



**INTERIM REPORT ON OPERATIONS AT 31<sup>st</sup> MARCH 2018**

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Certification pursuant to Article 154-*bis* of Italian Legislative Decree 58/1998

**CORPORATE BODIES**
**BOARD OF DIRECTORS**

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

**BOARD OF STATUTORY AUDITORS**

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STANDING STATUTORY AUDITOR	MS	DONATELLA VITANZA
SUBSTITUTE STATUTORY AUDITOR	MR	GIANFRANCO ZAPPI
SUBSTITUTE STATUTORY AUDITOR	MS	CLAUDIA MARESCA

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers SpA

**RISK CONTROL COMMITTEE**

MS GIGLIOLA DI CHIARA  
 MR GIANFRANCO SEPRIANO  
 MR ORFEO DALLAGO

**REMUNERATION COMMITTEE**

MS FRANCESCA PISCHEDDA  
 MR GIANFRANCO SEPRIANO  
 MR ORFEO DALLAGO

**INTERNAL AUDITOR**

MR FABRIZIO BIANCHIMANI

**SUPERVISORY BODY**

MR FRANCESCO BASSI  
 MR GABRIELE FANTI  
 MR GIANLUCA PIFFANELLI

**INTERIM REPORT ON OPERATIONS AT 31 MARCH 2018**

IRCE Group's first quarter 2018 (hereinafter the "Group") closed with an increase of revenues and margins with respect to the same period of 2017.

Sales in the winding wire sector are lower than those recorded in the first quarter of 2017. There was a slowdown in European market demand and, in particular, in the power transformer industry.

In the cable sector, revenues continue to increase; their growth started in the second half of 2017 after the introduction of the regulation CPR (Construction Products Regulation). This increase is mainly due to the different product mix sold and the rebuilding of stocks of the electrical material distributors.

Consolidated turnover increased by 2%, from € 92.48 million in the first quarter of 2017 to € 94.21 million in the same period of 2018.

The consolidated turnover without metal<sup>1</sup> increased by 1.9%; the winding wires sector decreased by 5.3%, while the cables recorded an increase of 38.8%.

In detail:

Consolidated turnover without metal (€/million)	2018 1 <sup>st</sup> quarter		2017 1 <sup>st</sup> quarter		Change
	Value	%	Value	%	%
Winding wires	16.19	77.9%	17.09	83.8%	-5.3%
Cables	4.58	22.1%	3.30	16.2%	38.8%
<b>Total</b>	<b>20.77</b>	<b>100.0%</b>	<b>20.39</b>	<b>100.0%</b>	<b>1.9%</b>

The following table reports the results of the first quarter of 2018, compared with those of the first three months of 2017, including the adjusted values of EBITDA and EBIT.

Consolidated income statement data (€/million)	1 <sup>st</sup> quarter 2018	1 <sup>st</sup> quarter 2017	Change
Turnover <sup>2</sup>	94.21	92.48	1.73
EBITDA <sup>3</sup>	5.66	4.72	0.94
EBIT	3.70	3.10	0.60
Profit before taxes	4.78	3.67	1.11
Net result	2.96	2.55	0.41
Adjusted EBITDA <sup>4</sup>	6.80	4.94	1.86
Adjusted EBIT <sup>4</sup>	4.84	3.32	1.52

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

<sup>2</sup> The item "Turnover" represents the "Revenues" reported in the income statement.

<sup>3</sup> EBITDA is a performance indicator used by the Management of the Group in order to assess the operating performance of the company and is not identified as an accounting item within IFRS; it is calculated by IRCE S.p.A. by adding amortisation/depreciation, allocations and write-downs to EBIT.

<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 (€ +1.14 million in the first quarter 2018 and € +0.22 million in the first quarter 2017). These indicators are used by the Management of the Group in order to monitor and assess the operational performance of the Group and are not identified as accounting items within IFRS. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group could potentially not be consistent with that adopted by others and therefore not be comparable.

Consolidated net financial debt, at 31<sup>st</sup> March 2018, was € 58.68 million, up from € 54.12 million at the end of 2017, mainly due to the increase in net working capital.

Consolidated statement of financial position data (€/million)	As of 31.03.2018	As of 31.12.2017	Change
Net capital employed	192.91	186.52	6.39
Shareholders' equity	134.23	132.40	1.83
Net financial debt <sup>5</sup>	58.68	54.12	4.56

The Group's investments, in first quarter 2018, were € 2.79 million and mostly concerned the plants in Europe.

Although the first quarter shows a slowdown in the winding wire sector, the Group expects, for 2018, a demand higher than in 2017. The management's objectives remain focused on the reduction of costs and recovering efficiency.

Imola, 14<sup>th</sup> May 2018

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**

(Euros)

<b>ASSETS</b>	<b>Notes</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>NON- CURRENT ASSETS</b>			
Goodwill and intangibles assets	1	382,200	347,598
Property, plant and equipment	2	48,942,228	50,766,941
Equipment and other tangible assets	2	1,516,611	1,537,464
Assets under construction and advance	2	4,702,096	2,211,025
Non-current financial assets and receivables	3	125,704	120,767
Non-current tax receivables	4	811,582	811,582
Deferred tax assets	5	1,418,867	1,661,765
<b>TOTAL NON -CURRENT ASSETS</b>		<b>57,899,288</b>	<b>57,457,142</b>
<b>CURRENT ASSETS</b>			
Inventory	6	87,007,817	82,376,132
Trade receivables	7	97,359,308	89,473,689
Current tax receivables	8	938,832	-
Receivables due from other	9	2,104,866	2,602,975
Current financial assets	10	411,007	13,180
Cash and cash equivalents	11	7,652,062	7,752,434
<b>TOTAL CURRENT ASSETS</b>		<b>195,473,892</b>	<b>182,218,410</b>
<b>TOTAL ASSETS</b>		<b>253,373,180</b>	<b>239,675,552</b>

<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL	12	14,626,560	14,626,560
RESERVES	12	117,002,061	113,437,366
RESULT OF THE PERIOD	12	2,961,429	4,685,238
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>134,590,050</b>	<b>132,749,164</b>
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		<b>(356,056)</b>	<b>(350,085)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>134,233,994</b>	<b>132,399,079</b>
<b>NON -CURRENT LIABILITIES</b>			
Non-current financial liabilities	13	15,219,867	11,966,839
Deferred tax liabilities	5	247,572	254,630
Provisions for risks and charges	14	2,502,169	2,337,016
Employee benefits' provisions		5,632,527	5,719,819
<b>TOTAL NON- CURRENT LIABILITIES</b>		<b>23,602,135</b>	<b>20,278,304</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	15	51,125,412	50,678,998
Trade payables	16	30,401,563	24,687,869
Tax payables	17	2,886,270	1,518,262
Social security contributions		1,737,591	2,099,038
Other current liabilities	18	9,386,215	8,014,002
<b>TOTAL CURRENT LIABILITIES</b>		<b>95,537,051</b>	<b>86,998,169</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>253,373,180</b>	<b>239,675,552</b>

**CONSOLIDATED INCOME STATEMENT**

(Euros)

	Notes	31.03.2018	31.03.2017
Sales revenues	19	94,207,132	92,480,862
Other income		209,732	118,040
<b>TOTAL REVENUES</b>		<b>94,416,864</b>	<b>92,598,902</b>
Cost of raw material and consumable	20	(79,823,012)	(73,435,998)
Change in inventories of work in progress and finished good		7,366,932	3,012,337
Cost for services		(7,799,224)	(8,836,826)
Personnel cost	21	(8,182,760)	(8,156,267)
Amortisation/Depreciations	22	(1,670,445)	(1,474,295)
Provisions and write-downs	23	(289,900)	(146,247)
Other operating costs		(320,634)	(463,241)
<b>EBIT</b>		<b>3,697,821</b>	<b>3,098,365</b>
Financial incomes / (charges)	24	1,082,674	571,901
<b>PROFIT BEFORE TAXES</b>		<b>4,780,495</b>	<b>3,670,266</b>
Income Taxes	25	(1,825,037)	(1,121,244)
<b>PROFIT BEFORE NON-CONTROLLING INTERESTS</b>		<b>2,955,458</b>	<b>2,549,022</b>
Non-controlling interest		5,971	(615)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>2,961,429</b>	<b>2,548,407</b>

Earnings (loss) per share (EPS)

- basic EPS ascribable to ordinary shareholders of the parent company	26	0.111	0.095
- diluted EPS ascribable to ordinary shareholders of the parent company	26	0.111	0.095



<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
€/000		
<b>PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST</b>	<b>2,955</b>	<b>2,549</b>
Foreign currency translation difference	(977)	649
<b>Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period</b>	<b>(977)</b>	<b>649</b>
<b>Total other profit / (loss); net of tax which may be subsequently reclassified to profit / (loss) for the period</b>	<b>(977)</b>	<b>649</b>
<b>Total comprehensive profit / (loss), net of taxes</b>	<b>1,980</b>	<b>3,198</b>
Ascribable to:		
Shareholders of the parent company	<b>1,985</b>	<b>3,197</b>
Minority shareholders	<b>(6)</b>	<b>1</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital		Other reserves			Retained earnings						Total	Minority interest	Total shareholders' equity	
	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency transaction reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Undivided profit	Result for the period				
€/000															
<b>Balance as of 31 december 2016 - Restated</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>258</b>	<b>45,924</b>	<b>(11,746)</b>	<b>2,925</b>	<b>31,827</b>	<b>(1,414)</b>	<b>13,327</b>	<b>(178,000)</b>	<b>135,352</b>	<b>(273)</b>	<b>135,081</b>	
<b>Result for the period</b>											2,548	2,548	1	2,549	
Other comprehensive profit/(loss)						649						649		649	
<b>Total profit / (loss) from statement of comprehensive income</b>						<b>649</b>					<b>2,548</b>	<b>3,197</b>	<b>1</b>	<b>3,198</b>	
Allocation of the result of the previous year										(178)	178				
<b>Balance as of 30 march 2017</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>258</b>	<b>45,924</b>	<b>(11,096)</b>	<b>2,925</b>	<b>31,827</b>	<b>(1,414)</b>	<b>13,149</b>	<b>2,548</b>	<b>138,549</b>	<b>(272)</b>	<b>138,279</b>	
<b>Balance as of 31 december 2017</b>	<b>14,627</b>	<b>(734)</b>	<b>40,539</b>	<b>258</b>	<b>45,924</b>	<b>(18,343)</b>	<b>2,925</b>	<b>32,277</b>	<b>(1,304)</b>	<b>11,897</b>	<b>4,685</b>	<b>132,749</b>	<b>(350)</b>	<b>132,400</b>	
<b>Result for the period</b>											2,961	2,961	6	2,955	
Other comprehensive profit/(loss)						(977)						(977)		(977)	
<b>Total profit / (loss) from statement of comprehensive income</b>						<b>(977)</b>					<b>2,961</b>	<b>1,985</b>	<b>6</b>	<b>1,980</b>	
Allocation of the result of the previous year										4,685	(4,685)				
Sell/purchase own shares		(26)		(115)								(141)		(141)	
<b>Balance as of 30 march 2018</b>	<b>14,627</b>	<b>(760)</b>	<b>40,539</b>	<b>143</b>	<b>45,924</b>	<b>(19,320)</b>	<b>2,925</b>	<b>32,277</b>	<b>(1,304)</b>	<b>16,582</b>	<b>2,961</b>	<b>134,590</b>	<b>(356)</b>	<b>134,234</b>	

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>Note</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
<i>€/000</i>			
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>4,780</b>	<b>3,670</b>
<i>Adjustments for:</i>			
Amortization/depreciation	22	1,670	1,474
(Gains)/Losses from sell-off of fixed assets		(13)	4
(Gains)/Losses on unrealized translation differences		(138)	23
Taxes	25	(1,825)	(1,121)
Minority result		(6)	1
Financial income/(charge)	24	(1,249)	(674)
<b>Operating profit/(loss) before change in working capital</b>		<b>3,220</b>	<b>3,376</b>
Decrease (increase) in inventory	6	(4,632)	(2,343)
(Increase) decrease in current assets and liabilities		140	(14,511)
(increase) decrease in non-current assets and liabilities		88	79
Exchange difference on translation of financial statement in foreign currency		(458)	398
<b>CASH FLOW GENERATED BY OPERATING ACTIVITIES</b>		<b>(1,642)</b>	<b>(13,002)</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	1	(59)	(3)
Investments in tangible assets	2	(2,733)	(847)
Amount collected from sale of tangible and intangible assets		0	3
<b>CASH FLOW USED IN INVESTMENTS</b>		<b>(2,792)</b>	<b>(847)</b>
<b>FINANCIAL ACTIVITIES</b>			
Net change in loans	13	3,253	(2,063)
Net change in short-term loans	15	446	11,766
Exchange difference on translation of financial statement in foreign currency		(22)	(328)
Change in current financial assets	10	(398)	(76)
Payment of interest		(207)	(94)
Receipt of interest		1,456	768
Change in minority shareholders' capital		(6)	1
Sell/purchase own shares		(141)	
<b>CASH FLOW GENERATED FROM FINANCIAL TRANSACTION</b>		<b>4,382</b>	<b>9,976</b>
<b>NET CASH FLOW FOR THE PERIOD</b>		<b>(53)</b>	<b>(3,874)</b>
CASH BALANCE AT START OF YEAR	11	7,752	7,776
TOTAL NET CASH FLOW FOR THE PERIOD		(53)	(3,874)
EXCHANGE DIFFERENCE		(47)	267
CASH BALANCE AT THE END OF YEAR	11	7,652	4,169

**NOTES TO THE CONSOLIDATED INTERIM REPORT AT 31 MARCH 2018****GENERAL INFORMATION**

The consolidated interim report as of March 31<sup>st</sup>, 2018 were authorised for publication by the Board of Directors of IRCE S.p.A. (henceforth also referred to as the "Company") on May 14<sup>nd</sup>, 2018.

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

Distribution activities are carried out through agents and the following commercial subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco S.r.l. in Italy, IRCE S.L. in Spain and IRCE SP.ZO.O in Poland.

**GENERAL CRITERIA**

The First Quarter Report at March 31<sup>st</sup>, 2018 have been drawn up in compliance with the IAS 34 "Intermediate Balance Sheet" and with article 154 ter of TUF. This balance sheet consolidated not includes all information requested by annual balance sheet and must be read together with December 31<sup>st</sup> 2017 Financial Statement.

The diagrams used for compiling the consolidated balance sheet of the Group have been prepared in compliance with the IAS 1 principle, in particular;

- The shareholders' equity has been introduced by separately presenting current and non-current assets and liabilities.
- The profit-and-loss account has been prepared by classifying the item "by nature".

The following notes have been indicated in thousand euro.

This First Quarter Report has not been reviewed by Auditors, because not subjected to this obligation.

Evaluation usage

The compilation of consolidated shortened balance sheet according to IFRS 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 the evaluations. The evaluations are used to point out allowances due to credit risks, amortizations, asset depreciation and taxes.

**CONSOLIDATION AREA**

The table below lists the companies included in the consolidation area at March 31<sup>st</sup>, 2018:

Company	% of investment	Registered office	Share capital	Consolidation
Isomet AG	100%	Switzerland	CHF 1,000,000	line by line
Smit Draad Nijmegen BV	100%	Netherlands	€ 1,165,761	line by line
FD Sims Ltd	100%	UK	£ 15,000,000	line by line
Isolveco Srl	75.0%	Italy	€ 46,440	line by line
DMG GmbH	100%	Germany	€ 255,646	line by line
IRCE SL	100%	Spain	€ 150,000	line by line
IRCE Ltda	100%	Brazil	BRL 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 SP.ZO.O	100%	Poland	PLN 200,000	line by line

There are not changes in the consolidation area compared to Consolidated Balance Sheet as of December 31<sup>st</sup>, 2018.

**DERIVATIVE INSTRUMENTS**

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper and aluminium forward transactions with maturity after March 31<sup>st</sup>, 2018. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not satisfy the conditions required for recognising these instruments as hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts related to commodities in force on March 31<sup>st</sup>, 2018, 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 31/03/2018 €/000
Net Tons	50	-	395

- Derivative instruments related to USD forward contracts with maturity after March 31<sup>st</sup>, 2018. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of cash flow hedge accounting.

Below is shown a summary of derivative contracts related to USD forward in force on March 31<sup>st</sup>, 2018:

Measurement unit of the notional value	Notional value with maturity within one year (€/000)	Notional value with maturity after one year	Result with fair value measurement as of 31/03/2018 €/000
USD	500	-	3

The fair value of forward contracts for currency purchases, in force as of March 31<sup>st</sup>, 2018, is determined on the basis of forward prices of currencies with reference to the maturity dates of contracts in force at the reporting date.

## 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 table highlight the assets and liabilities that are measured at fair value as March 31<sup>st</sup>, 2018 in terms of hierarchical level of fair value measurement (€/000):

March 31 <sup>st</sup> , 2018	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative financial instruments	-	398	-	398
AFS	-	398	-	398
Total assets	-	-	-	-
<b>Liabilities:</b>				
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-

During the year, 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

This balance sheet item concerns the intangible assets from which economic benefits are expected in the future. The variations in intangible assets are detailed below:

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Fixed assets under construction	Total
Net carrying amount as of 31/12/2017	136	23	189	348
<i>Movements of the period</i>				
. Investments	59	-	-	59
. Effect of exchange rates	(3)	(1)	-	(4)
. Reclassifications	4	-	-	4
. Amortisation	(24)	(1)	-	(25)
Total changes	36	(2)	-	34
Net carrying amount as of 31/03/2018	172	21	189	382

## 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 31/12/2017	11,616	15,263	23,887	962	576	2,211	54,516
<i>Movements of the period</i>							
. Investments	-	9	85	82	59	2,498	2,733
. Effect of exchange rates	(15)	(72)	(318)	(2)	(1)	(5)	(413)
. Reclassifications	-	-	-	(4)	-	-	(4)
. Divestments	-	-	(188)	(80)	(67)	(2)	(337)
. Depreciation relative to disposals	-	-	186	80	44	-	310
. Depreciation of the period	-	(271)	(1,241)	(92)	(41)	-	(1,645)
Total changes	(15)	(334)	(1,476)	(16)	(6)	2,491	644
Net carrying amount as of 31/03/2018	11,601	14,929	22,411	946	570	4,702	55,160

The Group's investments, in first quarter 2018, were € 2.73 million and mostly concerned the plants in Europe.

## 3. NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	31/03/2018	31/12/2017
- Equity investments in other companies	69	62
- Other receivables	57	59
Total	126	120

## 4. NON-CURRENT TAX RECEIVABLES

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

## 5. DEFERRED TAX ASSETS AND LIABILITIES

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

€/000	31/03/2018	31/12/2017
- Deferred tax assets	1,419	1,662
- Deferred tax liabilities	(248)	(255)
Total deferred tax assets (net)	1,171	1,407

## 6. INVENTORIES

Inventories are detailed as follows:

€/000	31/03/2018	31/12/2017
- Raw materials, ancillary and consumables	25,954	28,541
- Work in progress and semi-finished goods	17,091	12,260
- Finished products and goods	47,053	44,485
- Provisions for write-down of raw materials	(1,982)	(1,982)
- Provisions for write-down of finished products and goods	(1,108)	(928)
<b>Total</b>	<b>87,008</b>	<b>82,376</b>

Recognized inventories are not pledged nor used as collateral.

The increase in final inventories as of 31 March 2018 mainly reflects the price of copper.

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

The table below shows the changes in provisions for write-down of inventories during the first three months of 2018:

€/000	31/12/2017	Allocations	Uses	31/03/2018
Provisions for write-down of raw materials	1,982	-	-	1,982
Provisions for write-down of finished products and goods	928	180	-	1,108
<b>Total</b>	<b>2,910</b>	<b>180</b>	<b>-</b>	<b>3,090</b>

## 7. TRADE RECEIVABLES

€/000	31/03/2018	31/12/2017
- Customers/bills receivable	98,234	90,299
- Bad debt provision	(875)	(825)
<b>Total</b>	<b>97,359</b>	<b>89,474</b>

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 months of 2018:

€/000	31/12/2017	Allocations	Uses	31/03/2018
Bad debt provision	825	60	(10)	875

## 8. CURRENT TAX RECEIVABLES

The item was broken down as follows:

€/000	31/03/2018	31/12/2017
- Receivables for income taxes	939	-
<b>Total</b>	<b>939</b>	<b>-</b>



## 9. RECEIVABLES DUE FROM OTHERS

The item was broken down as follows:

€/000	31/03/2018	31/12/2017
- Accrued income and prepaid expenses	7	136
- Receivables due from social security institutions	546	161
- Other receivables	1,400	2,138
- VAT receivables	152	168
<b>Total</b>	<b>2,105</b>	<b>2,603</b>

The item "other receivables" is mainly linked to a bonus to be received by the Parent Company IRCE SpA on energy consumption for the year 2016, assigned by the Authority for electricity with the authorisation from the Ministry for Economic Development; the reduction of the item as of 31 December 2017 is mainly due to the collection of bonuses for the years 2014 and 2015.

## 10. CURRENT FINANCIAL ASSETS

/000	31/03/2018	31/12/2017
- Mark to Market copper and aluminium forward transactions	395	-
- Mark to Market USD forward transactions	3	-
- Fixed deposit for LME transactions	13	13
<b>Total</b>	<b>411</b>	<b>13</b>

The items "Mark to Market forward transactions" refer to the Mark to Market (fair value) measurement of derivative contracts outstanding as of 31/03/2018.

## 11. CASH AND CASH EQUIVALENTS

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

€/000	31/03/2018	31/12/2017
- Bank deposits	7,636	7,736
- Cash on hand and valuables	16	16
<b>Total</b>	<b>7,652</b>	<b>7,752</b>

The bank and postal deposits are not subject to liens 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.

Own shares as of 31<sup>st</sup> March, 2018 amounted to 1,462,274 and correspond to 5,2% of the share capital.

Reserves are detailed below:

€/000	31/03/2018	31/12/2017
- Own shares (deducted from share capital)	(760)	(734)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	143	258
- Other capital reserves	45,924	45,924
- Foreign currency translation reserve	(19,320)	(18,343)
- Legal reserve	2,925	2,925
- Extraordinary reserve	32,277	32,277
- IAS 19 reserve	(1,304)	(1,304)
- Undivided profit	16,578	11,897
<b>Total</b>	<b>117,002</b>	<b>113,437</b>

### 13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rates	Company	31/03/2018	31/12/2017	Due
CARISBO	EUR	Variable	IRCE SPA	5,000	6,000	2020
Banca di Imola	EUR	Variable	IRCE SPA	1,888	2,514	2020
Banco Popolare	EUR	Variable	Isomet AG	2,794	3,011	2021
Banco Popolare	EUR	Variable	IRCE SPA	5,538	442	2019
<b>Total</b>				<b>15,220</b>	<b>11,967</b>	

### 14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges were broken down as follows:

€/000	31/12/2017	Allocations	Uses	31/03/2018
Provisions for risks and disputes	2,071	230	(70)	2,231
Provision for severance payments to agents	266	5	-	271
<b>Total</b>	<b>2,337</b>	<b>235</b>	<b>(70)</b>	<b>2,502</b>

Provisions for risks and disputes refer mainly to the outstanding allocation for the risk of capital losses in relation to returns of packages and to the allocation made by the Dutch subsidiary for the costs to be met for employees on sick leave and to various disputes.

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

### 15. CURRENT FINANCIAL LIABILITIES

The current financial liabilities are detailed below:

€/000	31/03/2018	31/12/2017
- Payables due to banks	51,125	49,824
- Mark to market derivatives	-	855
<b>Total</b>	<b>51,125</b>	<b>50,679</b>

With reference to the financial liabilities, **the Group's net financial position**, drawn up in accordance with the Consob Communication 6064293 dated 28<sup>th</sup> July 2006 and the CESR guidelines dated 10<sup>th</sup> February 2005, is as follows:

€/000	31/03/2018	31/12/2017
Cash	7,652	7,752
Other current financial assets	16*	13
<b>Liquid assets</b>	<b>7,668</b>	<b>7,765</b>
Current financial liabilities	(51,125)	(49,914)*
<b>Net current financial indebtedness</b>	<b>(43,457)</b>	<b>(42,149)</b>
Non-current financial liabilities	(15,220)	(11,967)
<b>Non-current financial indebtedness</b>	<b>(15,220)</b>	<b>(11,967)</b>
<b>Net financial indebtedness</b>	<b>(58,677)</b>	<b>(54,116)</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 all due in the next 12 months.

As of 31/03/2018 they totaled €/000 € 30,402, compared to €/000 24,688 as of 31/12/2017.

## 17. TAX PAYABLES

The item was broken down as follows:

€/000	31/03/2018	31/12/2017
- Payables due for income taxes	2,886	1,518
Total	2,886	1,518

## 18. OTHER CURRENT LIABILITIES

Other payables were broken down as follows:

€/000	31/03/2018	31/12/2017
- Payables due to employees	4,267	3,598
- Deposits received from customers	1,844	1,743
- Accrued liabilities and deferred income	364	343
- Other payables	1,407	795
- VAT payables	1,204	1,082
- Employee IRPEF (personal income tax) payables	300	453
Total	9,386	8,014

**COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT**
**19. SALES REVENUES**

These items refer to revenues for the sales of goods after returns and discount. The revenues at 31<sup>st</sup> March 2018 for €/000 94,207 increase of 2% in respect to the same period of the previous year (€/000 92,481).

**20. COSTS OF RAW MATERIALS AND CONSUMABLES**

This item includes the costs borne for purchasing raw materials - such as copper, insulating materials, packaging materials and consumable items (for maintenance work), net of changes to inventories (€/000 2,469).

**21. PERSONNEL COST**

Here below is the breakdown of personnel cost:

€/000	31/03/2018	31/03/2017	change
- Salaries and wages	5,688	5,796	(108)
- Social security charges	1,551	1,458	93
- Retirement costs for defined contribution plans	337	354	(17)
- Other costs	607	548	59
<b>Total</b>	<b>8,183</b>	<b>8,156</b>	<b>27</b>

**22. AMORTISATION/DEPRECIATION**

Amortisation/depreciation is detailed as follows:

€/000	31/03/2018	31/03/2017	Change
- Amortisation of intangible assets	25	10	15
- Depreciation of tangible assets	1,645	1,464	181
<b>Total amortisation/depreciation</b>	<b>1,670</b>	<b>1,474</b>	<b>196</b>

**23. PROVISIONS AND WRITE-DOWNS**

Provisions and write-downs are broken down as follows:

€/000	31/03/2018	31/03/2017	change
- Write-downs of receivables	60	46	14
- Provisions for risks	230	100	130
<b>Total provisions and write-downs</b>	<b>290</b>	<b>146</b>	<b>144</b>

The item "Provisions for risks" refers to a provision of parent company IRCE SPA used to hedge the risk of capital losses due to returns of packages already invoiced

## 24. FINANCIAL INCOME AND CHARGES

Financial income and charges are detailed as follows:

€/000	31/03/2018	31/03/2017	Change
- Other financial income	1,456	768	688
- Interest and other financial charges	(207)	(94)	(113)
- Foreign exchange gains/(losses)	(166)	(102)	(64)
<b>Total</b>	<b>1,083</b>	<b>572</b>	<b>511</b>

of which:

€/000	31/03/2018	31/03/2017	Change
- Profit on LME derivatives	1,140	215	925
<b>Total</b>	<b>1,140</b>	<b>215</b>	<b>925</b>

## 25. INCOME TAX

€/000	31/03/2018	31/03/2017	Change
- Current taxes	(1,591)	(1,014)	(577)
- Deferred tax assets/(liabilities)	(234)	(107)	(127)
<b>Total</b>	<b>(1,825)</b>	<b>(1,121)</b>	<b>(704)</b>

## 26. 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 dilutive effects and no shares or warrants that could have dilutive effects will be exercised.

	31/03/2018	31/03/2017
Net profit/(loss) for the period	2,961,429	2,548,407
Average weighted number of ordinary shares outstanding	26,665,726	26,716,226
Basic earnings/(loss) per Share	0.111	0.095
Diluted earnings/(loss) per Share	0.111	0.095

**27. RELATED PARTY DISCLOSURES**

In compliance with the requirements of IAS 24, the quarterly compensation for the members of the Board of Directors is shown below:

€/000	Compensation for office held	Compensation for other tasks	Total
Directors	54	76	130

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

**28. EVENTS FOLLOWING THE REPORTING PERIOD**

No significant events occurred between the reporting date and the current drafting date.

**29. CERTIFICATION PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/1998**

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