Cembre

COSTRUZIONI ELETTROMECCANICHE BRESCIANE

2013 ANNUAL 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)

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Report on Operations for Financial Year 2013

Operating Review

In 2013 the economy performed in line with the trend set in the previous year, with a slow performance in the first six months followed by a decidedly better performance in the second part of the year.

The domestic market continued to contract causing domestic sales to decline further while exports, particularly outside Europe, grew consistently, allowing the Group to close the year reporting a 0.6% increase in consolidated sales, with revenues growing from €103.9 million in 2012 to €104 million in 2013.

The new automated warehouse at the Company’s main complex came into full operation, allowing to reduce significantly order fulfillment times. In addition, in the framework of an overall streamlining of the production process, cable marking departments were transferred from the Calcinate (Bergamo) manufacturing complex to Cembre’s main industrial complex in Brescia.

In 2013 domestic sales declined by 4.5% while exports grew by 4%, with an increase in European sales other than Italy of 2.4%, and an 8.5% increase in the rest of the world.

A total of 37.5% of Group sales in 2013 were represented by Italy (as compared with 39.5% in 2012), 45.9% by the rest of Europe (45.1% in 2012), and the remaining 16.6% by the rest of the World (15.4% in 2012).

Sales by geographical area

(€’000)	**2013**	**2012**	**Change**	**2011**	**2010**	**2009**	**2008**
Italy	39,252	41,096	-4.5%	44,834	41,450	30,783	41,100
Rest of Europe	47,980	46,837	2.4%	43,857	40,284	35,694	42,249
Rest of the World	17,315	15,966	8.5%	14,337	12,200	9,507	10,939
Total	**104,547**	**103,899**	**0.6%**	**103,028**	**93,934**	**75,984**	**94,288**

Revenues by Group company (net of intragroup sales)

(€'000)	2013	2012	Change	2011	2010	2009	2008
Parent company	53,814	54,861	-1.9%	58,834	54,279	40,740	52,422
Cembre Ltd. (UK)	19,390	17,535	10.6%	13,920	11,845	10,626	12,374
Cembre S.a.r.l. (F)	7,763	7,615	1.9%	7,606	6,407	6,224	6,477
Cembre España S.L. (E)	6,139	6,363	-3.5%	7,151	8,309	7,681	11,518
Cembre GmbH (D)	7,238	8,201	-11.7%	7,815	6,368	5,264	5,358
Cembre AS (NOR)	791	985	-19.7%	859	1,014	713	762
Cembre Inc. (USA)	9,412	8,339	12.9%	6,843	5,712	4,736	5,377
Total	**104,547**	**103,899**	**0.6%**	**103,028**	**93,934**	**75,984**	**94,288**

In 2013, Group companies reported the following results, before the consolidation:

	Sales					
(€'000)	2013	2012	2011	2010	2009	2008
Parent company	78,100	79,487	80,777	72,986	56,546	75,461
Cembre Ltd. (UK)	20,914	19,193	16,093	13,356	11,807	13,727
Cembre S.a.r.l. (F)	7,815	7,623	7,634	6,413	6,255	6,511
Cembre España S.L. (E)	6,145	6,727	7,155	8,309	7,683	11,518
Cembre GmbH (D)	7,388	8,235	7,981	6,390	5,319	5,369
Cembre AS (NOR)	798	1,004	893	1,014	713	767
Cembre Inc. (USA)	9,456	8,389	6,856	5,744	4,810	5,383

	Net profit					
(€'000)	2013	2012	2011	2010	2009	2008
Cembre S.p.A.	8,676	9,918	10,226	9,870	4,762	9,306
Cembre Ltd. (UK)	2,308	1,794	1,266	883	895	632
Cembre S.a.r.l. (F)	171	113	100	63	379	289
Cembre España S.L. (E)	230	(67)	(120)	273	516	770
Cembre GmbH (D)	289	664	621	364	255	302
Cembre AS (NOR)	11	76	22	157	84	114
Cembre Inc. (USA)	804	494	320	224	186	337

Sales and net profit of the parent company for previous years 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 translation, we include below sales figures of companies operating outside the euro area in the respective currency.

	Currency	Sales		Net profit	
(€'000)		2013	2012	2013	2012
Cembre Ltd. (UK)	Gbp	17,761	15,563	1,960	1,455
Cembre AS (NOR)	Nok	6,231	7,508	82	567
Cembre Inc. (USA)	Us$	12,559	10,778	1,067	635

To provide a better understanding of the Company's financial performance for 2013, a Reclassified Consolidated Income Statement for the years ended December 31, 2013 and 2012 showing percentage changes is enclosed as Attachment 1.

Gross operating profit for 2013 amounted to €20,407 thousand, representing a 19.5% margin on sales, up 1.5% on 2012 when it amounted to €20,108 thousand, representing a 19.4% margin on sales. In the year, the cost of goods sold as a percentage of total sales increased slightly, while the cost of services declined slightly. Personnel costs remained stable in terms of percentage of sales, as the workforce increased from 606 in 2012 to 612 in 2013.

Consolidated operating profit for 2013 amounted to €15,838 thousand, representing a 15.1% margin on sales, down 3.8% on €16,456 thousand in 2012, when it represented a 15.8% margin on sales. The decline was due to the increase in depreciation charges of property, plant and equipment resulting from capital investments made by the parent in the past two years, amounting to €20.6 million.

Consolidated profit before taxes amounted in 2013 to €15,585 thousand, representing a 14.9% margin on sales, down 4.1% on €16,245 thousand in 2012, when it represented a 15.6% margin on sales.

Consolidated net profit for the year amounted to €10,503 thousand, representing a 10% margin on sales, down 8.7% on 2012, when it amounted to €11,507 thousand and represented an 11.1% margin on sales. Net profit for 2012 had been positively affected by the recording of a €695 thousand non recurrent tax gain deriving from the deduction from taxable income of IRAP (tax on productive activities) on personnel costs for years 2007-2011 (pursuant to article 2, comma1-quarter, Law Decree no. 201/2011).

The net financial position improved from a surplus of €0.6 million at December 31, 2012 to a surplus of €5.9 million at the end of December 2013 due to the lower capital expenditure made in 2013 with respect to the previous year. Further detail is provided in the notes.

Capital expenditure

In 2013 capital expenditure on property, plant and equipment, gross of depreciation and disposals, amounted to €7.4 million, down from €13.2 million in 2012.

Among investments made in the year are costs to bring the new automated warehouse into operation and the renovation of the industrial site acquired in 2011, amounting to a total of €2.7 million, in addition to new machinery acquired by the parent for €1.7 million. Further detail is provided in the notes.

Results of the parent company

Results of the parent company for 2013 and 2012 are shown in the table below.

(€'000)	2013	% of sales	2012 Restated	% of sales	% change	2012
Sales	78,100	100	79,487	100	(1.7%)	79,368
Gross operating profit	14,175	18.1	15,416	19.4	(8.1%)	13,703
Operating profit	10,344	13.2	12,490	15.7	(17.2%)	10,927
Pre-tax profit	12,270	15.7	13,512	17.0	(9.2%)	12,060
Net profit	8,676	11.1	9,918	12.5	(12.5%)	8,909

Figures for 2012 were restated for comparative purposes to keep into account changes in IAS 19 and the effect of the merger of subsidiary General Marking with the parent as if these changes had applied from January 1, 2012.

Sales revenues declined by 1.7% from €79,487 thousand in 2012 to €78,100 thousand in 2013. Domestic sales declined by 4.5%, while sales in other European countries posted a 3.9% increase, and sales in the rest of the World a 3.9% decline.

(€'000)	2013	2012 Restated	% change	2012
Italy	39,252	41,096	(4.5%)	40,977
Rest of Europe	26,026	25,042	3.9%	25,042
Rest of the World	12,822	13,349	(3.9%)	13,349
Total	**78,100**	**79,487**	**(1.7%)**	**79,368**

In 2013 Cembre S.p.A. received €2,119 thousand in dividends from its subsidiaries.

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.

Reclassified Consolidated Statement of Financial Position

	(€'000)	Dec. 31, 2013	Dec. 31, 2012
	Trade receivables, net	24,854	25,098
	Inventories	36,758	36,815
	Other non-financial assets	2,185	3,959
	Trade payables	(12,779)	(14,864)
	Other non-financial liabilities	(7,182)	(6,369)
A)	**Net current assets (working capital)**	**43,836**	**44,639**
	Property, plant and equipment	61,602	59,157
	Intangible assets	1,153	942
	Prepaid taxes	1,937	1,890
	Other non-current assets	15	18
B)	**Net non-current assets**	**64,707**	**62,007**
C)	**Non-current assets available for sale**	-	-
D)	**Employee termination indemnity**	**2,438**	**2,431**
E)	**Provisions for risks and charges**	**79**	**81**

F)	**Deferred taxes**	**2,426**	**2,698**
G)	**Net capital employed (A+B+C-D-E-F)**	**103,600**	**101,436**
	Sources of funds:		
H)	**Shareholders' Equity**	**109,492**	**102,056**
	Cash and short-term financial receivables	(7,539)	(4,839)
	Short-term financial debt	1,647	4,219
I)	**Net debt/(surplus)**	**(5,892)**	**(620)**
J)	**Total sources of funds (H+I)**	**103,600**	**101,436**

Shareholders' Equity

Consolidation adjustments determined the following differences between the Financial Statements of the parent company at December 31, 2013 and the consolidated accounts at the same date:

(€'000)	**Shareholders' Equity**	**Net Profit**
Parent company's financial statements	**91,530**	**8,676**
Book value of consolidated companies	20,832	3,811
Elimination of intra-group profits included in the value of inventories (*)	(2,891)	239
Currency translation differences from elimination of intragroup amounts	3	17
German subsidiary product warranty provision reversal (*)	21	1
Intragroup reconciliations	-	2
Netting of intragroup dividends (**)	-	(2,242)
Netting of intragroup capital gains	(3)	(1)
Consolidated Financial Statements	**109,492**	**10,503**

(*) Net of the related tax effect

(**) Includes currency translation differences amounting to €18 thousand.

Revaluation of property, plant and equipment

In compliance with article 10 of Law 72/1983, a list of property, plant and equipment recorded in the Balance Sheet at December 31, 2013 and revalued in the year is provided below:

(€)	***Law 576/75***	***Law 72/83***	***Law 413/91***	***Total***
Land and buildings	-	248,220	687,441	935,661
Plant and machinery	227	76,334	-	76,561
Other assets	43	2,862	-	2,905
Total	**271**	**327,416**	**687,441**	**1,015,127**

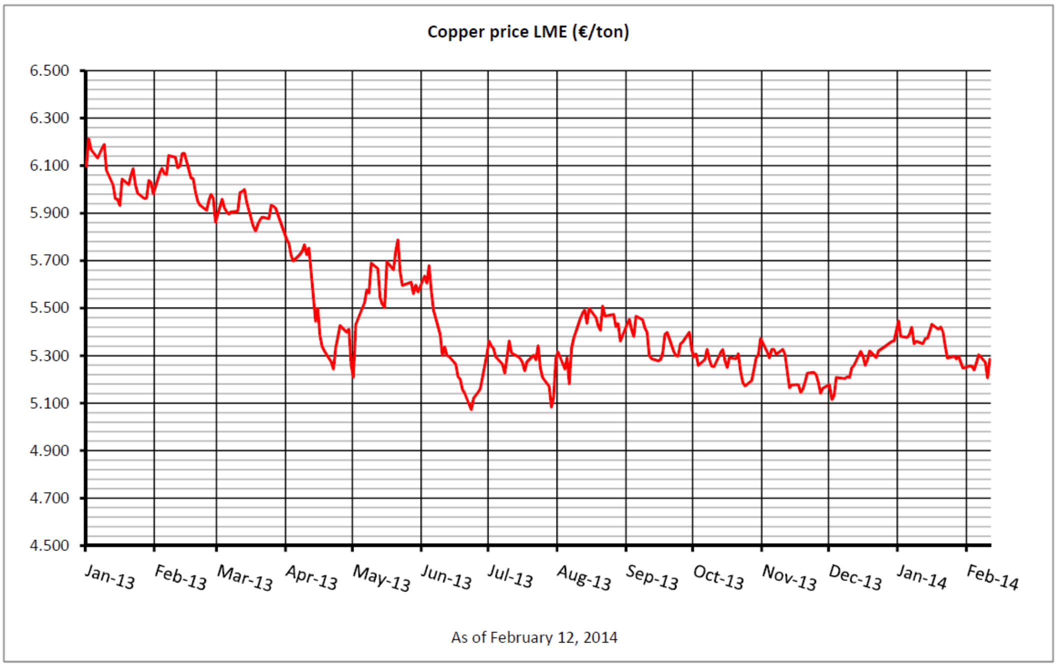
Main risks and uncertainties

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.

In 2013 the world economy continued to grow at a moderate pace, though the recovery proved particularly fragile in Europe. This weakness reflected on consumer prices and the level of public and private debt. Thanks to a recovery in exports, in the 3rd Quarter of 2013 the Italian GDP reversed its downward trend, registering a slight growth in the last months of the year. Strong differences remain however in the performance of individual companies, with a good outlook for exporters and a negative one for small companies, affected also by the lag with which the improved conditions on the financial markets reflect on credit availability.

Projections of the Bank of Italy for the Italian economy in 2014 point to a growth of 0.7% with an acceleration to 1% in 2015. The recovery would be pulled by exports, while conditions on the credit and labor market are expected to remain difficult.



In 2013 the price of copper remained considerably under the average price for 2012, reaching its maximum between January and February, thus declining to its minimum point in June and remaining stable at around the average for 2013 in the second half of the year and the beginning of 2014.

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, 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 December 31, 2013 Cembre Group had 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 in 2008 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.

Ratios

To provide a better understanding of results of the Group, we provide below the value of some ratios commonly used in financial statement analysis.

Financial ratios

		Dec. 31, 2013	Dec. 31, 2012
ROE	Return on Equity	0.10	0.11
ROS	Return on Sales	0.15	0.16
ROI	Return on Investment	0.12	0.12

ROE (Return on Equity): is the ratio between net profit and Shareholders' Equity. It is an index of the profitability of capital invested, used to compare the investment in the company with investments of a different nature on a yield basis.

ROS (Return on Sales): is calculated as the ratio between operating profit and net revenues. It indicates profitability as a proportion of revenues, or the ability to generate profit from operations.

ROI (Return on Investment): is the ratio between capital employed (total assets net of investments in non-operating assets, which for the Group do not exist). It indicates the ability of the company to generate profits through operating activities.

Liquidity ratios

		Dec. 31, 2013	Dec. 31, 2012
CR	Current Ratio	3.3	2.78
LR	Liquidity Ratio	1.6	1.33

CR: it is computed by dividing current assets by current liabilities. It indicates the ability of the company to face current liabilities with current assets. A value above 2 signals an optimal situation.

LR: it is computed by dividing the sum of current and deferred liquidity by current liabilities, and is used to assess the firm's ability to pay off current liabilities. A value between 1 and 2 signals an ideal liquidity position.

Debt management ratios

		Dec. 31, 2013	Dec. 31, 2012
CI	Equity to fixed assets ratio	1.67	1.7
LEV	Leverage (Gearing)	1.3	1.3
IN	Debt ratio	20.2%	23.1%

CI: it is computed by dividing Shareholders' Equity by Fixed Assets and it indicates the ability of the company's equity to cover its investment needs. A value above 1 signals an optimal situation.

LEV (Leverage): it is computed by dividing capital employed by the Shareholders' Equity and it represents the degree of debt of the company. The higher the ratio, the higher the riskiness of the company. A value between 1 and 2 represents equilibrium in the sources of funds.

IN: it is computed by dividing the sum of current and non-current liabilities by capital employed and it indicates the percentage share of funds provided by third parties in financing the company. A value below 50% indicates an adequate financial structure.

Research & Development

R&D activities carried out resulted in personnel costs amounting respectively to €389 thousand for research, and €256 thousand for development. Research costs were expensed in the year, while development costs were capitalized among intangibles. R&D outsourcing costs amounted in the year to €65 thousand.

Cable terminals

Requests from the market led to the study of 21 new products meeting specific customer needs, 13 of which entered the production process and for which tools for their manufacturing were designed and made.

Railroad equipment

The development of a new drill for drilling wooden sleepers with a reversible rotation of the drill was completed. The new feature allows to extract the point from the hole in case it is blocked without having to recur to dismounting the drill to extract the point using other tools.

The development of tools and accessories for cutting, drilling and fastening rails to sleepers continued.

The production of a series of cutters for the drilling of sleepers that may be mounted on Cembre's drills – entirely designed and manufactured by Cembre – was started. These new cutters, featuring cutting angles studied specifically to optimize results in the drilling of the sleeper, are coated with Titanium Nitride that gives them a better performance in terms of holes drilled than the current version.

Tools

A new 18v version of the B54 torch tool for the US market using a model of Lithium Ion batteries widespread in this market entered production.

Shearing blades for the shearing of steel cables to be used with the above B54 battery operated torch tool for the US market were developed.

The pre-series of a new family of battery operated compression and shearing tools entered production. These products, that have led to the deposit of an international patent, possess innovative features that make them unique:

- they feature a display that provides information to the user, among which the correct execution of the compression of the cable, the number of cycles carried out and those remaining before maintenance;
- they make use of a new compressor system (patented) which, together with the new 18v battery and the Lithium Ions with 4Ah of capacity, allow unrivalled speed of execution and an autonomy;
- thanks to the advanced ergonomic design and the use of hard and soft materials in the lining, the tools are particularly well balanced and comfortable to handle, robust and resistant to shocks;

The new gun-shaped tool will be used as a guideline for the renovation of the whole range of gun-shaped tools.

Cable marking

A high number of new products in the sector were developed. A total of 47 new flat labels for the marking of cable terminals, cables and electric boxes were developed, and 36 of them, with the related production tools, became new codes.

Seven new labels for cable terminals were added and the related dies for their manufacturing were made.

Related parties

Transactions concluded between the parent company and its subsidiaries in 2013 were exclusively of a commercial nature and are summarized in the table below:

(€)	Receivables	Payables	Revenues	Purchases
Cembre Ltd.	1,479,658	11,805	8,685,618	145,193
Cembre S.a.r.l.	321,058	2,209	3,647,777	42,675
Cembre España S.L.	437,971	3,921	3,006,767	4,306
Cembre AS	1,500	6,479	365,577	6,479
Cembre Inc.	1,786,388	5,689	5,183,382	33,584
Cembre GmbH	452,145	80	3,827,244	149,782
TOTAL	**4,478,720**	**30,183**	**24,716,365**	**382,019**

Revenues include, in addition to those from the sale of products, charges made to subsidiaries for costs relating to information system maintenance and royalties for the use of the Cembre trademark, totaling €404 thousand.

Cembre S.p.A. also leases property for a cumulative annual rent of €526 thousand 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.

Cembre S.p.A. also leases 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 in 2013 amounted to €97 thousand. Cembre S.p.A. leased the industrial buildings to obtain additional space adjacent to its main industrial complex in order to reorganize and enhance its production departments.

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

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A., for an annual rent of £42 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 2013, 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 December 31, 2013.

On February 3, 2014 Tax Authorities began an audit at the parent company's main office relating to fiscal year 2011. The audit was concluded after 21 days of presence of tax officials on the premises on March 11, 2014.

Auditors checked the regular upkeep of accounting records up to the date of the audit and the correct calculation of taxes payable for 2011. No fiscally relevant issues have emerged and no violation was recorded.

Outlook

Making 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.

The Group forecasts its key markets to improve slightly on 2013, with slowly recovering sales in Italy and a growth in exports. Cembre therefore expects to close 2014 achieving an increase in turnover and a consolidated profit.

Proposal for the Allocation of the Company's Net Profit

In order to complete the Company's planned investments and to benefit from self-financed growth, it is advisable that at least a portion of net profit generated be retained. In seeking the approval for our actions by submitting to you the present Financial Statements and Report on Operations, we also invite you, in view of the fact that the legal reserve has already reached 20% of the share capital, to approve our proposed allocation of net profit for 2013, amounting to €8,676,087.75 (rounded off to €8,676,088) as follows:

- €0.26 to be distributed to each of the Company's 17,000,000 shares entitled to dividends, for a total of €4,420,000;
- the remainder, amounting to €4,256,087.75, to the extraordinary reserve.

With regard to the distribution of dividends we propose the following dates:

- May 19, 2014 as the ex-dividend date;

- May 21, 2014 as the record date pursuant to article 83-terdecies of *TUF* (Finance Act);
- May 22, 2014 as the payment date

Attachments

The present Report on Operations includes the following attachments:

Attachment 1 Reclassified Consolidated Income Statement for the year ended December 31, 2013.

Attachment 2 Company Boards.

Brescia, March 12, 2014

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

Giovanni Rosani

Attachment 1 - Report on Operation

Comparative Consolidated Income Statement

(€'000)	2013	% of sales	2012 Restated*	% of sales	Change
Revenues from sales and services provided	104.547	100,0%	103.899	100,0%	0,6%
Other revenues	729		720		1,3%
TOTAL REVENUES	**105.276**		**104.619**		0,6%
Cost of goods and merchandise	(38.516)	-36,8%	(37.223)	-35,8%	3,5%
Change in inventories	285	0,3%	(248)	-0,2%	-214,9%
Cost of services received	(13.882)	-13,3%	(14.333)	-13,8%	-3,1%
Lease and rental costs	(1.359)	-1,3%	(1.359)	-1,3%	0,0%
Personnel costs	(30.759)	-29,4%	(30.263)	-29,1%	1,6%
Other operating costs	(997)	-1,0%	(1.163)	-1,1%	-14,3%
Increase in assets due to internal construction	782	0,7%	524	0,5%	49,2%
Write-down of receivables	(415)	-0,4%	(437)	-0,4%	-5,0%
Accruals to provisions for risks and charges	(8)	0,0%	(9)	0,0%	-11,1%
GROSS OPERATING PROFIT	**20.407**	19,5%	**20.108**	19,4%	1,5%
Property, plant and equipment depreciation	(4.206)	-4,0%	(3.277)	-3,2%	28,3%
Intangible asset amortization	(363)	-0,3%	(375)	-0,4%	-3,2%
OPERATING PROFIT	**15.838**	15,1%	**16.456**	15,8%	-3,8%
Financial income	16	0,0%	58	0,1%	-72,4%
Financial expenses	(163)	-0,2%	(236)	-0,2%	-30,9%
Foreign exchange gains (losses)	(106)	-0,1%	(33)	0,0%	221,2%
PROFIT BEFORE TAXES	**15.585**	14,9%	**16.245**	15,6%	-4,1%
Taxes from non recurring operations	-	0,0%	695	0,7%	
Income taxes	(5.082)	-4,9%	(5.433)	-5,2%	-6,5%
NET PROFIT	**10.503**	10,0%	**11.507**	11,1%	-8,7%

*Some of the amounts do not correspond to those previously published in the Financial Statements at December 31, 2012 due to the changes to IAS 19.

Attachment 2 – Report on Operations

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 March 12, 2014.

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.

Consolidated Financial Statements at December 31, 2013

Consolidated Statement of Financial Position

ASSETS	Notes	Dec. 31, 2013		Dec. 31, 2012 Restated*	
(euro '000)			*of which: related parties*		*of which: related parties*
NON CURRENT ASSETS					
Tangible assets	***1***	61.602		59.157	
Intangible assets	***2***	1.153		942	
Other investments		5		5	
Other non-current assets		10		13	
Deferred tax assets	***11***	1.937		1.890	
TOTAL NON-CURRENT ASSETS		**64.707**		**62.007**	
CURRENT ASSETS					
Inventories	***3***	36.758		36.815	
Trade receivables	***4***	24.854		25.098	
Tax receivables	***5***	807		1.512	
Other receivables	***6***	1.378		2.447	
Cash and cash equivalents		7.539		4.839	
TOTAL CURRENT ASSETS		**71.336**		**70.711**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		**-**		**-**	
TOTAL ASSETS		**136.043**		**132.718**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2013		Dec. 31, 2012 Restated*	
(euro '000)			*of which: related parties*		*of which: related parties*
SHAREHOLDERS' EQUITY					
Capital stock	***7***	8.840		8.840	
Reserves	***7***	90.149		81.709	
Net profit		10.503		11.507	
TOTAL SHAREHOLDERS' EQUITY		**109.492**		**102.056**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities		-		-	
Employee Severance Indemnity and other personnel benefits	***9***	2.438	153	2.431	145
Provisions for risks and charges	***10***	79		81	
Deferred tax liabilities	***11***	2.426		2.698	
TOTAL NON-CURRENT LIABILITIES		**4.943**		**5.210**	
CURRENT LIABILITIES					
Current financial liabilities	***8***	1.647		4.219	
Trade payables	***12***	12.779		14.864	
Tax payables		720		422	
Other payables	***13***	6.462		5.947	
TOTAL CURRENT LIABILITIES		**21.608**		**25.452**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		**-**		**-**	
TOTAL LIABILITIES		**26.551**		**30.662**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**136.043**		**132.718**	

*Some of the amounts do not correspond to those previously published in the Financial Statements at December 31, 2012 due to the changes to IAS 19.

Consolidated Financial Statements at December 31, 2013

Statement of Consolidated Comprehensive Income

	Notes	2013		2012 Restated*	
(euro '000)			*of which: related parties*		*of which: related parties*
Revenues from sales and services provided	*14*	104.547		103.899	
Other revenues	*15*	729		720	
TOTAL REVENUES		**105.276**		**104.619**	
Cost of goods and merchandise		(38.516)		(37.223)	
Change in inventories	*3*	285		(248)	
Cost of services received	*16*	(13.882)	(581)	(14.333)	(657)
Lease and rental costs	*17*	(1.359)	(672)	(1.359)	(640)
Personnel costs	*18*	(30.759)	(279)	(30.263)	(276)
Other operating costs	*19*	(997)		(1.163)	
Increase in assets due to internal construction		782		524	
Write-down of receivables	*4*	(415)		(437)	
Accruals to provisions for risks and charges	*10*	(8)		(9)	
GROSS OPERATING PROFIT		**20.407**		**20.108**	
Property, plant and equipment depreciation	*1*	(4.206)		(3.277)	
Intangible asset amortization	*2*	(363)		(375)	
OPERATING PROFIT		**15.838**		**16.456**	
Financial income	*20*	16		58	
Financial expenses	*20*	(163)		(236)	
Foreign exchange gains (losses)	*28*	(106)		(33)	
PROFIT BEFORE TAXES		**15.585**		**16.245**	
Taxes from non recurring operations	*21*	-		695	
Income taxes	*21*	(5.082)		(5.433)	
NET PROFIT FROM ORDINARY ACTIVITIES		**10.503**		**11.507**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		**-**		**-**	
NET PROFIT		**10.503**		**11.507**	
Items that will not be reclassified to profit and loss					
Gains (losses) from discounting of Employees' Termination Indemnity	*22*	33		45	
Income tax relating to items that will not be reclassified	*22*	(9)		(13)	
Items that may be subsequently reclassified to profit and loss					
Conversion differences included in equity	*22*	(371)		108	
COMPREHENSIVE INCOME		**10.132**		**11.647**	
BASIC AND DILUTED EARNINGS PER SHARE	*23*	**0,62**		**0,68**	

*Some of the amounts do not correspond to those previously published in the Financial Statements at December 31, 2012 due to the changes to IAS 19.

Consolidated Financial Statements at December 31, 2013

Consolidated Statement of Cash Flows

	2013	2012 Restated*
(€ '000)		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4.839**	**8.986**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the Year	10.503	11.507
Depreciation, amortization and write-downs	4.569	3.630
(Gains)/Losses on disposal of assets	(31)	200
Net change in Employee Severance Indemnity	7	(178)
Net change in provisions for risks and charges	(2)	(1)
Operating profit (loss) before change in working capital	**15.046**	**15.158**
(Increase) Decrease in trade receivables	244	(647)
(Increase) Decrease in inventories	57	207
(Increase) Decrease in other receivables and deferred tax assets	1.727	(2.671)
Increase (Decrease) of trade payables	(508)	(171)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	541	(378)
Change in working capital	**2.061**	**(3.660)**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**17.107**	**11.498**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(573)	(597)
- tangible	(6.802)	(12.591)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- tangible	66	71
Increase (Decrease) of trade payables for assets	(1.577)	2.637
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(8.886)**	**(10.480)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	3,00	9
Increase (Decrease) in bank loans and borrowings	(2.572)	(2.441)
Increase (Decrease) in other loans and borrowings	-	(4)
Increase (Decrease) in derivative instruments	-	(47)
Dividends distributed	(2.720)	(2.720)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**(5.289)**	**(5.203)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**2.932**	**(4.185)**
F) Foreign exchange differences	(256)	6
G) Discounting of Employee Termination Indemnity	24	32
H) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (A+E+F+G)	**7.539**	**4.839**

CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**7.539**	**4.839**
Current financial liabilities	(1.647)	(4.219)
NET CONSOLIDATED FINANCIAL POSITION	**5.892**	**620**

INTERESTS PAID IN THE YEAR	**(54)**	**(93)**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Cash	17	12
Banks	7.522	4.827
	7.539	**4.839**

*Some of the amounts do not correspond to those previously published in the Financial Statements at December 31, 2012 due to the changes to IAS 19.

Consolidated Financial Statements at December 31, 2013

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2012 Restated	Merger's effects	Allocation of previous year net profit (1)	Other changes	Comprehensive income for 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 differences	**-**	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**

(€ '000)	Balance at December 31, 2011	Effects of amendments to IAS 19	Allocation of previous year net profit (1)	Other changes	Comprehensive income for the year	Balance at December 31, 2012 Restated
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	**17.344**		2.203		48	**19.595**
Conversion differences	**(1.381)**				58	**(1.323)**
Extraordinary reserve	**39.130**	(144)	6.477			**45.463**
Urealized gains reserve	**3.715**					**3.715**
Reserve for discounting of Employee Termination Indemnity	-	144			34	**178**
Retained earnings	-					**-**
Net profit	**11.400**		(11.400)		11.507	**11.507**
Total Shareholders' Equity	**93.129**	**-**	**(2.720)**	**-**	**11.647**	**102.056**

Notes to the Consolidated Financial Statements

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 Consolidated Financial Statements of Cembre S.p.A. for the year ended December 31, 2013 was authorized by a resolution of the Board of Directors dated March 12, 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

The present Consolidated Financial Statements at December 31, 2013 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

Principles adopted in the preparation of the Consolidated Financial Statements are those formally approved by the European Union as at December 31, 2013.

The consolidated financial statements were prepared in the expectation of the continuation of the Group’s activities.

With the exception of those items for which international accounting principles provide for a different valuation, the consolidated financial statements were prepared in accordance with the historical cost principle.

Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective starting in 2013, which were taken into account, where applicable, in the preparation of the present Consolidated Financial Statements.

	Effective from
Amendments to IAS 1 – Presentation of Financial Statements	July 1, 2012
Amendments to IAS 19 – Employee Benefits	January 1, 2013

Effects of the adoption of amendments to accounting principles

Amendments to IAS 1 Revised

Amendments to IAS 1 introduced, among other things, changes in the presentation of other components of comprehensive income, and specifically to items that are recorded directly under Shareholders' Equity. The new formulation of the principle groups in fact these components under two categories:

- elements that may be reclassified in the income statement in subsequent years;
- elements that will not be reclassified in the income statement in subsequent years.

The adoption of these amended principles did not imply material changes in the accounts for financial year 2013 or of prior accounting periods reported for comparative purposes.

Amendments to IAS 19

Amendments to IAS 19 abolished the option of recording in the income statement positive and negative differences deriving from the discounting of employee termination indemnities. The principle also established that changes in the year must be divided under three different components recorded in three separate ways:

- cost of service (annual accrual), recorded under *Personnel costs*;

- interest cost – the net effect of yearly discounting – recorded under *Interest charges*
- change in liabilities, recorded under *Other comprehensive income components.*

The adoption of these amended principles in the Consolidated Financial Statements at December 31, 2013 required the restatement for consistency purposes of accounts for previous accounting periods provided for comparative purposes alongside with figures for the current one.

With reference to the Shareholders' Equity at December 31, 2012, amendments to IAS 19 resulted in a €32 thousand reduction in Net Profit for the year and an equivalent increase in *Other reserves*.

With reference to the Comprehensive Income for the year ended December 31, 2012, amendments to IAS 32 resulted in a €32 thousand reduction made up as follows:

- a €67 thousand decline in Personnel costs;
- a €111 thousand increase in interest charges;
- a €12 thousand decline in taxes.

Principles and amendments applicable from 2014

The following principles were also approved and will come into effect from the 2014 financial year:

	Effective from
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Consolidated and Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities	January 1, 2014
Amendments to IAS 32 – Offsetting financial assets and financial liabilities	January 1, 2014

The Group opted against the early application of the above mentioned principles but has however evaluated the effect that the application of the same will have on its consolidated financial statements in the years to come.

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:

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets"

Amendments to IAS 32 – "Novation of derivatives and continuation of hedge accounting"

A comprehensive revision of financial principles relating to financial instruments is currently underway and has as its primary objective transparency supplied to readers of financial statements. Principle IFRS 9 – through which classification criteria, valuation and elimination of financial assets were revised – was in particular the object of repeated amendments. The application of the same is currently suspended in the European Union while it will become effective in other countries from 2015.

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

Principles of consolidation

The Consolidated Financial Statements of the Cembre Group include the statutory accounts at December 31 of every year of Cembre S.p.A. and of its subsidiaries. Accounting principles adopted in the preparation of the financial statements of subsidiaries are consistent with those of the parent company.

The financial statements of consolidated subsidiaries are consolidated under the line-by-line method, thus including all items, irrespective of the share held by the Group, of the elimination of intragroup transactions and of unrealized gains on transactions with third parties.

The book value of investments is netted against the related share in the shareholders' equity of consolidated companies, attributing to assets and liabilities the respective current value at the time control was acquired and recording contingent liabilities, where appropriate. Where positive, the residual amount is recorded among non-current assets as goodwill. Negative residual differences are recorded in the income statement.

All subsidiaries are wholly-owned and in no case therefore have minority interests been recorded.

The following companies were consolidated at December 31, 2013:

		% held
1.	Cembre Ltd. (UK)	100%
2.	Cembre S.a.r.l. *(France)	100%
3.	Cembre España SL *(Spain)	100%
4.	Cembre AS (Norway)	100%
5.	Cembre Gmbh*(Germany)	100%
6.	Cembre Inc.**(US)	100%

* 5% share held through Cembre Ltd.

**29% share held through Cembre Ltd.

Wholly-owned subsidiary General Marking Srl was merged with the parent company effective January 1, 2013.

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 year;
- 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 Dec. 31, 2013	Average exchange rate for 2013
British pound (€/£)	0,8337	0,8493
US dollar (€/$)	1,3791	1,3281
Norwegian kroner (€/NOK)	8,3630	7,8067

III. CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

Form of the financial statements

The financial statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Consolidated Statement of Financial Position;
- the analysis of costs in the Statement of Consolidated Comprehensive Income is carried out based on the nature of the same;
- the Consolidated Statement of Cash Flows is prepared by applying the indirect method.

Financial Statements forms are unchanged from previous year.

Finally, with reference to CONSOB Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value. Ordinary maintenance and repair costs are not capitalized, and are charged to the income statement in the year in which they are incurred.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets and are summarized below:

- Buildings and light installations:	2% – 10%
- Plant and machinery:	5% – 25%
- Industrial and commercial equipment:	6% – 25%
- Other assets:	6% – 33%

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication, the assets or cash generating units are written down to reflect their expected realizable value.

The residual value of assets, their useful life and methods applied are reviewed annually and adjusted, where necessary, at the end of each year.

Tangible assets are eliminated from the Balance Sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal. Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leased assets

Assets held under a financial lease, through which all risks and benefits relating to ownership are transferred to the Group, are recorded under assets at the lower of their current value and the present value of minimum lease payments due according to the contract, including the bullet payment due at the end of the lease to exercise the purchase option.

The liability corresponding to the lease contract is recorded under financial liabilities.

Leased assets are classified under the respective category among property, plant and equipment, and depreciated over the shorter period between the term of the lease and the expected residual useful life of the asset.

Lease contracts in which the lessor holds all risks and enjoys all benefits deriving from the leased asset are classified as operating leases and recorded as costs in the Income Statement over the term of the contract.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalized at cost, while those acquired through mergers are capitalized at their fair value at the time of acquisition.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortization calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortized and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following:

- concessions and licenses:	5 to 10 years
- software licenses	3 to 5 years
- patents	2 years
- development costs:	5 years
- trademarks:	10 to 20 years

Amortization commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the amortization schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realizable value, the value of the asset is written-down to its expected realizable value.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, whose change is recorded in the Income Statement

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Unless specifically designated as effective hedge, derivatives are classified as financial assets held for trading purposes. Gains and losses on financial assets held for trading purposes are recorded in the income statement.

Financial assets held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity, are classified as Financial assets held to maturity when the Group intends to and is capable of holding them to maturity.

Financial assets that the Group decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are accounted for at the amortized cost, using the effective rate of interest method, are discounted to their present value.

The amortized cost is calculated keeping into account discounts and premiums, amortized over the term of the financial asset.

Loans extended and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. Such assets are recorded at the amortized cost using the actual discount rate method. Gains and losses are recorded in the Income Statement whenever loans extended and receivables are eliminated from the accounts or they experience losses in value, together with the related amortization.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After the initial recording, these are accounted for at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the income statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Loss in value of financial assets

The Group verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve.

The purchase, sale, issue or cancellation of treasury shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realizable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The cost of inventories is determined under the weighted-average method, inclusive of the cost of beginning inventories. Provisions for slow-moving stock are accrued for finished products, materials and other supplies, keeping into account their expected useful life and retrievable value.

Receivables and payables

Receivables are recorded initially at fair value and subsequently carried at the amortized cost, written-down in case of loss in value. Payables are normally valued at the amortized cost, adjusted under exceptional conditions for changes in value.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recorded at cost, corresponding to the fair value of the amount received, net of accessory costs.

After the initial recording, loans are valued at the amortized cost, using the effective interest method.

Translation of amounts denominated in currencies other than the euro

Transactions denominated in currencies other than the euro are initially accounted for in euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the euro are translated into euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Functional currencies adopted by Group companies correspond to the currencies of the respective county in which subsidiaries are based.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, whose existence is certain or probable, but whose amount and expiration cannot be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfillment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income (expense).

Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

After the reform, the provisions of which were adopted by the Group from the 2007 Half-year Report, employee termination indemnities accrued up to December 31, 2006, continue to be accounted for as defined benefit plans, while those accrued from January 1, 2007 are accounted for in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007 and until the time at which the choice is made by the employee, are accounted for as a defined benefit plan. Subsequently they are accounted for as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are accounted for as a defined contribution plan.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Group ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Group.

A financial liability is written-off exclusively when the related obligation is cancelled, fulfilled or expired. Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability. Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

The revenue is recognized when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements. When the result of the service rendered cannot be reliably estimated, revenues are recorded only to the extent of retrievable costs.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recorded in the period in which it accrues, using the effective interest method.

Dividends

Dividends are recorded when the right of shareholders to receive them arises.

Grants

Grants are recorded at fair value when there exists a reasonable certainty that that the same will actually be received and the company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under "other revenues" and amortized over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalized development costs), is suspended under long-term liabilities and released to the income statement under "other revenues" over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue. In accordance with IAS 23 Revised, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalized.

Cost of goods purchased and services received

The cost of goods purchased and services received is recorded in the income statement based on the accrual method.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations in the respective countries.

The Group records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related values reported for tax purposes, in addition to differences in the value of assets and liabilities generated by consolidation adjustments.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed. Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Financial derivatives

Derivative financial instruments are valued at market value (*fair value*). A derivative financial instrument can be acquired for trading or hedging purposes.

Gains and losses on financial instruments acquired for trading purposes are charged to the income statement.

Derivatives acquired for hedging purposes may be accounted for under the hedge accounting method – offsetting the recording of the derivative in the income statement with adjustments to the value of assets and liabilities hedged – only when derivatives meet specific criteria.

Hedge derivatives are classified as "fair value hedges" when they are acquired to hedge against the risk of fluctuations in the market value of an underlying asset or liability or the risk of fluctuations in the financial flows deriving from the same, both in the case of existing assets and liabilities or those deriving from a future transaction.

In the case of fair value hedges, gains and losses on the restatement of the market value of a derivative instrument are taken to the income statement.

With regard to the hedging of financial flows, gains and losses on the hedge instrument are recorded under Shareholders' Equity when they relate to the portion of the hedge considered effective, while the portion not hedged is recorded in the income statement.

Earnings per share

Earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation for the period.

Fully diluted earnings per share (calculated by subtracting from consolidated net profit the cost of converting all stock options into ordinary shares) are obtained by adjusting the number of shares in circulation assuming the exercise of stock options having a diluting effect.

Use of estimates

In accordance with IAS/IFRS, the Group made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same.

Below we describe review processes and key assumptions used by management in applying accounting principles.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

Losses on trade receivables expected by the Group are based on past experience on similar portfolios of receivables, current overdues vs. historical overdues, losses and collections, the close monitoring of credit risk and credit worthiness of customers, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets.

Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Group, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same.

Whenever the book value of a non-current asset experiences a loss in value, the Company records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Group makes use of traditional actuarial techniques based on stochastic simulations of the "Monte Carlo" type.

Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Group make also use of demographic projections based on current mortality rates, employee disablement and resignation rates observed in Parent Company Cembre S.p.A..

In 2013, based on past turnover experience, the probability of a Cembre S.p.A.'s employee terminating his or her employment for causes other than death is the following:

Male	6.18%
Female	4.46%

Assumptions regarding the discounting and inflation rates were:

Discounting rate	4.00%
Yearly inflation rate	2.00%
Yearly real increase in retributions	1.00%
Overall yearly increase in retributions	3.00%
Yearly increase in post-retirement benefits	3.00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Retrievability of deferred tax assets

The Group evaluates the possibility to retrieve deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same.

Potential liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Group ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

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.

2013	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	53,813	41,322	9,412		104,547
Sales to other Group companies	24,287	1,739	45	(26,071)	-
Revenues by sector	78,100	43,061	9,457	(26,071)	104,547
Operating profit by sector	10,672	3,875	1,291		15,838
Overhead costs not assigned					-
Operating profit					15,838
Financial income (expense)					(253)
Income taxes					(5,082)
Net profit					10,503

2012	Italy	Rest of Europe	Rest of World	Elimination of intragroup	TOTAL
Revenues					
Sales to customers	54,861	40,699	8,339		103,899
Sales to other Group companies	28,585	2,083	50	(30,718)	-
Revenues by sector	83,446	42,782	8,389	(30,718)	103,899
Operating profit by sector	12,329	3,388	739		16,456
Overhead costs not assigned					-
Operating profit					16,456
Financial income (expense)					(211)
Income taxes					(4,738)
Net profit					11,507

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.

	2013	2012
Italy	39,253	41,096
Europe	47,980	46,838
Rest of World	17,315	15,966
	104,547	**103,899**

The breakdown of assets and liabilities is shown below:

Dec. 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**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	6,183	490	129	6,802
- Intangible assets	534	39	-	573
Total investments				**7,375**
Depreciation and amortization:				
- Property, plant and equipment	(3,487)	(652)	(67)	(4,206)
- Intangible assets	(345)	(18)	-	(363)
Accruals to provision for employee benefits	763	16	-	**779**
Average no. of employees	418	174	20	**612**

Dec. 31, 2012	Italy	Rest of Europe	Rest of World	TOTAL
Assets and Liabilities				
Assets of the sector	95,803	33,889	6,159	135,851
Unassigned assets				(3,133)
Total assets				**132,718**
Liabilities of the sector	26,411	4,162	107	30,680
Unassigned liabilities				(18)
Total liabilities				**30,662**
Other information by sector				
Capital expenditure:				
- Property, plant and equipment	11,679	808	104	12,591
- Intangible assets	581	16	-	597
Total investments				**13,188**
Depreciation and amortization:				
- Property, plant and equipment	(2,566)	(641)	(70)	(3,277)
- Intangible assets	(361)	(14)	-	(375)
Accruals to provision for employee benefits	799	29	-	**828**
Average no. of employees	415	171	20	**606**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	40,895	40,280	9,121	6,878	48	4,203	101,425
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	81	-	3	-	-	1,020
Accumulated depreciation	(8,309)	(28,338)	(7,259)	(5,298)	(5)	-	(49,209)
Balance at Dec. 31, 2012	**39,443**	**12,023**	**1,862**	**1,583**	**43**	**4,203**	**59,157**
Increases	928	3,662	346	624	-	1,242	6,802
Currency translation differences	(63)	(36)	-	(16)	-	-	(115)
Depreciation	(1,087)	(2,197)	(350)	(565)	(7)	-	(4,206)
Net divestments	(10)	(10)	-	(9)	(6)	(1)	(36)
Reclassifications	1,052	2,724	98	-	-	(3,874)	-
Balance at Dec. 31, 2013	**40,263**	**16,166**	**1,956**	**1,617**	**30**	**1,570**	**61,602**

	Land and buildings	Plant and machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	36,363	35,934	8,729	6,767	122	1,990	89,905
Revaluation FTA of IFRS	5,921	-	-	-	-	-	5,921
Revaluations for tax purposes	936	85	-	7	-	-	1,028
Accumulated depreciation	(7,377)	(27,350)	(6,996)	(5,065)	(54)	-	(46,842)
Balance at Dec. 31, 2011	**35,843**	**8,669**	**1,733**	**1,709**	**68**	**1,990**	**50,012**
Increases	3,270	4,512	336	419	38	4,016	12,591
Currency translation differences	68	26	-	9	-	-	103
Depreciation	(924)	(1,492)	(308)	(540)	(13)	-	(3,277)
Net divestments	-	(178)	(30)	(12)	(30)	-	(250)
Reclassifications	1,186	486	131	(2)	(20)	(1,803)	(22)
Balance at Dec. 31, 2012	**39,443**	**12,023**	**1,862**	**1,583**	**43**	**4,203**	**59,157**

Capital expenditure in 2013 amounted to €6,802 thousand and consisted primarily of investments made by the parent company. Among these, work for the new automated warehouse and the renovation of industrial buildings purchased in 2011 is nearing completion. This work resulted in 2013 in an investment of approximately €2.8 million in plant, €0.9 million in buildings and €1.2 million in machinery. To upgrade and improve efficiency in its production processes the parent company also invested €1.7 million, among which the purchase of an automatic packaging system for €0.6 million.

Investments made by foreign subsidiaries include €0.3 million spent by Cembre Ltd. on plant and equipment and primarily on the acquisition of an industrial oven, and €0.1 million spent by Cembre Inc. on motor vehicles.

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	473	160	3,855	73	4,561
Accumulated amortization	(357)	(96)	(3,166)	-	(3,619)
Balance at Dec. 31, 2012	**116**	**64**	**689**	**73**	**942**
Increases	257	76	190	50	573
Foreign exchange difference	-	-	1	-	1
Amortization	(89)	(69)	(205)	-	(363)
Reclassifications	-	-	52	(52)	-
Balance at Dec. 31, 2013	**284**	**71**	**727**	**71**	**1,153**

In 2013 a new software for the design of mechanical parts was implemented with an expense of €114 thousand.

3. INVENTORIES

	Dec. 31, 2013	Dec. 31, 2012	Change
Raw materials	8,201	8,166	35
Work in progress and semi-finished goods	9,372	9,604	(232)
Finished goods	19,185	19,045	140
Total	**36,758**	**36,815**	**(57)**

The value of finished goods inventories is adjusted to its expected realizable value through a provision for slow-moving stock amounting approximately to €1,709 thousand. Changes in the provision in 2013 are shown in the table that follows:

	2013	2012
Balance at January 1	**1,486**	**1,770**
Accruals	241	409
Uses	(3)	(696)
Currency translation differences	(15)	3
Balance at December 31	**1,709**	**1,486**

4. TRADE RECEIVABLES

	Dec. 31, 2013	Dec. 31, 2012	Change
Gross trade receivables	25,670	25,982	(312)
Provision for doubtful accounts	(816)	(884)	68
Total	**24,854**	**25,098**	**(244)**

Trade receivables by geographical area

	Dec. 31, 2013	Dec. 31, 2012	Change
Italy	14,349	14,319	30
Europe	9,047	9,430	(383)
North America	1,125	1,384	(259)
Oceania	356	496	(140)
Middle East	58	58	0
Far East	584	196	388
Africa	151	99	52
Total	**25,670**	**25,982**	**(312)**

Average collection time shortened from 83 days in 2012 to 81 days in 2013.

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

	2013	2012
Balance at January 1	**884**	**678**
Accruals	415	437
Uses	(481)	(232)
Currency translation differences	(2)	1
Balance at December 31	**816**	**884**

The breakdown of receivables by maturity at December 31, 2013 is the following:

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2013	21,421	2,818	547	253	374	257	**25,670**
2012	21,216	3,493	371	323	436	143	**25,982**

5. TAX RECEIVABLES

	Dec. 31, 2013	Dec. 31, 2012	Change
Tax receivables	807	1,512	(705)

The amount consists prevalently of IRES receivables of the parent on retroactive deductions of IRAP on personnel expenses for which a refund was applied for.

6. OTHER ASSETS

	Dec. 31, 2013	Dec. 31, 2012	Change
Receivables from employees	70	76	(6)
VAT and other indirect taxes receivable	933	2,013	(1,080)
Advances to suppliers	233	207	26
Other	142	151	(9)
Total	**1,378**	**2,447**	**(1,069)**

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

7. 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 December 31, 2013 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:

	Dec. 31, 2013	Dec. 31, 2012
Elimination of investments in subsidiaries	18,763	21,189
Elimination of unrealized intra-group profit in stock	(3,130)	(2,984)
German subsidiary product warranty provision reversal	20	19
Dividends from subsidiaries	2,120	1,331
Currency translation differences on intra-group payables and receivables	(13)	45
Intra Group reconciliation and gains	(2)	(3)
Total	**17,758**	**19,597**

8. FINANCIAL LIABILITIES

	Effective interest rate	Maturity	Dec. 31, 2013	Dec. 31, 2012
Bank overdrafts				
(bills discount)				
Cembre S.p.A.	0,9 – 1,1	On demand		
Credito Bergamasco			727	886
UBI Banca			-	796
Unicredt			770	29
Popolare di Sondrio			118	508
BNL			32	-
Total			**1,647**	**2,219**
Loans				
Cembre S.p.A.				
Unicredt	Euribor+0.75%	Nov. 2013	-	2,000
Total			**-**	**2,000**
NON-CURRENT FINANCIAL LIABILITIES			**1,647**	**4,219**

9. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

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

With the reform of employee termination indemnities, starting with January 1, 2007 Cembre S.p.A. is no longer required to accrue retirement benefits in favor of its employees in a provision, but pays out benefits accrued after such date to the INPS treasury account, unless such benefits have been destined to other pension funds by individual employees.

Employee termination indemnities accrued at December 31, 2013 was discounted on the basis of an evaluation made by a registered actuary, in accordance with current regulations.

	2013	2012
Beginning balance	**2,431**	**2,609**
Accruals	779	828
Uses	(201)	(429)
Social security (INPS) treasury account	(635)	(641)
Discounting effect	64	64
Closing balance	**2,438**	**2,431**

Total termination indemnities accrued with INPS' treasury account at the end of the year amount to €3,954 thousand.

10. PROVISIONS FOR RISKS AND CHARGES

Changes in the year are shown in the table below.

	Customer indemnities
At December 31, 2012	**81**
Accruals	8
Uses	(10)
At December 31, 2013	**79**

11. DEFERRED TAX ASSETS AND LIABILITIES

	Dec. 31, 2013	Dec. 31, 2012
Deferred tax liabilities		
Average cost valuation of inventories by the parent company	(442)	(516)
Accelerated depreciation	(9)	(186)
Elimination of Cembre GmbH product warranty provision	(10)	(13)
Reversal of land depreciation	(27)	(27)
Revaluation of land	(1.859)	(1.859)
Discounting of employee termination indemnity	(79)	(97)
Gross deferred tax liabilities	**(2.426)**	**(2.698)**
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	1.323	1.433
Write-down of inventories	227	190
Goodwill amortization	18	23
Depreciation and write-down of inventories of General Marking	23	29
Provision for French personnel costs	54	49
Provision for doubtful accounts of parent company	123	83
Differences on depreciation of parent company	117	34
Other	52	49
Gross deferred tax assets	**1.937**	**1.890**
Net deferred tax liabilities	**(489)**	**(808)**

12. TRADE PAYABLES

	Dec. 31, 2013	Dec. 31, 2012	Change
Payable to suppliers	12,763	14,812	(2,049)
Advances	16	52	(36)
Total	**12,779**	**14,864**	**(2,085)**

Trade payables by geographical area

	Dec. 31, 2013	Dec. 31, 2012	Change
Italy	10,582	11,789	(1,207)
Rest of Europe	1,879	2,904	(1,025)
America	3	23	(20)
Oceania	100	87	13
Other	199	9	190
Total	**12,763**	**14,812**	**(2,049)**

13. OTHER PAYABLES

	Dec. 31, 2013	Dec. 31, 2012	Change
Payables to employees	1,419	1,382	37
Employee withholding taxes payable	940	903	37
Bonuses owed to customers	464	498	(34)
VAT and similar foreign taxes payable	954	883	71
Commissions payable	176	150	26
Payable to Statutory Auditors and similar foreign boards	84	91	(7)
Payable to Directors	6	6	-
Social security payables	2,258	2,169	89
Payable on sundry taxes	46	127	(81)
Other	184	29	155
Accrued liabilities	(69)	(291)	222
Total	**6,462**	**5,947**	**515**

14. REVENUES FROM SALES AND SERVICES PROVIDED

In 2013, revenues grew by 0.6% on the previous year. A total of 37.5% of Group sales in 2013 were represented by Italy (4.5% less than in 2012). The rest of Europe represented instead 45.9% of sales, (2.4% more than in the previous year), while sales to the rest of the World represented a 16.6% share of total sales (8.5% more than in 2012).

15. OTHER REVENUES

Other revenues are made up as follows:

	2013	2012	Change
Rent	111	221	(110)
Capital gains	14	6	8
Uses of provisions	3	9	(6)
Insurance damages	54	11	43
Reimbursements	377	429	(52)
Other	61	44	17
Grants	109	-	109
Total	**729**	**720**	**9**

Reimbursements relate primarily to transport costs charged to customers.

16. COST OF SERVICES

	2013	2012	Change
Subcontracted work	2,536	2,845	(309)
Electricity, heating and water	1,533	1,443	90
Transport of goods sold	1,766	1,947	(181)
Fuel	487	481	6
Travelling expenses	853	938	(85)
Maintenance and repair	1,789	1,525	264
Consulting	1,202	1,196	6
Advertising and promotion	558	499	59
Insurance	570	553	17
Boards' compensation	718	867	(149)
Postage and telephone	400	399	1
Commissions	275	259	16
Security and cleaning	608	539	69
Bank charges	147	118	29
Other	440	724	(284)
Total	**13,882**	**14,333**	**(451)**

17. LEASES AND RENTALS

	2013	2012	Change
Rent and related costs	878	822	56
Vehicle and other leasing	481	537	(56)
Total	**1,359**	**1,359**	**-**

18. PERSONNEL COSTS

	2013	2012	Change
Wages and salaries	23,183	22,665	518
Social security contributions	5,953	5,879	74
Employee termination indemnity	1,023	1,132	(109)
Retirement benefits	163	96	67
Other costs	437	491	(54)
Total	**30,759**	**30,263**	**496**

Wages and salaries include €1,170 thousand relating to outsourced personnel, mainly of the parent company.

Average number of employees by category

	2013	2012	Change
Managers	15	15	0
Administrative and commercial staff	279	273	6
Workers	286	291	(5)
Outsourced personnel	32	27	5
Total	**612**	**606**	**6**

Average number of employees by Group company

	Managers	White collars	Blue collars	Outsourced personnel	Total 2013	Total 2012	Change
Cembre S.p.A.	6	175	207	30	418	415	3
Cembre Ltd.	3	35	58	-	96	92	4
Cembre Sarl	1	18	5	-	24	25	(1)
Cembre España SL	1	22	7	1	31	33	(2)
Cembre AS	-	2	-	-	2	2	-
Cembre Inc.	3	13	4	-	20	20	-
Cembre GmbH	1	14	5	1	21	19	2
Total	**15**	**279**	**286**	**32**	**612**	**606**	**6**

19. OTHER OPERATING COSTS

	2013	2012	Change
Sundry taxes	662	628	34
Losses on receivables	10	45	(35)
Capital losses	26	191	(165)
Donations	16	27	(11)
Other	283	272	11
Total	**997**	**1.163**	**(166)**

20. FINANCIAL INCOME (EXPENSE)

	2013	2012	Change
Financial charges on derivative instruments	-	(20)	20
Loans and bank overdrafts	(54)	(93)	39
Financial charges on discounting of Employee Termination Indemnity	(98)	(111)	13
Other financial charges	(11)	(12)	1
	(163)	(236)	73
Interest earned on bank account balances	14	23	(9)
Other financial income	2	35	(33)
	16	58	(42)
Financial income (expense)	**(147)**	**(178)**	**31**

21. INCOME TAXES

Income taxes are made up as follows:

	2013	2012	Change
Current taxes	(5,403)	(5,445)	42
Deferred taxes	321	12	309
Taxes on nonrecurring operations	-	695	(695)
Total	**(5,082)**	**(4,738)**	**(344)**

The table that follows shows a reconciliation between the theoretical tax expense, calculated at the normal tax rate of the parent company (Corporate (*IRES*) + Regional Tax on Productive Activities (*IRAP*) = 31.4%), and the actual tax expense recorded in the consolidated accounts.

	2013		2012	
	amount	% tax rate	amount	% tax rate
Profit before taxes	15,585		16,290	
Theoretical tax expense	**4,894**	31.40%	**5,115**	31.40%
Effect of non-deductible costs	1,084	6.96%	944	5.79%
Effect of tax-exempt income and deductions	(1,068)	-6.85%	(1,030)	-6.32%
Effect of different IRAP taxable income	542	3.48%	497	3.05%
Other deductions	(88)	-0.56%	(59)	-0.36%
Effect of change in tax rate of UK subsidiary	(24)	-0.15%	(14)	-0.09%
Extraordinary items	(175)	-1.12%	(676)	-4.15%
Effect of different foreign tax rates	(83)	-0.53%	(39)	-0.24%
Actual tax expense recorded	**5,082**	32.61%	**4,738**	29.09%

In 2012, extraordinary items included a tax gain on nonrecurring operations amounting to €695 thousand relating to the recording by the parent company of an income tax (IRES) credit on the reversal of forgone deductions of IRAP (tax on productive activities) taxes paid on employee costs in previous years.

At December 31, 2013, there did not exist temporary differences and loss carry-forwards on which no deferred tax assets or liability had been recorded.

Deferred tax assets and liabilities are made up as follows:

	2013	2012
Deferred tax liabilities		
Average cost valuation of inventories	74	(80)
Accelerated depreciation	177	23
Reversal of German subsidiary's product warranty	3	(1)
Discounting of employee termination indemnity	18	18
	272	**(40)**
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	(110)	67
Write-down of inventories	37	(77)
Amortization of goodwill	(5)	(5)
Loss carry-forwards of subsidiary General Marking	(6)	(54)
Provision for French personnel costs	5	10
Provision for doubtful accounts of the parent company	40	55
Differences on depreciation of parent company	83	6
Other	3	30
	47	**32**
Foreign exchange differences	2	7
Deferred taxes for the period	**321**	**(1)**

22. 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 December 31, 2013, 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 and the effect of the discounting of Employee Termination Indemnities.

23. 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).

	2013	2012
Consolidated net profit (€'000)	10,503	11,507
No. of ordinary shares ('000)	17,000	17,000
Basic and diluted earnings per share	**0.62**	**0.68**

24. DIVIDENDS

On May 23, 2013 the company distributed (with ex-dividend date May 20) a dividend on net profit for the year ended December 31, 2012, amounting to €2,720 thousand, equivalent to €0.16 for each share entitled to dividends.

	2013	2012
Resolved and paid in the year: Balance due for 2012 dividend: €0.16 (2011: €0.16)	2,720	2,720
Proposal submitted to the Shareholders' Meeting (not recorded as liability at December 31): Balance due for 2013 dividend: €0.26 (2012: €0.16)	4,420	2,720

Proposed dividends submitted for approval to the Shareholders' Meeting amount to €0.26 per share, for a total of €4,420 thousand. This amount was not recorded as a liability.

25. COMMITMENTS AND RISKS

	Dec. 31, 2013	Dec. 31, 2012	Change
Guarantees granted	637	615	22

Commitments at December 31, 2013 included guarantees granted to the Brescia Municipality amounting to €534 thousand against the construction of development infrastructure in connection with the construction of new parking spaces and entrance at the Brescia main complex. The residual amount relates to guarantees for supplies granted to electrical and railway companies.

26. NET FINANCIAL POSITION

The net financial position of the Group amounted at the end of 2013 to a surplus of €5,892 thousand, improving on December 31, 2012 due to the lower capital expenditure made in the year with respect to the previous one.

At December 31, 2013, 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.

		Dec. 31, 2013	Dec. 31, 2012
A	Cash	17	12
B	Bank deposits	7,522	4,827
C	**Cash and cash equivalents (A+B)**	**7,539**	**4,839**
D	**Financial receivables**	**-**	**-**
E	Current bank debt	(1,647)	(4,219)
F	**Current financial debt (E)**	**(1,647)**	**(4,219)**
G	**Net current financial position (C+D+F)**	**5,892**	**620**
H	**Non-current financial debt**	**-**	**-**
I	**Net financial position (G+H)**	**5,892**	**620**

27. RELATED PARTIES

The table that follows shows transactions between the parent company and its subsidiaries at December 31, 2013.

	Payables	Receivables	Revenues	Purchases
Cembre Ltd.	1,480	12	8,686	145
Cembre S.a.r.l.	321	2	3,648	43
Cembre España S.L.	438	4	3,007	4
Cembre AS	2	6	365	6
Cembre GmbH	452	-	3,827	150
Cembre Inc.	1,786	6	5,183	34
TOTAL	**4,479**	**30**	**24,716**	**382**

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. Revenues include, in addition to those from the sale of products, charges made to subsidiaries for costs relating to information system maintenance and royalties for the use of the *Cembre* trademark, totaling €404 thousand.

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 2013 amounted to €526 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 the end of 2013, 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 2013 amounted to €97 thousand. Cembre S.p.A. leased the industrial buildings to obtain additional space adjacent to its main industrial complex in order to reorganize and enhance its production departments. Invoices issued in the year 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., for an annual rent of £42 thousand, this fee is in line with market conditions.

	2013	2012	Change
Rent paid to related parties	672	640	32

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 2013, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	Statutory Auditors	Directors
Emoluments as directors and auditors of the parent company	87	493
Retribution as employees	-	279
Non-monetary benefits	-	15

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

28. 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, the launch of lower cost products and the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

At December 31, 2013 the Group had no loans outstanding.

The Group makes use 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.	£	+5% / -5%	584 / (584)	1,046 / (1,046)	148 / (148)
Cembre AS	NOK	+5% / -5%	26 / (26)	40 / (40)	1 / (1)
Cembre Inc.	US$	+5% / -5%	209 / (209)	473 / (473)	64 / (64)

At December 31, 2013, the effect of foreign-exchange transactions is negative by €106 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.

29. SUBSEQUENT EVENTS

No event having significant effects on the Group’s financial position or operating performance occurred after December 31, 2013.

30. CONSOLIDATED COMPANIES

Wholly-owned subsidiary General Marking Srl was merged with the parent company effective January 1, 2013.

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at Dec. 31, 2013	Share held at Dec. 31, 2012
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	GBP 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris)	EURO 1,071,000	100% (*)	100% (*)
Cembre España SL	Torrejón de Ardoz (Madrid)	EURO 2,902,000	100% (*)	100% (*)
Cembre AS	Stokke (Norway)	NOK 2,400,000	100%	100%

Cembre GmbH	Munich (Germany)	EURO 1,812,000	100% (*)	100% (*)
Cembre Inc.	Edison (New Jersey , US)	US $ 840,000	100%(**)	100%(**)

* 5% share held through Cembre Ltd.

**29% share held through Cembre Ltd.

Information rendered also pursuant to art. 125 of CONSOB resolution no. 11971 (Relevant Investments).

Brescia, March 12, 2014

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

Giovanni Rosani

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Cembre

Attestation in respect of the Consolidated 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 position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2013 consolidated financial statements and during the period covered by the report, were:

• adequate to the Company structure, and

• effectively applied during the process.

The undersigned officers certify that this 2013 consolidated financial statements:

a) corresponds to the Company's evidence and accounting books and entries, and

b) was 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 19 July 2002;

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

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Brescia, March 12, 2014

Chairman and Managing Director	Manager responsible for the preparation of financial reports
signed by: Giovanni Rosani	*signed by:* Claudio Bornati

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Cembre SpA

1 We have audited the consolidated financial statements of Cembre SpA and its subsidiaries ("Cembre Group") as of 31 December 2013 which comprise the statement of financial position, statement of comprehensive income, statement of cash flows , statement of changes in shareholder's equity, and related notes. The directors of Cembre SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements presented for comparative purposes the data of the previous year. As explained in the notes, the directors have restated certain comparative figures for the previous year, compared to the data previously presented and audited by us, on which we issued the audit report on 29 March 2013. The methods of restatement of comparative information and disclosures presented in the notes, have been examined by us for the purpose of expressing an opinion on the consolidated financial statements at 31 December 2013.

3 In our opinion, the consolidated financial statements of the Cembre Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Cembre Group for the period then ended.

4 The directors of Cembre SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section Investor

relations of the website of Cembre SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Cembre SpA as of 31 December 2013.

Brescia, 27 March 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 readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEMBRE GROUP AT DECEMBER 31, 2013

To our Shareholders:
the Consolidated Financial Statements for the 2013 financial year delivered to the Board of Statutory Auditors within the term provided, consisting of the Consolidated Statement of Financial Position, Consolidated Statement of Income, Statement of Changes in the Consolidated Shareholders' Equity and Notes to the Consolidated Financial Statements, were prepared under International Financial Reporting Standard (IFRS) adopted by the European Union and in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005, in force at December 31, 2013.
International accounting principles, amendments and interpretations issued by IASB applicable from January 1, 2013 and described in the Notes to the consolidated accounts, were employed in the preparation of the Consolidated Financial Statements. Amendments and interpretations relating to IAS 1 and IAS 19 were applied in the Consolidated Accounts of the Cembre Group. The adoption of these amendments made it necessary to restate previous year accounts shown as comparison in tables included in the Consolidated Financial Statements. The Group also did not opt for the early application of amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 and IAS 32.

Items in the Financial Statements were recorded at the historical cost.

The Consolidated Financial Statements for the 2013 financial year report a consolidated net profit of €10,503 thousand as compared with a consolidated net profit of €11,507 thousand in the previous year.

Checks carried out by Independent Auditors PricewaterhouseCoopers, appointed for the auditing of the accounts, as stated in the Auditing Report, ascertained that:

- *paragraph 3: "in our opinion the Consolidated Financial Statements of the Cembre Group at December 31, 2013 are consistent with IFRS adopted by the European Union and are in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005. They are therefore clear and represent in a truthful and correct manner the operating and financial situation, the net profit and the cash flows of the Cembre Group for the financial year closed December 31, 2013".*
- *paragraph 4: "in our opinion the Report of the Board and information contained in paragraphs 1, section c), d), f), l), m) and paragraph 2, section b) of article 123-bis of Legislative Decree no. 58/1998 presented in the Report on Corporate Government, are consistent with the Consolidated Financial Statements of the Cembre Group for the financial year closed December 31, 2013".*

In compliance with article 41, par. 3 of Legislative Decree no. 127, dated April 9, 1991, with the exception of the issues specified below, the Consolidated Financial Statements, were therefore not audited by the Board of Statutory Auditors.

The Notes to the consolidated accounts provide a detail of Balance Sheet and Income Statement items and illustrate accounting principles, consolidation principles and valuation criteria applied in the preparation of the same, in addition to changes in accounting principles applicable from 2014.

The consolidation area, unchanged from the previous year, the choice of consolidation principles in application of the line-by-line method, of subsidiaries to be consolidated and of procedures for the consolidation, are consistent with IFRS.

Information provided in the Report on Operations illustrates adequately the operating and financial situation of the parent company, alternative performance indicators, Shareholders' Equity, investments and revaluations made, main risks and uncertainties, environmental management, worker safety management, performance indicators, research and development activities, relationships with subsidiaries, parent companies and related parties – shown also in financial statements – its operating performance in 2013 and the outlook for 2014 of the parent company and the Group as a whole.

The review performed shows the consistency of the Report on Operations with the Consolidated Financial Statements.

Brescia, March 27, 2014

The Board of Statutory Auditors

Chairman

Fabio Longhi

Financial Statements at December 31, 2013

Statement of Financial Position

ASSETS	Note	Dec. 31, 2013		Dec. 31, 2012 Restated*		Dec. 31, 2012	
			of which: related parties		*of which: related parties*		*of which: related parties*
NON CURRENT ASSETS							
Tangible assets	*1*	50.163.367		47.472.724		46.192.485	
Intangible assets	*2*	1.097.478		908.964		908.964	
Investments in subsidiaries	*3*	10.144.083		10.144.083		10.243.083	
Other investments	*4*	5.224		5.224		5.224	
Other non-current assets	*5*	5.273		8.374		5.374	
Deferred tax assets	*14*	530.101		382.280		352.857	
TOTAL NON-CURRENT ASSETS		**61.945.526**		**58.921.649**		**57.707.987**	
CURRENT ASSETS							
Inventories	*6*	25.976.903		26.723.500		26.400.539	
Trade receivables	*7*	16.215.533		15.904.500		15.892.239	
Trade receivables from subsidiaries	*8*	4.478.720	4.478.720	6.066.971	6.066.971	6.068.238	6.068.238
Tax receivables	*9*	800.205		1.511.769		1.370.195	
Other assets	*10*	1.317.110		2.344.677		2.344.651	
Cash and cash equivalents		2.957.545		540.488		461.675	
TOTAL CURRENT ASSETS		**51.746.016**		**53.091.905**		**52.537.537**	
NON-CURRENT ASSETS AVAILABLE FOR SALE		-		-		-	
TOTAL ASSETS		**113.691.542**		**112.013.554**		**110.245.524**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2013		Dec. 31, 2012 Restated*		Dec. 31, 2012	
			of which: related parties		*of which: related parties*		*of which: related parties*
EQUITY							
Capital stock	*11*	8.840.000		8.840.000		8.840.000	
Reserves	*11*	74.014.051		66.791.909		63.403.331	
Net profit		8.676.088		9.917.990		8.909.430	
TOTAL SHAREHOLDERS' EQUITY		**91.530.139**		**85.549.899**		**81.152.761**	
NON-CURRENT LIABILITIES							
Non-current financial liabilities		-		-		-	
Employee Severance Indemnity and other personnel benefits	*12*	2.287.527	152.927	2.296.306	145.212	2.296.306	145.212
Provisions for risks and charges	*13*	78.815		81.118		81.118	
Deferred tax liabilities	*14*	2.257.876		2.522.920		2.522.920	
TOTAL NON-CURRENT LIABILITIES		**4.624.218**		**4.900.344**		**4.900.344**	
CURRENT LIABILITIES							
Current financial liabilities	*15*	1.647.539		4.218.806		4.218.807	
Trade payables	*16*	11.900.008		13.537.838		13.506.970	
Trade payables to subsidiaries	*17*	30.183	30.183	51.707	51.707	2.858.626	2.858.626
Tax payables		30.957		-		-	
Other Payables	*18*	3.928.498		3.754.960		3.608.016	
TOTAL CURRENT LIABILITIES		**17.537.185**		**21.563.311**		**24.192.419**	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		-		-		-	
TOTAL LIABILITIES		**22.161.403**		**26.463.655**		**29.092.763**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**113.691.542**		**112.013.554**		**110.245.524**	

*2012 figures have been restated to include merged subsidiary General Marking and changes to IAS19

Financial Statement at December 31, 2013

Statement of comprehensive income

	Notes	2013		2012 Restated*		2012	
			of which: related parties		*of which: related parties*		*of which: related parties*
Revenues from sales and services provided	***19***	78.100.447	24.286.533	79.486.672	24.625.007	79.368.469	26.658.548
Other revenues	***20***	853.410	429.833	918.082	495.813	1.028.596	607.184
TOTAL REVENUES		**78.953.857**		**80.404.754**		**80.397.065**	
Cost of goods and merchandise	***21***	(31.500.182)	(382.021)	(31.540.235)	(739.841)	(34.742.364)	(4.709.896)
Change in inventories		(746.597)		(972.078)		(706.061)	
Cost of services received	***22***	(9.715.034)	(580.676)	(9.825.969)	(732.604)	(9.283.228)	(632.978)
Lease and rental costs	***23***	(975.106)	(622.720)	(959.265)	(588.166)	(956.969)	(588.166)
Personnel costs	***24***	(21.611.175)	(278.695)	(21.100.162)	(276.189)	(20.585.568)	(276.189)
Other operating costs	***25***	(631.161)		(745.368)		(570.556)	
Increase in assets due to internal construction		776.711		483.138		479.375	
Write-down of receivables	***7***	(367.944)		(319.865)		(319.865)	
Accruals to provisions for risks and charges	***26***	(8.034)		(8.714)		(8.714)	
GROSS OPERATING PROFIT		**14.175.335**		**15.416.236**		**13.703.115**	
Tangible asset depreciation	***1***	(3.486.290)		(2.565.282)		(2.415.127)	
Intangible asset amortization	***2***	(344.922)		(361.026)		(361.026)	
OPERATING PROFIT		**10.344.123**		**12.489.928**		**10.926.962**	
Financial income	***27***	2.123.034	2.119.003	1.266.486	1.225.949	1.265.352	1.225.949
Financial expenses	***27***	(151.807)		(223.366)		(111.731)	
Foreign exchange gains (losses)	***28***	(45.287)		(20.916)		(20.899)	
PROFIT BEFORE TAXES		**12.270.063**		**13.512.132**		**12.059.684**	
Taxes from non recurring operations		-		695.475		695.475	
Income taxes	***29***	(3.593.975)		(4.289.617)		(3.845.729)	
NET PROFIT FROM ORDINARY ACTIVITIES		**8.676.088**		**9.917.990**		**8.909.430**	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		-		-		-	
NET PROFIT		**8.676.088**		**9.917.990**		**8.909.430**	
Items that will not be reclassified to profit and loss							
Gains (losses) from discounting of Employees' Termination Indemnity	***30***	33.313		44.757		-	
Income tax relating to items that will not be reclassified	***30***	(9.161)		(12.308)		-	
COMPREHENSIVE INCOME		**8.700.240**		**9.950.439**		**8.909.430**	
BASIC AND DILUTED EARNINGS PER SHARE		**0,51**		**0,58**		**0,52**	

*2012 amounts have been restated including General Marking data and changes to IAS19

Financial Statements at December 31, 2013

Statement of Cash Flows

	2013	2012 Restated*	2012
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**540.488**	**4.046.329**	**3.651.782**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the year	8.676.088	9.950.439	8.909.430
Depreciation, amortization and write-downs	3.831.212	2.926.308	2.776.153
(Gains)/Losses on disposal of assets	(14.445)	171.323	2.445
Net change in Employee Severance Indemnity	(8.779)	(207.090)	(123.237)
Net change in provisions for risks and charges	(2.303)	(849)	(849)
Operating profit (loss) before change in working capital	**12.481.773**	**12.840.131**	**11.563.942**
(Increase) Decrease in trade receivables	1.277.218	244.277	239.338
(Increase) Decrease in inventories	746.597	959.682	706.061
(Increase) Decrease in other receivables and deferred tax assets	1.591.310	(2.573.210)	(2.485.054)
Increase (Decrease) of trade payables	(81.725)	(566.302)	942.055
Increase (Decrease) of other payables and deferred tax liabilities	(60.549)	(285.707)	(102.298)
Change in working capital	**3.472.851**	**(2.221.260)**	**(699.898)**
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**15.954.624**	**10.618.871**	**10.864.044**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets:			
- intangible	(533.436)	(582.089)	(582.089)
- tangible	(6.182.455)	(11.680.085)	(11.609.004)
Proceeds from disposal of tangible, intangible, financial assets			
- tangible	19.967	6.283	6.283
Increase (Decrease) of trade payables for assets	(1.577.629)	2.637.142	2.637.142
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	**(8.273.553)**	**(9.618.749)**	**(9.547.668)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
(Increase) Decrease in other non current assets	3.102	523	2
Increase (Decrease) in bank loans and borrowings	(2.571.268)	(1.739.275)	(1.739.274)
Increase (Decrease) of liabilities from derivative instruments	-	(47.211)	(47.211)
Dividends distributed	(2.720.000)	(2.720.000)	(2.720.000)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	**(5.288.166)**	**(4.505.963)**	**(4.506.483)**
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**2.392.905**	**(3.505.841)**	**(3.190.107)**
F) Discounting of employees' termination indemnities	24.152	32.449	-
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E+F)	**2.957.545**	**540.488**	**461.675**

CASH AND CASH EQUIVALENTS AT END OF YEAR	**2.957.545**	**540.488**	**461.675**
Current financial liabilities	(1.647.539)	(4.218.806)	(4.218.807)
NET FINANCIAL POSITION	**1.310.006**	**(3.678.318)**	**(3.757.132)**

INTEREST PAID IN THE YEAR	**(54.235)**	**(91.219)**	**(91.230)**

BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash	3.104	4.609	4.294
Banks	2.954.441	535.879	457.381
	2.957.545	**540.488**	**461.675**

*2012 figures have been restated to include merged subsidiary General Marking and changes to IAS19

Financial Statements at December 31, 2013

Statement of Changes in the Shareholders' Equity

	Balance at Dec. 31, 2012 Restated*	Effect of merger	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at December 31, 2013
Capital stock	**8.840.000**					**8.840.000**
Share premium reserve	**12.244.869**					**12.244.869**
Legal reserve	**1.768.000**					**1.768.000**
Suspended-tax reserves	**68.412**					**68.412**
Extraordinary reserve	**45.127.248**		6.154.645			**51.281.893**
Urealized gains reserve	**4.051.204**					**4.051.204**
Reserve for discounting of Employee Termination Indemnity	**178.383**				24.152	**202.535**
Merger differences	-	4.397.138				**4.397.138**
Retained earnings	-					-
Net profit	**8.874.645**		(8.874.645)		8.676.088	**8.676.088**
Total Shareholders' Equity	**81.152.761**	**4.397.138**	**(2.720.000)**	**-**	**8.700.240**	**91.530.139**

	Balance at Dec. 31, 2011	Effects of amendments to IAS 19	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at Dec. 31, 2012 Restated*
Capital stock	**8.840.000**					**8.840.000**
Share premium reserve	**12.244.869**					**12.244.869**
Legal reserve	**1.768.000**					**1.768.000**
Suspended-tax reserves	**68.412**					**68.412**
Extraordinary reserve	**38.794.361**	(143.598)	6.476.485			**45.127.248**
Urealized gains reserve	**4.051.204**					**4.051.204**
Reserve for discounting of Employee Termination Indemnity	-	143.598			34.785	**178.383**
Retained earnings	-					-
Net profit	**9.196.485**		(9.196.485)		8.874.645	**8.874.645**
Total Shareholders' Equity	**74.963.331**		**(2.720.000)**	**-**	**8.909.430**	**81.152.761**

*2012 figures have been restated to include merged subsidiary General Marking and changes to IAS19

Notes to the Financial Statements of Cembre S.p.A. at December 31, 2013

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. (hereinafter referred to as the "Company") is active primarily in the manufacturing and sale of electrical connectors and related tools.

The publication of the Financial Statements of Cembre S.p.A. for the year ended December 31, 2013 was authorized by a resolution of the Board of Directors dated March 12, 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 FINANCIAL STATEMENTS

The present Financial Statements at December 31, 2013 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

Principles adopted in the preparation of the Financial Statements are those formally approved by the European Union as of December 31, 2013.

Items in the Balance Sheet were recorded at the historical cost with the exception of those items for which international accounting principles provide for a different measurement.

Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The Financial Statements at December 31, 2013 were prepared in the expectation of the continuation of the Company's activities.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective from 2013, which were taken into account, where applicable, in the preparation of the present Financial Statements.

	Effective from
Amendments to IAS 1 – Presentation of Financial Statements	July 1, 2012
Amendments to IAS 19 – Employee Benefits	January 1, 2013

Effects of the adoption of amendments to accounting principles

Amendments to IAS 1 Revised

Amendments to IAS 1 introduced, among other things, changes in the presentation of other components of comprehensive income, and specifically to items that are recorded directly under Shareholders' Equity. The new formulation of the principle groups in fact these components under two categories:

- elements that may be reclassified in the income statement in subsequent years;
- elements that will not be reclassified in the income statement in subsequent years.

The adoption of these amended principles did not imply material changes in the accounts for financial year 2013 or of prior accounting periods reported for comparative purposes.

Amendments to IAS 19

Amendments to IAS 19 abolished the option of recording in the income statement positive and negative differences deriving from the discounting of employee termination indemnities. The principle also established that changes in the year must be divided under three different components recorded in three separate ways:

- cost of service (annual accrual), recorded under *Personnel costs*;
- interest cost – the net effect of yearly discounting – recorded under *Interest charges*
- change in liabilities, recorded under *Other comprehensive income components.*

The adoption of these amended principles in the present Financial Statements at December 31, 2013 required the restatement for consistency purposes of accounts for previous accounting periods provided for comparative purposes alongside with figures for the current one.

With reference to the Shareholders' Equity at December 31, 2012, amendments to IAS 19 resulted in a €34 thousand reduction in Net Profit for the year and an equivalent increase in *Other reserves*.

With reference to the Comprehensive Income for the year ended December 31, 2012, amendments to IAS 19 resulted in a €34 thousand reduction made up as follows:

- a €64 thousand decline in Personnel costs;
- a €111 thousand increase in interest charges;
- a €13 thousand decline in taxes.

Principles and amendments applicable from 2014

The following principles and amendments were approved and will come into effect in the 2014 financial year:

	Effective from
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Consolidated and Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities	January 1, 2014
Amendments to IAS 32 – Offsetting financial assets and financial liabilities	January 1, 2014

The Company opted against the early application of the above mentioned principles but has however evaluated the effect that the application of the same will have on its financial statements in the years to come.

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:

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets"

Amendments to IAS 32 – "Novation of derivatives and continuation of hedge accounting"

A comprehensive revision of financial principles relating to financial instruments is currently underway and has as its primary objective transparency supplied to readers of financial statements. Principle IFRS 9 – through which classification criteria, valuation and elimination of financial assets were revised – was in particular the object of repeated amendments. The application of the same is currently suspended in the European Union while it will become effective in other countries from 2015.

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

III. ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Form of the Financial Statements

The financial statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Statement of Financial Position;
- the analysis of costs in the Statement of Comprehensive Income is carried out based on the nature of the same;
- the Statement of Cash Flows is prepared by applying the indirect method.

Financial Statements forms are not changed from previous year.

In the Financial Statements, in addition to the column for the current year, two additional columns are provided for comparative purposes. Alongside figures for the 2012 financial year is a column that shows figures for 2012 which have been restated to keep into account changes occurred from 2013 that make the two years otherwise not comparable. The 2013 financial statements include in fact the effect of the merger of subsidiary General Marking with the parent company and figures for 2012 have therefore been restated consolidating figures for General Marking and adapted to comply with changes in accounting principles effective from January 1, 2013.

With reference to Consob Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value.

Ordinary maintenance and repair costs are not capitalized, and are charged to the income statement in the year in which they are incurred, with the exception of those that result in an extension of the useful life of the asset.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets. Main depreciation rates used are:

- Buildings and light installations:	3% – 10%
- Plant and machinery:	10% – 15%
- Industrial and commercial equipment:	15% – 25%
- Other assets:	12% – 25%

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication, the assets or cash generating units are written down to reflect their expected realizable value.

The residual value of assets, their useful life and methods applied are reviewed annually and adjusted, where necessary, at the end of each year.

Tangible assets are eliminated from the Balance Sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal. Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leased assets

Assets held under a financial lease, through which all risks and benefits relating to ownership are transferred to the Company, are recorded under assets at the lower of their current value and the present value of minimum lease payments due according to the contract, including the bullet payment due at the end of the lease to exercise the repurchase option.

The liability corresponding to the lease contract is recorded under financial liabilities. Leased asset are classified under the respective category among property, plant and equipment, and depreciated over the shorter period between the term of the lease and the expected residual useful life of the asset.

Lease contracts in which the lessor holds all risks and enjoys all benefits deriving from the leased asset are classified as operating leases and recorded as costs in the Income Statement over the term of the contract.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalized at cost, while those acquired through mergers are capitalized at their fair value at the time of acquisition.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortization calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortized and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following:

- concessions and licenses:	5 to 10 years
- software licenses	3 to 5 years
- patents	2 years
- development costs:	5 years
- trademarks:	10 to 20 years

Amortization commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the amortization schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realizable value, the value of the asset is written-down to its expected realizable value.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost, adjusted where necessary for losses in value.

Any positive difference that emerges upon acquisition between the purchase cost and the portion of the Shareholders' Equity acquired is therefore included in the book value of the investment.

Investments in subsidiaries are subjected to an impairment test whenever indicators of a loss in value are detected. Whenever it appears that an investment in a subsidiary has experienced a loss in value, the same is recorded in the Income Statement as a write-down.

Whenever losses of a subsidiary exceed the book value of the investment, the value of the same is written-down to zero and losses exceeding such value are recorded in a specific liability provision. In case the loss is subsequently reversed or reduced, the related amount is written-up in the Income Statement to the original cost of the investment.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, whose change is recorded in the Income Statement

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Unless specifically designated as effective hedging instruments, derivatives are classified as financial assets held for trading purposes. Gains and losses on financial assets held for trading purposes are recorded in the income statement.

Financial assets held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity are classified as Financial assets held to maturity when the Company intends to and is capable of holding them to maturity.

Financial assets that the Company decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are accounted for at the amortized cost, using the effective rate of interest method, representing the rate at which estimated future payments or collections over the expected useful life of the asset are discounted to their present value.

The amortized cost is calculated keeping into account discounts and premiums, amortized over the term of the financial asset.

Loans extended and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. Such assets are recorded at the amortized cost using the actual discount rate method. Gains and losses are recorded in the Income Statement whenever loans extended and receivables are eliminated from the accounts or they experience losses in value, in addition to the amortization process.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After the initial recording, these are accounted for at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the income statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Loss in value of financial assets

The Company verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve.

The purchase, sale, issue or cancellation of own shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realizable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The cost of inventories is determined under the weighted-average method, inclusive of the cost of beginning inventories. Provisions for slow-moving stock are accrued for finished products, materials and other supplies, keeping into account their expected useful life and retrievable value.

Payables and receivables

Receivables are recorded initially at fair value and subsequently carried at the amortized cost, written-down in case of loss in value. Payables are normally valued at the amortized cost, adjusted under exceptional conditions for changes in value.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recorded at cost, corresponding to the fair value of the amount received, net of accessory costs. After the initial recording, loans are valued at the amortized cost, using the effective interest method.

Foreign currency translation

Transactions denominated in currencies other than the euro are initially accounted for in euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the euro are translated into euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, of certain or probable existence, whose amount and expiration cannot however be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfillment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income (expense). Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee retirement benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

After the reform, employee termination indemnities accrued up to December 31, 2006, continue to be accounted for as defined benefit plans, while those accrued from January 1, 2007 are accounted for in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007 and until the time at which the choice is made by the employee, are accounted for as a defined benefit plan. Subsequently they are accounted for as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are accounted for as a defined contribution plan.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Company ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Company.

A financial liability is written-off when the related obligation is cancelled, fulfilled or expired. Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability. Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

The revenue is recognized when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements. When the result of the service rendered cannot be reliably estimated, revenues are recorded only to the extent of retrievable costs.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recorded in the period in which it accrues, using the effective interest method.

Dividends

Dividends are recorded when the right of shareholders to receive them arises.

Grants

Grants are recorded when there exists a reasonable certainty that that the same will actually be received and the company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under "other revenues" and amortized over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalized Development costs), is suspended under long-term liabilities and released to the income statement under "other revenues" over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue.

In accordance with IAS 23 Revised, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalized.

Cost of goods purchased and services received

The cost of goods purchased and services received is recorded in the income statement based on the accrual method.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations. The Company records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related amounts reported for tax purposes.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed. Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Financial derivatives

Derivative financial instruments are valued at market value (*fair value*). A derivative financial instrument can be acquired for trading or hedging purposes.

Gains and losses on financial instruments acquired for trading purposes are charged to the income statement.

Derivatives acquired for hedging purposes may be accounted for under the hedge accounting method – offsetting the recording of the derivative in the income statement with adjustments to the value of assets and liabilities hedged – only when derivatives meet specific criteria.

Hedge derivatives are classified as “fair value hedges” when they are acquired to hedge against the risk of fluctuations in the market value of the underlying asset or liability or fluctuations in the financial flows deriving from the same, both in the case of existing assets and liabilities or those deriving from a future transaction.

In the case of fair value hedges, gains and losses on the restatement of the market value of a derivative instrument are taken to the income statement.

With regard to the hedging of financial flows, gains and losses on the hedge instrument are recorded under Shareholders' Equity when they relate to the portion of the hedge considered effective, while the portion not hedged is recorded in the income statement.

Use of estimates

In the case of certain items and in accordance with IAS/IFRS, the Company made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same. Below we describe review processes and key assumptions used by management in applying accounting principles.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

Losses on trade receivables expected by the Company are based on past experience on similar portfolios of receivables, current overdues vs. historical overdues, losses and collections, the close monitoring of credit risk and credit worthiness of customers, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets. Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Company, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same. Whenever the book value of a non-current asset experiences a loss in value, the Company records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Company makes use of traditional actuarial techniques based on stochastic simulations of the "Montecarlo" type. Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Company make also use of demographic projections based on current mortality rates, employee disablement and resignation rates.

In 2013, based on past turnover experience, the probability of an employee terminating his or her employment for causes other than death is the following:

Male	6.18%
Female	4.46%

Assumptions regarding the discounting and inflation rates were:

Discounting rate	4.00%
Yearly inflation rate	2.00%
Yearly real increase in retributions	1.00%
Overall yearly increase in retributions	3.00%
Yearly increase in post-retirement benefits	3.00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Retrievability of deferred tax assets

The Company evaluates the possibility to retrieve deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same.

Potential liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Company ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

IV. NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE S.P.A.

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other assets	Work in progress	Total
Historical cost	37,192,588	35,201,249	6,839,544	3,863,269	4,201,920	87,298,570
Accumulated depreciation	(6,944,238)	(25,797,037)	(5,361,316)	(3,003,494)	-	(41,106,085)
Bal. at Dec. 31, 2012	**30,248,350**	**9,404,212**	**1,478,228**	**859,775**	**4,201,920**	**46,192,485**
Effect of merger	-	1,136,978	83,557	59,704	-	1,280,239
Increases	911,834	3,346,376	336,360	345,894	1,241,991	6,182,455
Depreciation	(915,739)	(1,951,754)	(296,159)	(322,638)	-	(3,486,290)
Net divestments	-	(3,244)	-	(2,278)	-	(5,522)
Reclassifications	1,052,892	2,722,642	98,605	-	(3,874,139)	-
Bal. at Dec. 31, 2013	**31,297,337**	**14,655,210**	**1,700,591**	**940,457**	**1,569,772**	**50,163,367**

	Land and buildings	Plant and machinery	Equipment	Other assets	Work in progress	Total
Historical cost	32,796,320	31,681,204	6,392,783	4,168,985	1,989,914	77,029,206
Accumulated depreciation	(6,191,657)	(25,409,759)	(5,149,551)	(3,270,903)	-	(40,021,870)
Bal. at Dec. 31, 2011	**26,604,663**	**6,271,445**	**1,243,232**	**898,082**	**1,989,914**	**37,007,336**
Increases	3,210,977	3,822,766	323,103	236,587	4,015,571	11,609,004
Depreciation	(753,128)	(1,168,852)	(219,335)	(273,812)	-	(2,415,127)
Net divestments	(500)	(7,146)	-	(1,082)	-	(8,728)
Reclassifications	1,186,338	485,999	131,228	-	(1,803,565)	-
Bal. at Dec. 31, 2012	**30,248,350**	**9,404,212**	**1,478,228**	**859,775**	**4,201,920**	**46,192,485**

Capital investments made by Cembre in 2013 amounted to €6,182 thousand and consisted primarily in expenses for the last construction phases and the putting into operation of the automated wharehouse in addition to costs for the renovation of buildings purchased in 2011. These projects resulted in an investment of €854 thousand in land and buildings, €1,209 thousand in machinery and €623 thousand in plant, in addition to the payment of €750 thousand in advances for the remaining part of the work. At the same time the Company invested €1,660 thousand in its production facilities, among which the purchase of an automatic packaging system for €603 thousand and a die for cable terminals for €220 thousand.

Expenditure on equipment and dies under construction amounted to €427 thousand.

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

2. INTANGIBLE ASSETS

	Development costs	Patents	Software	Work in progress	Total
Historical cost	472,807	160,642	3,585,107	73,200	4,291,756
Accumulated amortization	(356,314)	(96,385)	(2,930,093)	-	(3,382,792)
Balance at Dec. 31, 2012	**116,493**	**64,257**	**655,014**	**73,200**	**908,964**
Effect of merger	-	-	-	-	-
Increases	256,477	75,697	151,393	49,870	533,437
Amortization	(89,228)	(69,121)	(186,574)	-	(344,923)
Reclassifications	-	-	52,500	(52,500)	-
Balance at Dec. 31, 2013	**283,742**	**70,833**	**672,333**	**70,570**	**1,097,478**

Among software purchases was a software for the design of mechanical parts.

3. INVESTMENTS IN SUBSIDIARIES

	Dec. 31, 2012	Effect of merger	Changes	Write-downs	Dec. 31, 2013
Cembre Ltd.	3,437,433	-	-	-	3,437,433
Cembre Sarl	1,048,197	-	-	-	1,048,197
Cembre España SL	2,760,194	-	-	-	2,760,194
Cembre AS	293,070	-	-	-	293,070
Cembre GmbH	1,716,518	-	-	-	1,716,518
Cembre Inc.	888,671	-	-	-	888,671
General Marking S.r.l.	99,000	(99,000)	-	-	-
Total	**10,243,083**	**(99,000)**	**-**	**-**	**10,144,083**

The table below shows financial highlights of subsidiaries, all of which are directly owned.

	Share Capital	Shareholders' Equity	Net Profit	% held
Cembre Ltd (Sutton Coldfield - Birmingham)	2,039,102	11,689,490	2,308,045	100
Cembre Sarl (Morangis – Paris - France)	1,071,000	3,211,933	165,929	95(a)
Cembre España SL (Torrejon – Madrid - Spain)	2,902,200	7,210,499	229,723	95(a)
Cembre AS (Stokke - Norway)	286,978	513,771	10,546	100
Cembre GmbH (Monaco - Germany)	1,812,000	4,711,914	288,598	95(a)
Cembre Inc. (Edison - New Jersey-Usa)	1,044,160	4,176,659	803,548	71(b)

(a) the remaining 5% held through Cembre Ltd.

(b) the remaining 29% held through Cembre Ltd.

Share Capital, Shareholders' Equity and Net Profit figures above relate to the respective Financial Statements at December 31, 2013 approved by the boards of the above subsidiaries. Share Capital and Reserves originally not expressed in euro were translated at the year-end exchange rates, while Net Profit figures were translated into euro at the average exchange rate for the year.

4. OTHER INVESTMENTS

	Dec. 31, 2013	Dec. 31, 2012	Change
Inn.tec. S.r.l.	5,165	5,165	-
Conai	59	59	-
Total	**5,224**	**5,224**	**-**

Other investments consist in the equity investments in Consorzio Nazionale Imballaggi and that in Inn.tec. S.r.l., technology innovation consortium, both with registered office at the Brescia Province head office.

5. OTHER NON-CURRENT ASSETS

The item consists exclusively of security deposits.

6. INVENTORIES

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Raw materials	7,116,829	6,769,352	222,099	125,378
Work in progress and semi-finished goods	9,132,282	9,294,700	85,616	(248,034)
Finished goods	9,727,792	10,336,487	15,246	(623,941)
Total	**25,976,903**	**26,400,539**	**322,961**	**(746,597)**

The provision for slow-moving stock amounts to €779 thousand. The provision was charged directly to the value of finished products to bring their value into line with their expected realizable value. Changes in the provision in 2013 were as follows:

	2013	2012
Balance at January 1	**630,000**	**850,000**
Effect of merger	-	-
Accruals	150,000	299,527
Uses	(1,039)	(519,527)
Balance at December 31	**778,961**	**630,000**

7. TRADE RECEIVABLES

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Gross trade receivables	16,779,294	16,435,353	36,542	307,399
Provision for doubtful accounts	(563,761)	(543,114)	(24,281)	3,634
Total	**16,215,533**	**15,892,239**	**12,261**	**311,033**

Trade receivables by geographical area

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Italy	14,349	14,299	20	30
Europe	1,199	1,180	17	2
North America	82	107	-	(25)
Oceania	356	496	-	(140)
Middle East	58	58	-	-
Far East	584	196	-	388
Africa	151	99	-	52
Total	**16,779**	**16,435**	**37**	**307**

The provision for doubtful accounts is reviewed periodically also on the basis of the retrievability of individual exposures. Whenever bankruptcy procedures are opened, the amount receivable from the related customer is written-off.

Changes in the provision are shown below.

	2013	2012
Balance at January 1	**543,114**	**355,452**
Effect of merger	24,281	-
Accruals	367,944	319,865
Uses	(371,578)	(132,203)
Balance at December 31	**563,761**	**543,114**

Trade receivables by maturity at Dec. 31, 2013

	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2013	14,829	776	463	263	388	60	**16,779**
2012	14,850	724	197	308	310	46	**16,435**
Effect of merger	12	-	-	-	25	-	**37**

8. TRADE RECEIVABLES FROM SUBSIDIARIES

Subsidiary	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Cembre Ltd. (UK)	1,479,658	2,107,484	-	(627,826)
Cembre S.a.r.l. (F)	321,058	338,733	-	(17,675)
Cembre España S.L. (S)	437,971	568,568	-	(130,597)
Cembre AS (N)	1,500	1,500	-	-
Cembre GmbH (D)	452,145	555,681	-	(103,536)
Cembre Inc. (US)	1,786,388	2,495,005	-	(708,617)
General Marking Srl (Italy)	-	1,267	(1,267)	-
Total	**4,478,720**	**6,068,238**	**(1,267)**	**(1,588,251)**

9. TAX RECEIVABLES

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
IRES refund on IRAP	695,475	695,475	-	-
Excess advances paid	-	592,497	141,574	(734,071)
Sundry refunds	104,730	82,223	-	40,778
Total	**800,205**	**1,370,195**	**141,574**	**(693,293)**

Pursuant to article 2, comma 1-quater of Law Decree no. 201/2011, Cembre S.p.A. in 2012 applied for a refund of IRES on retroactive deductions of IRAP on personnel expenses. The refund applied for amounts to €695 thousand.

10. OTHER ASSETS

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Advances to suppliers	227,709	204,649	-	23,060
Receivable from employees	26,250	22,998	-	3,252
Indirect taxes receivable	933,476	1,981,045	-	(1,047,569)
Other	129,675	135,959	26	(6,310)
Total	**1,317,110**	**2,344,651**	**26**	**(1,027,567)**

Item “Other” consists mainly of social security (INPS) receivables, while item “Indirect taxes receivable” includes VAT receivables.

11. 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.

The legal reserve amounts to 20% of the share capital.

The table that follows shows the origin, possible uses and availability for distribution of equity reserves.

Nature/description	Amount	Uses	Portion available
Share capital	8,840,000		
Equity reserves:			
Share premium reserve	12,244,869	A B C	12,244,869
Revaluation reserve	585,159	A B	---
Suspended-tax reserves	68,412	B	---
Reserves accrued from earnings:			
Legal reserve	1,768,000	B	---
Reserve for transition to IAS/IFRS	4,051,204	B	---

Discounting of Employee Termination Indemnities	202,534	B	---
Merger difference	4,397,137	A B C	4,397,137
Extraordinary reserve	50,696,736	A B C	50,696,735
Total	**82,854,051**		**67,338,742**
		Portion not available for distribution	308,189
		Portion available for distribution	67,030,552

Legend: A= capital increases; B= coverage of losses; C= distribution to Shareholders.

The portion not available for distribution to shareholders is made up by the sum of the unamortized balance of development costs and the residual accelerated depreciation, net of related deferred tax liabilities.

12. EMPLOYEE TERMINATION INDEMNITY AND OTHER PERSONNEL PROVISIONS

Changes in the provision are shown below.

	Dec. 31, 2013	Dec. 31, 2012
Beginning balance	**2,296,306**	**2,503,396**
Effect of merger	-	-
Accruals	762,959	799,404
Uses	(200,790)	(429,346)
Discounting effect	64,258	63,617
Social Security (INPS) pension fund	(635,206)	(640,765)
Closing balance	**2,287,527**	**2,296,306**

With the reform of employee termination indemnities, starting with January 1, 2007, Cembre S.p.A. is no longer required to accrue retirement benefits in favor of its employees in a provision, but pays out benefits accrued after such date to the INPS treasury account, unless such benefits have been destined to other pension funds by individual employees. The amount accrued with INPS at December 31, 2013 amounts to €3,954 thousand.

Employee termination indemnities accrued at December 31, 2013 were discounted on the basis of an evaluation made by a registered actuary, in accordance with current regulations.

13. PROVISIONS FOR RISKS AND CHARGES

	Customer indemnities
At December 31, 2012	**81,118**
Effect of merger	-
Accruals	8,034
Uses	(10,337)
At December 31, 2013	**78,815**

The provision is accrued in the event of the termination of the sales license, implying for the Company the payment of an indemnity to the licensee.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recorded prevalently against the provision for slow moving stock described above, and against the discounting of employee termination indemnities, limited to the portion of the accrual that may not be deducted for tax purposes. Deferred tax liabilities are instead recorded prevalently against the revaluation of land carried out upon the first-time application of IFRS, against the valuation of inventories at the average cost (as for tax purposes these are valued at LIFO), in addition to the discounting of employee termination indemnities. Further detail is provided in the note on Income taxes.

No receivable matures beyond five years.

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Deferred tax liabilities				
Average cost valuation of inventories	(283,535)	(516,052)	-	232,517
Accelerated depreciation	(9,277)	(24,131)	-	14,854
Reversal of land depreciation	(27,030)	(27,030)	-	-
Revaluation of land	(1,859,165)	(1,859,165)	-	-
Discounting of Employee Termination Indemnities	(78,869)	(96,542)	-	17,673
Gross deferred tax liabilities	**(2,257,876)**	**(2,522,920)**	**-**	**265,044**
Deferred tax assets				
Write-down of inventories	227,103	186,138	-	40,965
Goodwill amortization	18,003	22,986	-	(4,983)
Depreciation and write down of subsidiary General Marking inventories	23,112	-	29,423	(6,311)
Provision for bad accounts	122,600	82,500	-	40,100

Differences on depreciation	117,113	34,136	-	82,977
Other	22,170	27,097	-	(4,927)
Gross deferred tax assets	**530,101**	**352,857**	**29,423**	**147,821**
Net deferred tax liabilities	**(1,727,775)**	**(2,170,063)**	**29,423**	**412,865**

There do not exist other temporary differences or accruals that can generate deferred taxes not accounted for.

15. CURRENT FINANCIAL LIABILITIES

	Actual interest rate	Repayable	Dec. 31, 2013	Dec. 31, 2012
Bank overdrafts (on bills discounted)				
	0.9 – 1.1%	On demand	1,647,539	2,218,807
Loans				
Unicredit	Euribor +0.75%	Nov. 2013	-	2,000,000
CURRENT FINANCIAL LIABILITIES			**1,647,539**	**4,218,807**

16. TRADE PAYABLES TO SUPPLIERS

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Payable to suppliers	11,883,927	13,454,908	30,868	(1,601,849)
Advances	16,081	52,062	-	(35,981)
Total	**11,900,008**	**13,506,970**	**30,868**	**(1,637,830)**

Trade payables to suppliers are recorded net of trade discounts. Cash discounts are instead recorded at the time of payment. The nominal value of trade payables is adjusted for returns and trade discounts (invoicing adjustments) agreed upon with the counterpart.

Trade payables by geographical area

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Italy	10,582	11,757	31	(1,206)
Europe	985	1,599	-	(614)
North America	18	3	-	15
Oceania	100	87	-	13
Other	199	9	-	190
Total	**11,884**	**13,455**	**31**	**(1,602)**

17. TRADE PAYABLES TO SUBSIDIARIES

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Cembre Ltd. (UK)	11,805	3,266	-	8,539
Cembre GmbH (Germania)	80	27,849	-	(27,769)
Cembre GmbH (Germany)	3,921	1,437	-	2,484
Cembre España (Spain)	2,209	-	-	2,209
Cembre Sarl (France)	6,479	19,155	-	(12,676)
Cembre Inc. (US)	5,689	-	-	5,689
General Marking Srl (Italy)	-	2,806,919	(2,806,919)	-
Total	**30,183**	**2,858,626**	**(2,806,919)**	**(21,524)**

18. OTHER PAYABLES

	Dec. 31, 2013	Dec. 31, 2012	Effect of merger	Change
Payables to employees	1,227,337	1,158,751	-	68,586
Employee withholding taxes payable	812,014	799,778	-	12,236
Commissions payable	161,106	144,583	-	16,523
Payable to Statutory Auditors	31,200	31,457	-	(257)
Social security payables	1,745,191	1,640,760	38,368	66,063
Payable on other taxes and withholding taxes	9,469	44,776	57,017	(92,324)
VAT payable	-	-	51,753	(51,753)
Other	16,588	13,593	-	2,995
Accrued liabilities	(74,407)	(225,682)	(196)	151,471
Total	**3,928,498**	**3,608,016**	**146,943**	**173,539**

19. REVENUES FROM SALES AND SERVICES PROVIDED

Revenues by geographical area

	2013	2012	Effect of merger	Change
Italy	39,252,560	40,977,353	118,203	(1,842,996)
Rest of Europe	26,025,979	25,042,075	-	983,904
Rest of the world	12,821,908	13,349,041	-	(527,133)
Total	**78,100,447**	**79,368,469**	**118,203**	**(1,386,225)**

Changes are commented upon in the Management Report.

20. OTHER REVENUES

	2013	2012	Effect of merger	Change
Extraordinary gains	14,445	5,870	-	8,575
Rent	110,664	324,783	(103,889)	(110,230)
Insurance damages	40,680	7,089	-	33,591
Other reimbursements	128,653	185,588	-	(56,935)
Intercompany freights	25,778	21,786	-	3,992
Intercompany services	404,055	415,485	(7,482)	(3,948)

Other	19,962	67,995	857	(48,890)
Grants	109,173	-	-	109,173
Total	**853,410**	**1,028,596**	**(110,514)**	**(173,845)**

Intercompany services include prevalently advisory services, support and training provided by the parent company's personnel at the subsidiaries upon the implementation of the SAP management software. The item includes also royalties for the use of the Cembre trademark. Item Rent includes revenues from the lease to other parties of office spaces that are part of buildings purchased in 2011. Grants relate almost entirely to grants recognized by INPS (Social Security) on the hiring of young employees.

21. COST OF RAW MATERIALS AND GOODS

	2013	2012	Effect of merger	Change
Raw materials and goods	28,875,779	32,267,880	(3,311,514)	(80,587)
Consumables and auxiliary materials	2,386,578	2,281,519	108,889	(3,830)
Transport and customs	237,825	192,965	496	44,364
Total	**31,500,182**	**34,742,364**	**(3,202,129)**	**(40,053)**

22. COST OF SERVICES

	2013	2012	Effect of merger	Change
Subcontracted work	2,535,748	2,515,290	193,109	(172,651)
Transport	967,664	912,815	4,537	50,312
Maintenance and repair	1,124,009	1,052,468	31,062	40,479
Electricity, heating and water	1,296,042	1,146,568	64,699	84,775
Consulting	867,963	706,810	102,502	58,651
Directors' compensation	539,551	529,657	108,954	(99,060)
Statutory Auditors' compensation	87,360	138,662	-	(51,302)
Commissions	243,054	232,477	-	10,577
Postage and telephone	194,846	198,976	2,987	(7,117)
Fuel	257,227	241,931	-	15,296
Travelling expenses	242,886	249,493	7,391	(13,998)
Insurance	219,978	208,813	5,594	5,571
Bank expenses	68,654	76,344	3,111	(10,801)
Personnel training	28,940	67,890	-	(38,950)
Advertising and promotion	84,261	131,010	-	(46,749)
Security and cleaning	516,346	436,679	12,326	67,341
Other	440,505	437,345	6,469	(3,309)
Total	**9,715,034**	**9,283,228**	**542,741**	**(110,935)**

23. LEASES AND RENTALS

	2013	2012	Effect of merger	Change
Rent and related costs	635,053	623,361	-	11,692
Vehicle and other leasing	340,053	333,608	2,296	4,149
Total	**975,106**	**956,969**	**2,296**	**15,841**

Lease and rental costs are made up by rent paid on buildings leased from others and related parties, as described in the Report on Operations, and by motor vehicle lease costs.

24. PERSONNEL COSTS

The item includes the cost of employees, inclusive of paid holidays and accruals made pursuant to current regulations and collective labor contracts. Employee termination indemnities include the accrual for the year inclusive of the revaluation of the provision, the amount accrued by employees terminating employment in the year, and the share borne by employees of contributions to the COMETA integrative pension fund.

	2013	2012	Effect of merger	Effect of amendments to IAS 19	Change
Wages and salaries	15,580,910	14,737,330	404,049	-	439,531
Social security contributions	4,580,571	4,362,676	146,868	-	71,027
Employee termination indemnities	1,023,104	1,081,817	27,294	(63,617)	(22,390)
Retirement benefits	40,415	32,555	-	-	7,860
Other costs	386,175	371,190	-	-	14,985
Total	**21,611,175**	**20,585,568**	**578,211**	**(63,617)**	**511,013**

Average number of employees by category

	2013	2012	Effect of merger	Change
Managers	6	6	-	-
Administrative and commercial staff	175	167	6	2
Workers	207	201	9	(3)
Outsourced personnel	30	26	-	4
Total	**418**	**400**	**15**	**3**

In 2013 Cembre S.p.A. employed an average of 30 persons outsourced from others for a total cost of €1,149 thousand. The amount was classified under wages and salaries.

25. OTHER OPERATING COSTS

	2013	2012	Effect of merger	Change
Sundry taxes	356,775	311,212	3,587	41,976
Donations	16,000	26,446	500	(10,946)
Capital losses	5,522	8,315	168,878	(171,671)
Fines	1,055	1,449	-	(394)
Other	251,809	223,134	1,847	26,828
Total	**631,161**	**570,556**	**174,812**	**(114,207)**

26. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

	2013	2012	Effect of merger	Change
Customer indemnities	8,034	8,714	-	(680)

The customer indemnities provision amounts to €8,034 thousand and was accrued against possible charges in the case of the termination of agency mandates.

27. FINANCIAL INCOME (EXPENSE)

	2013	2012	Effect of merger	Effect of amendments to IAS 19	Change
Loans and bank overdrafts	(54,235)	(91,181)	(38)	-	36,984
Financial charges on derivatives	-	(20,253)	-	-	20,253
Financial charges on discounting of Employee Termination Indemnities	(97,571)	-	-	(111,596)	14,025
Other financial charges	(1)	(297)	(1)	-	297
	(151,807)	**(111,731)**	**(39)**	**(111,596)**	**71,559**
Dividends from subsidiaries	2,119,003	1,225,949	-	-	893,054
Interest earned on bank account balances	3,184	6,450	1,135	-	(4,401)
Other financial income	847	32,953	(1)	-	(32,105)
	4,031	**39,403**	**1,134**	**-**	**(36,506)**
Financial income (expense)	**1,971,227**	**1,153,621**	**1,095**	**(111,596)**	**928,107**

In 2013, Cembre S.p.A. received dividends from the following:

- French subsidiary Cembre Sarl (€171 thousand);
- UK subsidiary Cembre Ltd (£714 thousand, equivalent to €844 thousand).
- German subsidiary Cembre GmbH (€295 thousand);
- Spanish subsidiary Cembre España SL (€574 thousand);

- Norwegian subsidiary Cembre AS (Nok 1,800 thousand, equivalent to €235 thousand).

Cembre Sarl and Cembre GmbH and Cembre España SL also paid respectively €9 thousand, €13 thousand and €30 thousand in dividends to Cembre Ltd.

28. FOREIGN-EXCHANGE GAINS (LOSSES)

	2013	2012	Effect of merger	Change
Realized foreign exchange gains	109,564	191,452	-	(81,888)
Realized foreign exchange losses	(184,940)	(97,058)	(17)	(87,865)
Gains on foreign exchange translation	31,427	-	-	31,427
Losses on foreign exchange translation	(1,338)	(115,293)	-	113,955
Total	**(45,287)**	**(20,899)**	**(17)**	**(24,371)**

29. INCOME TAXES

	2013	2012	Effect of merger	Effect of amendments to IAS 19	Change
Current corporate (IRES) taxes	(3,170,195)	(2,818,770)	(349,611)	-	(1,814)
Current taxes on productive activity (IRAP)	(1,020,768)	(950,367)	(75,664)	-	5,263
Deferred tax assets	422,026	(35,666)	(53,443)	13,194	497,941
Non recurrent gains	175,198	695,475	21,636	-	(541,913)
Non recurrent losses	(236)	(40,926)	-	-	40,690
	(3,593,975)	**(3,150,254)**	**(457,082)**	**13,194**	**167**

The accrual to the tax provision is made in accordance with expected taxable income, taking into account adjustments made to income reported in the statutory accounts.

The table that follows shows a reconciliation between the theoretical tax expense, calculated at the nominal tax rate, and the actual tax expense.

	IRES
Profit before taxes	12,270,062
Theoretical tax expense (27.5%)	**3,374,267**
Effect of permanent differences	(579,009)
Effect of temporary differences	391,369
Sundry deductions	(16,432)
Actual tax expense recorded	**3,170,195**

	IRAP
Gross taxable income for IRAP purposes	32,331,277
Theoretical tax expense (3.9%)	**1,260,920**
Effect of permanent differences	36,202
Effect of temporary differences	30,677
Deductions for personnel	(307,031)
Actual tax expense recorded	**1,020,768**

Deferred tax assets and liabilities are made up as follows:

	2013	2012	Effect of merger	Effect of amendments to IAS 19	Change
Average cost valuation of inventories	232,517	(80,069)	-	-	312,586
Accelerated depreciation	14,854	19,921	-	-	(5,067)
Discounting of employee termination indemnity	26,834	17,494	-	13,194	(3,854)
Foreign exchange translation differences	-	13,404	-	-	(13,404)
Amortization of goodwill	(4,983)	(4,983)	-	-	-
Depreciation and write down of subsidiary General Marking inventories	(6,311)	-	(53,443)	-	47,132
Write down of inventories	40,965	(80,762)	-	-	121,727
Differences on depreciation	82,977	6,265	-	-	76,712
Other	35,173	72,454	-	-	(37,281)
Non-recurrent gain	-	610	-	-	(610)
Total deferred tax assets and liabilities	**422,026**	**(35,666)**	**(53,443)**	**13,194**	**497,941**

30. COMPREHENSIVE INCOME

As a result of the adoption of amendments to IAS 19, differences arising from the discounting of Employee Termination Indemnities were recorded directly under equity in a specific reserve. These amounts constitute components of Comprehensive Income and are recorded separately from the related tax effect. The net effect for 2013 amounts to €24 thousand.

31. DIVIDENDS

On May 23, 2013 the company distributed (with ex-dividend date May 20) a dividend on net profit for the year ended December 31, 2012, amounting to €2,720 thousand, equivalent to €0.16 for each share entitled to dividends.

	2013	2012
Resolved and paid in the year: Balance due for 2012 dividend: €0.16 (2011: €0.16)	2,720	2,720
Proposal submitted to the Shareholders' Meeting (not recorded as liability at December 31): Balance due for 2013 dividend: €0.26 (2012: €0.16)	4,420	2,720

Proposed dividends submitted for approval to the Shareholders' Meeting amount to €0.26 per share, for a total of €4,420 thousand. This amount was not recorded as a liability.

32. COMMITMENTS AND RISKS

At December 31, 2013, guarantees granted by Cembre S.p.A. to third parties amounted to €636,750, as compared with €613,018 at December 31, 2012.

Commitments with third parties at December 31, 2013 included guarantees granted to the Brescia Municipality amounting to €534 thousand against the construction of development infrastructure in connection with the building of new parking spaces and entrance at the Brescia main complex.

The residual part (€103 thousand) relates to guarantees for supplies granted to electrical and railway companies, both Italian and foreign.

33. NET FINANCIAL POSITION

At December 31, 2013, the net financial position of Cembre S.p.A. amounted to a surplus of €1,310 thousand, improving on December 31, 2012 due to the lower capital expenditure made in the year. At year end, the Company did not have outstanding loans containing covenants or negative pledges.

The table that follows provides a detail of the net financial position as provided by CONSOB Regulation DEM/6064313 dated July 28, 2006.

		Dec. 31, 2013	Dec. 31, 2012	Effect of merger
A	Cash	3,104	4,294	315
B	Bank deposits	2,954,441	457,381	78,498
C	**Cash and equivalents (A+B)**	**2,957,545**	**461,675**	**78,813**
D	Current bank debt	(1,647,539)	(4,218,807)	-
E	**Current financial debt (D)**	**(1,647,539)**	**(4,218,807)**	**-**
F	**Net current financial position (C+E)**	**1,310,006**	**(3,757,132)**	**78,813**
G	**Non-current financial debt**	**-**	**-**	**-**
H	**Net financial position (F+G)**	**1,310,006**	**(3,757,132)**	**78,813**

34. RELATED PARTIES

The table that follows shows transactions between Cembre S.p.A. and its subsidiaries in 2013, limited to sales and purchases. Debit and credit balances are shown in the related paragraphs of the present notes.

Subsidiary	Sales	Purchases
Cembre Ltd.	8,685,618	145,193
Cembre S.a.r.l.	3,647,777	42,676
Cembre España S.L.	3,006,767	4,306
Cembre AS	365,577	6,479
Cembre Inc.	5,183,382	33,584
Cembre GmbH	3,827,244	149,782
TOTAL	**24,716,365**	**382,020**

As required by CONSOB, Cembre S.p.A.'s shareholdings over 10% held in limited liability publicly traded companies and unlisted joint-stock companies at December 31, 2013, are shown in the table below. The Company holds full title to the investments listed below.

Company	Head Office	Share capital	% held				% voting rights
			directly	indirectly	through	total	
Cembre Ltd	Sutton Coldfield (Birmingham-UK)	£ 1,700,000	100%			100%	100%
Cembre Sarl	Morangis (Paris - France)	Euro 1,071,000	95%	5%	Cembre Ltd	100%	100%
Cembre España SL	Torrejon de Ardoz (Madrid - Spain)	Euro 2,902,200	95%	5%	Cembre Ltd	100%	100%
Cembre AS	Stokke (Norway)	Nok 2,400,000	100%			100%	100%
Cembre GmbH	Munich (Germany)	Euro 1,812,000	95%	5%	Cembre Ltd	100%	100%
Cembre Inc.	Edison (NJ- Usa)	US$ 1,440,000	71%	29%	Cembre Ltd	100%	100%

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 Monza, 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 2013 amounted to €526 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 the end of 2013, 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 2013 amounted to €97 thousand. Cembre S.p.A. leased the industrial buildings to obtain additional space adjacent to its main industrial complex in order to reorganize and enhance its production departments. Invoices issued in the year for such contracts have been all regularly settled.

	2013	2012	Effect of merger	Change
Rent income from related parties	-	103,889	(103,889)	-
Rent paid to related parties	622,720	588,166	-	34,554

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.

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.

35. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Due to its minimal exposure, Cembre S.p.A. does not make significant use of derivative instruments to hedge against interest risk and currency exposure.

Risks connected with the market

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

Interest rate risk

Cembre S.p.A. has negligible exposure to this type of risk and at December 31, 2013 it had no loans outstanding.

The Company also makes use of bank overdrafts to face ordinary liquidity needs.

Currency risk

Despite a strong international presence, Cembre S.p.A. 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.

At December 31, 2013, the following foreign exchange positions were held:

	2013		**2012**	
		€		**€**
Receivables in US$	2,617,966	1,898,315	3,520,695	2,668,406
Payables in US$	197,828	143,447	8,673	6,573
Payables in AUS$	153,420	99,475	108,700	85,510
Payables in CHF	-	-	7	6
Payables in GBP	-	-	766	939
Current account in US$	565,798	410,266	1,343	1,018

Amounts were translated into euro at the exchange rate applicable at December 31, 2013. The translation generated a positive €37 thousand difference with respect to the value originally booked, difference which was recorded in the income statement.

In the table that follows we report the economic effect of possible fluctuations in exchange rates of the said amounts.

	Exchange rate change	**Receivables *(€'000)***	**Payables *(€'000)***
2013	5%	(90)	12
	-5%	100	(24)
2012	5%	(127)	4
	-5%	140	(9)

As illustrated above, the size of these transactions and the resulting balances are not significant in influencing the overall performance of the Company.

Liquidity risk

The exposure of the Company 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.

The breakdown of trade receivables by expiration is shown in the table below:

		0-30 days	31-60 days	61-90 days	91-120 days	over 120 days	TOTAL
2013	Expired	3,787	338	194	22	301	**4,642**
	Not expired	864	5,585	751	42	-	**7,242**
2012	Expired	4,465	261	203	12	90	**5,031**
	Not expired	1,079	6,436	713	196	-	**8,424**
Effect of merger	Expired	-	31	-	-	-	**31**
	Not expired	-	-	-	-	-	**-**

Credit risk

Exposure to credit risk relates exclusively to trade receivables.

As shown in note 7, none of the areas in which Cembre S.p.A. operates poses relevant credit risks. Average collection time of trade receivables is 97 days, as compared with 93 days in 2012.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide guarantees.

Receivables matured over 12 months and those under litigation are widely covered by the provision for doubtful accounts accrued.

36. SUBSEQUENT EVENTS

No event having significant effects on the Company's financial position or operating performance occurred after December 31, 2013.

Attachments

The present document contains the following attachments:

Attachment 1: Comparative Income Statement.

Attachment 2: Summary of last approved financial statements of consolidated subsidiaries.

Attachment 3: Independent Auditors' compensation.

Brescia, March 12, 2014

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

Giovanni Rosani

Attachment 1 – Notes to the Financial Statements of Cembre S.p.A.

Comparative Income Statement

	2013	%	2012 Restated*	%	change	2012	%
Revenues from sales and services provided	78.100.447	100,0%	79.486.672	100,0%	-1,7%	79.368.469	100,0%
Other revenues	853.410		918.082		-7,0%	1.028.596	
Total Revenues	**78.953.857**		**80.404.754**		-1,8%	**80.397.065**	
Cost of goods and marchandise	(31.500.182)	-40,3%	(31.540.235)	-39,7%	-0,1%	(34.742.364)	-43,8%
Change in inventories	(746.597)	-1,0%	(972.078)	-1,2%	-23,2%	(706.061)	-0,9%
Cost of services received	(9.715.034)	-12,4%	(9.825.969)	-12,4%	-1,1%	(9.283.228)	-11,7%
Lease and rental costs	(975.106)	-1,2%	(959.265)	-1,2%	1,7%	(956.969)	-1,2%
Personnel costs	(21.611.175)	-27,7%	(21.100.162)	-26,5%	2,4%	(20.585.568)	-25,9%
Other operating costs	(631.161)	-0,8%	(745.368)	-0,9%	-15,3%	(570.556)	-0,7%
Increase in assets due to internal construction	776.711	1,0%	483.138	0,6%	60,8%	479.375	0,6%
Write-down of current assets	(367.944)	-0,5%	(319.865)	-0,4%	15,0%	(319.865)	-0,4%
Accruals to provisions for risks and charges	(8.034)	0,0%	(8.714)	0,0%	-7,8%	(8.714)	0,0%
Gross Operating Profit	**14.175.335**	18,2%	**15.416.236**	19,4%	-8,0%	**13.703.115**	17,3%
Tangible assets depreciation	(3.486.290)	-4,5%	(2.565.282)	-3,2%	35,9%	(2.415.127)	-3,0%
Intangible assets amortization	(344.922)	-0,4%	(361.026)	-0,5%	-4,5%	(361.026)	-0,5%
Operating Profit	**10.344.123**	13,2%	**12.489.928**	15,7%	-17,2%	**10.926.962**	13,8%
Financial income	2.123.034	2,7%	1.266.486	1,6%	67,6%	1.265.352	1,6%
Financial expenses	(151.807)	-0,2%	(223.366)	-0,3%	-32,0%	(111.731)	-0,1%
Foreign exchange gains (losses)	(45.287)	-0,1%	(20.916)	0,0%	116,5%	(20.899)	0,0%
Profit Before Taxes	**12.270.063**	15,7%	**13.512.132**	17,0%	-9,2%	**12.059.684**	15,2%
Taxes from non recurring operations	-	0,0%	695.475	0,9%	-100,0%	695.475	0,9%
Income taxes	(3.593.975)	-4,6%	(4.289.617)	-5,4%	-16,2%	(3.845.729)	-4,8%
Net Profit	**8.676.088**	11,1%	**9.917.990**	12,5%	-12,5%	**8.909.430**	11,2%

*2012 figures have been restated to include merged subsidiary General Marking and changes to IAS19

Attachment 2 – Notes to the Financial Statements of Cembre S.p.A.

Summary financial data of consolidated subsidiaries
(ex article 2429 of the Italian Civil Code)

(amounts in euro)	Non-current assets	Current assets	Total assets	Shareholders' Equity	Total Liabilities	Total Liabilities and Shareholders' Equity
Cembre Ltd	5.205.435	10.219.900	15.425.335	11.689.490	3.735.844	15.425.335
Cembre Sarl	645.925	3.858.621	4.504.546	3.211.933	1.292.613	4.509.736
Cembre España SL	3.335.531	4.907.704	8.243.235	7.210.499	1.032.736	8.243.235
Cembre AS	31.995	554.023	586.017	513.771	72.246	586.017
Cembre GmbH	2.683.220	3.002.924	5.686.144	4.711.914	974.230	5.686.144
Cembre Inc.	221.311	5.967.756	6.189.067	4.176.659	2.012.409	6.189.067

(amounts in euro)	Total revenues	Gross operating profit	Operating profit	Profit before taxes	Income taxes	Net profit (loss)
Cembre Ltd	20.992.251	3.324.572	2.912.426	2.949.222	(641.177)	2.308.045
Cembre Sarl	7.848.784	345.783	268.780	258.105	(92.176)	165.929
Cembre España SL	6.200.183	364.226	246.952	249.645	(19.922)	229.723
Cembre AS	798.185	35.807	18.855	19.671	(9.125)	10.546
Cembre GmbH	7.529.762	473.706	427.803	429.148	(140.550)	288.598
Cembre Inc.	9.566.247	1.358.600	1.291.422	1.288.153	(484.604)	803.548

Figures above relate to the respective Financial Statements at December 31, 2013

The translation of amounts expressed in currencies other than the euro was carried out as described in the notes to the Financial Statements at December 31, 2013.

Attachment 3 - Notes to the Financial Statements of Cembre S.p.A.

COMPENSATION FOR AUDITING SERVICES AND SERVICES OTHER THAN AUDITING

pursuant to article 149-*duodecies* of Listed Companies Code (CONSOB)

Service	Independent auditors	Service received by	Compensation *(€'000)*
Auditing	PricewaterhouseCoopers	Cembre S.p.A.	56
Auditing	PricewaterhouseCoopers	Subsidiaries (Cembre Inc. excluded)	76
Auditing	WeiserMazars	Cembre Inc.	11
Tax Advisory	PricewaterhouseCoopers	Cembre Ltd	6
Tax Advisory	WeiserMazars	Cembre Inc.	11
Other consulting services	PricewaterhouseCoopers	Cembre AS	2

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Attestation in respect of the statutory 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 position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2013 statutory financial statements and during the period covered by the report, were:

• adequate to the company structure, and

• effectively applied during the process.

The undersigned officers certify that this 2013 statutory financial statements:

a) corresponds to the company's evidence and accounting books and entries, and

b) was 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 19 July 2002;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Brescia, March 12, 2014

Chairman and
Managing Director

signed by:
Giovanni Rosani

Manager responsible for the
preparation of financial reports

signed by:
Claudio Bornati

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Cembre SpA

1 We have audited the separate financial statements of Cembre SpA as of 31 December 2013 which comprise the statement of financial position, statement of comprehensive income, statement of cash flows , statement of changes in shareholder's equity, and related notes. The directors of Cembre SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements presented for comparative purposes the data of the previous year. As explained in the notes, the directors have restated certain comparative figures for the previous year, compared to the data previously presented and audited by us, on which we issued the audit report on 29 March 2013. The methods of restatement of comparative information and disclosures presented in the notes, have been examined by us for the purpose of expressing an opinion on the consolidated financial statements at 31 December 2013.

3 In our opinion, the separate financial statements of Cembre SpA as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Cembre SpA for the period then ended.

4 The directors of Cembre SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Investor relations" of the website of Cembre SpA in compliance with the applicable laws and

PricewaterhouseCoopers SpA

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regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Cembre SpA as of 31 December 2013.

Brescia, 27 march 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 readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS OF CEMBRE S.p.A. AT DECEMBER 31, 2013

Pursuant to Article 153 of Legislative Decree 58/98 of TUF (Testo Unico della Finanza, Consolidated Finance Act) and of article 2429, comma 3, of the Italian Civil Code

To our Shareholders:

pursuant to article 2429, comma 2 of the Italian Civil Code and article 153 of legislative decree no. 58, dated February 24, 1998, the Board of Statutory Auditors reports to the Shareholders' Meeting called to approve the 2013 Financial Statements on the monitoring activity carried out and on omissions and censurable facts observed, in addition to expressing a recommendation on the Financial Statements, their approval and other pertinent issues.

In compliance with responsibilities assigned by article 149 of legislative decree no. 58, dated February 24, 1998, the Board of Statutory Auditors reports the following:

In 2013 the Board:

- *attended one Shareholders' Meeting;*
- *attended four of Board of Directors' Meetings at which Directors informed the Board of Statutory Auditors on main operations of economic and financial relevance carried out by the Company and its subsidiaries. In this regard, we can reasonably state that operations resolved and/or carried out, complied with the Law and the provisions of the By-laws, were not in potential conflict of interest or in contrast with Shareholders' resolutions taken, were carried out in compliance with correct management principles, were not manifestly imprudent, did not involve an excessive amount of risk, constitute a potential conflict of interest or were such as to compromise the integrity of the company's assets;*
- *met seven times to carry out periodical monitoring, reviewing financial reports and taking the related resolutions, with all auditors attending the meetings;*
- *met twice as a Board with the Company's independent auditors, PricewaterhouseCoopers S.p.A.;*
- *met also: 4 times with the Person in charge of internal control, of which three times represented by its Chairman; 5 times with the Internal Audit and Risk Committee, twice represented exclusively by its Chairman; 5 times with the Monitoring Board, twice represented by its Chairman, ascertaining that company's structure is adequate to its size;*

The Board monitored the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/1998 and subsequent amendments,

and on the correct flow of information between them, and deems the Company to be capable of complying with disclosure requirements set by Law.
With reference to the two subsidiaries incorporated in countries that are not part of the European Union (Cembre Inc., incorporated in the US, and Cembre A.S., incorporated in Norway) whose accounts are audited, we attest that the administrative, accounting and reporting systems used are adequate in providing a regular flow of operating and financial information to the company's management and Independent auditors.

The Company adopted the Self Conduct Code of listed companies approved by the Committee for Corporate Governance promoted by Borsa Italiana S.p.A., adopting further in 2013 resolutions aimed at completing the process of compliance of the Company's Managerial and Control Model with new regulations introduced. The corporate governance system adopted by the Company is described in detail in the 2013 Report on Corporate Governance and the Company's ownership structure, approved by the Board of Directors on March 12, 2014.

We have acquired direct knowledge and monitored, to the extent required by our task, the adequacy of the organizational structure of the Company and of its administrative and managerial organization in relation to its size, gathering information from persons in charge of the management of the Company and through meetings with the independent auditors, the Person in charge of internal control, the Internal Audit and Risk Committee and the Monitoring Board, involving exchange of data and relevant information, to verify the respect of diligent and correct administration principles.
The Board of Statutory Auditors thus believes that the diligent and correct administration principles were respected.

The Board also monitored the ability of the managerial accounting system of the Company to represent correctly the performance of the Company through the gathering of information from the Appointed Manager and competent head of departments, the review of corporate documents and the analysis of results of work carried out by the independent auditors. In particular, the Board reports that in 2013 the Appointed Manager verified, with the help of the Internal Audit Department, the adequacy and actual application of administrative and accounting procedures as per article 154-bis, TUF; such activity allowed to attest that the financial statements provide a true and correct representation of the financial situation and economic performance of the Company and its subsidiaries. In light of the monitoring activity carried out and of the positive opinion on the adequacy of the organizational, administrative and accounting structure of the Company expressed by the Board of Directors during its meeting dated November 14, 2013, the Board of Statutory Auditors deems, within the scope of its *responsibilities, such system to be adequate and reliable in providing a correct representation of the Company's performance.*

The Board monitored the adequacy of the internal auditing system, also at the consolidated level, through the exhaustive collection of information, by:

- *reviewing the report of the Person in charge of internal audit on the internal audit system of Cembre;*
- *attending meetings of the Internal Audit and Risk Committee and of the Monitoring Board;*
- *reviewing the report of the Internal Audit and Risk Committee on the internal audit system;*
- *reviewing information on measures taken and procedures adopted pursuant to Legislative Decree 231/2001 and subsequent amendments, on the administrative responsibility of organizations with regard to crimes referred to in the above legislation;*
- *maintaining the Environmental management system with periodical internal and external audits;*
- *reviewing information on monitoring activity and the implementation of corrective action devised also by seeking specific independent advice on hygiene, employee safety and the environment in general;*
- *reviewing the results of work carried out by the Independent auditors;*
- *reviewing information provided by the management and respective boards of subsidiaries, pursuant to commas 1 and 2 of article 151 of Legislative Decree 58/98*
- *attesting the financial statements of the parent company pursuant to article 81-ter of Consob Regulation dated May 14, 1999 and subsequent amendments, underwritten by the Managing Director and Manager in charge of drafting the Company's accounts.*

The Board ascertained that the Company, during the year, has updated "The Internal Dealing Procedure", "The procedure for the publication of privileged information", "The procedure for the management of the register of persons having access to privileged information"; following new Legislative Decree 190/2012, introducing new categories of crimes, also Organizational Model pursuant to legislative decree 231/2001 have been updated.

In light of the monitoring activity carried out and of the positive opinions regarding the adequacy, effectiveness and functioning of the internal control system formulated by the Internal Audit and Risk Committee and by the Board of Directors, the Board of Statutory Auditors deems, within the scope of its responsibilities, such system to be adequate.

Information pursuant to article 150 of Legislative Decree no. 58/98 and subsequent amendments was supplied and sought independently by the Board of Statutory Auditors, *from which no data or relevant information, omissions, censurable facts, irregularities or in any case significant events worth reporting to relevant Authorities or monitoring boards, or of mention in the present report have emerged.*

The Board of Statutory Auditors did not receive any report pursuant to article 2408 of the Italian Civil Code or has any knowledge of any other denunciation pursuant to the same received by others.

The Board of Directors transmitted to us, within the term set by law, the Report on the first six months of 2013, publishing it pursuant to current regulations, publishing also interim reports for the 1st Quarter and the 3rd Quarter of 2013.
Likewise, the Board of Directors transmitted to us the Consolidated Financial Statements and the parent company's accounts for the year, consisting of Statement of Financial Position, Income Statement, Statement of Cash Flows and Statement of Changes in the Shareholders' Equity, together with the Notes to the accounts and the certifications of the same by the Managing Director and Person in charge of drafting the company's accounts pursuant to article 81-ter of CONSOB Regulation no. 11971/99 and following, and of article 154-bis, commas 3 and 4, of Legislative Decree no. 58 of February 24, 1998, in addition to three attachments (Comparative Income Statement, Summary financial data of consolidated subsidiaries, Compensation for auditing services and other services).
The Report on Operations for the 2013 financial year illustrates results of the Group and the parent company, includes as attachments a Comparative Consolidated Income Statement and a list of Members of Corporate Boards, illustrating subsequent events and the outlook for 2014.

With regard to CONSOB communications, within the scope of its responsibilities, the Board attests that:

- *information provided by Directors in the Report on Operations are deemed exhaustive and complete;*
- *the Report on Operations includes a Comparative Consolidated Income Statement, a list of Members of Corporate Boards, performance indicators, investments, detail of main risks and uncertainties connected with the overall economic situation, the market for the Company's products, credit markets, liquidity, interest rates, exchange rates, the integrity and reputation of the Company, environmental management and workplace safety;*
- *in the periodical verifications and checks we performed on the Company, we did not encounter any atypical or unusual transaction either with third parties, related parties or between Group companies;*
- *with regard to transactions between Group companies and those with related parties, the Report on Operations and the Notes to the accounts describe and explain*

exchanges of goods and services between the Company and its subsidiaries or other related parties, attesting that the same were carried out at market conditions, keeping into account the quality of goods and services exchanged;

- *Related Parties Procedure was checked and confirmed in compliance with paragraph 6.1 of CONSOB Communication no. 10078683/2010;*
- *in the field of risk management and financial instruments, the nature and amount of risks were reported;*
- *the Audit Report does not contain reference to lack of disclosure or related observations and proposals;*
- *in compliance with articles 123bis of the Finance Act (Testo Unico), article 89-bis of CONSOB's Listed Companies Regulation, we acknowledge that, as it appears in the Report on Corporate Governance, the Cembre Group participates and complies with the Self-conduct Code issued by the Committee for Corporate Governance of listed companies, as integrated and implemented, through its adoption and compliance with Regulations for STAR segment listed companies;*
- *the adoption of said Code was verified by the Board of Statutory Auditors and represented the subject, in its various aspects, of the Report on Corporate Governance made available to you and to which we refer.*

Cembre S.p.A. appointed PricewaterhouseCoopers S.p.A. to carry out an audit of its statutory accounts and consolidated financial statements, a limited audit of its Consolidated Half-year Report and other auditing activities pursuant to article 155 comma 1 letter a) of Legislative Decree no 58/98.

The report of Independent Auditors PricewaterhouseCoopers S.p.A. (the "Independent Auditors") on the financial statements of Cembre S.p.A., issued pursuant to article 14 and 16 of Legislative Decree no. 39 of January 27, 2010, on March 27, 2014, does not contain exceptions or raises issues, and attests that said financial statements are clear and have been prepared in compliance with norms that regulate the preparation of financial statements, representing in a true and correct manner the financial position and operating performance, the income and cash flows of the Company and the Group for the year ended December 31, 2013. Said report attest also that the Report on Operations and information pursuant to paragraph 1, section c), d), f), l), m) and paragraph 2, section b) of article 123-bis of Legislative Decree no. 58/1998 published in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of the Company.

On March 27, 2014, Independent Auditors PricewaterhouseCoopers S.p.A. issued a communication, regarding independence, related to auditing and non-auditing services supplied to the company. Taking into account principles stated by law and professionals regulations, they confirmed their position of independence and objectivity towards

Cembre S.p.A. They also declared that no changes generating incompatibilities, as those indicated by art. 160 of Legislative Decree 58/98 and by section I-bis of paragraph VI "Independent Audit"- Incompatibility - of CONSOB Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations, occurred.

As stated by Law, following the merger of General Marking S.r.l., the Board sent to Shareholder's Meeting, a proposal for an addiction to the audit contract that appointed PricewaterhouseCoopers S.p.A as Independent Auditor, in compliance with articles 13 and 16 of Legislative Decree no. 39/2010, for financial year 2013-2017.

Other services other than audit carried out by companies belonging to the PricewaterhouseCoopers network amounted to € 8 thousand and related to tax compliance, while advisor WeiserMazars also provided tax compliance and other services for a total fee of €11 thousand.

The Board of Statutory Auditors, in compliance with the Self-conduct Code, verified the independence requisites of permanent and alternate Statutory Auditors, in addition to the correct application of criteria and procedures adopted by the Board of Directors in the year to evaluate the independence of Non-executive Independent Directors.

The statutory accounts, for which we verified compliance with laws regulating its format and preparation through checks carried out by us, within the limits of our task, as provided by article 149 of Legislative Decree no. 58, February 24, 1998, and subsequent amendments – having ascertained that no waivers pursuant to article 2423 of the Italian Civil Code were exercised – and information provided by the Independent Auditors, report a net income of €8,676,088, as compared with a net income of €9,917,990 in the previous year (amount restated including General Marking S.r.l. results and the effects of amendments to IAS 19).
The Board of Statutory Auditors therefore deems the Financial Statements at December 31, 2013 and the proposed allocation of net profit for the year submitted by the Board of Directors to be suitable to receive your approval.

Brescia March 27, 2014

The Board of Statutory Auditors

Chairman

Fabio Longhi