



**INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2017**

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

## CORPORATE BODIES

### BOARD OF DIRECTORS

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

### BOARD OF STATUTORY AUDITORS

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

### INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

### INTERNAL CONTROL MANAGER

MR FABRIZIO BIANCHIMANI

### SUPERVISORY BODY

MR FRANCESCO BASSI  
 MR GABRIELE FANTI  
 MR GIANLUCA PIFFANELLI

(a) Member of the Control and Risks Committee

(b) Member of the Remuneration Committee

## REPORT ON OPERATIONS

In the first nine months of 2017, IRCE Group (hereinafter also the "Group") recorded an increase in both revenues and margins compared to the same period of 2016.

In the winding wire sector, revenues improved compared to the first nine months of 2016; in the third quarter, the volume growth recorded in the first part of the year was confirmed. In the cable sector, the trend of revenues was also positive: sales volumes further improved, reducing the negative gap vis-a-vis the previous year.

Consolidated turnover amounted to € 268.80 million, compared to € 221.59 million in the first nine months 2016, the increase of 21% was largely due to the rise in copper prices.

The turnover without metal<sup>1</sup> increase by 7.0%, in detail the winding wire sector increase by 9.6% while the cable sector recorded a contraction of 3.1%.

Consolidated turnover without metal (€/million)	9 months 2017		9 months 2016		Change
	Value	%	Value	%	%
Winding wires	48.91	81.2%	44.63	79.2%	9.6%
Cables	11.35	18.8%	11.71	20.8%	-3.1%
<b>Total</b>	<b>60.26</b>	<b>100.0%</b>	<b>56.34</b>	<b>100.0%</b>	<b>-7.0%</b>

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

Consolidated income statement data (€/million)	9 months 2017	9 months 2016	Change
Sales <sup>2</sup>	268.80	221.59	47.21
EBITDA <sup>3</sup>	15.44	7.76	7.68
EBIT	7.45	2.40	5.05
Result before taxes	7.42	2.78	4.64
Net result	4.63	1.39	3.24
EBITDA adjusted <sup>4</sup>	14.98	8.62	6.36
EBIT adjusted <sup>4</sup>	6.99	3.26	3.73

<sup>1</sup> Turnover without metal corresponds to overall turnover after deducting the metal component.

<sup>2</sup> The item "Sales" represents "Revenues" as stated on the consolidated income statement.

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

<sup>4</sup> Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the income/charges from operations on copper derivatives transactions (€ -0.46 million in nine months 2017 and € +0.86 million in nine months 2016). These indicators are used by the Management of the Group in order to monitor and assess the operational performance of the Group and are not identified as accounting items within IFRS. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group could potentially not be consistent with that adopted by others and therefore not be comparable.

Consolidated statement of financial position data (€/million)	As of 30.09.2017	As of 31.12.2016	Change
Net invested capital	189.46	173.49	15.97
Shareholders' Equity	136.06	137.24	(1.18)
Net financial debt <sup>5</sup>	53.40	36.25	17.15

Consolidated net financial debt, at the end of September 2017, was € 53.40 million up from € 36.25 million at the end of 2016, thanks to increase in working capital.

The increase of the negative amount of the foreign currency translation reserve of € 4.53 million entailed a reduction in consolidated shareholders' equity, albeit there was a profit in the period.

The Group's investments in the first nine months 2017 were € 4.13 million and were referred to investments made in some European plants.

In the winding wire sector, the growth forecast for the full year 2017 is confirmed; while in the cable segment, where the market is still weak, revenues will be in line with those of the previous year. In this context, the Group expects to close the full year 2017 with a further improvement in results compared with the first nine months.

Imola, 10<sup>th</sup> November 2017

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Note</b>	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
<b>NON - CURRENT ASSETS</b>				
Goodwill and intangibles assets	1	983,661	940,723	1,827,881
Property, plant and machinery	2	51,643,000	52,182,008	52,627,264
Equipment and other tangible other assets	2	1,330,642	1,216,477	1,209,192
Fixed assets under construction and on account	2	2,448,937	1,878,422	4,177,393
Other non-current financial assets and receivables	3	119,237	119,667	122,677
Non-current tax receivables	4	811,582	811,582	811,582
Deferred taxes assets	5	1,820,456	1,892,417	2,470,294
<b>TOTAL NON- CURRENT ASSETS</b>		<b>59,157,515</b>	<b>59,041,296</b>	<b>63,246,283</b>
<b>CURRENT ASSETS</b>				
Inventories	6	80,824,184	79,752,448	72,427,659
Trade receivables	7	92,855,690	92,489,122	75,918,372
Current tax receivables	8	1,250,631	1,753,900	2,442,219
Receivables due from others	9	1,433,420	1,727,541	2,061,055
Current financial assets	10	42,409	161,312	543,981
Cash and cash equivalent	11	5,219,984	7,001,336	7,775,737
<b>TOTAL CURRENT ASSETS</b>		<b>181,626,318</b>	<b>182,885,659</b>	<b>161,169,023</b>
<b>TOTAL ASSETS</b>		<b>240,783,833</b>	<b>241,926,955</b>	<b>224,415,306</b>

<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
<b>SHAREHOLDERS' EQUITY</b>				
SHARE CAPITAL	12	14,626,560	14,626,560	14,626,560
RESERVES	12	117,064,956	117,311,438	122,288,345
PROFIT FOR THE PERIOD	12	4,631,383	3,853,784	54,676
<b>TOTAL SHAREHOLDERS' EQUITY OF THE GROUP</b>		<b>136,322,899</b>	<b>135,791,782</b>	<b>136,969,581</b>
<b>MINORITY INTEREST</b>		<b>(265,626)</b>	<b>(257,496)</b>	<b>266,216</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>136,057,273</b>	<b>135,534,286</b>	<b>137,235,797</b>
<b>NON CURRENT LIABILITIES</b>				
Non-current financial liabilities	13	12,330,824	11,464,293	13,968,266
Deferred tax liabilities	5	242,313	255,396	289,176
Provision for risks and charges	14	2,378,632	2,428,870	2,434,053
Employee benefits' provision		5,858,042	5,902,299	6,027,372
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,809,811</b>	<b>20,050,858</b>	<b>22,718,867</b>
<b>CURRENT LIABILITIES</b>				
Current financial liabilities	15	46,668,786	50,061,788	30,132,677
Trade payables	16	25,140,436	23,895,427	24,991,819
Tax payables	17	3,996,462	3,545,033	1,340,080
Social security contributions		1,703,488	1,813,849	2,147,394
Other current liabilities	18	6,407,577	7,025,714	5,848,672
<b>TOTAL CURRENT LIABILITIES</b>		<b>83,916,749</b>	<b>86,341,811</b>	<b>64,460,642</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>240,783,833</b>	<b>241,926,955</b>	<b>224,415,306</b>

**CONSOLIDATED INCOME STATEMENT**

	Note	30.09.2017	30.09.2016	III quarter 2017	III quarter 2016
Sales revenues	19	268,796,123	221,590,611	83,124,209	67,775,005
Other income	19	445,792	654,471	137,882	157,445
<b>TOTAL REVENUES</b>		<b>269,241,915</b>	<b>222,245,082</b>	<b>83,262,091</b>	<b>67,932,450</b>
Cost for raw material and consumables	20	(212,138,404)	(164,737,997)	(63,620,255)	(46,901,462)
Change in work in progress and finished goods		7,501,674	(3,273,448)	(1,918,587)	(5,387,319)
Cost for services	21	(24,342,285)	(22,921,234)	(6,738,338)	(7,090,126)
Personnel costs	22	(23,744,233)	(22,995,988)	(7,095,520)	(6,838,834)
Depreciation/Amortisation and impairment of fixed assets	23	(5,566,473)	(4,304,029)	(1,556,657)	(1,496,001)
Provisions and write-downs	24	(2,427,545)	(1,062,485)	(36,752)	(7,434)
<i>(of which: non-recurring)</i>		<i>(1,830,000)</i>			
Other operating costs	25	(1,075,491)	(551,306)	(377,762)	(149,353)
<b>EBIT</b>		<b>7,449,158</b>	<b>2,398,595</b>	<b>1,918,220</b>	<b>61,920</b>
Financial incomes / (charges)	26	(29,358)	383,946	(702,605)	187,823
<b>PROFIT / (LOSS) BEFORE TAXES</b>		<b>7,419,800</b>	<b>2,782,541</b>	<b>1,215,615</b>	<b>249,743</b>
Income taxes	27	(3,320,259)	(1,394,390)	(446,146)	(60,930)
<b>RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS</b>		<b>4,099,541</b>	<b>1,388,151</b>	<b>769,469</b>	<b>188,813</b>
Non-controlling interests		531,842	(614)	8,130	322
<b>RESULT OF IRCE GROUP</b>		<b>4,631,383</b>	<b>1,387,537</b>	<b>777,599</b>	<b>189,135</b>



<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
€/000		
<b>PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST</b>	<b>4,100</b>	<b>1,388</b>
Foreign currency translation difference	(4,536)	5,147
<b>Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period</b>	<b>(4,536)</b>	<b>5,147</b>
Net profit / (loss) - IAS 19	77	(488)
Income taxes	(18)	127
<b>Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period</b>	<b>59</b>	<b>(361)</b>
<b>Total profit / (loss) from statement of comprehensive income, net of taxes</b>	<b>(4,477)</b>	<b>4,786</b>
<b>Total comprehensive profit / (loss), net of taxes</b>	<b>(377)</b>	<b>6,174</b>
Ascribable to:		
Shareholders of the parent company	<b>154</b>	<b>6,173</b>
Minority shareholders	<b>(532)</b>	<b>1</b>

With regard to the items of consolidated statement of comprehensive income, please 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															
<b>Balance as of 31 december 2015</b>	<b>14,627</b>	<b>(716)</b>	<b>40,539</b>	<b>306</b>	<b>45,924</b>	<b>(19,250)</b>	<b>2,925</b>	<b>30,885</b>	<b>(1,125)</b>	<b>13,505</b>	<b>2,949</b>	<b>130,569</b>	<b>266</b>	<b>130,834</b>	
<b>Result for the year</b>											1,388	1,388	1	1,389	
Other comprehensive profit/(loss)						5,147			(361)			4,786		4,786	
<b>Total profit/(loss) from statement of comprehensive income</b>						<b>5,147</b>			<b>(361)</b>		<b>1,388</b>	<b>6,173</b>	<b>1</b>	<b>6,174</b>	
Allocation of the result of the previous year								2,725		224	(2,949)				
Other movements								(802)				(802)		(802)	
Dividends		(18)		(46)								(64)		(64)	
<b>Balance as of 30 september 2016</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>260</b>	<b>45,924</b>	<b>(14,103)</b>	<b>2,925</b>	<b>32,808</b>	<b>(1,486)</b>	<b>13,729</b>	<b>1,388</b>	<b>135,876</b>	<b>267</b>	<b>136,143</b>	
<b>Balance as of 31 december 2016</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>258</b>	<b>45,924</b>	<b>(11,747)</b>	<b>2,925</b>	<b>32,808</b>	<b>(1,414)</b>	<b>13,729</b>	<b>55</b>	<b>136,970</b>	<b>266</b>	<b>137,236</b>	
<b>Result for the year</b>											4,631	4,631	(532)	4,099	
Other comprehensive profit/(loss)						(4,536)			59			(4,477)		(4,477)	
<b>Total profit/(loss) from statement of comprehensive income</b>						<b>(4,536)</b>			<b>59</b>		<b>4,631</b>	<b>154</b>	<b>(532)</b>	<b>(377)</b>	
Allocation of the result of the previous year								1,457		(1,402)	(55)	0		0	
Dividends								(803)				(803)		(803)	
<b>Balance as of 30 september 2017</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>258</b>	<b>45,924</b>	<b>(16,282)</b>	<b>2,925</b>	<b>33,461</b>	<b>(1,355)</b>	<b>12,327</b>	<b>4,631</b>	<b>136,323</b>	<b>(266)</b>	<b>136,057</b>	

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	30.09.2017	30.09.2016
<i>€/000</i>			
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>4,631</b>	<b>1,388</b>
<i>Adjustments for:</i>			
Amortization/depreciation	23	4,666	4,304
		900	0
Net change in (assets) provision for (advance) deferred taxes	5	603	(339)
(gains)/losses from sell-off of fixed assets		0	(17)
(gains)/losses on unrealized translation differences		0	(264)
Taxes	27	2,825	1,415
Financial income/(charge)	26	(421)	(1,200)
Operating profit/(loss) before change in working capital		<b>13,205</b>	<b>5,288</b>
Taxes paid		(332)	(1,249)
Decrease (increase) in inventory	6	(8,397)	9,307
(Increase) decrease in current assets and liabilities		(14,691)	(3,757)
(increase) decrease in non-current assets and liabilities		(230)	835
Exchange difference on translation of financial statement in foreign currency		0	2,686
<b>CASH FLOW GENERATED BY OPERATING ACTIVITIES</b>		<b>(10,445)</b>	<b>13,107</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	1	(109)	(24)
Investments in tangible assets	2	(4,017)	(2,610)
Amount collected from sale of tangible and intangible assets		26	26
<b>CASH FLOW USED IN INVESTMENTS</b>		<b>(4,100)</b>	<b>(2,608)</b>
<b>FINANCIAL ACTIVITIES</b>			
Net change in loans	13	(1,637)	(8,054)
Net change in short-term debt	15	16,536	(1,693)
Exchange difference on translation of financial statement in foreign currency		(2,350)	445
Change in current financial assets	10	502	(157)
Payment of interest		(1,029)	(680)
Receipt of interest		1,450	1,879
Change in minority shareholders' capital		(532)	1
Change in translation of financial statements in foreign currency with effects in shareholders' equity		59	(68)
Dividends paid		(803)	(803)
Sell/purchase own shares		-	(64)
<b>CASH FLOW GENERATED FROM FINANCIAL TRANSACTION</b>		<b>12,195</b>	<b>(9,194)</b>
<b>NET CASH FLOW FOR THE PERIOD</b>		<b>(2,350)</b>	<b>1,304</b>
CASH BALANCE AT START OF YEAR	11	7,776	5,402
TOTAL NET CASH FLOW FOR THE PERIOD		(2,350)	1,304
EXCHANGE DIFFERENCE		(206)	(350)
CASH BALANCE AT THE END OF YEAR	11	5,220	6,356

## NOTES TO THE INTERIM REPORT ON OPERATION

### GENERAL INFORMATION

The Board of Directors authorized this Interim report of 30 September 2017, to be published on 10<sup>th</sup> November 2017.

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

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

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

### GENERAL DRAFTING CRITERIA

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

The consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group annual financial statements at December 31, 2016.

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

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

- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items "by nature";
- the cash flow statement has been prepared, how requested by IAS 7, showing the flows during the period classified by operating, investing and financing. Cash flows from operating activities are presented using the "indirect method".

### ACCOUNTING

The Interim Report has been prepared using the accounting principles and criteria adopted in the preparation of the consolidated financial statements at December 31, 2016.

#### Evaluation usage

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

## CONSOLIDATION PRINCIPLES

The following table shows the list of companies included in the scope of consolidation as of 30 September 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	75.0%	Italy	€ 46,440	line by line
DMG GmbH	100%	Germany	€ 255,646	line by line
IRCE SL	100%	Spain	€ 150,000	line by line
IRCE Ltda	100%	Brasile	Real 157.894.223	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 5,659 (equal to €/000 1,500) 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.

## DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward purchase and sale transactions with maturity after 30 September 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 hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts related to commodities (copper) for forward sales and purchases, in force on 30 September 2017, is shown below:

Measurement unit of the notional value	Notional value with maturity within one year (tons)	Notional value with maturity after one year	Result with fair value measurement as of 30/09/2017 - €/000
Tons	2,350	-	(336)

- Derivative instruments related to GBP forward sales contracts with maturity after 30 September 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	Result with fair value measurement as of 30/09/2017 €/000
GBP/ Sales	4,000	-	29

**FINANCIAL INSTRUMENTS BY CATEGORY**

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

As of 30 September 2017 - €/000	Loans and receivables	Derivatives with a balancing entry in the Income Statement	Derivatives with a balancing entry in shareholders' equity	AFS	Total
<b>Non-current financial assets</b>					
Non-current tax receivables	812				812
Non-current financial assets and receivables	58			61	119
<b>Current financial assets</b>					
Trade receivables	92,856				92,856
Current tax receivables	1,251				1,251
Receivables due from others	1,433				1,433
Current financial assets	13	29			42
Cash and cash equivalents	5,220				5,220
<b>As of 31 December 2016 - €/000</b>					
<b>Non-current financial assets</b>					
Non-current tax receivables	812				812
Non-current financial assets and receivables	57			66	123
<b>Current financial assets</b>					
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
<b>As of 30 September 2017- €/000</b>	<b>Other financial liabilities</b>	<b>Derivatives with a balancing entry in the Income Statement</b>	<b>Derivatives with a balancing entry in shareholders' equity</b>		<b>Total</b>
<b>Non-current financial liabilities</b>					
Financial payables	12,331				12,331
<b>Current financial liabilities</b>					
Trade payables	25,140				25,140
Other payables	12,108				12,108
Financial payables	46,333	336			46,669

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
<b>Non-current financial liabilities</b>				
Financial payables	13,968			13,968
<b>Current financial liabilities</b>				
Trade payables	24,992			24,992
Other payables	9,336			9,336
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.

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

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

The following tables highlight the assets and liabilities that are measured at fair value as of 30 September 2017 and as of 31 December 2016 in terms of hierarchical level of fair value measurement (€/000):

30/09/2017	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative financial instruments	-	29	-	29
AFS	-	-	-	-
Total assets	-	29	-	29
<b>Liabilities:</b>				
Derivative financial instruments	-	(336)	-	(336)
Total liabilities	-	(336)	-	(336)
31/12/2016	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative financial instruments	-	148	-	148
AFS	-	-	-	-
Total assets	-	148	-	148
<b>Liabilities:</b>				
Derivative financial instruments	-	(5)	-	(5)
Total liabilities	-	(5)	-	(5)

During the nine months there were no transfers between the three fair value levels specified in IFRS 7.

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

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Fixed assets in progress	Goodwill	Total
Net carrying amount as of 31/12/2016	79	29	189	1,531	1,828
<i>Changes during the period</i>					
. Investments	108	1	-	-	109
. Effect of exchange rates	(4)	(2)	-	-	(6)
. Depreciation	-	-	-	(900)	(900)
. Amortisations	(44)	(3)	-	-	(47)
<b>Total changes</b>	<b>60</b>	<b>(4)</b>	<b>-</b>	<b>(900)</b>	<b>(844)</b>
Net carrying amount as of 30/09/2017	139	25	189	631	984

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

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

The 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 September 2017, taking account of the negative performance of the Dutch subsidiary which, in the first nine months 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	Fixed assets under construction and advances	Total
Net carrying amount as of 31/12/2016	11,855	17,022	23,750	777	432	4,177	58,014
<i>Changes during the period</i>							
. Investments	-	270	1,732	420	128	1,467	4,017
. Effect of exchange rates	(175)	(584)	(1,199)	(13)	-	(3)	(1,974)
. Reclassifications	-	19	3,173	-	-	(3,192)	-
. Divestments	-	-	(889)	(2)	(53)	-	(944)
. Depreciation related to disposals	-	-	875	1	53	-	929
. Depreciation of the period	-	(914)	(3,293)	(291)	(121)	-	(4,619)
Total changes	(175)	(1,209)	399	115	7	(1,728)	(2,591)
Net carrying amount as of 30/09/2017	11,680	15,813	24,149	892	439	2,449	55,423

The Group's investments in the first nine months of 2017 were € 4.02 million and mainly refer to investments made at European factories.

## 3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/09/2017	30/06/2017	31/12/2016
- Equity investments in other companies	61	64	66
- Other receivables	58	56	57
Total	119	120	123

## 4. NON-CURRENT TAX RECEIVABLES

This item refers for €/000 812 to the tax credit related to the 2007-2011 IRES (corporate income tax) reimbursement claim, in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011, of the parent company IRCE SpA.

## 5. DEFERRED TAXES ASSETS AND LIABILITIES

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

€/000	30/09/2017	30/06/2017	31/12/2016
- Deferred tax assets	1,820	1,892	2,470
- Deferred tax liabilities	(242)	(255)	(289)
Total deferred tax assets (net)	1,578	1,637	2,181

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

## 6. INVENTORIES

Inventories is detailed below:

€/000	30/09/2017	30/06/2017	31/12/2016
- Raw materials, ancillary and consumables	26,284	23,752	24,592
- Work in progress and semi-finished goods	15,573	16,068	7,651
- Finished products and goods	41,846	42,861	43,064
- Provisions for write-down of raw materials	(1,982)	(1,982)	(1,982)
- Provisions for write-down of finished products	(897)	(947)	(897)
Total	80,824	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 nine months 2017:

€/000	31/12/2016	Allocations	Uses	30/09/2017
Provisions for write-down of raw materials	1,982	-	-	1,982
Provisions for write-down of finished products and goods	897	50	(50)	897
Total	2,879	50	(50)	2,879

## 7. TRADE RECEIVABLES

€/000	30/09/2017	30/06/2017	31/12/2016
- Customers/bills receivable	95,639	95,365	76,864
- Bad debts provision	(2,783)	(2,876)	(946)
Total	92,856	92,489	75,918

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

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

€/000	31/12/2016	Allocations	Uses	30/09/2017
Bad debt provision	946	2,137	(300)	2,783

The amount of €/000 2,137 refers for €/000 1,830 to non-recurring allocations relating to the subsidiary Isolveco Srl.

## 8. CURRENT TAX RECEIVABLES

The item is detailed as follows:

€/000	30/09/2017	30/06/2017	31/12/2016
- Receivables due from income taxes	113	78	747
- VAT receivables	110	82	168
- VAT receivables and taxes for IRCE Ltda	1,022	1,566	1,309
- Other receivables from tax authorities	6	28	208
Total	1,251	1,754	2,442

## 9. RECEIVABLES DUE FROM OTHERS

The item is detailed as follows:

€/000	30/09/2017	30/06/2017	31/12/2016
- Accrued income and prepaid expenses	204	272	163
- Receivables due from social security institutions	55	58	61
- Other receivables	1,174	1,398	1,837
Total	1,433	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	30/09/2017	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	29	63	48
- Fixed deposit for LME transactions	13	13	11
Total	42	161	544

The item "Mark to Market GBP forward transactions" refers to the Mark to Market (Fair Value) measurement of GBP forward sales contracts outstanding as of 30/09/2017 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 EQUIVALENT

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

€/000	30/09/2017	30/06/2017	31/12/2016
- Bank deposits	5,203	6,978	7,758
- Cash on hand and valuables	17	23	18
<b>Total</b>	<b>5,220</b>	<b>7,001</b>	<b>7,776</b>

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

## 12. SHAREHOLDERS' EQUITY

### Share capital

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

Here below is the breakdown of reserves:

€/000	30/09/2017	30/06/2017	31/12/2016
- Own shares (share capital)	(734)	(734)	(734)
- Share premium reserve	40,539	40,539	40,539
- Own shares (share premium)	258	258	258
- Other reserves	45,924	45,924	45,924
- Foreign currency translation reserve	(16,280)	(16,034)	(11,747)
- Legal reserve	2,925	2,925	2,925
- Extraordinary reserve	33,461	33,461	32,808
- IAS 19 reserve	(1,355)	(1,355)	(1,414)
- Undistributed profit	12,327	12,327	13,729
<b>Total</b>	<b>117,065</b>	<b>117,311</b>	<b>122,288</b>

### Own Shares

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

Own shares as of 30 September 2017 amounted to n.1,411,774 and correspond to 5.02% of the share capital.

### Share premium reserve

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

The item "Other reserves" refers mainly to:

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

#### Foreign currency translation reserve

This reserve represents the value accounting differences which result from the foreign currency translation of the financial statements prepared by the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd and IRCE Kablo Ve Tel Ltd and IRCE Sp.zo.o by using the official exchange rate as of 30 September 2017. The change in the reserve is mainly due to the appreciation of the Brazilian real to the euro.

#### Extraordinary reserve

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

#### IAS 19 reserve

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

#### Undistributed profit

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

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

#### Profit for the period

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 4,631.

### SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

#### Capital and reserves attributable to non-controlling interests

This amount refers to the quota of shareholders' equity of investee companies consolidated with the line-by-line method and pertaining to non-controlling interests.

#### Profit attributable to non-controlling interests

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

### 13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	30/09/2017	30/06/2017	31/12/2016	Expiration
Banco Popolare	EUR	Floating	IRCE SPA	884	1,326	2,207	2019
CARISBO	EUR	Floating	IRCE SPA	6,000	7,000	8,000	2020
Banca di Imola	EUR	Floating	IRCE SPA	2,514	3,138	3,761	2020
NAB	CHF	Floating	Isomet AG	2,933	-	-	2017
<b>Total</b>				<b>12,331</b>	<b>11,464</b>	<b>13,968</b>	

## 14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are detailed below:

€/000	31/12/2016	Allocations	Uses	30/09/2017
Provisions for risks and disputes	2,152	290	(349)	2,093
Provision for severance payments to agents	282	3	-	285
<b>Total</b>	<b>2,434</b>	<b>293</b>	<b>(349)</b>	<b>2,379</b>

## 15. CURRENT FINANCIAL LIABILITIES

The current financial liabilities are detailed below:

€/000	30/09/2017	30/06/2017	31/12/2016
- Payables due to banks	46,333	50,057	30,133
- Payables due for derivative contracts	336	5	-
<b>Total</b>	<b>46,669</b>	<b>50,062</b>	<b>30,133</b>

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

€/000	30/09/2017	30/06/2017	31/12/2016
Cash	5,220	7,001	7,776
Other current financial assets	42	77	79*
<b>Liquid assets</b>	<b>5,262</b>	<b>7,078</b>	<b>7,855</b>
Current financial liabilities	(46,333)*	(50,062)	(30,133)
<b>Net current financial debt</b>	<b>(41,071)</b>	<b>(42,984)</b>	<b>(22,278)</b>
Non-current financial liabilities	(12,331)	(11,464)	(13,968)
<b>Non-current financial debt</b>	<b>(12,331)</b>	<b>(11,464)</b>	<b>(13,968)</b>
<b>Net financial debt</b>	<b>(53,402)</b>	<b>(54,448)</b>	<b>(36,246)</b>

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

## 16. TRADE PAYABLES

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

As of 30 September 2017, they amount to €/000 25,140, compared to €/000 24,992 as of 31 December 2016.

## 17. TAX PAYABLES

The item is detailed as follows:

€/000	30/09/2017	30/06/2017	31/12/2016
- VAT payables	1,451	1,714	743
- Payables due for income taxes	2,299	1,443	96
- Employee IRPEF	206	352	357
- Other payables	40	36	144
<b>Total</b>	<b>3,996</b>	<b>3,545</b>	<b>1,340</b>

## 18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/09/2017	30/06/2017	31/12/2016
- Payables due to employees	3,969	4,217	3,342
- Deposits received from customers	1,568	1,638	1,515
- Accrued liabilities and deferred income	399	370	53
- Other payables	472	801	939
<b>Total</b>	<b>6,408</b>	<b>7,026</b>	<b>5,849</b>

## COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

### 19. REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the none months of 2017 amounted to €/000 268,796, shows an increase of 21,3% compared to the previous year (€/000 221,591).

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

### 20. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, of which the most significant are those represented by copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 2,140).

### 21. COSTS FOR SERVICES

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

€/000	30/09/2017	30/09/2016	III° quarter 17	III° quarter 16
- External manufacturing	4,223	4,124	1,225	1,113
- Utility expenses	10,580	9,965	2,622	3,137
- Maintenance	1,384	1,073	486	394
- Transportation expenses	3,547	3,463	1,069	1,067
- Payable fees	179	279	41	81
- Compensation of Statutory Auditors	50	66	17	22
- Other services	4,184	3,721	1,213	1,183
- Costs for the use of third- party goods	195	230	65	93
<b>Total</b>	<b>24,342</b>	<b>22,921</b>	<b>6,738</b>	<b>7,090</b>

Utility expenses increased mainly as a result of higher energy consumption in Brazil due to at the higher production.

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

## 22. PERSONNEL COST

Personnel cost is detailed as follows:

€/000	30/09/2017	30/09/2016	III° quarter 17	III° quarter 16
- Salaries and wages	16,411	15,762	4,630	4,714
- Social security charges	4,234	3,994	1,351	1,249
- Retirement costs for defined contribution plans	1,062	1,027	331	327
- Other costs	2,037	2,213	784	549
<b>Total Personnel Cost</b>	<b>23,744</b>	<b>22,996</b>	<b>7,096</b>	<b>6,839</b>

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

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

Personnel	Average 9 months 2017	30/09/2017	31/12/2016
- Executives	21	22	20
- White collars	170	169	172
- Blue collars	550	558	541
<b>Total</b>	<b>741</b>	<b>749</b>	<b>733</b>

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

The total number of employees as of 30 September 2017 was 749 people.

## 23. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

Depreciation is as follows:

€/000	30/09/17	30/09/16	III° quarter 17	III° quarter 16
- Intangible asset depreciation	47	67	19	25
- Tangible asset depreciation	4,619	4,237	1,538	1,471
- Write-down of goodwill of Smit Draad Nijmegen BV	900	-	-	-
<b>Total</b>	<b>5,566</b>	<b>4,304</b>	<b>1,557</b>	<b>1,496</b>



## 24. PROVISIONS AND WRITE-DOWNS

Allocations and write-downs are detailed as follows:

€/000	30/09/17	30/09/16	III° quarter 17	III° quarter 16
- Write-downs of receivables	2,138	737	37	(23)
- Allocations for risks	290	325	-	30
Total allocations and write-downs	2,428	1,062	37	7

## 25. OTHER OPERATING COSTS

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

## 26. FINANCIAL INCOMES AND CHARGES

Financial income and charges were broken down as follows:

€/000	30/09/17	30/09/16	III° quarter 17	III° quarter 16
- Other financial income	1,450	1,880	125	451
- Interest and financial charges	(1,029)	(680)	(501)	(91)
- Foreign exchange gains / (losses)	(450)	(816)	(327)	(172)
Total	(29)	384	(703)	188

The following table outlines income and charges from derivatives (already included in the balances of the table above):

€/000	30/09/17	30/09/16	III° quarter 17	III° quarter 16
- Income from LME derivatives	-	855	-	194
- Charges from LME derivatives	(455)	-	(669)	-
Total	(455)	855	(669)	194

## 27. INCOME TAXES

€/000	30/09/17	30/09/16	III° quarter 17	III° quarter 16
- Current taxes	(2,824)	(1,414)	(405)	(73)
- Deferred taxes	(496)	20	(41)	12
Total	(3,320)	(1,394)	(446)	(61)

## 28. RELATED PARTY DISCLOSURES

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

€/000	Compensation for office held	Compensation for other tasks	Total
Directors	162	261	423

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

Following the introduction of Article 123-ter of the Consolidated Financial Act, further details on these amounts are provided in the Remuneration Report which will be made available as well as on the website [www.irce.it](http://www.irce.it).

As of 30 September 2017, the Group Parent Company IRCE SPA had a receivable of €/000 270 with respect to its parent company Aequafin SPA for the payment of tax advances due to the application of the national tax consolidation regime.

### **30. EVENTS FOLLOWING THE REPORTING PERIOD**

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

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

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