HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2018

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CORPORATE BODIES

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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
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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

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 2018

For the IRCE Group (hereafter also referred to as the "Group"), the first half of 2018 ended with EBIT of € 6.52 million and net profit of € 4.98 million.

In the winding wire sector, the first six months of the year saw a slowdown in demand on the European market, which led to a fall in sales, while on the South American market there was growth in volumes.

In the cable sector, there was continued growth in turnover, which started in the previous year with the introduction of the Construction Products Regulation (CPR) and with restocking by distributors of electrical material.

Consolidated turnover rose by 3.7%, going from € 185.67 million in the first half of 2017 to € 192.51 million in the same period in 2018, thanks also to the increase in the value of copper sold.

Turnover without metal[1] rose by 1.6%; the winding wire sector fell by 4.9%, while the cable sector increased by 32.6%.

Consolidated turnover without metal (€/million)	2018 1st half		2017 1st half		Change
	Value	%	Value	%	%
Winding wires	32.68	*77.3%*	34.37	*82.6%*	*-4.9%*
Cables	9.61	*22.7%*	7.25	*17.4%*	*32.6%*
Total	42.29	*100.0%*	41.62	*100.0%*	*1.6%*

The following table shows the changes in results compared to the first half of 2017, including adjusted EBITDA and EBIT:

Consolidated income statement data (€/million)	1st half 2018	1st half 2017 Restated*	Change
Turnover[2]	192.51	185.67	6.84
EBITDA[3]	10.42	11.93	(1.51)
EBIT	6.52	7.36	(0.84)
Profit before tax	8.17	8.03	0.14
Net profit	4.98	5.68	(0.70)
Adjusted EBITDA[4]	11.92	12.14	(0.22)
Adjusted EBIT[4]	8.02	7.57	0.45

** See paragraph "2017 Restatement" in the Notes for further details.*

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

[2] The item "Turnover" consists in the "Revenues" as recognised 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 SpA calculates it by adding depreciation/amortisation, 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 copper derivatives transactions (€ +1.50 million in the first half of 2018 and € +0.21 million in the first half of 2017). These are indicators the Group's Management uses to monitor and assess 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.

As of 30 June 2018, net financial debt amounted to € 72.41 million, up from € 54.12 million as of 31 December 2017 due to the increase in working capital.

Consolidated s. of financial position data (€/million)	As of 30/06/2018	As of 31/12/2017	Change
Net invested capital	202.61	186.52	16.09
Shareholders' equity	130.20	132.40	(2.20)
Net financial debt[5]	72.41	54.12	18.29

The € 4.59 million increase in the negative value of the foreign currency translation reserve caused a reduction in consolidated shareholders' equity, despite the net profit in the first half of 2018.

Investments

Investments of the Group in the first half of 2018 amounted to € 3.55 million and were primarily related to European manufacturing plants.

Principal risks and uncertainties

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

Market risk

The Group is strongly concentrated on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the medium-term strategy of the Group focuses on geographic diversification in non-EU and Asian countries, with a constant recovery of margins in the Group's structure.

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. It should be noted that the Brazilian currency depreciated by about 15% since the beginning of the year.

- *Interest rate risk*
  The Group obtains short and medium/long-term bank financing at floating rates. The risk of wide fluctuations in interest rates is not considered significant and therefore the Group does not implement special hedging policies.

- *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*
  There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. 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. Given the current use of its lines of credit, liquidity risk is considered under control.

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 2017. There were no material changes in risk management and relevant policies adopted by the Group during the period under review.

Outlook

In coming months we expect a slowdown in economic growth in Europe which could influence demand for our products. Our objectives remain to reduce costs and recover efficiency.

Imola, 12 September 2018

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	30/06/2018	31/12/2017
NON-CURRENT ASSETS			
Goodwill and other intangible assets	1	269,382	347,598
Property, plant and equipment	2	47,861,910	50,766,941
Equipment and other tangible assets	2	1,494,447	1,537,464
Assets under construction and advances	2	3,558,563	2,211,025
Other non-current financial assets and receivables	3	116,746	120,767
Non-current tax receivables	4	811,582	811,582
Deferred tax assets	5	1,783,214	1,661,765
TOTAL NON-CURRENT ASSETS		**55,895,844**	**57,457,142**
CURRENT ASSETS			
Inventories	6	94,672,019	82,376,132
Trade receivables	7	96,401,395	89,473,689
Current tax receivables	8	1,498,606	-
Receivables due from others	9	1,028,100	2,602,975
Current financial assets	10	498,620	13,180
Cash and cash equivalents	11	6,080,275	7,752,434
TOTAL CURRENT ASSETS		**200,179,015**	**182,218,410**
TOTAL ASSETS		**256,074,859**	**239,675,552**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30/06/2018	31/12/2017
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	14,626,560	14,626,560
RESERVES	12	110,942,880	113,437,366
PROFIT FOR THE PERIOD	12	4,976,530	4,685,238
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		**130,545,969**	**132,749,164**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(350,904)**	**(350,085)**
TOTAL SHAREHOLDERS' EQUITY		**130,195,066**	**132,399,079**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	15,092,897	11,966,839
Deferred tax liabilities	5	762,468	254,630
Provisions for risks and charges	14	1,010,264	2,337,016
Provisions for employee benefits	15	5,227,974	5,719,819
TOTAL NON-CURRENT LIABILITIES		**22,093,603**	**20,278,304**
CURRENT LIABILITIES			
Current financial liabilities	16	63,425,704	50,678,998
Trade payables	17	26,233,738	24,687,869
Tax payables	18	3,449,479	1,518,262
Social security contributions		1,829,075	2,099,038
Other current liabilities	19	8,848,193	8,014,002
TOTAL CURRENT LIABILITIES		**103,786,189**	**86,998,169**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**256,074,859**	**239,675,552**

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	30/06/2018	30/06/2017 Restated*
Sales revenues	20	192,512,089	185,671,914
Other income	20	395,633	307,910
TOTAL REVENUES		**192,907,722**	**185,979,824**
Costs for raw materials and consumables	21	(163,689,306)	(148,518,149)
Change in inventories of work in progress and finished goods		13,014,651	9,420,261
Costs for services	22	(14,887,962)	(17,603,947)
Personnel costs	23	(16,234,443)	(16,648,713)
Depr./amort. and impairment of tangible and intangible assets	24	(3,536,247)	(4,009,816)
Provisions and write-downs	25	(366,617)	(560,793)
Other operating costs	26	(687,045)	(697,729)
EBIT		**6,520,753**	**7,360,938**
Financial income/(charges)	27	1,652,015	673,247
PROFIT/(LOSS) BEFORE TAX		**8,172,768**	**8,034,185**
Income taxes	28	(3,197,058)	(2,874,113)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		**4,975,710**	**5,160,072**
Non-controlling interests		819	523,712
RESULT OF IRCE GROUP		**4,976,530**	**5,683,784**

Earnings/(loss) per share (EPS)			
- basic EPS for the period attributable to ordinary shareholders of the Parent Company	29	0.1866	0.2127
- diluted EPS for the period attributable to ordinary shareholders of the Parent Company	29	0.1866	0.2127

* See paragraph “2017 Restatement” in the Notes for further details.

The effects of related party transactions on the consolidated income statement are reported in note 30 “Related party disclosures”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**30/06/2018**	**30/06/2017 Restated***
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**4,976**	**5,160**
Translation difference on financial statements of foreign companies	(4,590)	(4,289)
Total other gains/(losses), net of the tax effect, that may be subsequently reclassified to profit/(loss) for the period	**(4,590)**	**(4,289)**
Net profit/(loss) - IAS 19	266	77
Income taxes	(54)	(18)
	212	**59**
Total other gains/(losses), net of the tax effect, that will not be subsequently reclassified to profit/(loss) for the period	**212**	**59**
Total profit/(loss) from statement of comprehensive income, net of taxes	**(4,378)**	**(4,230)**
Total comprehensive profit (loss), net of taxes	**597**	**930**
Attributable to:		
Shareholders of the Parent Company	**598**	**1,454**
Minority shareholders	**1**	**(524)**

* See paragraph “2017 Restatement” in the Notes for further details.

With regard to the items of the consolidated statement of comprehensive income, reference should be made to note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capitale Sociale		Altre riserve			Utili portati a nuovo								
€/000	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Unidivided profit	Result for the period	Total	Minority interest	Total shareholders' equity
Balance as of 31 december 2016	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(11,746)**	**2,925**	**32,809**	**(1,414)**	**13,727**	**55**	**136,970**	**266**	**137,236**
Restatement*								(982)		(402)	(233)	(1,617)	(539)	(2,156)
Balance as of 31 december 2016 - Restated*	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(11,746)**	**2,925**	**31,827**	**(1,414)**	**13,327**	**(178)**	**135,352**	**(273)**	**135,081**
Result for the period											5,684	5,684	(524)	5,160
Other comprehensive profit / (loss)						(4,289)			59			(4,230)		(4,230)
Total profit / (loss) from statement of comprehensive income						**(4,289)**			**59**		**5,684**	**1,454**	**(524)**	**930**
Allocation of the result of the previous year								1,457		(1,635)	178			
Dividends								(803)				(803)		(803)
Balance as of 30 june 2017- Restated*	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(16,034)**	**2,925**	**33,284**	**(1,355)**	**11,692**	**5,684**	**136,806**	**(797)**	**136,011**
Balance as of 31 december 2017	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(18,343)**	**2,925**	**32,277**	**(1,304)**	**11,897**	**4,685**	**132,749**	**(350)**	**132,400**
Change in accounting principles (IFRS 15)**								(1,322)				(1,322)		(1,322)
Balance as of 01 january 2018	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(18,343)**	**2,925**	**30,955**	**(1,304)**	**11,897**	**4,685**	**131,427**	**(350)**	**131,077**
Result for the period											4,977	4,977	(1)	4,976
Other comprehensive profit / (loss)						(4,590)			212			(4,378)		(4,378)
Total profit / (loss) from statement of comprehensive income						**(4,590)**			**212**		**4,977**	**598**	**(1)**	**597**
Allocation of the result of the previous year								4,864		(181)	(4,685)			
Dividends								(1,333)				(1,333)		
Sell / purchase own shares		(27)		(117)								(144)		(144)
Balance as of 30 June 2018	**14,627**	**(761)**	**40,539**	**141**	**45,924**	**(22,933)**	**2,925**	**34,486**	**(1,092)**	**11,716**	**4,977**	**130,546**	**(351)**	**130,195**

With regard to the items of consolidated shareholders' equity, reference should be made to note 12.

* See paragraph "2017 Restatement" in the Notes for further details.

** With effect from 1 January 2018, the Group adopted IFRS 15, choosing not to restate the comparative figures for 2017, as allowed by the standard. The effects of application of the new standard are detailed in the paragraph "Accounting standards".

CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	30/06/2018	30/06/2017 Restated*
€/000			
OPERATING ACTIVITIES			
Profit/(loss) for the period		**4,977**	**5,684**
Adjustments for:			
Depreciation/amortisation	24	3,536	3,110
Write-down of goodwill			900
Net change in (assets) / provision for deferred tax (assets)/liabilities		898	544
Capital (gains)/losses from the realisation of fixed assets		(3)	(2)
(Profit)/loss on unrealised exchange rate differences		115	186
Current taxes	28	(2,383)	(2,420)
Financial (income)/charges	27	(1,553)	(796)
Operating profit/(loss) before changes in working capital		**5,587**	**7,205**
Taxes paid		(459)	(332)
Decrease/(increase) in inventories	6	(11,402)	(7,325)
Net change in current assets and liabilities for the period		(4,187)	(12,860)
Net change in non-current assets and liabilities for the period		(415)	(131)
Exchange rate difference on translation of financial statements in foreign currency		(2,666)	(2,688)
CASH GENERATED FROM OPERATING ACTIVITIES		**(13,542)**	**(16,131)**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(68)	(46)
Investments in tangible assets	2	(3,480)	(2,087)
Consideration received for the sale of tangible and intangible assets		18	15
CASH GENERATED FROM/USED IN INVESTING ACTIVITIES		**(3,530)**	**(2,118)**
FINANCING ACTIVITIES			
Net change in loans	13	3,126	(2,504)
Net change in short-term financial payables	16	12,747	19,929
Exchange rate difference on translation of financial statements in foreign currency		87	373
Change in current financial assets	10	(485)	383
Financial charges paid		(586)	(527)
Financial income received		2,139	1,324
Change in non-controlling interests		(1)	(524)
Change in foreign currency translation reserve and other effects on equity		212	59
Dividends paid		(1,333)	(803)
Management of own shares (sales-purchases)		(144)	
CASH GENERATED FROM/USED IN FINANCING ACTIVITIES		**15,762**	**17,709**
NET CASH FLOW FOR THE PERIOD		**(1,310)**	**(540)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	11	7,752	7,776
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		(1,310)	(540)
Exchange rate difference		(361)	(235)
CASH BALANCE AT THE END OF THE PERIOD	11	6,080	7,001

* See paragraph "2017 Restatement" in the Notes for further details.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

GENERAL INFORMATION

The IRCE Group's Half-Yearly Financial Report as of 30 June 2018 was drafted by the Board of Directors of IRCE SpA (hereafter also referred to as the "Company" or the "Parent Company") on 12 September 2018.
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 and Isolveco 2 Srl in Italy, IRCE S.L. in Spain, and IRCE SP.ZO.O in Poland.

GENERAL DRAFTING CRITERIA

The Half-Yearly Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting", pursuant to the provisions for the condensed interim financial statements, and based on Article 154 ter of the 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 2017.

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

The accounting standards adopted to prepare the Half-Yearly Financial Report as of 30 June 2018 are the same as those used to prepare the consolidated financial statements as of 31 December 2017 to which reference should be made for further details, except for the following:

a) IFRS 15

With effect from 1 January 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers", which governs the timing and amount of the recognition of revenue arising from contracts with customers, including construction contracts. In particular, IFRS 15 establishes that the recognition of revenue is based on the following five steps: (i) identification of the contract(s) with a customer, (ii) identification of the contractual obligation to transfer goods and/or services to a customer (so-called "performance obligations"), (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service, and (v) recognition of revenue when the relevant performance obligation has been met.

With reference to the IRCE Group, the new IFRS 15 regarded the accounting for sales of packaging with right of return that can be exercised by the customer within 12 months of delivery, with a negative impact on opening shareholders' equity as of 1 January 2018 of €/000 1,322.
It should be noted that the Group chose to adopt IFRS 15 without restating the comparative figures for 2017, as allowed by the standard.

The effect on the financial statements as of 1 January 2018 is show below:

€/000

Statement of Financial Position (extract)	Amounts without adoption of IFRS 15	Increase/(decrease)	01/01/2018
Inventories	81,483	893	82,376
Deferred tax assets	1,150	512	1,662
Trade receivables	85,343	(4,131)	89,474
Effect on assets		**(2,726)**	
Extraordinary reserve	33,549	(1,322)	32,227
Provision for future charges	3,741	(1,404)	2,337
Effect on liabilities and shareholders' equity		**(2,726)**	

The following table sets out the effect of the application of IFRS 15 on the Half-Yearly Financial Report as of 30 June 2018, which led to a reduction in the result for the period of €/000 253:

€/000

Statement of Financial Position (extract)	Amounts without adoption of IFRS 15	Increase/(decrease)	30/06/2018
Inventories	94,548	124	94,672
Deferred tax assets	1,664	119	1,783
Trade receivables	95,905	(496)	96,401
Effect on assets		**(253)**	

€/000

Income Statement (extract)	Amounts without adoption of IFRS 15	Increase/(decrease)	30/06/2018
Sales revenues	193,008	(496)	192,512
Costs for raw materials	(163,565)	124	(163,689)
Income taxes	(3,078)	119	(3,197)
Effect on profit/(loss) for the period		**(253)**	

b) IFRS 9: with effect from 1 January 2018, the Group adopted IFRS 9 "Financial Instruments". The new provisions of IFRS 9: (i) change the model for the classification and measurement of financial assets; (ii) introduce a new impairment method for financial assets which takes into account expected credit losses; and (iii) change hedge accounting requirements.
The adoption of IFRS 9 did not have any impact on the Group's equity and result, nor did the new classification model lead to changes in the criteria for measuring financial assets and liabilities.

It should be noted that on 13 January 2016 the IASB published IFRS 16 "Leases" (hereinafter, "IFRS 16"), which replaces IAS 17 "Leasing" and related interpretations. IFRS 16 eliminates the distinction between operating and finance leases for the purposes of drafting the financial statements of lessees; for lease contracts with a duration of more than 12 months, the recognition of an asset – representing the right to use – and of a liability – representing the obligation to make the payments under the contract – is required.

Instead, lessees continue to classify leases as operating or finance in the preparation of financial statements. IFRS 16 reinforces disclosure requirements for both lessees and lessors. The provisions of IFRS 16 are effective as of 1 January 2019. Early adoption is allowed, subject to the early adoption of IFRS 15.
As regards the IRCE Group, no significant impacts are expected from the adoption of the new accounting standard IFRS 16.

2017 RESTATEMENT

During the second half of 2017, asset misappropriation to the detriment of the subsidiary Isolveco Srl emerged, which led to the filing of two lawsuits with the Court of Padua on 03/08/17 and on 30/11/2017, in order to protect the company. Based on the analytical reconstruction of the accounts as of 31 December 2016, it emerged, in particular, that a significant part of the receivables recorded in the financial statements of Isolveco Srl did not meet liquidity and collectability requirements and, consequently, had to be written down. The effects of this reconstruction mainly impacted the opening equity of Isolveco Srl as of 1 January 2016, and thus resulted in the restatement of the economic result and financial position as of 1 January 2016, as of 31 December 2016, and as of 30 June 2017, in the consolidated financial statements of the Group.
The effects of the restatement on the half-yearly financial report as of 30 June 2017 are shown below:

Reconciliation of the statement of financial position as of 31 December 2016:

€/000

Statement of Financial Position (extract)	**31/12/2016**	**Increase/(decrease)**	**31/12/2016 Restated**
Non-current assets	63,246	(7)	63,239
Trade receivables	75,918	(1,896)	74,022
Other current assets	85,251	(17)	85,234
Effect on assets		**(1,920)**	
Reserves	122,288	(1,384)	120,904
Profit/(loss) for the period	55	(233)	(178)
Shareholders' equity attributable to non-controlling interests	266	(539)	(273)
Effect on shareholders' equity		**(2,156)**	
Non-current liabilities	22,719	1	22,720
Current liabilities	64,461	235	64,694
Effect on liabilities		**236**	

Reconciliation of the consolidated statement of financial position as of 30 June 2017:

€/000

Statement of Financial Position (extract)	**30/06/2017**	**Increase/(decrease)**	**30/06/2017 Restated**
Trade receivables	92,489	1,830	94,319
Effect on assets		**1,830**	

Reconciliation of the consolidated income statement as of 30 June 2017:

€/000

Income Statement (extract)	30/06/2017	Increase/(decrease)	30/06/2017 Restated
Provisions and write-downs	2,391	(1,830)	561
Effect on profit/(loss) for the period		**1,830**	

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

The following table shows the list of companies included in the scope of consolidation as of 30 June 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%	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	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
Isolveco 2 Srl	100%	Italy	€	10,000	line by line
Irce Electromagnetic wire (Jiangsu) Co. Ltd	100%	China	CNY	7,738,500	line by line

In the first six months of 2018 the companies Isolveco 2 Srl and Irce Electromagnetic wire (Jiangsu) Co. Ltd were set up, both 100% owned by the Parent Company IRCE SpA.

DIVIDENDS

The following table shows the dividends paid by IRCE SpA to its shareholders:

€/000	30/06/2018	30/06/2017
Resolved and paid during the period		
Ordinary share dividends	1,333	803
2018 dividend: 0.05 cents (2017: 0.03 cents)		

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 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 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 qualify as hedging instruments for the purposes of hedge accounting.

A summary is shown below:

Measurement unit of the notional amount	Net notional amount with maturity within one year (tons)	Net notional amount with maturity after one year (tons)	Result with fair value measurement as of 30/06/2018 €/000
Tons	1,450		465

- Derivative instruments related to USD and GBP forward purchase and sale transactions with maturity after 30 June 2018. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

A summary is shown below:

Measurement unit of the notional amount	Net notional amount with maturity within one year €/000	Net notional amount with maturity after one year €/000	Result with fair value measurement as of 30/06/2018 €/000
USD	7,500		20
GBP	6,000		(30)

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 June 2018 - €/000	Loans and receivables	Derivatives with a balancing entry in the income statement	Derivatives with a balancing entry in equity	AFS	Total
Non-current financial assets					
Non-current tax receivables	812				812
Non-current financial assets and receivables	58	59			117
Current financial assets					
Trade receivables	96,401				96,401
Current financial assets	14	485			499
Cash and cash equivalents	6,080				6,080

As of 31 December 2017 - €/000	Loans and receivables	Derivatives with a balancing entry in the income statement	Derivatives with a balancing entry in equity	AFS	Total
Non-current financial assets					
Non-current tax receivables	812				812
Non-current financial assets and receivables	59			62	121
Current financial assets					
Trade receivables	89,474				89,474
Current financial assets	13				13
Cash and cash equivalents	7,752				7,752

As of 30 June 2018 - €/000	Other financial liabilities	Derivatives with a balancing entry in the income statement	Derivatives with a balancing entry in equity	Total
Non-current financial liabilities				
Financial payables	15,093			15,093
Current financial liabilities				
Trade payables	26,234			26,234
Other payables	14,272			14,272
Financial payables	63,396	30		63,426

As of 31 December 2017 - €/000	Other financial liabilities	Derivatives with a balancing entry in the income statement	Derivatives with a balancing entry in equity	Total
Non-current financial liabilities				
Financial payables	11,967			11,967
Current financial liabilities				
Trade payables	24,688			24,688
Other payables	11,631			11,631
Financial payables	49,824	855		50,679

FAIR VALUE

A comparison between the carrying amount of financial instruments held by the Group and their fair value did not yield significant differences in value.
IFRS 7 defines the following three levels of fair value for measuring the financial instruments recognised in the statement of financial position:

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

The following tables show the assets and liabilities that are measured at fair value as of 30 June 2018 and as of 31 December 2017 broken down by level of fair value hierarchy (€/000):

30/06/2018	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	485	-	485
Total assets	-	485	-	485
Liabilities:				
Derivative financial instruments	-	(30)	-	(30)
Total liabilities	-	(30)	-	(30)

31/12/2017	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	-	-	-
Total assets	-	-	-	-
Liabilities:				
Derivative financial instruments	-	(855)	-	(855)
Total liabilities	-	(855)	-	(855)

During the first half of 2018, there were no transfers between the three fair value levels specified in IFRS 7.

SEGMENT REPORTING

IFRS 8 defines an operating segment as follows. 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. Unallocated 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 durables (electrical devices).

Revenues by product

€/000	1st half 2018				1st half 2017			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	156,163	36,335	14	192,512	157,591	28,065	16	185,672

Revenues by geographical area

€/000	1st half 2018				1st half 2017			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	69,295	82,141	41,076	192,512	61,147	84,920	39,605	185,672

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	Total
Net carrying amount as of 31/12/2017	136	23	189	348
Changes during the period				
. Investments	64	4	-	68
. Effect of exchange rates	(3)	(2)	-	(5)
. Reclassifications	4	-	-	4
. Write-downs	-	-	(95)	(95)
. Amortisation	(50)	(1)	0	(51)
Total changes	15	1	(95)	(79)
Net carrying amount as of 30/06/2018	151	24	94	269

The item "Write-downs" of €/000 95 refers to a project of the Parent Company IRCE SpA, which was no longer taken forward.

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
Changes during the period							
. Investments	-	9	1,570	169	94	1,638	3,480
. Effect of exchange rates	(40)	(323)	(1,270)	(7)	(1)	(3)	(1,644)
. Reclassifications	-	-	275	(4)	-	(275)	(4)
. Divestments	-	-	(192)	(80)	(72)	(12)	(356)
. Depreciation related to disposals	-	-	186	80	47	-	313
. Depreciation of the period	-	(539)	(2,581)	(186)	(84)	-	(3,390)
Total changes	(40)	(853)	(2,012)	(28)	(16)	1,348	(1,601)
Net carrying amount as of 30/06/2018	11,576	14,410	21,875	934	560	3,559	52,915

Group investments in the first half of 2018 amounted to € 3.48 million and were primarily related to European manufacturing plants.

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/06/2018	31/12/2017
- Equity investments in other companies	59	62
- Other receivables	58	59
Total	117	121

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	30/06/2018	31/12/2017
- Deferred tax assets	1,783	1,662
- Deferred tax liabilities	(762)	(255)
Total deferred tax assets (net)	1,021	1,407

The changes for the period are shown below:

€/000	30/06/2018	31/12/2017
Deferred tax assets (net) as of 1 January	1,407	2,174
Exchange rate differences	(30)	(270)
Income statement effect	(814)	(454)
Equity effect	458	(43)
Deferred tax assets (net) as of 30 June	1,021	1,407

Here below is the breakdown of deferred tax assets and liabilities and the relevant changes for the period, without considering the offsetting of items within the same fiscal jurisdiction:

Deferred tax assets - €/000	30/06/2018	31/12/2017
- Depreciation/amortisation IRCE LTDA	53	53
- Allocations to provisions for risks and charges	162	483
- Allocations to the taxed bad debt provision	239	239
- Tax losses which can be carried forward	401	567
- Intra-group margin	57	59
- Allocations to the provision for inventory obsolescence	762	751
- IAS 19 reserve	162	235
- Effect of application of IFRS 15	631	-
- Other	43	64
Total	2,511	2,451

The table below shows the changes in deferred tax assets during 2018:

	Taxed provisions	**Tax losses carried forward**	**IFRS 15**	**Other**	**Total**
balances as of 01/01/2017	1,423	1,732		683	3,838
income statement effect	50	(918)		(255)	(1,124)
equity effect				(40)	(40)
exchange rate difference		(247)		23	(224)
balances as of 31/12/2017	1,473	567	-	411	2,451
income statement effect	(310)	(127)	119	(44)	(362)
equity effect			512	(54)	458
exchange rate difference		(39)		3	(36)
balances as of 30/06/2018	1,163	401	631	316	2,511

Deferred tax liabilities - €/000	30/06/2018	31/12/2017
- Depreciation/amortisation	36	42
- IAS capital gains on buildings	97	97
- IAS capital gains on land	413	413
- Effect of tax depreciation of Isomet AG building	229	239
- Effect of tax inventory difference of Isomet AG	253	250
- Effect of tax depreciation of Smit Draad Nijmegen building	47	-
- Effect of tax inventory difference of Smit Draad Nijmegen	415	-
- Other	-	3
Total	1,490	1,044

The table below shows the changes in deferred tax liabilities during the first half of 2018:

	Depreciation /amortisation	IAS capital gain on land and building	Effect of tax depreciation of ISOMET AG building and inventory	Effect of tax depreciation of Smit Draad Nijmegen building and inventory	Other	Total
balances as of 01/01/2017	56	510	563	533		1,665
income statement effect	(14)		(120)	(533)		(670)
equity effect					3	3
exchange rate difference			46			46
balances as of 31/12/2017	42	510	489	-	3	1,044
income statement effect	(6)		(1)	462	(3)	452
equity effect						0
exchange rate difference			(6)			(6)
balances as of 30/06/2018	36	510	482	462	-	1,490

6. INVENTORIES

Inventories are broken down as follows:

€/000	30/06/2018	31/12/2017
- Raw materials, ancillary and consumables	29,428	28,541
- Work in progress and semi-finished goods	17,012	12,260
- Finished products and goods	52,344	44,485
- Provision for write-down of raw materials	(2,974)	(1,982)
- Provision for write-down of finished products and goods	(1,138)	(928)
Total	94,672	82,376

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. Inventories are shown net of a write-down of copper for €/000 1,693.

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

€/000	31/12/2017	Effect of IFRS 15	Allocations	Uses	30/06/2018
Provision for write-down of raw materials	1,982	894	98	-	2,974
Provision for write-down of finished products and goods	928	-	210	-	1,138
Total	2,910	894	308	-	4,112

7. TRADE RECEIVABLES

€/000	30/06/2018	31/12/2017
- Customers/bills receivable	97,260	90,299
- Bad debt provision	(859)	(825)
Total	96,401	89,474

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 31/12/2017 is mainly due to the increase in turnover and a lower use of non-recourse factoring services.

The table below shows the changes in the bad debt provision during the first half of 2018:

€/000	31/12/2017	Allocations	Uses	30/06/2018
Bad debt provision	825	84	(50)	859

8. CURRENT TAX RECEIVABLES

The item is broken down as follows:

€/000	30/06/2018	31/12/2017
- Receivables for income taxes	1,499	-
Total	1,499	-

9. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

€/000	30/06/2018	31/12/2017
- Accrued income and prepaid expenses	275	136
- Receivables due from INPS	79	161
- VAT receivables	80	168
- Other receivables	594	2,138
Total	1,028	2,603

The decrease in "Other receivables" is mainly linked to the bonus on energy consumption received by the Parent Company IRCE SpA for the year 2016, paid by the Electrical Energy Authority with the authorisation from the Ministry of Economic Development.

10. OTHER CURRENT FINANCIAL ASSETS

€/000	30/06/2018	31/12/2017
- Mark to Market copper forward transactions	465	-
- Mark to Market USD forward transactions	20	-
- Mark to Market GBP forward transactions	-	-
- Fixed deposit for LME transactions	14	13
Total	499	13

The item "Mark to Market copper forward transactions" refers to the Mark to Market (Fair Value) measurement of copper forward contracts outstanding as of 30/06/2018 of the Parent Company IRCE SpA.

The item "Mark to Market USD forward transactions" refers to the Mark to Market (Fair Value) measurement of USD forward contracts outstanding as of 30/06/2018 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	30/06/2018	31/12/2017
- Bank and postal deposits	6,062	7,736
- Cash and cash equivalents	18	16
Total	6,080	7,752

Short-term bank deposits are remunerated at floating rates. Bank deposits outstanding as of 30 June 2018 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	30/06/2018	31/12/2017
- Own shares (share capital)	(761)	(734)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	140	258
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(22,933)	(18,343)
- Legal reserve	2,925	2,925
- Extraordinary reserve	34,486	32,277
- IAS 19 reserve	(1,092)	(1,304)
- Undistributed profits	11,715	11,897
Total	110,943	113,437

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 2018 amounted to 1,463,274 and corresponded to 5.20% of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
Balance as of 01/01/2018	**26,716**
Share issue	-
Share buyback	(52)
Balance as of 30/06/2018	**26,664**

Share premium reserve

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 of the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd, IRCE SP.ZO.O and Irce Electromagnetic wire Co. Ltd by using the official exchange rate as of 30 June 2018. 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

Balance as of 01/01/2017	**(1,414)**
Actuarial valuation	153
Tax effect	(43)
Balance as of 31/12/2017	**(1,304)**
Actuarial valuation	266
Tax effect	(54)
Balance as of 30/06/2018	**(1,092)**

This reserve includes actuarial gains and losses accumulated as a result of the application of IAS 19 Revised. The change in the reserve is as follows:

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 4,977.

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

Here below is the breakdown:

€/000	Currency	Rate	Company	30/06/2018	31/12/2017	Due date
Banco Popolare	EUR	Floating	IRCE SpA	-	442	2019
Carisbo	EUR	Floating	IRCE SpA	5,000	6,000	2020
Banca di Imola	EUR	Floating	IRCE SpA	1,888	2,514	2020
Banco Popolare	EUR	Floating	ISOMET AG	2,667	3,011	2021
Carisbo	EUR	Floating	IRCE SpA	5,538	-	2025
Total				15,093	11,967	

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2017	Effect of IFRS 15	Allocations	Uses	30/06/2018
Provisions for risks and disputes	2,071	(1,404)	102	(74)	695
Provision for severance payments to agents	266	-	49	-	315
Total	2,337	(1,404)	151	(74)	1,010

The item "Effect of IFRS 15" of €/000 1,404 refers to the reduction of the Parent Company IRCE SpA's provision for the risk of capital losses in relation to returns of packaging, since it was no longer needed following application of the new accounting standard.

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	30/06/2018	31/12/2017
Provision for employee benefits as of 01/01/2017	5,720	6,027
Financial charges	25	50
Actuarial (gains)/losses	(266)	(153)
Service cost	(34)	184
Payments	(227)	(288)
Effect of exchange rates	10	(100)
Provision for employee benefits as of 30/06/2018	5,228	5,720

The Provision includes €/000 4,299 related to the Parent Company IRCE SpA, €/000 864 related to the Swiss subsidiary ISOMET AG, and €/000 65 related to the Italian subsidiary Isolveco Srl.
The Provision for employee benefits 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 provision for employee benefits:

- 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 SpA, the following technical-economic assumptions were made:

	30/06/2018	31/12/2017
Annual discount rate	0.98%	0.88%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of employee termination indemnities	2.625%	2.625%

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

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

Here below are the disclosures required by IAS 19.

Sensitivity analysis of IRCE SpA's main measurement parameters:

€/000	DBO change as of 30/06/2018
Inflation rate +0.25%	4,353
Inflation rate -0.25%	4,246
Discount rate +0.25%	4,214
Discount rate -0.25%	4,387
Turnover rate +1%	4,274
Turnover rate -1%	4,328

Service cost: 0.00
Duration of the plan: 8.7

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 30/06/2018
Inflation rate -0.25%	880
Inflation rate +0.25%	848
Discount rate -0.25%	715
Discount rate +0.25%	1,001
Turnover rate -0.25%	911
Turnover rate +0.25%	816

Service cost with +0.25% discount rate: €/000 141
Service cost with +0.25% turnover rate: €/000 155

Duration of the plan: 17.1.

16. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

€/000	30/06/2018	31/12/2017
- Payables due to banks	63,396	49,824
- Mark to Market GBP forward transactions	30	855
Total	63,426	50,679

The item "Mark to Market GBP forward transactions" refers to the Mark to Market (Fair Value) measurement of GBP forward contracts outstanding as of 30/06/2018 of the Parent Company IRCE SpA.

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

€/000	30/06/2018	31/12/2017
Cash	6,080	7,752
Other current financial assets	34*	13
Liquid assets	**6,114**	**7,765**
Current financial liabilities	(63,426)	(49,914)*
Net current financial debt	**(57,312)**	**(42,149)**
Non-current financial liabilities	(15,093)	(11,967)
Non-current financial debt	**(15,093)**	**(11,967)**
Net financial debt	**(72,405)**	**(54,116)**

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

17. TRADE PAYABLES

Trade payables are all due in the following 12 months.
As of 30 June 2018 they totalled €/000 26,234, compared to €/000 24,688 as of 31 December 2017.

18. TAX PAYABLES

The item is broken down as follows:

€/000	30/06/2018	31/12/2017
- Payables due for income taxes	3,449	1,518
Total	3,449	1,518

19. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/06/2018	31/12/2017
- Payables due to employees	4,269	3,598
- VAT payables	1,092	1,082
- IRPEF (personal income tax) payables	392	453
- Deposits received from customers	1,702	1,743
- Accrued liabilities and deferred income	393	343
- Other payables	1,000	795
Total	8,848	8,014

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 2018 amounted to €/000 192,512, up 3.7% compared to the previous year (€/000 185,672). 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 (€/000 429).

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 assets, as detailed below:

€/000	30/06/2018	30/06/2017	Change
- External processing	2,971	2,998	(27)
- Utility expenses	5,887	7,958	(2,071)
- Maintenance	814	898	(84)
- Transportation expenses	2,484	2,478	6
- Payable fees	226	138	88
- Compensation of Statutory Auditors	37	33	4
- Other services	2,307	2,971	(664)
- Costs for use of third-party assets	162	130	32
Total	14,888	17,604	(2,716)

The item "Other services" includes primarily technical, legal and tax consulting fees as well as insurance and business expenses. The change in the period was due to the approval of innovative products which in 2016 were still at the research stage.

The saving in "Utility expenses" was due to lower costs incurred by the Parent Company IRCE SpA for energy consumption, thanks to contributions for energy-intensive businesses. As from 1 January 2018, a new incentive system in favour of energy-intensive businesses has come into force (Ministerial decree of 21 December 2017), where the facilitation conditions and means of application are redefined. The contribution envisages a saving directly on the supplier's invoice, with the annulment of the ASOS (General costs in support of renewable energy and CHP) component on the invoice.

23. PERSONNEL COSTS

Personnel costs are detailed as follows:

€/000	30/06/2018	30/06/2017	Change
- Salaries and wages	11,400	11,781	(381)
- Social security charges	2,957	2,883	74
- Retirement costs for defined contribution and defined benefit plans	606	731	(125)
- Other costs	1,271	1,254	17
Total personnel costs	16,234	16,649	(415)

The item "Other costs" includes costs for temporary work, contract work, and the compensation of Directors. The lower personnel costs were due to a reduction in the number of employees in some European subsidiaries, on the basis of a reorganisation plan.

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 2018	Average 1st half 2017	30/06/2018
- Executives/Managers	23	21	23
- White collars	164	169	164
- Blue collars	546	549	546
Total	733	739	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 2018 was 733 people.

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

Here is the breakdown of depreciation/amortisation:

€/000	30/06/2018	30/06/2017	Change
- Amortisation of intangible assets	50	28	22
- Depreciation of tangible assets	3,390	3,082	308
- Write-down of goodwill of Smit Draad Nijmegen BV	-	900	(900)
- Impairment of intangible assets	96	-	96
Total depreciation/amortisation	3,536	4,010	(474)

25. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	30/06/2018	30/06/2017	Change
- Write-downs of receivables	84	271	(187)
- Credit losses	181	-	181
- Provisions for risks	102	290	(188)
Total provisions and write-downs	367	561	(194)

26. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	30/06/2018	30/06/2017	Change
- Non-income taxes and duties	146	147	(1)
- Capital losses and contingent liabilities	114	76	38
- Other costs	427	474	(47)
Total other operating costs	687	697	(10)

27. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	30/06/2018	30/06/2017	Change
- Other financial income	2,139	1,324	815
- Interest and financial charges	(586)	(528)	(58)
- Foreign exchange gains/(losses)	99	(123)	222
Total	1,652	673	979

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	30/06/2018	30/06/2017	Change
- Income from LME derivatives	1,500	214	1,286
Total	1,500	214	1,286

28. INCOME TAXES

€/000	30/06/2018	30/06/2017	Change
- Current taxes	(2,383)	(2,420)	(37)
- Deferred tax assets/(liabilities)	(814)	(454)	360
Total	(3,197)	(2,874)	323

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.

	30/06/2018	30/06/2017
Net profit/(loss) attributable to shareholders of the Parent Company	4,976,530	5,683,784
Average weighted number of ordinary shares used to calculate basic earnings per share	26,664,726	26,716,226
Basic earnings/(loss) per share	0.1866	0.2127
Diluted earnings/(loss) per share	0.1866	0.2127

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	152	260

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.

31. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating:

Risk level	*Exposure, €/000*
Low	51,663
Medium	35,182
Above-average	10,353
High	62
Total	**97,260**

As of 30 June 2018, the breakdown of trade receivables by due date is as follows:

Due date	*Amount, €/000*
Not yet due	89,496
< 30 days	5,268
31-60	767
61-90	153
91-120	40
> 120	1,536
Total	**97,260**

32. FINANCIAL INSTRUMENTS

Here below is a comparison between the carrying amount and fair value of the Group's financial instruments broken down by category:

€/000	Carrying amount		Fair value	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Financial assets				
Cash and cash equivalents	6,080	7,752	6,080	7,752
Other financial assets	499	13	499	13
Financial liabilities				
Current loans	63,426	50,679	63,426	50,679
Non-current loans	15,093	11,967	15,093	11,967

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 2018 AND 2017

	2nd quarter 2018 (*)	2nd quarter 2017 (*) Restated
Revenues	98,304,957	93,191,052
Other revenues and income	185,901	189,870
TOTAL REVENUES	**98,490,858**	**93,380,922**
Costs for raw materials and consumables	(83,866,294)	(75,082,151)
Change in inventories of work in progress and finished goods	5,647,719	6,407,924
Costs for services	(7,088,737)	(8,767,121)
Personnel costs	(8,051,683)	(8,492,446)
Depreciation/amortisation	(1,865,803)	(2,535,521)
Provisions and write-downs	(76,717)	(414,546)
Other operating costs	(366,412)	(234,488)
EBIT	**2,822,932**	**4,262,573**
Financial income and charges	563,341	101,346
PROFIT BEFORE TAX	**3,392,273**	**4,363,919**
Income taxes	(1,372,020)	(1,752,869)
PROFIT BEFORE NON-CONTROLLING INTERESTS	**2,020,252**	**2,611,050**
Non-controlling interests	(5,152)	524,327
NET PROFIT FOR THE PERIOD	**2,015,100**	**3,135,377**

(*) Unaudited

Attachment

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2nd quarter 2018 (*)	2nd quarter 2017 (*) Restated
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**2,020**	**2,611**
Translation difference on financial statements of foreign companies	(3,613)	(4,938)
Total other gains/(losses), net of the tax effect, that may be subsequently reclassified to profit/(loss) for the period	**(3,613)**	**(4,938)**
Net profit/(loss) - IAS 19	266	77
Income taxes	(54)	(18)
	212	**59**
Total other gains/(losses), net of the tax effect, that will not be subsequently reclassified to profit/(loss) for the period	**212**	**59**
Total profit/(loss) from statement of comprehensive income, net of taxes	**(3,401)**	**(4,879)**
Total comprehensive profit (loss), net of taxes	**(1,381)**	**(2,268)**
Attributable to:		
Shareholders of the Parent Company	**(1,376)**	**(1,744)**
Minority shareholders	**(5)**	**(524)**

(*) 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 in charge of 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 accordance with IAS 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, 12 September 2018

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, 2018, 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, 2018 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 12, 2018

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)