



**HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2016**

TABLE OF CONTENTS**HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2016*****Corporate bodies******Interim report on operations******Condensed consolidated half-yearly financial statements as of 30 June 2016***

Consolidated Statement of Financial Position
Consolidated Income Statement
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the condensed consolidated half-yearly financial statements

Attachments

Consolidated Income Statement for the second quarter of 2016
Consolidated Statement of Comprehensive Income for the second quarter of 2016

Certification pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree no. 58 of 24 February 1998***Report of the independent auditors***

CORPORATE BODIES

BOARD OF DIRECTORS

| | | |
|------------------------|----|------------------------------------|
| CHAIRMAN | MR | FILIPPO CASADIO |
| EXECUTIVE DIRECTOR | MR | FRANCESCO GANDOLFI COLLEONI |
| NON-EXECUTIVE DIRECTOR | MR | GIANFRANCO SEPRIANO <i>(a) (b)</i> |
| INDEPENDENT DIRECTOR | MS | FRANCESCA PISCHEDDA <i>(b)</i> |
| INDEPENDENT DIRECTOR | MR | ORFEO DALLAGO <i>(a) (b)</i> |
| INDEPENDENT DIRECTOR | MS | GIGLIOLA DI CHIARA <i>(a)</i> |

BOARD OF STATUTORY AUDITORS

| | | |
|------------------------------|----|----------------------|
| CHAIRMAN | MR | FABIO SENESE |
| STANDING STATUTORY AUDITOR | MR | ADALBERTO COSTANTINI |
| STANDING STATUTORY AUDITOR | MS | DONATELLA VITANZA |
| SUBSTITUTE STATUTORY AUDITOR | MR | GIANFRANCO ZAPPI |
| SUBSTITUTE STATUTORY AUDITOR | MS | CLAUDIA MARESCA |

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

INTERNAL AUDIT

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MS PAOLA PRETI
 MS FRANCESCA PISCHEDDA
 MR GIANLUCA PIFFANELLI

(a) Member of the Audit and Risk Committee

(b) Member of the Remuneration Committee

INTERIM REPORT ON OPERATIONS AS OF 30 JUNE 2016

In the first six months of 2016, the IRCE Group (henceforth also referred to as the "Group") recorded worse results than in the first half of 2015.

Winding wire sales declined compared to the first half of 2015, also due to the Brazilian market slowdown. As for the cable sector, sales were down on both the prior-year period and the first quarter of 2016 as a result of the worsening market conditions.

Consolidated turnover totalled €153.82 million compared to €188.40 million in the first half of 2015, a 18.4% fall that was also due to the decrease in the price of copper.

Against this backdrop, turnover without metal¹ decreased by 8.0% in the first half of 2016. In detail, the winding wire sector fell by 8.5%, also due to the depreciation of the real since early 2015, and the cable sector by 6.1%.

| Consolidated turnover without metal (€/million) | 2016 1st half | | 2015 1st half | | Change |
|--|------------------|---------------|------------------|---------------|--------------|
| | Value | % | Value | % | % |
| Winding wires | 31.3 | 80.3% | 34.2 | 80.7% | -8.5% |
| Cables | 7.7 | 19.7% | 8.2 | 19.3% | -6.1% |
| Total | 39.0 | 100.0% | 42.4 | 100.0% | -8.0% |

The following table shows the changes in results compared to the first half of 2015, including adjusted EBITDA and EBIT:

| Consolidated income statement data (€/million) | 1st half 2016 | 1st half 2015 | Change |
|---|---------------|---------------|---------|
| Turnover ² | 153.82 | 188.40 | (34.58) |
| EBITDA ³ | 6.20 | 7.10 | (0.90) |
| EBIT | 2.34 | 3.44 | (1.10) |
| Profit before tax | 2.53 | 6.89 | (4.36) |
| Net profit | 1.20 | 4.37 | (3.17) |
| Adjusted EBITDA ⁴ | 6.86 | 8.96 | (2.10) |
| Adjusted EBIT ⁴ | 3.00 | 5.30 | (2.30) |

¹ Turnover without metal corresponds to overall turnover after deducting the metal component.

² The item "Turnover" consists in the "Revenues" as recognised in the income statement.

³ EBITDA is a performance indicator the Group's Management uses to assess the operating performance of the company and is not an IFRS measure; IRCE SpA calculates it by adding amortisation/depreciation, provisions and write-downs to EBIT.

⁴ Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the gains/losses on transactions concerning copper derivatives (€+0.66 million in the first half of 2016 and €+1.86 million in the first half of 2015). These are indicators the Group's Management uses to monitor and assess the operating performance of the Group and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and therefore not comparable.

As of 30 June 2016, net financial debt amounted to €43.95 million, down from €46.23 million as at 31 December 2015 thanks to cash flows from operating activities.

| Consolidated statement of financial position data (€/million) | As of 30/06/2016 | As of 31/12/2015 | Change |
|--|------------------|------------------|--------|
| Net invested capital | 180.48 | 177.07 | 3.41 |
| Shareholders' equity | 136.53 | 130.84 | 5.69 |
| Net financial debt ⁵ | 43.95 | 46.23 | (2.28) |

Investments

Group investments in the first half of 2016 were equal to €2.05 million and primarily refer to investments in the winding wire sector made by the Parent Company IRCE SpA.

Primary risks and uncertainties

The Group's primary risks and uncertainties, as well as risk management objectives and policies, are detailed below:

Market risk

These are the risks associated with trends in the end markets for the Group's products.

There is the risk that economic growth in Europe will slow down and that Brazil's recession will continue. This could keep demand down both in Europe and South America, and in the various end markets, such as the automotive, household appliance and construction markets, which are more exposed to overall economic performance. The Group's medium-term policy is to search for new market shares in fast-growing areas.

Risk associated with changes in financial and economic variables

- *Exchange rate risk*
The Group primarily uses the euro as the reference currency for its sales transactions. It is exposed to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Turkey, and Poland.
As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the real, which affects the investment's carrying amount.
- *Interest rate risk*
In the first half of 2016, the Group has obtained short and medium/long-term bank financing at floating rates.
- *Risks related to fluctuations in prices of raw materials*
The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential effect on margins of changes in the price of copper, the Group implements a hedging policy using forward contracts on the positions generated by operating activities.

⁵ Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets (see note 16). It should be noted that the methods for measuring net financial debt comply with the methods for measuring the net financial position as defined by Consob Resolution No. 6064293 of 28 July 2006 and CESR recommendation of 10 February 2005.

Financial risks

These are risks associated with financial resources.

- *Credit risk*
The credit position does not present particular concentrations. The Group constantly monitors this risk using adequate assessment and lending procedures. Selected insurance policies are taken out in order to limit clients' insolvency risk.

- *Liquidity risk*
Based on its financial situation, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities. It should be noted that there was a further reduction in the use of bank credit lines compared to the end of 2015.

The Half-Yearly Financial Report does not include all the risk management information required for preparing the annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2015. There were no material changes in risk management and relevant policies adopted by the Group during the period under review.

Outlook

Despite sales and results in the first six months of 2016 were lower than the previous year, 12-month EBITDA and EBIT are expected to be higher than in 2015, since such period was negatively affected by a write-down of inventories due to the change in the price of copper.

Imola, 5 September 2016

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Notes | 30/06/2016 | 31/12/2015 |
|--|--------------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Goodwill and other intangible assets | 1 | 2,351,861 | 2,378,476 |
| Property, plant and equipment | 2 | 52,213,271 | 50,706,211 |
| Equipment and other tangible assets | 2 | 1,181,028 | 1,236,816 |
| Assets under construction and advances | 2 | 3,256,277 | 2,957,721 |
| Other non-current financial assets and receivables | 3 | 116,656 | 120,874 |
| Non-current tax receivables | 4 | 1,442,911 | 1,330,996 |
| Deferred tax assets | 5 | 2,679,219 | 2,504,948 |
| TOTAL NON-CURRENT ASSETS | | 63,241,223 | 61,236,042 |
| CURRENT ASSETS | | | |
| Inventories | 6 | 78,105,986 | 79,967,782 |
| Trade receivables | 7 | 76,414,195 | 65,108,753 |
| Current tax receivables | 8 | 2,161,983 | 2,935,873 |
| Receivables due from others | 9 | 2,120,648 | 1,987,463 |
| Current financial assets | 10 | 525,244 | 314,482 |
| Cash and cash equivalents | 11 | 6,157,456 | 5,401,842 |
| TOTAL CURRENT ASSETS | | 165,485,512 | 155,716,195 |
| TOTAL ASSETS | | 228,726,736 | 216,952,237 |

| SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 30/06/2016 | 31/12/2015 |
|---|--------------|--------------------|--------------------|
| SHAREHOLDERS' EQUITY | | | |
| SHARE CAPITAL | 12 | 14,626,560 | 14,626,560 |
| RESERVES | 12 | 120,438,485 | 112,993,474 |
| PROFIT FOR THE PERIOD | 12 | 1,198,402 | 2,948,503 |
| TOTAL SHAREHOLDERS' EQUITY OF THE GROUP | | 136,263,447 | 130,568,537 |
| SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | | 266,821 | 265,886 |
| TOTAL SHAREHOLDERS' EQUITY | | 136,530,268 | 130,834,423 |
| NON-CURRENT LIABILITIES | | | |
| Non-current financial liabilities | 13 | 16,469,906 | 22,461,891 |
| Deferred tax liabilities | 5 | 837,065 | 991,376 |
| Provisions for risks and charges | 14 | 2,557,800 | 2,035,769 |
| Employee benefits provisions | 15 | 6,214,243 | 5,735,559 |
| TOTAL NON-CURRENT LIABILITIES | | 26,079,014 | 31,224,595 |
| CURRENT LIABILITIES | | | |
| Current financial liabilities | 16 | 33,707,518 | 29,183,770 |
| Trade payables | 17 | 20,048,206 | 14,917,943 |
| Tax payables | 18 | 3,771,707 | 2,347,197 |
| Social security contributions | | 2,040,143 | 2,007,135 |
| Other current liabilities | 19 | 6,549,881 | 6,437,174 |
| TOTAL CURRENT LIABILITIES | | 66,117,454 | 54,893,219 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 228,726,736 | 216,952,237 |

The effects of related party transactions on the consolidated statement of financial position are reported in note 30 "Related party disclosures".

CONSOLIDATED INCOME STATEMENT

| | Notes | 30/06/2016 | 30/06/2015 |
|---|-------|--------------------|--------------------|
| Revenues | 20 | 153,815,606 | 188,402,570 |
| Other revenues and income <i>(of which: non-recurring)</i> | 20 | 497,026 | 301,354 |
| TOTAL REVENUES | | 154,312,632 | 188,703,924 |
| Costs for raw materials and consumables | 21 | (117,836,535) | (148,155,980) |
| Change in inventories of work in progress and finished goods | | 2,113,871 | 907,033 |
| Costs for services | 22 | (15,831,108) | (17,206,211) |
| Personnel cost | 23 | (16,157,154) | (16,544,545) |
| Amortisation/depreciation | 24 | (2,808,028) | (3,196,472) |
| Provisions and write-downs | 25 | (1,055,051) | (464,628) |
| Other operating costs | 26 | (401,953) | (600,597) |
| EBIT | | 2,336,675 | 3,442,524 |
| Financial income/(charges) | 27 | 196,123 | 3,444,311 |
| PROFIT BEFORE TAX | | 2,532,798 | 6,886,835 |
| Income taxes | 28 | (1,333,460) | (2,521,927) |
| PROFIT BEFORE NON-CONTROLLING INTERESTS | | 1,199,338 | 4,364,908 |
| Non-controlling interests | | (936) | (1,101) |
| PROFIT FOR THE PERIOD | | 1,198,402 | 4,363,807 |

Earnings/(loss) per share (EPS)

| | | | |
|--|----|--------|--------|
| - basic EPS for the period attributable to ordinary shareholders of the Parent Company | 29 | 0.0448 | 0.1631 |
| - diluted EPS for the period attributable to ordinary shareholders of the Parent Company | 29 | 0.0448 | 0.1631 |

The effects of related party transactions on the consolidated income statement are reported in Note 30 "Related party disclosures".

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 30.06.2016 | 30.06.2015 |
|---|-------------------|-------------------|
| €/000 | | |
| PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST | 1,199 | 4,365 |
| Foreign currency translation difference | 5,723 | (1,072) |
| Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period | 5,723 | (1,072) |
| Net profit / (loss) - IAS 19 | (488) | 77 |
| Income taxes | 127 | (23) |
| | (361) | 54 |
| Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period | (361) | 54 |
| Total profit / (loss) from statement of comprehensive income, net of taxes | 5,362 | (1,018) |
| Total comprehensive profit / (loss), net of taxes | 6,562 | 3,346 |
| Ascribable to: | | |
| Shareholders of the parent company | 6,561 | 3,345 |
| Minority Shareholders | 1 | 1 |

With regard to the items of consolidated shareholders' equity, please refer to note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | | Other reserves | | | Retained earnings | | | | | | Total | Minority interest | Total shareholders' equity | |
|---|---------------|--------------|-----------------------|-----------------------------|----------------|--------------------------------------|---------------|-----------------------|-------------------|------------------|-----------------------|----------------|-------------------|----------------------------|-----------------|
| | Share capital | Own shares | Share premium reserve | Own shares (shares premium) | Other reserves | Foreign currency transaction reserve | Legal reserve | Extraordinary reserve | Actuarial reserve | Undivided profit | Result for the period | | | | |
| €/000 | | | | | | | | | | | | | | | |
| Balance as of 31 december 2014 | 14,627 | (999) | 40,539 | (412) | 45,924 | (9,186) | 2,925 | 30,653 | (1,160) | 10,746 | 3,795 | 137,450 | 265 | 137,715 | |
| Result for the year | | | | | | | | | | | | | | | |
| Other comprehensive profit/(loss) | | | | | | (1,072) | | | | | 54 | 4,364 | | 1 | 4,365 |
| Total profit/(loss) from statement of comprehensive income | | | | | | (1,072) | | | | | 54 | 4,364 | | 1 | 3,347 |
| Allocation of the result of the previous year | | | | | | | | 1,035 | | 2,759 | (3,795) | (1) | | (1) | (1) |
| Other movements | | | | | | | | (803) | | | | (803) | | (803) | (803) |
| Dividends | | 286 | | 726 | | | | | | | | 1,012 | | 1,012 | 1,012 |
| Balance as of 30 june 2015 | 14,627 | (713) | 40,539 | 314 | 45,924 | (10,258) | 2,925 | 30,885 | (1,106) | 13,505 | 4,364 | 141,006 | 267 | 141,272 | |
| Result for the year | | | | | | | | | | | | | | | |
| Other comprehensive profit/(loss) | | | | | | (8,993) | | | | | (19) | (1,415) | | | (1,415) |
| Total profit/(loss) from statement of comprehensive income | | | | | | (8,993) | | | | | (19) | (1,415) | | 0 | (10,427) |
| Shares buy back | | (3) | | (8) | | | | | | | | (11) | | (11) | (11) |
| Balance as of 31 december 2015 | 14,627 | (716) | 40,539 | 306 | 45,924 | (19,250) | 2,925 | 30,885 | (1,125) | 13,505 | 2,949 | 130,569 | 266 | 130,834 | |
| Result for the year | | | | | | | | | | | | | | | |
| Other comprehensive profit/(loss) | | | | | | 5,723 | | | | | (361) | 1,198 | | 1 | 1,199 |
| Total profit/(loss) from statement of comprehensive income | | | | | | 5,723 | | | | | (361) | 1,198 | | 1 | 6,562 |
| Allocation of the result of the previous year | | | | | | | | 2,725 | | 224 | (2,949) | 0 | | 0 | 0 |
| Dividends | | | | | | | | (802) | | | | (802) | | (802) | (802) |
| Shares buy back | | (18) | | (46) | | | | | | | | (64) | | (64) | (64) |
| Balance as of 30 june 2016 | 14,627 | (734) | 40,539 | 260 | 45,924 | (13,527) | 2,925 | 32,808 | (1,486) | 13,729 | 1,198 | 136,263 | 267 | 136,530 | |

With regard to the items of consolidated shareholders' equity, please refer to note 12.

| CONSOLIDATED STATEMENT OF CASH FLOWS | Note | 30.06.2016 | 30.06.2015 |
|---|-------------|-------------------|-------------------|
| <i>€/000</i> | | | |
| OPERATING ACTIVITIES | | | |
| Profit for the year | | 1,198 | 4,364 |
| <i>Adjustments for:</i> | | | |
| Amortization/depreciation | 24 | 2,808 | 3,196 |
| Net change in (assets) provision for (advance) deferred taxes | 5 | (329) | 255 |
| (gains)/losses from sell-off of fixed assets | | (13) | (7) |
| (gains)/losses on unrealized translation differences | | 292 | 238 |
| Taxes | 28 | 1,341 | 2,479 |
| Financial income/(charge) | 27 | (840) | (1,871) |
| Operating profit/(loss) before change in working capital | | 4,458 | 8,654 |
| Paid taxes | | (358) | (465) |
| Decrease (increase) in inventory | 6 | 1,862 | (262) |
| (Increase) decrease in current assets and liabilities | | (5,352) | (6,759) |
| (increase) decrease in non-current assets and liabilities | | 999 | 62 |
| Exchange difference on translation of financial statement in foreign currency | | 2,858 | (268) |
| CASH FLOW GENERATED BY OPERATING ACTIVITIES | | 4,468 | 961 |
| INVESTING ACTIVITIES | | | |
| Investments in intangible assets | 1 | (11) | (48) |
| Investments in tangible assets | 2 | (2,037) | (1,395) |
| Amount collected from sale of tangible and intangible assets | | 20 | 9 |
| CASH FLOW USED IN INVESTMENTS | | (2,028) | (1,434) |
| FINANCIAL ACTIVITIES | | | |
| Variation in non-current financial liabilities | 13 | (5,992) | 5,284 |
| Variation in current financial liabilities | 16 | 4,524 | (6,780) |
| Exchange difference on translation of financial statement in foreign currency | | (255) | (23) |
| Change in current financial assets | 10 | (211) | 544 |
| Payment of interest | | (589) | (1,504) |
| Receipt of interest | | 1,429 | 3,375 |
| Change in minority shareholders' capital | | 1 | 1 |
| Change in translation of financial statements in foreign currency with effect in shareholders' equity | | 140 | (118) |
| Sell/purchase own shares | | (64) | 1,013 |
| Dividend paid | | (803) | (803) |
| CASH FLOW GENERATED FROM FINANCIAL TRANSACTION | | (1,820) | 990 |
| NET CASH FLOW FOR THE PERIOD | | 621 | 519 |
| CASH BALANCE AT START OF YEAR | 11 | 5,402 | 6,567 |
| TOTAL NET CASH FLOW FOR THE PERIOD | | 621 | 519 |
| EXCHANGE DIFFERENCE | | 135 | (316) |
| CASH BALANCE AT THE END OF YEAR | 11 | 6,158 | 6,768 |

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**GENERAL INFORMATION**

The IRCE Group's Half-Yearly Financial Report as of 30 June 2016 was drafted by the Board of Directors of IRCE SpA (henceforth also referred to as the "Company" or the "Parent company") on 5 September 2016.

The IRCE Group owns nine manufacturing plants and is one of the major players in the European winding wire industry, as well as in the Italian electrical cable sector.

Italian plants are located in the towns of Imola (Bologna), Guglionesi (Campobasso), Umbertide (Perugia) and Miradolo Terme (Pavia), while foreign operations are carried out by Smit Draad Nijmegen BV in Nijmegen (NL), FD Sims Ltd in Blackburn (UK), IRCE Ltda in Joinville (SC – Brazil), Stable Magnet Wire P.Ltd in Kochi (Kerala – India) and Isodra GmbH in Kierspe (D).

The distribution network consists of agents and the following commercial subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco Srl in Italy, IRCE SL in Spain, IRCE Kablo Ve Tel Ltd in Turkey and IRCE SP.ZO.O in Poland.

GENERAL DRAFTING CRITERIA

The Half-Yearly Financial Report has been prepared in compliance with IAS 34 "Interim Financial Reporting", pursuant to the provisions for the condensed interim financial statements, and based on Article 154 ter of the Consolidated Financial Act. The Half-Yearly Financial Report does not therefore include all the information required for preparing the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

The Half-Yearly Financial Report is drafted in euro and all values reported in the notes are stated in thousands of euro, unless specified otherwise.

The financial statements have been prepared in accordance with the provisions of IAS 1; in particular:

- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items by nature;
- the statement of cash flows was drafted, in accordance with IAS 7, by classifying cash flows during the period into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

ACCOUNTING STANDARDS

Accounting standards adopted to prepare the Half-Yearly Financial Report as of 30 June 2016 are the same as those used to prepare the consolidated financial statements as of 31 December 2015 to which reference should be made for further details.

Amendments and interpretations effective as of 1 January 2016 concern issues that are not discussed in or relevant to the consolidated financial statements.

USE OF ESTIMATES

The drafting of the consolidated half-yearly financial statements pursuant to IFRSs requires to make estimates and assumptions which affect the amounts of the assets and liabilities recognised in the financial statements as well as the disclosure related to contingent assets and liabilities at the reporting date. The final results could differ from these estimates. Estimates are mainly used to recognise the provisions for bad debt, inventory obsolescence, depreciation and amortisation, impairment of assets, employee benefits, and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are applied to the income statement.

BASIS OF CONSOLIDATION

There have been no changes to the basis of consolidation compared to that mentioned in the Report on the consolidated financial statements as of 31 December 2015.

The following table shows the list of companies included in the scope of consolidation as of 30 June 2016:

| Company | % of investment | Registered office | Share capital | Consolidation |
|--------------------------|-----------------|-------------------|-----------------|---------------|
| Isomet AG | 100% | Switzerland | CHF 1,000,000 | line by line |
| Smit Draad Nijmegen BV | 100% | Netherlands | € 1,165,761 | line by line |
| FD Sims Ltd | 100% | UK | £ 15,000,000 | line by line |
| Isolveco Srl | 75.0% | Italy | € 46,440 | line by line |
| DMG GmbH | 100% | Germany | € 255,646 | line by line |
| IRCE SL | 100% | Spain | € 150,000 | line by line |
| IRCE Ltda | 100% | Brazil | BRL 152,235,223 | line by line |
| ISODRA GmbH | 100% | Germany | € 25,000 | line by line |
| Stable Magnet Wire P.Ltd | 100% | India | INR 165,189,860 | line by line |
| IRCE Kablo Ve Tel Ltd | 100% | Turkey | TRY 1,700,000 | line by line |
| IRCE SP.ZO.O | 100% | Poland | PLN 200,000 | line by line |

There have been no changes compared to 31 December 2015.

DIVIDENDS

The following table shows the dividends paid by IRCE SpA to its shareholders:

| €/000 | 30/06/2016 | 30/06/2015 |
|--|------------|------------|
| <i>Resolved and paid during the period</i> | | |
| Ordinary share dividends | 803 | 803 |
| 2016 dividend: 0.03 cents (2015: 0.03 cents) | 803 | 803 |

FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks related to its operations: market risk, interest rate risk, exchange rate risk, risk related to fluctuations in prices of raw materials, credit risk and liquidity risk. This Half-Yearly Financial Report does not include all the information and notes on financial risk management required for preparing the annual financial statements. For more information on the matter, please refer to the report on operations.

DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward purchase and sale transactions with maturity after 30 June 2016. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of copper forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of hedge accounting.

A summary of derivative contracts related to commodities (copper) for forward sales and purchases outstanding at 30 June 2016 is shown below:

| Measurement unit of the notional amount | Notional amount with maturity within one year (tons) | Notional amount with maturity after one year (tons) | Result with fair value measurement as of 30/06/2016 €/000 |
|---|--|---|---|
| Tons | 900 | | 451 |

- Derivative instruments related to USD forward purchase contracts with maturity after 30 June 2016. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of cash flow hedge accounting.

A summary of derivative contracts related to USD forward purchases outstanding at 30 June 2016 is shown below:

| Measurement unit of the notional amount | Notional amount with maturity within one year €/000 | Notional amount with maturity after one year €/000 | Result with fair value measurement as of 30/06/2016 €/000 |
|---|---|--|---|
| USD | 3,000 | | 63 |

FINANCIAL INSTRUMENTS BY CATEGORY

Here below is the breakdown of financial instruments referring to the items of the financial statements:

| As of 30 June 2016 - €/000 | Loans and receivables | Derivatives with a balancing entry in the income statement | Derivatives with a balancing entry in shareholders' equity | AFS | Total |
|--|------------------------------|---|---|------------|--------------|
| Non-current financial assets | | | | | |
| Non-current tax receivables | 1,443 | | | | 1,443 |
| Non-current financial assets and receivables | 54 | | | 63 | 117 |
| Current financial assets | | | | | |
| Trade receivables | 76,414 | | | | 76,414 |
| Current tax receivables | 2,162 | | | | 2,162 |
| Receivables due from others | 2,121 | | | | 2,121 |
| Current financial assets | 11 | 514 | | | 525 |
| Cash and cash equivalents | 6,157 | | | | 6,157 |
| As of 31 December 2015 - €/000 | Loans and receivables | Derivatives with a balancing entry in the income statement | Derivatives with a balancing entry in shareholders' equity | AFS | Total |
| Non-current financial assets | | | | | |
| Non-current tax receivables | 1,331 | | | | 1,331 |
| Non-current financial assets and receivables | 55 | | | 66 | 121 |
| Current financial assets | | | | | |
| Trade receivables | 65,109 | | | | 65,109 |
| Current tax receivables | 2,936 | | | | 2,936 |
| Receivables due from others | 1,987 | | | | 1,987 |
| Current financial assets | 11 | 303 | | | 314 |
| Cash and cash equivalents | 5,402 | | | | 5,402 |

| As of 30 June 2016 - €/000 | Other financial liabilities | Derivatives with a balancing entry in the income statement | Derivatives with a balancing entry in shareholders' equity | Total |
|--|-----------------------------|--|--|--------|
| Non-current financial liabilities | | | | |
| Financial payables | 16,470 | | | 16,470 |
| Current financial liabilities | | | | |
| Trade payables | 20,048 | | | 20,048 |
| Other payables | 12,361 | | | 12,361 |
| Financial payables | 33,708 | | | 33,708 |
| As of 31 December 2015 - €/000 | Other financial liabilities | Derivatives with a balancing entry in the income statement | Derivatives with a balancing entry in shareholders' equity | Total |
| Non-current financial liabilities | | | | |
| Financial payables | 22,462 | | | 22,462 |
| Current financial liabilities | | | | |
| Trade payables | 14,918 | | | 14,918 |
| Other payables | 10,792 | | | 10,792 |
| Financial payables | 29,184 | | | 29,184 |

FAIR VALUE

A comparison between the carrying amount of financial instruments held by the Group and their fair value did not yield significant differences in value (see note 33).

IFRS 7 defines the following three levels of fair value for measuring the financial instruments recognised in the statement of financial position:

- Level 1: quoted prices in active markets.
- Level 2: market inputs other than Level 1 inputs that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs not based on observable market data.

The following tables show the assets and liabilities that are measured at fair value as of 30 June 2016 and as of 31 December 2015 broken down by level of fair value hierarchy (€/000):

| 30/06/2016 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|-------|
| Assets: | | | | |
| Derivative financial instruments | - | 514 | | 514 |
| AFS | - | | 63 | 63 |
| Total assets | - | 514 | 63 | 577 |
| Liabilities: | | | | |
| Derivative financial instruments | - | - | | - |
| Total liabilities | - | - | | - |
| 31/12/2015 | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Derivative financial instruments | - | 303 | | 303 |
| AFS | - | | | |
| Total assets | - | 303 | | 303 |
| Liabilities: | | | | |
| Derivative financial instruments | - | - | | - |
| Total liabilities | - | - | | - |

During the first half of 2016, there were no transfers between the three fair value levels specified in IFRS 7.

SEGMENT REPORTING

In accordance with the provisions of IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

With regard to the two types of products sold, IRCE's management only monitors the breakdown of revenues between winding wires and cables. Not allocated revenues refer to revenues from the sale of other materials and services that cannot be classified within the two types of products sold.

Revenues are then analysed by geographical area (revenues from Italian customers, EU customers excluding Italy, and non-EU customers).

The winding wire segment supplies manufacturers of electric motors and generators, transformers, relays and solenoid valves.

The cable segment supplies the following industries: construction, civil and industrial engineering (cabling), and consumer durable goods (electrical devices).

Revenues by product

| €/000 | 1st half 2016 | | | | 1st half 2015 | | | |
|----------|---------------|--------|---------------|---------|---------------|--------|---------------|---------|
| | Winding wires | Cables | Not allocated | Total | Winding wires | Cables | Not allocated | Total |
| Revenues | 126,127 | 27,686 | 3 | 153,816 | 155,201 | 33,183 | 19 | 188,403 |

Revenues by geographical area

| €/000 | 1st half 2016 | | | | 1st half 2015 | | | |
|----------|---------------|----------------------|--------|---------|---------------|----------------------|--------|---------|
| | Italy | EU (excluding Italy) | Non-EU | Total | Italy | EU (excluding Italy) | Non-EU | Total |
| Revenues | 53,728 | 70,202 | 29,886 | 153,816 | 61,214 | 83,944 | 43,245 | 188,403 |

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
1. GOODWILL AND OTHER INTANGIBLE ASSETS

This item refers to intangible assets from which future economic benefits are expected. The changes in their net carrying amount are shown below:

| €/ 000 | Patent and intellectual property rights | Licenses, trademarks, similar rights and other multi-year charges | Assets under development | Goodwill | Total |
|--------------------------------------|---|---|--------------------------|----------|-------------|
| Net carrying amount as of 31/12/2015 | 86 | 72 | 189 | 2,031 | 2,378 |
| <i>Changes during the period</i> | | | | | |
| . Investments | 10 | 1 | - | - | 11 |
| . Effect of exchange rates | 4 | 1 | - | - | 5 |
| . Reclassifications | - | - | - | - | - |
| . Amortisation/ depreciation | (19) | (23) | - | - | (42) |
| Total changes | (5) | (21) | - | - | (26) |
| Net carrying amount as of 30/06/2016 | 81 | 51 | 189 | 2,031 | 2,352 |

A description of intangible assets with a finite useful life and the method of amortisation used is shown in the following table.

| Fixed asset | Useful life | Method of amortization | Produced on own account or acquired | Impairment test |
|---|-------------|------------------------|-------------------------------------|---|
| Patent and intellectual property rights | Finite | 50% | Acquired | Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist. |
| Concessions and licenses | Finite | 20% | Acquired | Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist. |
| Trademarks and similar rights | Finite | 5.56% | Acquired | Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist. |
| Smit Draad Nijmegen BV's goodwill | Indefinite | n/a | Acquired | Tested for impairment at the reporting date due to the absence of trigger events in the period. |

The amortisation rates of intangible assets were determined based on their specific residual useful lives and are reviewed at each reporting date.

The goodwill recognised in the financial statements refers to the Smit Draad Nijmegen BV Cash Generating Unit. This amount was tested for impairment at the end of 2015. Despite half-yearly financial results did not meet the forecasts included in the 2016-2020 Business Plan, Directors did not deem it necessary to perform another impairment test as of 30 June 2016, since they considered such results as temporary. The ongoing dispute with the FNV union, representing many subsidiary's employees, has generated significant inefficiencies in the production process (see note 14 for further details). Directors expect that the dispute

resolution will create a more relaxed working environment, thus allowing to achieve the margins set by the Plan for the second half of 2016.

2. TANGIBLE ASSETS

| €/000 | Land | Buildings | Plant and equipment | Industrial and commercial equipment | Other assets | Assets under construction and advances | Total |
|--------------------------------------|------------|--------------|---------------------|-------------------------------------|--------------|--|--------------|
| Net carrying amount as of 31/12/2015 | 11,843 | 17,871 | 20,991 | 815 | 422 | 2,958 | 54,900 |
| <i>Changes during the period</i> | | | | | | | |
| . Investments | - | 5 | 576 | 51 | 80 | 1,325 | 2,037 |
| . Effect of exchange rates | (6) | 263 | 2,156 | 71 | - | (4) | 2,480 |
| . Reclassifications | - | - | 1,023 | (5) | 5 | (1,023) | - |
| . Divestments | - | - | (259) | - | (87) | - | (346) |
| . Depreciation related to disposals | - | - | 259 | - | 86 | - | 345 |
| . Depreciation of the period | - | (601) | (1,908) | (174) | (83) | - | (2,766) |
| Total changes | (6) | (333) | 1,847 | (57) | 1 | 298 | 1,750 |
| Net carrying amount as of 30/06/2016 | 11,837 | 17,538 | 22,838 | 758 | 423 | 3,256 | 56,650 |

Group investments in the first half of 2016 were equal to €2.04 million and primarily refer to investments in the winding wire sector made by the Parent Company IRCE SpA.

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

Other non-current financial assets and receivables are broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|------------|------------|
| - Equity investments in other companies | 63 | 66 |
| - Other receivables | 54 | 55 |
| Total | 117 | 121 |

4. NON-CURRENT TAX RECEIVABLES

This item refers for €/000 812 to the tax credit related to the 2007-2011 IRES (corporate income tax) reimbursement claim, in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011, of the Parent Company IRCE SpA, and for €/000 631 to the value-added tax credit of the Brazilian subsidiary IRCE Ltda.

5. DEFERRED TAX ASSETS AND LIABILITIES

A breakdown of deferred tax assets and liabilities is shown below:

| €/000 | 30/06/2016 | 31/12/2015 |
|--|--------------|--------------|
| - Deferred tax assets | 2,679 | 2,505 |
| - Deferred tax liabilities | (837) | (991) |
| Total deferred tax assets (net) | 1,842 | 1,514 |

The changes for the period are shown below:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|------------|------------|
| Deferred tax assets (net) | 1,514 | 1,914 |
| Exchange rate differences | 193 | (426) |
| Income statement effect | 8 | 45 |
| Shareholders' equity effect | 127 | (19) |
| Deferred tax assets (net) as of 30 June | 1,842 | 1,514 |

Here below is the breakdown of deferred tax assets and liabilities and the relevant changes for the period, without considering the offsetting of items within the same fiscal jurisdiction:

| Deferred tax assets - €/000 | 30/06/2016 | 31/12/2015 |
|---|------------|------------|
| - Amortisation/depreciation with deferred deductibility | 105 | 105 |
| - Allocations to Provisions for risks and charges | 493 | 483 |
| - Allocations to the taxed Bad debt provision | 436 | 334 |
| - Tax losses which can be carried forward | 1,099 | 1,197 |
| - Intra-group margin | 95 | 90 |
| - Provision for inventory obsolescence | 842 | 907 |
| - IAS 19 reserve Isomet AG | 273 | 251 |
| - IAS 19 reserve IRCE SpA | 79 | - |
| - Other | 182 | 73 |
| Total | 3,604 | 3,440 |

The table below shows the changes in deferred tax assets:

| | Taxed provision | Tax losses carried forward | Depreciation | Other | Total |
|-----------------------------|-----------------|----------------------------|--------------|-------|-------|
| balance at 31.12.2015 | 1,724 | 1,197 | 105 | 414 | 3,440 |
| income statement effect | 47 | (290) | | 115 | (128) |
| shareholders' equity effect | | | | 97 | 97 |
| exchange rate difference | | 192 | | 3 | 195 |
| balance at 30.06.2016 | 1,771 | 1,099 | 105 | 629 | 3,604 |

| Deferred tax liabilities - €/000 | 30/06/2016 | 31/12/2015 |
|---|------------|------------|
| Amortisation/depreciation | 63 | 81 |
| - Foreign exchange gains | 15 | - |
| - IAS capital gains on buildings | 108 | 108 |
| - IAS capital gains on land | 465 | 465 |
| - IAS 19 reserve IRCE SpA | - | 30 |
| - Effect of tax depreciation of Isomet AG building | 292 | 319 |
| - Effect of tax inventory difference of Isomet AG | 249 | 304 |
| - Effect of tax depreciation of Smit Draad Nijmegen | 257 | 230 |
| - Effect of tax inventory difference of Smit Draad Nijmegen | 313 | 389 |
| Total | 1,762 | 1,926 |

Changes are as follows:

| | Depreciation | IAS capital gain on land and building | Effect of tax depreciation of Isomet AG | Effect of tax depreciation of Smit Draad Nijmegen BV | IAS 19 effect | Other | Total |
|-----------------------------|--------------|---------------------------------------|---|--|---------------|-------|-------|
| balance at 31.12.2015 | 81 | 573 | 534 | 708 | 30 | | 1,926 |
| income statement effect | (18) | | 5 | (138) | | 15 | (136) |
| shareholders' equity effect | | | | | (30) | | (30) |
| exchange rate difference | | | 2 | | | | 2 |
| balance at 30.06.2016 | 63 | 573 | 541 | 570 | | 15 | 1,762 |

6. INVENTORIES

Inventories are broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|---------------|---------------|
| - Raw materials, ancillary and consumables | 23,742 | 27,860 |
| - Work in progress and semi-finished goods | 12,997 | 8,916 |
| - Finished products and goods | 44,960 | 46,614 |
| - Provision for write-down of raw materials | (2,006) | (2,006) |
| - Provision for write-down of finished products and goods | (1,587) | (1,416) |
| Total | 78,106 | 79,968 |

Inventories are not pledged nor used as collateral.

The provision for write-downs corresponds to the amount that is deemed necessary to hedge existing consolidated inventory obsolescence risks calculated by writing down slow moving raw materials, packages and finished products.

The table below shows the changes in provisions for write-down of inventories during the first half of 2016:

| €/000 | 31/12/2015 | Allocations | Uses | 30/06/2016 |
|---|--------------|-------------|-------------|--------------|
| Provision for write-down of raw materials | 2,006 | - | - | 2,006 |
| Provision for write-down of finished products and goods | 1,416 | 239 | (68) | 1,587 |
| Total | 3,422 | 239 | (68) | 3,593 |

7. TRADE RECEIVABLES

| €/000 | 30/06/2016 | 31/12/2015 |
|------------------------------|---------------|---------------|
| - Customers/bills receivable | 78,460 | 66,674 |
| - Bad debt provision | (2,046) | (1,565) |
| Total | 76,414 | 65,109 |

The balance of receivables due from customers is entirely composed of receivables due within the next 12 months.

The increase in trade receivables compared to 31/12/2015 is mainly due to a lower use of non-recourse factoring services.

The table below shows the changes in the bad debt provision during the first half of 2016:

| €/000 | 31/12/2015 | Allocations | Uses | 30/06/2016 |
|--------------------|------------|-------------|-------|------------|
| Bad debt provision | 1,565 | 760 | (279) | 2,046 |

8. CURRENT TAX RECEIVABLES

The item was broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|------------|------------|
| - Receivables for income taxes | 696 | 310 |
| - VAT receivables | 152 | 425 |
| - VAT receivables and taxes for IRCE Ltda | 1,192 | 1,408 |

| | | |
|--|--------------|--------------|
| - Other receivables due from tax authorities | 122 | 793 |
| Total | 2,162 | 2,936 |

9. RECEIVABLES DUE FROM OTHERS

The item was broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---------------------------------------|--------------|--------------|
| - Advances to suppliers | 269 | 224 |
| - Accrued income and prepaid expenses | 246 | 168 |
| - Receivables due from INPS | 138 | 120 |
| - Other receivables | 1,468 | 1,475 |
| Total | 2,121 | 1,987 |

The item "other receivables" is primarily composed of receivables which are expected to be collected in relation to preferential tariffs for energy-intensive Italian manufacturing companies, in accordance with Italian Legislative Decree 83/2012.

10. OTHER CURRENT FINANCIAL ASSETS

| €/000 | 30/06/2016 | 31/12/2015 |
|--|------------|------------|
| - Mark to Market copper forward transactions | 451 | 303 |
| - Mark to Market USD forward transactions | 63 | - |
| - Fixed deposit for LME transactions | 11 | 11 |
| Total | 525 | 314 |

The item "Mark to Market copper forward transactions" refers to the Mark to Market (Fair Value) measurement of copper forward contracts outstanding as of 30/06/2016 of the Parent Company IRCE SpA. The item "Mark to Market USD forward transactions" refers to the Mark to Market (Fair Value) measurement of USD forward purchase contracts outstanding as of 30/06/2016 of the Parent Company IRCE SpA. The item "Fixed deposit for LME transactions" refers to the margin calls lodged with brokers for copper forward transactions on the LME (London Metal Exchange).

11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

| €/000 | 30/06/2016 | 31/12/2015 |
|-----------------------------|--------------|--------------|
| - Bank and postal deposits | 6,137 | 5,387 |
| - Cash and cash equivalents | 20 | 15 |
| Total | 6,157 | 5,402 |

Short-term bank deposits are remunerated at floating rates. Bank deposits outstanding as of 30 June 2016 are not subject to constraints or restrictions.

12. SHAREHOLDERS' EQUITY

Share capital

The share capital is composed of 28,128,000 ordinary shares worth €14,626,560 without par value. The shares are fully subscribed and paid up and bear no rights, privileges or restrictions as far as dividend distribution and capital distribution, if any, are concerned.

Here below is the breakdown of reserves:

| €/000 | 30/06/2016 | 31/12/2015 |
|--|----------------|----------------|
| - Own shares (share capital) | (734) | (716) |
| - Share premium reserve | 40,539 | 40,539 |
| - Own shares (share premium) | 260 | 306 |
| - Other reserves | 45,924 | 45,924 |
| - Foreign currency translation reserve | (13,527) | (19,250) |
| - Legal reserve | 2,925 | 2,925 |
| - Extraordinary reserve | 32,808 | 30,885 |
| - IAS 19 reserve | (1,486) | (1,125) |
| - Undistributed profits | 13,729 | 13,505 |
| Total | 120,438 | 112,993 |

Own Shares

This reserve refers to the par value and share premium of own shares held by the Company; they are reported as a deduction from shareholders' equity.

Own shares as of 30 June 2016 amounted to 1,410,774 and corresponded to 5.02% of the share capital.

Here below is the number of outstanding shares:

| Thousands of shares | |
|---------------------------------|---------------|
| Balance as of 01/01/2015 | 26,208 |
| Share issue | 550 |
| Share buyback | (6) |
| Balance as of 31/12/2015 | 26,752 |
| Share issue | - |
| Share buyback | (35) |
| Balance as of 30/06/2016 | 26,717 |

Share premium reserve

This item refers to the higher issue value compared to the par value of IRCE shares issued at the time of the share capital increase when the Company was first listed on the stock exchange in 1996.

The item "Other reserves" refers mainly to:

- Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of IRCE Cavi SpA and Isolcable SrL into IRCE SpA, amounting to €/000 6,621.
- Reserve of profits to be re-invested in Southern Italy totalling €/000 201.
- FTA reserve, which represents the offsetting item for all adjustments made to the financial statements in order to comply with IAS/IFRS as of 1 January 2004 (transition year), amounting to €/000 16,772.
- Revaluation reserve, as per Italian law 266/1995, amounting to €/000 22,328.

Foreign currency translation reserve

This reserve represents the value accounting differences which result from the foreign currency translation of the financial statements prepared by the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd and IRCE Kablo Ve Tel Ltd and IRCE Sp.zo.o by using the official exchange rate as of 30 June 2016. The change in the reserve is mainly due to the appreciation of the Brazilian real to the euro.

Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings of the Parent Company.

IAS 19 reserve

This reserve includes actuarial gains and losses accumulated as a result of the application of IAS 19 Revised. The change in the reserve was as follows:

| | |
|---------------------------|--------------|
| balance 31.12.2015 | (1,125) |
| IAS 19 evaluation | (488) |
| Income tax | 127 |
| balance 30.06.2016 | 1,486 |

Undistributed profits

The reserve for undistributed profits primarily refers to the subsidiaries' retained earnings. The distribution of the reserves and profits of subsidiaries is not planned.

Profit for the period

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 1,198 (€/000 4,364 as of 30 June 2015 and €/000 2,949 as of 31 December 2015).

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
Capital and reserves attributable to non-controlling interests

This amount refers to the portion of shareholders' equity of investees consolidated using the line-by-line method attributable to non-controlling interests.

Profit attributable to non-controlling interests

This represents the portion of profit/loss for the period of investees consolidated using the line-by-line method attributable to non-controlling interests.

13. NON-CURRENT FINANCIAL LIABILITIES

| €/000 | Currency | Rate | Company | 30/06/2016 | 31/12/2015 | Due date |
|----------------|----------|----------|-----------|---------------|---------------|----------|
| Banco Popolare | EUR | Floating | IRCE SpA | 3,087 | 3,964 | 2019 |
| CARISBO | EUR | Floating | IRCE SpA | 9,000 | 10,000 | 2020 |
| Banca di Imola | EUR | Floating | IRCE SpA | 4,383 | 5,000 | 2020 |
| NAB | CHF | Floating | Isomet AG | - | 3,498 | 2017 |
| Total | | | | 16,470 | 22,462 | |

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges were broken down as follows:

| €/000 | 31/12/2015 | Allocations | Uses | 30/06/2016 |
|--|--------------|-------------|--------------|--------------|
| Provisions for risks and disputes | 1,748 | 761 | (209) | 2,300 |
| Provision for severance payments to agents | 288 | - | (30) | 258 |
| Total | 2,036 | 761 | (239) | 2,558 |

The €/000 761 provision is primarily attributable to the Parent Company IRCE SpA for the risk of returns of packages and reels that were invoiced with a repurchase commitment (€/000 295) and to the Dutch subsidiary Smit Draad Nijmegen BV for a sickness allowance to be paid to some employees by the company (€/000 370), for which reference should be made to the notes to the consolidated financial statements as of 31/12/2015 and which was already partly used as of 30/06/2016. Furthermore, in July 2016 the relevant judge rejected the claims submitted by the FNV union in relation to the dispute between Smit Draad Nijmegen BV and its employees on alleged health hazards and working conditions that allegedly do not comply with legal requirements.

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

The table below shows the changes in the Provision for employee defined benefits:

| €/000 | 30/06/2016 | 31/12/2015 |
|--|------------|------------|
| Employee benefits provision as of 01/01 | 5,736 | 5,955 |
| Financial charges | 55 | 116 |
| Actuarial (gains)/losses | 488 | (54) |
| Service cost | 96 | 178 |
| Payments | (157) | (573) |
| Effect of exchange rates | (4) | 114 |
| Employee benefits provision as at the reporting date | 6,214 | 5,736 |

The Provision includes €/000 4,744 related to the Parent Company IRCE SpA, €/000 1,365 related to the Swiss subsidiary ISOMET AG, and €/000 105 related to the Italian subsidiary Isolveco Srl.

The Employee benefits provision is part of the defined benefit plans.

In order to determine the relevant liability, the Company used the Projected Unit Credit Cost method, which consists in the following:

- it projected the employee termination indemnity (TFR) accrued by each employee at the measurement date and the relevant indemnity accruing up to the estimated future payment date, based on employee's salary projections;
- it calculated the probability-based TFR payments that the company will have to make in the event that the employee leaves the company following dismissal, resignation, disability, death and retirement, as well as in the event of advance payment requests;
- it discounted each probability-based payment at the measurement date;
- it calculated each employee's probability-based and discounted benefits prorated on service at the measurement date compared to the overall employment period, i.e. the estimated payment date.

The item "Provisions for employee defined benefits" largely consists of employee termination indemnities recognised in the financial statements of IRCE SpA. Here below are the demographic assumptions used by the actuary appointed by the Company for the purpose of measuring the employee benefits provision of IRCE SpA:

- probability of death: those determined by the State General Accounting Department, named RG48 and based on gender;
- probability of disability: those adopted by the INPS model and based on gender;
- retirement: a probability of 100% was assumed upon meeting the eligibility requirements for the general compulsory insurance (AGO, Assicurazione Generale Obbligatoria);
- frequency of advance payment: 1.50%;
- frequency of turnover: 2%.

In addition, the following economic-financial assumptions were made for IRCE SpA:

| | 30/06/2016 | 31/12/2015 |
|---|--|--|
| Annual discount rate | 1.05% | 2.03% |
| Annual inflation rate | 1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 onwards | 1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 onwards |
| Annual rate of increase of employee termination indemnities | 2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 onwards | 2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 onwards |

With regard to the discount rate, the IBOXX Corporates AA index, with duration of 10+ years as of the measurement date, was used as benchmark.

It should also be noted that the discount rate used for the purposes of calculating the DBO of the subsidiary Isomet AG (Switzerland), equal to 0.30% in June 2016 and 0.80% in December 2015, is based on government securities' return, given the lack of a sufficiently large market of Corporate AA securities with adequate duration.

Here below are the disclosures required by the new IAS 19.

Sensitivity analysis of IRCE SpA's main measurement parameters:

| €/000 | DBO change as of 30/06/2016 |
|------------------------|-----------------------------|
| Inflation rate + 0.25% | 4,815 |
| Inflation rate - 0.25% | 4,675 |
| Discount rate + 0.25% | 4,633 |
| Discount rate - 0.25% | 4,860 |
| Turnover rate + 1% | 4,700 |
| Turnover rate -1% | 4,794 |

2016 service cost: 0.00
Duration of the plan: 10

Sensitivity analysis of ISOMET AG's main measurement parameters:

| €/000 | DBO change as of 30/06/2016 |
|------------------------|-----------------------------|
| Inflation rate - 0.25% | 1,331 |
| Inflation rate + 0.25% | 1,393 |
| Discount rate -0.25% | 1,621 |
| Discount rate + 0.25% | 1,127 |
| Turnover rate -0.25% | 1,425 |
| Turnover rate + 0.25% | 1,427 |

2017 service cost with +0.25% discount rate: €/000 213

2017 service cost with +0.25% turnover rate: €/000 235

Duration of the plan: 16.3.

16. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|-------------------------|---------------|---------------|
| - Payables due to banks | 33,708 | 29,184 |
| Total | 33,708 | 29,184 |

With regard to financial liabilities, the overall **net financial position** of the Group is detailed as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|-----------------------------------|-----------------|-----------------|
| Cash | 6,157 | 5,402 |
| Other current financial assets | 74* | 11* |
| Liquid assets | 6,232 | 5,413 |
| Current financial liabilities | (33,708) | (29,184) |
| Net current financial debt | (27,476) | (23,771) |
| Non-current financial liabilities | (16,470) | (22,462) |
| Non-current financial debt | (16,470) | (22,462) |
| Net financial debt | (43,946) | (46,233) |

* These items differ from the corresponding items of the statement of financial position, since the fair value measurement of copper forward contracts is not included.

17. TRADE PAYABLES

Trade payables are typically all due in the following 12 months.

As of 30 June 2016, they amount to €/000 20,048, compared to €/000 14,918 as of 31 December 2015; the increase was due to the higher amount of traded copper at the end of the period.

18. TAX PAYABLES

The item was broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|--------------|--------------|
| - VAT payables | 947 | 650 |
| - Payables due for income taxes | 2,335 | 1,079 |
| - Employee IRPEF (personal income tax) payables | 451 | 481 |
| - Other payables | 39 | 137 |
| Total | 3,772 | 2,347 |

The fluctuation in payables due for income taxes is primarily due to the IRES (corporate income tax) payable of the Parent Company IRCE SpA.

19. OTHER CURRENT LIABILITIES

Other payables were broken down as follows:

| €/000 | 30/06/2016 | 31/12/2015 |
|---|--------------|--------------|
| - Payables due to employees | 3,937 | 3,414 |
| - Deposits received from customers | 1,552 | 1,925 |
| - Accrued liabilities and deferred income | 15 | 236 |
| - Other payables | 1,046 | 862 |
| Total | 6,550 | 6,437 |

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT
20. REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the first six months of 2016 amounted to €/000 153.82, down 18.4% compared to the previous year (€/000 188,403). For additional details, see the note on segment reporting.

The item "Other revenues and income" is primarily composed of contingent assets.

21. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, of which the most significant are copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 5,055).

22. COSTS FOR SERVICES

These include costs incurred for the supply of services pertaining to copper processing as well as utilities, transportation, commercial and administrative services, and the costs for the use of third-party goods, as detailed below:

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|--|---------------|---------------|----------------|
| - External processing | 3,011 | 3,200 | (189) |
| - Utility expenses | 6,828 | 7,641 | (813) |
| - Maintenance | 679 | 742 | (63) |
| - Transportation expenses | 2,396 | 2,611 | (215) |
| - Payable fees | 198 | 236 | (38) |
| - Compensation of Statutory Auditors | 44 | 44 | 0 |
| - Other services | 2,538 | 2,564 | (26) |
| - Costs for the use of third-party goods | 137 | 168 | (31) |
| Total | 15,831 | 17,206 | (1,375) |

Utility expenses decreased mainly as a result of lower energy costs in Italy and Brazil. Specifically, in Italy, a 10% reduction in the energy unit cost (MWh) took place, whereas in Brazil the decrease is attributable to lower energy consumption as a result of lower production levels.

The item "other services" includes primarily technical, legal and tax consulting fees as well as insurance and business expenses.

23. PERSONNEL COST

Personnel cost is detailed as follows:

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|---|---------------|---------------|--------------|
| - Salaries and wages | 11,048 | 11,190 | (142) |
| - Social security charges | 2,745 | 2,822 | (77) |
| - Retirement costs for defined contribution and defined benefit plans | 700 | 691 | 9 |
| - Other costs | 1,664 | 1,842 | (178) |
| Total Personnel Cost | 16,157 | 16,545 | (388) |

The item "Other costs" includes costs for temporary work, contract work, and the compensation of Directors.

The Group's average number of personnel for the period and the current number at the reporting date is shown below:

| Personnel | Average 1st half 2016 | 30/06/2016 | 31/12/2015 |
|-----------------|--------------------------|------------|------------|
| - Executives | 19 | 21 | 18 |
| - White collars | 173 | 173 | 173 |
| - Blue collars | 555 | 558 | 549 |
| Total | 747 | 752 | 740 |

The number of employees is calculated according to the Full-Time Equivalent method and includes both internal and external (temporary and contract) staff.

The total number of employees as of 30 June 2016 was 752 people.

24. AMORTISATION/DEPRECIATION

Here is the breakdown of amortisation/depreciation:

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|--|--------------|--------------|--------------|
| - Amortisation of intangible assets | 42 | 57 | (15) |
| - Depreciation of tangible assets | 2,766 | 3,139 | (373) |
| Total amortisation/depreciation | 2,808 | 3,196 | (388) |

25. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|---|--------------|------------|--------------|
| - Write-downs of receivables | 760 | 229 | (531) |
| - Provisions for risks | 295 | 236 | (59) |
| Total provisions and write-downs | 1,055 | 465 | (590) |

Provisions for risks do not correspond to the changes in the provisions for risks and charges because the cost allocation in the income statement is different.

26. OTHER OPERATING COSTS

This item is primarily composed of contingent liabilities as well as non-deductible taxes and duties.

27. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|-----------------------------------|------------|--------------|--------------|
| - Other financial income | 1,429 | 3,375 | (1,946) |
| - Interest and financial charges | (589) | (1,504) | 915 |
| - Foreign exchange gains/(losses) | (644) | 1,573 | (2,217) |
| Total | 196 | 3,444 | 3,248 |

The change in "Foreign exchange gains/(losses)" was mainly attributable to the British pound's weakness against the euro.

The following table outlines income and charges from derivatives (already included in the balances of the table above under the items "other financial income" and "interest and financial charges"):

| €/000 | 30/06/2016 | 30/06/2015 | Change |
|-------------------------------|------------|--------------|----------------|
| - Income from LME derivatives | 661 | 1,856 | (1,195) |
| Total | 661 | 1,856 | (1,195) |

The item "Income from LME derivatives" included €/000 210 from the closing of copper forward contracts of the Parent Company IRCE SpA during the period, and €/000 451 from the Mark to Market (Fair Value) measurement of said company's copper forward contracts.

28. INCOME TAXES

| €/000 | 30/06/2016 | 30/06/2015 |
|--|----------------|----------------|
| - Current taxes | (1,341) | (2,479) |
| - Deferred tax liabilities | 8 | (43) |
| Income taxes in the consolidated income statement | (1,333) | (2,522) |

29. EARNINGS PER SHARE

As required by IAS 33, here below are the disclosures on the data used to calculate basic and diluted earnings per share.

For the purposes of calculating the basic earnings per share, the profit or loss for the period less the portion attributable to non-controlling interests was used as the numerator. In addition, it should be noted that there were no preference dividends, settlements of preference shares, and other similar effects to be deducted from the profit or loss attributable to the ordinary equity holders. The weighted average number of ordinary shares outstanding was used as the denominator; this figure was calculated by deducting the average number of own shares held during the period from the overall number of shares composing the share capital.

Basic and diluted earnings per share were equal, as there are no ordinary shares that could have a dilution effect and no shares or warrants that could have a dilution effect will be exercised.

| | 30/06/2016 | 30/06/2015 |
|---|------------|------------|
| Net profit/(loss) attributable to shareholders of the Parent Company | 1,198,402 | 4,363,807 |
| Average weighted number of ordinary shares used to calculate basic earnings per share | 26,717,226 | 26,757,676 |
| Basic earnings/(loss) per share | 0.0448 | 0.1631 |
| Diluted earnings/(loss) per share | 0.0488 | 0.1631 |

30. RELATED PARTY DISCLOSURES

In compliance with the requirements of IAS 24, the half-yearly compensation for the members of the Board of Directors of the Parent Company is shown below:

| €/000 | Compensation for office held | Compensation for other tasks | Total |
|-----------|------------------------------|------------------------------|-------|
| Directors | 111 | 162 | 273 |

This table shows the compensation paid for any reason and under any form, excluding social security contributions.

Following the introduction of Article 123-ter of the Consolidated Financial Act, further details on these amounts are provided in the Remuneration Report, which is available on the website www.irce.it.

As of 30 June 2016, the Group Parent Company IRCE SpA had a receivable of €/000 646 with respect to its parent company Aequafin SpA for the payment of tax advances due to the application of the national tax consolidation regime.

31. COMMITMENTS

The Group's commitments as of the reporting date are shown below:

Mortgage guarantees

The Group provided a mortgage on the building owned by ISOMET AG as collateral for a loan totalling €/000 3,432 from NAB bank, with maturity on 31/03/2017.

32. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating:

| <i>Risk level</i> | <i>Exposure, €/000</i> |
|-------------------|------------------------|
| Low | 22,415 |
| Medium | 41,240 |
| Above-average | 12,284 |
| High | 2,521 |
| Total | 78,460 |

As of 30 June 2016, the breakdown of trade receivables by due date is as follows:

| <i>Due date</i> | <i>Amount, €/000</i> |
|-----------------|----------------------|
| Not yet due | 71,328 |
| < 30 days | 2,798 |
| 31-60 | 586 |
| 61-90 | 346 |
| 91-120 | 90 |
| > 120 | 3,312 |
| Total | 78,460 |

33. FINANCIAL INSTRUMENTS

Here below is a comparison between the carrying amount and fair value of all the Group's financial instruments broken down by category:

| <i>€/000</i> | Carrying amount | | Fair value | |
|------------------------------|-----------------|------------|------------|------------|
| | 30/06/2016 | 31/12/2015 | 30/06/2016 | 31/12/2015 |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 6,157 | 5,402 | 6,157 | 5,402 |
| Other financial assets | 525 | 314 | 525 | 314 |
| <i>Financial liabilities</i> | | | | |
| Current loans | 33,708 | 29,184 | 33,708 | 29,184 |
| Non-current loans | 16,470 | 22,462 | 16,470 | 22,462 |
| Other financial liabilities | - | - | - | - |

34. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred between the reporting date and the date when the financial statements are prepared.

Attachment

CONSOLIDATED INCOME STATEMENT FOR THE 2nd QUARTER OF 2016 AND 2015

| | 2nd quarter 2016 (*) | 2nd quarter 2015 (*) |
|--|----------------------|----------------------|
| Revenues | 75,984,858 | 95,607,841 |
| Other revenues and income | 328,239 | 188,881 |
| TOTAL REVENUES | 76,313,097 | 95,796,722 |
| Costs for raw materials and consumables | (57,674,903) | (74,834,268) |
| Change in inventories of work in progress and finished goods | 1,363,647 | 463,883 |
| Costs for services | (7,891,376) | (8,809,513) |
| Personnel cost | (8,338,649) | (8,529,730) |
| Amortisation/depreciation | (1,436,238) | (1,612,030) |
| Provisions and write-downs | (903,214) | (154,448) |
| Other operating costs | (19,516) | (226,250) |
| EBIT | 1,412,849 | 2,094,366 |
| Financial income and charges | (46,619) | 950,840 |
| PROFIT BEFORE TAX | 1,366,230 | 3,045,206 |
| Income taxes | (679,043) | (1,141,326) |
| PROFIT BEFORE NON-CONTROLLING INTERESTS | 687,186 | 1,903,879 |
| Non-controlling interests | 986 | 397 |
| NET PROFIT FOR THE PERIOD | 688,172 | 1,904,277 |

(*) Unaudited

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 2° quarter 2016 (*) | 2° quarter 2015 (*) |
|---|--------------------------------|--------------------------------|
| €/000 | | |
| PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST | 687 | 1,904 |
| Foreign currency translation difference | 5,162 | 524 |
| Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period | 5,162 | 524 |
| Net profit / (loss) - IAS 19 | | |
| Income taxes | (488) | 618 |
| | 127 | (184) |
| Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period | (361) | 434 |
| Total profit / (loss) from statement of comprehensive income, net of taxes | 4,801 | 958 |
| Total comprehensive profit / (loss), net of taxes | 5,489 | 2,862 |
| Ascribable to: | | |
| Shareholders of the parent company | 5,490 | 2,863 |
| Minority Shareholders | (1) | (1) |

Certification of the half-yearly financial statements pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree no. 58 of 24 February 1998:

We, the undersigned, Mr Filippo Casadio, Chairman, and Ms Elena Casadio, Manager responsible for preparing the corporate accounting documents of IRCE SpA, hereby certify, taking into account the provisions of Article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the company's characteristics, and
- the effective implementation

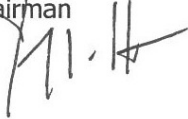
of the administrative and accounting procedures used to prepare the half-yearly financial statements.

In addition, it is hereby certified that the half-yearly financial statements:

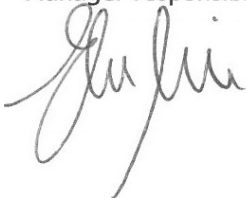
- a) are consistent with accounting books and records;
- b) are prepared in compliance with IAS and give a true and fair view of the financial position, financial performance and cash flows of the Issuer as well as of the group of companies included within the scope of consolidation; and
- c) that the interim report on operations contains a reliable analysis of the information pursuant to Article 154-ter, paragraph 4 of Italian Legislative Decree no. 58 of 24 February 1998.

Imola, 5 September 2016

Filippo Casadio
Chairman



Elena Casadio
Manager responsible for preparing the corporate accounting documents





REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of IRCE SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of IRCE SpA (hereinafter also the “Company”) and its subsidiaries (the “IRCE Group”) as of June 30, 2016, comprising the balance sheet, the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, cashflow statement and related notes. The Directors of IRCE SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by CONSOB in Resolution no. 10867 dated July 31, 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope 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 consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of IRCE Group as of June 30,

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, September 5, 2016

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

“This report has been translated into the English language from the original, which was issued in Italian language, solely for the convenience of international readers. References in this report to the financial statements refer to the financial statements in original Italian and not to any their translation.”