



**HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2017**

TABLE OF CONTENTS**HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2017*****Corporate bodies******Interim report on operations******Condensed consolidated half-yearly financial statements as of 30 June 2017***

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

Attachments

Consolidated Income Statement for the second quarter of 2017
Consolidated Statement of Comprehensive Income for the second quarter of 2017

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

CORPORATE BODIES

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

INTERNAL AUDIT

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
 MR GABRIELE FANTI
 MR GIANLUCA PIFFANELLI

(a) Member of the Audit and Risk Committee

(b) Member of the Remuneration Committee

INTERIM REPORT ON OPERATIONS AS OF 30 JUNE 2017

The first half of 2017 for the IRCE Group (henceforth also referred to as the "Group") saw rising revenues with an improvement in margins and profits compared to the first half of 2016.

In the winding wire sector, the trend in revenues saw an improvement compared to the first half of 2016; in particular, we may note the good results achieved by the Brazilian subsidiary and the growth in revenues on the European market, after a weak start to 2017.

There was also a positive trend in revenues in the cable sector with a growth in sales volumes in the second quarter compared to the first, albeit with a drop in the first half compared to the first six months of 2016.

Consolidated turnover totalled € 185.67 million compared to € 153.82 million in the first half of 2017; a 21% increase that was mainly due to the rise in the price of copper.

Turnover without metal¹ increased by 6.7%, the winding wire sector rose by 9.9% and the cable sector decreased by 6.5%.

Consolidated turnover without metal (€/million)	2017 1st half		2016 1st half		Change %
	Value	%	Value	%	
Winding wires	34.4	82.7%	31.3	80.3%	9.9%
Cables	7.2	17.3%	7.7	19.7%	-6.5%
Total	41.6	100.0%	39.0	100.0%	6.7%

The following table shows the changes in results compared to the first half of 2016, including adjusted EBITDA and EBIT:

Consolidated income statement data (€/million)	1st half 2017	1st half 2016	Change
Turnover ²	185.67	153.82	31.85
EBITDA ³	11.93	6.20	5.73
EBIT	5.53	2.34	3.19
Profit before tax	6.20	2.53	3.67
Net profit	3.85	1.20	2.65
Adjusted EBITDA ⁴	12.14	6.86	5.28
Adjusted EBIT ⁴	5.74	3.00	2.74

As of 30 June 2017, net financial debt amounted to € 54.45 million, up from € 36.25 million as of 31 December 2016, thanks to the increase in working capital.

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 respectively calculated as the sum of EBITDA and EBIT and the income/charges from operations on copper derivatives (€ +0.21 million in the first half of 2017 and € +0.66 million in the first half of 2016). These are indicators the Group's Management uses to monitor and assess the operating performance 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 30.06.2017	As of 31.12.2016	Change
Net invested capital	189.98	173.49	16.49
Shareholders' equity	135.53	137.24	(1.71)
Net financial debt ⁵	54.45	36.25	18.20

The increase in the negative amount of the foreign currency translation reserve of € 4.29 million entailed a reduction in consolidated shareholders' equity, though there was a profit in the period.

Investments

Group investments in the first half of 2017 were equal to € 2.13 million and primarily referred to investments made in some European plants.

Primary risks and uncertainties

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

Market risk

The Group is strongly focussed on the European market, the risk of significant falls in demand or a worsening in the competitive scenario may have a major influence on the results. In order to address these risks, the Group's medium-term strategy is of geographical diversification towards non-European markets and constant efficiency gains in operational arrangements.

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, 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 the first half of 2017, after the significant recovery of the Real against the Euro in 2016, the Brazilian currency fell by around 10% from the start of the year.

- *Interest rate risk*

The Group uses short and medium/long-term bank financing at floating rates. The risk of sharp fluctuations in interest rates is not considered significant and therefore the Group does not implement any particular hedging policy.

- *Risks related to fluctuations in prices of raw materials*

The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential effect on margins of changes in the price of copper, the Group implements a hedging policy using forward contracts on the positions generated by operating activities.

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

Financial risks

These are risks associated with financial resources.

- *Credit risk*
Credit risk is not particularly concentrated. The risk is monitored with procedures to assess and assign the individual credit positions. Selected insurance policies are taken out in order to limit insolvency risk.

- *Liquidity risk*
Based on its financial situation, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities. The limited use of the lines of credit suggests that the liquidity risk is not significant.

The Half-Yearly Financial Report does not include all the risk management information required for preparing the annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2016. There were no material changes in risk management and relevant policies adopted by the Group during the period under review.

Outlook

In the winding wire sector, the Group forecasts rising revenues for the whole of 2017; while, in the cable segment, in an essentially weak market, revenues will be in line with those of the previous year. In this context, the Group forecasts further positive results for the second part of the year, albeit below those of the first half.

Imola, 19 September 2017

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	30.06.2017	31.12.2016
NON-CURRENT ASSETS			
Goodwill and other intangible assets	1	940,723	1,827,881
Property, plant and equipment	2	52,182,008	52,627,264
Equipment and other tangible assets	2	1,216,477	1,209,192
Assets under construction and advances	2	1,878,422	4,177,393
Other non-current financial assets and receivables	3	119,667	122,677
Non-current tax receivables	4	811,582	811,582
Deferred tax assets	5	1,892,417	2,470,294
TOTAL NON-CURRENT ASSETS		59,041,296	63,246,283
CURRENT ASSETS			
Inventories	6	79,752,448	72,427,659
Trade receivables	7	92,489,122	75,918,372
Current tax receivables	8	1,753,900	2,442,219
Receivables due from others	9	1,727,541	2,061,055
Current financial assets	10	161,312	543,981
Cash and cash equivalents	11	7,001,336	7,775,737
TOTAL CURRENT ASSETS		182,885,659	161,169,023
TOTAL ASSETS		241,926,955	224,415,306

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2017	31.12.2016
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	14,626,560	14,626,560
RESERVES	12	117,311,438	122,288,345
PROFIT FOR THE PERIOD	12	3,853,784	54,676
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		135,791,782	136,969,581
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(257,496)	266,216
TOTAL SHAREHOLDERS' EQUITY		135,534,286	137,235,797
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	11,464,293	13,968,266
Deferred tax liabilities	5	255,396	289,176
Provisions for risks and charges	14	2,428,870	2,434,053
Employee benefits provisions	15	5,902,299	6,027,372
TOTAL NON-CURRENT LIABILITIES		20,050,858	22,718,867
CURRENT LIABILITIES			
Current financial liabilities	16	50,061,788	30,132,677
Trade payables	17	23,895,427	24,991,819
Tax payables	18	3,545,033	1,340,080
Social security contributions		1,813,849	2,147,394
Other current liabilities	19	7,025,714	5,848,672
TOTAL CURRENT LIABILITIES		86,341,811	64,460,642
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		241,926,955	224,415,306

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

CONSOLIDATED INCOME STATEMENT

	Notes	30.06.2017	30.06.2016
Sales revenues	20	185,671,914	153,815,606
Other income	20	307,910	497,026
TOTAL REVENUES		185,979,824	154,312,632
Costs for raw materials and consumables	21	(148,518,149)	(117,836,535)
Change in inventories of work in progress and finished goods		9,420,261	2,113,871
Costs for services	22	(17,603,947)	(15,831,108)
Personnel costs	23	(16,648,713)	(16,157,154)
Depr./Amort. and impairment of tangible and intangible assets	24	(4,009,816)	(2,808,028)
Provisions and write-downs	25	(2,390,793)	(1,055,051)
<i>(of which: non-recurring)</i>		<i>(1,830,000)</i>	
Other operating costs	26	(697,729)	(401,952)
EBIT		5,530,938	2,336,675
Financial income/(charges)	27	673,247	196,123
PROFIT/(LOSS) BEFORE TAX		6,204,185	2,532,798
Income taxes	28	(2,874,113)	(1,333,460)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		3,330,072	1,199,338
Non-controlling interests		(523,712)	936
RESULT OF IRCE GROUP		3,853,784	1,198,402

Earnings (Loss) per share

- basic earnings/(loss) for the period attributable to ordinary shareholders of the Parent Company	29	0.1442	0.0448
- diluted earnings/(loss) for the period attributable to ordinary shareholders of the Parent Company	29	0.1442	0.0448

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.06.2017	30.06.2016
€/000		
GROUP AND THIRD PARTIES RESULT	3,330	1,199
Foreign currency translation difference	(4,289)	5,723
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	(4,289)	5,723
Net profit / (loss) - IAS 19	77	(488)
Income taxes	(18)	127
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	59	(361)
Total profit / (loss) from statement of comprehensive income, net of taxes	(4,230)	5,362
Total comprehensive profit / (loss), net of taxes	(899)	6,562
Ascribable to:		
Shareholders of the parent company	(376)	6,561
Minority shareholders	(524)	1

With regard to the items of the consolidated statement of comprehensive income, refer to note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Retained earnings						Shareholders' equity of group	Minority interest	Total shareholders' equity	
	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency transaction reserve	Legal reserve	Extraordinary reserve	Actuarial reserve	Undivided profit	Result for the period				
€/000															
Balance as of 31 december 2015	14,627	(716)	40,539	306	45,924	(19,250)	2,925	30,885	(1,125)	13,505	2,949	130,569	266	130,834	
Result for the year															
Other comprehensive profit/(loss)						5,723			(361)		1,198	1,198	1	1,199	
Total profit/(loss) from statement of comprehensive income						5,723			(361)		1,198	6,561	1	6,562	
Allocation of the result of the previous year								2,725		224	(2,949)	(803)		(803)	
Other movements								(803)				(64)		(64)	
Dividends		(18)		(46)											
Balance as of 30 june 2016	14,627	(734)	40,539	260	45,924	(13,527)	2,925	32,808	(1,486)	13,729	1,198	136,263	267	136,530	
Result for the year															
Other comprehensive profit/(loss)						1,780			72		(1,143)	709	(1)	(1)	
Total profit/(loss) from statement of comprehensive income						1,780			72		(1,143)	709	(1)	708	
Shares buy back				(2)								(2)		(2)	
Balance as of 31 december 2016	14,627	(734)	40,539	258	45,924	(11,747)	2,925	32,808	(1,414)	13,729	55	136,970	266	137,236	
Result for the year															
Other comprehensive profit/(loss)						(4,289)			59		3,854	3,854	(524)	3,330	
Total profit/(loss) from statement of comprehensive income						(4,289)			59		3,854	(376)	(524)	(899)	
Allocation of the result of the previous year								1,457		(1,402)	(55)	(803)		(803)	
Dividends								(803)							
Balance as of 30 june 2017	14,627	(734)	40,539	258	45,924	(16,036)	2,925	33,461	(1,355)	12,327	3,854	135,792	(258)	135,534	

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	30.06.2017	30.06.2016
<i>€/000</i>			
OPERATING ACTIVITIES			
Profit for the year		3,854	1,198
<i>Adjustments for:</i>			
Amortization/depreciation	24	3,110	2,808
Goodwill writedown		900	-
Net change in (assets) provision for (advance) deferred taxes	5	544	(329)
(gains)/losses from sell-off of fixed assets		(2)	(13)
(gains)/losses on unrealized translation differences		186	292
Taxes	28	2,420	1,341
Financial income/(charge)	27	(796)	(840)
Operating profit/(loss) before change in working capital		10,215	4,458
Taxes paid		(332)	(358)
Decrease (increase) in inventory	6	(7,325)	1,862
(Increase) decrease in current assets and liabilities		(15,870)	(5,352)
(increase) decrease in non-current assets and liabilities		(131)	999
Exchange difference on translation of financial statement in foreign currency		(2,688)	2,858
CASH FLOW GENERATED BY OPERATING ACTIVITIES		(16,131)	4,468
INVESTING ACTIVITIES			
Investments in intangible assets	1	(46)	(11)
Investments in tangible assets	2	(2,087)	(2,037)
Amount collected from sale of tangible and intangible assets		15	20
CASH FLOW USED IN INVESTMENTS		(2,118)	(2,028)
FINANCIAL ACTIVITIES			
Net change in loans	13	(2,504)	(5,992)
Net change in short-term debt	16	19,929	4,524
Exchange difference on translation of financial statement in foreign currency		373	(255)
Change in current financial assets	10	383	(211)
Payment of interest		(527)	(589)
Receipt of interest		1,324	1,429
Change in minority shareholders' capital		(524)	1
Change in translation of financial statements in foreign currency with effects in shareholders' equity		59	140
Dividends paid		(803)	(803)
Sell/purchase own shares		0	(64)
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		17,709	(1,820)
NET CASH FLOW FOR THE PERIOD		(540)	621
CASH BALANCE AT START OF YEAR	11	7,776	5,402
TOTAL NET CASH FLOW FOR THE PERIOD		(540)	621
EXCHANGE DIFFERENCE		(235)	135
CASH BALANCE AT THE END OF YEAR	11	7,001	6,158

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

GENERAL INFORMATION

The IRCE Group's Half-Yearly Financial Report as of 30 June 2017, was drafted by the Board of Directors of IRCE SpA (henceforth also referred to as the "Company" or the "Parent Company") on 19 September 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.

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

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

GENERAL DRAFTING CRITERIA

The Half-Yearly Financial Report has been prepared in compliance with IAS 34 "Interim Financial Reporting", pursuant to the provisions for the condensed interim financial statements, and based on Article 154 ter of the Italian Consolidated Financial Act. The Half-Yearly Financial Report does not therefore include all the information required for preparing the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

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

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

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

ACCOUNTING STANDARDS

Accounting standards adopted to prepare the half-yearly financial report as of 30 June 2017 are the same as those used to prepare the consolidated financial statements as of 31 December 2016 to which reference should be made for further details.

Amendments and interpretations effective as of 1 January 2017 concern issues that are not discussed in or relevant to the consolidated financial statements.

Main effects on future years of the accounting standards that have still not been applied

In relation to the effects on the financial statements of future years from the coming into force of IFRS 16, below is an update of the analysis carried out in-house, while no significant impacts on the financial statements are expected from the coming into force, as from 1 January 2018, of IFRS 9 and IFRS 15.

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating leases – Incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease".

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all the leases in the financial statements on the basis of a single model similar to that used to account for finance leases in accordance with IAS 17. IFRS 16 will come into force for annual accounting periods beginning on or after 1 January 2019. Early application is allowed, but not before the entity has adopted IFRS 15. A lessee can either apply the standard with full retrospective effect or an adjusted retrospective approach.

The Group is analysing the impacts that the application of this standard will have on the financial statements.

USE OF ESTIMATES

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

BASIS OF CONSOLIDATION

There have been no changes to the basis of consolidation compared to that mentioned in the consolidated financial statements as of 31/12/2016.

The following table shows the list of companies included in the scope of consolidation as of 30 June 2017:

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%	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 154,129,223	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

In 2017, a share capital increase of the subsidiary IRCE Ltda amounting to Real/000 1,894 (equal to €/000 500) has been carried out, which was fully subscribed and paid up by the parent company IRCE SPA. This operation had no effects on the consolidated financial statements.

DIVIDENDS

The following table shows the dividends paid by IRCE SPA to its Shareholders:

€/000	30/06/2017	30/06/2016
<i>Resolved and paid during the period</i>		
Ordinary share dividends	803	803
2017 dividend: 0.03 cents (2016: 0.03 cents)	803	803

FINANCIAL RISK MANAGEMENT

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

DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward purchase and sale transactions with maturity after 30 June 2017. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of copper forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of hedge accounting.

The summary is set out below:

Measurement unit of the notional amount	Notional amount with maturity within one year (tons)	Notional amount with maturity after one year (tons)	Result with fair value measurement as of 30/06/2017 €/000
Tons	1,525		85

- Derivative instruments related to USD forward purchase contracts and to GBP forward sales contracts with maturity after 30 June 2017. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of cash flow hedge accounting

The summary is set out below:

Measurement unit of the notional amount	Notional amount with maturity within one year €/000	Notional amount with maturity after one year €/000	Result with fair value measurement as of 30/06/2017 €/000
USD/Purchases	1,500		(5)
GBP/Sales	4,000		63

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 June 2017 - €/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	56			64	120
Current financial assets					
Trade receivables	92,489				92,489
Current tax receivables	1,754				1,754
Receivables due from others	1,720				1,670
Current financial assets	13	148			161
Cash and cash equivalents	7,001				7,001
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 30 June 2017 - €/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	11,464				11,464
Current financial liabilities					
Trade payables	23,895				23,895
Other payables	12,384				12,384
Financial payables	50,057	(5)			50,062
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	12,385				12,385
Financial payables	30,133				30,133

FAIR VALUE

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

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

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

The following tables show the assets and liabilities that are measured at fair value as of 30 June 2017 and as of 31 December 2016 broken down by level of fair value hierarchy (€/000):

30/06/17	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	148	-	148
AFS	-	-	-	-
Total assets	-	148	-	148
Liabilities:				
Derivative financial instruments	-	(5)	-	(5)
Total liabilities	-	(5)	-	(5)
31/12/16	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 first half of 2017, 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. Not allocated revenues refer to revenues from the sale of other materials and services that cannot be classified within the two types of products sold.

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

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

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

Revenues by product

€/000	1st half 2017				1st half 2016			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	157,591	28,065	16	185,672	126,127	27,686	3	153,816

Revenues by geographical area

€/000	1st half 2017				1st half 2016			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	61,147	84,920	39,606	185,672	53,728	70,202	29,886	153,816

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 31/12/16	79	29	189	1,531	1,828
<i>Changes during the period</i>					
. Investments	45	1	-	-	46
. Effect of exchange rates	(4)	(1)	-	-	(5)
. Reclassifications	-	-	-	-	-
. Write-downs	-	-	-	(900)	(900)
. Amortisation	(25)	(3)	-	-	(28)
Total changes	16	(3)	-	(900)	(887)
Net carrying amount as of 30/06/17	95	26	189	631	941

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

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

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

The goodwill recognised in the financial statements refers to the Cash Generating Unit Smit Draad Nijmegen BV.

This goodwill, the value of which was reduced by €/000 500 at 31 December 2016 following the impairment test, was further written down by €/000 900 at 30 June 2017, taking account of the negative performance of the Dutch subsidiary which, in the first half of 2017, performed significantly below the forecasts of the 2017-2021 Business Plan.

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.

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 31/12/16	11,855	17,022	23,750	777	432	4,177	58,014
<i>Changes during the period</i>							
. Investments	-	5	957	267	3	855	2,087
. Effect of exchange rates	(98)	(448)	(1,179)	(8)	-	(1)	(1,734)
. Reclassifications	-	19	3,134	-	-	(3,153)	-
. Divestments	-	-	(859)	-	-	-	(859)
. Depreciation related to disposals	-	-	851	-	-	-	851
. Depreciation of the period	-	(591)	(2,237)	(177)	(77)	-	(3,082)
Total changes	(98)	(1,015)	667	82	(74)	(2,299)	(2,737)
Net carrying amount as of 30/06/17	11,757	16,007	24,417	859	358	1,878	55,277

Such investments in the first half of 2017 were equal to € 2.1 million and primarily refer to investments made in European plants.

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/06/2017	31/12/2016
- Equity investments in other companies	64	66
- Other receivables	56	57
Total	120	123

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 SPA.

5. DEFERRED TAX ASSETS AND LIABILITIES

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

€/000	30/06/2017	31/12/2016
- Deferred tax assets	1,892	2,470
- Deferred tax liabilities	(255)	(289)
Total deferred tax assets (net)	1,637	2,181

The changes for the period are shown below:

€/000	30/06/2017	31/12/2016
Deferred tax assets (net) as of 1 January	2,181	1,514
Exchange rate differences	(86)	296
Income statement effect	(440)	255
Shareholders' equity effect	(18)	116
Deferred tax assets (net) as of 30 June	1,637	2,181

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 tax jurisdiction:

Deferred tax assets - €/000	30/06/2017	31/12/2016
- Amortisation/depreciation IRCE Ltda	53	53
- Allocations to Provisions for risks and charges	456	495
- Allocations to the taxed Bad debt provision	174	177
- Tax losses which can be carried forward	780	1,732
- Intra-group margin	58	98
- Provision for inventory obsolescence	751	751
- IAS 19 reserve	347	367
- Other	110	173
Total	2,729	3,846

The table below shows the changes in deferred tax assets:

	Taxed Provisions	Tax losses carried forward	Other	Total
Balance as of 31.12.2016	1,423	1,732	691	3,846
Income statement effect	(42)	(861)	(105)	(1,008)
Statement of financial position effect			(18)	(18)
Exchange rate difference		(91)		(91)
Balance as of 30.06.2017	1,381	780	568	2,729

Deferred tax liabilities - €/000	30/06/2017	31/12/2016
Amortisation/depreciation	56	56
- Foreign exchange gains	-	3
- IAS capital gains on buildings	96	97
- IAS capital gains on land	413	413
- Effect of tax depreciation of Isomet AG building	256	283
- Effect of tax inventory difference of Isomet AG	271	280
- Effect of tax depreciation of Smit Draad Nijmegen	-	196
- Effect of tax inventory difference of Smit Draad Nijmegen	-	337
Total	1,092	1,665

Changes are as follows:

	Amortisation/ Depreciation	IAS land and buildings	ISOMET AG effect	Smit Draad Nijmegen effect	Other	Total
Balance as of 31.12.2016	56	510	563	533	3	1,665
Income statement effect		(1)	(31)	(533)	(3)	(568)
Statement of financial position effect						
Exchange rate difference			(5)			(5)
Balance as of 30.06.2017	56	509	527	-	-	1,092

6. INVENTORIES

Inventories are broken down as follows:

€/000	30/06/2017	31/12/2016
- Raw materials, ancillary and consumables	23,752	24,592
- Work in progress and semi-finished goods	16,068	7,651
- Finished products and goods	42,861	43,064
- Provision for write-down of raw materials	(1,982)	(1,982)
- Provision for write-down of finished products and goods	(947)	(897)
Total	79,752	72,428

Inventories are not pledged nor used as collateral.

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

The table below shows the changes in provisions for write-down of inventories during the first half of 2017:

€/000	31/12/2016	Allocations	Uses	30/06/2017
Provision for write-down of raw materials	1,982	-	-	1,982
Provision for write-down of finished products and goods	897	50	-	947
Total	2,879	50		2,929

7. TRADE RECEIVABLES

€/000	30/06/2017	31/12/2016
- Customers/Bills receivable	95,365	76,864
- Bad debt provision	(2,876)	(946)
Total	92,489	75,918

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

The increase in trade receivables compared to 31/12/2016 is mainly due to a lower use of non-recourse factoring services.

The table below shows the changes in the bad debt provision during the first half of 2017:

€/000	31/12/2016	Allocations	Uses	30/06/2017
Bad debt provision	946	2,101	(171)	2,876

The amount of €/000 2,101 refers for €/000 1,830 to non-recurring allocations relating to the subsidiary Isoleveco Srl.

8. CURRENT TAX RECEIVABLES

The item was broken down as follows:

€/000	30/06/2017	31/12/2016
- Receivables for income taxes	78	747
- VAT receivables	82	168
- VAT receivables and taxes for IRCE Ltda	1,566	1,309
- Other receivables due from tax authorities	28	218
Total	1,754	2,442

9. RECEIVABLES DUE FROM OTHERS

The item was broken down as follows:

€/000	30/06/2017	31/12/2016
- Accrued income and prepaid expenses	272	163
- Receivables due from INPS	58	61
- Other receivables	1,398	1,837
Total	1,728	2,061

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

10. OTHER CURRENT FINANCIAL ASSETS

€/000	30/06/2017	31/12/2016
- Mark to Market copper forward transactions	85	465
- Mark to Market USD forward transactions	-	20
- Mark to Market GBP forward transactions	63	48
- Fixed deposit for LME transactions	13	11
Total	161	544

The item "Mark to Market copper forward transactions" refers to the Mark to Market (Fair Value) measurement of copper forward contracts outstanding as of 30/06/2017 of the Parent Company IRCE SPA.

The item "Mark to Market GBP forward transactions" refers to the Mark to Market (Fair Value) measurement of GBP forward sale contracts outstanding as of 30/06/2017 of the Parent Company IRCE SPA.

The item "Fixed deposit for LME transactions" refers to the margin calls lodged with brokers for copper forward transactions on the LME (London Metal Exchange).

11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	30/06/2017	31/12/2016
- Bank and postal deposits	6,978	7,758
- Cash and cash equivalents	23	18
Total	7,001	7,776

Short-term bank deposits are remunerated at floating rates. Bank deposits outstanding as of 30 June 2017 are not subject to constraints or restrictions.

12. SHAREHOLDERS' EQUITY

Share capital

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

Here below is the breakdown of Reserves:

€/000	30/06/2017	31/12/2016
- Own shares (share capital)	(734)	(734)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	258	258
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(16,035)	(11,747)
- Legal reserve	2,925	2,925
- Extraordinary reserve	33,461	32,808
- IAS 19 reserve	(1,355)	(1,414)
- Undistributed profits	12,327	13,729
Total	117,311	122,288

Own Shares

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

Own shares as of 30 June 2017 amounted to 1,411,774 and corresponded to 5.02% of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
Balance as of 01.01.2016	26,716
Share issue	-
Share buyback	-
Balance as of 30.06.2017	26,716
<i>Share premium reserve</i>	

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

The item "Other reserves" refers mainly to:

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

Foreign currency translation reserve

This reserve represents the value accounting differences which result from the foreign currency translation of the financial statements prepared by the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd, IRCE Kablo Ve Tel Ltd, and IRCE Sp.zo.o by using the official exchange rate as of 30 June 2017. The negative change in the reserve is mainly due to the depreciation 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 as of 31.12.2016	(1,414)
Actuarial measurement	77
Tax effect on actuarial measurement	(18)
Balance as of 30.06.2017	(1,355)

Undistributed profits

The reserve for undistributed profits primarily refers to the subsidiaries' retained earnings.

The distribution of the reserves and profits of subsidiaries is not planned.

Profit for the period

The profit attributable to the Group, net of the portion attributable to non-controlling interests, totalled €/000 3,854.

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

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

Profit attributable to non-controlling interests

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

13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	30/06/2017	31/12/2016	Due date
Banco Popolare	EUR	Floating	IRCE SPA	1,326	2,207	2019
CARISBO	EUR	Floating	IRCE SPA	7,000	8,000	2020
Banca di Imola	EUR	Floating	IRCE SPA	3,138	3,761	2020
Total				11,464	13,968	

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges were broken down as follows:

€/000	31/12/2016	Allocations	Uses	30/06/2017
Provisions for risks and disputes	2,152	531	(535)	2,148
Provision for severance payments to agents	282	-	(1)	281
Total	2,434	531	(536)	2,429

The allocations of €/000 184 is primarily attributable to the Parent Company IRCE SPA for the risk of returns of packaging and reels that were invoiced with a repurchase commitment.

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	30/06/2017	31/12/2016
Employee benefits provision as of 01.01.2017	6,027	5,735
Financial charges	32	90
Actuarial (gains)/losses	(77)	404
Service cost	95	193
Payments	(151)	(396)
Effect of exchange rates	(24)	1
Employee benefits provision as of 30.06.2017	5,902	6,027

The Provision includes €/000 4,432 related to the Parent Company IRCE SpA, €/000 1,355 related to the Swiss subsidiary ISOMET AG, and €/000 115 related to the Italian subsidiary Isolveco Srl.

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

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

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

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:

	30/06/2017	31/12/2016
Annual discount rate	1.08%	0.86%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of employee termination indemnities	2.625%	2.625%

The IBOXX 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 IAS 19.

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

€/000	DBO change as of 30/06/2017
Inflation rate +0.25%	4,493
Inflation rate -0.25%	4,371
Discount rate +0.25%	4,335
Discount rate -0.25%	4,532
Turnover rate +1%	4,404
Turnover rate -1%	4,463

Service cost: 0.00

Duration of the plan: 9.5

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 30/06/2017
Inflation rate -0.25%	1,379
Inflation rate +0.25%	1,332
Discount rate -0.25%	1,151
Discount rate +0.25%	1,544
Turnover rate -0.25%	1,417
Turnover rate +0.25%	1,290

Service cost with +0.25% discount rate: €/000 188

Service cost with +0.25% turnover rate: €/000 207

Duration of the plan: 17.9.

16. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

€/000	30/06/2017	31/12/2016
- Payables due to banks	50,057	30,133
- Mark to Market USD forward transactions	5	-
Total	50,062	30,133

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

€/000	30/06/2017	31/12/2016
Cash	7,001	7,776
Other current financial assets	77	79*
Liquid assets	7,078	7,855
Current financial liabilities	(50,062)	(30,133)
Net current financial debt	(42,984)	(22,278)
Non-current financial liabilities	(11,464)	(13,968)
Non-current financial debt	(11,464)	(13,968)
Net financial debt	(54,448)	(36,246)

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

17. TRADE PAYABLES

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

As of 30 June 2017, they totalled €/000 23,895, compared to €/000 24,992 as of 31 December 2016.

18. TAX PAYABLES

The item was broken down as follows:

€/000	30/06/2017	31/12/2016
- VAT payables	1,714	743
- Payables due for income taxes	1,443	96
- Employee IRPEF (personal income tax) payables	352	357
- Other payables	36	144
Total	3,545	1,340

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

The increase in the VAT payable is primarily due to the Parent Company IRCE SPA and is linked to the increase in sales volumes.

19. OTHER CURRENT LIABILITIES

Other payables were broken down as follows:

€/000	30/06/2017	31/12/2016
- Payables due to employees	4,217	3,342
- Deposits received from customers	1,638	1,515
- Accrued liabilities and deferred income	370	53
- Other payables	801	939
Total	7,026	5,849

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

20. REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the first six months of 2017 amounted to €/000 185,672, up 20.7% compared to the previous year (€/000 153,816). For additional details, see the note on segment reporting.

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

21. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, of which the most significant are copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 899).

22. COSTS FOR SERVICES

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

€/000	30/06/2017	30/06/2016	Change
- External processing	2,998	3,011	(13)
- Utility expenses	7,958	6,828	1,130
- Maintenance	898	679	219
- Transportation expenses	2,478	2,396	82
- Payable fees	138	198	(60)
- Compensation of Statutory Auditors	33	44	(11)
- Other services	2,971	2,538	433
- Costs for the use of third-party goods	130	137	(7)
Total	17,604	15,831	1,773

Utility expenses increased mainly as a result of higher energy costs in Italy and Brazil. Specifically, in Italy, a 9% rise in the energy unit cost (MWh) took place, whereas in Brazil the increase is attributable to higher energy consumption as a result of higher production levels.

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

23. PERSONNEL COSTS

Personnel costs are detailed as follows:

€/000	30/06/2017	30/06/2016	Change
- Salaries and wages	11,781	11,048	733
- Social security charges	2,883	2,745	138
- Retirement costs for defined contribution and defined benefit plans	731	700	31
- Other costs	1,254	1,664	(410)
Total Personnel Cost	16,649	16,157	492

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

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

Personnel	Average 1st half 2017	30/06/2017	31/12/2016
- Executives/Managers	21	20	20
- White collars	170	166	172
- Blue collars	549	560	541
Total	739	748	733

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

The total number of employees as of 30 June 2017 was 748 people.

24. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

Here is the breakdown of amortisation/depreciation:

€/000	30/06/2017	30/06/2016	Change
- Amortisation of intangible assets	28	42	(14)
- Depreciation of tangible assets	3,082	2,766	316
- Write-down of goodwill of Smit Draad Nijmegen BV	900	-	900
Total amortisation/depreciation	4,010	2,808	1,202

The goodwill of the subsidiary Smit Draad Nijmegen BV, of €/000 900, was partially written down following results well below the forecasts of the Business Plan 2017-2021.

25. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	30/06/2017	30/06/2016	Change
- Write-downs of receivables	2,101	760	1,341
- Provisions for risks	290	295	(5)
Total provisions and write-downs	2,391	1,055	1,336

The amount of €/000 2,101 refers for €/000 1,830 to the non-recurring provision relating to the subsidiary Isolveco Srl.

26. OTHER OPERATING COSTS

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

27. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	30/06/2017	30/06/2016	Change
- Other financial income	1,324	1,429	(105)
- Interest and financial charges	(528)	(589)	61
- Foreign exchange gains/(losses)	(123)	(644)	521
Total	673	196	477

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

€/000	30/06/2017	30/06/2016	Change
- Income from LME derivatives	214	661	(447)
Total	214	661	(447)

28. INCOME TAXES

€/000	30/06/2017	30/06/2016	Change
- Current taxes	(2,420)	(1,341)	(1,079)
- Deferred tax assets/(liabilities)	(454)	8	(462)
Total	(2,874)	(1,333)	(1,541)

29. EARNINGS PER SHARE

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

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

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

	30/06/2017	30/06/2016
Net profit/(loss) attributable to Shareholders of the Parent Company	3,853,784	1,198,402
Average weighted number of ordinary shares used to calculate basic earnings per share	26,716,226	26,717,226
Basic Earnings (Loss) per share	0.1442	0.0448
Diluted Earnings (Loss) per share	0.1442	0.0448

30. RELATED PARTY DISCLOSURES

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

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	108	174	282

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

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

As of 30 June 2017, the Group Parent Company 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.

31. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating:

<i>Risk level</i>	<i>Exposure, €/000</i>
Low	46,249
Medium	29,024
Above-average	16,263
High	3,829
Total	95,365

As of 30 June 2017, the breakdown of trade receivables by due date is as follows:

<i>Due date</i>	<i>Amount, €/000</i>
Not yet due	89,783
< 30 days	1,096
31-60	117
61-90	316
91-120	83
> 120	3,970
Total	95,365

32. 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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
<i>Financial assets</i>				
Cash and cash equivalents	7,001	7,776	7,001	7,776
Other financial assets	161	544	161	544
<i>Financial liabilities</i>				
Current loans	50,057	30,133	50,057	30,133
Non-current loans	11,464	13,968	11,464	13,968
Other financial liabilities	5	-	5	-

33. EVENTS AFTER THE REPORTING PERIOD

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

Attachment

CONSOLIDATED INCOME STATEMENT FOR THE 2nd QUARTER OF 2017 AND 2016

	2nd quarter 2017 (*)	2nd quarter 2016 (*)
Revenues	93,191,052	75,984,858
Other revenues and income	189,870	328,239
TOTAL REVENUES	93,380,922	76,313,097
Costs for raw materials and consumables	(75,082,151)	(57,674,903)
Change in inventories of work in progress and finished goods	6,407,924	1,363,648
Costs for services	(8,767,121)	(7,891,376)
Personnel costs	(8,492,446)	(8,338,649)
Amortisation/Depreciation	(2,535,521)	(1,436,238)
Provisions and write-downs	(2,244,546)	(903,214)
Other operating costs	(234,488)	(19,516)
EBIT	2,432,573	1,412,849
Financial income and charges	101,346	(46,619)
PROFIT BEFORE TAX	2,533,919	1,366,230
Income taxes	(1,752,869)	(679,044)
PROFIT BEFORE NON-CONTROLLING INTERESTS	781,050	687,186
Non-controlling interests	(524,327)	(986)
NET PROFIT FOR THE PERIOD	1,305,377	688,172

(*) Unaudited

Attachment

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2° quarter 2017 (*)	2° quarter 2016 (*)
€/000		
GROUP AND THIRD PARTIES RESULT	781	687
Foreign currency translation difference	(4,938)	5,162
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	(4,938)	5,162
Net profit / (loss) - IAS 19	77	(488)
Income taxes	(18)	127
Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period	59	(361)
Total profit / (loss) from statement of comprehensive income, net of taxes	(4,879)	4,801
Total comprehensive profit / (loss), net of taxes	(4,098)	5,489
Ascribable to:		
Shareholders of the parent company	(3,573)	5,490
Minority shareholders	(524)	(1)

(*) Unaudited

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

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

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

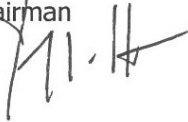
of the administrative and accounting procedures used to prepare the half-yearly financial statements.

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

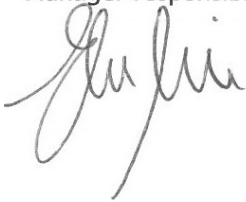
- a) are consistent with accounting books and records;
- b) are prepared in compliance with IASs and give a true and fair view of the financial position, financial performance and cash flows of the Issuer as well as of the group of companies included within the scope of consolidation; and
- c) that the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

Imola, 19 September 2017

Filippo Casadio
Chairman



Elena Casadio
Manager responsible for preparing the corporate accounting documents





REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of IRCE SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of IRCE SpA (hereinafter also the “Company”) and its subsidiaries (the “IRCE Group”) as of June 30, 2017, comprising the balance sheet, the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, cashflow statement and related notes. The Directors of IRCE SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 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



2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, September 25, 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. References in this report to the financial statements refer to the financial statements in original Italian and not to any their translation.”