



INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2016

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Statement as of art.154-bis, clauses 2, D.lgs 24.02.1998 n.58

CORPORATE BODIES

BOARD OF DIRECTORS

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

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 S.p.A.

INTERNAL CONTROL MANAGER

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MS FRANCESCO BASSI
 MS GABRIELE FANTI
 MR GIANLUCA PIFFANELLI

(a) Member of the Control and Risks Committee

(b) Member of the Remuneration Committee

REPORT ON OPERATIONS

In the first nine months of 2016, IRCE Group (hereinafter the "Group") showed a decline in the turnover end in the results compared to the first nine months of 2015.

Compared to the same period of last year, the winding wire sector recorded a decrease in sales volumes in line with the reduction in market demand; the cable industry showed a decline, as well, due to the slowdown in demand, which worsens in last quarter.

Consolidated revenues amounted to € 221.59 million compared to € 271.70 million in the first nine months of 2015, the decrease of 18.4% is also due to the copper price reduction (the average LME copper price of nine months 2016 compared to the average of the same period 2015 was 17% lower).

The turnover without metal¹, in the first nine months of 2016 decrease by 9.0%, in detail the winding wire sector decreased by 8.8% and the cable sector by 10.0%.

Consolidated turnover without metal (€/million)	9 months 2016		9 months 2015		Change
	Value	%	Value	%	%
Winding wires	44.6	79.2%	48.9	79.0%	-8.8%
Cables	11.7	20.8%	13.0	21.0%	-10.0%
Total	56.3	100.0%	61.9	100.0%	-9.0%

The following table shows the changes in results compared to the first nine months of last year, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	9 months 2016	9 months 2015	Change
Sales ²	221.59	271.70	(50.11)
EBITDA ³	7.76	8.99	(1.23)
EBIT	2.40	3.63	(1.23)
Result before taxes	2.78	7.98	(5.20)
Net result	1.39	5.13	(3.74)
EBITDA adjusted ⁴	8.62	11.49	(2.87)
EBIT adjusted ⁴	3.26	6.13	(2.87)

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

² The item "Sales" represents "Revenues" as stated on the consolidated income statement.

³ EBITDA is a performance indicator used by Group Management to evaluate its operational performance and is not identified as an accounting measure under IFRS, it is calculated by adding to the EBIT, amortizations, provisions and depreciations.

⁴ Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the income/charges from operations on copper derivatives transactions (€ +0.86 million in nine months 2016 and € +2.50 million in nine months 2015). These indicators are used by the Management of the Group in order to monitor and assess the operational performance of the Group and are not identified as accounting items within IFRS. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group could potentially not be consistent with that adopted by others and therefore not be comparable.

Consolidated net financial debt at the 30 September 2016 was € 35.51 million decrease versus € 46.23 million at 31 December 2015, thanks to the cash flow generated by operating activities and changes in working capital.

Consolidated statement of financial position data (€/million)	As of 30.09.2016	As of 31.12.2015	Change
Net invested capital	171.65	177.07	(5.42)
Shareholders' Equity	136.14	130.84	5.30
Net financial debt ⁵	35.51	46.23	(10.72)

The Group's investments in the first nine months of 2016 were € 2.63 million, mostly made by IRCE SpA.

Despite the enduring difficult situation of our key markets, we expect for this year, however, results in line to those of 2015.

Imola, 11th November 2016

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



⁵ Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets, note no. 15. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the Net Financial Position defined by Consob Resolution no. 6064293 of 28 July 2006 and CESR recommendation of 10 February 2005.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.09.2016	30.06.2016	31.12.2015
NON - CURRENT ASSETS				
Goodwill and intangibles assets	1	2,335,922	2,351,861	2,378,476
Property, plant and machinery	2	51,220,731	52,213,271	50,706,211
Equipment and other tangible other assets	2	1,082,279	1,181,028	1,236,816
Fixed assets under construction and on account	2	3,040,477	3,256,277	2,957,721
Other non-current financial assets and receivables	3	118,279	116,656	120,874
Non-current tax receivables	4	946,666	1,442,911	1,330,996
Deferred taxes assets	5	3,327,998	2,679,219	2,504,948
TOTAL NON- CURRENT ASSETS		62,072,351	63,241,223	61,236,042
CURRENT ASSETS				
Inventories	6	70,660,659	78,105,986	79,967,782
Trade receivables	7	69,984,199	76,414,195	65,108,753
Current tax receivables	8	2,434,668	2,161,983	2,935,873
Receivables due from others	9	2,014,225	2,120,648	1,987,463
Current financial assets	10	471,699	525,244	314,482
Cash and cash equivalent	11	6,355,709	6,157,456	5,401,842
TOTAL CURRENT ASSETS		151,921,160	165,485,512	155,716,195
TOTAL ASSETS		213,993,512	228,726,736	216,952,237

SHAREHOLDERS EQUITY AND LIABILITIES	Note	30.09.2016	30.06.2016	31.12.2015
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	12	14,626,560	14,626,560	14,626,560
RESERVES	12	119,861,969	120,438,485	112,993,474
PROFIT FOR THE PERIOD		1,387,537	1,198,402	2,948,503
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		135,876,065	136,263,447	130,568,537
MINORITY INTEREST		266,499	266,821	265,886
TOTAL SHAREHOLDERS' EQUITY		136,142,564	136,530,268	130,834,423
NON CURRENT LIABILITIES				
Non-current financial liabilities	13	14,407,866	16,469,906	22,461,891
Deferred tax liabilities	5	1,474,926	837,065	991,376
Provision for risks and charges	14	2,498,711	2,557,800	2,035,769
Employee benefits' provision		6,108,955	6,214,243	5,735,559
TOTAL NON-CURRENT LIABILITIES		24,490,459	26,079,014	31,224,595
CURRENT LIABILITIES				
Current financial liabilities	15	27,490,440	33,707,518	29,183,770
Trade payables	16	15,744,008	20,048,206	14,917,943
Tax payables	17	2,382,247	3,771,707	2,347,197
Social security contributions		1,671,526	2,040,143	2,007,135
Other current liabilities	18	6,072,268	6,549,881	6,437,174
TOTAL CURRENT LIABILITIES		53,360,489	66,117,454	54,893,219
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		213,993,512	228,726,736	216,952,237

The effects of related party transactions on the consolidated statement of financial position are reported in note 28 "Related party disclosures".

CONSOLIDATED INCOME STATEMENT

	Note	30.09.2016	30.09.2015	III quarter 2016	III quarter 2015
Revenues	19	221,590,611	271,696,860	67,775,005	83,294,290
Other revenues and income	19	654,471	370,938	157,445	69,584
<i>(of which: non-recurring)</i>					
TOTAL REVENUES		222,245,083	272,067,798	67,932,451	83,363,874
Cost for raw material and consumables	20	(164,737,997)	(212,079,851)	(46,901,462)	(63,923,871)
Change in work in progress and finished goods		(3,273,448)	(696,260)	(5,387,319)	(1,603,293)
Cost for services	21	(22,921,234)	(24,828,679)	(7,090,126)	(7,622,468)
Personnel costs	22	(22,995,988)	(24,459,490)	(6,838,834)	(7,914,945)
Amortisation/depreciation	23	(4,304,029)	(4,847,036)	(1,496,001)	(1,650,564)
Allocation and write-downs	24	(1,062,485)	(514,470)	(7,434)	(49,842)
Other operating costs	25	(551,306)	(1,015,007)	(149,353)	(414,410)
EBIT		2,398,595	3,627,005	61,921	184,481
Financial incomes / (charges)	26	383,946	4,349,517	187,823	905,206
<i>(of which: non-recurring)</i>					
PROFIT / (LOSS) BEFORE TAXES		2,782,540	7,976,522	249,743	1,089,687
Income taxes	27	(1,394,390)	(2,850,991)	(60,930)	(329,064)
PROFIT BEFORE NON-CONTROLLING INTERESTS		1,388,151	5,125,531	188,814	760,623
Non-controlling interests		(614)	(436)	323	665
PROFIT FOR THE PERIOD		1,387,537	5,125,095	189,136	761,288

The effects of related party transactions on the consolidated income statement are reported in Note 28 "Related party disclosures".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.09.2016	30.09.2015
€/000		
PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST	1,388	5,126
Foreign currency translation difference	5,147	(11,496)
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	5,147	(11,496)
Net profit / (loss) - IAS 19	(488)	77
Income taxes	127	(23)
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	4,786	(11,442)
Total comprehensive profit / (loss), net of taxes	6,174	(6,316)
Ascribable to:		
Shareholders of the parent company	6,173	(6,316)
Minority Shareholders	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	Foreing 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)						(11,496)			54		5,125	5,125		5,125	
Total profit/(loss) from statement of comprehensive income						(11,496)			54		5,125	(6,317)		(6,317)	
Allocation of the result of the previous year								1,035		2,759	(3,794)	(803)		(1)	
Other movements								(803)				(803)		(803)	
Dividends		283		718								1,001		1,001	
Balance as of 30 september 2015	14,627	(716)	40,539	306	45,924	(20,681)	2,925	30,885	(1,106)	13,505	5,125	131,332	265	131,597	
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)						5,147			(361)		1,388	1,388	1	1,389	
Total profit/(loss) from statement of comprehensive income						5,147			(361)		1,388	6,173	1	6,174	
Allocation of the result of the previous year								2,725		224	(2,949)	(802)		(802)	
Other movements								(802)				(802)		(802)	
Dividends		(18)		(46)								(64)		(64)	
Balance as of 30 september 2016	14,627	(734)	40,539	260	45,924	(14,103)	2,925	32,808	(1,486)	13,729	1,388	135,876	267	136,143	

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	31/03/2016	31/03/2015
<i>€/000</i>			
OPERATING ACTIVITIES			
Profit for the year		1,388	5,125
<i>Adjustments for:</i>			
Amortization/depreciation	23	4,304	4,847
Net change in (assets) provision for (advance) deferred taxes	5	(339)	512
(gains)/losses from sell-off of fixed assets		(17)	(11)
(gains)/losses on unrealized translation differences		(264)	(297)
Taxes	26	1,415	2,805
Financial income/(charge)	27	(1,200)	(2,473)
Operating profit/(loss) before change in working capital		5,286	10,509
Paid taxes		(1,249)	(1,193)
Decrease (increase) in inventory	6	9,307	7,259
(Increase) decrease in current assets and liabilities		(3,757)	(7,609)
(increase) decrease in non-current assets and liabilities		835	(25)
Exchange difference on translation of financial statement in foreign currency		2,686	(6,508)
CASH FLOW GENERATED BY OPERATING ACTIVITIES		13,107	2,432
INVESTING ACTIVITIES			
Investments in intangible assets	1	(24)	(64)
Investments in tangible assets	2	(2,610)	(2,188)
Amount collected from sale of tangible and intangible assets		26	25
CASH FLOW USED IN INVESTMENTS		(2,608)	(2,227)
FINANCIAL ACTIVITIES			
Net change in loans	13	(8,054)	19,652
Net change in short-term debt	15	(1,693)	(25,586)
Exchange difference on translation of financial statement in foreign currency		445	121
Change in current financial assets	10	(157)	983
Payment of interest		(680)	(2,133)
Receipt of interest		1,879	4,606
Change in minority shareholders' capital		1	0
Change in translation of financial statements in foreign currency with effect in shareholders' equity		(68)	(56)
Sell/purchase own shares		(64)	1,001
Dividend paid		(803)	(803)
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		(9,194)	(2,214)
NET CASH FLOW FOR THE PERIOD		1,304	(2,007)
CASH BALANCE AT START OF YEAR	11	5,402	6,567
TOTAL NET CASH FLOW FOR THE PERIOD		1,304	(2,007)
EXCHANGE DIFFERENCE		(350)	255
CASH BALANCE AT THE END OF YEAR	11	6,356	4,815

NOTES TO THE INTERIM REPORT ON OPERATION**GENERAL INFORMATION**

The Board of Directors authorized this Interim report of 30 September 2016, to be published on 11th November 2016.

The IRCE Group owns nine manufacturing plants and is one of the major industrial players in Europe in winding wires, as well as in electrical cables in Italy.

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

The distribution uses agents and the following commercial subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco S.r.l. in Italy, IRCE S.L. in Spain, IRCE Kablo Ve Tel Ltd in Turkey and IRCE SP.ZO.O in Poland

GENERAL DRAFTING CRITERIA

The Interim report have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as required by interim financial statements prepared in a "synthetic" form, and under Article. 154 ter of TUF.

The consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group annual financial statements at December 31, 2015.

The Report on operations is presented in Euros and all amounts in these notes are in thousands of Euros, unless otherwise indicated.

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 cash flow statement has been prepared, how requested by IAS 7, showing the flows during the period classified by operating, investing and financing. Cash flows from operating activities are presented using the "indirect method".

ACCOUNTING

The Interim Report has been prepared using the accounting principles and criteria adopted in the preparation of the consolidated financial statements at December 31, 2015.

Evaluation usage

The compilation of quarterly consolidated financial statement requires the evaluation and the value assuming which affect the assets and the liabilities and the advises related to potential assets and liabilities up to reference date. The collected results could be different from these evaluations. The evaluations are used to point out allowances due to credit risks, warehouse obsolescences, amortizations, asset depreciation, benefits to employees and taxes.

CONSOLIDATION PRINCIPLES

The following table shows the list of companies included in the scope of consolidation as of 30 September 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

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 September 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 hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts related to commodities (copper) for forward sales and purchases, in force on 30 September 2016, is shown below:

Measurement unit of the notional value	Notional value with maturity within one year (tons)	Notional value with maturity after one year	Result with fair value measurement as of 30/09/2016 - €/000
Tons	625	0	446

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

A summary of derivative contracts related to USD forward purchases and sales outstanding at 30 September 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	Result with fair value measurement as of 30/09/2015 €/000
USD/ Purchases	1,500	0	15

FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments referring to the items of the financial statements are detailed as follows:

As of 30 September 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	947				947
Non-current financial assets and receivables	55			63	118
Current financial assets					
Trade receivables	69,984				69,984
Current tax receivables	2,435				2,435
Receivables due from others	2,014				2,014
Current financial assets	11	461			472
Cash and cash equivalents	6,356				6,356

As of 31 December 2015 - €/000					
Non-current financial assets					
Non-current tax receivables	1,331				1,331
Non-current financial assets and receivables	51			61	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 September 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	14,408			14,408
Current financial liabilities				
Trade payables	15,744			15,744
Other payables	10,126			10,126
Financial payables	27,490			27,490

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	23		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.

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

The following tables highlight the assets and liabilities that are measured at fair value as of 30 September 2016 and as of 31 December 2015 in terms of hierarchical level of fair value measurement (€/000):

30/09/2016	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	461	-	461
AFS	-	-	64	64
Total assets	-	461	64	525
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 nine months there were no transfers between the three fair value levels specified in IFRS 7.

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

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Fixed assets in progress	Goodwill	Total
Net carrying amount as of 31/12/2015	86	72	189	2,031	2,378
<i>Changes during the period</i>					
. Investments	22	2	-	-	24
. Effect of exchange rates	1	-	-	-	1
. Reclassifications	-	-	-	-	-
. Depreciation	(32)	(35)	-	-	(67)
Total changes	(9)	(33)	-	-	(42)
Net carrying amount as of 30/09/2016	77	39	189	2,031	2,336

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

Fixed asset	Useful life	Amortisation method	Production on own account or acquired	Adequacy test to identify any impairment losses
Patent and intellectual property rights	Finite	50%	Acquired	Review of the amortisation method at the time of each reporting date and impairment test in the presence of impairment loss indicators
Authorisations and licenses	Finite	20%	Acquired	Review of the amortisation method at the time of each reporting date and impairment test in the presence of impairment loss indicators
Trademarks and similar rights	Finite	5.56%	Acquired	Review of the amortisation method at the time of each reporting date and impairment test in the presence of impairment loss indicators
Smit Draad Nijmegen BV goodwill	Indefinite	n/a	Acquired	Subject to impairment tests at period end due to the absence of trigger events during the period.

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 the 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 September 2016, since they considered such results as temporary and related to

the trial trade Union FNV (for more details see note 14). Directors expect that the dispute resolution will create a more relaxed working environment, thus allowing to achieve the margins set by the Plan.

2. TANGIBLE ASSETS

€/000	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total
Net carrying amount as of 31/12/2015	11,843	17,871	20,991	815	422	2,958	54,901
<i>Changes during the period</i>							
. Investments	-	7	1,088	146	83	1,286	2,610
. Effect of exchange rates	(40)	114	1,988	12	0	(2)	2,072
. Reclassifications	-	-	1,202	(5)	5	(1,202)	-
. Divestments	-	-	(259)	(3)	(110)	-	(372)
. Depreciation related to disposals	-	-	259	-	109	-	368
. Depreciation of the period	-	(911)	(2,934)	(267)	(125)	-	(4,237)
Total changes	(40)	(790)	1,344	(117)	(38)	82	441
Net carrying amount as of 30/09/2016	11,803	17,081	22,335	698	384	3,040	55,343

The Group's investments in the first nine months of 2019 were € 2.61 million, mostly made by IRCE SpA in the winding wire sector.

The effect of exchange rates during the period primarily refers to the translation of the Brazilian subsidiary's financial statement data into Euro.

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/09/2016	30/06/2016	31/12/2015
- Equity investments in other companies	64	63	66
- Other receivables	54	54	55
Total	118	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 €/000 135 to the value-added tax credit of the Brazilian subsidiary IRCE Ltda.

5. DEFERRED TAXES ASSETS AND LIABILITIES

An analysis of deferred tax assets and liabilities is shown below:

€/000	30/09/2016	30/06/2016	31/12/2015
- Deferred tax assets	3,328	2,679	2,505
- Deferred tax liabilities	1,475	(837)	(991)
Total deferred tax assets (net)	4,803	1,842	1,514

Deferred tax assets were recorded in connection with temporary differences between the carrying values of assets and liabilities for accounting purposes and their corresponding values for tax purposes and to the extent that the existence of adequate future tax profit which can allow the use of these differences is deemed probable.

6. INVENTORIES

Inventories is detailed below:

€/000	30/09/2016	30/06/2016	31/12/2015
- Raw materials, ancillary and consumables	21,792	23,742	27,860
- Work in progress and semi-finished goods	11,270	12,997	8,916
- Finished products and goods	41,176	44,960	46,614
- Provisions for write-down of raw materials	(2,006)	(2,006)	(2,006)
- Provisions for write-down of finished products	(1,571)	(1,587)	(1,416)
Total	70,661	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 nine months 2016:

€/000	31/12/2015	Allocations	Uses	30/09/2016
Provisions for write-down of raw materials	2,006	-	-	2,006
Provisions for write-down of finished products and goods	1,416	174	(19)	1,571
Total	3,422	174	(19)	3,577

7. TRADE RECEIVABLES

€/000	30/09/2016	30/06/2016	31/12/2015
- Customers/bills receivable	71,383	78,460	66,674
- Bad debts provision	(1,399)	(2,046)	(1,565)
Total	69,984	76,414	65,109

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

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

€/000	31/12/2015	Allocations	Uses	30/09/2016
Bad debt provision	1,565	737	903	1,399

8. CURRENT TAX RECEIVABLES

The item is detailed as follows:

€/000	30/09/2016	30/06/2016	31/12/2015
- Receivables due from income taxes	697	696	310
- VAT receivables	257	152	425
- VAT receivables and taxes for IRCE Ltda	1,302	1,192	1,408
- Other receivables from tax authorities	179	122	793
Total	2,435	2,162	2,936

9. RECEIVABLES DUE FROM OTHERS

The item is detailed as follows:

€/000	30/09/2016	30/06/2016	31/12/2015
- Advances to suppliers	130	269	224
- Accrued income and prepaid expenses	196	246	168
- Receivables due from social security institutions	70	138	120
- Other receivables	1,618	1,468	1,475
Total	2,014	2,121	1,987

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

10. OTHER CURRENT FINANCIAL ASSETS

€/000	30/09/2016	30/06/2016	31/12/2015
- Mark to Market copper forward transactions	446	450	303
- Mark to Market USD forward transactions	15	63	-
- Fixed deposit for LME transactions	11	12	11
Total	472	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 30/09/2016 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 30/09/2016 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 EQUIVALENT

This item includes bank deposits, cash in hand and valuables.

€/000	30/09/2016	30/06/2016	31/12/2015
- Bank deposits	6,337	6,137	5,387
- Cash on hand and valuables	19	20	15
Total	6,356	6,157	5,402

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

12. SHAREHOLDERS' EQUITY

Share capital

The share capital is composed of 28,128,000 ordinary shares for an equivalent of € 14,626,560 without nominal 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	30/09/2016	30/06/2016	31/12/2015
- Own shares (share capital)	(734)	(734)	(716)
- Share premium reserve	40,539	40,539	40,539
- Own shares (share premium)	260	260	306
- Other reserves	45,924	45,924	45,924
- Foreign currency translation reserve	(14,103)	(13,527)	(19,250)
- Legal reserve	2,925	2,925	2,925
- Extraordinary reserve	32,808	32,808	30,885
- IAS 19 reserve	(1,486)	(1,486)	(1,125)
- Undistributed profit	13,729	13,729	13,505
Total	119,862	120,438	112,993

Own Shares

This reserve refers to the nominal value of own shares and the share premium retained by the Company; they are used as deductions of shareholders' equity.

Own shares as of 30 September 2016 amounted to 1,376,212 and correspond to 4.89% of the share capital.

Share premium reserve

This item refers to the higher issue value compared to the nominal value of the IRCE shares issued at the time of the share capital increase which occurred on occasion of the stock exchange listing in 1996.

The item "Other reserves" refers mainly to:

- Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger by acquisition of IRCE Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A amounting to €/000 6,621.
- Profit reserve to be re-invested in Southern Italy of €/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 September 2016. The change in the reserve is mainly due to the appreciation of the Brazilian real to the euro.

Extraordinary reserve

The extraordinary reserve is mainly comprised of retained earnings of the Parent Company.

IAS 19 reserve

This reserve includes actuarial gains and losses that are accumulated as a result of application of IAS 19 Revised.

Undistributed profit

The reserve for undivided profit primarily refers to subsidiaries' retained earnings.

The distribution of reserves and profit of subsidiaries is not planned.

Profit for the period

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 1,388 (€/000 1,198 as of 30 June 2016 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 quota of shareholders' equity of investee companies consolidated with the line-by-line method and pertaining to non-controlling interests.

Profit attributable to non-controlling interests

This represents the quota of profit/losses for the period of investee companies consolidated with the line-by-line method and pertaining to non-controlling interests.

13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	30/09/2016	30/06/2016	31/12/2015	Expiration
Banco Popolare	EUR	Floating	IRCE SPA	2,647	3,087	3,964	2019
CARISBO	EUR	Floating	IRCE SPA	3,761	9,000	10,000	2019
Banca di Imola	EUR	Floating	IRCE SPA	8,000	4,383	5,000	2019
NAB	CHF	Floating	Isomet AG	-	-	3,498	2017
Total				14,408	16,470	22,462	

The increase of non-current financial liabilities is due to an activity of financial debt consolidation

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are detailed below:

€/000	31/12/2015	Allocations	Uses	30/09/2016
Provisions for risks and disputes	1,748	720	(221)	2,247
Provision for severance payments to agents	288	-	(36)	252
Total	2,036	720	(257)	2,499

The €/000 720 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 30/09/2016. 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. CURRENT FINANCIAL LIABILITIES

The current financial liabilities are detailed below:

€/000	30/09/2016	30/06/2016	31/12/2015
- Payables due to banks	27,490	33,708	29,184
- Payables due for derivative contracts	-	-	-
Total	27,490	33,708	29,184

With regard to financial liabilities, the overall **net financial position** of the Group, calculated considering the debts to banks, other financial payables, cash and cash equivalents is detailed as follows:

€/000	30/09/2016	30/06/2016	31/12/2015
Cash	6,356	6,157	5,402
Other current financial assets	26*	74*	11*
Liquid assets	6,382	6,232	5,413
Current financial liabilities	(27,490)	(33,708)	(29,184)
Net current financial debt	(21,109)	(27,476)	(23,771)
Non-current financial liabilities	(14,408)	(16,470)	(22,462)
Non-current financial debt	(14,408)	(16,470)	(22,462)
Net financial debt	(35,517)	(43,946)	(46,233)

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

16. TRADE PAYABLES

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

As of 30 September 2016, they amount to €/000 15,744, compared to €/000 14,918 as of 31 December 2015.

17. TAX PAYABLES

The item is detailed as follows:

€/000	30/09/2016	30/06/2016	31/12/2015
- VAT payables	783	947	650
- Payables due for income taxes	1,249	2,335	1,079
- Employee IRPEF	303	451	481
- Other payables	46	39	137
Total	2,382	3,772	2,347

18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/09/2016	30/06/2016	31/12/2015
- Payables due to employees	3,568	3,937	3,414
- Deposits received from customers	1,394	1,552	1,925
- Accrued liabilities and deferred income	25	15	236
- Other payables	1,085	1,046	862
Total	6,072	6,550	6,437

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

19. REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the none months of 2016 amounted to €/000 221,591, down 18.4% compared to the previous year (€/000 271,697).

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

20. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, of which the most significant are those represented by copper, insulating materials and materials for packaging and maintenance, net of the change in inventories.

21. COSTS FOR SERVICES

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

€/000	30/09/2016	30/09/2015	III° quarter 16	III° quarter 15
- External manufacturing	4,124	4,439	1,113	1,239
- Utility expenses	9,965	11,151	3,137	3,510
- Maintenance	1,073	1,303	394	561
- Transportation expenses	3,463	3,796	1,067	1,185
- Payable fees	279	331	81	95
- Compensation of Statutory Auditors	66	66	22	22
- Other services	3,721	3,491	1,184	927
- Costs for the use of third-party goods	230	252	93	84
Total	22,921	24,829	7,090	7,623

Reducing utility expenses is mainly due to lower costs incurred for electricity in Italy and Brazil; in the first case this reduction is mainly due to the fall in the unit cost MWh (-10%), while in Brazil it is a consequence of a lower energy consumption due to lower production.

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

22. PERSONNEL COST

Personnel cost is detailed as follows:

€/000	30/09/2016	30/09/2015	III° quarter 16	III° quarter 15
- Salaries and wages	15,762	16,622	4,714	5,432
- Social security charges	3,994	4,188	1,249	1,366
- Retirement costs for defined contribution plans	1,027	1,040	327	349
- Other costs	2,213	2,609	548	768
Total Personnel Cost	22,996	24,459	6,838	7,915

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

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

Personnel	Average 9 months 2016	30/09/2016	31/12/2015
- Executives	20	21	20
- White collars	172	172	178
- Blue collars	549	542	550
Total	741	735	748

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 September 2016 was 735 people.

23. DEPRECIATION

Depreciation is as follows:

€/000	30/09/16	30/09/15	III° quarter 16	III° quarter 15
- Intangible asset depreciation	67	88	25	31
- Tangible asset depreciation	4,237	4,759	1,471	1,620
Total	4,304	4,847	1,496	1,651

24. ALLOCATIONS AND WRITE-DOWNS

Allocations and write-downs are detailed as follows:

€/000	30/09/16	30/09/15	III° quarter 16	III° quarter 15
- Write-downs of receivables	737	243	(23)	14
- Allocations for risks	325	272	30	36
Total allocations and write-downs	1,062	515	7	50

25. OTHER OPERATING COSTS

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

26. FINANCIAL INCOMES AND CHARGES

Financial income and charges were broken down as follows:

€/000	30/09/16	30/09/15	III° quarter 16	III° quarter 15
- Other financial income	1,880	4,606	451	1,231
- Interest and financial charges	(680)	(2,133)	(91)	(629)
- Foreign exchange gains / (losses)	(816)	1,877	(172)	303
Total	384	4,350	188	905

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	30/09/16	30/09/15	III° quarter 16	III° quarter 15
- Income from LME derivatives	855	2,501	194	645
- Charges on LME derivatives	-	-	-	-
Total	855	2,501	194	645

The item "Income from LME derivatives" included €/000 389 from the closing of copper forward contracts of the Parent IRCE SPA during the period, and €/000 466 from the Mark to Market (Fair Value) measurement of said company's copper forward contracts.

27. INCOME TAX

€/000	30/09/16	30/09/15	III° quarter 16	III° quarter 15
- Current taxes	(1,415)	(2,805)	(74)	(326)
- Deferred taxes	20	(46)	12	(3)
Total	(1,394)	(2,851)	(61)	(329)

28. RELATED PARTY DISCLOSURES

In compliance with the requirements of IAS 24, the nine months 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	152	245	397

This table shows the compensation paid for any reason and under any form, including 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 will be made available as well as on the website www.irce.it.

There are no other relationships established with related parties.

29. COMMITMENTS

The commitments of the Group at the reporting date are shown below.

Mortgage guarantees

A mortgage which guarantees a loan totalling €/000 3,402 was issued from NAB bank, with maturity in 2017, in relation to the building owned by ISOMET AG.

30. EVENTS FOLLOWING THE REPORTING PERIOD

No significant events occurred between the reporting date and the date when the Interim Report are authorised for issue.

STATEMENT ACCORDING TO ARTICLE 154-BIS D.LGS NO.58/1998

The Executive Manager assigned to draw up the company books, Elena Casadio, declares that the information contained in this quarterly report is an accurate representation of the documents, accounting books and records.