



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

INTERIM REPORT

AT SEPTEMBER 30, 2018

Cembre S.p.A.

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

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

Summary

Corporate Boards and Independent Auditors	2
Group Structure	3
Management Report.....	4
Events subsequent to September 30, 2018.....	9
Outlook	9
Attachment 1	10
Consolidated Income Statement	10
Consolidated Financial Statements at September 30, 2018.....	11
Consolidated Comprehensive Income Statement	11
Consolidated Statement of Financial Position - Assets.....	12
Consolidated Statement of Financial Position – Liabilities and Shareholders’ Equity..	13
Consolidated Statement of Cash Flows	14
Statement of Changes in the Consolidated Shareholders' Equity	15
Notes to the accounts.....	16
Accounting principles, form and content of the Financial Statements, estimates.....	16
Conversion of financial statements of subsidiaries expressed in currencies other than the euro.....	17

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

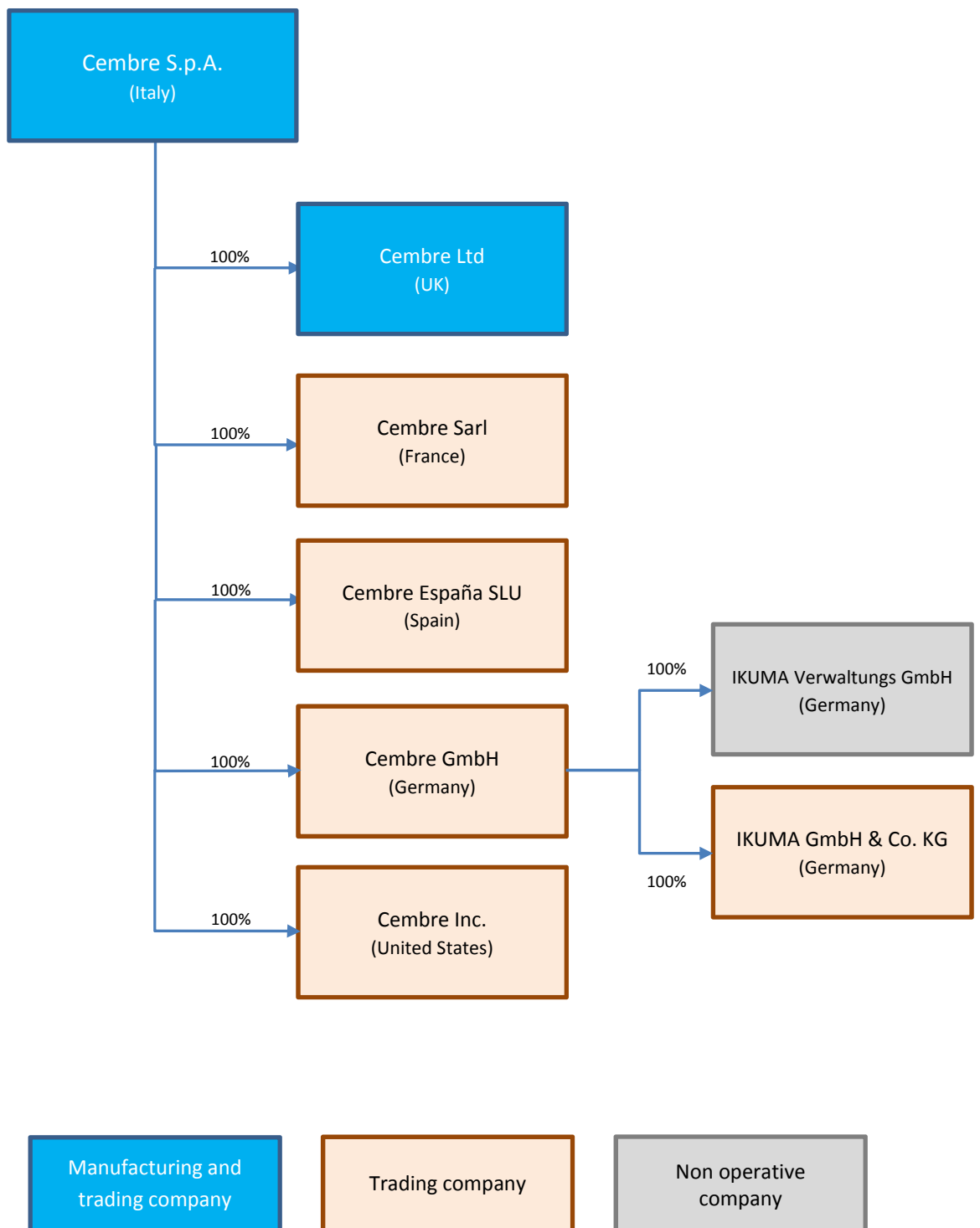
Board of Statutory Auditors

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



Management Report

On May 3rd, 2018, effective May 1st, 2018, wholly-owned German subsidiary Cembre GmbH acquired the entire capital stock of two companies with offices in Weinstadt, near Stuttgart, Germany: IKUMA GmbH & Co. KG (“IKUMA KG”), a company active on the German market in the electrical equipment sector and IKUMA Verwaltungs GmbH, a non-operating company whose only activity is to manage and provide strategic advice to IKUMA KG.

Starting from the date of the acquisition, the two acquired companies were included in the consolidation of the Cembre Group and results for the first nine months of 2018 therefore include those of IKUMA KG and IKUMA Verwaltungs for the five months from their acquisition effective May 1st, 2018. More information is contained in Note 4 – *Acquisitions* of the Half-yearly Report at June 30, 2018.

Results for the first nine months of 2018 are in line with those for the 1st Half of the year, with domestic sales up 10.0% on the first nine months of 2017 from €97,555 thousand to €107,270 thousand in 2018.

In the first nine months of 2018 domestic sales grew by 8.9% on the corresponding period in 2017 to €44.4 million. Sales to other European countries grew by 12.9% to €46.3 million and sales to the rest of the world by 5.0% to €16.6 million.

In the first nine months of 2018, 41.4% of Group sales were represented by Italy (as compared with 41.8% in the first nine months of 2017), 43.1% by the rest of Europe (42.0% in the first nine months of 2017), and the remaining 15.5% by the rest of the World (16.2% in the first nine months of 2017).

Revenues by geographical area

(euro '000)	First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Italy	44,413	40,768	8.9%	36,716	36,632	32,769	28,499	30,549	34,591	29,252
Rest of Europe	46,278	41,001	12.9%	38,848	38,750	37,972	35,625	35,323	33,094	29,578
Rest of the World	16,579	15,786	5.0%	14,954	15,896	12,923	12,573	11,534	9,965	8,638
Total	107,270	97,555	10.0%	90,518	91,278	83,664	76,697	77,406	77,650	67,468

In the first nine months of 2018 the parent company and its foreign subsidiaries – with the exception of the German subsidiary whose sales declined by 7.8% – registered an increase in turnover on the corresponding period in 2018. In this framework, the US subsidiary reported a particularly strong increase in sales, up 21.3% in euro terms (up 30.0% in dollar terms). Sales of newly acquired IKUMA KG for the five months since its acquisition on May 1, 2018 amounted to €3.5 million; net of this contribution consolidated sales increased by 6.4% on the corresponding period in 2018.

Revenues by Group company (net of intragroup sales):

(euro '000)	First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Parent	58,080	54,587	6.4%	50,142	49,924	43,371	38,726	40,612	44,886	38,490
Cembre Ltd. (UK)	13,596	13,209	2.9%	13,633	14,479	15,376	14,295	13,402	10,410	8,823
Cembre S.a.r.l. (F)	7,448	7,215	3.2%	6,899	6,481	6,188	5,853	5,759	5,597	4,638
Cembre España S.L.U. (E)	8,094	7,237	11.8%	5,990	6,217	5,101	4,622	4,548	5,442	6,101
Cembre GmbH (D)	5,918	6,552	-9.7%	5,953	5,869	5,706	5,478	6,285	5,903	4,738
IKUMA KG (D)	3,486	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre Inc. (US)	10,648	8,755	21.6%	7,878	7,553	7,257	7,141	6,026	4,788	3,872
Cembre AS (N) (liquidated in 2016)	-	-	n.a.	23	755	665	582	774	624	806
Total	107,270	97,555	10.0%	90,518	91,278	83,664	76,697	77,406	77,650	67,468

In the first nine months of 2018, Group companies reported the following pre-consolidated results:

(euro '000)	Sales									
	First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Cembre S.p.A.	81,659	76,059	7.4%	70,140	70,016	63,408	56,944	59,309	61,192	52,281
Cembre Ltd. (UK)	15,545	14,119	10.1%	14,719	15,590	16,716	15,530	14,687	12,122	9,904

Cembre S.a.r.l. (F)	7,458	7,221	3.3%	6,925	6,484	6,197	5,903	5,767	5,615	4,643
Cembre España S.L.U. (E)	8,098	7,238	11.9%	5,991	6,233	5,103	4,623	4,910	5,444	6,102
Cembre GmbH (D)	6,091	6,609	-7.8%	6,012	5,978	5,748	5,616	6,300	5,978	4,756
IKUMA Verw. GmbH (D)	133	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	3,487	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre Inc. (USA)	10,654	8,782	21.3%	8,037	7,867	7,376	7,167	6,076	4,795	3,897

	Pre-tax profit									
(euro '000)	First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Cembre S.p.A.	20,360	21,521	-5.4%	16,765	16,595	13,602	8,400	10,775	12,684	10,994
Cembre Ltd. (UK)	1,590	3,611	-56.0%	1,790	2,022	2,416	2,100	1,936	1,513	955
Cembre S.a.r.l. (F)	551	427	29.0%	286	438	278	318	170	350	83
Cembre España S.L.U. (E)	540	996	-45.8%	8	479	246	169	(234)	(162)	171
Cembre GmbH (D)	435	705	-38.3%	432	595	422	433	736	660	420
IKUMA Verw. GmbH (D)	(1)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IKUMA KG (D)	473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cembre Inc. (USA)	1,316	566	132.5%	271	239	677	1,012	423	371	154

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

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

	Currency	Sales									
(euro '000)		First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Cembre Ltd. (UK)	Gbp	13,742	12,329	11.5%	11,820	11,337	13,579	13,234	11,926	10,563	8,491
Cembre Inc. (USA)	Us\$	12,723	9,784	30.0%	8,971	8,767	9,994	9,440	7,782	6,745	5,122

	Currency	Pre-tax profit									
(euro '000)		First nine months 2018	First nine months 2017	Change	First nine months 2016	First nine months 2015	First nine months 2014	First nine months 2013	First nine months 2012	First nine months 2011	First nine months 2010
Cembre Ltd. (UK)	Gbp	1,405	3,153	-55.4%	1,438	1,470	1,961	1,789	1,572	1,319	819
Cembre Inc. (USA)	Us\$	1,572	645	143.7%	303	266	917	1,333	542	521	203

To provide a better understanding of the Company's financial performance for the first nine months of 2018, a Reclassified Consolidated Income Statement for the same period and the corresponding period in 2017 showing percentage changes is enclosed as Attachment 1.

Gross operating profit for the first nine months of 2018 amounted to €26,695 thousand, corresponding to a 24.9% margin on sales, up 5.5% on €25,292 thousand in the first nine months of 2017 (25.9% of sales). The cost of goods sold as a percentage of sales declined slightly in the period while personnel costs as a percentage of sales were stable despite the increase in the average number of employees from 684 in the first nine months of 2017 to 747 in the corresponding period in 2018 (of which 18 are IKUMA KG's employees). The operating profit for the first nine months of 2018 amounted to €21,507 thousand, corresponding to a 20.0% margin on sales, up 4.6 % on €20,564 thousand in the first nine months of 2017 (21.1% of sales).

Profit before taxes for the first nine months of 2018 amounts to €21,536 thousand, representing a 20.1% margin on sales, up 6.7% on the profit before taxes in the first nine months of 2017, amounting to €20,182 thousand and corresponding to a 20.7% margin on sales.

Foreign exchange gains for the period amounted to €50 thousand, as compared to a loss of €454 thousand in the corresponding period in 2017.

Net profit for the first nine months of 2018 grew by 15.2% on the corresponding period in 2017 from €14,416 thousand, representing a 14.8% margin on sales, to €16,606 thousand representing a 15.5% margin on sales. The decrease in the effective income tax rate descended from the application of "Patent Box Regime", whose positive effect on the first nine months of 2018 amounted to €0.9 million. The agreement with tax authorities

for the application of this tax regime was signed December 22, 2017, and thus it is not included in the net profit of the first nine months of 2017.

The table below shows main income results net of non-recurrent components consisting in costs for advice received in the context of the acquisition of IKUMA and the capital gain realized on the sale of the head offices of the Spanish subsidiary.

	First nine months 2018	%	First nine months 2017	%	Change
Sales	107,270	100.0%	97,555	100.0%	10.0%
Gross Operating Profit	27,078	25.2%	24,842	25.5%	9.0%
Net Operating Profit	21,890	20.4%	20,114	20.6%	8.8%
Profit Before Taxes	21,919	20.4%	19,732	20.2%	11.1%

The consolidated net financial position at September 30, 2018 amounted to a surplus of €4.1 million, declining on December 31, 2017. At September 30, 2017, the consolidated net financial position amounted to a surplus of €20.4 million.

	(euro '000)	September 30, 2018	December 31, 2017	September 30, 2017
A	Cash	10	51	23
B	Bank deposits	16,269	20,181	20,340
C	Cash and cash equivalents (A+B)	16,279	20,232	20,363
D	Current bank debt	(10,001)	-	-
E	Current financial debt	(10,001)	-	-
F	Net current financial position (C+D)	6,278	20,232	20,363
G	Non-current bank debt	(2,167)	-	-
H	Non-current financial debt (G)	(2,167)	-	-
I	Net financial position (F+G)	4,111	20,232	20,363

Capital expenditure made by the Group in the first nine months of 2018 amounted to €3.0 million on intangible assets and €12.3 million on plant and machinery. Investment in buildings amounted to €2.9 million, while plant and equipment absorbed €5 million and advances on the purchase of assets amounted to €2.5 million. The increase in intangible assets includes the value of IKUMA KG's customer list, assessed at €2.0 million, and the IKUMA trademark, accounting for €0.5 million.

The Group furthermore recorded a *Goodwill*, amounting to €4.6 thousand, descending from IKUMA KG acquisition.

In the first nine months of 2017 investments had amounted to €9.3 million.

Events subsequent to September 30, 2018

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

Outlook

Cembre expects to close the 2018 financial year reporting a consistent growth in turnover on 2017 – thanks also to the contribution in terms of sales of newly acquired company IKUMA KG – in addition to a growth in margins.

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

Consolidated Income Statement

	First nine months 2018	%	First nine months 2017	%	Change	3 rd Qtr. 2018	%	3 rd Qtr. 2017	%	Change
(€ '000)										
Revenues from sales and services provided	107,270	100.0%	97,555	100.0%	10.0%	33,975	100.0%	30,959	100.0%	9.7%
Other revenues	549		371		48.0%	308		118		161.0%
Other non-recurring revenues	-		502					502		
Total Revenues	107,819		98,428		9.5%	34,283		31,579		8.6%
Cost of goods and merchandise	(43,301)	-40.4%	(34,759)	-35.6%	24.6%	(13,627)	-40.1%	(10,767)	-34.8%	26.6%
Change in inventories	8,329	7.8%	2,657	2.7%	213.5%	1,864	5.5%	29	0.1%	
Cost of services received	(14,071)	-13.1%	(12,355)	-12.7%	13.9%	(4,495)	-13.2%	(3,800)	-12.3%	18.3%
Costs for non-recurring services	(383)	-0.4%	(52)	-0.1%		25	0.1%	(52)	-0.2%	-148.1%
Lease and rental costs	(1,246)	-1.2%	(1,186)	-1.2%	5.1%	(445)	-1.3%	(392)	-1.3%	13.5%
Personnel costs	(30,017)	-28.0%	(27,361)	-28.0%	9.7%	(9,657)	-28.4%	(8,665)	-28.0%	11.4%
Other operating costs	(1,078)	-1.0%	(849)	-0.9%	27.0%	(349)	-1.0%	(268)	-0.9%	30.2%
Capitalized internal construction costs	734	0.7%	816	0.8%	-10.0%	219	0.6%	233	0.8%	-6.0%
Write-down of receivables	(74)	-0.1%	(34)	0.0%	117.6%	24	0.1%	63	0.2%	-61.9%
Accruals to provisions for risks and charges	(17)	0.0%	(13)	0.0%	30.8%	(6)	0.0%	(4)	0.0%	50.0%
Gross Operating Profit	26,695	24.9%	25,292	25.9%	5.5%	7,836	23.1%	7,956	25.7%	-1.5%
Property, plant and equip. depreciation	(4,645)	-4.3%	(4,301)	-4.4%	8.0%	(1,605)	-4.7%	(1,465)	-4.7%	9.6%
Intangible asset amortization	(543)	-0.5%	(427)	-0.4%	27.2%	(216)	-0.6%	(154)	-0.5%	40.3%
Operating Profit	21,507	20.0%	20,564	21.1%	4.6%	6,015	17.7%	6,337	20.5%	-5.1%
Financial Income	5	0.0%	76	0.1%	-93.4%	2	0.0%	3	0.0%	-33.3%
Financial expense	(26)	0.0%	(4)	0.0%	550.0%	(2)	0.0%	-	0.0%	
Foreign exchange gains (losses)	50	0.0%	(454)	-0.5%	-111.0%	100	0.3%	(380)	-1.2%	-126.3%
Profit Before Taxes	21,536	20.1%	20,182	20.7%	6.7%	6,115	18.0%	5,960	19.3%	2.6%
Income taxes	(4,930)	-4.6%	(5,766)	-5.9%	-14.5%	(1,208)	-3.6%	(1,694)	-5.5%	-28.7%
Net Profit	16,606	15.5%	14,416	14.8%	15.2%	4,907	14.4%	4,266	13.8%	15.0%

Consolidated Financial Statements at September 30, 2018

Consolidated Comprehensive Income Statement

	First nine months 2018	First nine months 2017
<i>(euro '000)</i>		
Revenues from sales and services provided	107,270	97,555
Other revenues	549	371
Other non-recurring revenues	-	502
Total Revenues	107,819	98,428
Cost of goods and merchandise	(43,301)	(34,759)
Change in inventories	8,329	2,657
Cost of services received	(14,071)	(12,355)
Costs for non-recurring services	(383)	(52)
Lease and rental costs	(1,246)	(1,186)
Personnel costs	(30,017)	(27,361)
Other operating costs	(1,078)	(849)
Capitalized internal construction costs	734	816
Write-down of receivables	(74)	(34)
Accruals to provisions for risks and charges	(17)	(13)
Gross Operating Profit	26,695	25,292
Property, plant and equipment depreciation	(4,645)	(4,301)
Intangible asset amortization	(543)	(427)
Operating Profit	21,507	20,564
Financial income	5	76
Financial expenses	(26)	(4)
Foreign exchange gains (losses)	50	(454)
Profit Before Taxes	21,536	20,182
Income taxes	(4,930)	(5,766)
Net Profit	16,606	14,416
Elements that could be charged to the income statement		
Conversion difference reserves	284	(734)
Comprehensive Income	16,890	13,682

Consolidated Statement of Financial Position - Assets

ASSETS	Sept. 30, 2018	Sept. 30, 2017
<i>(euro '000)</i>		
NON-CURRENT ASSETS		
Plant and equipment	79,696	72,082
Investment property	1,085	1,126
Intangible assets	4,359	1,867
Goodwill	4,615	-
Other investments	10	10
Other non-current assets	1,523	41
Deferred tax assets	2,473	2,294
TOTAL NON-CURRENT ASSETS	93,761	77,420
CURRENT ASSETS		
Inventories	52,305	41,673
Trade receivables	27,068	26,520
Tax receivables	3,319	4,299
Other receivables	1,849	465
Cash and cash equivalents	16,279	20,232
TOTAL CURRENT ASSETS	100,820	93,189
NON-CURRENT ASSETS HELD FOR DISPOSAL	-	-
TOTAL ASSETS	194,581	170,609

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

LIABILITIES AND SHAREHOLDERS' EQUITY	Sept. 30, 2018	Dec. 31, 2017
<i>(euro '000)</i>		
SHAREHOLDERS' EQUITY		
Capital stock	8,840	8,840
Reserves	121,266	111,508
Net profit	16,606	22,727
TOTAL SHAREHOLDERS' EQUITY	146,712	143,075
NON-CURRENT LIABILITIES		
Non-current financial liabilities	2,167	-
Other non-current debt	1,480	-
Employee Severance Indemnity and other personnel benefits	2,634	2,664
Provisions for risks and charges	643	448
Deferred tax liabilities	2,852	2,047
TOTAL NON-CURRENT LIABILITIES	9,776	5,159
CURRENT LIABILITIES		
Financial liabilities on derivatives	10,001	-
Trade payables	14,791	14,581
Tax payables	3,558	268
Other payables	9,743	7,526
TOTAL CURRENT LIABILITIES	38,093	22,375
LIABILITIES ON ASSETS HELD FOR DISPOSAL	-	-
TOTAL LIABILITIES	47,869	27,534
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	194,581	170,609

Consolidated Statement of Cash Flows

	First nine months 2018	First nine months 2017
<i>(euro '000)</i>		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,232	26,709
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	16,606	14,416
Depreciation, amortization and write-downs	5,200	4,729
(Gains)/Losses on disposal of assets	(5)	(532)
Net change in Employee Termination Indemnity	(30)	12
Net change in provisions for risks and charges	195	164
Operating profit (loss) before change in working capital	21,966	18,789
(Increase) Decrease in trade receivables	(548)	(12)
(Increase) Decrease in inventories	(10,632)	(2,012)
(Increase) Decrease in other receivables and deferred tax assets	(583)	1,061
Increase (Decrease) of trade payables	(1,136)	(3,516)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	6,312	3,469
Change in working capital	(6,587)	(1,010)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	15,379	17,779
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(3,035)	(826)
- tangible	(12,336)	(8,468)
- goodwill	(4,615)	-
Proceeds from disposal of tangible, intangible, available-for-sale financial assets:		
- tangible	120	757
Increase (Decrease) of trade payables for assets	1,346	(385)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	(18,520)	(8,922)
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non-current assets	(2)	(1)
Increase (Decrease) in bank debt	12,168	-
(Increase) Decrease in liabilities for currency hedging instruments	-	(43)
Change in reserves on purchase of shares	120	(2,992)
Dividends distributed	(13,373)	(11,834)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	(1,087)	(14,870)
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	(4,228)	(6,013)
F) Foreign exchange conversion differences	275	(333)
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E+F+G+H)	16,279	20,363
of which: assets held for disposal	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,279	20,363
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16,279	20,363
Current financial liabilities	(10,001)	-
Liabilities for currency hedging instruments	(2,167)	-
NET CONSOLIDATED FINANCIAL POSITION	4,111	20,363
INTEREST EXPENSE FOR THE PERIOD	4	-
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	10	23
Current accounts	16,269	20,340
	16,279	20,363

Statement of Changes in the Consolidated Shareholders' Equity

(€'000)	Balance at December 31, 2017	Allocation of previous year's net profit	Other changes	Comprehensive Income for the period	Balance at September 30, 2018
Capital stock	8,840				8,840
Share premium reserve	12,245				12,245
Legal Reserve	1,768				1,768
Reserve for own shares held	(5,403)		120		(5,283)
Suspended-tax reserves	585				585
Other suspended-tax reserves	68				68
Other reserves	23,934	(1,719)		519	22,734
Conversion differences	(2,126)			(235)	(2,361)
Extraordinary reserve	72,283	11,073			83,356
First time application of IFRS reserve	3,715				3,715
Discounting of employee termination indemnities	42				42
Merger differences	4,397				4,397
Retained earnings	-				-
Net profit	22,727	(22,727)		16,606	16,606
Total Shareholders' Equity	143,075	(13,373)	120	16,890	146,712

(€'000)	Balance at December 31, 2016	Allocation of previous year's net profit	Other changes	Comprehensive Income for the period	Balance at September 30, 2017
Capital stock	8,840				8,840
Share premium reserve	12,245				12,245
Legal Reserve	1,768				1,768
Reserve for Treasury Shares	(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 application of IFRS reserve	3,715				3,715
Discounting of employee termination indemnities	4		9	29	42
Merger differences	4,397				4,397
Retained earnings	-				-
Net profit	16,927	(16,927)		22,727	22,727
Total Shareholders' Equity	137,627	(11,834)	(4,540)	21,822	143,075

Notes to the accounts

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

The present Interim Report at September 30, 2018 was prepared in compliance with article 2.2.3, comma 3 of the Listed Companies Code and aims at providing a general description of the financial position of and the economic performance of the Company and its subsidiaries in the period, in addition to reporting important events occurred and operations carried out and their effect on the financial position of the Company and its subsidiaries.

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) and are consistent with those adopted in the preparation of the Consolidated Financial Statements at December 31, 2017.

The Consolidated Financial Statements are based on the Statutory Accounts of Cembre S.p.A. (parent company) at September 30, 2018, and those of the following companies at the same date:

	Share owned by the Group September 30, 2018	Share owned by the Group September 30, 2017
Cembre Ltd. (UK)	100%	100%
Cembre S.a.r.l. (France)	100%	100%
Cembre España S.L.U. (Spain)	100%	100%
Cembre GmbH* (Germany)	100%	100%
Cembre Inc.**(US)	100%	100%
IKUMA GmbH & Co. KG (Germany)	100%*	-
IKUMA Verwaltungs GmbH (Germany)	100%*	-

(*) held though Cembre GmbH

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

The scope of consolidation has changed both with respect to September 30, 2017 and December 31, 2017 as a result of the acquisition by the German subsidiary of the entire capital stock of IKUMA GmbH & Co. KG and IKUMA Verwaltungs GmbH, both with headquarters in Weinstadt, near Stuttgart, Germany.

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

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 September 30, 2018	Average exchange rate for 2018
British pound (£/€)	0.8873	0.8841
US dollar (\$/€)	1.1576	1.1942

Brescia, November 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 updatings

Re: 2018 third 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 third Quarter Interim Report corresponds to the document results, books and accounting records.

Brescia, November 14, 2018

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



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