FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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CORPORATE BODIES

BOARD OF DIRECTORS

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

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

RISK CONTROL COMMITTEE

MS GIGLIOLA DI CHIARA
MR GIANFRANCO SEPRIANO
MR ORFEO DALLAGO

REMUNERATION COMMITTEE

MS FRANCESCA PISCHEDDA
MR GIANFRANCO SEPRIANO
MR ORFEO DALLAGO

INTERNAL AUDITOR

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
MR GABRIELE FANTI
MR GIANLUCA PIFFANELLI

CALLING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary Shareholders' Meeting, in first call on 28 April 2017 at 11 am at the registered office of the Company and, if required, in the second call scheduled for 5 May 2017, in the same location and time, in order to discuss and resolve on the following

AGENDA

- Separate financial statements as of 31 December 2016 and related reports of the Board of Directors and the Board of Statutory Auditors, and consequent resolutions;
- Presentation of the consolidated financial statements as of 31 December 2016;
- Appointment of the Board of Statutory Auditors and its Chairman, pursuant to Article 23 of the Articles of Association, for the years 2017-2018-2019 and determination of their annual compensation;
- Remuneration report and consequent resolutions;
- Proposal for authorisation to acquire and dispose of own shares, methods of acquisition and transfer.

SHARE CAPITAL AND VOTING RIGHTS – The share capital of the Company is equal to Euro 14,626,560 and divided into 28,128,000 ordinary shares. Each ordinary share gives the right to one vote in the ordinary and extraordinary Shareholders' Meetings of the Company. As of the current date, the Company owns 1,411,774 own shares which represent 5.02% of the share capital, and whose vote is suspended in accordance with Article 2357-ter of the Italian Civil Code.

RIGHT TO ATTEND – In accordance with article 83-sexies of Italian Legislative Decree 58/1998, the right to attend the Shareholders' Meeting and to exercise the voting right is established by a communication addressed to the Company – made by the intermediary, in accordance with its accounting records – in the favour of the owner of voting rights and based on the evidence available at the end of the accounting day of the seventh trading day prior to the date established for the Meeting in first call; credit and debit entries made after this deadline are not applicable for determining the right to exercise the voting right in the Meeting. Those determined to be owners of Company shares only after that date will not be entitled to attend and vote in the Meeting. The Company must receive the above-mentioned communication from the intermediary at least two business days before the first call. The above does not prejudice the right to attend and vote should the Company receive the communication beyond that date but before the beginning of the Meeting in first call.

VOTING BY PROXY – Each Shareholder may appoint a proxy, in accordance with the law and in writing, by signing the proxy form issued upon request of the entitled party by qualified intermediaries or available on the website www.irce.it. The proxy can also be sent via registered mail with receipt of return to the registered office of the Company, or certified e-mail to the address ircespa-pec@legalmail.it attaching a copy of a valid identification document of the principal.

The Company has appointed as Designated Representative, in accordance with Article 135-undecies of Italian Legislative Decree 58/1998 (Consolidated Financial Act), Ms Stefania Salvini (lawyer), who may be appointed as proxy and receive voting instructions on the condition that she receives this proxy via registered mail with receipt of return to Studio legale Avv. Carlo Zoli, via Mengolina No. 18, 48018 Faenza, Italy, or certified e-mail to avvstefaniasalvini@ordineavvocatibopec.it, by the end of the second trading day prior to the date of the Meeting in first call. The proxy granted in this manner is valid only for proposals for which the principal has provided voting instructions; the principal may revoke the proxy and voting instructions before the above deadline. A proxy form is available on the website www.irce.it.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS – Shareholders holding, on aggregate, at least a 2.5% stake in the Company retain the right to present lists for the appointment of the Board of Statutory Auditors. These lists must be filed at the registered office of the Company – also by means of a registered letter with return receipt addressed to the registered office of the Company, or sent by certified email to the address ircespa-pec@legalmail.it attaching a copy of a valid identification document of the delegating party, at least twenty-five days before the date set for the first call of the Shareholders' Meeting, along with information on the shareholders who have submitted the lists, along with the percentage of stake they hold, a declaration from the shareholders other than those who hold, even if jointly, a controlling stake or a relative majority thereof, stating the non-existence of relationships with the latter, in compliance with article 144-quinquies, comprehensive information on the personal and professional characteristics of the candidates, and finally a declaration from the candidates themselves demonstrating that they meet the requirements set forth by the law, as well as their acceptance of the candidacy.

QUESTIONS ON THE TOPICS ON THE AGENDA – Pursuant to Article 27-ter of Italian Legislative Decree 58/1998, Shareholders can submit questions on the topics on the agenda even before the Meeting via registered mail with receipt of return to the registered office of the Company or certified e-mail sent to ircespa-pec@legalmail.it. The questions, complete with the personal details of the shareholder asking the question and the certification proving the ownership of the shares, must be delivered to the Company by 10:00 am of the day prior to the date of the Meeting in first call.

ADDITIONS TO THE AGENDA — Shareholders which represent, including jointly, at least 2.5% of the share capital can request – in writing and within 10 days from the date of publication of this notice, and in compliance with the provisions of Article 126-bis of Italian Legislative Decree 58/1998 (Consolidated Financial Act) – to add topics to the agenda, indicating in their request any additional topics they propose. This request must be sent via registered mail with return receipt to the Registered Office of the Company or certified e-mail to the address ircespa-pec@legalmail.it. A report on the topics being proposed for discussion must be submitted, by the same deadline and in the same manner, to the Board of Directors of the Company. In addition, and in accordance with the provisions of Article 126-bis, paragraph 3, of the Consolidated Financial Act, an integration of the agenda on the part of Shareholders is not allowed for topics on which the Meeting is called upon to resolve, upon proposal of the Directors or on the basis of a project they prepare.

DOCUMENTATION – The documentation concerning the Meeting will be available to the public, within the terms established by the laws in force, at the Registered Office of the Company, Borsa Italiana S.p.A., and on the website www.irce.it. Shareholders are entitled to obtain a copy of the filed documentation.

This notice will also be published on the website of the Company and on the newspaper "Il Giornale".

Imola, 15 March 2017

IRCE S.p.A

REPORT ON OPERATIONS
FOR 2016

Consolidated performance for 2016

Introduction

Given the significant impact of the activities of the Parent Company IRCE S.p.A. (henceforth also referred to as the "Company") on the consolidated financial statements of the IRCE Group, this Report on Operations is drafted together with the separate financial statements of IRCE S.p.A. as well as the consolidated financial statements of the IRCE Group.

Dear Shareholders,

In 2016 the IRCE Group (hereafter also the "Group") was impacted by the market trend which saw a fall in demand and consequent pressure on margins.

The sales volume in the sector for winding wires fell in line with the reduction in market demand; this reduction was particularly marked on the Brazilian market.
The continual slowdown in demand also caused a reduction in sales volumes in the cables sector.

In 2016 consolidated turnover was € 295.90 million, down compared to € 349.93 million in 2015; the 15.4% fall was due also to the drop in the price of copper (the average LME price for copper in 2016 compared with the average for 2015 was down by 11%).

Turnover without metal[1] decreased by 7.3%, the winding wire sector fell by 6.3% and the cable sector by 11.1%.

In detail:

Consolidated turnover without metal (€/million)	Year 2016		Year 2015		Change
	Value	%	Value	%	%
Winding wires	59.7	*79.7%*	63.7	*78.8%*	*-6.3%*
Cables	15.2	*20.3%*	17.1	*21.2%*	*-11.1%*
Total	74.9	*100.0%*	80.8	*100.0%*	*-7.3%*

The following table shows the changes in results compared to the previous year, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	Year 2016	Year 2015	Change
Turnover[2]	295.90	349.93	(54.03)
EBITDA[3]	7.17	8.24	(1.07)
EBIT	(0.74)	0.67	(1.41)
Profit before tax	0.76	5.38	(4.62)
Net profit	0.06	2.95	(2.89)
Adjusted EBITDA[4]	8.85	11.26	(2.41)
Adjusted EBIT[4]	0.94	3.69	(2.75)

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

[2] The item "Turnover" represents the "Revenues" reported 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 S.p.A. calculates it by adding amortisation/depreciation, provisions and write-downs to EBIT.

[4] Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on transactions on copper derivatives (€+1.68 million in 2016 and €+3.02 million in 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.

Consolidated statement of financial position data (€/million)	As of 31/12/2016	As of 31/12/2015	Change
Net invested capital	173.49	177.07	(3.58)
Shareholders' equity	137.24	130.84	6.40
Net financial debt[5]	36.25	46.23	(9.98)

As of 31 December 2016, net financial debt amounted to €36.25 million, down from €46.23 million as of 31 December 2015 thanks to operating cash flow and the change in working capital.

The equity increase is due to the positive variation in the conversion reserve concerning primarily the appreciation of the Brazilian Real against the Euro.

Investments

Investments of the Group in 2016 amounted to €6.05 million and were primarily related to the Parent Company IRCE S.p.A.

Primary risks and uncertainties

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

Market risk
There is the risk of a weak economic growth in Europe, particularly in Italy, and of the persistence of the Brazilian economic crisis. This could keep demand down in our markets, such as the automotive, household appliance and construction markets, which are usually 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. In 2016 the Brazilian real appreciated significantly against the euro, from the start of 2016 the real recovered over 20% of its value. As for the pound sterling, from the start of 2016 it fell against the euro by around 13%; the effect on the carrying amount of the investment was, nonetheless, limited.

[5] Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets, see note No. 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.

Here below is a sensitivity analysis that shows the hypothetical accounting effects on the Group's statement of financial position, simulating a +/-5% change in the EUR/BRL exchange rate compared to 31 December 2016 (3.431 EUR/BRL):

Consolidated statement of financial position data €/million	31/12/2016	Change in EUR/BRL exchange rate +5% Change	-5% Change
Non-current assets	63.27	(0.92)	1.03
Current assets	161.17	(1.19)	1.31
TOTAL ASSETS	224.44	(2.11)	2.34
Total Shareholders' Equity	137.26	(1.98)	2.19
Non-current liabilities	22.72	(0.08)	0.08
Current liabilities	64.46	(0.05)	0.07
TOTAL LIABILITIES	224.44	(2.11)	2.34

- *Interest rate risk*

In 2016, the Group has obtained short and medium/long-term bank financing with floating rates.

Here below is a sensitivity analysis showing the effects on the result by simulating a +/- 25 basis points change in interest rates:

Consolidated income statement data €/million	Year 2016	Change in interest rates +25 bps Change	-25 bps Change
Turnover	295.90	-	-
EBITDA	7.17	-	-
EBIT	(0.74)	-	-
Net profit	0.06	(0.07)	0.07

- *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.
A sensitivity analysis is provided below which shows the effects on the turnover and profit/loss of the Group by simulating a change in the copper price of +/- 5% versus the average LME price in 2016:

Consolidated income statement data €/million	Year 2016	Change in the price of copper +5% Change	-5% Change
Turnover	295.90	7.17	(7.17)
EBITDA	7.17	1.14	(1.09)
EBIT	(0.74)	1.14	(1.09)

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 customers' insolvency risk.

- *Liquidity risk*
  Based on its financial situation, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities.

  The following table shows financial assets and the composition of debts as of 31 December 2016.

Consolidated financial data €/million	Cash	Import loans and self-liquidating lines	Medium to long-term loan	Total
Total assets as of 31.12.2016	7.78	107.00	13.97	128.75

Consolidated financial data €/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
Financial liabilities	33.73	10.64		44.38
Commitments	-	-		-
Trade payables and other payables	35.55	5.21	3.71	44.46
Total debt by expiry date	69.28	15.85	3.71	88.84

The table does not include copper purchase commitments, as this is a commodity quoted on the LME market easily disposed of.

As of 31 December 2016, the financial statements included trade receivables for €75.92 million and inventories for €72.43 million.

Outlook

Market conditions, which worsened in the final part of the year, did not allow to achieve positive results similar to 2015. The trend in the first few months of the year was a clear improvement. The Group’s goal remains that of reducing production costs by improving efficiency and profitability as from next year.

Information on IRCE S.p.A. performance

The financial statements of the Parent Company IRCE S.p.A. show a turnover of € 193.87 million, down by 15.1% from € 228.24 million of the previous year due to the decline in sales and in the price of copper.

Winding wire sales recorded a slight reduction on 2015, as a result of the drop in the European market demand. As for the cable sector, sales showed a significant decrease due to a steady slowdown in demand.

Against this backdrop, the Group posted a profit of €1.46 million, down from €2.73 million in 2015.

Intra-group transactions and transactions with related parties

The transactions between the Parent Company and the subsidiaries are of a commercial and financial nature.

For more details, please refer to Note 34 of the separate financial statements and to Note 32 of the consolidated financial statements.

With regard to transactions with related parties, including intra-group transactions, it should be noted that they can be classified neither as atypical nor unusual, as they are part of the normal course of business of the Group's companies and have been carried out at arm's length.

Corporate governance

IRCE S.p.A. adopts the provisions of the Corporate Governance Code published by Borsa Italiana S.p.A. as a reference for its corporate governance.
The report on corporate governance and the shareholding structure pursuant to Article 123-bis of the Consolidated Financial Act is available at www.irce.it – Investor Relations, in compliance with Article 89-bis of Regulation No. 11971/1999 issued by Consob. This report aims to provide the market and shareholders with a complete disclosure on the governance model chosen by the Company and its actual compliance with the provisions of the Code.

On 28 March 2008, the Company IRCE S.p.A. adopted the organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001 and created the Supervisory Body, which is responsible for monitoring the operation, updating and compliance of the model.

In July 2016 IRCE S.p.A appointed a consulting company to prepare and implement the project to review and update the 231 Model which is currently in force as well as all the relevant documentation, in order to update the information flow system and the auditing system to support the activities carried out by the Supervisory Body. The consulting company provided support to corporate managers to undertake a preliminary assessment to identify the risks – in relation to the various predicate offences which are currently described in Leg. Decree No. 231/2001 – to which the company is most exposed, also in consideration of the regulatory developments which have occurred subsequent to approval of the Organisational, management and control model which is currently in force.

For issues regarding compliance with and interpretation of the Organisational Model, a Supervisory Body was set up when adopting the first version of the Organisational Model.

During 2016 the Company approved the new by-laws of the Supervisory Body and the latter internally adopted internal operating rules.

The current Supervisory Body was appointed by the Board of Directors on 5 September 2016.

Own shares and shares of the parent company

The number of own shares as of 31/12/2016 was 1,411,774, i.e. 5.02 % of total shares and equal to a nominal value of €/000 734. As of 31/12/2016, the Company does not own shares in the parent company Aequafin S.p.A., nor did it trade in them during 2016.

R&D activities

Research and development activities in 2016 focused on projects to improve processes and products.
This year, R&D expenses were recognised in the income statement, as they are not certain to be recovered in the future through future profits.

Other information

With regard to the "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" pursuant to Articles 36 and 39 of the Regulation on Markets (Consob Resolution No. 16191/2007), the Company declares it complies with the provisions of the above-mentioned Regulation.

The attached consolidated and separate annual financial statements are audited by the company PricewaterhouseCoopers S.p.A.

Events following the reporting date

No significant events occurred between the end of financial year 2016 and today's date.

Dear Shareholders,

We invite you to approve the separate financial statements of IRCE S.p.A. as of 31/12/2016, reporting a profit of €1,456,716.

We propose to approve the distribution of a € 0.03 dividend per share, to be paid out of the profit of the year, with ex-dividend date on 22 May 2017, record date on 23 May 2017, and payment date on 24 May 2017. In addition, we propose to allocate the remaining net profit after the payment of the dividends to the Extraordinary Reserve.

The Board thanks the Shareholders for their trust, all personnel for the service rendered during the year, and the Board of Statutory Auditors for the control activities carried out and the valuable advice.

Imola, 15 March 2017

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In Euro)

ASSETS	Notes	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
Goodwill and other intangible assets	1	1,827,881	2,378,476
Property, plant and equipment	2	52,627,264	50,706,211
Equipment and other tangible assets	2	1,209,192	1,236,816
Assets under construction and advances	2	4,177,393	2,957,721
Non-current financial assets and receivables	3	122,677	120,874
Non-current tax receivables	4	811,582	1,330,996
Deferred tax assets	5	2,470,294	2,504,948
TOTAL NON-CURRENT ASSETS		**63,246,283**	**61,236,042**
CURRENT ASSETS			
Inventories	6	72,427,659	79,967,782
Trade receivables	7	75,918,372	65,108,753
Current tax receivables	8	2,442,219	2,935,873
Receivables due from others	9	2,061,055	1,987,463
Current financial assets	10	543,981	314,482
Cash and cash equivalents	11	7,775,737	5,401,842
TOTAL CURRENT ASSETS		**161,169,023**	**155,716,195**
TOTAL ASSETS		**224,415,306**	**216,952,237**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	14,626,560	14,626,560
RESERVES	12	122,288,345	112,993,474
PROFIT FOR THE PERIOD	12	54,676	2,948,503
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		**136,969,581**	**130,568,537**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**266,216**	**265,886**
TOTAL SHAREHOLDERS' EQUITY		**137,235,797**	**130,834,423**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	13,968,266	22,461,891
Deferred tax liabilities	5	289,176	991,376
Provisions for risks and charges	14	2,434,053	2,035,769
Employee benefits provisions	15	6,027,372	5,735,559
TOTAL NON-CURRENT LIABILITIES		**22,718,867**	**31,224,595**
CURRENT LIABILITIES			
Current financial liabilities	16	30,132,677	29,183,770
Trade payables	17	24,991,819	14,917,943
Tax payables	18	1,340,080	2,347,197
Social security contributions	19	2,147,394	2,007,135
Other current liabilities	20	5,848,672	6,437,174
TOTAL CURRENT LIABILITIES		**64,460,642**	**54,893,219**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**224,415,306**	**216,952,237**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 32 "Related party disclosures".

CONSOLIDATED INCOME STATEMENT

(In Euro)

	Notes	31/12/2016	31/12/2015
Sales revenues	21	295,901,236	349,928,648
Other income	22	818,658	643,586
TOTAL REVENUES		**296,719,894**	**350,572,234**
Costs for raw materials and consumables	23	(222,435,922)	(266,905,870)
Change in inventories of work in progress and finished goods		(4,303,692)	(8,828,969)
Costs for services	24	(31,271,075)	(32,961,127)
Personnel costs	25	(30,763,577)	(32,368,625)
Depr./Amort. and impairment of tangible and intangible assets	26	(6,316,051)	(6,600,975)
Provisions and write-downs	27	(1,598,679)	(965,716)
Other operating costs	28	(772,215)	(1,272,405)
EBIT		**(741,317)**	**668,547**
Financial income/(charges)	29	1,502,868	4,710,030
PROFIT BEFORE TAX		**761,551**	**5,378,577**
Income taxes	30	(706,544)	(2,428,928)
PROFIT BEFORE NON-CONTROLLING INTERESTS		**55,007**	**2,949,649**
Non-controlling interests		(331)	(1,146)
PROFIT FOR THE PERIOD		**54,676**	**2,948,503**

Earnings/(loss) per share (EPS)			
- basic EPS for the year attributable to shareholders of the parent company	31	0.0020	0.1105
- diluted EPS for the year attributable to shareholders of the parent company	31	0.0020	0.1105

The effects of related party transactions on the consolidated income statement are reported in Note 32 “Related party disclosures”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31.12.2016	31.12.2015
€/000		
PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST	**55**	**2,950**
Foreign currency translation difference	7,503	(10,064)
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	**7,503**	**(10,064)**
Net profit / (loss) - IAS 19	(404)	54
Income taxes	115	(19)
	(289)	**35**
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	**(289)**	**35**
Total profit / (loss) from statement of comprehensive income, net of taxes	**7,214**	**(10,029)**
Total comprehensive profit / (loss), net of taxes	**7,269**	**(7,079)**
Ascribable to:		
Sharelders of the parent company	**7,269**	**(7,080)**
Minority Shareholders	**-**	**1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Retained earnings								
€/000	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency transaction reserve	Legal reserve	Extraordinar reserve	Reserve IAS 19	Undivided profit	Result for the period	Total	Minority interest	Total shareholders' equity
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**	**137,451**	**265**	**137,715**
Result for the period											2,949	2,949	1	2,950
Other comprehensive profit/(loss)						(10,064)			35			(10,029)		(10,029)
Total profit / (loss) from statement of comprehensive income						**(10,064)**			**35**		**2,949**	**(7,080)**	**1**	**(7,079)**
Allocation of the result of the previous year								1,035		2,759	(3,795)			
Dividends								(803)				(803)		(803)
Sell/purchase own shares		283		718								1,001		1,001
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 period											55	55	0	55
Other comprehensive profit/(loss)						7,503			(289)			7,214		7,214
Total profit / (loss) from statement of comprehensive income						**7,503**			**(289)**		**55**	**7,269**	**0**	**7,269**
Allocation of the result of the previous year								2,726		222	(2,949)	0		
Dividends								(802)				(802)		(802)
Sell/purchase own shares		(18)		(48)								(66)		(66)
Balance as of 31 december 2016	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(11,747)**	**2,925**	**32,809**	**(1,414)**	**13,729**	**55**	**136,970**	**266**	**137,236**

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	31/12/2016	31/12/2015
€/000			
OPERATING ACTIVITIES			
Profit for the year		**55**	**2,949**
Adjustments for:			
Amortization/depreciation	26	5,816	6,601
Goodwill writedown	26	500	-
Net change in anticipated or deferred taxes	5	(667)	400
(Gains)/losses from sell-off of fixed assets		224	(23)
(Gains)/losses on unrealized translation differences		811	100
Taxes	30	657	2,474
Financial income/(charge)	29	(2,238)	(2,850)
Operating profit/(loss) before change in working capital		**5,158**	**9,651**
Paid taxes		(2,224)	(2,250)
Decrease/(increase) in inventory	6	7,540	14,930
Net change in current assets and liabilities		(497)	(12,933)
Net change in non-current assets and liabilities		689	141
Exchange difference on translation of financial statement in foreign currency		3,058	(5,609)
CASH FLOW GENERATED BY OPERATING ACTIVITIES		**13,724**	**3,870**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(45)	(76)
Investments in tangible assets	2	(6,003)	(4,037)
Amount collected from sale of tangible and intangible assets		68	26
CASH FLOW USED IN INVESTMENTS		**(5,980)**	**(4,087)**
FINANCIAL ACTIVITIES			
Net change in loans	13	(8,494)	19,210
Net change in short-term debt	16	949	(24,241)
Exchange difference on translation of financial statement in foreign currency		588	(35)
Change in current financial assets	10	(229)	871
Payment of interest		(788)	(2,903)
Receipt of interest		3,026	5,753
Change in minority shareholders' capital		0	1
Dividends paid		(802)	(803)
Change in translation of financial statements in foreign currency with effects in shareholders' equity		(289)	35
Sell/purchase own shares		(66)	1,001
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		**(6,105)**	**(1,110)**
NET CASH FLOW FOR THE PERIOD		**1,639**	**(1,328)**
CASH BALANCE AT START OF YEAR	11	5,402	6,567
TOTAL NET CASH FLOW FOR THE PERIOD		1,639	(1,328)
Exchange difference		735	163
CASH BALANCE AT THE END OF YEAR	11	7,776	5,402

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2016 were authorised for publication by the Board of Directors of IRCE S.p.A. (henceforth also referred to as the "Company") on 15 March 2017.
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.
Its plants in Italy are located in 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.
Distribution activities are carried out through 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.

BASIS OF PREPARATION

The annual financial statements for the year 2016 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. The term IFRS also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The consolidated financial statements are drafted in Euros and – in order to facilitate their interpretation – all amounts in the explanatory notes are rounded to the nearest thousand, unless specified otherwise.

The formats used for the consolidated financial statements of the IRCE Group 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.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company IRCE S.p.A. and those of the subsidiaries, prepared as of 31 December 2016. The financial statements of the subsidiaries were prepared by adopting the same accounting standards used by the parent company. The main consolidation criteria adopted in drafting of the consolidated financial statements are as follows:

- Subsidiaries are consolidated from the date on which control was acquired by the Group and cease to be consolidated on the date on which control is transferred outside of the Group; this control exists when the Group has the power, either directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

- Consolidation of the subsidiaries was implemented by means of the line-by-line method; this technique consists in incorporating all financial statement items for their global amounts, regardless of the percentage of shareholding ownership of the Group. Any non-controlling interest is recorded separately in the Statement of Financial Position and Income Statement when determining Shareholder's Equity and the Group's result for the period.
- The carrying amount of equity investments was eliminated against the relevant assets acquired and liabilities assumed.
- All intra-group balances and transactions, including any unrealised gains arising from transactions between Group companies, are eliminated in full.
- With regard to the foreign currency translation of the financial statements of companies with functional currencies other than the one used for the consolidated financial statements, the amounts in the statement of financial position and income statement of all Group companies reported in functional currencies other than the one used for the consolidated financial statements (Euro) are translated as follows:
  - the assets and liabilities in each reported Statement of financial position are translated using the exchange rates at the reporting date;
  - the revenues and costs in each income statement are translated using the average exchange rates for the period;
  - all resulting exchange rate differences are recognised in a specific item of shareholders' equity (foreign currency translation reserve).

Exchange rate differences arising from a monetary element that is part of a net investment in a foreign subsidiary of the Group are recognised in the income statement of the separate financial statements of this subsidiary. In the consolidated financial statements of the Group, these exchange rate differences are recognised in a separate item of shareholders' equity (foreign currency translation reserve) and then through profit or loss on the date of disposal, if any, of the net investment.

Non-controlling interests represent that part of profits or losses and of net assets that are not owned by the Group, and are reported in a separate item of the income statement as well as in the statement of financial position under the components of shareholders' equity, separately from the shareholders' equity of the Group.

The following table shows the list of companies included in the scope of consolidation as of 31 December 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 S.L.	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

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

The accounting and consolidating standards applied when drawing up these Consolidated Financial Statements are consistent with those applied to draw up the Consolidated Financial Statements as of 31 December 2015. Accounting standards, amendments and interpretations endorsed by the European Union, applicable from 1 January 2016, did not have any effects on the Consolidated Financial Statements of the IRCE Group as of 31 December 2016.

Below are the accounting standards, amendments and interpretations issued by the IASB with an indication of the mandatory implementation date and of their endorsement by the European Union:

Description	Endorsed as at the reporting date	Effective date
Amendments to IAS 12 (Income Taxes)	No	Annual periods beginning on or after 1 January 2017
Amendments to IAS 7 (Statement of Cash Flows)	No	Annual periods beginning on or after 1 January 2017
Clarifications to IFRS 15 (Revenue from Contracts with Customers)	Yes	Annual periods beginning on or after 1 January 2018
IFRS 9 (Financial instruments)	Yes	Annual periods beginning on or after 1 January 2018
IFRS 16 (Leases)	No	Annual periods beginning on or after 1 January 2019
IFRS 15 (Revenue from Contracts with Customers)	No	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 2 (Classification and Measurement of Share-based Payment Transactions)	No	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 4 (Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	No	Annual periods beginning on or after 1 January 2018
Improvements to IFRSs (2014-2016 Cycle)	No	Annual periods beginning on or after 1 January 2017 - 1 January 2018
Interpretation IFRIC 22 (Foreign Currency transactions and advance consideration)	No	Annual periods beginning on or after 1 January 2018
Amendments to IAS 40 (Transfers of investment Property)	No	Annual periods beginning on or after 1 January 2018

Any impact on the Company’s financial statements arising from these amendments is being assessed and, in particular regarding IFRS 9, IFRS 15 and IFRS 16, an internal assessment procedure has been implemented in relation to the main outstanding contracts in order to collect the information needed to assess the impact on income and equity. This preliminary analysis did not reveal any issues regarding IFRS 15 and IFRS 16 which could have a significant impact on the financial statements.

Foreign currency translation of financial statement items

The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Group. Each entity of the Group determines its functional currency, which is used to measure the items in the individual financial statements. Foreign currency transactions are initially recognised at the spot exchange rate (referring to the functional currency) at the date of the transaction. Monetary assets and liabilities, denominated in foreign currency, are translated into the functional currency at the spot exchange rate at the reporting date. All exchange rate differences are recognised through profit or loss. Non-monetary items measured at their historical cost in a foreign currency are translated using the spot exchange rates at the date of the initial recognition of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rate at the measurement date.

The subsidiaries using a functional currency other than the Euro are listed in the following table:

Isomet AG	Swiss Franc
FD Sims LTD	British Pound
IRCE LTDA	Brazilian Real
Stable Magnet Wire Private Limited	Indian Rupee
Irce Kablo Ve Tel Ltd	Turkish Lira
IRCE SP.ZO.O	Polish Zloty

At the reporting date, the assets and liabilities of these subsidiaries are translated into Euro at the spot exchange rate at that date, and their income statement is translated using the average exchange rate for the year. The exchange rate differences arising on the translation are directly recognised in shareholders' equity and separately reported in in the foreign currency translation reserve.

Tangible fixed assets

Tangible fixed assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.
At the time of the transition to the IFRSs, certain elements of the items "land and buildings" and "industrial machinery and equipment" were measured by adopting the re-determined value, which was equal to the fair value at the date of the transition to the IFRSs. This value was then used as the deemed cost at the transition date, generating an FTA – First Time Adoption reserve.
The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.

Depreciation, in accordance with IFRSs, is calculated by using the straight-line method and on the basis of rates reflecting the estimated useful life of the assets to which they refer.
Costs incurred after the acquisition are only capitalised if they result in an increase in the intrinsic future economic benefits of the asset to which they refer; if this is not the case, they are recognised as an expense when incurred.
On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.
Land, including that ancillary to buildings, is not depreciated.
Fixed assets under construction and advances paid for the acquisition of tangible fixed assets are measured at cost. Depreciation begins when the assets is available and ready for use; at this date, they are classified within their specific category.

Intangible fixed assets

Intangible fixed assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible fixed assets which are acquired separately are initially capitalised at cost while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible fixed assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible fixed assets, with the exception of development costs, are not capitalised and are recognised in profit or loss as incurred. The Group capitalises development costs only when there is reasonable certainty they will be recovered. The useful life of intangible fixed assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or

more frequently, if necessary. Changes in the expected useful life, or in the manner the Group obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.
Gains or losses arising from the disposal of an intangible fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible fixed asset, and are recognised in profit or loss when the fixed asset is disposed of.

Business combinations and goodwill

According to the provisions of IFRS 3, subsidiaries acquired by the Group are accounted for by applying the purchase method, under which:
- the acquisition cost is the fair value of the assets, considering any issue of equity instruments, as well as assumed liabilities;
- the excess of the acquisition cost over the fair value of the Group's interest in the net assets is recognised as goodwill;
- if the acquisition cost is less than the fair value of the Group's interest in the net assets of the acquiree, the difference is directly recognised in profit or loss.

Goodwill therefore represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities that can be recognised separately. It is an intangible asset with an indefinite useful life.
Goodwill is not amortised but allocated to the Cash Generating Units (CGUs) and tested for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that it may be impaired, in accordance with the provisions of IAS 36 Impairment of Assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial fixed assets

Equity investments

Equity investments in companies other than subsidiaries and associates (with percentage shareholdings that are significantly lower than 20%) are classified, at their time of acquisition, amongst “available for sale” financial assets or amongst “other financial assets measured at fair value through profit or loss” under either current or non-current assets.
The above-mentioned investments are measured at fair value, or at cost in the case of non-listed equity investments or those whose fair value is not reliable, or cannot be determined, adjusted for impairment losses. Changes in the value of equity investments classified as assets measured at fair value through profit or loss are directly recognised in the income statement. Changes in the value of equity investments classified as available for sale are recognised in a shareholders’ equity reserve that will be transferred to the income statement at the time of the sale.

Inventories

Inventories are measured at the lower of cost and net realisable value. The costs incurred are recognised as follows:

1. Raw materials: average weighted purchase cost
2. Finished and semi-finished goods: direct cost of materials and labour costs plus a share of the indirect costs and production overheads defined on the basis of normal production capacity.

The net realisable value is the normal price to sell less the estimated costs to complete and estimated costs to sell.

Trade receivables and other receivables

Receivables are recognised at their fair value, which is their nominal amount less any impairment losses. With regard to trade receivables, an impairment provision is made when there is objective evidence (such as, for example, the probability of insolvency or significant financial difficulty of the debtor) that the Group will not be able to recover all the amounts due on the basis of the original terms of the invoice. The carrying amount of the receivable is reduced using a specific allowance account. Impaired receivables are written off when it is determined that they are not recoverable.

Cash and cash equivalents

Cash and cash equivalents include cash on hand as well as demand and short-term bank deposits recognised at their nominal amounts; in the latter case, the original maturity shall not exceed three months.

Financial payables and liabilities

Payables are recognised at their nominal amount if they are due within the subsequent year; they are measured with the amortised cost method if due after 12 months.
Financial liabilities consisting of loans are initially recognised at their fair value increased by transaction costs; subsequently, they are measured at their amortised cost, i.e. at their initial amount less already made principal reimbursements and adjusted (increased or decreased) on the basis of the amortisation (using the effective interest method) of any differences between the initial amount and the amount at maturity.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Group retains the right to receive cash flows from the asset but has assumed the contractual obligation to pay them in full without delay to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset but has transferred control.

In cases where the Group transferred its rights to receive cash flows from an asset and has not substantially transferred nor withheld all the risks and rewards or has not lost control over the asset, this is recognised in the financial statements of the Group to the extent of the latter's continuing involvement in the asset. The continuing involvement – which takes the form of guaranteeing the transferred asset – is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Group could be required to pay.

In cases where the continuing involvement takes the form of an option that is issued and/or acquired with respect to the transferred asset (including cash-settled options, or similar options), the extent of the Group's involvement corresponds to the amount of the transferred asset which the Group may buy back; however, in the case of a put option which is issued on an asset that is measured at fair value (including the options settled in cash or with similar provisions), the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or discharged.
If an existing financial liability is replaced by another from the same lender – and with substantially different terms – or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, recognising any differences between the carrying amounts through profit or loss.

Provisions for risks and charges

Provisions for risks and charges include provisions arising from present obligations (legal or constructive) as a result of past events and for which an outflow of resources is probable. Changes in estimates are reflected in the income statement for the period in which the change occurs. If the effect of discounting the value of money is material, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision that arises from the passage of time is recognised as a financing cost.

Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian companies as well as provisions for retirement benefits plans. Italian Law No. 296 of 27 December 2006 "2007 Financial Act" introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service.
Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's social security institute).
In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Group actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

Derivative financial instruments

The Group used derivative financial instruments such as forward contracts for the purchase and sale of copper and aluminium in order to hedge against its exposure to the risk of changes in raw material prices as well as forward contracts for currency purchases.
Any gains or losses arising from changes in the fair value of derivatives, which are outstanding as of the reporting date and do not qualify for hedge accounting, are recognised directly in profit or loss.

The fair value of forward contracts for the sale of copper outstanding as of the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding as of the reporting date.
For the purposes of hedge accounting, hedges are classified as:

- fair value hedges against the risk of changes in the fair value of an underlying asset or liability; or a firm commitment (except for currency risk); or
- cash flow hedges against the exposure to changes in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedge, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting as well as its risk management objectives and the pursued strategy. The documentation includes the identification of the hedging instrument as well as of the hedged item or transaction, the nature of the risk, and how the company intends to measure the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

These hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in the fair value or cash flows attributable to the hedged risk. The measurement of the effectiveness of these hedges is conducted on an ongoing basis during the years in which they have been designated.

Own shares

If the company reacquires its own shares, these are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "Own shares" reserve and the excess of the purchase amount over the nominal amount is accounted for as a deduction from "Other reserves". The purchase, sale, issue or cancellation of equity instruments does not result in the recognition of any gain or loss in the income statement, but is rather recognised directly as a change in shareholders' equity.

Recognition of revenues

Revenues are recognised, in accordance with the provisions of IAS 18, to the extent that it is probable that the economic benefits will flow to the Group and the relevant amount can be measured reliably. The following specific revenue recognition criteria must always be complied with for revenues to be recognised in the income statement.

Sale of goods

Revenue is recognised when the company has transferred the significant risks and rewards of ownership of the good, generally on the date the good is shipped.

Interest

Interest is recognised as financial income after establishing that interest income has accrued (this is done using the effective interest method: the effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenues are recognised when the shareholder's right to receive payment is established.

Costs

Costs are recognised on an accrual basis. Research, advertising and promotional costs are recognised in the income statement in the year in which they are incurred.

Financial income and charges

Financial income and charges are recognised immediately in profit or loss.

Earnings per share

As required by IAS 33, the Group presents on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The information is presented only on the basis of the consolidated data, in accordance with the requirements of the aforementioned IAS.

Earnings per share are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent entity by the weighted number of ordinary shares outstanding during the period, excluding own shares. The weighted average of the shares was applied retroactively for all previous years.

Income taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and tax laws used to calculate the amount are those that have been enacted or are expected to apply as of the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated using the so-called liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit/loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when:

- the deferred tax asset for the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit/loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Use of estimates

The preparation of the financial statements and the relevant notes in accordance with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. Actual results could differ from these estimates. Estimates are used mainly to recognise the provisions for credit risks as well as amortisation/depreciation, taxes, and other provisions and funds. The estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in profit or loss.

DERIVATIVE INSTRUMENTS

The Group utilises the following type of derivative instruments:

- Derivative instruments related to copper and aluminium forward transactions with maturity after 31 December 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 forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium 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 commodity for forward sales and purchases outstanding at 31 December 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	Result with fair value measurement as of 31/12/2016 €/000
Copper	225	0	462
Aluminium	75	0	3

- Derivative instruments related to USD forward purchase contracts and to GBP forward sales contracts with maturity after 31 December 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 and sales outstanding at 31 December 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 31/12/2016 €/000
USD/Purchases	1,000	0	20
GBP/Sales	2,500	0	48

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 31 December 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	812				812
Non-current financial assets and receivables	57			66	123
Current financial assets					
Trade receivables	75,918				75,918
Current tax receivables	2,448				2,448
Receivables due from others	2,061				2,061
Current financial assets	11	533			544
Cash and cash equivalents	7,776				7,776

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 31 December 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	13,968			13,968
Current financial liabilities				
Trade payables	24,992			24,992
Other payables	9,336			9,336
Financial payables	30,133			30,133

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.
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 31 December 2015 and as of 31 December 2016 broken down by level of fair value hierarchy (€/000):

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	-	-	-	-

2016	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	533		533
AFS	-	-		-
Total assets	-	533		533
Liabilities:				
Derivative financial instruments	-		-	
Total liabilities	-		-	

During the year, 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:
a) 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);
b) 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
c) 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; with regard to the residual amount that is not allocated, reference is made 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).

€/000	2016				2015			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	242,514	53,372	14	295,901	282,801	67,120	8	349,929

€/000	2016				2015			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	100,660	138,268	56,973	295,901	116,265	156,424	77,240	349,929

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
Changes during the period					
. Investments	44	1	-	-	45
. Effect of exchange rates	5	2	-	-	7
. Reclassifications	-	-	-	-	-
. Write-downs	-	-	-	(500)	(500)
. Amortisation	(56)	(46)	-	-	(102)
Total changes	(7)	(43)	-	(500)	(551)
Net carrying amount as of 31/12/2016	79	29	189	1,531	1,828

A description of intangible assets and the amortisation method used is shown in the following table.

Fixed asset	Useful life	Rate	Internally produced 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

The amortisation rates for intangible fixed assets were determined as a function of their specific residual useful lives and are reviewed at each reporting date.

The goodwill recognised in the financial statements refers to the higher amount paid at the time of the acquisition of the equity investment in Smit Draad Nijmegen. This amount was tested for impairment projecting the cash flows estimated in the most recent business plan, which Management approved separately and prior to these financial statements. The business plan, which was prepared in nominal terms, was drafted over a period of five years and reflects past experience while excluding any flows deriving from the restructuring, optimisation or improvement of operations. The terminal value of the cash-generating unit (CGU) was estimated on the basis of a constant cash flow (equal to the normalised flow of the fifth period) over an infinite time period. The overall nominal WACC, net of the tax effect, used in the test was equal to 5.6%; the market risk premium inherent in the cost of equity was equal to 6.7% and is common among companies in the sector. The forecast used a growth rate (g) which was equal to 0.0%. The average annual growth rate for sales outlined in the 5-year business plan which was prepared in nominal terms (including the expected inflation rate), was around 5% and is higher in the first two years.

A sensitivity analysis is shown below, comparing the carrying amount of the CGU's invested capital with the corresponding Equity Value calculated on the basis of a discount rate (WACC) and a growth rate (g) half a percentage point below or above the parameters used.

Smit Draad Nijmegen B.V., parameters used WACC 5.6% (g) 0.0%

(g)=0.0%		WACC	
€/000	5.1%	5.6%	6.1%
Enterprise value	18,614	16,688	15,079
NIC carrying amount as of 31-12-2016	17,322	17,322	17,322
Difference between enterprise value and carrying amount	1,292	(634)	(2,243)

(g)=0.5%		WACC	
€/000	5.1%	5.6%	6.1%
Enterprise value	19,357	17,197	15,422
NIC carrying amount as of 31-12-2016	17,322	17,322	17,322
Difference between enterprise value and carrying amount	2,035	(125)	(1,900)

The impairment test result highlighted the need to adjust the value recognised in the financial statements since the Enterprise Value was lower than the carrying amount of the CGU's invested capital; therefore, the management, taking into account the sensitivity analysis, approved a write-down of goodwill for the company Smit Draad of 500 Euro/000.

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 31/12/2014	11,875	19,685	28,317	1,126	498	442	61,944
Changes during the period							
. Investments	-	21	1,119	173	125	2,599	4,037
. Effect of exchange rates	53	(574)	(4,048)	(17)	(5)	5	(4,586)
. Reclassifications	(85)	67	106	-	-	(88)	-
. Divestments	-	-	(4,367)	(161)	(85)	-	(4,613)
. Depreciation related to disposals	-	-	4,362	160	79	-	4,601
. Depreciation of the period	-	(1,328)	(4,498)	(466)	(190)	-	(6,482)
Total changes	(32)	(1,814)	(7,326)	(311)	(76)	2,516	(7,043)
Net carrying amount as of 31/12/2015	11,843	17,871	20,991	815	422	2,958	54,901

€/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	54,901
Changes during the period							
. Investments	-	7	2,348	338	182	3,128	6,003
. Effect of exchange rates	13	371	2,716	17	1	-	3,118
. Reclassifications	-	-	1,620	(5)	5	(1,620)	-
. Divestments	(1)	-	(4,213)	(68)	(313)	(289)	(4,884)
. Depreciation related to disposals	-	-	4,213	65	312	-	4,590
. Depreciation of the period	-	(1,227)	(3,925)	(385)	(177)	-	(5,714)
Total changes	12	(849)	2,759	(38)	10	1,219	3,113
Net carrying amount as of 31/12/2016	11,855	17,022	23,750	777	432	4,177	58,014

Investments totalled about €/000 6,000 and concerned mainly IRCE S.p.A.

Divestments refer primarily to machinery no longer in use and depreciated in full, while reclassifications of assets under construction refer to machinery purchased in the previous years.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible fixed assets. The rates applied on an annual basis by Group companies are included in the following ranges:

Buildings	3.0% - 10.0%
Plant and equipment	5.0% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

3. NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	31/12/2016	31/12/2015
- Equity investments in other companies	66	66
- Other receivables	57	55
Total	123	121

The item "Equity investments in other companies" refers to a shareholding held in the Indian subsidiary Stable Magnet Wire P. Ltd which is valued at cost, because it is estimated to approximate the fair value.

4. NON-CURRENT TAX RECEIVABLES

This item, equal to €/000 812, refers to the tax credit relative to the reimbursement claim for 2007-2011 IRES (corporate income tax), in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011, of the Parent Company IRCE S.p.A.

5. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are broken down as follows:

€/000	31/12/2016	31/12/2015
- Deferred tax assets	2,470	2,505
- Deferred tax liabilities	(289)	(991)
Total deferred tax assets (net)	2,181	1,514

The changes for the period are shown below:

€/000	31/12/2016	31/12/2015
Deferred tax assets (net) as of 1 January	1,514	1,914
Exchange rate differences	296	(426)
Income statement effect	255	45
Shareholders' equity effect	116	(19)
Deferred tax assets (net) as of 31 December	2,181	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	31/12/2016	31/12/2015
- Amortisation/depreciation with deferred deductibility	-	105
- Amortisation/depreciation IRCE LTDA	53	-
- Allocations to Provisions for risks and charges	495	483
- Allocations to the taxed Bad debt provision	177	334
- Tax losses which can be carried forward	1,732	1,197
- Intra-group margin	98	90
- Provision for inventory obsolescence	751	907
- IAS 19 reserve	367	251
- Other	173	73
Total	3,846	3,440

Tax losses that can be carried forward refer to the subsidiary IRCE Ltda for €/000 1,045 and to the subsidiary Smit Draad Nijmegen BV for €/000 687.

The table below shows the changes in deferred tax assets during 2015 and 2016:

	Taxed provisions	Tax losses carried forward	Depreciation	Other	Total
balance 01.01.2015	1,857	1,611	194	306	3,969
income statement effect	(134)	(41)	(89)	97	(167)
shareholders' equity effect				11	11
exchange rate difference		(373)			(373)
balance 31.12.2015	1,723	1,197	105	414	3,440
income statement effect	(301)	234	(105)	162	(10)
shareholders' equity effect				115	115
exchange rate difference		301			301
balance 31.12.2016	1,423	1,732	-	691	3,846

The effects on shareholders' equity refer to changes in the actuarial reserve as per IAS 19.
Deferred tax assets were recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts and to the extent that it is probable that taxable profit will be available against which these differences can be utilised.

Deferred tax liabilities - €/000	31/12/2016	31/12/2015
Amortisation/depreciation	56	81
- Foreign exchange gains	3	-
- IAS capital gains on buildings	97	108
- IAS capital gains on land	413	465
- Effect of application of IAS 19	-	30
- Effect of tax depreciation of Isomet AG building	283	304
- Effect of tax inventory difference of Isomet AG	280	230
- Effect of tax depreciation of Smit Draad Nijmegen	196	389
- Effect of tax inventory difference of Smit Draad Nijmegen	337	319
Total	1,665	1,926

	Depreciation	IAS capital gain on land and building	Effect of tax depreciation of Isomet AG building and inventory	Effect of tax depreciation of Smit Draad Nijmegen building and inventory	IAS 19 effect	Other	Total
balance 01.01.205	92	573	525	784		81	2,055
income statement effect	(11)		(44)	(76)		(81)	(212)
shareholders' equity effect					30		30
exchange rate difference			53				53
balance 31.12.2015	81	573	534	708	30	-	1,926
income statement effect	(25)	- 63	24	(175)	(30)	3	(266)
shareholders' equity effect							
exchange rate difference			5				5
balance 31.12.2016	56	510	563	533	-	3	1,665

The table below shows the changes in deferred tax liabilities during 2015 and 2016:

6. INVENTORIES

Inventories are broken down as follows:

€/000	31/12/2016	31/12/2015
- Raw materials, ancillary and consumables	24,592	27,860
- Work in progress and semi-finished goods	7,651	8,916
- Finished products and goods	43,064	46,614
- Provision for write-down of raw materials	(1,982)	(2,006)
- Provision for write-down of finished products and goods	(897)	(1,416)
Total	72,428	79,968

Recognised inventories are not pledged nor used as collateral.
The provisions for write-downs correspond to the amount which is deemed necessary to hedge existing obsolescence risks calculated by writing down slow moving packages and finished products.

The decrease in inventories at 31/12/2016 compared to 31/12/2015 was mainly due to the reduction in stocks at the Brazilian subsidiary IRCE Ltda.

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

€/000	31/12/2015	Allocations	Uses	31/12/2016
Provision for write-down of raw materials	2,006	-	(24)	1,982
Provision for write-down of finished products and goods	1,416	207	(726)	897
Total	3,422	207	(750)	2,879

7. TRADE RECEIVABLES

€/000	31/12/2016	31/12/2015
- Customers/bills receivable	76,864	66,674
- Bad debt provision	(946)	(1,565)
Total	75,918	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 2015 and 2016:

€/000	31/12/2014	Allocations	Uses	31/12/2015
Bad debt provision	2,863	613	(1,911)	1,565

€/000	31/12/2015	Allocations	Uses	31/12/2016
Bad debt provision	1,565	883	(1,502)	946

8. CURRENT TAX RECEIVABLES

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- Receivables for income taxes	747	310
- VAT receivables	168	425
- VAT receivables and taxes for IRCE Ltda	1,309	1,408
- Other receivables due from tax authorities	218	793
Total	2,442	2,936

9. RECEIVABLES DUE FROM OTHERS

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- Advances to suppliers	-	224
- Accrued income and prepaid expenses	163	168
- Receivables due from social security institutions	61	120
- Other receivables	1,837	1,475
Total	2,061	1,987

The item "Other receivables" is mainly linked to a bonus to be received on energy consumption for the years 2014 and 2015, assigned by the Authority for electricity with the authorisation from the Ministry for Economic Development.

10. CURRENT FINANCIAL ASSETS

€/000	31/12/2016	31/12/2015
- Mark to Market copper and aluminium forward transactions	465	303
- Mark to Market USD forward transactions	20	-
- Mark to Market GBP forward transactions	48	
- Guarantee deposits	11	11
Total	544	314

The items "Mark to Market forward transactions" refer to the Mark to Market (fair value) measurement of derivative contracts outstanding as of 31/12/2016.

11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	31/12/2016	31/12/2015
- Bank and postal deposits	7,758	5,387
- Cash and cash equivalents	18	15
Total	7,776	5,402

Bank and postal deposits outstanding as of 31 December 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.
In the year 2015, a dividend of €/000 803 (0.03 per share) was distributed.
Here below is the breakdown of reserves:

€/000	31/12/2016	31/12/2015
- Own shares (share capital)	(734)	(716)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	257	306
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(11,747)	(19,250)
- Legal reserve	2,925	2,925
- Extraordinary reserve	32,809	30,885
- IAS 19 reserve	(1,414)	(1,125)
- Undistributed profits	13,729	13,505
Total	122,288	112,993

Own Shares

This reserve refers to the par value and share premium of own shares held by the Company; they are recognised as a deduction from shareholders' equity.
Own shares as of 31 December 2016 amounted to 1,411,774 and corresponded to 5.02% of the share capital.
The number of shares outstanding at the beginning and at the end of the last two years is shown below:

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 buyback	(36)
Balance as of 31/12/2016	**26,716**

Share premium reserve

This item refers to the higher issue value compared to the par value of IRCE S.p.A. 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 S.p.A. and Isolcable S.r.l. into IRCE S.p.A, 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 31 December 2016. The marked improvement in this reserve in 2016 of €/000 11,747, was mainly connected, for €/000 8,410, to the revaluation of the Brazilian real against 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 01.01.2015	(1.160)
IAS 19 evaluation	54
Income tax	(19)
balance 31.12.20145	(1.125)
IAS 19 evaluation	(404)
Income tax	115
balancel 31.12.2016	(1.414)

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 year

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 55 (€/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 year of investees consolidated using the line-by-line method attributable to non-controlling interests.

13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	31/12/2016	31/12/2015	Due date
Banco Popolare	EUR	Floating	IRCE SpA	2,207	3,964	2019
CARISBO	EUR	Floating	IRCE SpA	8,000	10,000	2019
Banca di Imola	EUR	Floating	IRCE SpA	3,761	5,000	2019
NAB	CHF	Floating	Isomet AG	-	3,498	2017
Total				13,968	22,462	

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges were broken down as follows:

€/000	31/12/2015	Allocations	Uses	31/12/2016
Provisions for risks and disputes	1,748	716	(312)	2,152
Provision for severance payments to agents	288	-	(6)	282
Total	2,036	716	(318)	2,434

Provisions for risks and disputes refer mainly to the outstanding allocation for the risk of capital losses in relation to returns of packages, to the allocation made by the Dutch subsidiary for the costs to be met for employees on sick leave and to various disputes, including the estimate of a liability arising from an investigation by the tax authorities.

Provision for severance payments to agents refers to allocations made for severance payments relating to outstanding agency contracts.

In relation to the case brought by the unions against the subsidiary Smit Draad Nijmegen for alleged working conditions which do not comply with legal provisions, the counterparty recently appealed against the declaration of inadmissibility issued by the Dutch court in July 2016. As regards the related case of compensation for damages currently being brought by only one employee, the local Directors and the Parent Company believe that there are no grounds for making an allocation to the provision for risks, taking into account that the Dutch company has an insurance policy covering such risks.

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2016	31/12/2015
Employee benefits provision as of 01/01	5,735	5,955
Financial charges	90	116
Actuarial (gains)/losses	404	(54)
Service cost	193	178
Payments	(396)	(573)
Effect of exchange rates	1	114
Employee benefits' provision as of 31/12	6,027	5,736

The Provision includes €/000 4,547 related to the Parent Company IRCE S.p.A., €/000 1,372 related to the subsidiary ISOMET AG, and €/000 109 related to the subsidiary Isolveco S.r.l.
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 (PUC) method, which consists in the following:

- it projected up to the estimated future payment date the employee termination indemnity (TFR) accrued by each employee at 31 December 2016 and reassessed at the measurement date;
- 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.

Here below are the demographic assumptions used by the actuary in measuring the employee benefits' provision:

- death: RG48 mortality tables issued by the State General Accounting Department;
- disability: INPS tables based on age and gender;
- pension: 100% on reaching the requirements of the general compulsory insurance (AGO, *Assicurazione Generale Obbligatoria*).

For the Parent Company IRCE S.p.A. the following technical-economic assumptions were made:

	31/12/2016	31/12/2015
Annual discount rate	0.86%	2.03%
Annual inflation rate	1.50%	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%	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 onwards

The IBOXX Eurozone Corporate AA index with a 7-10 year duration as of the measurement date was used as a benchmark for the discount rate.

The annual rate of increase of employee termination indemnities is equal to 75% of inflation, plus 1.5 percentage points.

Here below are the disclosures required by the IAS 19.

Sensitivity analysis of IRCE S.p.A.'s main measurement parameters:

€/000	DBO change as of 31/12/2016
Inflation rate + 0.25%	4,611
Inflation rate – 0.25%	4,482
Discount rate + 0.25%	4,444
Discount rate – 0.25%	4,653
Turnover rate + 1%	4,510
Turnover rate -1%	4,586

Service cost: 0.00
Duration of the plan: 9.8

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 31/12/2016
Inflation rate - 0.25%	1,577
Inflation rate + 0.25%	1,570
Discount rate -0.25%	1,575
Discount rate + 0.25%	1,574
Turnover rate -0.25%	1,569
Turnover rate +0.25%	1,577

2016 service cost with +0.25% discount rate: €/000 177
2016 service cost with +0.25% turnover rate: €/000 195

Duration of the plan: 15.9.

16. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

€/000	31/12/2016	31/12/2015
- Payables due to banks	30,133	29,184
Total	30,133	29,184

With regard to financial liabilities, the overall **net financial position** of the Group, calculated in accordance with the provisions of Consob Communication 6064293 dated 28 July 2006 and CESR recommendation dated 10 February 2005, was as follows:

€/000	31/12/2016	31/12/2015
Cash	7,776	5,402
Other current financial assets	79	11*
Liquid assets	**7,855**	**5,413**
Current financial liabilities	(30,133)	(29,184)
Net current financial debt	**(22,278)**	**(23,771)**
Non-current financial liabilities	(13,968)	(22,462)
Non-current financial debt	**(13,968)**	**(22,462)**
Net financial debt	**(36,246)**	**(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 all due in the next 12 months.
As of 31/12/2016 they totalled €/000 24,992, compared to €/000 14,918 as of 31/12/2015.
The increase in trade payables compared to the previous year was due to the higher prices for traded copper at the end of the year, which was valued as part of inventories for goods in transit.

18. TAX PAYABLES

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- VAT payables	743	650
- Payables due for income taxes	96	1,080
- Employee IRPEF (personal income tax) payables	357	481
- Other payables	144	136
Total	1,340	2,347

19. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 2,147 as of 31/12/2016, primarily referred to the IRCE S.p.A.'s payables for social security contributions due to INPS.

20. OTHER CURRENT LIABILITIES

Other payables were broken down as follows:

€/000	31/12/2016	31/12/2015
- Payables due to employees	3,342	3,414
- Deposits received from customers	1,515	1,925
- Accrued liabilities and deferred income	53	236
- Other payables	939	862
Total	5,849	6,437

"Deposits" refers to deposits for packages which will be credited back to customers when they return the packages.

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

21. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in 2016, equal to €/000 295,901, was down 15% compared to the previous year (€349,929/000). For additional details, refer to the previous paragraph on segment reporting.

22. OTHER INCOME

Other income were broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Increases in internally generated fixed assets	162	167	(5)
- Capital gains on disposals of assets	26	23	3
- Insurance reimbursements	30	17	13
- Contingent assets	247	219	28
- Other revenues	354	218	136
Total	819	644	175

23. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 222,436, 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 (€/000 4,323).

24. 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	31/12/2016	31/12/2015	change
- External processing	5,311	5,599	(288)
- Utility expenses	13,836	14,630	(794)
- Maintenance	1,540	1,820	(280)
- Transportation expenses	4,556	5,055	(499)
- Payable fees	391	440	(49)
- Compensation of Statutory Auditors	86	87	(1)
- Other services	5,260	5,002	258
- Costs for the use of third-party goods	291	328	(37)
Total	31,271	32,961	(1,690)

The item "other services" includes primarily technical, legal and tax consulting fees as well as insurance and business expenses.
Please note that the total costs for research and development activities recognised in the income statement amount to €/000 855 and concern the Parent Company IRCE S.p.A.

25. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

€/000	31/12/2016	31/12/2015	change
- Salaries and wages	21,397	22,082	(685)
- Social security charges	5,362	5,508	(146)
- Retirement costs for defined contribution plans	1,461	1,459	2
- Other costs	2,544	3,320	(406)
Total	30,764	32,369	(1,605)

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

The decrease in personnel costs was due to the greater use in 2016 of social shock absorbers by the Parent Company IRCE S.p.A.

The Group's average number of personnel for the year and the current number at year-end is shown below:

Personnel	2016 Average	31/12/2016	31/12/2015
- Executives	20	20	18
- White collars	175	172	173
- Blue collars	547	541	549
Total	742	733	740

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

26. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Here is the breakdown of amortisation/depreciation:

€/000	31/12/2016	31/12/2015	change
- Amortisation of intangible assets	102	119	(17)
- Depreciation of tangible assets	5,714	6,482	(768)
- Write-down of goodwill of Smit Draad Nijmegen BV	500	-	500
Total amortisation/depreciation and write-downs	6,316	6,601	(285)

27. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Write-downs of receivables	883	613	270
- Provisions for risks	716	353	363
Total provisions and write-downs	1,599	966	633

"Provisions for risks" mainly includes the allocation made to cover the risk of capital losses due to the returns of packages and an allocation made by the Dutch subsidiary for the costs to be incurred for employees on sick leave.

28. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Non-income taxes and duties	314	366	(52)
- Capital losses and contingent liabilities	26	93	(67)
- Other costs	432	813	(381)
Total	772	1,272	(500)

29. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Other financial income	3,026	5,753	(2,727)
- Interest and other financial charges	(788)	(2,903)	2,115
- Foreign exchange gains/(losses)	(735)	1,860	(2,595)
Total	1,503	4,710	(3,207)

- Other financial income

€/000	31/12/2016	31/12/2015	change
- Interest income from banks	29	65	(36)
- Interest income on receivables due from customers	22	21	1
- Income from LME derivatives	1,680	3,015	(1,335)
- Other financial income	1,295	2,652	(1,357)
Total	3,026	5,753	(2,727)

"Other financial income" refers mainly to the Brazilian subsidiary and concerns interest on extended payment terms granted to end customers.
The item "Income from LME derivatives" included €/000 1,215 from the closing of copper forward contracts during the year, and €/000 465 from the "Mark to Market" (Fair Value) measurement of copper and aluminium forward contracts outstanding as of 31/12/2016.

- Interest and other financial charges

€/000	31/12/2016	31/12/2015	change
- Interest expense for short-term payables	91	245	(154)
- Interest expense for medium to long-term payables	134	112	22
- Sundry interest expense	495	2,455	(1,960)
- Bank fees and expenses	68	91	(23)
Total	788	2,903	(2,115)

The item "Sundry interest expense" refers primarily to the charges related to the no-recourse discount of IRCE Ltda trade receivables and to the interest cost deriving from discounting the Employee Termination Indemnity, pursuant to IAS 19. The reduction was due to the lower use of discounting without recourse by the Brazilian subsidiary.

30. INCOME TAXES

€/000	31/12/2016	31/12/2015	changes
- Current taxes	(658)	(2,474)	1,816
- Deferred tax assets/(liabilities)	(49)	45	(94)
Total	(707)	(2,429)	1,722

31. 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.

	31/12/2016	31/12/2015
Net profit/(loss) for the period	54,676	2,948,503
Average weighted number of ordinary shares outstanding	26,716,226	26,689,338
Basic earnings/(loss) per Share	0.0020	0.1105
Diluted earnings/(loss) per Share	0.0020	0.1105

32. RELATED PARTY DISCLOSURES

In compliance with the requirements of IAS 24, the annual compensation received by the members of IRCE S.p.A Board of Directors is shown below:

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	215	347	562

This table shows the compensation paid for any reason and in 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 will be made available within the time limits prescribed by law at the registered office of the Company, as well as on the website www.irce.it.

As of 31 December 2016, the Group Parent Company IRCE S.p.A. had also a payable of €/000 313 with respect to its parent company Aequafin S.p.A. due to the application of the national tax consolidation regime.

33. 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 CHF/000 3,670 from NAB bank, with maturity on 31/03/2017.

34. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating.
The classification of receivables takes into account any positions subject to renegotiation.

Risk level	Exposure, €/000
Low	24,490
Medium	42,130
Above-average	7,958
High	2,286
Total	76,864

As of 31 December 2016, the breakdown of trade receivables by due date is as follows:

Due date	Amount, €/000
Not yet due	69,902
< 30 days	3,900
31-60	753
61-90	133
91-120	105
> 120	2,071
Total	76,864

The Fair value of trade receivables corresponds to their nominal exposure.
The bad debt provision, equal to €/000 946, refers to the range between 91-120 and > 120 days.
Please note that there are no customers generating revenue for the Group that exceeds 10% of total revenue.

35. CAPITAL RISK MANAGEMENT

The primary objective in managing the Group's capital is to maintain a solid credit rating and adequate capital ratios in order to support operations and maximise shareholder value.

€/000	31/12/2016	31/12/2015
Net financial indebtedness (A)	36,246	46,231
Shareholders' equity (B)	137,236	130,834
Total capital (A) + (B) = (C)	173,482	177,065
Gearing ratio (A) / (C)	21%	26%

36. 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:

€/000	Carrying amount		Fair value	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Financial assets				
Cash and cash equivalents	7,776	5,402	7,776	5,402
Other financial assets	544	314	544	314
Financial liabilities				
Current loans	30,133	29,184	30,133	29,184
Non-current loans	13,968	22,462	13,968	22,462
Other financial liabilities		-		-

37. EVENTS FOLLOWING THE REPORTING PERIOD

No significant events occurred between 1 January 2017 and the date of preparation of these financial statements.

38. DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with Article 149-duodecies of the Consob Issuers' Regulations, shows the compensation for 2016 for auditing services and for other services, including expenses, supplied by the independent auditor or by entities belonging to its network to the Group's companies.

€/000	Entity supplying the service		Recipient	Compensation for the year 2016
Auditing services	PricewaterhouseCoopers	EUR	IRCE S.p.A	89
Auditing services	PricewaterhouseCoopers	EUR	Foreign subsidiaries	47
Other services	PricewaterhouseCoopers	EUR	Foreign subsidiaries	43

39. STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY AND CONSOLIDATED RESULT WITH THE CORRESPONDING FIGURES OF THE PARENT COMPANY

In accordance with Consob Communication dated 28 July 2006, here below is the reconciliation between the result for the year and shareholders' equity of the Group at 2015 and 2016 with the corresponding amounts in the Parent Company separate financial statements:

	31 december 2016		31 december 2015	
	Shareholders' equity	Result	Shareholders' equity	Result
Shareholders' equity and result for the year as per the parent Company's financial statement	**141,291,894**	**1,456,716**	**140,946,506**	**2,725,637**
Cancellation of book value of consolidated equity investments				
a) differnce between book value and pro-rata value of shareholders' equity	3.056.498	-	4,001,443	-
b) investees' pro-rata results	(1,314,064)	(1,314,064)	(2,188,629)	(2,188,629)
c) Goodwill	1,531,387	(500,000)	2,031,387	-
d) Reversal of gains / losses on foreign currency loans interco	5,288,293	(272,626)	4,852,462	435,831
Reversal of write-down of equity investments in subsidiaries	668,057	688,057	1,995,943	1,995,943
Foreign currency translation of financial statements in currencies other than euro	(11,745,797)	-	(19,249,180)	-
Write-off of capital gains from disposal of intra-group assets	(77,753)	29,159	(106,912)	62,326
Reversal of deferred tax	(1,527,897)	(6,876)	(1,518,806)	(97,203)
Write-off of unrealized intra-group margin	201,041	(5,359)	(195,681)	15,744
Group shareholders' equity and result for the year	**136,969,581**	**55,007**	**130,568,534**	**2,949,649**
Shareholders' equity and result for the year attributable to non-controlling interests	266,216	(331)	265,886	(1,146)
Consolidated shareholders' equity and net result	**137,235,797**	**54,676**	**130,834,420**	**2,948,503**

40. DISCLOSURE PURSUANT TO ARTICLE 36 – SECTION VI OF CONSOB ISSUERS' REGULATIONS NO. 16191/2007

In compliance with the provisions of Article 36 – Section VI of Consob Regulations No. 16191 of 29.10.2007, here below are the accounting statements of subsidiaries incorporated under the law of non-EU countries that are particularly significant for the purposes of Consob Resolution No. 11971 of 1999 and were prepared for the purposes of drafting the consolidated financial statements:

ISOMET AG EUR	**2016**	**2015**
NON-CURRENT ASSETS		
Intangible assets	4,004	6,645
Property, plant and equipment	4,618,297	4,839,917
Equipment and other tangible assets	155,880	104,938
Equity investments	2,280	2,259
Deferred tax assets	274,337	251,158
TOTAL NON-CURRENT ASSETS	**5,054,798**	**5,204,917**
CURRENT ASSETS		
Inventories	4,674,455	5,664,268
Trade receivables	1,087,230	879,922
Tax receivables	9,011	5,999
Receivables due from others	144,379	183,144
Cash and cash equivalents	718,018	166,939
TOTAL CURRENT ASSETS	**6,633,093**	**6,900,272**
TOTAL ASSETS	**11,687,891**	**12,105,189**
SHAREHOLDERS' EQUITY		
Share capital	674,355	674,354
Reserves	456,343	501,841
Foreign currency translation reserve	1,248,382	1,211,058
Retained earnings/(losses carried forward)	2,325,547	3,234,717
Profit/(loss) for the period	(316,523)	(909,171)
TOTAL SHAREHOLDERS' EQUITY	**4,388,104**	**4,712,799**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	-	3,497,923
Deferred tax liabilities	563,513	534,958
Employee benefits' provisions	1,371,689	1,368,572
TOTAL NON-CURRENT LIABILITIES	**1,935,202**	**5,401,453**
CURRENT LIABILITIES		
Current financial liabilities	3,698,908	370,746
Trade payables	1,447,612	1,436,161
Other current liabilities	218,065	184,030
TOTAL CURRENT LIABILITIES	**5,364,585**	**1,990,937**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,687,892**	**12,105,189**

ISOMET AG EUR	**2016**	**2015**
Revenues	15,400,711	16,635,980
Other revenues	45,841	22,213
TOTAL REVENUES	**15,446,522**	**16,658,193**
Costs for raw materials	(11,064,968)	(13,732,663)
Change in inventories of work in progress and finished goods	(1,024,892)	(45,284)
Costs for services	(1,020,388)	(1,247,246)
Personnel costs	(2,235,068)	(2,185,796)
Amortisation/depreciation	(367,278)	(349,481)
Write-down of receivables and cash and cash equivalents	-	(23,454)
Other operating costs	-	-
EBIT	**(266,042)**	**(925,731)**
Financial income/(charges)	(31,515)	(35,229)
PROFIT/(LOSS) BEFORE TAX	**(297,557)**	**(960,960)**
Taxes	(18,966)	51,790
NET PROFIT/(LOSS) FOR THE PERIOD	**(316,523)**	**(909,170)**

IRCE LTDA EUR	2016	2015
NON-CURRENT ASSETS		
Intangible assets	41,755	33,040
Property, plant and equipment	18,216,572	15,587,863
Equipment and other tangible assets	89,424	101,573
Non-current tax receivables	-	519,414
Deferred tax assets	1,044,999	1,166,240
TOTAL NON-CURRENT ASSETS	**19,392,750**	**17,408,130**
CURRENT ASSETS		
Inventories	6,928,370	10,806,394
Trade receivables	12,197,818	5,590,533
Tax receivables	1,308,841	1,407,757
Receivables due from others	214,709	27,087
Cash and cash equivalents	4,291,191	884,503
TOTAL CURRENT ASSETS	**24,940,929**	**18,716,274**
TOTAL ASSETS	**44,333,679**	**36,124,404**
SHAREHOLDERS' EQUITY		
Share capital	57,309,209	57,309,209
Foreign currency translation reserve	(9,787,562)	(18,188,386)
Retained earnings/(losses carried forward)	(6,885,823)	(8,267,443)
Profit/(loss) for the period	959,273	1,381,620
TOTAL SHAREHOLDERS' EQUITY	**41,595,097**	**32,235,000**
NON-CURRENT LIABILITIES		
Non-current financial liabilities due to the parent company	-	2,939,134
Deferred tax liabilities	**-**	**-**
Provisions for risks and charges	**-**	**-**
TOTAL NON-CURRENT LIABILITIES	**-**	**2,939,134**
CURRENT LIABILITIES		
Current financial liabilities	1,596,447	-
Trade payables	622,996	527,461
Tax payables	126,063	38,584
Social security contributions	78,073	30,420
Other current liabilities	315,003	353,806
TOTAL CURRENT LIABILITIES	**2,738,582**	**950,271**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**44,333,679**	**36,124,405**

IRCE LTDA EUR	2016	2015
Revenues	28,845,691	39,974,165
Other revenues	160,800	17,929
TOTAL REVENUES	**29,006,491**	**39,992,094**
Costs for raw materials	(20,351,854)	(32,070,566)
Change in inventories of work in progress and finished goods	(2,189,625)	666,301
Costs for services	(2,488,879)	(2,976,679)
Personnel costs	(1,654,155)	(1,845,824)
Amortisation/depreciation	(1,415,004)	(1,451,693)
Write-down of receivables and cash and cash equivalents	(16,243)	-
Other operating costs	(265,029)	(429,699)
EBIT	**625,702**	**1,883,934**
Financial income/(charges)	827,742	209,430
PROFIT/(LOSS) BEFORE TAX	**1,453,444**	**2,093,364**
Taxes	(494,171)	(711,744)
NET PROFIT/(LOSS) FOR THE PERIOD	**959,273**	**1,381,620**

Attachment 1

List of equity investments held by Directors, Statutory Auditors as well as their spouses and underage children

SURNAME AND NAME	INVESTEE COMPANY	NO. OF SHARES OWNED AS OF 31/12/2015	NO. OF SHARES ACQUIRED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AS OF 31/12/2016
Casadio Filippo	IRCE S.p.A.	561,371			561,371
Gandolfi Colleoni Francesco	IRCE S.p.A.	559,371 (*)			559,371 (*)
	IRCE S.p.A.	30,000			30,000
Sepriano Gianfranco	IRCE S.p.A.	3,500			3,500
Pischedda Francesca	IRCE S.p.A.	0			0
Dallago Orfeo	IRCE S.p.A.	587,267			587,267
Gigliola Di Chiara	IRCE S.p.A.	0			0
Fabio Senese	IRCE S.p.A.	0			0
Donatella Vitanza	IRCE S.p.A.	0			0
Adalberto Costantini	IRCE S.p.A.	0			0

(*) Shares owned by his wife, Carla Casadio

Attachment 2

Certification of the annual consolidated 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 S.p.A., 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 application

of the administrative and accounting procedures used to prepare the consolidated financial statements.

In addition, we hereby certify that the consolidated financial statements:

a) are consistent with accounting books and records;
b) are prepared in compliance with international accounting standards 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;
c) that the Report on Operations contains a reliable analysis of the information pursuant to paragraph 4, Article 154-ter of Italian Legislative Decree No. 58 of 24 February 1998.

Imola, 15 March 2017

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

SEPARATE FINANCIAL STATEMENTS OF IRCE S.p.A. AS OF 31 DECEMBER 2016

SEPARATE STATEMENT OF FINANCIAL POSITION

(In Euro)

ASSETS	Notes	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
Intangible assets	1	205,530	257,115
Property, plant and equipment	2	17,171,656	15,766,034
Equipment and other tangible assets	2	566,556	612,042
Assets under construction and advances	2	3,059,126	2,092,650
Non-current financial assets and receivables	3	13,247,261	14,668,883
(of which: related parties)		*13,247,093*	*14,668,883*
Equity investments	3	74,279,414	74,411,843
Non-current tax receivables	4	811,582	811,582
Deferred tax assets	5	1,112,926	1,058,439
TOTAL NON-CURRENT ASSETS		**110,454,051**	**109,678,588**
CURRENT ASSETS			
Inventories	6	50,997,453	53,211,116
Trade receivables	7	47,682,836	43,468,384
Receivables due from subsidiaries	8	6,532,996	6,868,972
Current tax receivables	9	821,721	483,272
Receivables due from others	10	1,418,548	1,456,293
Current financial assets	11	543,981	314,482
Cash and cash equivalents	12	567,197	793,696
TOTAL CURRENT ASSETS		**108,564,732**	**106,596,215**
TOTAL ASSETS		**219,018,783**	**216,274,803**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	13	14,626,560	14,626,560
RESERVES	13	125,208,615	123,594,307
PROFIT FOR THE PERIOD	13	1,456,716	2,725,637
TOTAL SHAREHOLDERS' EQUITY		**141,291,891**	**140,946,504**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	14	13,968,266	18,963,968
Provisions for risks and charges	15	7,825,649	7,172,162
Employee benefits provisions	16	4,546,676	4,379,437
TOTAL NON-CURRENT LIABILITIES		**26,340,591**	**30,515,567**
CURRENT LIABILITIES			
Current financial liabilities	17	22,713,812	26,597,118
Trade payables	18	20,426,522	9,314,332
Payables due to subsidiaries	19	1,952,568	1,212,433
Tax payables	20	638,852	1,833,322
Social security contributions	21	1,696,996	1,719,399
Other current liabilities	22	3,957,551	4,136,128
TOTAL CURRENT LIABILITIES		**51,386,301**	**44,812,732**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**219,018,783**	**216,274,803**

SEPARATE INCOME STATEMENT

(In Euro)

	Notes	31/12/2016	31/12/2015
Sales revenues	23	193,866,516	228,235,697
(of which: related parties)		*8,508,483*	*11,562,586*
Other income	24	632,741	658,107
(of which: related parties)		*63,676*	*148,720*
TOTAL REVENUES		**194,499,257**	**228,893,804**
Costs for raw materials and consumables	25	(146,640,474)	(171,605,331)
(of which: related parties)		*(2,286,444)*	*(1,934,097)*
Change in inventories of work in progress and finished goods		(1,531,550)	(8,493,344)
Costs for services	26	(23,922,333)	(23,891,064)
(of which: related parties)		*(861,521)*	*(774,094)*
Personnel costs	27	(16,627,473)	(17,872,600)
Amortisation/depreciation	28	(2,463,906)	(2,796,477)
Provisions and write-downs	29	(1,177,229)	(926,020)
Other operating costs	30	(375,003)	(520,050)
EBIT		**1,761,289**	**2,788,918**
Write-down of equity investments	31	(668,057)	(1,995,943)
Financial income/(charges)	32	998,193	3,955,990
(of which: related parties)		*106,025*	*133,624*
PROFIT BEFORE TAX		**2,091,425**	**4,748,965**
Income taxes	33	(634,709)	(2,023,328)
PROFIT FOR THE PERIOD		**1,456,716**	**2,725,637**

STATEMENT OF COMPREHENSIVE INCOME	31.12.2016	31.12.2015
€/000		
PROFIT/(LOSS)	**1,457**	**2,726**
Net profit / (loss) IAS 19	(336)	109
Income taxes	92	(30)
	(244)	79
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the year	**(244)**	**79**
TOTAL VARIATION	(244)	79
Total comprehensive profit / (loss), net of taxes	**1,213**	**2,805**

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Retained earnings					
€/000	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Legal reserve	Extraordinar reserve	Undivided profit	Reserve IAS 19	Result for the period	Total
Balance as of 31 december 2014	**14,627**	**(999)**	**40,539**	**(412)**	**43,087**	**2,925**	**31,214**	**6,462**	**(532)**	**1,035**	**137,944**
Result for the period										2,726	2,726
Other comprehensive profit/(loss)									79		79
Total profit / (loss) from statement of comprehensive income									**79**	**2,726**	**2,805**
Allocation of the result of the previous year							1,035			(1,035)	
Dividends							(803)				(803)
Sell/purchase own shares		283		718							1,001
Balance as of 31 december 2015	**14,627**	**(716)**	**40,539**	**306**	**43,087**	**2,925**	**31,446**	**6,462**	**(454)**	**2,726**	**140,947**
Result for the period										1,457	1,457
Other comprehensive profit/(loss)									(244)		(244)
Total profit / (loss) from statement of comprehensive income									**(244)**	**1,457**	**1,213**
Allocation of the result of the previous year							2,726			(2,726)	0
Dividends							(802)				(802)
Sell/purchase own shares		(18)		(48)							(66)
Balance as of 31 december 2016	**14,627**	**(734)**	**40,539**	**258**	**43,087**	**2,925**	**33,370**	**6,462**	**(697)**	**1,457**	**141,292**

With regard to the items of shareholders' equity, please refer to note 13.

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	31/12/2016	31/12/2015
€/000			
OPERATING ACTIVITIES			
Profit for the year		**1,457**	**2,726**
Adjustments for:			
Amortization/depreciation	28	2,464	2,796
Net change in anticipated or deferred taxes	5	(54)	88
(Gains)/losses from sell-off of fixed assets		225	(23)
(Gains)/losses on unrealized translation differences		576	65
Taxes	33	597	1,965
Financial income/(charge)	32	(1,607)	(2,699)
Operating profit/(loss) before change in working capital		**3,657**	**4,918**
Paid taxes		(2,184)	(1,520)
Decrease/(increase) in inventory	6	2,214	15,852
Net change in current assets and liabilities		6,213	(17,637)
Net change in current assets and liabilities vs related parties		1,076	537
Net change in non-current assets and liabilities		821	1,792
Net change in non-current assets and liabilities vs related parties		1,554	465
CASH FLOW GENERATED BY OPERATING ACTIVITIES		**13,351**	**4,408**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(32)	(47)
Investments in tangible assets	2	(5,000)	(2,911)
Equity investments	3	0	(48)
Amount collected from sale of tangible and intangible assets		68	26
CASH FLOW USED IN INVESTMENTS		**(4,964)**	**(2,980)**
FINANCIAL ACTIVITIES			
Net change in loans	14	(4,996)	18,964
Net change in short-term debt	17	(3,883)	(24,334)
Change in current financial assets	11	(229)	871
Interests paid	32	(315)	(611)
Interests received	32	1,922	3,311
Dividends paid		(802)	(803)
Change with effect in shareholders' equity	13	(244)	101
Sell/purchase own shares		(66)	1,001
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		**(8,613)**	**(1,500)**
NET CASH FLOW FOR THE PERIOD		**(227)**	**(73)**
CASH BALANCE AT START OF YEAR	12	794	867
TOTAL NET CASH FLOW FOR THE PERIOD		(227)	(73)
CASH BALANCE AT THE END OF YEAR	12	567	794

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

GENERAL INFORMATION

These annual financial statements as of 31 December 2016 were authorised for publication by the Board of Directors on 15 March 2017.
IRCE S.p.A. (henceforth also referred to as the "Company") is a company incorporated under the law of the Italian Republic and has its registered office in via Lasie 12/a, Imola (Italy), Economic & Administrative Index No. 266734 BO 001785.
IRCE S.p.A. owns four manufacturing plants and is one of the major industrial players in Europe in winding wires, as well as in low-voltage electrical cables in Italy.
Its plants are located in Imola (Bologna), Guglionesi (Campobasso), Umbertide (Perugia), and Miradolo Terme (Pavia).

BASIS OF PREPARATION

The annual financial statements for the year 2016 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. The term IFRS also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The formats used for 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.

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

The accounting and consolidating standards applied when drawing up these Separate Financial Statements are consistent with those applied to draw up the Separate Financial Statements as of 31 December 2015. The accounting standards, amendments and interpretations endorsed by the European Union, which were applicable as from 1 January 2016, did not have a significant impact on the Separate Financial Statements as of 31 December 2016.

Below are the accounting standards, amendments and interpretations issued by the IASB with an indication of the mandatory implementation date and the status of their endorsement by the European Union:

Description	Endorsed as at the reporting date	Effective date
Amendments to IAS 12 (Income Taxes)	No	Annual periods beginning on or after 1 January 2017
Amendments to IAS 7 (Statement of Cash Flows)	No	Annual periods beginning on or after 1 January 2017
IFRS 15 (Revenue from Contracts with Customers)	Yes	Annual periods beginning on or after 1 January 2018
IFRS 9 (Financial instruments)	Yes	Annual periods beginning on or after 1 January 2018
IFRS 16 (Leases)	No	Annual periods beginning on or after 1 January 2019
Clarifications to IFRS 15 (Revenue from Contracts with Customers)	No	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 2 (Classification and Measurement of Share-based Payment Transactions)	No	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 4 (Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	No	Annual periods beginning on or after 1 January 2018
Improvements to IFRSs (2014-2016 Cycle)	No	Annual periods beginning on or after 1 January 2017 - 1 January 2018
Interpretation IFRIC 22 (Foreign Currency transactions and advance consideration)	No	Annual periods beginning on or after 1 January 2018
Amendments to IAS 40 (Transfers of investment Property)	No	Annual periods beginning on or after 1 January 2018

Any impact on the Company’s financial statements arising from these amendments is being assessed and, in particular regarding IFRS 9, IFRS 15 and IFRS 16, an internal assessment procedure has been implemented in relation to the main outstanding contracts in order to collect the information needed to assess the impact on income and equity. This preliminary analysis did not reveal any issues regarding IFRS 15 and IFRS 16 which could have a significant impact on the financial statements.

Foreign currency translation of financial statement items

The functional and presentation currency adopted by IRCE S.p.A. is the Euro. The following criteria were used:

- monetary items, consisting of money held and assets or liabilities to be received or paid, were translated using the spot exchange rate at the reporting date, and the relevant exchange gains and losses were recognised in profit or loss;
- non-monetary items measured at their historical cost in a foreign currency were translated using the spot exchange rate at the date on which the transaction occurred;
- fixed assets, such as loans in foreign currencies, are recognised at the spot exchange rate at their acquisition date and translated into the functional currency using the spot exchange rate at the reporting date. However, the differences deriving from these loans are not recognised in profit or loss, but are directly recognised in equity until the investment is disposed of.

Tangible fixed assets

Tangible fixed assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.
At the time of the transition to the IFRSs, certain elements of the items "land and buildings" and "industrial machinery and equipment" were measured by adopting the re-determined value, which was equal to the fair value at the date of the transition to the IFRSs. This value was then used as the deemed cost at the transition date, generating an FTA - First Time Adoption reserve.
The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.

Depreciation, in compliance with IFRS requests, is calculated by using the straight-line method and on the basis of rates which reflect the estimated useful life of the assets to which they refer.
Costs incurred after the acquisition are only capitalised if they result in an increase in the intrinsic future economic benefits of the asset to which they refer; if this is not the case, they are recognised as an expense when incurred.
On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

Land, including that ancillary to buildings, is not depreciated.

Fixed assets under construction and advances paid for the acquisition of tangible fixed assets are measured at cost. Depreciation begins when the assets is available and ready for use; at this date, they are classified within their specific category.

Intangible fixed assets

Intangible fixed assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible fixed assets which are acquired separately are initially capitalised at cost while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible fixed assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible fixed assets, with the exception of development costs, are not capitalised and are recognised in profit or loss as incurred. The Company capitalises development costs only when there is reasonable certainty they will be recovered. The useful life of intangible fixed assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Company obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.
IRCE S.p.A. did not recognise intangible assets with an indefinite useful life.
Gains or losses arising from the disposal of an intangible fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible fixed asset, and are recognised in profit or loss when the fixed asset is disposed of.

Financial fixed assets

Equity investments

Equity investments in subsidiaries, joint ventures and associates are valued using the cost method, including the costs directly attributable to the investment, adjusted for impairment.

Subsidiaries are companies over which the Company has the right to exercise, directly or indirectly, control, as defined by IFRS 10 - "Consolidated financial statements". In particular, control exists when the controlling entity simultaneously:

- holds decision-making power over the investee company;
- has the right to take part in or is exposed to the variable (positive and negative) results of the investee company;
- has the ability to exercise power over the investee company in such a way as to affect its profits.

A joint venture is a joint arrangement in which the parties which hold joint control have rights over the net assets of the arrangement and, therefore, have a stake in the joint venture.

An associate is a company in which the Company holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over the financial and managerial policies.

At each reporting date, the Company reviews the carrying amount of the equity investments to determine whether there are any indications of impairment and, in that case, it carries out impairment tests.
Given objective indications of possible impairment, recoverability is verified by comparing the book value with the recoverable value, which is the higher of the fair value (net of disposal costs) and the value in use generally determined within the limits of the relevant portion of equity.
The Company restores the value of the equity investments should the reasons which led to the impairment no longer exist.

Equity investments in companies other than subsidiaries, associates and joint ventures, which are recorded under non-current assets, are valued at fair value with the impact recognised in the equity reserve for other components of comprehensive income; the changes in fair value recognised in equity are recorded in profit or loss when equity investments are written down or sold.

Dividends are recorded on the date they are approved by the Shareholders' meeting and are recognised in the income statement also should they derive from the distribution of reserves of profits generated prior to the acquisition date. The distribution of these profit reserves is an event which involves impairment and, therefore, the need to verify the recoverability of the carrying amount of the equity investment.

Non-current receivables and other assets

Non-current receivables and other assets consist of receivables due from subsidiaries as well as deferred tax assets and other items.
Receivables and other financial assets to be held until maturity are recognised at cost, represented by the fair value of the initial consideration given increased by transaction costs. The amount at initial recognition is subsequently adjusted for principal reimbursements and any write-downs.

Inventories

Inventories are measured at the lower of cost and net realisable value. The costs incurred are recognised as follows:

- Raw materials: average weighted purchase cost
- Finished and semi-finished goods: direct cost of materials and labour costs plus a share of the indirect costs and production overheads defined on the basis of normal production capacity.

The net realisable value is the normal price to sell less the estimated costs to complete and estimated costs to sell.

Trade receivables and other receivables

Receivables are recognised at their fair value, which is their nominal amount less any impairment losses. With regard to trade receivables, an impairment provision is made when there is objective evidence (such as, for example, the probability of insolvency or significant financial difficulty of the debtor) that the company will not be able to recover all the amounts due on the basis of the original terms of the invoice. The carrying amount of the receivable is reduced using a specific allowance account. Impaired receivables are written off when it is determined that they are not recoverable.

Cash and cash equivalents

Cash and cash equivalents include cash on hand as well as demand and short-term bank deposits recognised at their nominal amounts; in the latter case, the original maturity shall not exceed three months.

Financial payables and liabilities

Payables are recognised at their nominal amount if they are due within the subsequent year; they are measured with the amortised cost method if due after 12 months.
Financial liabilities consisting of loans are initially recognised at their fair value increased by transaction costs; subsequently, they are measured at their amortised cost, i.e. at their initial amount less already made principal reimbursements and adjusted (increased or decreased) on the basis of the amortisation (using the effective interest method) of any differences between the initial amount and the amount at maturity.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the asset but has assumed the contractual obligation to pay them in full without delay to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset but has transferred control.

In cases where the Company transferred its rights to receive cash flows from an asset and has not substantially transferred nor withheld all the risks and rewards or has not lost control over the asset, this is recognised in the financial statements of the Company to the extent of the latter’s continuing involvement in the asset. The continuing involvement – which takes the form of guaranteeing the transferred asset – is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Company could be required to pay.

In cases where the continuing involvement takes the form of an option that is issued and/or acquired with respect to the transferred asset (including cash-settled options, or similar options), the extent of the Company's involvement corresponds to the amount of the transferred asset which the Company may buy back; however, in the case of a put option which is issued on an asset that is measured at fair value (including the options settled in cash or with similar provisions), the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or discharged.

If an existing financial liability is replaced by another from the same lender – and with substantially different terms – or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, recognising any differences between the carrying amounts through profit or loss.

Provisions for risks and charges

Provisions for risks and charges include provisions arising from present obligations (legal or constructive) as a result of past events and for which an outflow of resources is probable. Changes in estimates are reflected in the income statement for the period in which the change occurs. If the effect of discounting the value of money is material, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision that arises from the passage of time is recognised as a financing cost.

Employee Benefits

Employee benefits substantially include employee termination indemnities as well as retirement funds. Italian Law No. 296 of 27 December 2006 "2007 Financial Act" introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service.
Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's social security institute).
In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Group actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

Derivative financial instruments

The company used derivative financial instruments such as forward contracts for the purchase and sale of copper and aluminium in order to hedge against its exposure to the risk of changes in raw material prices as well as forward contracts for currency purchases.
Any gains or losses arising from changes in the fair value of derivatives, which are outstanding as of the reporting date and do not qualify for hedge accounting, are recognised directly in profit or loss.

The fair value of forward contracts for the sale of copper outstanding as of the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding as of the reporting date.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges against the risk of changes in the fair value of an underlying asset or liability; or a firm commitment (except for currency risk); or
- cash flow hedges against the exposure to changes in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedge, the company formally designates and documents the hedging relationship to which it intends to apply hedge accounting as well as its risk management objectives and the pursued strategy. The documentation includes the identification of the hedging instrument as well as of the hedged item or transaction, the nature of the risk, and how the company intends to measure the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

These hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in the fair value or cash flows attributable to the hedged risk. The measurement of the effectiveness of these hedges is conducted on an ongoing basis during the years in which they have been designated.

Own shares

If the company reacquires its own shares, these are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "Own shares" reserve and the excess of the purchase amount over the nominal amount is accounted for as a deduction from "Other reserves". The purchase, sale, issue or cancellation of equity instruments does not result in the recognition of any gain or loss in the income statement, but is rather recognised directly as a change in shareholders’ equity.

Recognition of revenues

Revenues are recognised, in accordance with the provisions of IAS 18, to the extent that it is probable that the economic benefits will flow to the company and the relevant amount can be measured reliably. The following specific revenue recognition criteria must always be complied with for revenues to be recognised in the income statement.

Sale of goods

Revenue is recognised when the company has transferred the significant risks and rewards of ownership of the good, generally on the date the good is shipped.

Interest

Interest is recognised as financial income after establishing that interest income has accrued (this is done using the effective interest method: the effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends
Revenues are recognised when the shareholder's right to receive payment is established.

Costs

Costs are recognised on an accrual basis. Research, advertising and promotional costs are recognised in the income statement in the year in which they are incurred.

Financial income and charges

Financial income and charges are recognised immediately in profit or loss.

Income taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and tax laws used to calculate the amount are those that have been enacted or are expected to apply as of the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated using the so-called liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit/loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when:

- the deferred tax asset for the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.
Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Use of estimates

The preparation of the financial statements and the relevant notes in accordance with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. Actual results could differ from these estimates. Estimates are used mainly to recognise the provisions for credit risks as well as amortisation/depreciation, taxes, and other provisions and funds. The estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in profit or loss.

DERIVATIVE INSTRUMENTS

The Company uses the following type of derivative instruments:

- Derivative instruments related to copper and aluminium forward transactions with maturity after 31 December 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 forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium 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 commodity for forward sales and purchases outstanding at 31 December 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	Result with fair value measurement as of 31/12/2016 €/000
Copper	225	0	462
Aluminium	75	0	3

- Derivative instruments related to USD forward purchase contracts and to GBP forward sales contracts with maturity after 31 December 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 and sales outstanding at 31 December 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 31/12/2016 €/000
USD/Purchases	1,000	0	20
GBP/Sales	2,500	0	48

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 31 December 2016 - €/000	Loans and receivables	Derivatives with a balancing entry in the Income Statement	Derivatives with a balancing entry in shareholders' equity	Total
Non-current financial assets				
Non-current tax receivables	812			812
Other non-current financial assets and receivables	13,247			13,247
Current financial assets				
Trade receivables	47,683			47,683
Current tax receivables	822			822
Receivables due from others	1,419			1,419
Other current financial assets	11	533		544
Cash and cash equivalents	567			567

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	Total
Non-current financial assets				
Non-current tax receivables	812			812
Other non-current financial assets and receivables	14,669			14,669
Current financial assets				
Trade receivables	43,468			43,468
Current tax receivables	483			483
Receivables due from others	1,456			1,456
Other current financial assets	11	303		314
Cash and cash equivalents	794			794

As of 31 December 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	13,968			13,968
Current financial liabilities				
Trade payables	20,427			20,427
Other payables	6,293			6,293
Financial payables	22,714			22,714

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	18,964			18,964
Current financial liabilities				
Trade payables	9,314			9,314
Other payables	7,689			7,689
Financial payables	26,597			26,597

FAIR VALUE

A comparison between the carrying amount of financial instruments held by the Company and their fair value did not reveal significant differences.
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 31 December 2015 and as of 31 December 2016 broken down by level of fair value hierarchy (€/000):

2015	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	303	-	303
Total assets	-	303	-	303
Liabilities:				
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-

2016	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	533	-	533
Total assets	-	533	-	533
Liabilities:				
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-

During the year, 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:
a) 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);
b) 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
c) for which discrete financial information is available.

With regard to the two types of products sold, as from 2011, IRCE's management only monitors the breakdown of revenues between winding wires and cables; with regard to the residual amount which is not allocated, reference is made to revenues from the sale of other materials and services which 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).

€/000	2016				2015			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	151,307	42,546	14	193,867	170,716	57,512	8	228,236

€/000	2016				2015			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	100,718	79,052	14,097	193,867	116,871	92,453	18,912	228,236

COMMENT ON THE MAIN ITEMS OF THE SEPARATE STATEMENT OF FINANCIAL POSITION

1. 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 multi-year charges	Assets under development	Total
Net carrying amount as of 31/12/2015	23	44	190	257
Changes during the period				
. Investments	31	1	-	32
. Reclassifications	-	-	-	-
. Amortisation	(39)	(44)	-	(83)
Total changes	(8)	(43)	-	(51)
Net carrying amount as of 31/12/2016	15	1	190	206

A description of intangible assets and the amortisation method used is shown in the following table.

Fixed asset	Useful life	Rate	Internally produced 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.

The amortisation rates for other intangible fixed assets were determined as a function of their specific residual useful lives and are reviewed at each reporting date.

Each year, the Company incurs R&D expenses that are recognised in profit or loss, as they do not meet the conditions for capitalisation pursuant to IAS 38.

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 31/12/2014	7,836	4,998	4,212	635	327	277	18,285
Changes during the period							
. Investments	-	21	889	25	47	1,929	2,911
. Reclassifications	-	-	88	-	-	(88)	-
. Divestments	-	-	(4,341)	(161)	(63)	(26)	(4,591)
. Depreciation related to disposals	-	-	4,339	160	63	-	4,562
. Depreciation of the year	-	(564)	(1,712)	(280)	(140)	-	(2,696)
Total changes	-	(543)	(737)	(256)	(93)	1,815	186
Net carrying amount as of 31/12/2015	7,836	4,455	3,475	379	234	2,092	18,471

€/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	7,836	4,455	3,475	379	234	2,092	18,471
Changes during the period							
. Investments	-	-	1,828	120	176	2,876	5,000
. Reclassifications	-	-	1,620	-	-	(1,620)	-
. Divestments	(1)	-	(3,892)	(68)	(313)	(289)	(4,563)
. Depreciation related to disposals	-	-	3,893	65	312	0	4,270
. Depreciation of the year	-	(491)	(1,551)	(213)	(126)	0	(2,381)
Total changes	(1)	(491)	1,898	(96)	49	967	2,326
Net carrying amount as of 31/12/2016	7,835	3,964	5,373	283	283	3,059	20,797

IRCE S.p.A. investments amounted to € 5.00 million.

Divestments refer primarily to machinery no longer in use and depreciated in full.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible fixed assets. The rates applied on an annual basis are included in the following ranges:

Buildings	3.0% - 10.0%
Plant and equipment	7.5% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

3. NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES AND EQUITY INVESTMENTS

€/000	31/12/2016	31/12/2015
Non-current financial assets and receivables	13,247	14,669
- Equity investments	74,279	74,412
Total	87,526	89,081

Receivables due from subsidiaries

€/000	31/12/2016	31/12/2015
- DMG GmbH	1,711	1,928
- FD Sims Ltd	6,209	6,592
- IRCE S.L	1,511	1,302
- IRCE Ltda	1,596	2,939
- ISODRA GmbH	1,919	1,908
- ISOMET AG	281	-
- IRCE SP.ZO.O	20	-
Total	13,247	14,669

The receivables reported above refer to intra-group interest bearing loans.

Equity investments in subsidiaries

The list of equity investments included in Attachment 2 forms part of these Explanatory Notes.

The carrying amount of the equity investments in FD Sims Ltd, IRCE Ltda and Smit Draad Nijmegen B.V. compared to the shareholders' equity of these companies was tested for impairment, after indicators of impairment were identified. This test was carried out projecting the cash flows estimated in the most recent business plan, which Management approved separately and prior to these financial statements. These business plans were drafted over a period of five years and reflect past experience while excluding any flows deriving from restructuring, optimisation or improvements to operations.

In line with the provisions of IAS 36, the impairment test was carried out by comparing the recoverable amount of the investments net of the net financial position ("NFP") as of 31 December 2016 ("Equity Value") with the related carrying amounts for the equity investments as of 31 December 2016.

For the purposes of estimating the recoverable amount, the Equity Value of the investments was calculated using the "Discounted Cash Flow – asset side" method, which considers the cash flows from operations expected by the company based on the plans approved by management and subtracting the net financial position at the reporting date.

The discount rate used for cash flows is the Weighted Average Cost of Capital (WACC) relating to the equity investment. The method applied is the Capital Asset Pricing Model: the rate is calculated based on a mathematical model given by the sum of a risk-free asset plus a market premium risk. The market premium risk in its turn is the product of the market average risk multiplied by the specific beta for the sector.

In applying this method the main assumptions used are the estimate of future increases in sales, the gross margin, operating costs, the growth rate of the terminal values, the investments, the changes in working capital and the weighted average cost of capital (discount rate).

The terminal value of the Cash Generating Unit (CGU) was estimated on the basis of a cash flow (equal to the normalised cash flow of the last period) discounted at growth rates (g) equal to 0.0% for FD Sims Ltd and Smit Draad Nijmegen B.V. and 6.5% for IRCE Ltda over an infinite period of time. The 5-year business plan of FD Sims – which was prepared in nominal terms (including the forecast inflation rate) – has an annual average growth rate of revenues of around 7%, 5% for Smit Draad Nijmegen B.V. and for IRCE Ltda this rate is around 24%, growing significantly in the first two years.

The nominal WACC, net of the tax effect, used in the test was equal to 7.8% for FD Sims Ltd, 5.6% for Smit Draad Nijmegen B.V. and 13.7% for IRCE Ltda; the risk premium inherent in the cost of equity was equal to 6.7% and is common among companies in the sector, as well as the borrowing rate used. The test did not indicate the need to adjust the reported amount. The rates used were determined by taking into account the market rates on the basis of the current economic situation. In addition, and with reference to the reported amounts of the equity investments, the sensitivity analyses carried out did not indicate a risk profile requiring a write-down.

A sensitivity analysis is shown below, comparing the carrying amount of the CGU's invested capital with the corresponding Equity Value calculated on the basis of a discount rate (WACC) and a growth rate (g) half a percentage point below or above the parameters used.

FD Sims Ltd, parameters used WACC 7.8%; (g) 0.0%.

“g”=0.0%		WACC	
€/000	7.3%	7.8%	8.3%
Equity value	10,042	9,099	8,270
Carrying amount of equity investment	8,065	8,065	8,065
Difference between equity value and carrying amount	1,977	1,034	205

“g”=0.5%		WACC	
€/000	7.3%	7.8%	8.3%
Equity value	10,830	9,771	8,849
Carrying amount of equity investment	8,065	8,065	8,065
Difference between equity value and carrying amount	2,765	1,706	784

As the above tables show, the CGU is not exposed to any risk that would require a write-down.

IRCE Ltda, parameters used WACC 13.7%; (g) 6.5%.

(g)=6.5%		WACC	
€/000	13.2%	13.7%	14.2%
Equity value	61,927	58,150	54,860
Carrying amount of equity investment	57,309	57,309	57,309
Difference between equity value and carrying amount	4,618	841	(2,449)

(g)=6.0%		WACC	
€/000	13.2%	13.7%	14.2%
Equity value	59,764	56,349	53,346
Carrying amount of equity investment	57,309	57,309	57,309
Difference between equity value and carrying amount	2,455	(960)	(3,963)

(g)=7.0%		WACC	
€/000	13.2%	13.7%	14.2%
Equity value	64,438	60,221	56,584
Carrying amount of equity investment	57,309	57,309	57,309
Difference between equity value and carrying amount	7,129	2,912	(725)

As the above tables show, some scenarios include the possibility of impairment losses; considering that the negative difference of the value in use is entirely attributable to the negative impact of the Euro/Real exchange rate at the year-end, the Directors do not see risk profiles requiring to recognise impairment losses on the equity investment.

Smit Draad Nijmegen B.V., parameters used WACC 5.6% (g) 0.0%

(g)=0.0%		WACC	
€/000	5.1%	5.6%	6.1%
Equity value	16,326	14,400	12,791
Carrying amount of equity investment	7,273	7,273	7,273
Difference between equity value and carrying amount	9,053	7,127	5,518

(g)=0.5%		WACC	
€/000	5.1%	5.6%	6.1%
Equity value	17,069	14,909	13,134
Carrying amount of equity investment	7,273	7,273	7,273
Difference between equity value and carrying amount	9,796	7,636	5,861

As the above tables show, the CGU is not exposed to any risk that would require a write-down.

4. NON-CURRENT TAX RECEIVABLES

This item, equal to €/000 812, refers to the tax credit concerning the reimbursement claim for 2007-2011 IRES (corporate income tax), in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011. Lacking precise information on the reimbursement date by the tax authorities, the asset has been classified as non-current.

5. DEFERRED TAX ASSETS

The item "Deferred tax assets" is the net amount of deferred tax assets less deferred tax liabilities, as shown below:

€/000	31/12/2016	31/12/2015
- Deferred tax assets	1,682	1,742
- Deferred tax liabilities	(569)	(684)
Total	1,113	1,058

The Company recognised deferred tax assets for the following items:

€/000	31/12/2016	31/12/2015
- Allocations to Provisions for risks and charges	495	483
- Allocations to the taxed Bad debt provision	177	334
- Provision for inventory obsolescence	751	907
- Effect of application of IAS 19	93	-
- Other	166	18
Total	1,682	1,742

The table below shows the changes in deferred tax assets during 2015 and 2016:

	Taxed provisions	Other	Total
balance 01.01.2015	1,859	32	1,891
income statement effect	(135)	(14)	(149)
shareholders' equity effect			
balance 31.12.2015	1,724	18	1,742
income statement effect	(301)	148	(153)
shareholders' equity effect		93	
balance 31.12.2016	1,423	259	1,682

Deferred tax assets were recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts and to the extent that it is probable that taxable profit will be available against which these differences can be utilised.

Deferred tax liabilities are broken down as follows:

€/000	31/12/2016	31/12/2015
Amortisation/depreciation	56	81
- Foreign exchange gains	3	-
- IAS capital gains on buildings	413	108
- IAS capital gains on land	97	465
- Effect of application of IAS 19	-	30
Total	569	684

The table below shows the changes in deferred tax liabilities during 2015 and 2016:

	Depreciation	**IAS capital gain on land and building**	**Change**	**IAS 19 effect**	**Total**
balance 01.01.2015	92	573	81		746
income statement effect	(11)		(81)		- 92
shareholders' equity effect				30	30
balance 31.12.2015	81	573	-	30	684
income statement effect	(25)	(63)	3	(30)	(115)
shareholders' equity effect					
balance 31.12.2016	56	510	3	-	569

6. INVENTORIES

Inventories are broken down as follows:

€/000	31/12/2016	31/12/2015
- Raw materials, ancillary and consumables	18,349	18,698
- Work in progress and semi-finished goods	5,408	5,749
- Finished products and goods	30,119	32,068
- Provision for write-down of raw materials	(1,982)	(2,006)
- Provision for write-down of finished products	(897)	(1,298)
Total	50,997	53,211

Recognised inventories are not pledged nor used as collateral.
The provision for write-downs correspond to the amount that is deemed necessary to hedge existing inventory obsolescence risks as of 31/12/2016, calculated by writing down slow moving packages and finished products.
The decrease was due in part to volumes and in part to the price effect.

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

€/000	31/12/2015	Allocations	Uses	31/12/2016
Provision for write-down of raw materials	2,006	-	(24)	1,982
Provision for write-down of finished products and goods	1,298	207	(608)	897
Total	3,304	207	(632)	2,879

7. TRADE RECEIVABLES

€/000	31/12/2016	31/12/2015
- Customers/bills receivable	48,562	44,940
- Bad debt provision	(879)	(1,472)
Total	47,683	43,468

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 2015 and 2016:

€/000	31/12/2014	Allocations	Uses	31/12/2015
Bad debt provision	2,723	573	(1,824)	1,472

€/000	31/12/2015	Allocations	Uses	31/12/2016
Bad debt provision	1,472	860	(1,453)	879

8. RECEIVABLES DUE FROM SUBSIDIARIES

The balance of trade receivables due from subsidiaries was broken down as follows:

€/000	31/12/2016	31/12/2015
- FD Sims LTD	83	627
- Isolveco SRL	992	1,173
- Isomet AG	858	572
- IRCE S.L	2,290	2,262
- DMG	3	11
- ISODRA GmbH	1,037	870
- IRCE LTDA	42	199
- Stable Magnet Wire P.Ltd.	1,089	1,038
- Smit Draad Nijmegen BV	139	115
Total	6,533	6,869

9. CURRENT TAX RECEIVABLES

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- Receivables for income taxes	747	246
- VAT receivables	75	237
Total	822	483

10. RECEIVABLES DUE FROM OTHERS

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- Accrued income and prepaid expenses	128	148
- Other receivables	1,291	1,308
Total	1,419	1,456

The item "other receivables" is mainly linked to a bonus to be received on energy consumption for the years 2014 and 2015, assigned by the Authority for electricity with the authorisation from the Ministry for Economic Development.

11. CURRENT FINANCIAL ASSETS

€/000	31/12/2016	31/12/2015
- Mark to Market copper and aluminium forward transactions	465	303
- Mark to Market USD forward transactions	20	-
- Mark to Market GBP forward transactions	48	
- Guarantee deposits	11	11
Total	544	314

The items "Mark to Market forward transactions" refer to the Mark to Market (fair value) measurement of derivative contracts outstanding as of 31/12/2016.

12. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	31/12/2016	31/12/2015
- Bank and postal deposits	554	785
- Cash and cash equivalents	13	9
Total	567	794

Bank and postal deposits outstanding as of 31 December 2016 are not subject to constraints or restrictions.

13. 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.
In the year 2016, a dividend of €/000 803 (0.03 per share) was distributed.

Here below is the breakdown of reserves:

€/000	31/12/2016	31/12/2015
- Own shares (share capital)	(734)	(716)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	258	306
- Other reserves	43,086	43,087
- Legal reserve	2,925	2,925
- Extraordinary reserve	33,370	31,446
- IAS 19 reserve	(697)	(454)
- Undistributed profits	6,462	6,461
TOTAL	125,209	123,594

Detail of origin, availability and use of equity items:

Description	Amount	Possibility of use	Quota available	Distributable
Share capital	**14,626,560**			
Capital's reserves:				
Share premium reserve	40,538,732	A,B,C	40,538,732	40,538,732
Other reserves	6,035,757	A,B,C	6,035,757	6,035,757
Total capital's reserve	**46,574,489**		**46,574,489**	**46,574,489**
Earning's reserves				
Legal	2,925,312	B	2,925,312	-
Extraordinary	33,370,308	A,B,C	33,370,308	33,370,308
IAS	5,764,789	A,B	5,764,789	1,597,853
Own shares	- 476,176	A,B	- 476,176	- 476,176
Cash Flow hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585.888
Total earning's reserves	**42,170,122**		**42,170,122**	**35,077,874**
Reserves in tax suspension				
Other reserves	201,160	A,B,C	201,160	201,160
Revaluation	22,327,500	A,B,C	22,327,500	22,327,500
revaluation266/2005	13,935,343	A,B	13,935,343	
Total reserves in tax suspension	**36,464,003**		**36,464,003**	**22,528,660**
Total reserves	**125,208,615**		**125,208,614**	**104,181,023**
profit 2016	**1,456,716**			
Total equity	**141,291,891**			
		TOTAL reserves available	125,208,615	
		Quota not available for legal reserve	2,925,312	
		Quota not available IAS	4,410,530	
		Quota not available fair value land	13,935,343	
		Residual quota available	**103,937,430**	

Key: A: increase in capital; B: coverage of losses; C: distributable.

Own Shares

This reserve refers to the par value and share premium of own shares held by the Company; they are recognised as a deduction from shareholders' equity.
Own shares as of 31 December 2016 amounted to 1,411,774 and corresponded to 5.02% of the share capital.

The number of shares outstanding at the beginning and at the end of the last two years is shown below:

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 buyback	(36)
Balance as of 31/12/2016	**26,716**

Share premium reserve

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

Other reserves

Other reserves refer to the following:
- Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of IRCE Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A, 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 13,935.
- Revaluation reserve, as per Italian law 266/1995, amounting to €/000 22,328.

Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings.

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 01.01.2015	(532)
IAS 19 evaluation	109
Income tax	(30)
balance 31.12.2015	(452)
IAS 19 evaluation	(336)
Income tax	92
balance 31.12.2016	(697)

Profit for the year

The profit for the year amounted to €/000 1,457 (€/000 2,726 as of 31 December 2015).

14. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	31/12/2016	31/12/2015	Due date
Banco Popolare	EUR	Floating	IRCE SpA	2,207	3,964	2019
CARISBO	EUR	Floating	IRCE SpA	8,000	10,000	2019
Banca di Imola	EUR	Floating	IRCE SpA	3,761	5,000	2019
Total				13,968	18,964	

15. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges were broken down as follows:

€/000	31/12/2015	Allocations	Uses	31/12/2016
Provisions for risks and disputes	1,635	317	(199)	1,753
Provision for severance payments to agents	252	-	-	252
Provision for the coverage of losses of IRCE SL	3,083	186	-	3,269
Provision for the coverage of losses of Isodra GmbH	2,202	180	-	2,382
Provision for the coverage of losses of IRCE SO.ZO.O	-	15	-	15
Provision for the coverage of losses of Stable Magnet Wire	-	155	-	155
Total	7,172	853	(199)	7,826

Provisions for risks and disputes mainly refer to allocations for the risk of capital losses due to returns of packaging and for various disputes, including the estimate of a liability arising from a Financial Administration assessment.
Provision for severance payments to agents refers to allocations made for severance payments relating to outstanding agency contracts.

16. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2016	31/12/2015
Employee benefits provision as of 01/01	4,379	4,804
Financial charges	68	88
Actuarial (gains)/losses	336	(109)
Payments	(236)	(404)
Employee benefits' provision as of 31/12	4,547	4,379

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 (PUC) method, which consists in the following:

- it projected up to the estimated future payment date the employee termination indemnity (TFR) accrued by each employee at 31 December 2016 and reassessed at the measurement date;
- 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.

Here below are the demographic assumptions used by the actuary in measuring the employee benefits' provision:

- death: RG48 mortality tables issued by the State General Accounting Department;
- disability: INPS tables based on age and gender;
- pension: 100% on reaching the requirements of the general compulsory insurance (AGO, *Assicurazione Generale Obbligatoria*).

In addition, the following technical-economic assumptions were made:

	31/12/2016	31/12/2015
Annual discount rate	0.86%	2.03%
Annual inflation rate	1.50%	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%	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 onwards

The IBOXX Eurozone Corporate AA index with a 7-10 year duration as of the measurement date was used as a benchmark for the discount rate.

The annual rate of increase of employee termination indemnities is equal to 75% of inflation, plus 1.5 percentage points.

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

Sensitivity analysis of IRCE S.p.A.'s main measurement parameters:

€/000	DBO change as of 31/12/2016
Inflation rate + 0.25%	4,611
Inflation rate – 0.25%	4,482
Discount rate + 0.25%	4,444
Discount rate – 0.25%	4,653
Turnover rate + 1%	4,510
Turnover rate -1%	4,586

Service cost: 0.00
Duration of the plan: 9.8

17. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

€/000	31/12/2016	31/12/2015
- Payables due to banks	22,714	26,597
Total	22,714	26,597

With regard to financial liabilities, the **net financial position** of the Company, excluding intra-group financial receivables, calculated in accordance with the provisions of Consob Communication 6064293 dated 28 July 2006 and CESR recommendation dated 10 February 2005, was as follows:

€/000	31/12/2016	31/12/2015
Cash	567	794
Other current financial assets	79	11*
Liquid assets	**646**	**805**
Current financial liabilities	(22,714)	(26,597)
Net current financial debt	**(22,068)**	**(25,792)**
Non-current financial liabilities	(13,968)	(18,964)
Non-current financial debt	**(13,968)**	**(18,964)**
Net financial debt	**(36,036)**	**(44,756)**

* 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.

18. TRADE PAYABLES

Trade payables are all due in the next 12 months.
As of 31/12/2016 they totalled €/000 20,427 against €/000 9,314 as of 31/12/2015.
The increase in trade payables is due to the higher amount of traded copper compared to the previous year.

19. PAYABLES DUE TO SUBSIDIARIES

Trade payables due to subsidiaries were broken down as follows:

€/000	31/12/2016	31/12/2015
- DMG GmbH	110	109
- FD Sims Ltd	170	54
- Isolveco S.r.l.	49	49
- IRCE SL	125	12
- ISODRA GmbH	-	4
- IRCE Ltda	1,499	984
Total	1,953	1,212

20. TAX PAYABLES

The item was broken down as follows:

€/000	31/12/2016	31/12/2015
- VAT payables	189	187
- Payables due for income taxes	-	1,079
- Employee IRPEF (personal income tax) payables	357	466
- Other payables	93	101
Total	639	1,833

21. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,697, primarily refers to the contributions payable to INPS.

22. OTHER CURRENT LIABILITIES

Other payables were broken down as follows:

€/000	31/12/2016	31/12/2015
- Payables due to employees	2,376	2,358
- Deposits received from customers	1,515	1,679
- Accrued liabilities and deferred income	34	53
- Other payables	33	46
Total	3,958	4,136

COMMENT ON THE MAIN ITEMS OF THE SEPARATE INCOME STATEMENT

23. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. In 2016 turnover, equal to €/000 193,867, reported a decrease of 15% compared to the previous year (€/000 228,236).
For additional details, refer to the previous paragraph on segment reporting.

24. OTHER INCOME

Other income was broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Capital gains on disposals of assets	26	23	3
- Increases in internally generated fixed assets	162	167	(5)
- Insurance reimbursements	30	17	13
- Contingent assets	247	219	28
- Other revenues	168	232	(64)
Total	633	658	(25)

25. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 146,640, 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 (€/000 325).

26. COSTS FOR SERVICES

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

€/000	31/12/2016	31/12/2015	Change
- External processing	5,311	5,599	(288)
- Utility expenses	10,527	10,631	(104)
- Maintenance	604	777	(173)
- Transportation expenses	2,886	3,046	(160)
- Payable fees	1,214	1,135	79
- Compensation of Statutory Auditors	86	87	(1)
- Rental costs	32	31	1
- Other services	3,262	2,585	677
Total	23,922	23,891	31

The item "other services" includes primarily technical, legal and tax consulting fees as well as insurance and business expenses.
The increase in costs for other services was a consequence of the higher R&D costs which were recognised in profit or loss for €/000 855.

27. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

€/000	31/12/2016	31/12/2015	Change
- Salaries and wages	10,810	11,157	(347)
- Social security charges	3,480	3,648	(168)
- Retirement costs for defined contribution plans	804	813	(9)
- Other costs	1,533	2,255	(722)
Total	16,627	17,873	(1,246)

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

The decrease in personnel costs was due to the greater use in 2016 of social shock absorbers.

The Company's average number of personnel for the year and the current number at year-end is shown below:

Personnel	2016 Average	31/12/2016	31/12/2015
- Executives	10	10	9
- White collars	100	100	97
- Blue collars	308	299	314
Total	418	409	420

The average 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 31 December 2016 was 409 people.

28. AMORTISATION/DEPRECIATION

Here is the breakdown of amortisation/depreciation:

€/000	31/12/2016	31/12/2015	change
- Amortisation of intangible assets	83	100	(17)
- Depreciation of tangible assets	2,381	2,696	(315)
Total amortisation/depreciation	2,464	2,796	(332)

29. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Write-downs of receivables	860	573	287
- Provisions for risks	317	353	(36)
Total provisions and write-downs	1,177	926	251

The item "Provisions for risks" mainly refers to a provision used to hedge the risk of capital losses related to returns of packages.

30. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Non-income taxes and duties	314	366	(52)
- Capital losses and contingent liabilities	26	82	(56)
- Other	35	72	(37)
Total	375	520	(145)

31. WRITE-DOWN OF EQUITY INVESTMENTS

€/000	31/12/2016	31/12/2015	change
- IRCE SL	185	315	(130)
- Isodra GmbH	180	163	17
- IRCE Kablo Ve Tel Ltd	72	88	(16)
- Stable Magnet Wire P.Ltd.	168	176	(8)
- Fd Sims Ltd	-	1,254	(1,254)
- IRCE SP.ZO.O	63	-	63
Total	668	1,996	(1,328)

The Company wrote down equity investments in order to re-align their amounts with the corresponding share of shareholders' equity of the investees following impairment losses.

32. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	31/12/2016	31/12/2015	change
- Other financial income	1,816	3,177	(1,361)
- Income from subsidiaries	106	134	(28)
- Interest and other financial charges	(315)	(611)	296
- Foreign exchange gains/(losses)	(609)	1,256	(1,865)
Total	998	3,956	(2,958)

- Other financial income

€/000	31/12/2016	31/12/2015	change
- Interest income from banks	1	1	-
- Interest income on receivables due from customers	22	21	1
- Sundry interest income	113	140	(27)
- Income from LME derivatives	1,680	3,015	(1,335)
Total	1,816	3,177	(1,361)

The item "Income from LME derivatives" included €/000 1,215 from the closing of copper forward contracts during the year, and €/000 465 from the "Mark to Market" (Fair Value) measurement of copper forward contracts outstanding as of 31/12/2016.

- Interest and other financial charges

€/000	31/12/2016	31/12/2015	change
- Interest expense for short-term payables	16	196	(180)
- Interest expense for medium to long-term payables	134	75	59
- Sundry interest expense	121	278	(157)
- Bank fees and expenses	44	62	(18)
Total	315	611	(296)

The item "Sundry interest expense" includes the interest cost deriving from the discounting of the Employee Termination Indemnity pursuant to IAS 19.

33. INCOME TAXES

€/000	31/12/2016	31/12/2015	changes
- Current taxes	(597)	(1,965)	1,368
- Deferred tax assets/(liabilities)	(38)	(58)	20
Total	(635)	(2,023)	1,388

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate is shown below:

€/000	31/12/2016	31/12/2015
Result before tax	2,091	4,749
Taxes calculated with applicable IRES rate (27.5%)	575	1,306
Tax impact of non-deductible IRES costs		
Permanent changes	208	628
Temporary changes	109	(98)
ACE deduction	(305)	(268)
IRAP rate (effective)	185	274
Taxes related to previous years	(174)	123
Total	597	1,965

The theoretical rate used to calculate income tax was 27.5%.

34. RELATED PARTY DISCLOSURES

The Company engages in commercial and financial transactions with Group companies, as reported below:

Company €/000	Revenues	Financial income	Costs for raw material	Costs for service	Fiancial receivables	Trade receivables	Trade payables
FD Sims Ltd	1,456	34	771	9	6,209	83	170
Smit Draad Nijmegen BV	132	-	-	-	-	139	-
Isomet AG	3,731	1	-	-	281	858	-
IRCE Ltda	107	23	1,499	-	1,596	42	1,500
Isolveco Srl	2,396	-	-	128	-	992	48
DMG Gmbh	10	11	2	487	1,711	3	110
IRCE SL	47	21	-	227	1,511	2,290	125
Stable Magnet Wire P.Ltd	508	-	-	-	-	1,089	-
ISODRA Gmbh	185	16	14	11	1,919	1,037	-
Irce Sp. Zo.o	-	-	-	-	20	-	-
Irce Kablo Ve Tel Ltd	-	-	-	-	-	-	-
	8,572	106	2,286	862	13,247	6,533	1,953

In compliance with the requirements of IAS 24, the annual compensation received by the members of the Board of Directors is shown below:

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	215	347	562

This table shows the compensation paid for any reason and in 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 will be made available within the time limits prescribed by the law at the registered office of the Company, as well as on the website www.irce.it.

As of 31 December 2016, IRCE SpA had a payable of €/000 313 with respect to its parent company Aequafin SpA for the payment of tax advances due to the application of the national tax consolidation regime.

35. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating.
The reclassification of receivables takes into account any positions subject to renegotiation.

Risk level	Exposure, €/000
Low	7,849
Medium	30,536
Above-average	7,958
High	2,219
Total	48,562

As of 31 December 2016, the breakdown of trade receivables by due date is as follows:

Due date	Amount, €/000
Not yet due	45,859
< 30 days	486
31-60	217
61-90	11
91-120	30
> 120	1,959
Total	48,562

The Fair value of trade receivables corresponds to their nominal exposure.
The bad debt provision, equal to €/000 879, refers to the range between 91-120 and > 120 days.
Please note that there are no customers generating revenue for the Company that exceeds 10% of total revenue.

36. CAPITAL RISK MANAGEMENT

The primary objective in managing the Group's capital is to maintain a solid credit rating and adequate capital ratios in order to support operations and maximise shareholder value.

€/000	31/12/2016	31/12/2015
Net financial indebtedness (A)	36,036	44,756
Shareholders’ equity (B)	141,292	140,947
Total capital (A) + (B) = (C)	177,328	185,703
Gearing ratio (A) / (C)	20.3%	24.1%

37. 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:

€/000	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	567	794	567	794
Other financial assets	544	314	544	314
Financial liabilities				
Current loans	22,714	26,597	22,714	26,597
Non-current loans	13,968	18,963	13,968	18,963

38. DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with Article 149-duodecies of the Consob Issuers' Regulations, shows the compensation for 2016 for auditing services and for other services supplied by the independent auditor or by entities belonging to its network to IRCE S.p.A.

€/000	Entity supplying the service	Compensation for the year 2016
Annual statutory audit	PricewaterhouseCoopers SpA	89

39. EVENTS FOLLOWING THE REPORTING PERIOD

No significant events occurred between 1 January 2017 and the date of preparation of these financial statements.

Imola, 15 March 2017

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

Attachment 1

Certification of the annual separate financial statements of IRCE S.p.A. 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 S.p.A., 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 application

of the administrative and accounting procedures used to prepare the separate financial statements.

In addition, we hereby certify that the annual separate financial statements:

d) are consistent with accounting books and records;
e) are prepared in compliance with international accounting standards and give a true and fair view of the financial position, financial performance and cash flows of the Company;
f) that the Report on Operations contains a reliable analysis of the information pursuant to paragraph 4, Article 154-ter of Italian Legislative Decree No. 58 of 24 February 1998.

Imola, 15 March 2017

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

Attachment 2

List of equity investments in direct subsidiaries

The amounts referring to foreign investees have been translated into Euros using historical exchange rates. Solely for reporting purposes, in the following table, the provision for write-down of equity investments – included in the provision for the coverage of the subsidiaries' losses – was recognised as a deduction from the carrying amount of the equity investments for which it was set aside.

2016 Company	Share capital	Shareholders' equity	Quota of Shareholders' equity A	Result for the year	Quota of result for the year	Book value B	Future charges	Difference (A-B)
FD SIMS ltd	18,173,127	7,128,483	7,128,483	224,362	224,362	8,065,313	0	(936,829)
Smit Draad Nijmegen BV	1,165,761	13,003,154	13,003,154	(1,695,503)	(1,695,503)	7,273,000	0	5,730,154
Isomet AG	674,354	4,388,104	4,388,104	(316,523)	(316,523)	1,434,650	0	2,953,454
IRCE Ltda	57,309,209	41,493,056	41,493,056	1,061,315	1,061,315	56,965,925	0	(15,472,870)
Isolveco SRL	46,440	1,064,865	798,649	1,324	993	194,704	0	603,944
DMG Gmbh	255,646	1,651,937	1,651,937	9,127	9,127	119,526	0	1,532,411
IRCE SL	150,000	(3,267,697)	(3,267,697)	(184,901)	(184,901)	0	(3,267,697)	0
Stable Magnet Wire P.Ltd	2,601,531	(155,068)	(155,068)	(200,795)	(200,795)	0	(155,068)	0
Isodra Gmbh	25,000	(2,382,351)	(2,382,351)	(180,335)	(180,335)	0	(2,382,351)	0
Irce SP.ZO.O	48,156	(15,327)	(15,327)	(46,114)	(46,114)	0	(15,326)	0
IRCE Kablo Ve Tel Ltd	749,181	226,295	226,295	(32,247)	(32,247)	226,295		0
Totale						74,279,414	(5,820,442)	68,458,972

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 DATED 27 JANUARY 2010

To the shareholders of IRCE SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of IRCE SpA and its subsidiaries (hereinafter also the "IRCE Group"), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of IRCE SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree no. 39 dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the IRCE Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the Directors of IRCE SpA, with the consolidated financial statements of the IRCE Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the IRCE Group as of 31 December 2016.

Bologna, 31 March 2017

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."

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 DATED 27 JANUARY 2010

To the shareholders of IRCE SpA

Report on the financial statements

We have audited the accompanying financial statements of IRCE SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of IRCE SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree no. 39 dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of IRCE SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the Directors of IRCE SpA, with the financial statements of IRCE SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of IRCE SpA as of 31 December 2016.

Bologna, 31 March 2017

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."

<u>Irce S.p.A.</u>

Registered office Imola (Bologna) Via Lasie No. 12/B

Share capital € 14,626,560.00 fully paid up

Bologna Companies' Register and Tax Code No. 82001030384 – Economic and Administrative Index (REA) No. 266734

Report of the Board of Statutory Auditors to the Shareholders' Meeting of IRCE S.p.A., pursuant to art. 153 of Italian Legislative Decree 58/98 and art. 2429, paragraph 3 of the Italian Civil Code

Dear Shareholders,

The separate financial statements for the financial year ended 31 December 2016, which are submitted for the approval of the Shareholders' Meeting of this company, show a profit of € 1,456,716.

First, please note that the current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 28 April 2014.

The financial statements, which the Board of Directors submitted to the Board of Statutory Auditors within the time limits prescribed by law, have been prepared in accordance with IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The Directors' Report on Operations outlines the main risks and uncertainties and the outlook of the company.

The Company's Financial Statements include the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, and the

Notes to the Financial Statements. The financial statements are supplemented with the Directors’ Report on Operations.

Pursuant to article 123-bis of the Consolidated Financial Act and to the Rules of the Markets organised and managed by Borsa Italiana S.p.A., the Company has prepared the annual Report on Corporate Governance and Shareholding Structure.

During the financial year ended 31 December 2016, the Board of Statutory Auditors has carried out its supervisory activities in compliance with art. 149 of Italian Legislative Decree 58/98, in accordance with the code of ethics of the Board of Statutory Auditors in companies with shares listed in regulated markets drafted by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Board of Chartered Accountants and Accounting Consultants), as well as CONSOB recommendations concerning accounting audits and the activities of the Board of Statutory Auditors.

In preparing this report, we have taken into consideration CONSOB communications No. 1025564 of 6 April 2001, No. 321582 of 4 April 2003, and No. 6031329 of 7 April 2006 and the guidelines indicated in the Corporate Governance Code, which concern the content of the reports of the Board of Statutory Auditors to the shareholders’ meetings of listed companies.

In particular, the Board has:

- supervised compliance with the Law and the Articles of Association as well as the principles of correct management. On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors believes the company's operations conform to the principles of correct management, have been resolved upon and implemented in compliance with the law and the articles of association, and are in the interest of the company. Moreover, said operations do not appear to be manifestly imprudent, reckless or uninformed. They do not conflict with the resolutions passed by the shareholders' meeting, nor do they appear to compromise the integrity of the company's assets;

- attended meetings of shareholders and the Board of Directors and has obtained from the board members information on the operations and the transactions carried out by the company and its subsidiaries that were most significant to the financial performance, financial position and cash flows;
- supervised to ensure the adequacy of the administrative-accounting system, both on the basis of direct checks and through the periodic exchange of information with the company appointed to perform the statutory audit, from which the Board of Statutory Auditors has not received any reports of errors as defined in art. 155, paragraph 2 of Italian Legislative Decree 58/1998. The Board of Statutory Auditors believes that the administrative-accounting system is adequate for ensuring that the company's operations are presented fairly in the individual and consolidated financial statements;
- obtained information from the Manager responsible for preparing the corporate accounting documents in accordance with the provisions of art. 154-bis of Italian Legislative Decree 58/1998. Said Manager has not reported any particular or significant deficiencies in the operating and control processes such as to question the adequacy and actual application of administrative-accounting procedures for the purpose of presenting fairly the company's financial performance, financial position and cash flows in compliance with international accounting standards;
- liaised with members of the Control and Risks Committee established within the Board of Directors, receiving information from both the internal control manager and the manager responsible for the internal audit (function established on 13 May 2016). As outlined in the Report on Company Governance and the Shareholding Structure, in

compliance with the provisions of the Corporate Governance Code, the Board of Directors assumed responsibility for the Company's internal control. The Chairman of the Board of Statutory Auditors attended the meetings of the Control and Risks Committee;

- gathered information about the activities carried out by the manager responsible for the internal audit during 2016, specifically concerning the control of procedures relating to sales and distribution and purchasing and inventory management.
- took note of the suggestions provided by the Control and Risks Committee to the Board of Directors to improve the efficiency of the internal control system, considering this a priority. In this regard, the company appointed to carry out the statutory audit, in its periodic exchange of information with the Board of Statutory Auditors, has not reported any critical situations with reference to the internal control system, although it stressed the need for improvements;
- supervised – since the Board of Statutory Auditors is not required to carry out an analytical control of the substance of the financial statements' contents – the overall presentation of the financial statements drafted in accordance with IAS/IFRS, as well as compliance with the law concerning their preparation and presentation, and has no remarks to make;
- obtained, during the year, information on the operations of the Supervisory Body as per the organisational, management and control model (Italian Legislative Decree 231/01), as reported also in the Supervisory Body's annual report, issued on 3 March 2017;
- verified that the directors' report on operations for the financial year 2016 complies with applicable laws and regulations, consistently with the resolutions passed by the Board of Directors and the representations in the financial statements. The Board of Statutory Auditors had no remarks to make on the consolidated half-yearly report. The half-yearly

and quarterly reports have been published according to applicable laws and regulations.

- supervised the actual functioning and the effective implementation by the Board of Directors of the procedure for the management and approval of related-party transactions adopted by resolution of 30/11/2010, pursuant to art. 2391 bis of the Italian Civil Code and art. 4 of the Regulation on related-party transactions adopted by the Consob with resolution No. 17221 of 12 March 2010.

The Board of Statutory Auditors has noted that at the meeting of 15 March 2017, the Board of Directors, as recommended in a document dated 3 March 2010, issued jointly by the Bank of Italy/Consob/ISVAP, has certified, independently and prior to approving the draft financial statements, the compliance of impairment testing with IAS 36.

Specifically, the Company tested for impairment the amounts reported by the investees FD Sims LTD, Irce Ltda and Smit Draad Nijmegen BV.

The Notes to the Financial Statements include information on, and the results of, our assessment.

During our supervisory activity, as described above, we found no significant issues to be mentioned in this report.

The statutory audit was performed by the independent auditors "PricewaterhouseCoopers S.p.A.", with which the Board held periodic meetings to exchange information about the operations of the Company and its subsidiaries, also for the purposes of preparing this report by gathering information on the audit report as per articles 14 and 16 of Italian Legislative Decree 39/2010.

The Board of Statutory Auditors took note of the independent auditors' report dated 31 March 2017, issued pursuant to articles 14 and 16 of Italian Legislative Decree 39/2010, acknowledging that, in the opinion of the independent auditors, the separate financial statements of the company and the consolidated financial statements of the group as of 31 December 2016 comply with the International Financial Reporting Standards as endorsed by the European Union and, therefore, are clear and give a true and fair view of the financial position, financial performance and cash flows for the financial year ended on said date. It is also the opinion of the Independent Auditors that the Report on Operations and the information as per paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of art. 123-bis of Italian Legislative Decree 58/1998 contained in the Report on Corporate Governance are consistent with the financial statements.

While auditing the separate and consolidated financial statements of Irce S.p.A., the independent auditors did not find any actions or events to be reported to the Board of Statutory Auditors.

Within the scope of its responsibility, pursuant to art. 153 of the above-mentioned Italian Legislative Decree 58/98 and in accordance with Consob's resolution DEM 1025564 of 6/4/2001, the Board of Statutory Auditors also specifies that:

- it received from Board Members, during both board meetings and the meetings held on a regular basis, detailed and relevant information about the company's operations, and especially the transactions that were most significant to its financial performance, financial position and cash flows;
- the report on operations, the information supplied during the Board of Directors' Meeting, and that received by the company's management and the Independent Auditors did not reveal any atypical and/or unusual transactions, including intra-group or related party transactions;
- during the financial year, neither PricewaterhouseCoopers SpA nor other companies belonging to its network were assigned any duties other than the statutory auditing;
- during the financial year, the Board of Statutory Auditors did not submit any opinions or proposals in accordance with the law;
- during the financial year, the following meetings were held:

1 Shareholders’ Meeting;

8 Meetings of the Board of Directors;

6 Meetings of the Board of Statutory Auditors;

- during 2016 and to date, no claims were made pursuant to art. 2408 of the Italian Civil Code nor did shareholders and/or third parties submit any complaints;
- the Board of Statutory Auditors acts as the “*Internal Control and Audit Committee*”, as defined in art. 19 of Italian Legislative Decree 39/2010; in this regard, based also on the information received from the Chairman of the Board of Directors, the members of the Control and Risks Committee, the Internal Control Manager, and the Independent Auditors, the Board of Statutory Auditors confirms that the internal control system is adequate to the company's size;
- the Board also supervised the adequacy of the orders the company gave to its subsidiaries in accordance with art. 114, paragraph 2, of Italian Legislative Decree 58/98, obtaining information from the Independent Auditors and the company's Directors. It found transactions with subsidiaries to be substantially adequate.

In carrying out its supervision, the Board of Statutory Auditors found no errors, omissions or irregularities to be mentioned in this Report.

The Board of Statutory Auditors does not consider it necessary to exercise the right to make proposals to the Shareholders’ Meeting under art. 153 paragraph two of Italian Legislative Decree 58/1998.

In light of the above, the Board of Statutory Auditors gives its favourable opinion to the approval of the Financial Statements as of 31 December 2016 and has no objections to the Board of Directors' proposal concerning the allocation of the profit for the year 2016.

We wish to remind you that with the approval of the financial statements as of 31/12/2016 our office comes to an end and we invite you to take appropriate measures.

Bologna, 31 March 2017

THE BOARD OF STATUTORY AUDITORS

(Dott. Fabio Senese) ____________________

(Dott. Adalberto Costantini) ____________________

(Dott.ssa Donatella Vitanza) ____________________