Cembre

COSTRUZIONI ELETTROMECCANICHE BRESCIANE

2014 half-yearly financial report

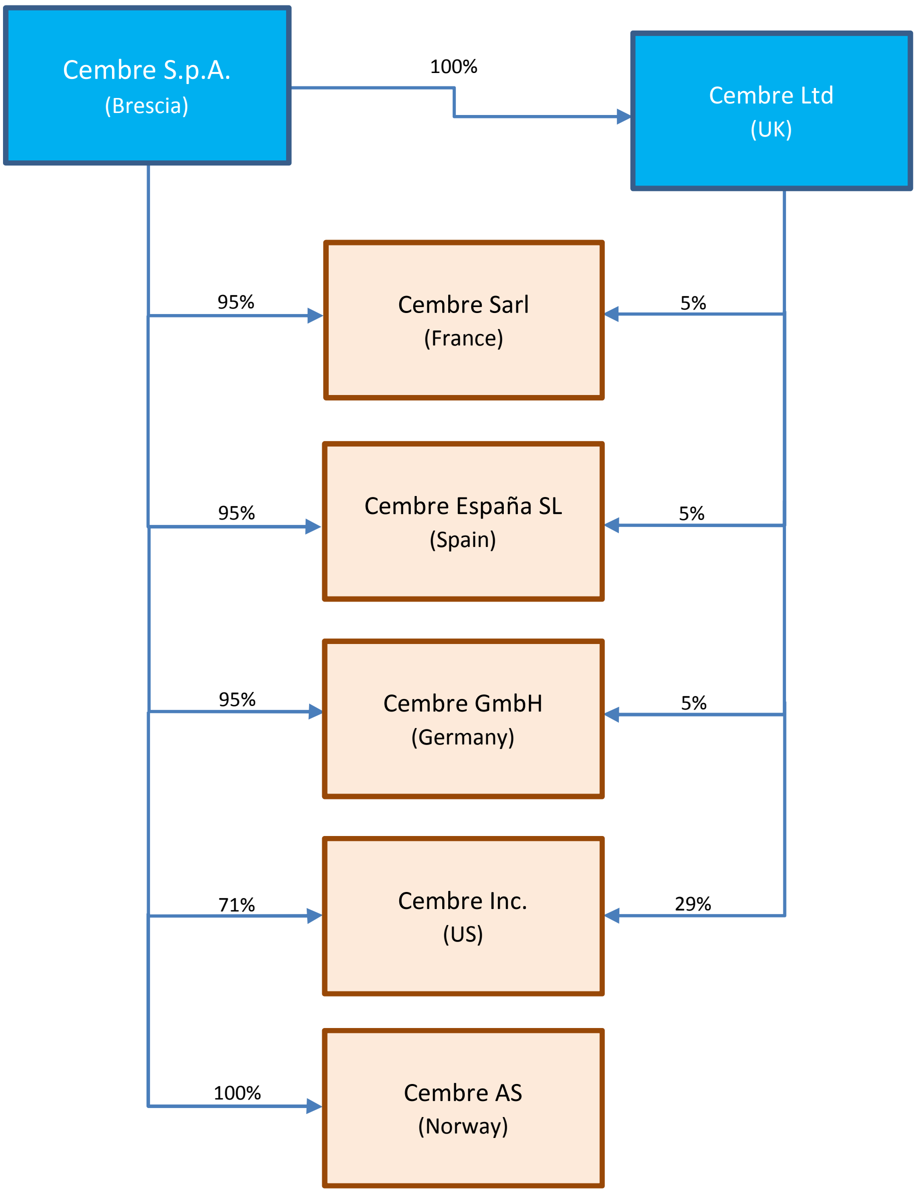
Cembre S.p.A.

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

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

CONTENTS

Group Structure



Manufacturing and Distribution Companies

Distribution Companies

Report on Operations for the 1st Half of 2014

Operating Review

In the first six months of 2014 sales of the Cembre Group amounted to €56.6 million, up 8.3% on the corresponding period in 2013 when they amounted to €52.3 million. Margins also improved, with the gross operating margin up from 19.3% of sales to 21.3% and the net operating margin from 9.9% to 12% of sales.

All subsidiaries reported in the period a growth in sales in the respective currencies, with the UK subsidiary in particular reporting a 7.5% increase in sales on the 1st Half of 2013 (representing an 11.3% increase in euro terms), and the Spanish subsidiary a 12.7% increase.

The breakdown of consolidated sales by geographical area shows a recovery in the domestic market, with domestic sales growing by 14.9% to €22.2 million, exports to other European countries increasing by 8.8% to €33 million, and exports to the rest of the world declining 7.1% to €8.3 million. In the 1st Half of 2014, 39.2% of Group sales were represented by Italy (as compared with 37% in the 1st Half of 2013), 46.1% by the rest of Europe (45.9% in the 1st Half of 2013), and the remaining 14.7% by the rest of the World (17.1% in the 1st Half of 2013).

Sales by geographical area

(€'000)	**1st Half 2014**	**1st Half 2013**	**Change**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Italy	22,194	19,309	14.9%	20,968	24,819	19,121	15,074	21,522
Rest of Europe	26,100	23,995	8.8%	23,841	22,168	18,958	18,466	22,687
Rest of the World	8,319	8,955	-7.1%	8,412	6,848	5,362	4,592	5,922
Total	**56,613**	**52,259**	**8.3%**	**53,221**	**53,835**	**43,441**	**38,132**	**50,131**

Revenues by Group company (net of intragroup sales)

(€'000)	**1st Half 2014**	**1st Half 2013**	**Change**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Parent Company	29,098	26,607	9,4%	28,308	31,873	24,496	20,064	26,946
Cembre Ltd. (UK)	10,636	9,541	11,5%	9,086	6,759	5,500	5,933	6,849
Cembre S.a.r.l. (F)	4,292	4,037	6,3%	4,081	3,846	3,157	3,197	3,420
Cembre España S.L. (E)	3,567	3,167	12,6%	3,093	3,929	4,333	3,790	6,698
Cembre GmbH (D)	3,762	3,535	6,4%	4,018	3,896	2,981	2,366	2,637
Cembre AS (NOR)	450	412	9,2%	528	424	469	321	431
Cembre Inc. (USA)	4,808	4,960	-3,1%	4,107	3,108	2,505	2,461	3,150
Total	**56,613**	**52,259**	**8,3%**	**53,221**	**53,835**	**43,441**	**38,132**	**50,131**

In the 1st Half of 2014, Group companies reported the following results, before the consolidation:

	Sales						
(€'000)	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Parent Company	42,969	39,071	41,385	43,034	33,823	28,713	39,994
Cembre Ltd. (UK)	11,572	10,394	9,970	7,842	6,197	6,485	7,448
Cembre S.a.r.l. (F)	4,300	4,080	4,089	3,856	3,161	3,207	3,431
Cembre España S.L. (E)	3,568	3,167	3,455	3,930	4,334	3,790	6,698
Cembre GmbH (D)	3,796	3,666	4,029	3,909	2,997	2,499	2,641
Cembre AS (NOR)	450	412	528	430	469	321	432
Cembre Inc. (USA)	4,914	4,976	4,155	3,109	2,517	2,417	3,154

	Net Profit						
(€'000)	**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Parent Company	6,807	4,305	5,635	6,153	4,835	2,181	5,263
Cembre Ltd. (UK)	1,391	1,139	1,123	635	393	595	500
Cembre S.a.r.l. (F)	183	166	100	165	74	213	199
Cembre España S.L. (E)	161	69	(276)	(31)	197	153	524
Cembre GmbH (D)	197	98	278	304	156	84	150
Cembre AS (NOR)	31	11	57	37	110	56	94
Cembre Inc. (USA)	294	480	210	131	46	77	285

Sales and net profit of the parent company for the 1st Half of 2012, 2011, 2010, 2009 and 2008 were restated to include sales made outside the Group by subsidiary General Marking, merged with the parent company effective January 1, 2013.

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

	Currency	Sales						
(€'000)		**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Cembre Ltd. (UK)	GBP	9,504	8,843	8,200	6,808	5,392	5,797	5,773
Cembre AS (NOR)	NOK	3,721	3,097	3,996	3,363	3,751	2,859	3,431
Cembre Inc. (USA)	US$	6,734	6,536	5,387	4,363	3,339	3,221	4,826

	Currency	Net Profit						
(€'000)		**1st Half 2014**	**1st Half 2013**	**1st Half 2012**	**1st Half 2011**	**1st Half 2010**	**1st Half 2009**	**1st Half 2008**
Cembre Ltd. (UK)	GBP	1,142	969	923	552	342	531	387
Cembre AS (NOR)	NOK	258	86	428	293	882	502	746
Cembre Inc. (USA)	US$	402	630	272	183	61	103	436

To provide a better understanding of the Company's financial performance for the 1st Half of 2014, a Reclassified Consolidated Income Statement for the 1st Half of 2014 and 2013 that shows percentage changes is enclosed as Attachment 1.

Consolidated gross operating profit for the 1st Half of 2014 amounted to €12,053 thousand, representing a 21.3% margin on sales, up 19.3% on the corresponding period in 2013 when it amounted to €10,103 thousand, representing a 19.3% margin on sales. Personnel costs and the cost of goods sold as a percentage of total sales declined slightly.

Consolidated operating profit for the period amounted to €9,707 thousand, representing a 17.1% margin on sales, up 22.1% on €7,952 thousand in the 1st Half of 2013, when it represented a 15.2% margin on sales.

Consolidated profit before taxes amounted to €9,851 thousand, representing a 17.4% margin on sales, up 26.1% on €7,811 thousand in the 1st Half of 2013, when it represented a 14.9% margin on sales.

The net financial surplus for the 1st Half of 2014 was equal to €2 thousand, while in the period foreign exchange gains amounted to €142 thousand.

Net profit for the first six months of 2014 amounted to €6,813 thousand, representing a 12% margin on sales, up 31.3% on €5,190 thousand in the 1st Half of 2013, when it represented a 9.9% margin on sales.

The consolidated net financial position at June 30, 2014 amounted to a surplus of €2.6 million, down on December 31, 2013, when it amounted to a surplus of €5.9 million. The financial position was affected by the payment of €4.4 million in dividends and capital expenditure made in the period, amounting to €3.7 million. At June 30, 2013 the net financial position was equal to a deficit of €3.8 million.

In the period, the parent company was audited by Tax Authorities with regard to fiscal year 2011. The audit began on February 3, 2014 at the parent company's registered office and was concluded after 21 days on March 11, 2014. The auditors checked the regular upkeep of accounting records up to the date of the audit and the correct calculation of taxes for financial year 2011, without reporting any exception or violation of tax rules.

Definition of alternative performance indicators

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

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

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

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

Shareholders' Equity

Consolidation adjustments determined the following differences between the Financial Statements of the parent company at June 30, 2014 and the consolidated accounts at the same date:

(€'000)	**Shareholders' Equity**	**Net Profit**
Parent company's financial statements	**93,917**	**6,807**
Book value of consolidated companies	21,592	2,256
Elimination of intra-group profits included in the value of inventories (*)	(3,182)	(292)
Currency translation differences from elimination of intragroup payables and receivables	9	6
German subsidiary product warranty provision reversal (*)	21	-
Netting of intragroup dividends	-	(1,965)
Netting of intragroup gains	(3)	1
Consolidated Financial Statements	**112,354**	**6,813**

(*) Net of the related tax effect.

Capital expenditure

Capital expenditure, gross of amortization, depreciation and disposals made in the 1st Half of 2014 amounted to €3.7 million and consisted mainly in the acquisition of plant and equipment.

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.

After slowing down in the 1st Quarter, the world economy seems to have regained some strength, helped by improved conditions in the US and Chinese markets. In Europe growth remains slow, unsteady and uneven between countries, with a low inflation that hinders price stability and a strengthening of the recovery.

In Italy the recovery is slow in coming and forecasts – despite positive signals in terms of household and business confidence, confirmed by a reversal of consumption trends which, for the first time since 2011, started growing again – are extremely prudent, with a projected growth in GNP of 0.2% and a further 1.3% growth in 2015.

A new stimulus should come from measures adopted by the ECB introducing a negative interest rate on funds deposited with the ECB by other banks, thus incentivizing the circulation of money and investments in eurozone countries (Economic Bulletin of the Bank of Italy 3/2014).

The wide margin of uncertainty on which estimates of future performance are based make it very difficult to make reliable predictions on 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 have focused over time on a careful selection of their customers, managing prudently sales to customers that do not possess an adequate credit standing. The Group has accrued a provision for doubtful accounts and the management of litigation, while the review of customers has become more careful, with an ongoing monitoring of overdues and immediate contact with problem customers.

Exposure to credit risk relates exclusively to trade receivables.

Liquidity risk

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

Interest rate risk

At the present date there are no loans outstanding.

Currency risk

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

Integrity and reputation risk

Possible illicit behavior of employees, aimed at obtaining benefits for themselves and for the Group, can imply the risk of a loss of reputation and of sanctions against the Group.

To prevent the risk of these occurrences and in line with Legislative Decree 231/2001, the Company adopted an organizational, management and control model that identifies processes that are subject to risk and establishes the conduct that the various persons involved are to keep in carrying out their tasks. The model was illustrated to employees through specific training sessions. The Company constantly integrates and upgrades the model.

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

Environmental management

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

Worker safety management

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

Research & Development

Cembre's investment in Research & Development resulted in the 1st Half of 2014 in costs amounting respectively to €196 thousand for research, and €118 thousand for development. Research costs were expensed in the year, while development costs were capitalized among intangibles.

Below we include a brief description of products under study. Information provided is purposely generic and incomplete as these products are still treated as industrial secrets.

Cable terminals

A number of new connectors, designed to meet specific requirements of customers, were developed along with tools for their manufacturing.

Railroad equipment

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

The range of new cutters was integrated with new Titanium Nitrade coated tools developed specifically for mounting on our sleeper drills.

Tools

The renewal of the whole range of pistol-grip battery operated utensils continued. All new utensils for the compression of cables derive from the new B500 tool introduced at the end of 2013.

We are currently completing the new range of battery operated utensils for the cutting of electrical and steel cables.

The study of a new family of battery operated utensils in the lunch box configuration is nearing completion. The new products will be named B1300 and will replace the B131 utensil. The new family of tools will feature technical innovations with respect to previous models such as: the electronic control of running pressure, LEDs for the illumination of the work area, a multifunction display for information relating to compression operations and the state of the utensil, and a new high efficiency pump already introduced for the B500 family.

Cable marking

A number of new flat and printed labels for the marking of cable terminals, cables and electric boxes were developed. These products were developed specifically for our thermal transfer printers.

Related parties

Transactions concluded between the parent company and its subsidiaries in the 1st Half of 2014 were exclusively of a commercial nature and are summarized in the table below:

(€)	Receivables	Payables	Revenues	Purchases
Cembre Ltd.	1,372,574	29,459	5,246,310	140,566
Cembre S.a.r.l.	667,692	2,014	2,177,776	4,687
Cembre España S.L.	583,353	1,020	1,717,618	1,307
Cembre AS	111,592	-	208,414	-
Cembre Inc.	1,478,043	1,244	2,460,524	91,349

Cembre GmbH	698,470	4,042	2,075,784	27,438
TOTAL	**4,911,724**	**37,779**	**13,886,426**	**265,347**

In addition to the transactions shown above, revenues from the charging to subsidiaries of costs incurred in the maintenance of the information system and royalties for the use of the *Cembre* trademark amount to €206 thousand.

Cembre S.p.A. currently leases property from Tha Immobiliare S.p.A., with registered office in Brescia, owned by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, Directors of Cembre S.p.A. Cumulative rent for these contracts for the 1st Half of 2014 amounts to €264 thousand.

Cembre S.p.A. also leased from Montifer S.r.l. a portion of an industrial building adjacent to the Company's main industrial complex and measuring 2,970 square meters. The spouse of Mr. Fabio Fada, independent director of the parent company, is a non-executive director of Montifer S.r.l. Rent for the buildings the 1st Half of 2014 amounted to €49 thousand. Cembre S.p.A. leased the industrial buildings to obtain additional space adjacent to its main industrial complex in order to reorganize and expand its production departments. Cembre terminated such lease effective September 30, 2014 as activities carried out in said buildings are being transferred to the buildings acquired in 2011 whose renovation was completed recently.

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

Cembre Ltd. leased an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. Rent for the 1st Half of 2014 amounts to £21 thousand. Such amount is in line with market conditions.

Further detail of these transactions is provided in the notes.

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

Absence of control and coordination

Despite the fact that article 2497-*sexies* of the Italian Civil Code states that "it is presumed that, unless otherwise proved, the direction and coordination activities of companies is exercised by the company or entity that is required to consolidate the same in its accounts or that, in any case, controls the former company pursuant to article 2359 (of the Italian Civil Code)", Cembre S.p.A. believes to be operating in full autonomy from its parent Lysne S.p.A..

In particular, as a non-exhaustive example, the Company manages autonomously its own treasury and relationships with its customers and suppliers, and does not make use of any service provided by its parent company.

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

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

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

- Cembre Inc., incorporated in the US, and

- Cembre AS, incorporated in Norway.

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

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

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

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

Own shares and shares of parent companies

In the 1st Half of 2014, the Cembre Group did not acquire or sell any of its own shares, nor did it own, either directly or through any of its subsidiaries, trust companies or intermediaries, any of its own shares or any of its parent company's shares.

Ownership Structure and Corporate Governance

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

Subsequent events

No event having significant effects on Cembre's financial or operating performance occurred after June 30, 2014.

Outlook

Making a reliable forecasts of economic activity for 2014 is at the present time extremely difficult and even national and international institutions in their publications underline the strong uncertainty that characterizes all economic indicators.

In the second half of the year the Group expects domestic sales to decline slightly and a slight growth in exports. Cembre therefore expects to close 2014 achieving an increase in turnover and a consolidated profit.

Attachments

The present Report includes the following attachments:

Attachment 1 Reclassified Consolidated Income Statement at June 30, 2014

Attachment 2 Company Boards

Brescia, August 29, 2014

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

Giovanni Rosani

Attachment 1 - Report on Operations

Comparative Consolidated Income Statement

(€ '000)	1st Half 2014	% of sales	1st Half 2013	% of sales	Change
Revenues from sales and services provided	56.613	100,0%	52.259	100,0%	8,3%
Other revenues	303		399		-24,1%
TOTAL REVENUES	**56.916**		**52.658**		8,1%
Cost of goods and merchandise	(22.602)	-39,9%	(19.894)	-38,1%	13,6%
Change in inventories	2.767	4,9%	1.287	2,5%	115,0%
Cost of services received	(7.498)	-13,2%	(7.025)	-13,4%	6,7%
Lease and rental costs	(687)	-1,2%	(661)	-1,3%	3,9%
Personnel costs	(16.339)	-28,9%	(15.938)	-30,5%	2,5%
Other operating costs	(580)	-1,0%	(476)	-0,9%	21,8%
Increase in assets due to internal construction	470	0,8%	299	0,6%	57,2%
Write-down of receivables	(389)	-0,7%	(143)	-0,3%	172,0%
Accruals to provisions for risks and charges	(5)	0,0%	(4)	0,0%	25,0%
GROSS OPERATING PROFIT	**12.053**	21,3%	**10.103**	19,3%	19,3%
Property, plant and equipment depreciation	(2.148)	-3,8%	(1.991)	-3,8%	7,9%
Intangible asset amortization	(198)	-0,3%	(160)	-0,3%	23,8%
OPERATING PROFIT	**9.707**	17,1%	**7.952**	15,2%	22,1%
Financial income	7	0,0%	7	0,0%	0,0%
Financial expenses	(5)	0,0%	(42)	-0,1%	-88,1%
Foreign exchange gains (losses)	142	0,3%	(106)	-0,2%	-234,0%
PROFIT BEFORE TAXES	**9.851**	17,4%	**7.811**	14,9%	26,1%
Income taxes	(3.038)	-5,4%	(2.621)	-5,0%	15,9%
NET PROFIT	**6.813**	12,0%	**5.190**	9,9%	31,3%

Attachment 2 – Report on the 1st Half of 2014

CORPORATE BOARDS

Board of Directors

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

Secretary

Giorgio Rota

Board of Statutory Auditors

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

Independent Auditors

PricewaterhouseCoopers S.p.A.

The above list is updated at August 29, 2013.

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

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

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

Condensed Consolidated Financial Statements at June 30, 2014

Consolidated Statement of Financial Position

ASSETS	Notes	Jun. 30, 2014		Dec. 31, 2013	
(euro '000)			*of which: related parties*		*of which: related parties*
NON CURRENT ASSETS					
Tangible assets	*1*	62.935		61.602	
Intangible assets	*2*	1.190		1.153	
Other investments		10		5	
Other non-current assets		15		10	
Deferred tax assets	*9*	2.127		1.937	
TOTAL NON-CURRENT ASSETS		**66.277**		**64.707**	
CURRENT ASSETS					
Inventories	*3*	39.803		36.758	
Trade receivables	*4*	27.762		24.854	
Tax receivables		832		807	
Other receivables	*5*	596		1.378	
Cash and cash equivalents		4.713		7.539	
TOTAL CURRENT ASSETS		**73.706**		**71.336**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		**-**		**-**	
TOTAL ASSETS		**139.983**		**136.043**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Jun. 30, 2014		Dec. 31, 2013	
(euro '000)			*of which: related parties*		*of which: related parties*
SHAREHOLDERS' EQUITY					
Capital stock	*6*	8.840		8.840	
Reserves	*6*	96.701		90.149	
Net profit	*6*	6.813		10.503	
TOTAL SHAREHOLDERS' EQUITY		**112.354**		**109.492**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	*7*	-		-	
Employee Severance Indemnity and other personnel benefits	*8*	2.350	158	2.438	153
Provisions for risks and charges		108		79	
Deferred tax liabilities	*9*	2.339		2.426	
TOTAL NON-CURRENT LIABILITIES		**4.797**		**4.943**	
CURRENT LIABILITIES					
Current financial liabilities	*7*	2.162		1.647	
Trade payables	*10*	12.332		12.779	
Tax payables		1.502		720	
Other payables	*11*	6.836		6.462	
TOTAL CURRENT LIABILITIES		**22.832**		**21.608**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		**-**		**-**	
TOTAL LIABILITIES		**27.629**		**26.551**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**139.983**		**136.043**	

Condensed Consolidated Financial Statements at June 30, 2014

Statement of Consolidated Comprehensive Income

(euro '000)	Notes	1st Half 2014	of which: related parties	1st Half 2013	of which: related parties
Revenues from sales and services provided	**12**	56.613		52.259	
Other revenues	**13**	303		399	
TOTAL REVENUES		**56.916**		**52.658**	
Cost of goods and merchandise		(22.602)		(19.894)	
Change in inventories		2.767		1.287	
Cost of services received	**14**	(7.498)	(315)	(7.025)	(290)
Lease and rental costs		(687)	(339)	(661)	(359)
Personnel costs	**15**	(16.339)	(126)	(15.938)	(118)
Other operating costs	**16**	(580)		(476)	
Increase in assets due to internal construction		470		299	
Write-down of receivables		(389)		(143)	
Accruals to provisions for risks and charges		(5)		(4)	
GROSS OPERATING PROFIT		**12.053**		**10.103**	
Property, plant and equipment depreciation	**1**	(2.148)		(1.991)	
Intangible asset amortization	**2**	(198)		(160)	
OPERATING PROFIT		**9.707**		**7.952**	
Financial income	**17**	7		7	
Financial expenses	**17**	(5)		(42)	
Foreign exchange gains (losses)		142		(106)	
PROFIT BEFORE TAXES		**9.851**		**7.811**	
Income taxes	**18**	(3.038)		(2.621)	
NET PROFIT FROM ORDINARY ACTIVITIES		**6.813**		**5.190**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		**-**		**-**	
NET PROFIT		**6.813**		**5.190**	
Items that may be reclassified subsequently to profit and loss					
Conversion differences included in equity	**19**	469		(417)	
COMPREHENSIVE INCOME		**7.282**		**4.773**	
BASIC AND DILUTED EARNINGS PER SHARE	**20**	**0,40**		**0,31**	

Condensed Consolidated Financial Statements at June 30, 2014

Consolidated Statement of Cash Flows

	1st Half 2014	2013
€ '000		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**7.539**	**4.839**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	6.813	10.503
Depreciation, amortization and write-downs	2.346	4.569
(Gains)/Losses on disposal of assets	(30)	(31)
Net change in Employee Severance Indemnity	(88)	7
Net change in provisions for risks and charges	29	(2)
Operating profit (loss) before change in working capital	**9.070**	**15.046**
(Increase) Decrease in trade receivables	(2.908)	244
(Increase) Decrease in inventories	(3.045)	57
(Increase) Decrease in other receivables and deferred tax assets	567	1.727
Increase (Decrease) of trade payables	(318)	(508)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	1.069	541
Change in working capital	**(4.635)**	**2.061**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**4.435**	**17.107**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(234)	(573)
- tangible	(3.448)	(6.802)
- financial	(5)	-
Proceeds from disposal of tangible, intangible, financial assets		
- tangible	176	66
Increase (Decrease) of trade payables for assets	(129)	(1.577)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(3.640)**	**(8.886)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	(5)	3
Increase (Decrease) in bank loans and borrowings	515	(2.572)
Dividends distributed	(4.420)	(2.720)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**(3.910)**	**(5.289)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**(3.115)**	**2.932**
F) Foreign exchange differences	289	(256)
G) Discounting of Employee Termination Indemnity	-	24
H) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)	**4.713**	**7.539**

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**4.713**	**7.539**
Current financial liabilities	(2.162)	(1.647)
NET CONSOLIDATED FINANCIAL POSITION	**2.551**	**5.892**

INTERESTS PAID IN THE PERIOD	**(5)**	**(54)**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	38	17
Banks	4.675	7.522
	4.713	**7.539**

Condensed Consolidated Financial Statements at June 30, 2014

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2013	Merger's effects	Allocation of previous year net profit (1)	Other changes	Comprehensive income of the period	Balance at June 30, 2014
Capital stock	**8.840**					**8.840**
Share premium reserve	**12.245**					**12.245**
Legal reserve	**1.768**					**1.768**
Suspended-tax reserves	**68**					**68**
Consolidation reserve	**17.758**		1.827		122	**19.707**
Conversion differences	**(1.619)**				347	**(1.272)**
Extraordinary reserve	**51.615**		4.256			**55.871**
Urealized gains reserve	**3.715**					**3.715**
Reserve for discounting of Employee Termination Indemnity	**202**					**202**
Merger surplus reserve	**4.397**					**4.397**
Retained earnings	-					-
Net profit	**10.503**		(10.503)		6.813	**6.813**
Total Shareholders' Equity	**109.492**	**-**	**(4.420)**	**-**	**7.282**	**112.354**

(€ '000)	Balance at December 31, 2012 Restated	Merger's effects	Allocation of previous year net profit (1)	Other changes	Comprehensive income of the year	Balance at December 31, 2013
Capital stock	**8.840**					**8.840**
Share premium reserve	**12.245**					**12.245**
Legal reserve	**1.768**					**1.768**
Suspended-tax reserves	**68**					**68**
Consolidation reserve	**19.595**	(4.397)	2.635		(75)	**17.758**
Conversion differences	**(1.323)**				(296)	**(1.619)**
Extraordinary reserve	**45.463**		6.152			**51.615**
Urealized gains reserve	**3.715**					**3.715**
Reserve for discounting of Employee Termination Indemnity	**178**				24	**202**
Merger surplus reserve	-	4.397				**4.397**
Retained earnings	-					-
Net profit	**11.507**		(11.507)		10.503	**10.503**
Total Shareholders' Equity	**102.056**	**-**	**(2.720)**	**-**	**10.156**	**109.492**

Notes to the Interim Consolidated Financial Statements at June 30, 2014

I. CORPORATE INFORMATION

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

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

The publication of the Interim Consolidated Financial Statements of Cembre S.p.A. for the half-year ended June 30, 2014 was authorized by a resolution of the Board of Directors dated August 29, 2014.

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

II. Form and content of the consolidated financial statements

Form and content

The present Consolidated Interim Report at June 30, 2014 was prepared under IAS 34 on Interim Reports.

This consolidated interim report does not include all additional information required for annual reports and must be read in conjunction with the Financial Statements at December 31, 2013. Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

Accounting principles

Principles adopted in the preparation of the present Consolidated Interim Report are those formally approved by the European Union in force at June 30, 2014 and are consistent with those adopted in the preparation of the Consolidated Financial Statements at December 31, 2013.

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:

IAS 19 Revised "Employee Benefits".

Annual improvements of IFRS: 2010-2012 cycle

Annual improvements of IFRS: 2011-2013 cycle

A comprehensive revision of financial principles relating to financial instruments is currently underway with the primary objective of enhancing transparency to readers of financial statements. The following principle in particular was the object of repeated amendments:

IFRS 9 – through which classification criteria, valuation and elimination of financial assets were revised. The process for the approval by the EU is currently suspended while the principle will instead come into effect in other countries from 2015.

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

Translation of financial statements expressed in currencies other than the euro

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

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

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

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

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

Currency	Exchange rate at June 30, 2014	Average exchange rate for the 1st Half of 2014
British pound (€/£)	0.8015	0.8213
US dollar (€/$)	1.3658	1.3703
Norwegian kroner (€/NOK)	8.4035	8.2766

III. SEASONAL FACTORS

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

IV. SEGMENT INFORMATION

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

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

1st Half of 2014	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	29,099	22,706	4,808		56,613
Sales to other Group companies	13,871	979	106	(14,956)	-
Revenues by sector	42,970	23,685	4,914	(14,956)	56,613
Operating profit by sector	6,779	2,510	418		9,707
Overhead costs not assigned					-
Operating profit					9,707
Financial income (expense)					144
Income taxes					(3,038)
Net profit					6,813

1st Half of 2013	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	26,608	20,691	4,960		52,259
Sales to other Group companies	12,463	1,028	16	(13,507)	-
Revenues by sector	39,071	21,719	4,976	(13,507)	52,259
Operating profit by sector	5,176	2,006	770		7,952
Overhead costs not assigned					-
Operating profit					7,952
Financial income (expense)					(141)
Income taxes					(2,621)
Net profit					5,190

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

	1st Half of 2014	1st Half of 2013
Italy	22,194	19,309
Europe	26,100	23,995
Rest of World	8,319	8,955
	56,613	**52,259**

The breakdown of assets and liabilities is shown below:

June 30, 2014	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Assets and Liabilities				
Assets of the sector	101,797	35,207	6,221	143,225
Unassigned assets				(3,242)
Total assets				**139,983**
Liabilities of the sector	22,900	4,809	149	27,858
Unassigned liabilities				(229)
Total liabilities				**27,629**

December 31, 2013	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Assets and Liabilities				
Assets of the sector	99,070	33,686	6,183	138,939
Unassigned assets				(2,896)
Total assets				**136,043**
Liabilities of the sector	22,132	4,216	226	26,574
Unassigned liabilities				(23)
Total liabilities				**26,551**

1st Half of 2014	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	3,159	251	36	3,446
- Intangible assets	224	10	-	234
Total investments				**3,680**
Depreciation and amortization:				
- Property, plant and equipment	(1,757)	(355)	(35)	(2,147)
- Intangible assets	(185)	(13)	-	(198)
Accruals to provision for employee benefits	386	-	-	**386**
Average no. of employees	419	177	23	**619**

1st Half of 2013	**Italy**	**Rest of Europe**	**Rest of World**	**TOTAL**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	3,431	129	96	3,656
- Intangible assets	210	18	-	228
Total investments				**3,884**
Depreciation and amortization:				
- Property, plant and equipment	(1,636)	(322)	(33)	(1,991)
- Intangible assets	(152)	(8)	-	(160)
Accruals to provision for employee benefits	392	-	-	**392**
Average no. of employees	421	170	19	**610**

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	42,796	46,177	9,555	6,810	38	1,570	106,946
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	77	-	3	-	-	1,016
Accumulated depreciation	(9,390)	(30,088)	(7,599)	(5,196)	(8)	-	(52,281)
Bal. at Dec. 31, 2013	**40,263**	**16,166**	**1,956**	**1,617**	**30**	**1,570**	**61,602**
Increases	348	1,332	379	367	-	1,022	3,448
Currency translation differences	111	59	1	10	-	-	181
Depreciation	(482)	(1,176)	(182)	(305)	(3)	-	(2,148)
Net divestments	-	(132)	-	(14)	-	(2)	(148)
Reclassifications	-	79	109	-	-	(188)	-
Bal. at June 30, 2014	**40,240**	**16,328**	**2,263**	**1,675**	**27**	**2,402**	**62,935**

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	40,895	40,276	9,121	6,873	48	4,203	101,416
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	85	-	7	-	-	1,028
Accumulated depreciation	(8,309)	(28,338)	(7,259)	(5,297)	(5)	-	(49,208)
Bal. at Dec. 31, 2012	**39,443**	**12,023**	**1,862**	**1,583**	**43**	**4,203**	**59,157**
Increases	449	1,649	122	337	-	1,099	3,656
Currency translation differences	(139)	(71)	-	(13)	-	-	(223)
Depreciation	(526)	(1,011)	(171)	(279)	(4)	-	(1,991)
Net divestments	(10)	-	-	(3)	(6)	-	(19)
Reclassifications	10	2,357	99	-	-	(2,466)	-
Bal. at June 30, 2013	**39,227**	**14,947**	**1,912**	**1,625**	**33**	**2,836**	**60,580**

Capital expenditure in the 1st Half of 2014 amounted to €3,448 thousand and consisted primarily of investments made by the parent company.

Among these, the Company intends to complete the transfer of some departments and offices in the buildings acquired in 2011. Work to adapt these structures to the new production needs carried out in the period involved an expense of €333 thousand in buildings and of €328 thousand in plants. Advances paid on work underway for heating and electrical systems amounted to €391 million. Other investments included the purchase of three presses for €265 thousand, a grinding machine for €77 thousand, and the upgrade of the automated warehouse for €71 thousand. Advances for equipment to be delivered amounted to €192 thousand. Among equipment purchased, dies represented an expense of €276 thousand, while advances for the manufacturing of dies underway amounted to €152 thousand. Investments for work in progress carried out in-house amounted to €269 thousand.

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

2. INTANGIBLE ASSETS

	Development costs	Patents	Software	Work in progress	Total
Historical cost	729	236	4,019	71	5,055
Accumulated amortization	(445)	(165)	(3,292)	-	(3,902)
Balance at Dec. 31, 2013	**284**	**71**	**727**	**71**	**1,153**
Increases	118	28	48	40	234
Foreign exchange differences	-	-	1	-	1
Amortization	(50)	(36)	(112)	-	(198)
Reclassifications	-	-	15	(15)	-
Balance at June 30, 2014	**352**	**63**	**679**	**96**	**1,190**

3. INVENTORIES

	June 30, 2014	Dec. 31, 2013	Change
Raw materials	9,184	8,201	983
Work in progress and semi-finished goods	10,041	9,372	669
Finished goods	20,578	19,185	1,393
Total	**39,803**	**36,758**	**3,045**

The value of finished goods inventories is adjusted to its expected realizable value through a provision for slow-moving stock amounting approximately to €1,758 thousand. Changes in the provision in the 1st Half of 2014 are shown in the table that follows:

	June 30, 2014	Dec. 31, 2013
Balance at beginning of the period	**1,486**	**1,770**
Accruals	43	409
Uses	-	(696)
Currency translation differences	(14)	3
Balance at end of the period	**1,515**	**1,486**

4. TRADE RECEIVABLES

	June 30, 2014	Dec. 31, 2013	Change
Gross trade receivables	28,893	25,670	3,223
Provision for doubtful accounts	(1,131)	(816)	(315)
Total	**27,762**	**24,854**	**2,908**

Trade receivables by geographical area

	June 30, 2014	Dec. 31, 2013	Change
Italy	16,316	14,349	1,967
Europe	10,493	9,047	1,446
America	1,422	1,125	297
Oceania	217	356	(139)
Middle East	31	58	(27)
Far East	306	584	(278)
Africa	108	151	(43)
Total	**28,893**	**25,670**	**3,223**

Average collection time increased from 81 days in 2013 to 83 days in the 1st Half of 2014.

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

	June 30, 2014	Dec. 31, 2013
Balance at beginning of the period	**816**	**884**
Accruals	411	415
Uses	(97)	(481)
Currency translation differences	1	(2)
Balance at end of the period	**1,131**	**816**

Breakdown of receivables by maturity at June 30, 2014

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
June 30, 2013	24,759	2,881	255	248	497	253	**28,893**
Dec. 31, 2012	21,421	2,818	547	253	374	257	**25,670**

5. OTHER ASSETS

	June 30, 2014	Dec. 31, 2013	Change
Receivables from employees	62	70	(8)
VAT and other indirect taxes receivable	-	933	(933)
Advances to suppliers	147	233	(86)
Other	387	142	245
Total	**596**	**1.378**	**(782)**

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

6. SHAREHOLDERS' EQUITY

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

At June 30, 2014 the Company did not hold treasury shares.

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

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

The consolidation reserve is made up as follows:

	June 30, 2014	Dec. 31, 2013
Elimination of investments in subsidiaries	20,508	18,763
Elimination of unrealized intra-group profit in stock	(2,891)	(3,130)
German subsidiary product warranty provision reversal	21	20
Dividends from subsidiaries	2,067	2,120
Currency translation diff. on intra-group payables and receivables	3	(13)
Intra Group reconciliation	(1)	(2)
Total	**19,707**	**17,758**

7. FINANCIAL LIABILITIES

	Effective interest rate	Maturity	June 30, 2014	Dec. 31, 2013
Bank overdrafts				
(bill discount)				
Cembre S.p.A.	0.9 – 1.2%	On demand		
Credito Bergamasco			813	727
Popolare di Sondrio			642	118
BNL			605	32
Banca Passadore			101	-
UBI Banca			1	-
Unicredt			-	770
Total			**2,162**	**1,647**
CURRENT FINANCIAL LIABILITIES			**2,162**	**1,647**

8. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

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

At June 30, 2014, in view of the lack of changes in the discounting parameters, the Group decided to maintain unchanged the discounting effect at December 31, 2013.

	June 30, 2014	Dec. 31, 2013
Beginning balance	**2,438**	**2,431**
Accruals	386	779
Uses	(198)	(201)
Social security (INPS) treasury account	(276)	(635)
Discounting effect	-	64
Closing balance	**2,350**	**2,438**

Total amounts accrued with the INPS (Social Security) treasury amounted at June 30, 2014 to €4,230 thousand.

9. DEFERRED TAX ASSETS AND LIABILITIES

	June 30, 2014	Dec. 31, 2013
Deferred tax liabilities		
Average cost valuation of inventories by the parent	(215)	(442)
Accelerated depreciation	(172)	(9)
Elimination of Cembre GmbH product warranty provision	(10)	(10)
Reversal of land depreciation	(27)	(27)
Revaluation of land	(1,835)	(1,859)
Discounting of employee termination indemnity	(79)	(79)
Foreign exchange translation differences	(1)	-
Gross deferred tax liabilities	**(2,339)**	**(2,426)**
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	1,429	1,323
Write-down of inventories	232	227
Goodwill amortization	15	18
Depreciation and write-down of inventories of General Marking	20	23
Provision for French personnel costs	54	54
Provision for doubtful accounts of parent company	212	123
Differences on amortization and depreciation of parent company	120	117
Other	45	52
Gross deferred tax assets	**2,127**	**1,937**
Net deferred tax liabilities	**(212)**	**(489)**

Law Decree no.66 of April 24, 2014 containing urgent measures to foster competition and enhance social equality introduced a 10% reduction in the IRAP (tax on productive activities) rate. Deferred tax assets and liabilities recorded in previous years were thus recalculated to bring them into line with the new tax rate. The effect of these changes recorded in the income statement and included in the amounts shown above are detailed in note 18.

10. TRADE PAYABLES

	June 30, 2014	Dec. 31, 2013	Change
Payable to suppliers	12,238	12,763	(525)
Advances	94	16	78
Total	**12,332**	**12,779**	**(447)**

Trade payables by geographical area

	June 30, 2014	Dec. 31, 2013	Change
Italy	8,994	10,582	(1,588)
Rest of Europe	3,179	1,879	1,300
America	12	3	9
Oceania	45	100	(55)
Other	8	199	(191)
Total	**12,238**	**12,763**	**(525)**

11. OTHER PAYABLES

	June 30, 2014	Dec. 31, 2013	Change
Payables to employees	3,348	1,419	1,929
Employee withholding taxes payable	315	940	(625)
Bonuses owed to customers	339	464	(125)
VAT and similar foreign taxes payable	1,088	954	134
Commissions payable	178	176	2
Payable to Statutory Auditors and similar foreign boards	79	84	(5)
Payable to Directors	6	6	-
Social security payables	1,613	2,258	(645)
Payable on sundry taxes	76	46	30
Other	23	184	(161)
Accrued liabilities	(229)	(69)	(160)
Total	**6,836**	**6,462**	**374**

12. REVENUES FROM SALES AND SERVICES PROVIDED

In the 1st Half of 2014, revenues grew by 8.3% on the corresponding period in the previous year. Domestic sales represented 39.2% of total sales and grew by 14.9% on the 1st Half of 2013, while sales in the rest of Europe represented 46.1% of the total, up 8.8% on the 1st Half of 2013. Sales in the rest of the world represented 14.7% of total sales, down 7.1% on the 1st Half of 2013. In compliance with accounting principles, revenues are recorded net of discounts and bonuses to customers, in addition to adjustments to estimates of prior year's sales.

13. OTHER REVENUES

	1st Half 2014	1st Half 2013	Change
Rent	46	58	(12)
Capital gains	28	7	21
Uses of provisions	3	28	(25)
Insurance damages	199	177	22
Reimbursements	1	108	(107)
Other	26	21	5
Total	**303**	**399**	**(96)**

Reimbursements relate primarily to transport costs charged to customers.

14. COST OF SERVICES

	1st Half 2014	1st Half 2013	Change
Subcontracted work	1,446	1,226	220
Electricity, heating and water	782	818	(36)
Transport of goods sold	916	1,023	(107)
Fuel	241	254	(13)
Travelling expenses	436	448	(12)
Maintenance and repair	1,047	804	243
Consulting	470	629	(159)
Advertising and promotion	275	261	14
Insurance	284	287	(3)
Boards' compensation	397	362	35
Postage and telephone	184	180	4
Commissions	181	131	50
Security and cleaning	254	317	(63)
Bank charges	77	72	5
Other	508	213	295
Total cost of services	**7,498**	**7,025**	**473**

15. PERSONNEL COSTS

	1st Half 2014	1st Half 2013	Change
Wages and salaries	12,273	12,058	215
Social security contributions	3,204	3,097	107
Employee termination indemnity	506	501	5
Retirement benefits	92	69	23
Other costs	264	213	51
Total	**16,339**	**15,938**	**401**

Wages and salaries include €1,149 thousand relating to outsourced personnel, mainly of the parent company.

Average number of employees by category

	1st Half 2014	1st Half 2013	Change
Managers	15	15	-
Administrative and commercial staff	277	275	2
Workers	300	283	17
Outsourced personnel	27	37	(10)
Total	**619**	**610**	**9**

Average number of employees by Group company

	Managers	White collars	Blue collars	Outsourced personnel	Total 1st Half 2014	Total 1st Half 2013	Change
Parent Company	6	174	214	25	419	421	(2)
Cembre Ltd.	3	32	65	-	100	93	7
Cembre Sarl	1	18	5	-	24	24	-
Cembre España SL	1	22	6	1	30	31	(1)
Cembre AS	-	2	-	-	2	2	-
Cembre Inc.	3	15	5	-	23	19	4
Cembre GmbH	1	14	5	1	21	20	1
Total	**15**	**277**	**300**	**27**	**619**	**610**	**9**

16. OTHER OPERATING COSTS

	1st Half 2014	1st Half 2013	Change
Sundry taxes	327	316	11
Losses on receivables	26	5	21
Capital losses	84	9	75
Donations	8	13	(5)
Other	135	133	2
Total	**580**	**476**	**104**

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

17. FINANCIAL INCOME (EXPENSE)

	1st Half 2014	1st Half 2013	Change
Loans and bank overdrafts	(4)	(37)	33
Other financial charges	(1)	(5)	4
	(5)	(42)	37
Interest earned on bank account balances	7	7	-
	7	7	-
Financial income (expense)	**2**	**(35)**	**37**

18. INCOME TAXES

Income taxes are made up as follows:

	1st Half 2014	1st Half 2013	Change
Current taxes	(3,321)	(2,547)	(774)
Deferred taxes	258	(74)	332
Net extraordinary gains	25	-	25
Total	**(3,038)**	**(2,621)**	**(417)**

In view of the complexity of the calculation and the immateriality of the difference between theoretical and actual tax expense recorded in the past, taxes for some foreign subsidiaries were calculated based on the theoretical tax rate. We therefore limit our analysis to the comparison between actual tax and theoretical tax expense for the 1st Half of 2014 and the 1st Half of 2013, postponing a reconciliation to the financial statements at December 31, 2014.

Net extraordinary gains result from the recalculation of deferred tax assets and liabilities recorded in previous years in view of the reduction of the IRAP tax rate applicable from 3.9% to 3.5% as a result of the introduction of Law Decree no. 66/2014.

	1st Half 2014	1st Half 2013
Profit before taxes	9,851	7,811
Income taxes	(3,038)	(2,621)
Effective tax rate	**30.84%**	**33.56%**
Theoretical tax rate (*)	31.00%	31.40%

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

At June 30, 2014 there were no temporary differences and loss carry-forwards on which no deferred tax asset or liability had been recorded.

Deferred and prepaid taxes

	1st Half 2014	1st Half 2013
Deferred tax liabilities		
Average cost valuation of inventories	65	156
Accelerated depreciation	(5)	15
Reversal of German subsidiary's product warranty	-	3
Foreign exchange translation differences	(1)	(6)
	59	**168**
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	108	(262)
Write-down of inventories	5	(4)
Amortization of goodwill	(2)	(3)
Loss carry-forwards of merged subsidiary General Marking	(3)	(3)
Differences on amortization and depreciation of parent company	89	13
Provision for doubtful accounts of the parent company	3	29
Other	(7)	(5)
	193	**(235)**
Foreign exchange differences	6	(7)
Deferred taxes for the period	**258**	**(74)**

The effect of the reduction in IRAP rates, recorded among nonrecurring tax gains and not included in the amounts in the above table, can be summarized as follows:

Effect of reduction in IRAP rate	
Deferred tax liabilities	
Accelerated depreciation	4
Revaluation of land	24
	28
Deferred tax assets	
Elimination of unrealized intra-group profits in stock	(2)
Amortization of goodwill	(1)
	(3)
Net effect of reduction in IRAP rate	**25**

On February 3, 2014 a tax audit of the parent company for fiscal year 2011 was started by Tax Authorities. The audit was concluded after 21 days on March 11, 2014. The auditors checked the regular upkeep of accounting records up to the date of the audit and the correct calculation of taxes for financial year 2011, without reporting any exception or violation of tax rules.

19. COMPREHENSIVE INCOME

The Cembre Group chose to adopt IAS 1 Revised providing for the use of a single table to report its comprehensive income. In particular, the economic effects recorded directly under Shareholders' Equity are reported separately and result as an increase or decrease of net profit for the period. At June 30, 2014, the only difference relates to foreign exchange translation differences arising upon consolidation on the translation into euro of the financial statements of companies whose functional currency is not the European currency.

20. EARNINGS PER SHARE (BASIC AND DILUTED)

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

	1st Half 2014	1st Half 2013
Consolidated net profit (€'000)	6,813	5,190
No. of ordinary shares ('000)	17,000	17,000
Basic and diluted earnings per share	**0.40**	**0.31**

21. NET FINANCIAL POSITION

The net financial position of the Group amounted at June 30, 2014 to a surplus of €2,551 thousand, declining on December 31, 2013 due to capital expenditure made in the first six months of the year and the payment of dividends for financial year 2013.

At June 30, 2014, the Group had no outstanding debt involving covenants or negative pledges. Below we include the Net Financial Position of the Group, as provided by Consob in Regulation DEM/6064313 dated July 28, 2006.

		June 30, 2014	Dec. 31, 2013
A	Cash	38	17
B	Bank deposits	4,675	7,522
C	**Cash and equivalents (A+B)**	**4,713**	**7,539**
D	**Financial receivables**	**-**	**-**
E	Current bank debt	(2,162)	(1,647)
F	**Current financial debt (E)**	**(2,162)**	**(1,647)**
I	**Net current financial position (C+D+F)**	**2,551**	**5,892**
J	**Non-current financial debt**	**-**	**-**
K	**Net financial position (I+J)**	**2,551**	**5,892**

22. RELATED PARTIES

The table that follows shows transactions between the parent company and its subsidiaries at June 30, 2014.

	Payables	Receivables	Revenues	Purchases
Cembre Ltd.	1,373	29	5,246	141
Cembre S.a.r.l.	668	2	2,178	5
Cembre España S.L.	583	1	1,718	1
Cembre AS	112	-	208	-
Cembre GmbH	698	4	2,076	27
Cembre Inc.	1,478	1	2,461	91
TOTAL	**4,912**	**37**	**13,887**	**265**

In addition to the transactions shown above, revenues from the charging to subsidiaries of costs incurred in the maintenance of the information system and royalties for the use of the *Cembre* trademark amount to €206 thousand.

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

Among assets leased to Cembre by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Milan, Padua and Bologna sales offices, all of which are owned by company Tha Immobiliare S.p.A., with registered office in Brescia, controlled by Anna Maria Onofri, Giovanni Rosani and Sara Rosani, directors of Cembre S.p.A. Lease payments for the 1st Half of 2014 amounted to €264 thousand. Rent is in line with market conditions. It is in the Company's interest to benefit from the continuity of office space reducing the risk of early termination of leases. At June 30, 2014, all amounts due to Tha Immobiliare had been settled.

Cembre S.p.A. also leased from Montifer S.r.l. a portion of an industrial building adjacent to the Company's main industrial complex and measuring 2,970 square meters. The spouse of Mr. Fabio Fada, independent director of the parent company, is a non-executive director of Montifer S.r.l. Rent for these properties in the 1st Half of 2014 amounted to €49 thousand. Cembre S.p.A. leased the industrial buildings to obtain additional space adjacent to its main industrial complex in order to reorganize and expand its production departments. Cembre terminated this lease effective September 30, 2014 as activities carried out in the buildings are being transferred to those acquired in 2011 whose renovation was completed recently.

Invoices issued for such contracts have been all regularly settled.

Cembre Ltd. leased an industrial building from Borno Ltd., a company controlled by Lysne S.p.A.. Rent for the 1st Half of 2014 amounted to £21 thousand, in line with market conditions.

	1st Half 2014	1st Half 2013	Change
Rent paid to related parties	339	359	(20)

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

Boards' compensation

In the 1st Half of 2014, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	Statutory Auditors	Directors
Emoluments as directors and auditors of the	44	248
Retribution as employees	-	126
Non-monetary benefits	-	8

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

Consistent with its remuneration policy, the Company introduced a variable compensation based on medium- and long-term objectives for its Managing Director. This remuneration will be paid out in 2018 contingent on the achievement of objectives set for financial years 2014-2017 by the Board of Directors, upon proposal of the

Remuneration Committee. The Company prudentially accrued a provision of €25 for the part relating to the 1st Half of 2014.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

Risks connected with the market

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

Interest rate risk

At June 30, 2014 the Group had no loans outstanding with the exception of bank overdrafts to face ordinary liquidity needs.

Currency risk

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

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

As described in the consolidation principles section, financial statements of consolidated companies prepared in currencies other than the euro are translated into euro at the exchange rate published on the Internet site of the *Ufficio Italiano Cambi*.

In the table that follows we report the economic effect of possible fluctuations in exchange rates for main financial figures of consolidated companies operating outside the euro area.

	Currency	Exchange rate fluctuation	Effect on Shareholders' Equity	Effect on sales	Effect on pre-tax profit
Cembre Ltd.	GBP	+5% / -5%	628 / (628)	578 / (578)	88 / (88)
Cembre AS	NOK	+5% / -5%	25 / (25)	22 / (22)	2 / (2)
Cembre Inc.	USD	+5% / -5%	226 / (226)	246 / (246)	21 / (21)

At June 30, 2014, the effect of foreign-exchange transactions is negative by €142 thousand.

Liquidity risk

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

Credit risk

Exposure to credit risk relates exclusively to trade receivables.

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

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

24. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after June 30, 2014.

25. CONSOLIDATED COMPANIES

The consolidation area is unchanged from December 31, 2013.

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at June 30, 2014	Share held at Dec. 31, 2013
Cembre Ltd.	Sutton Coldfield (Birmingham - UK)	£ 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris)	€ 1,071,000	100% (*)	100% (*)
Cembre España SL	Torrejón de Ardoz (Madrid)	€ 2,902,000	100% (*)	100% (*)
Cembre AS	Stokke (Norway)	NOK 2,400,000	100%	100%
Cembre GmbH	Munich (Germany)	€ 1,812,000	100% (*)	100% (*)
Cembre Inc.	Edison (New Jersey , US)	US$ 1,440,000	100%(**)	100%(**)

(*) of which 5% held through Cembre Ltd.

(**) of which 29% held through Cembre Ltd.

Brescia, August 29, 2014

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

Giovanni Rosani

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Cembre

Attestation of the Half-year Condensed Financial Statements

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

The undersigned Giovanni Rosani and Claudio Bornati in their capacity respectively of, Managing Director and Manager responsible for preparing the financial reports of Cembre S.p.A., attest, pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no.58 dated February 24, 1998, as amended and integrated:

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

• the application of

administrative and accounting procedures used in the preparation of the Half-year Condensed Financial Statements for the 1st Half of 2014.

It is furthermore attested that the Half-year Condensed Financial Statements for the 1st Half of 2014:

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

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

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

It is furthermore attested that the Report on Operations contains a reliable analysis of information defined in paragraph 4 of article 154-ter of Legislative Decree no.58, dated February 24, 1998, as amended and integrated.

Brescia, August 29, 2014

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

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders of
CEMBRE SpA

1 We have reviewed the condensed consolidated interim financial statements of CEMBRE SpA and its subsidiaries ("CEMBRE Group") as of 30 June 2014, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement and the explanatory notes. The Directors of CEMBRE SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the Italian Commission for Listed Companies and the Stock Exchange (Consob) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

For the opinion on the consolidated financial statements of the prior period and on the condensed consolidated interim financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 27 March 2014 and 29 August 2013 respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the CEMBRE Group as of 30 June 2014 have not been prepared, in all material respects, in accordance with the international

PricewaterhouseCoopers SpA

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accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Brescia, 29 August 2014

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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