



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

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# INTERIM REPORT

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2018 FIRST QUARTER

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# 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 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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## Summary

Corporate Boards and Independent Auditors .....	2
Group Structure .....	3
Management Report.....	4
Subsequent events.....	7
Outlook .....	8
Consolidated Income Statement .....	9
Consolidated Financial Statements at March 31, 2018 .....	10
Consolidated Comprehensive Income Statement .....	10
Consolidated Statement of Financial Position - Assets.....	11
Consolidated Statement of Financial Position – Liabilities and Shareholders’ Equity..	12
Consolidated Statement of Cash Flows .....	13
Statement of Changes in the Consolidated Shareholders' Equity .....	14
Notes to the accounts.....	15
Accounting principles, form and content of the Financial Statements, estimates.....	15
Conversion of financial statements of subsidiaries expressed in currencies other than the euro.....	16

## 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

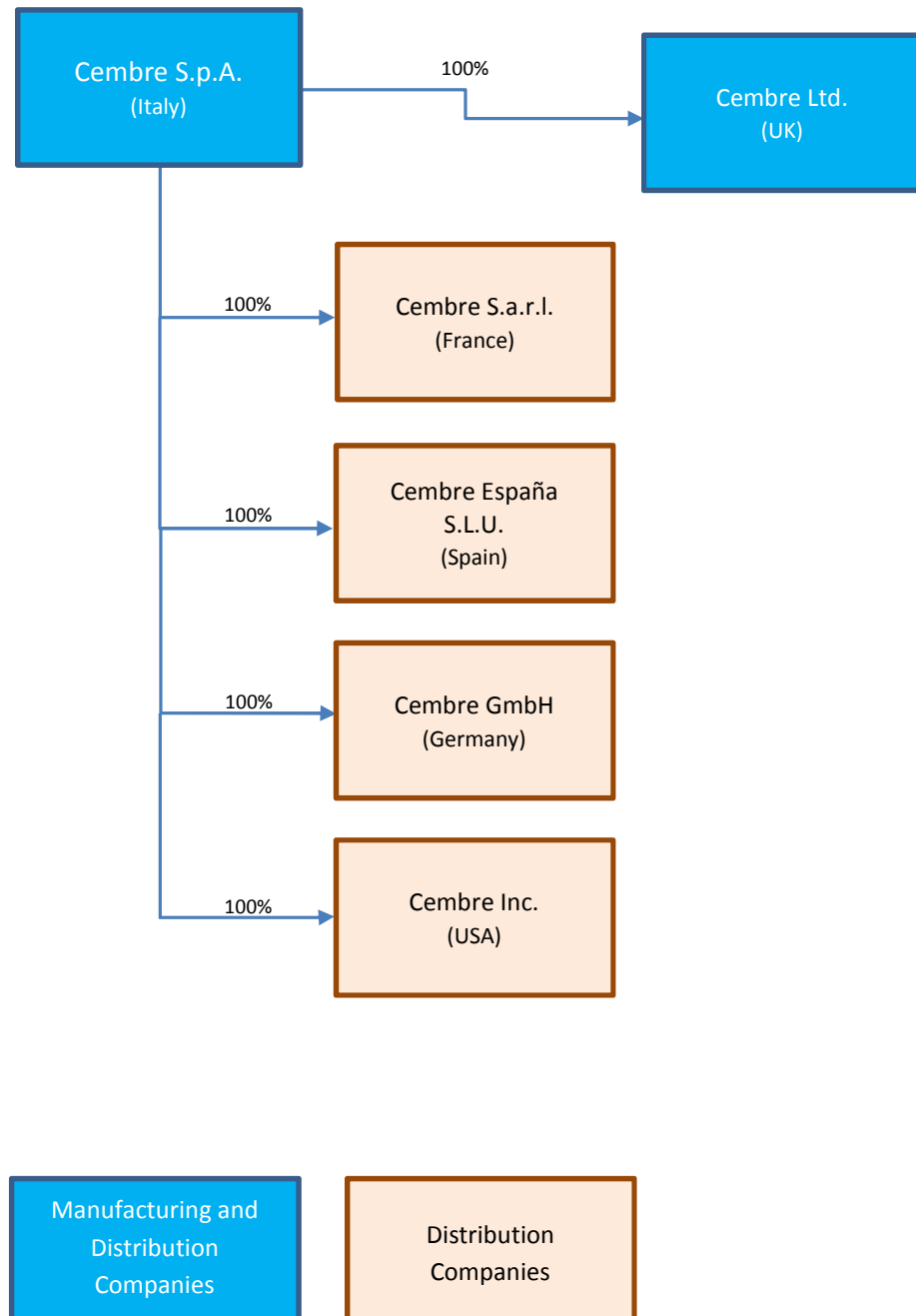
### Board of Statutory Auditors

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

### Independent Auditors

EY S.p.A.

## Group Structure



As at March 31, 2018

## Management Report

In the 1<sup>st</sup> Quarter of 2018 consolidated sales continued to grow. Total consolidated turnover reached €35,970 thousand, up 8.4% on €33,187 thousand in the 1<sup>st</sup> Quarter of 2017.

In the Quarter, sales in Italy posted a 9.7% increase on the same period in 2017, reaching €15.4 million, while sales to other European countries grew by 8.1% to €15.0 million, and sales to the rest of the world grew by 5.8% to €5.5 million.

In the 1<sup>st</sup> Quarter of 2018, 42.8% of Group sales were represented by Italy (as compared with 42.3% in the 1<sup>st</sup> Quarter of 2017), 41.8% by the rest of Europe (41.9% in the 1<sup>st</sup> Quarter of 2017), and the remaining 15.4% by the rest of the World (15.8% in the 1<sup>st</sup> Quarter of 2017).

### Revenues by geographical area

(euro '000)	1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Italy	15,401	14,045	9.7%	12,293	11,967	10,324	9,538	10,058	12,302	8,594
Rest of Europe	15,036	13,914	8.1%	12,725	13,165	13,319	12,211	11,702	11,071	8,671
Rest of the world	5,533	5,228	5.8%	5,309	5,765	3,886	3,923	4,369	3,427	2,948
Italy	<b>35,970</b>	<b>33,187</b>	<b>8.4%</b>	<b>30,327</b>	<b>30,897</b>	<b>27,529</b>	<b>25,672</b>	<b>26,129</b>	<b>26,800</b>	<b>20,213</b>

In the 1<sup>st</sup> Quarter of 2018, the parent company and all its foreign subsidiaries reported an increase in sales, with the exception of the German subsidiary whose sales declined by 1.7% on the corresponding period in 2017. The US subsidiary recorded particularly good results with sales in euro up 26.0% in the Quarter (a 45.5% increase measured in US dollar terms).

### Revenues by Group company (net of intragroup sales):

(euro '000)	1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Parent company	20,245	18,477	9.6%	16,987	16,483	13,543	13,014	13,624	15,762	11,381
Cembre Ltd. (UK)	4,759	4,718	0.9%	4,757	5,460	5,770	4,850	4,592	3,588	2,654

Cembre S.a.r.l. (F)	2,702	2,606	3.7%	2,339	2,156	2,098	2,070	2,203	1,934	1,514
Cembre España S.L.U. (E)	2,613	2,444	6.9%	1,889	2,149	1,845	1,586	1,527	1,932	2,097
Cembre GmbH (D)	2,044	2,084	-1.9%	1,697	1,646	1,737	1,685	1,813	1,769	1,220
Cembre Inc. (USA)	3,607	2,858	26.2%	2,635	2,721	2,346	2,268	2,166	1,656	1,216
Cembre AS (NOR) (Liquidated in 2016)	-	-	N.A.	23	282	190	199	204	159	131
<b>Total</b>	<b>35,970</b>	<b>33,187</b>	<b>8.4%</b>	<b>30,327</b>	<b>30,897</b>	<b>27,529</b>	<b>25,672</b>	<b>26,129</b>	<b>26,800</b>	<b>20,213</b>

In the 1<sup>st</sup> Quarter of 2018, Group companies reported the following results, before the consolidation:

(euro '000)	Sales									
	1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Cembre S.p.A.	28,754	25,955	10.8%	23,547	23,460	20,445	18,651	20,186	21,833	15,667
Cembre Ltd. (UK)	5,354	5,008	6.9%	5,099	5,847	6,211	5,229	5,071	4,087	2,979
Cembre S.a.r.l. (F)	2,704	2,608	3.7%	2,344	2,157	2,100	2,071	2,209	1,942	1,517
Cembre España S.L.U. (E)	2,616	2,444	7.0%	1,890	2,154	1,846	1,587	1,804	1,932	2,097
Cembre GmbH (D)	2,063	2,098	-1.7%	1,705	1,657	1,764	1,810	1,819	1,775	1,228
Cembre Inc. (USA)	3,607	2,862	26.0%	2,656	2,728	2,441	2,273	2,195	1,659	1,226

(euro '000)	Pre-tax profit									
	1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Cembre S.p.A.	9,556	8,219	16.3%	6,801	6,692	5,062	3,133	4,335	5,258	3,346
Cembre Ltd. (UK)	644	629	2.4%	755	950	981	715	773	511	225
Cembre S.a.r.l. (F)	277	188	47.3%	110	173	106	127	149	150	59
Cembre España S.L.U. (E)	82	141	-41.8%	(22)	153	96	50	(124)	(48)	134
Cembre GmbH (D)	158	192	-17.7%	66	90	95	40	143	208	47
Cembre Inc. (USA)	570	182	213.2%	134	240	203	298	191	174	60

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.

('000)	Currency	Sales									
		1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Cembre Ltd. (UK)	Gbp	4,730	4,307	9.8%	3,928	4,346	5,142	4,450	4,232	3,490	2,644
Cembre Inc. (USA)	US\$	4,434	3,047	45.5%	2,927	3,072	3,343	3,002	2,877	2,270	1,696

('000)	Currency	Pre-tax profit									
		1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017	Change	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	1 <sup>st</sup> Quarter 2014	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012	1 <sup>st</sup> Quarter 2011	1 <sup>st</sup> Quarter 2010
Cembre Ltd. (UK)	Gbp	569	541	5.2%	582	706	812	609	645	436	199
Cembre Inc. (USA)	US\$	701	193	263.2%	147	270	278	394	251	238	83

To provide a better understanding of the Company's financial performance for the 1<sup>st</sup> Quarter of 2018, a Reclassified Consolidated Income Statement for the quarters ended March 31, 2018 and 2017 showing percentage changes is enclosed as Attachment 1.

Consolidated gross operating profit grew by 12.6% from €8,916 thousand in the 1<sup>st</sup> Quarter of 2017 (representing a 26.9% margin on sales), to €10,037 thousand (a 27.9% margin on sales) in the 1<sup>st</sup> Quarter of 2018. The cost of goods sold and personnel costs as a percentage of sales declined over the corresponding period in 2017, the latter despite the increase in the average number of employees from 677 in the 1<sup>st</sup> Quarter of 2017 to 726 in the 1<sup>st</sup> Quarter of 2018.

Consolidated operating profit for the 1<sup>st</sup> Quarter of 2018 amounted to €8,395 thousand, representing a 23.3% margin on sales, up 13.6% on €7,388 thousand in the 1<sup>st</sup> Quarter of 2017 when it represented a 22.3% margin on sales.

Consolidated profit before taxes for the 1<sup>st</sup> Quarter of 2018 was equal to €8,299 thousand, representing a 23.1% margin on sales, up 13.3% on €7,326 thousand in the 1<sup>st</sup> Quarter of 2017, when it represented 22.1% of sales. In the Quarter Cembre Group registered a currency translation loss of €98 thousand, as compared with a €65 thousand loss registered in the 1<sup>st</sup> Quarter of 2017.

Consolidated net profit for the 1<sup>st</sup> Quarter of 2018 was equal to €6,227 thousand, representing a 17.3% margin on sales, up 22.1% on €5,100 thousand in the 1<sup>st</sup> Quarter of 2017, when it represented 15.4% of sales.



The consolidated net financial position of the Group declined on December 31, 2017 to a surplus of €18.5 million at March 31, 2018. At March 31, 2017, the net financial position amounted to a surplus of €26.7 million.

	(euro '000)	March 31, 2018	December 31, 2017	March 31, 2017
A	Cash	88	51	21
B	Bank deposits	18,386	20,181	26,716
<b>C</b>	<b>Cash and cash equivalents (A+B)</b>	<b>18,474</b>	<b>20,232</b>	<b>26,737</b>
D	Liabilities on derivative instruments	-	-	(17)
<b>E</b>	<b>Current financial debt</b>	<b>-</b>	<b>-</b>	<b>(17)</b>
<b>F</b>	<b>Net current financial position (C+D)</b>	<b>18,474</b>	<b>20,232</b>	<b>26,720</b>
<b>G</b>	<b>Non-current financial debt</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>H</b>	<b>Net financial position (E+F)</b>	<b>18,474</b>	<b>20,232</b>	<b>26,720</b>

Capital expenditure made in the 1<sup>st</sup> Quarter of 2018 by the Group amounted to €3.8 million and included €1.6 million on buildings and €0.4 of new plant and machinery million. In the 1<sup>st</sup> Quarter of 2017 capital expenditure had amounted to €3.4 million.

## Subsequent events

On May 3<sup>rd</sup>, 2018 wholly-owned German subsidiary Cembre GmbH acquired the entire capital stock of German company Ikuma GmbH & Co.KG ("Ikuma KG"). Cembre GmbH also acquired the entire capital stock of Ikuma Verwaltungs GmbH, a company whose only activity is to manage and provide strategic advice to Ikuma KG. The latter acquisition is deemed instrumental to continue to keep advantage of the benefits recognized to this specific corporate structure by German law.

The acquisition was carried out by means of the underwriting and simultaneous execution of the purchase of the entire capital stock of Ikuma KG and of Ikuma Verwaltungs GmbH against the payment of a price of €6,300,000 in cash reflecting the Enterprise Value of the two companies. The purchase contract provides also for the additional payment in four annual installments of a further total amount of €2,000,000 over the mentioned four year period, contingent on the verification of specific conditions.

Ikuma KG is active on the German market in the electrical equipment sector supplying a number of German distributors and is one of the main domestic suppliers of cable terminals. At December 31, 2017, the company had 18 employees, while turnover for the year amounted to €8.05 million. Its product range is very similar to Cembre's.

## **Outlook**

The Cembre Group expects to close 2018 reporting a significant growth in turnover and profits on the previous year, thanks also to the mentioned acquisition.

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 Management Report

## Consolidated Income Statement

	1 <sup>st</sup> Quarter 2018	% of sales	1 <sup>st</sup> Quarter 2017	% of sales	Change
<i>(euro '000)</i>					
Revenues from sales and services provided	35,970	100.0%	33,187	100.0%	8.4%
Other revenues	125		115		8.7%
<b>Total Revenues</b>	<b>36,095</b>		<b>33,302</b>		<b>8.4%</b>
Cost of goods and merchandise	(15,145)	-42.1%	(12,259)	-36.9%	23.5%
Change in inventories	4,398	12.2%	1,960	5.9%	124.4%
Cost of services received	(4,775)	-13.3%	(4,172)	-12.6%	14.5%
Lease and rental costs	(390)	-1.1%	(392)	-1.2%	-0.5%
Personnel costs	(10,052)	-27.9%	(9,377)	-28.3%	7.2%
Other operating costs	(363)	-1.0%	(315)	-0.9%	15.2%
Increase in assets due to internal construction	349	1.0%	300	0.9%	16.3%
Write-down of current assets	(74)	-0.2%	(127)	-0.4%	-41.7%
Accruals to provisions for risks and charges	(6)	0.0%	(4)	0.0%	50.0%
<b>Gross Operating Profit</b>	<b>10,037</b>	<b>27.9%</b>	<b>8,916</b>	<b>26.9%</b>	<b>12.6%</b>
Property, plant and equipment depreciation	(1,499)	-4.2%	(1,396)	-4.2%	7.4%
Intangible assets amortization	(143)	-0.4%	(132)	-0.4%	8.3%
<b>Operating Profit</b>	<b>8,395</b>	<b>23.3%</b>	<b>7,388</b>	<b>22.3%</b>	<b>13.6%</b>
Financial income	2	0.0%	6	0.0%	-66.7%
Interest charges	-	0.0%	(3)	0.0%	-100.0%
Foreign exchange gains (losses)	(98)	-0.3%	(65)	-0.2%	49.2%
<b>Profit before Taxes</b>	<b>8,299</b>	<b>23.1%</b>	<b>7,326</b>	<b>22.1%</b>	<b>13.3%</b>
Income taxes	(2,072)	-5.8%	(2,226)	-6.7%	-6.9%
<b>Net profit</b>	<b>6,227</b>	<b>17.3%</b>	<b>5,100</b>	<b>15.4%</b>	<b>22.1%</b>

## Consolidated Financial Statements at March 31, 2018

### Consolidated Comprehensive Income Statement

	1 <sup>st</sup> Quarter 2018	1 <sup>st</sup> Quarter 2017
<i>('000)</i>		
Revenues from sales and services provided	35,970	33,187
Other revenues	125	115
<b>Total Revenues</b>	<b>36,095</b>	<b>33,302</b>
Cost of goods and merchandise	(15,145)	(12,259)
Change in inventories	4,398	1,960
Cost of services received	(4,775)	(4,172)
Lease and rental costs	(390)	(392)
Personnel costs	(10,052)	(9,377)
Other operating costs	(363)	(315)
Increase in assets due to internal construction	349	300
Write-down of receivables	(74)	(127)
Accruals to provisions for risks and charges	(6)	(4)
<b>Gross Operating Profit</b>	<b>10,037</b>	<b>8,916</b>
Property, plant and equipment depreciation	(1,499)	(1,396)
Intangible asset amortization	(143)	(132)
<b>Operating Profit</b>	<b>8,395</b>	<b>7,388</b>
Financial income	2	6
Interest charges	-	(3)
Foreign exchange gains (losses)	(98)	(65)
<b>Profit Before Taxes</b>	<b>8,299</b>	<b>7,326</b>
Income taxes	(2,072)	(2,226)
<b>Net Profit</b>	<b>6,227</b>	<b>5,100</b>
<b>Elements that can be reclassified into profit &amp; loss</b>		
Conversion difference reserves	39	(20)
<b>Comprehensive Income</b>	<b>6,266</b>	<b>5,080</b>

## Consolidated Statement of Financial Position - Assets

ASSETS	March 31, 2018	December 31, 2017
<i>(euro '000)</i>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	74,200	72,082
Investment property	1,112	1,126
Intangible assets	1,882	1,867
Other investments	10	10
Other non-current assets	39	41
Deferred tax assets	2,354	2,294
<b>TOTAL NON-CURRENT ASSETS</b>	<b>79,597</b>	<b>77,420</b>
<b>CURRENT ASSETS</b>		
Inventories	46,036	41,673
Trade receivables	29,820	26,520
Tax receivables	4,528	4,299
Other receivables	557	465
Cash and cash equivalents	18,474	20,232
<b>TOTAL CURRENT ASSETS</b>	<b>99,415</b>	<b>93,189</b>
<b>NON-CURRENT ASSETS HELD FOR DISPOSAL</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>179,012</b>	<b>170,609</b>

## Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2018	December 31, 2017
<i>(euro '000)</i>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	8,840	8,840
Reserves	134,274	111,508
Net profit	6,227	22,727
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>149,341</b>	<b>143,075</b>
<b>NON-CURRENT LIABILITIES</b>		
Employee Severance Indemnity and other personnel benefits	2,682	2,664
Provisions for risks and charges	510	448
Deferred tax liabilities	2,049	2,047
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,241</b>	<b>5,159</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	14,358	14,581
Tax payables	2,528	268
Other payables	7,544	7,526
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,430</b>	<b>22,375</b>
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>29,671</b>	<b>27,534</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>179,012</b>	<b>170,609</b>

## Consolidated Statement of Cash Flows

	1 <sup>st</sup> Qtr. 2018	2017
<i>(euro '000)</i>		
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>20,232</b>	<b>26,709</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit (loss) for the period	6,227	22,727
Depreciation, amortization and write-downs	1,641	6,398
(Gains)/Losses on disposal of assets	(12)	(535)
Net change in Employee Termination Indemnity	18	46
Net change in provisions for risks and charges	62	27
<b>Operating profit (loss) before change in working capital</b>	<b>7,936</b>	<b>28,663</b>
(Increase) Decrease in trade receivables	(3,300)	(1,635)
(Increase) Decrease in inventories	(4,363)	(2,877)
(Increase) Decrease in other receivables and deferred tax assets	(381)	(3,146)
Increase (Decrease) of trade payables	(816)	2,019
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	2,280	205
<b>Change in working capital</b>	<b>(6,580)</b>	<b>(5,434)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>1,356</b>	<b>23,229</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(158)	(1,101)
- tangible	(3,660)	(11,732)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- tangible	123	1,644
Increase (Decrease) of trade payables for assets	593	(744)
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(3,102)</b>	<b>(11,933)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in non current assets	2	3
Increase (Decrease) in currency derivatives	-	(43)
Change in reserves on purchase of treasury stock	-	(4,540)
Dividends distributed	-	(11,834)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>2</b>	<b>(16,414)</b>
<b>E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>(1,744)</b>	<b>(5,118)</b>
F) Foreign exchange conversion differences	(14)	(1,388)
G) Discounting of Employee Termination Indemnity	-	29
<b>H) CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E+F+G)</b>	<b>18,474</b>	<b>20,232</b>
Of which: available for sale	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>18,474</b>	<b>20,232</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>18,474</b>	<b>20,232</b>
Financial liabilities on currency derivatives	-	-
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>18,474</b>	<b>20,232</b>
<b>INTEREST PAID</b>	<b>-</b>	<b>-</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash	88	51
Current account deposits	18,386	20,181
	<b>18,474</b>	<b>20,232</b>

## Statement of Changes in the Consolidated Shareholders' Equity

<i>(euro '000)</i>	Balance at Dec. 31, 2017	Allocation of previous year's net profit	Other changes	Comprehensive Income for the period	Balance at March 31, 2018
Capital stock	8,840				8,840
Share premium reserve	12,245				12,245
Legal Reserve	1,768				1,768
Reserve for treasury stock	(5,403)				(5,403)
Suspended-tax reserves	585				585
Other suspended-tax reserves	68				68
Other reserves	23,934	(1,717)		539	22,756
Conversion differences	(2,126)			(500)	(2,626)
Extraordinary reserve	72,283				72,283
First-time adoption of IAS/IFRS	3,715				3,715
Discounting of Employee Termination Indemnity	42				42
Merger difference	4,397				4,397
Retained earnings	-	24,444			24,444
Net profit	22,727	(22,727)		6,227	6,227
<b>Total Shareholders' Equity</b>	<b>143,075</b>	<b>-</b>	<b>-</b>	<b>6,266</b>	<b>149,341</b>

<i>(euro '000)</i>	Balance at Dec. 31, 2016	Allocation of previous year's net profit	Other changes	Comprehensive Income for the period	Balance at March 31, 2017
Capital stock	8,840				8,840
Share premium reserve	12,245				12,245
Legal Reserve	1,768				1,768
Reserve for treasury stock	(863)		(4,540)		(5,403)
Suspended-tax reserves	585				585
Other suspended-tax reserves	68				68
Other reserves	22,378	995		561	23,934
Conversion differences	(631)			(1,495)	(2,126)
Extraordinary reserve	68,194	4,098	(9)		72,283
First-time adoption of IAS/IFRS	3,715				3,715
Discounting of Employee Termination Indemnity	4		9	29	42
Merger difference	4,397				4,397
Retained earnings	-				-
Net profit	16,927	(16,927)		22,727	22,727
<b>Total Shareholders' Equity</b>	<b>137,627</b>	<b>(11,834)</b>	<b>(4,540)</b>	<b>21,822</b>	<b>143,075</b>



## Notes to the accounts

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

The present Interim Report at March 31, 2018 was prepared in compliance with article 2.2.3, paragraph 3, of the “Regulations for Organized Markets 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 relevant events and operations that took place in the period and their effect on the financial position of the Company and its subsidiaries.

Disclosure required under IAS 34 is not provided in the present document.

Principles of consolidation and valuation criteria adopted are consistent with international accounting principles (IAS/IFRS).

The Consolidated Financial Statements are based on the Statutory Accounts of Cembre S.p.A. (parent company) at March 31, 2018, and those of the following companies at the same date:

	Share owned by the Group March 31, 2018	Share owned by the Group March 31, 2017
<b>Cembre Ltd. (UK)</b>	100%	100%
<b>Cembre S.a.r.l. (France)</b>	100%	100%
<b>Cembre España S.L.U. (Spain)</b>	100%	100%
<b>Cembre GmbH (Germany)</b>	100%	100%
<b>Cembre Inc. (US)</b>	100%	100%

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

The scope of the consolidation is unchanged from March 31, 2017 and December 31, 2017.

On June 23, 2017, the parent company acquired from its wholly-owned UK subsidiary Cembre Ltd. shares held by the latter in other Group companies (i.e. a 29% share in Cembre Inc. (USA), a 5% share in Cembre Sarl (F), a 5% share in Cembre España (E) and a

5% share in Cembre GmbH (D). The operation did not have any effect on the consolidation area as the parent company already controlled – either directly or indirectly – all of its subsidiaries, and the reorganization of the ownership structure was only aimed at streamlining the governance of the Group which previously involved Cembre Ltd. in most operations.

Criteria used in the preparation of the financial statements were applied consistently within the Group. Where necessary, financial data was 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 present Quarterly 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 recognized to customers in the Quarter were estimated based on past sales and their expected future evolution.

### **Conversion of financial statements of subsidiaries expressed in currencies other than the euro**

The functional currency of the Group is the euro, in which its accounts are presented.

Exchange rates applied for the conversion of financial statements of subsidiaries expressed in currencies other than the euro are shown in the table below.

Currency	Exchange rate at March 31, 2018	Average exchange rate for 2018
British pound (£)	0.8749	0.8834
US dollar (US\$)	1.2321	1.2292

Brescia, May 14, 2018

**The Chairman and Managing Director of  
Cembre S.p.A.**

Giovanni Rosani

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**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 updates

Re: 2018 first Quarter Interim Report

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 2018 first Quarter Interim Report corresponds to the document results, books and accounting records.

Brescia, may 14, 2018

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