



COSTRUZIONI ELETTROMECCANICHE BRESCIANE



2020 half-yearly

financial report

Cembre S.p.A.

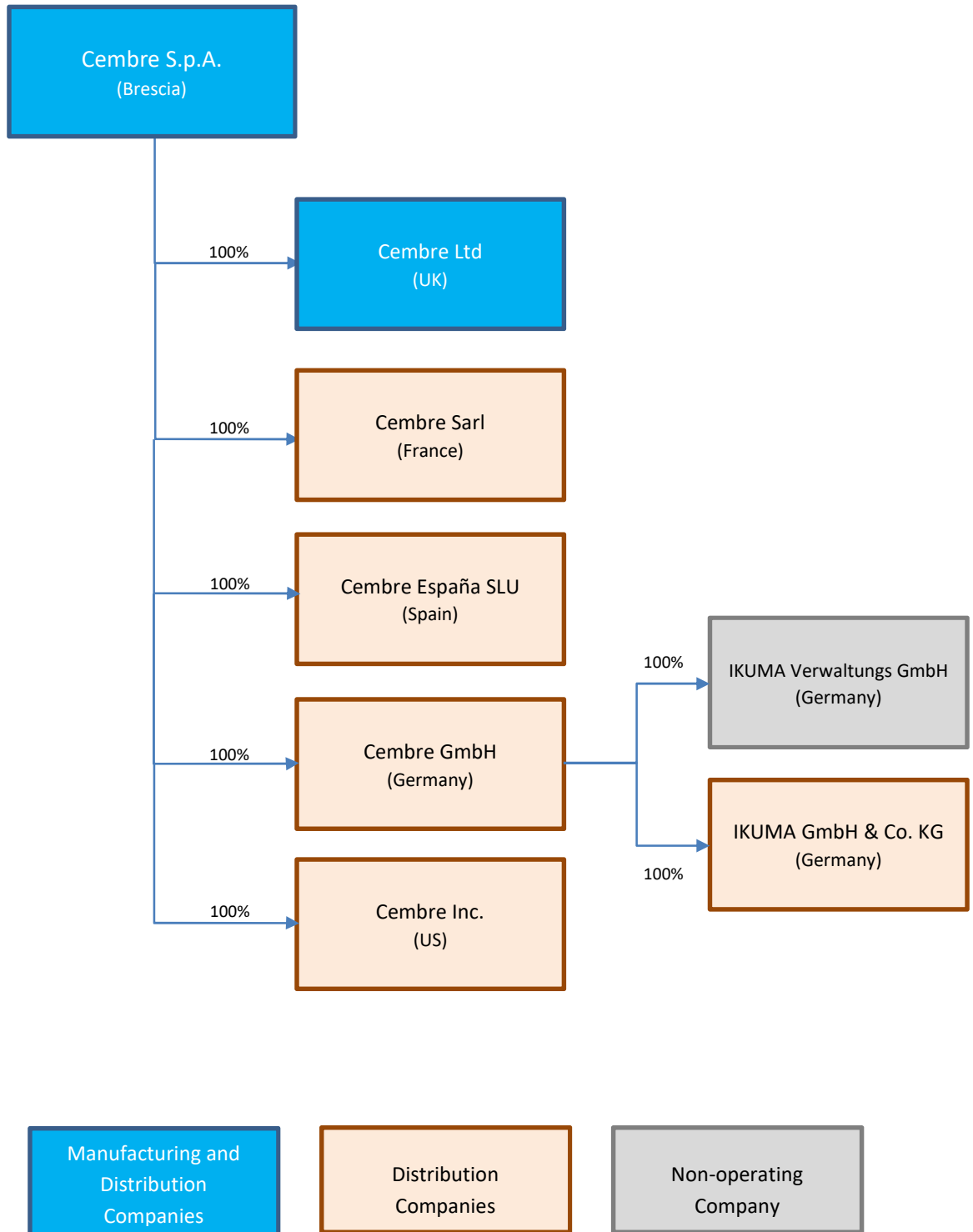
Head Office: Via Serenissima 9, Brescia, Italy
Share Capital: EUR 8,840,000 (fully paid-up).
Registration no: 00541390175 (Commercial Register of Brescia)

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

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Group Structure as at June 30, 2020*



*From July 1, 2020 the subsidiary IKUMA GmbH Co. KG and the subsidiary IKUMA Verwaltungs GmbH were merged by incorporation in the company Cembre GmbH, which already owned all their share capital.

Interim Report on Operations of the Cembre Group for the 1st Half of 2020

Operating Review

The first half of 2020 was the scene of the biggest economic crisis in the post-war period. The pandemic that exploded in February did not spare any geographical area, heavily impacting all markets, from the most developed to the poorest. The most acute phase of the crisis seems to have passed, however there are still certain areas, such as North and South America, where the death toll from the virus continues to be high. In addition, the flare-ups of random outbreaks continue to limit the movement of people and prompt Governments to re-impose restrictions. In said general framework, Group activities in the period were heavily impacted. In fact, consolidated sales fell by 15.9% compared to the first half of 2019, down from €76.9 million to €64.7 million.

The trend in consolidated sales by geographical areas shows a 17.5% drop in the Italian market, with sales of €25.4 million. Revenues in the European market (excluding Italy) dropped by 15.0% to €30.4 million, while revenues in non-European markets recorded a decrease of 14.3%, with revenues at €8.9 million. In the 1st Half of 2020, 39.3% of Group sales were represented by Italy (as compared with 40.1% in the 1st Half of 2019), 47.0% by the rest of Europe (46.5% in the 1st Half of 2019), and the remaining 13.7% by the rest of the World (13.4% in the 1st Half of 2019).

Sales by geographical area:

(euro '000)	1 st half 2020	1 st half 2019	Change	1 st half 2018	1 st half 2017	1 st half 2016	1 st half 2015	1 st half 2014	1 st half 2013	1 st half 2012	1 st half 2011
Italy	25,398	30,798	-17.5%	31,349	28,055	25,446	25,312	22,194	19,309	20,968	24,819
Rest of Europe	30,383	35,727	-15.0%	30,718	28,014	26,250	26,283	26,100	23,995	23,841	22,168
Rest of the World	8,875	10,353	-14.3%	11,228	10,527	10,989	11,442	8,319	8,955	8,412	6,848
Total	64,656	76,878	-15.9%	73,295	66,596	62,685	63,037	56,613	52,259	53,221	53,835

Revenues from sales and services (net of intra-group sales), in thousands of Euros, are broken down between the various companies as follows:

(euro '000)	1 st half 2020	1 st half 2019	Change	1 st half 2018	1 st half 2017	1 st half 2016	1 st half 2015	1 st half 2014	1 st half 2013	1 st half 2012	1 st half 2011
Cembre S.p.A.	33,279	40,361	-17.5%	40,680	37,303	35,226	34,732	29,098	26,607	28,308	31,873

Cembre Ltd. (UK)	7,642	10,401	-26.5%	9,320	8,883	9,313	9,979	10,636	9,541	9,086	6,759
Cembre S.a.r.l. (F)	4,309	5,633	-23.5%	5,270	5,025	4,836	4,300	4,292	4,037	4,081	3,846
Cembre España S.L.U. (E)	5,495	6,045	-9.1%	5,366	5,093	4,084	4,406	3,567	3,167	3,093	3,929
Cembre GmbH (D)*	7,956	7,689	3.5%	5,491	4,319	3,824	3,633	3,762	3,535	4,018	3,896
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	n.a.	n.a.	23	591	450	412	528	424
Cembre Inc. (USA)	5,975	6,749	-11.5%	7,168	5,973	5,379	5,396	4,808	4,960	4,107	3,108
Total	64,656	76,878	-15.9%	73,295	66,596	62,685	63,037	56,613	52,259	53,221	53,835

*From July 1, 2020, the company IKUMA KG was merged by incorporation in Cembre GmbH. The two companies operated in close synergy from the start of the year, through common management and a strategy defined at country level; for said reason, the data were shown in the tables in consolidated form, considering the data of the German companies jointly (note that IKUMA was acquired effective from May 1, 2018, therefore the data up to 2017 concern solely Cembre GmbH).

In the 1st Half of 2020, Group companies reported the following results, before the consolidation:

(euro '000)	Net result prior to consolidation										
	1 st half 2020	1 st half 2019	Change	1 st half 2018	1 st half 2017	1 st half 2016	1 st half 2015	1 st half 2014	1 st half 2013	1 st half 2012	1 st half 2011
Cembre S.p.A.	7,811	14,016	-44.3%	12,757	10,496	9,275	9,283	6,807	4,305	5,635	6,153
Cembre Ltd. (UK)	330	1,150	-71.3%	854	2,997	1,049	1,182	1,391	1,139	1,123	635
Cembre S.a.r.l. (F)	50	420	-88.1%	307	236	160	211	183	166	100	165
Cembre España S.L.U. (E)	191	312	-38.8%	148	289	(40)	264	161	69	(276)	(31)
Cembre GmbH (D)*	241	344	-29.9%	211	288	166	94	197	98	278	304
Cembre AS (NOR) (Wound up in 2016)	n.a.	n.a.	n.a.	n.a.	n.a.	-91	49	31	11	57	37
Cembre Inc. (USA)	291	554	-47.5%	694	245	183	160	294	480	210	131

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

(euro '000)	Curr	Net profit										
		1 st half 2020	1 st half 2019	Change	1 st half 2018	1 st half 2017	1 st half 2016	1 st half 2015	1 st half 2014	1 st half 2013	1 st half 2012	1 st half 2011
Cembre Ltd. (UK)	Gbp	289	1,005	-71.2%	751	2,580	817	865	1,142	969	923	552
Cembre Inc. (USA)	US\$	321	626	-48.7%	840	266	204	179	402	630	272	183

To provide a better understanding of the Company's consolidated results for the 1st half of 2020, a Comparative Consolidated Income Statement is provided in Attachment 1, which shows the percentage changes compared to the same period in 2019.

Consolidated gross operating profit for the 1st Half amounted to €15,578 thousand, representing a 24.1% margin on sales, down 25.5% on the corresponding period in 2019 when it amounted to €20,912 thousand, representing a 27.2% margin on sales. The incidence of the cost of goods sold decreased in the half-year, while the weight of the cost for services remained stable. The incidence of personnel costs rose, despite the value dropping in absolute terms due to the use of Cassa Integrazione (Wage Guarantee Fund) during the lock-down to contain Covid-19. The average number of employees employed by the Group in the period rose from 741 to 755, with growth in particular at the German company IKUMA KG, which reported an average rise of 12 in the headcount during the period.

Consolidated operating profit for the period amounted to €10,202 thousand, representing a 15.8% margin on sales, down 36.9% on €16,167 thousand in the 1st Half of 2019, when it represented a 21.0% margin on sales.

Consolidated profit before taxes for the period amounted to €10,199 thousand, representing a 15.8% margin on sales, down 36.4% on €16,033 thousand in the 1st Half of 2019, when it represented a 20.9% margin on sales.

Net profit for the half-year amounted to €7,600 thousand, representing an 11.8% margin on sales, down 38.6% on €12,375 thousand in the 1st Half of 2019, when it represented a 16.1% margin on sales.

The net financial position went from a surplus of €5.6 million as at December 31, 2019, to a deficit of €4.7 million as at June 30, 2020. The financial position was affected by the payment of €15.0 million in dividends and capital expenditure made by the Parent Company, amounting to €3.5 million.

At June 30, 2019, the net financial position was equal to a deficit of €4.7 million.

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 Result (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 Result (EBIT): defined as the difference between the Gross Operating Result and the value of amortization/impairment. It represents the profit before cash flows and taxes.

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

Investments

Capital expenditure, gross of amortisation, depreciation and disposals made in the 1st Half of 2020 amounted to €3.5 million and consisted mainly in the acquisition of plant and equipment. In the 1st Half of 2019 investments amounted to €5.8 million.

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.

The pandemic is having a bigger than expected impact on the global economy. The International Monetary Fund estimates a decrease of 4.9% in global gross domestic product, revising downwards its April estimates. Nonetheless, there is still ample room for uncertainty connected with potential future developments of the virus which, in the event of a fresh wave, could delay the recovery forecast for 2021. The difficulty in drawing

up reliable forecasts, the extreme sensitivity of the markets to pandemic-related news, as well as the restrictions and obligations imposed for the reopening of companies after the shut-down, have slowed the recovery in activities and trade. The job market has been severely hit by the health emergency, in particular in the poorest economies and in less qualified jobs, for which the use of social shock absorbers or forms of smart working have not been possible. The drop in demand, combined with the fall in the price of energy goods, has led to a decline in inflation, despite the lower availability of products and services resulting from the halting of activities.

Intervention by banks and national Governments have limited the detrimental effects of the crisis, mitigating the fragility of the financial markets, by promoting company and household liquidity and supporting the job sector.

The International Monetary Fund predicts that the United States, the country most heavily impacted by the epidemic, will close 2020 with a slump in GDP of 8%, with an expected recovery of 4.5% in 2021. The Eurozone on the whole should lose 10.2%, then rise next year by 6%; for Italy and Spain, nations hit hard by the virus, the forecasts point to a drop in GDP of 12.8%, with a rebound of 6.3% in the next year, France will see a decrease of 12.5% and a recovery of 7.3%; by contrast, Germany should see a drop of 7.8% with a forecast recovery of 5.4% in 2021.

The wide margin of uncertainty on which estimates of future performance are based make it very difficult to make reliable predictions regarding the performance of markets and demand. The Cembre Group, thanks to its strong financial position and good competitive hedge, is confident about the future and feels it is in a position to take advantage of opportunities that may arise and to react to possible changes in the economic scenario that may develop in the next months.

Covid-19 risk

During the peak of the virus' spread, the Group implemented all the measures to prevent, control and contain the virus in order to protect the health of its employees, through both

the reorganisation of work, of procedures and logistics, and by purchasing and installing protective equipment.

The Group is keeping a close eye on virus developments, and is ready to implement additional measures and investments if needs be. For more details, please refer to the paragraph “Implications of the Covid-19 pandemic” of this Report.

Risks connected with the market

The Group protects its market position by pursuing ongoing innovation, the widening of the product range, and by introducing into production processes the most advanced methods and machinery, while also implementing, with the help of its foreign subsidiaries, targeted marketing policies and pursuing a policy of market expansion where the Group has less of a presence.

Credit risk

Cembre and its subsidiaries focused over time on a careful selection of customers, managing prudently sales to those that do not possess an adequate credit standing. The Group has accrued a provision for doubtful accounts and the management doubtful accounts, constantly monitoring past due amounts and soliciting payment when terms have expired. To further reduce this type of risk, Cembre S.p.A. and Cembre España SLU have stipulated an insurance policy with a leading insurance company against commercial credit losses.

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

As at June 30, 2020, the Parent Company Cembre S.p.A. has four loans in place, expiring between September 2020 and September 2021. The nature of the rate applied and the relatively short-term maturity protect the Group from any fluctuations in interest rates.

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 behaviour 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 organisational, 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 Parent Company constantly integrates and upgrades the model.

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

Environmental management

Cembre S.p.A. has deemed and recognised as a fundamental step in its development the creation of a harmonised Environmental Management System according to the spirit and the interpretation of the UNI EN ISO 14001 standard.

To this end, a demanding project has involved all the functions and all the company processes: from the engineering and design phase, to the choice of materials and processes used, to the careful and conscious management of the production phases.

The project was extended to subsidiary Cembre Ltd. (UK), representing the second production site of the Cembre Group; thus the certification of the Environmental Management System according to the ISO 14001:2015 standard now extends to both Cembre S.p.A. and Cembre Ltd.

The certification of the Environmental Management System of the Group's production sites allows us to ensure the application of common, shared and environmentally friendly behavioural guidelines.

Through the implementation of operating procedures strictly in line with regulations regarding environmental protection and the application of principles for sustainable development Cembre can:

- create opportunities to protect the environment by preventing or mitigating environmental impacts,
- fulfil its compliance obligations,
- improve environmental performance,
- design and manufacture products using materials and processes that ensure the protection of the environment throughout the life of the product, from manufacturing to disposal.

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.

Research & Development

In the Group, Research & Development activities are made prevalently by Cembre S.p.A.; costs for personnel employed in Research & Development of new products amounted to €236 thousand, of which €112 thousand were capitalised in development costs under intangible assets.

Below we include a brief description of projects undertaken in the first half of the year. Information provided is purposely generic because some products will be launched in the second half of the year and are in some cases in the process of obtaining patents.

Cable terminals

A total of 37 requests for new products were dealt with. Each study involved both new connectors and machinery for their manufacturing.

The study of the innovative range of mechanical connectors with the new snap-off screw continued, and laboratory tests continued for the validation of the solutions developed.

Railroad equipment

Various new product requests for equipment and tools related to the maintenance of railway systems were dealt with.

The prototype of a new battery-powered machine for railway section maintenance was designed, with innovative functions and performances for the market. The machine will enter into production in the first half of the next year.

The design of a new battery-powered tool for railway section maintenance was completed, with innovative ergonomic features. It will also enter into production by the first half of the next year.

Lastly, the development of jigs and clamps for the drills for rail drilling continued, including some specific solutions for the Belgian market.

Tools

The prototype of a new clamp for the compression of electrical terminals was approved, which will therefore enter the industrialisation phase. It will be available for the market by the first half of the next year.

The project was developed last year for a hydraulic head for cable inspection, able to communicate with the relevant control pump, signalling completion of the operation. Field tests are currently in process on the product which is the object of a patent.

Three new hydraulic tools for the compression of connectors were introduced on the market, one controlled manually and two battery-powered. They were created for the German market, where they are highly regarded, and present an innovative solution that makes them easy to use.

The design of 9 pairs and entire series of matrices for the compression of electrical connectors continued, many of which dedicated to the new tools described above.

Cable marking

Eleven projects were developed relating to products for industrial marking. Studies also included the related manufacturing tools.

The most challenging project definitely concerns the expansion and updating of the current range of thermal transfer printers, with the goal of ensuring the best solution for each type of use.

A new thermal transfer auto-loaded printer with display with touch technology will soon be launched on the market, suitable for intensive use.

Lastly, an innovative thermal transfer printer is at the design phase, which will enter into production by the first half of next year.

Pressfit

Cembre has developed, for metallic connections, 5-segment “chain” compression systems that are subject to patent.

A new hydraulic tool has been designed, suited to permanent deformation of multilayer pipes. Its prototype will be created in the second half.

Transactions with related parties

Cembre S.p.A. signed leases with “Tha Immobiliare S.p.A.”, with registered office in Brescia, and capital subdivided between Giovanni Rosani and Sara Rosani, members of the Board of Directors of Cembre S.p.A.

Invoices issued in the half-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. (holding company of Cembre S.p.A.). A summary of the amounts reported in the financial statements relating to the above contracts is provided below:

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	2,990	2,537	476	248	33
Leased assets from Borno - Cembre Ltd	789	684	113	61	6

Cembre GmbH has recorded €981 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €496 thousand.

Transactions with Group companies and related parties fall under normal business activities and are carried out at prices corresponding to the market value.

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 that it operates in full autonomy with respect to 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 and regulated under the laws of a State that is not part of the European Union, namely Cembre Inc. with registered office in New Jersey (USA) and Cembre Ltd with registered office in Birmingham (UK).

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 subsidiary and used in the preparation of its 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 Cembre Inc. and Cembre Ltd 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 powers of the company boards of Cembre Inc. and Cembre Ltd 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

At June 30, 2020, the number of own shares held by Cembre S.p.A. was 280,041, corresponding to 1.65% of the capital stock. No treasury shares were purchased or sold in the first half of 2020. The shareholders' meeting of Cembre S.p.A. on May 20, 2020, resolved the authorisation to purchase own shares, effective for the 18 months subsequent to the date of the meeting.

Ownership Structure and Corporate Governance

In compliance with norms contained in article 123-bis of Legislative Decree 58, dated February 24, 1998 (Testo Unico della Finanza - Consolidated Finance Act), we refer to the Report on Corporate Governance which, in addition to providing a general description of corporate governance and of risk management and internal control procedures, 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 website "www.cembre.it".

Implications of the Covid-19 pandemic

The explosion of the Covid-19 pandemic not only caused a decline in sales revenues and a drop-off in results described above, but required the Cembre Group to implement a

series of preventive actions to contain the spread of the virus and protect the health of all the Group's employees. Initially, it launched a major information campaign by posting, in commonly used rooms and toilets, the rules of behaviour and hygiene practices recommended by the health authorities to combat the epidemic, together with the distribution of hand gel. Subsequently, due to the deterioration of the situation, it changed the organisation of work, arranging it into several shifts, in order to reduce the number of people present in the various departments. The presence of people in the same office was reduced to a minimum and, where possible, people were placed in smart working mode. During the most acute phase of the virus, activities in Italy went into almost total shut-down from March 23 to May 4. Cembre S.p.A. never halted deliveries, given suppliers of Railway and Electrical Companies and other activities of primary interest. During that period, for personnel who could not be placed into smart working mode, the company made use of social shock absorbers. In order to compensate 50% of the reduction in wages that occurred during the 'cassa integrazione' (wages guarantee fund) period, Cembre S.p.A. initiated a financial compensation programme and also paid an attendance bonus for those who physically worked during the lock-down period from March 23 to April 17; the total company cost of these supplements came to €411 thousand, a value already fully allocated in these financial statements, also for the portion to be paid in July and August 2020.

In France, activities were halted in the March 23-29 period, with a staff rotation system activated until May 31 to reduce the number of people present. Activities in the UK, despite never being halted, were greatly reduced, with roughly 60% of personnel making use of social shock absorbers also in this case. In Spain and Germany, activities continued without any shut-downs, albeit at reduced volumes and with the use of smart working, while in the United States, the company had to sanitise work environments, with the full shut-down of the company for two days in the last week of March, due to the positive virus test of a worker.

In order to be able to put into practice all the necessary provisions to combat Covid-19, i.e. purchase of the personal protective equipment and of hygiene products, sanitisation

of environments, installation of thermal scanners, change of office and reception layout, antibody tests for employees and temperature control service at the entrance, the Cembre Group incurred costs of €104 thousand in the first half of 2020, of which €18 thousand capitalised under fixed assets.

In this hugely difficult period, Cembre decided to pledge its support to two institutions committed on the front line of the fight against the virus, by donating €70 thousand to the Fondazione Poliambulanza and €30 thousand to the Italian Red Cross. In addition, it donated 20 tablets, for a total value of €3 thousand, to the Municipality of Brescia to allow the most needy students to take part in school lessons on-line.

The net financial position was negatively affected by the reduction in revenues stemming from the pandemic, without, however, involving any particular requirements, owing to the Group's financial and capital strength. In fact, the new loans taken out in the half fall under normal operations and were not determined by the crisis related to the pandemic.

The analysis of receivables did not highlight any particular criticalities linked to the pandemic. Therefore, it was not necessary to change the write-down percentages of commercial activities.

Subsequent events

From July 1, 2020 the subsidiary IKUMA GmbH Co. KG and the subsidiary IKUMA Verwaltungs GmbH were merged by incorporation in the company Cembre GmbH, which already owned all their share capital. The transaction is the result of the rationalisation and restructuring of the commercial network and of the Group's activities on the German market, and the fact that the German companies by now have employed a joint strategy and management.

Outlook

In consideration of the uncertainty of the current situation, making forecasts is extremely difficult. In fact, the evolution of the current health emergency is still uncertain and it is not easy to predict the repercussions of any Government measures that should be taken in the future to deal with it. In any case, it is estimated that, in 2020, the Cembre Group

will see a fall in revenues, with a subsequent drop in profit margins. However, thanks to the notable financial strength of the Group, it is not believed that the uncertainty linked to the above situation will prejudice the Group's ability to continue to operate.

Attachments

This document includes the following attachments:

Attachment 1 Comparative Consolidated Income Statement for the year ended June 30, 2020

Attachment 2 Composition of corporate boards.

Brescia, September 10, 2020

**FOR THE BOARD OF DIRECTORS
OF THE PARENT COMPANY CEMBRE S.P.A.**
The Chairman and Managing Director
Giovanni Rosani

Attachment 1 - Report on Operations of the Group

Comparative Consolidated Income Statement

	1 st Half 2020	% of sales	1 st Half 2019	% of sales	Change
(€ '000)					
Revenues from contracts with customers	64.656	100,0%	76.878	100,0%	-15,9%
Other revenues	368		565		-34,9%
TOTAL REVENUES	65.024		77.443		-16,0%
Cost of goods and merchandise	(22.646)	-35,0%	(25.358)	-33,0%	-10,7%
Change in inventories	3.013	4,7%	1.144	1,5%	
Cost of goods sold	(19.633)	-30,4%	(24.214)	-31,5%	-18,9%
Cost of services received	(8.364)	-12,9%	(10.098)	-13,1%	-17,2%
Lease and rental costs	(77)	-0,1%	(178)	-0,2%	-56,7%
Personnel costs	(20.352)	-31,5%	(21.705)	-28,2%	-6,2%
Other operating costs	(888)	-1,4%	(864)	-1,1%	2,8%
Increase in assets due to internal construction	576	0,9%	553	0,7%	4,2%
Impairment losses on contract assets	(34)	-0,1%	(14)	0,0%	142,9%
Accruals to provisions for risks and charges	(674)	-1,0%	(11)	0,0%	6027,3%
GROSS OPERATING PROFIT	15.578	24,1%	20.912	27,2%	-25,5%
Property, plant and equipment depreciation	(4.162)	-6,4%	(3.634)	-4,7%	14,5%
Intangible asset amortization	(399)	-0,6%	(432)	-0,6%	-7,6%
Depreciation of right of use assets	(815)	-1,3%	(679)	-0,9%	20,0%
OPERATING PROFIT	10.202	15,8%	16.167	21,0%	-36,9%
Financial income	3	0,0%	3	0,0%	0,0%
Financial expenses	(57)	-0,1%	(68)	-0,1%	-16,2%
Foreign exchange gains (losses)	51	0,1%	(69)	-0,1%	-173,9%
PROFIT BEFORE TAXES	10.199	15,8%	16.033	20,9%	-36,4%
Income taxes	(2.599)	-4,0%	(3.658)	-4,8%	-29,0%
NET PROFIT	7.600	11,8%	12.375	16,1%	-38,6%

Attachment 2 to the Interim Report on Operation of the Cembre Group for the 1st Half of 2020

CORPORATE BOARDS

Board of Directors

Giovanni Rosani	Chairman and Managing Director
Anna Maria Onofri	Vice-Chairman
Sara Rosani	Director
Aldo Bottini Bongrani	Director
Felice Albertazzi	Director
Franco Celli	Director
Paola Carrara	Independent Director
Fabio Fada	Independent Director

Board of Statutory Auditors

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

Independent Auditors

EY S.p.A.

This situation is updated at September 10, 2020.

The Board of Directors and Board of Statutory Auditor's term expires with the approval of the Financial Statements at December 31, 2020.

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 Anna Maria Onofri holds all ordinary management powers not reserved to the Board by law. All Managing Directors must keep the Board of Directors informed of all relevant transactions concluded in the context of their mandate. The Board of Directors has approved rules that define which particularly relevant transactions may be concluded exclusively by the same.

Condensed Consolidated Financial Statements at June 30, 2020

Consolidated Statements of Financial Position

ASSETS	Notes	Jun. 30, 2020		Dec. 31, 2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
NON CURRENT ASSETS					
Tangible assets	1	85.095		86.430	
Investment property	2	1.001		1.024	
Intangible assets	3	4.384		4.442	
Goodwill	4	4.608		4.608	
Right of use assets	5	5.538	3.779	6.366	4.158
Other investments		10		10	
Other non-current assets	6	549		1.013	
Deferred tax assets	15	3.141		3.091	
TOTAL NON-CURRENT ASSETS		104.326		106.984	
CURRENT ASSETS					
Inventories	7	53.331		50.828	
Trade receivables	8	23.941		22.284	
Tax receivables		514		843	
Other receivables	9	1.764		1.396	
Cash and cash equivalents		25.861		20.983	
TOTAL CURRENT ASSETS		105.411		96.334	
NON-CURRENT ASSETS AVAILABLE FOR SALE		-		-	
TOTAL ASSETS		209.737		203.318	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Jun. 30, 2020		Dec. 31, 2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
SHAREHOLDERS' EQUITY					
Capital stock	10	8.840		8.840	
Reserves	10	135.908		129.896	
Net profit		7.600		21.690	
TOTAL SHAREHOLDERS' EQUITY		152.348		160.426	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	11	5.386	3.222	4.901	3.578
Other non-current payables	6	496	496	989	989
Employee termination indemnity and other personnel benefits	12	2.257	102	2.356	96
Provisions for risks and charges	13	985	125	278	100
Deferred tax liabilities	14	2.776		2.856	
TOTAL NON-CURRENT LIABILITIES		11.900		11.380	
CURRENT LIABILITIES					
Current financial liabilities	11	25.179	590	10.520	593
Trade payables	15	8.746		12.062	
Tax payables		1.253		309	
Other payables	16	10.311	498	8.621	498
TOTAL CURRENT LIABILITIES		45.489		31.512	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		-		-	
TOTAL LIABILITIES		57.389		42.892	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		209.737		203.318	

Condensed Consolidated Financial Statements at June 30, 2020

Statement of Consolidated Comprehensive Income

	Notes	1 st Half 2020		1 st Half 2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
Revenues from contracts with customers	17	64.656		76.878	
Other revenues	18	368		565	
TOTAL REVENUES		65.024		77.443	
Cost of goods and merchandise		(22.646)		(25.358)	
Change in inventories		3.013		1.144	
Cost of services received	19	(8.364)	(416)	(10.098)	(485)
Lease and rental costs		(77)		(178)	
Personnel costs	20	(20.352)	(395)	(21.705)	(479)
Other operating costs	21	(888)		(864)	
Increase in assets due to internal construction		576		553	
Impairment losses on contract assets		(34)		(14)	
Accruals to provisions for risks and charges	22	(674)		(11)	
GROSS OPERATING PROFIT		15.578		20.912	
Property, plant and equipment depreciation	1	(4.162)		(3.634)	
Intangible asset amortization	3	(399)		(432)	
Depreciation of right of use assets	5	(815)	(309)	(679)	(308)
OPERATING PROFIT		10.202		16.167	
Financial income	23	3		3	
Financial expenses	23	(57)	(39)	(68)	(45)
Foreign exchange gains (losses)	28	51		(69)	
PROFIT BEFORE TAXES		10.199		16.033	
Income taxes	24	(2.599)		(3.658)	
NET PROFIT FROM ORDINARY ACTIVITIES		7.600		12.375	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		-		-	
NET PROFIT		7.600		12.375	
Items that may be reclassified subsequently to profit and loss					
Conversion differences included in equity		(904)		36	
COMPREHENSIVE INCOME	25	6.696		12.411	
BASIC AND DILUTED EARNINGS PER SHARE	26	0,45		0,74	

Condensed Consolidated Financial Statements at June 30, 2020

Consolidated Statement of Cash Flows

	1 st Half 2020	1 st Half 2019
€ '000		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	20.983	17.198
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	7.600	12.375
Depreciation, amortization and write-downs	5.376	4.745
(Gains)/Losses on disposal of assets	16	(30)
Net change in Employee Termination Indemnity	(99)	(113)
Net change in provisions for risks and charges	707	102
Operating profit (loss) before change in working capital	13.600	17.079
(Increase) Decrease in trade receivables	(1.657)	(5.050)
(Increase) Decrease in inventories	(2.503)	(1.155)
(Increase) Decrease in other receivables and deferred tax assets	(89)	168
Increase (Decrease) of trade payables	(2.064)	(263)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	2.554	5.880
Change in working capital	(3.759)	(420)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	9.841	16.659
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(343)	(613)
- tangible	(3.186)	(5.141)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- tangible	83	146
Increase (Decrease) of trade payables for assets	(1.252)	(1.266)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	(4.698)	(6.874)
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	464	514
(Increase) Decrease in other non current payables	(493)	(491)
Increase (Decrease) in bank payables	15.963	498
Repayment of leasing liabilities	(806)	(657)
Change in reserves	274	-
Dividends distributed	(15.048)	(15.048)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	354	(15.184)
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	5.497	(5.399)
F) Foreign exchange conversion differences	(619)	38
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)	25.861	11.837
Of which: assets held for disposal	-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	25.861	11.837
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	25.861	11.837
Current financial liabilities	(25.179)	(11.500)
Non current financial liabilities	(5.386)	(5.049)
NET CONSOLIDATED FINANCIAL POSITION	(4.704)	(4.712)
INTERESTS PAID IN THE PERIOD	(57)	4
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	19	15
Bank deposits	25.842	11.822
	25.861	11.837

Condensed Consolidated Financial Statements at June 30, 2020

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2019	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at June 30, 2020
Capital stock	8.840					8.840
Share premium reserve	12.245					12.245
Legal reserve	1.768					1.768
Reserve for own shares	(5.283)					(5.283)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Consolidation reserve	23.774	(869)				22.905
Conversion differences	(1.128)	(41)			(904)	(2.073)
Extraordinary reserve	89.565	7.552				97.117
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	89					89
Merger surplus reserve	4.397					4.397
Stock options reserve	101		274			375
Retained earnings	-					-
Net profit	21.690	(6.642)		(15.048)	7.600	7.600
Total Shareholders' Equity	160.426	-	274	(15.048)	6.696	152.348

(€ '000)	Balance at December 31, 2018	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at June 30, 2019
Capital stock	8.840					8.840
Share premium reserve	12.245					12.245
Legal reserve	1.768					1.768
Reserve for own shares	(5.283)					(5.283)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Consolidation reserve	22.753	1.479			(357)	23.875
Conversion differences	(2.413)				393	(2.020)
Extraordinary reserve	83.356	6.209				89.565
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	111					111
Merger surplus reserve	4.397					4.397
Stock options reserve	-					-
Retained earnings	-					-
Net profit	22.736	(7.688)		(15.048)	12.375	12.375
Total Shareholders' Equity	152.878	-	-	(15.048)	12.411	150.241

Notes to the Condensed Consolidated Interim Financial Statements at June 30, 2020

I. CORPORATE INFORMATION

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9. The company is listed on the MTA (screen-based equities market) managed by Borsa Italiana S.p.A.

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

The publication of the Interim Financial Report, including these Condensed Consolidated Interim Financial Statements of Cembre S.p.A., was authorised by a resolution of the Board of Directors dated September 10, 2020.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not carry out management and coordination activities.

II. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Preparation criteria

The condensed consolidated interim financial statements at June 30, 2020 were prepared in accordance with the provisions of IAS 34 “Interim financial reporting”.

The condensed consolidated interim financial statements do not include all the economic and financial information required in the annual financial statements and must be read in conjunction with the Group's annual financial statements at December 31, 2019. Unless otherwise indicated, figures reported in the financial statements and the related notes are expressed in thousands of euro.

The scope of consolidation has not changed with respect to both December 31, 2019 and June 30, 2019.

Relevant accounting principles

The principles adopted in the preparation of these condensed consolidated interim financial statements are those formally approved by the European Union in force at June 30, 2020 and are consistent with those adopted in the preparation of the Group's Financial Statements at December 31, 2019.

Changes in Accounting Principles

The following amendments to international accounting principles have come into force but have not led to changes in the Group's consolidated financial statements:

Changes in Accounting Principles	Date of effectiveness set forth by the standard
Amendments to references to the Conceptual Framework in the IFRS Standards	January 1, 2020
Amendments to IFRS 3 - Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8 - Definition of material	January 1, 2020

Future changes in accounting principles

The updates, interpretations and amendments to the IFRS, already approved by the IASB, but still in the process of being acknowledged by the competent bodies of the European Union, are as follows:

New and revised standards	Date of effectiveness set forth by the standard
Amendments to IFRS 16 - Changes linked to the effects of Covid-19	May 28, 2020
Amendments to IFRS 4 - Deferment of application of IFRS 9	January 1, 2021
Amendments to IAS 1 - Classification of liabilities as current and non-current	January 1, 2022
Amendments to IFRS 3, IAS 16, IAS 37	January 1, 2022
Annual updates 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023

The amendments to IFRS 16 are not applicable, given that the terms of the contracts in place did not undergo any changes as a result of the Covid-19 pandemic.

The Cembre Group reserves the right to evaluate the possible effects of adoption of the other new standards over the next few months.

Translation of financial statements expressed in currencies other than the euro

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

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

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

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

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

Currency	Exchange rate at 06/30/2020	Average exchange rate for 2020
British pound (€/£)	0.9124	0.8746
US dollar (€//\$)	1.1198	1.1020

III. SEASONAL FACTORS

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

IV. SEGMENT INFORMATION

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

The Cembre Group 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 business segment called “Electric connectors and related tools and accessories”, items based on this element are not usually utilised for the purposes of internal reporting.

1 st Half of 2020	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenue from contracts with customers	47,971	26,455	5,978	(15,748)	64,656
Operating profit by sector	8,485	1,330	387		10,202
Operating profit					10,202
Net financial charges					(3)
Income taxes					(2,599)
Net profit for the period					7,600

1 st Half of 2019	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenue from contracts with customers	56,836	30,883	6,755	(17,596)	76,878
Operating profit by sector	12,088	3,357	722		16,167
Operating profit					16,167
Net financial charges					(134)
Income taxes					(3,658)
Net profit for the period					12,375

Since the location of customers is different from the location of activities, a breakdown of revenues due from third parties is provided below, based on the location of the customers:

	1 st Half of 2020	1 st Half of 2019
Italy	25,398	30,798
Europe	30,383	35,727
Rest of the world	8,875	10,353
	64,656	76,878

The breakdown of assets and liabilities is shown below:

06/30/2020	ITALY	EUROPE	REST OF WORLD	TOTAL
Assets and Liabilities				
Segment assets	154,836	43,437	9,758	208,031
Unassigned assets				1,706
Total assets				209,737
Segment liabilities	49,046	10,440	692	60,178
Unassigned liabilities				(2,789)
Total liabilities				57,389

12/31/2019	ITALY	EUROPE	REST OF WORLD	TOTAL
Assets and Liabilities				
Segment assets	149,552	42,142	9,571	201,265
Unassigned assets				2,053
Total assets				203,318
Segment liabilities	34,511	9,728	925	45,164
Unassigned liabilities				(2,272)
Total liabilities				42,892

1 st Half 2020 - Other segment information	ITALY	EUROPE	REST OF WORLD	TOTAL
Capital expenditure:				
- Property, plant and equipment	2,472	243	471	3,186
- Intangible assets	340	2	1	343
Total investments				3,529
Depreciation and amortisation:				
- Property, plant and equipment	(3,695)	(395)	(72)	(4,162)
- Intangible assets	(271)	(127)	(1)	(399)
- Right of use - leased assets	(478)	(231)	(106)	(815)
Total amortisation				(5,376)
Accruals to provision for employee benefits	425	-	-	425
Average no. of employees	488	232	35	755

1 st Half 2019 - Other segment information	ITALY	EUROPE	REST OF WORLD	TOTAL
Capital expenditure:				
- Property, plant and equipment	4,797	284	60	5,141
- Intangible assets	613	-	-	613
Total investments				5,754
Depreciation and amortisation:				
- Property, plant and equipment	(3,225)	(365)	(43)	(3,633)
- Intangible assets	(305)	(125)	(2)	(432)
- Right of use - leased assets	(399)	(172)	(108)	(679)
Total amortisation				(4,744)
Accruals to provision for employee benefits	510	-	-	510
Average no. of employees	485	225	31	741

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and Machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	51,553	78,568	13,055	9,876	77	1,935	155,064
FTA Revaluation	5,921	-	-	-	-	-	5,921
Revaluations pursuant to law	934	43	-	-	-	-	977
Accumulated amortisation	(14,524)	(44,711)	(9,325)	(6,895)	(77)	-	(75,532)
Balance at 12/31/2019	43,884	33,900	3,730	2,981	-	1,935	86,430
Increases	501	849	195	811	-	830	3,186
Currency translation differences	(162)	(98)	-	(24)	-	-	(284)
Amortisation	(599)	(2,701)	(362)	(477)	-	-	(4,139)
Net divestments	(3)	(35)	-	(18)	-	(42)	(98)
Reclassifications	231	248	45	9	-	(533)	-
Balance at 06/30/2020	43,852	32,163	3,608	3,282	-	2,190	85,095

	Land and buildings	Plant and Machinery	Equipment	Other assets	Leased assets	Work in progress	Total
Historical cost	49,851	70,496	12,953	8,533	78	3,482	145,393
FTA Revaluation	5,921	-	-	-	-	-	5,921
Revaluations pursuant to law	934	43	-	-	-	-	977
Accumulated amortisation	(13,305)	(40,682)	(9,027)	(5,944)	(39)	-	(68,997)
Balance at 12/31/ 2018	43,401	29,857	3,926	2,589	39	3,482	83,294
Increases	496	3,236	212	407	-	790	5,141
Currency translation differences	(4)	-	(1)	4	-	-	(1)
Amortisation	(577)	(2,289)	(353)	(387)	(4)	-	(3,610)
Net divestments	-	(42)	(5)	(36)	-	(33)	(116)
Reclassifications	170	1,573	234	(27)	-	(1,950)	-
Balance at 06/30/2019	43,486	32,335	4,013	2,550	35	2,289	84,708

The Group's capital expenditure in 2020 amounted to €3,186 thousand, related primarily to the Parent Company.

Investments in Plant and Machinery, amounting to €849 thousand, represent the largest item of expenditure and are linked to the expansion and renewal of the production line, as well as to the installation of fixed systems following the renovation of offices and the cafeteria at the central office in Brescia; the latter work also involved investments of €387 thousand included under Land and Buildings. The US subsidiary Cembre Inc. invested \$406 thousand (equal to €363 thousand) in office and warehouse materials, included in the

item Other assets, in order to fit out the new office. Finally, advances of €471 thousand were paid, mostly for the renovation works mentioned above. Investments for work in progress carried out in-house amounted to €359 thousand. It should be noted that investments in plant and machinery by the Parent Company also include €18 thousand for the installation of thermal scanners, needed to comply with the Covid-19 protocol.

2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,714	263	5	1,982
Accumulated amortisation	(695)	(258)	(5)	(958)
Balance at 12/31/2019	1,019	5	-	1,024
Amortisation	(22)	(1)	-	(23)
Balance at 06/30/2020	997	4	-	1,001

The item includes only the property in Calcinate (BG), owned by Cembre S.p.A., which is no longer used for the Group's activities.

3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	2,264	776	6,060	495	2,043	156	11,794
Accumulated amortisation	(1,671)	(701)	(4,498)	(83)	(399)	-	(7,352)
Balance at 12/31/2019	593	75	1,562	412	1,644	156	4,442
Increases	112	47	162	-	-	21	342
Currency translation differences	-	-	(1)	-	-	-	(1)
Amortisation	(97)	(35)	(142)	(24)	(101)	-	(399)
Reclassifications	-	-	12	-	-	(12)	-
Balance at 06/30/2020	608	87	1,593	388	1,543	165	4,384

Assets under construction refer to advances paid for the supply of software.

4. GOODWILL

	06/30/2020	12/31/2019	Change
Goodwill	4,608	4,608	-

This item includes the difference between the purchase price of the investment in IKUMA GmbH & Co. KG and its shareholders' equity value, net of intangible assets and other assets recognised upon allocation of the purchase price.

In the first half of 2020, the distribution networks, logistics and administrative and commercial services of Cembre GmbH and IKUMA KG were restructured, that led to

significant integration of the two companies. Subsequently, a single Cash Generation Unit Germany was redetermined. As a result of this restructuring and close integration, the merger by incorporation of IKUMA in Cembre GmbH was resolved, endorsed on July 1, 2020, effective retroactively to January 1, 2020.

The final data on the performance of the CGU showed an increase in revenues in the half on the German market and the achievement of better profitability, in terms of the percentage of sales, with respect to 2019, a trend also confirmed by the growth in revenues in August 2020, equal to 3.2%. Despite no signs of impairment having emerged, in line with the ESMA guidelines, an update of the impairment test was prudentially performed, by assuming alternative scenarios, which also took account of a potential worsening in conditions on the German market with respect to the current ones. More specifically, a scenario adversely impacted by a potential period of lock-down of activities in Germany was assumed (worst case scenario), a standard scenario based on the current market conditions (standard case scenario) and a scenario based on slightly better conditions than the current ones (best case scenario). The results obtained were weighted on the basis of the probability of materialising and used to update the impairment test.

According to the multi-scenario analysis described above, considering also worsening hypothesis on the effects of COVID-19 pandemic, no impairment signs emerged, so the amount of goodwill remained unchanged at €4,608 thousand.

5. RIGHT OF USE - LEASED ASSETS

In the first half of 2020, the item recorded the following changes:

	Buildings	Cars	Total
Historical cost	6,140	1,678	7,818
Accumulated amortisation	(939)	(513)	(1,452)
Balance at 12/31/2019	5,201	1,165	6,366
Increases	-	385	385
Currency translation differences	(55)	(1)	(56)
Amortisation	(472)	(343)	(815)
Closure of contracts	(342)	-	(342)
Balance at 06/30/2020	4,332	1,206	5,538

At June 30, 2020 the following contracts fall under the scope indicated by the standard:

	Motor vehicles	Buildings
Cembre S.p.A.	48	7
Cembre Ltd.	3	2
Cembre S.a.r.l.	10	-
Cembre España SLU	9	-
Cembre Inc.	-	2
IKUMA KG	6	1
Cembre GmbH	7	-
Total	83	12

6. OTHER NON-CURRENT ASSETS

	06/30/2020	12/31/2019	Change
Guarantee deposits	53	24	29
Guarantee loan	496	989	(493)
Total	549	1,013	(464)

The item "Guarantee loan" includes the discounted value of the non-current portion of the sum deposited with the notary public upon acquisition of IKUMA KG. This amount was paid in order to cover the debt to the Company's former shareholders, recognised under "Other non-current debt", the payment of which is linked to compliance with certain contractual clauses effective in future years. The actuarial effect of this sum was extremely low, amounting to €4 thousand.

7. INVENTORIES

	06/30/2020	12/31/2019	Change
Raw materials	14,362	12,432	1,930
Work in progress and semi-finished goods	13,109	12,697	412
Finished goods	25,860	25,699	161
Total	53,331	50,828	2,503

The value of finished goods is adjusted to its presumed realisable value through a provision for slow-moving stock amounting to €4,796 thousand. Changes in the provision in 2020 are shown in the table that follows:

	06/30/2020	12/31/2019
Balance at beginning of the period	4,539	3,996
Accruals	341	497
Uses	(45)	0
Currency translation differences	(39)	46
Balance at end of the period	4,796	4,539

Accruals primarily regarded inventories of Cembre S.p.A. (€166 thousand), Cembre SLU (€99 thousand) and Cembre Inc. (€59 thousand).

8. TRADE RECEIVABLES

	06/30/2020	12/31/2019	Change
Nominal receivables due from customers	24,436	22,757	1,679
Provision for bad debts	(495)	(473)	(22)
Total	23,941	22,284	1,657

Nominal receivables due from customers by geographical area are shown in the table below.

	06/30/2020	12/31/2019	Change
Italy	12,944	10,648	2,296
Europe	9,665	10,460	(795)
North America	1,380	1,203	177
Oceania	94	133	(39)
Middle East	159	82	77
Far East	113	151	(38)
Africa	81	80	1
Total	24,436	22,757	1,679

The average collection time went from 60 days in 2019 to 62 days in the 1st Half of 2020.

Changes in the provision for bad debts are shown in the table that follows:

	06/30/2020	12/31/2019
Balance at beginning of the period	473	557
Accruals	41	37
Uses	(18)	(41)
Release of excess accrual	-	(81)
Currency translation differences	(1)	1
Balance at end of the period	495	473

The breakdown of receivables by maturity at June 30, 2019 and December 31, 2019 is shown below:

Situation at:	Not past due	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
06/30/2020	22,006	1,921	132	151	153	73	24,436
12/31/2019	19,011	3,029	387	75	181	74	22,757

9. OTHER ASSETS

	06/30/2020	12/31/2019	Change
Receivables from employees	74	60	14
VAT and other indirect taxes receivable	22	75	(53)
Advances to suppliers	826	456	370
Other	842	805	37
Total	1,764	1,396	368

The residual item "Other" includes the value of the current portion of the sum deposited with the notary public upon acquisition of IKUMA KG, to guarantee the debt due to the company's former shareholders, amounting to €485 thousand.

10. SHAREHOLDERS' EQUITY

The capital stock of the Parent Company amounts to €8,840 thousand, and is made up of 17 million ordinary shares with a par value of €0.52 each, fully subscribed and paid-up.

At June 30, 2020, Cembre S.p.A. held 280,041 treasury shares, corresponding to 1.65% of its capital stock. Against these shares the Company recorded €5,283 thousand in a specific equity reserve under liabilities.

On the fiftieth anniversary of the foundation of the company, the Shareholders' Meeting approved an incentive plan targeted at company executives and middle managers, which provides for the annual assignment of rights to purchase ordinary Cembre S.p.A. shares and will last until 2025. Following the adoption of this plan, in compliance with the provisions of IFRS 2, in 2019, a Stock Options Reserve was recognised, representative of the debt to beneficiaries of the plan itself, assuming the attainment of the performance targets established and continuity of the work relationship. This reserve amounted to €375 thousand, marking an increase of €274 thousand in 2020, booked under other personnel costs.

In the "Statement of changes in consolidated shareholders' equity" all changes in the different items that make up shareholders' equity are analysed.

The "Consolidation reserve" included in the "Statement of changes in consolidated shareholders' equity" consists of the following adjustments:

	06/30/2020	12/31/2019
Elimination of investments in subsidiaries	26,305	22,906
Elimination of unrealized intra-group profits in stock	(4,554)	(3,940)
Cancellation of dividends	1,379	4,909
Amortisation of trademark and customer list - IKUMA	(287)	(115)
Other changes	62	14
Total	22,905	23,774

11. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Effective interest rate %	Term ending	06/30/2020	12/31/2019
Bank loans				
Cembre S.p.A.				
<i>Non-current portion</i>				
Banca Intesa contract 11320	0.03	Sept-21	1,200	-
Total non-current portion			1,200	-
Leasing liabilities - Non-current portion				
Cembre S.p.A.			3,116	3,348
Cembre Ltd.			688	800
Cembre Sarl			17	55
Cembre España SLU			-	8
Cembre GmbH			52	84
Cembre Inc.			211	507
IKUMA KG			102	99
Total non-current portion			4,186	4,901
NON-CURRENT FINANCIAL LIABILITIES			5,386	4,901
Bank loans				
Cembre S.p.A.				
<i>Current portion</i>				
Banca Intesa contract 11320	0.03	Sept-21	4,800	-
Banca Intesa contract 68407	0.05	Apr-20	-	1,000
BNL contract 98375	0.05	Sept-20	5,000	5,000
BNL contract 38656	0.01	Mar-21	10,000	-
Unicredit contract 47122	0.01	Sept-20	4,000	-
Unicredit contract 53429	0.18	Feb-20	-	1,000
Unicredit contract 53452	0.18	Feb-20	-	1,000
Unicredit contract 53454	0.18	Mar-20	-	1,000
Total current portion			23,800	9,000
Bank overdrafts				
(on presentation of customer bills)				
Cembre S.p.A.	0.2	On request	-	31
Unicredit			-	31
Total			-	31
Bank charges			-	6

	Effective interest rate %	Term ending	06/30/2020	12/31/2019
Leasing liabilities - Current portion				
Cembre S.p.A.			925	868
Cembre Ltd.			121	142
Cembre Sarl			75	82
Cembre España SLU			29	41
Cembre GmbH			55	56
Cembre Inc.			53	202
IKUMA KG			121	92
Total current portion			1,379	1,483
CURRENT FINANCIAL LIABILITIES			25,179	10,520

12. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

The item includes the Employee Severance Indemnity accrued for employees of the 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.

At June 30, 2020, no significant changes were made to the actuarial assumptions, therefore, the Group decided to maintain the actuarial effect on the provision calculated as at December 31, 2019 unchanged.

	06/30/2020	12/31/2019
Opening balance	2,356	2,557
Accruals	425	992
Uses	(214)	(875)
Social security (INPS) treasury provision	(310)	(382)
Actuarial effect	-	64
Closing balance	2,257	2,356

Total amounts accrued with the INPS (Social Security) treasury provision amounted to €7,350 thousand.

13. PROVISIONS FOR RISKS AND CHARGES

Changes in provisions for risks and charges in the 1st Half of are shown in the table below.

	Supplementary customer allowances	Directors' variable compensation	Employee incentives	Risks of legal disputes	Total
At December 31, 2019	178	100	-	-	278
Accruals	7	25	24	651	707
At June 30, 2020	185	125	24	651	985

Upon proposal by the Remuneration Committee, and consistent with the remuneration policy of Cembre S.p.A., the Company introduced a variable compensation based on medium- and long-term objectives for its Chairman and Managing Director. This amount will be paid out in 2021 contingent on the achievement of objectives set for financial years 2018-2020 by the Board of Directors. The amount of the accrual against the possible variable compensation of directors is recorded among the cost of services and, given the limited impact, was not discounted.

The provision for employee benefits includes amounts accrued for sales personnel that will be paid out upon the achievement of performance objectives set in the sales development plan defined by the Company.

The provision for the risks of legal disputes was established in relation to a dispute with a UK customer, still at the out-of-court phase, which arose following the claims presented by said customer, based on the alleged malfunctioning of a product developed specifically on request. The Group is evaluating possible alternative solutions and has prudentially allocated a provision to cover any potential negative developments.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at June 30, 2020 are summarised as follows:

	06/30/2020	12/31/2019
Deferred tax assets		
Elimination of unrealized intra-group profits in stock	1,740	1,766
Write-down of inventories	430	633
Provision for French personnel costs	121	121
Consulting capitalised by Cembre GmbH	127	127
Provision for doubtful accounts of the Parent Company	78	84
Provision for risks of legal disputes	100	-
Differences on amortization and depreciation of Parent Company	246	245
Other	299	115
Gross deferred tax assets	3,141	3,091

Deferred tax liabilities		
Average cost valuation of inventories by the Parent Company	(354)	(384)
Accelerated depreciation	(195)	(208)
Elimination of German subsidiary product warranty provision	(10)	(10)
Reversal of land depreciation	(24)	(24)
Revaluation of land	(1,652)	(1,652)
Discounting of employee termination indemnity	41	41
Allocation of IKUMA investment purchase price	(578)	(615)
Discounting of payables to IKUMA sellers	(2)	(4)
Other	(2)	-
Gross deferred tax liabilities	(2,776)	(2,856)
Net deferred tax liabilities	365	235

15. TRADE PAYABLES

	06/30/2020	12/31/2019	Change
Trade payables	8,602	11,953	(3,351)
Advances received from customers	144	109	35
Total	8,746	12,062	(3,316)

Trade payables by geographical area, in thousands of Euro, are disclosed here below.

	06/30/2020	12/31/2019	Change
Italy	7,004	10,118	(3,114)
Europe	1,403	1,794	(391)
North America	150	17	133
Other	45	24	21
Total	8,602	11,953	(3,351)

16. OTHER PAYABLES

The item "Other payables" may be broken down as follows:

	06/30/2020	12/31/2019	Change
Payables to employees	4,432	2,376	2,056
Employee withholding taxes payable	365	1,112	(747)
VAT and similar foreign taxes payable	2,154	900	1,254
Commissions payable	271	382	(111)
Payable to Statutory Auditors and similar foreign boards	31	31	-
Payables to Directors	14	22	(8)
Payable to former IKUMA shareholders	485	498	(13)
Social security payables	1,955	2,770	(815)
Payables for sundry taxes	249	162	87
Other	355	368	13
Total	10,311	8,621	1,690

The increase in payables to employees, compared to December 31, 2019, is due to the accrual of amounts for holidays, thirteenth month's pay and year-end bonuses that have already matured, but which will be paid in the coming months.

The item "Payables to former IKUMA shareholders" represents the discounted value of the current portion of the non-competition bonus provided for in the company's sales contract, amounting to €485 thousand.

17. REVENUES FROM SALES AND SERVICES PROVIDED

	1 st Half of 2020	1 st Half of 2019	Change
Revenues from sales and services provided	64,656	76,878	(12,222)

In the 1st Half of 2020, revenues fell by 15.9% on the corresponding period in the previous year. A total of 39.3% of Group sales were to Italian customers (17.5% less than in 2019), while sales in the rest of Europe (excluding Italy) represented 47.0% of total sales (down 15.0% on the previous year). Turnover from non-European countries, equal to 13.7% of sales, decreased by 14.3% compared to the first half of 2019. In accordance with the relevant accounting standards, revenues are recognised net of discounts, allowances and premiums to customers and adjustments to customer estimates relating to previous years.

18. OTHER REVENUES

Other operating revenues are made up as follows:

	1 st Half of 2020	1 st Half of 2019	Change
Capital gains	24	43	(19)
Insurance reimbursements	109	34	75
Reimbursements	195	210	(15)
Operating grants	18	216	(198)
Other	22	62	(40)
Total	368	565	(197)

Reimbursements relate primarily to transport costs charged to customers. Operating grants refer to the amounts received for employee training, while the operating grants booked in 2019 related primarily to the development of the European Sharework Project, for the creation of a system of interaction between operators and robots in the

production process, in which Cembre participates in collaboration with 14 other international partners (7 companies, 6 research institutes, 1 standardisation body).

19. COST OF SERVICES

The item is broken down as follows:

	1 st Half of 2020	1 st Half of 2019	Change
Subcontracted work	1,425	2,247	(822)
Electricity, heating and water	823	933	(110)
Transport of goods sold	1,178	1,339	(161)
Fuel	167	271	(104)
Travelling expenses	280	558	(278)
Maintenance and repair	920	1,189	(269)
Consulting	903	782	121
Advertising and promotion	99	315	(216)
Insurance	347	334	13
Boards' compensation	378	378	0
Postage and telephone	195	199	(4)
Commissions	392	484	(92)
Security and cleaning	347	291	56
Bank services	81	105	(24)
Software maintenance	335	295	40
Other	494	378	116
Total cost of services	8,364	10,098	(1,734)

The decrease in costs for services is linked predominantly to the effects of the forced stoppage of activities, as a result of the Covid-19 pandemic. The main reductions were actually verified by the items more strictly related to company operations: outsourcing, travel and transfers, maintenance and promotion activities.

20. PERSONNEL COSTS

Personnel costs are broken down as follows:

	1 st Half of 2020	1 st Half of 2019	Change
Wages and salaries	15,269	16,581	(1,312)
Social security contributions	3,837	4,092	(255)
Employee termination indemnity	636	614	22
Retirement benefits	93	80	13
Other costs	517	338	179
Total	20,352	21,705	(1,353)

Wages and salaries include €655 thousand relating to outsourced personnel, mainly of the Parent Company.

The item “Other costs” includes the provision for the Stock Option Reserve, amounting to €274 thousand. For details refer to Note 11.

Average number of employees by category:

	1 st Half of 2020	1 st Half of 2019	Change
Managers	22	15	7
White collars	357	346	11
Blue collars	343	345	(2)
Outsourced personnel	33	35	(2)
Total	755	741	14

Average number of employees by Group company:

	Managers	White collars	Blue collars	Outsourced personnel	Total 1 st Half 2020	Total 1 st Half 2019	Change
Cembre S.p.A.	8	218	230	32	488	485	3
Cembre Ltd.	3	29	71	-	103	111	(8)
Cembre Sarl	3	19	9	-	31	27	4
Cembre España SLU	1	31	11	1	44	45	(1)
Cembre Inc.	3	25	7	-	35	31	4
IKUMA GmbH & Co. KG	3	21	8	-	32	20	12
Cembre GmbH	1	14	7	-	22	22	-
Total	22	357	343	33	755	741	14

21. OTHER OPERATING COSTS

The item is broken down as follows:

	1 st Half of 2020	1 st Half of 2019	Change
Sundry taxes	373	389	(16)
Losses on receivables	101	38	63
Capital losses	40	49	(9)
Donations	104	15	89
Other	270	373	(103)
Total	888	864	24

The item “Losses on receivables” includes mainly the non-collection of receivables due from an Italian consortium, which already found itself in a crisis prior to the Coronavirus health emergency, amounting to €85 thousand. Insurance compensation of €77 thousand was obtained for this insolvency, accounted for under other revenues. The residual item “Other” consists primarily of sundry expenses incurred by the Parent Company.

22. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is composed mostly of the allocation of €664 thousand for risks of legal disputes as a result of a dispute with a UK customer, still at the out-of-court phase, which arose following the claims presented by said customer, based on the alleged malfunctioning of a product developed specifically on request. The Group is evaluating possible alternative solutions and has prudentially allocated a provision to cover any potential negative developments.

23. FINANCIAL INCOME (EXPENSE)

	1 st Half of 2020	1 st Half of 2019	Change
Bank loans and overdrafts	(4)	(4)	0
Interest on leased assets	(53)	(64)	11
	(57)	(68)	11
Interest earned on bank account balances	3	3	-
	3	3	-
Total financial income (expense)	(54)	(65)	11

24. INCOME TAXES

Income taxes are composed as follows:

	1 st Half of 2020	1 st Half of 2019	Change
Current taxes	(2,850)	(4,171)	1,321
Deferred taxes	115	361	(246)
Net extraordinary gains	136	152	(16)
Total	(2,599)	(3,658)	1,059

Art. 24 of Decree Law 19/05/2020 no. 34 (so-called Relaunch Decree), converted with amendment from Law no. 77 of 07/17/2020, set forth, for taxpayers with revenues not exceeding €250 million in the previous year and other than the entities pursuant to art. 162-bis of the TUIR (Consolidated Law on Income Tax), the exclusion of the obligation to pay the IRAP balance relating to the tax period in progress as at December 31, 2019 and the first payment on account relating to the subsequent tax period.

The loss of the first IRAP payment on account for the 2020 tax period translated to a genuine definitive saving in IRAP due for 2020; in particular, the item “current IRAP taxes” of 2020 recorded a decrease indeed to take account of the lower 2020 IRAP due.

As outlined in Assonime Circular no. 12 of 06/24/2020, however, uncertainties persist at present, with reference to the criteria for determining this benefit, i.e. if the advantage for the cancellation of the first IRAP payment on account for 2020 recognised by art. 24 corresponds to the payment on account calculated using the historical method (i.e. 40% of 2019 IRAP) or, if lower, the payment on account calculated using the provisional method (i.e. 32% of IRAP due for 2020 - by actually recalling that, for the 2020 tax period, the payment on account determined using the provisional method, due to the changes introduced by art. 20 of Decree Law (04/08/2020 no. 23 (so-called Liquidity Decree), must be considered correctly applied if it corresponds to 80% of the tax due).

Therefore, pending official clarifications on the matter by the Italian Revenue Agency, the Company - based on the consideration that current 2020 IRAP will be lower than current 2019 IRAP - adopted the more prudent approach, which led to the cancellation of current IRAP for 2020 for an amount equal to 32% of the same through the recognition of an IRAP contingent asset of €136 thousand.

In view of the complexity of the calculation and the immateriality of the differences identified in the past, taxes for some foreign subsidiaries were estimated on the basis of the theoretical tax rate. We therefore limit our analysis to the comparison between actual tax and theoretical tax expense for the 1st Half of 2020 and the 1st Half of 2019, postponing a reconciliation to the financial statements at year-end.

	1 st Half of 2020	1 st Half of 2019
Profit before taxes	10,199	16,033
Taxes	(2,599)	(3,658)
Effective tax rate	25.48%	22.82%
Theoretical tax rate (*)	27.90%	27.90%

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

At June 30, 2020 there were no temporary differences on which no deferred tax asset and/or liability had been recorded.

Deferred tax assets and liabilities are made up as follows:

	1 st Half of 2020	1 st Half of 2019
Elimination of unrealized intra-group profits in stock	(26)	65
Write-down of inventories	(203)	55
Provision for doubtful accounts of the Parent Company	(6)	(2)
Provision for risks of legal disputes	100	-
Differences on amortization and depreciation of Parent Company	1	2
Average cost valuation of inventories by the Parent Company	30	165
Accelerated depreciation	13	-
Allocation of IKUMA investment purchase price	37	37
Other	169	39
Prepaid/deferred taxes for the period	115	361

25. COMPREHENSIVE INCOME

The Cembre Group uses a single table to report its comprehensive income. In particular, the economic effects recorded directly under Shareholders' Equity are reported separately and result in an increase or decrease of net profit for the period. At June 30, 2020, 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 euro.

26. 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 period, equal to 280,041.

	1 st Half of 2020	1 st Half of 2019
Consolidated net profit	7,600	12,375
No. of ordinary shares ('000)	16,720	16,720
Basic and diluted earnings per share	0.45	0.74

27. NET FINANCIAL POSITION

The net financial position of the Group amounted to a deficit of €4,704 thousand, down on December 31, 2019 due to capital expenditure made in the period and the payment of dividends for financial year 2019.

At June 30, 2020, 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.

		06/30/2020	12/31/2019
A	Cash	19	14
B	Bank deposits	25,842	20,969
C	Cash and cash equivalents (A+B)	25,861	20,983
D	Financial receivables	-	-
E	Current bank debts	(23,800)	(9,037)
F	Current financial leasing liabilities	(1,379)	(1,483)
G	Current financial debt (E+F)	(25,179)	(10,520)
H	Net current financial position (C+D+G)	682	10,463
I	Non-current bank debts	(1,200)	-
J	Non-current financial leasing liabilities	(4,186)	(4,901)
K	Non-current financial indebtedness (I+J)	(5,386)	(4,901)
L	Net financial position (H+K)	(4,704)	5,562

28. RELATED PARTIES

Among assets leased to Cembre S.p.A. 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. These properties are owned by "Tha Immobiliare S.p.A.", a company with registered office in Brescia, whose capital is held by Giovanni Rosani and Sara Rosani, members of the Board of Directors of the Parent Company Cembre S.p.A.; the interest for the company can be seen in the prospect of continuity and in the reduction of the risks of termination of the lease contract. At the end of the half-year, all amounts due to Tha Immobiliare S.p.A. had been settled.

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. (holding company of Cembre S.p.A.). A summary of the amounts reported in the financial statements relating to the above contracts is provided below:

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	2,990	2,537	476	248	33
Leased assets from Borno - Cembre Ltd	789	684	113	61	6

For disclosure purposes, the table below summarises the costs relating to rentals to related parties incurred in the period:

	1 st Half of 2020	1 st Half of 2019	Change
Rent paid to related parties	353	354	(1)

Cembre GmbH has recorded €981 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €496 thousand. Cembre S.p.A. does not have direct relationships with the parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

Boards' compensation

In the 1st Half of 2020, compensation for the Board of Directors and the Board of Statutory Auditors amounted to:

	Board of Statutory Auditors	Directors
Emoluments as directors and auditors of Cembre S.p.A.	44	334
Remuneration as employees	-	395
Non-monetary benefits	-	5

Non-monetary benefits relate to the use of a company car and insurance policies underwritten in favour of directors.

In line with the remuneration policy of the Company, variable compensation linked to the achievement of medium-long term objectives was introduced in favour of the Chairman and Managing Director. Such compensation could be paid out in 2021 in case targets set for years 2018-2020 by the Board of Directors, upon proposal of the Remuneration Committee, are achieved. The Company prudentially accrued a provision of €25 thousand for the part relating to the 1st Half of 2020.

29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group makes very limited use of derivative instruments to hedge against interest risk and currency exposure.

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

Risks connected with the market

The Group faces these risks with ongoing innovation, the widening of the product range and the upgrade of its production process, by implementing, also with the help of its foreign subsidiaries, targeted marketing policies and pursuing a policy of expansion on markets where the Group has less of a presence.

Interest rate risk

As at June 30, 2020, as shown in detail in Note 12, the Parent Company Cembre S.p.A. has four loans in place, expiring between September 2020 and September 2021. The nature of the rate applied and the relatively short-term maturity protect the Group from any interest rate fluctuations.

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 some sales in US dollars and British pounds. The entity and volume are not such as to have a significant impact on the Group's results.

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 website of the Ufficio Italiano Cambi (Italian Exchange Office).

In addition to currency risk, the Group is also exposed to currency translation risk. As described in the consolidation principles section, in fact, financial statements of consolidated companies prepared in currencies other than the Euro are translated into Euro at the exchange rate published on the website 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	Change exchange rate	Change Shareholders' Equity	Change Turnover	Change Profit before taxes
Cembre Ltd	GBP	5% / -5%	567/(567)	362/(362)	21/(21)
Cembre Inc.	USD	5% / -5%	467/(467)	330/(330)	21/(21)

In the income statement as at June 30, 2020, the item "exchange gains (losses)" is a positive €51 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

The Group's exposure to credit risk relates exclusively to trade receivables.

As shown in note 8, 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. Moreover, Cembre S.p.A. has stipulated an insurance policy against commercial credit risk, allowing it to reduce further exposure to credit risk.

30. SUBSEQUENT EVENTS

From July 1, 2020 the subsidiary IKUMA GmbH Co. KG and the subsidiary IKUMA Verwaltungs GmbH were merged by incorporation in the company Cembre GmbH, which already owned all their share capital. The transaction is the result of the rationalisation and restructuring of the commercial network and of the Group's activities on the German market, and the fact that the German companies by now had employed a joint strategy and management.

31. CONSOLIDATED COMPANIES

The scope of consolidation did not change during the first half of 2020.

Companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at 06/30/2020	Share held at at 12/31/2019
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	GBP 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris - France)	EURO 1,071,000	100%	100%
Cembre España SLU	Torrejón de Ardoz (Madrid -Spain)	EURO 2,902,200	100%	100%
Cembre GmbH	Munich (Germany)	EURO 10,112,000	100%	100%
Cembre Inc.	Edison (New Jersey, US)	US \$ 1,440,000	100%	100%
IKUMA GmbH & Co. KG	Weinstadt (Germany)	EURO 40,000	100% (*)	100% (*)
IKUMA Verwaltungs GmbH	Weinstadt (Germany)	EURO 25,000	100% (*)	100% (*)

(*) fully held via Cembre GmbH

Brescia, September 10, 2020

**FOR THE BOARD OF DIRECTORS
OF THE PARENT COMPANY CEMBRE S.P.A.**
The Chairman and Managing Director

Giovanni Rosani

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C e m b r e

Attestation of the Half-year Condensed Financial Statements

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

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

- the adequacy in relation to the characteristics of the company, and
- the application of

administrative and accounting procedures used in the preparation of the Half-year Condensed Financial Statements for the 1st Half of 2020.

It is furthermore attested that the Half-year Condensed Financial Statements for the 1st Half of 2020:

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council dated July 19, 2002;
- correspond to the document results, books and accounting records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

It is furthermore attested that the Report on Operations includes reference to important events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the six remaining months of the year, in addition to information on significant related-party transactions. The interim management statement also contains a reliable analysis of the information on significant transactions with related parties.

Brescia, September 10, 2020

the Chairman and
Managing Director

signed by
Giovanni Rosani

the Manager responsible for
preparing the financial reports

signed by
Claudio Bornati

Review report on the half-yearly condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Cembre S.p.A.

Introduction

We have reviewed the half-yearly condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated comprehensive income statement, the statement of changes in the consolidated shareholders' equity and the consolidated statement of cash flows and the related explanatory notes of Cembre S.p.A. and its subsidiaries (the "Cembre Group") as of 30 June 2020. The Directors of Cembre S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

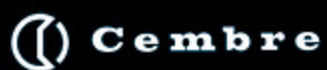
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Cembre Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Brescia, 11 September 2020,

EY S.p.A.
Signed by: Stefano Colpani, Auditor

This report has been translated into the English language solely for the convenience of international readers



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