement of Changes in the Consolidated Shareholders' Equity

(euro '000)	Balance at December 31, 2018	Allocation of previous year's net profit	Other changes	Dividends	Comprehensive Income for the period	Balance at September 30, 2019
Share capital	8,840					8,840
Share premium reserve	12,245					12,245
Legal reserve	1,768					1,768
Reserve for Treasury Shares	(5,283)					(5,283)
Suspended-tax reserves	585					585
Other suspended-tax reserves	68					68
Other reserves	22,753	1,479			(427)	23,805
Conversion differences	(2,413)				960	(1,453)
Extraordinary reserve	83,356	6,209				89,565
First time application of IAS/IFRS reserve	3,715					3,715
Discounting of employee termination indemnities	111					111
Merger differences	4,397					4,397
Retained earnings	-					-
Net profit	22,736	(7,688)		(15,048)	16,633	16,633
Total Shareholders' Equity	152,878	-	-	(15,048)	17,166	154,996

(euro '000)	Balance at December 31, 2017	Allocation of previous year's net profit	Other changes	Dividends	Comprehensive Income for the period	Balance at December 31, 2018
Share capital	8,840					8,840
Share premium reserve	12,245					12,245
Legal reserve	1,768					1,768
Reserve for Treasury Shares	(5,403)		120			(5,283)
Suspended-tax reserves	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
First time application of IAS/IFRS reserve	3,715					3,715
Discounting of employee termination indemnities	42				69	111
Merger differences	4,397					4,397
Retained earnings	-					-
Net profit	22,727	(9,354)		(13,373)	22,736	22,736
Total Shareholders' Equity	143,075	-	120	(13,373)	23,056	152,878

Notes to the accounts

Accounting principles, form and content of the Financial Statements, estimates

The Interim Report on Operations of the Cembre Group at September 30, 2019 was prepared in compliance with article 2.2.3, comma 3 of the “Rules for Markets organised and managed by Borsa Italiana S.p.A.” and aims at providing a general description of the financial position and the economic performance of the Company and its subsidiaries in the period, in addition to reporting important events occurred and operations carried out and their effect on the financial position of the Company and its subsidiaries.

All the information required by IAS 34 is not provided in this document.

The consolidation principles and measurement criteria adopted conform to the international accounting standards (IAS/IFRS) and are consistent with those adopted to draft the financial statements of the Group for the year ended as at December 31, 2018, with the exception of IFRS 16, which entered into force on January 1, 2019. For the application of said standard, the Group has chosen to use the modified retrospective method (catch-up method); therefore the comparative data were not re-stated.

The Group’s financial statements include those as at September 30, 2019 of Cembre S.p.A. (Parent Company) and the following companies:

	Share owned by the Group September 30, 2019	Share owned by the Group September 30, 2018
Cembre Ltd. (UK)	100%	100%
Cembre S.a.r.l. (France)	100%	100%
Cembre España S.L.U. (Spain)	100%	100%
Cembre GmbH (Germany)	100%	100%
Cembre Inc. (USA)	100%	100%
IKUMA GmbH & Co. KG (Germany)	100%*	100%*
IKUMA Verwaltungs GmbH (Germany)	100%*	100%*

(*) fully held via Cembre GmbH

The parent company has control of the above companies pursuant to Article 2359 of the Italian Civil Code.

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

The criteria used in the preparation of the financial statements were applied consistently within the Group. Where necessary, financial data were adjusted and reclassified. In compliance with IAS 1, in the financial statements costs were classified by nature.

Amounts are expressed in thousands of Euro.

The interim Report was prepared in accordance with the “period separation criteria”, based on which the period considered is treated as an independent financial period. The income statement for the quarter thus reflects the income components relating to the period based on the accrual method.

Bonuses recognised to customers at the end of the period were estimated based on past sales and their expected future performance.

Translation of financial statements expressed in currencies other than the euro

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

Exchange rates applied in the translation of financial statements of subsidiaries are shown in the table below (expressed in currency/€).

Currency	Exchange rate at September 30, 2019	Average exchange rate for 2019
British pound	0.8857	0.8835
US Dollar	1.0889	1.1236

Brescia, November 14, 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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E-mail: Info@cembre.com



C e m b r e

DECLARATION

pursuant to art 154-bis, Paragraph 2 of Legislative Decree 58 dated Feb. 24, 1998 “Consolidated Law on financial intermediation regulations” and subsequent integrations and updatings

Re: Interim Report on Operations as at September 30, 2019

The undersigned,

Claudio Bornati, Manager responsible for preparing the Cembre S.p.A. financial reports

DECLARES

pursuant to Paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the financial disclosure contained in the “Interim Report on Operations as at September 30, 2019” corresponds to the document results, books and accounting records.

Brescia, November 14, 2019

Signed by: Claudio Bornati
Manager in charge of drafting
the accounts of Cembre S.p.A.



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