



INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2018

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

CORPORATE BODIES

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

INTERNAL CONTROL MANAGER

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
 MR GABRIELE FANTI
 MR GIANLUCA PIFFANELLI

(a) Member of the Control and Risks Committee

(b) Member of the Remuneration Committee

REPORT ON OPERATIONS

IRCE Group's (hereinafter also the "Group") nine months of 2018 closed with an EBIT of € 7.82 million and a net profit of € 6.54 million.

In the winding wire sector, the third quarter confirmed the slowdown in demand in the European market already recorded in the first part of the year, with a consequent decrease in sales of around 7%. Total sales instead showed a smaller reduction thanks to the results obtained on Extra European markets.

Sales, in the cable sector, are 19% higher than those of the same period last year; we note, however, a contraction in demand already started in July.

Consolidated turnover grew by 2.3%, from € 268.68 million in nine months 2017 to € 275.01 million in the same period of 2018, thanks to the increase in the value of copper.

The turnover without metal¹ decreased by 0.6%, in detail the winding wire sector fell by 5.1%, while the cable sector increased by 18.6%.

Consolidated turnover without metal (€/million)	9 months 2018		9 months 2017 Restated*		Change
	Value	%	Value	%	%
Winding wires	46.42	77.5%	48.91	81.2%	-5.1%
Cables	13.46	22.5%	11.35	18.8%	18.6%
Total	59.88	100.0%	60.26	100.0%	-0.6%

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

Consolidated income statement data (€/million)	9 months 2018	9 months 2017 Restated*	Change
Sales ²	275.01	268.80	6.21
EBITDA ³	13.34	15.44	(2.10)
EBIT	7.82	9.28	(1.46)
Result before taxes	10.40	9.25	1.15
Net result	6.54	6.00	0.54
EBITDA adjusted ⁴	15.54	14.98	0.56
EBIT adjusted ⁴	10.02	8.82	1.20

* 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 "Sales" represents "Revenues" as stated on the consolidated income statement.

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

⁴ Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the income/charges from operations on copper derivatives transactions (€ +2.20 million in nine months 2018 and € -0.46 million in nine months 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 statement of financial position data (€/million)	As of 30.09.2018	As of 31.12.2017	Change
Net invested capital	183.80	186.52	(2.72)
Shareholders' Equity	130.53	132.40	(1.87)
Net financial debt ⁵	53.27	54.12	(0.85)

Consolidated net financial debt, at the end of June 2018, was € 53.27 million, down compared to end of 2017 (€ 54.12 million) and compared the end of June 2018 (€ 72.41) million).

The reduction in consolidated shareholders' equity, in spite of the positive result of the period, is mainly due to the € 5.82 million increase of the negative amount of the translation reserve (as a result of the devaluation of the Brazilian real against the euro).

The Group's investments, in the first nine months of 2018, were € 4.03 million and mostly concerned the plants in Europe.


For the year 2018, we expect to achieve better results than in 2017, thanks to a reduction in costs and efficiency improvements.

Imola, 14th November 2018

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



⁵ 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)

ASSETS	Note	30.09.2018	30.06.2018	31.12.2017
NON - CURRENT ASSETS				
Goodwill and intangibles assets	1	147,072	269,382	347,598
Property, plant and machinery	2	47,255,917	47,861,910	50,766,941
Equipment and other tangible other assets	2	1,396,778	1,494,447	1,537,464
Fixed assets under construction and on account	2	2,710,445	3,558,563	2,211,025
Other non-current financial assets and receivables	3	106,334	116,746	120,767
Non-current tax receivables	4	811,582	811,582	811,582
Deferred taxes assets	5	1,852,719	1,783,214	1,661,765
TOTAL NON- CURRENT ASSETS		54,280,847	55,895,844	57,457,142
CURRENT ASSETS				
Inventories	6	93,483,792	94,672,019	82,376,132
Trade receivables	7	78,514,971	96,401,395	89,473,689
Current tax receivables	8	22,453	-	-
Receivables due from others	9	3,189,684	2,526,706	2,602,975
Current financial assets	10	541,193	498,620	13,180
Cash and cash equivalent	11	6,450,152	6,080,275	7,752,434
TOTAL CURRENT ASSETS		182,202,245	200,179,015	182,218,410
TOTAL ASSETS		236,483,092	256,074,859	239,675,552

SHAREHOLDERS EQUITY AND LIABILITIES	Note	30.09.2018	30.06.2018	31.12.2017
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	12	14,626,560	14,626,560	14,626,560
RESERVES	12	109,697,871	110,942,880	113,437,366
PROFIT FOR THE PERIOD	12	6,539,391	4,976,530	4,685,238
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		130,863,822	130,545,970	132,749,164
MINORITY INTEREST		(332,237)	(350,904)	(350,085)
TOTAL SHAREHOLDERS' EQUITY		130,531,585	130,195,066	132,399,079
NON CURRENT LIABILITIES				
Non-current financial liabilities	13	12,885,028	15,092,897	11,966,839
Deferred tax liabilities	5	739,656	762,468	254,630
Provision for risks and charges	14	1,514,667	1,010,264	2,337,016
Employee benefits' provision		5,238,015	5,227,974	5,719,819
TOTAL NON-CURRENT LIABILITIES		20,377,366	22,093,603	20,278,304
CURRENT LIABILITIES				
Current financial liabilities	15	47,229,114	63,425,704	50,678,998
Trade payables	16	26,962,281	26,233,738	24,687,869
Tax payables	17	1,762,601	3,449,479	1,518,262
Social security contributions		1,699,484	1,829,075	2,099,038
Other current liabilities	18	7,920,661	8,848,194	8,014,002
TOTAL CURRENT LIABILITIES		85,574,141	103,786,190	86,998,169
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		236,483,092	256,074,859	239,675,552

CONSOLIDATED INCOME STATEMENT

(Euros)

	Note	30.09.2018	30.09.2017 Restated *	III quarter 2018	III quarter 2017 Restated*
Sales revenues	19	275,007,474	268,796,123	82,495,385	83,124,209
Other income	19	574,618	445,792	178,985	137,882
TOTAL REVENUES		275,582,092	269,241,915	82,674,370	83,262,091
Cost for raw material and consumables	20	(224,070,907)	(212,138,404)	(60,381,601)	(63,620,255)
Change in work in progress and finished goods		8,805,780	7,501,674	(4,208,871)	(1,918,587)
Cost for services	21	(22,151,900)	(24,342,285)	(7,263,939)	(6,738,338)
Personnel costs	22	(23,860,548)	(23,744,233)	(7,626,105)	(7,095,520)
Depreciation/Amortisation and impairment of fixed assets	23	(5,136,578)	(5,566,473)	(1,600,331)	(1,556,657)
Provisions and write-downs	24	(383,688)	(597,545)	(17,071)	(36,752)
<i>(of which: non-recurring)</i>		-	<i>(1,830,000)</i>	-	-
Other operating costs	25	(964,672)	(1,075,491)	(277,626)	(377,762)
EBIT		7,819,579	9,279,158	1,298,826	1,918,220
Financial incomes / (charges)	26	2,578,411	(29,358)	926,396	(702,605)
PROFIT / (LOSS) BEFORE TAXES		10,397,990	9,249,800	2,225,222	1,215,615
Income taxes	27	(3,840,752)	(3,320,259)	(643,694)	(446,146)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		6,557,238	5,929,541	1,581,528	769,469
Non-controlling interests		(17,847)	74,343	(18,667)	8,130
RESULT OF IRCE GROUP		6,539,391	6,003,884	1,562,861	777,599

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.09.2018	30.09.2017 Restated*
€/000		
PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST	6,557	5,930
Foreign currency translation difference	(5,816)	(4,536)
Total other profit / (loss) net of tax which may be subsequently reclassified to profit / (loss) for the period	(5,816)	(4,536)
Net profit / (loss) - IAS 19	266	77
Income taxes	(54)	(18)
	212	59
Total other profit / (loss) net of tax which not be subsequently reclassified to profit / (loss) for the period	212	59
Total profit / (loss) from statement of comprehensive income net of taxes	(5,604)	(4,477)
Total comprehensive profit / (loss) net of taxes	954	1,453
Ascribable to:		
Shareholders of the parent company	936	1,527
Minority shareholders	18	(74)

* 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

€/000	Capitale Sociale		Altre riserve			Utili portati a nuovo						Total	Minority interest	Total shareholders' equity
	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreign currency reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Unidivided profit	Result for the period			
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											6,004	6,004	(74)	5,930
Other comprehensive profit / (loss)						(4,536)			59			(4,477)		(4,477)
Total profit / (loss) from statement of comprehensive income						(4,536)			59		6,004	1,527	(74)	1,453
Allocation of the result of the previous year								1,457		(1,635)	178	(803)		(803)
Dividends								(803)						
Balance as of 31 december 2017- Restated*	14,627	(734)	40,539	258	45,924	(16,282)	2,925	32,481	(1,355)	11,692	6,004	136,076	(347)	135,731
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 accounting standards (IFRS 15)*								(1,322)				(1,322)		(1,322)
Balance as of 31 december 2017- Restated	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											6,539	6,539	18	6,557
Other comprehensive profit / (loss)						(5,816)			212			(5,604)		(5,604)
Total profit / (loss) from statement of comprehensive income						(5,816)			212		6,539	936	18	954
Allocation of the result of the previous year								4,864		(181)	(4,685)	(1,333)		(1,333)
Dividends								(1,333)				(163)		(163)
Sell / purchase own shares		(31)		(132)										
Balance as of 30 June 2017	14,627	(765)	40,539	126	45,924	(24,159)	2,925	34,486	(1,092)	11,716	6,539	130,864	(332)	130,532

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	Note	30.09.2018	30.09.2017 Restated*
<i>€/000</i>			
OPERATING ACTIVITIES			
Profit for the year		6,539	6,004
<i>Adjustments for:</i>			
Amortization/depreciation	23	5,137	4,666
Goodwill writedown		0	900
Net change in (assets) provision for (advance) deferred taxes		806	603
(Gains)/Losses from sell-off of fixed assets		(16)	0
(Gains)/Losses on unrealized translation differences		(195)	0
Taxes	27	(3,126)	2,825
Financial income/(charge)	26	(2,384)	(421)
Operating profit/(loss) before change in working capital		6,761	14,577
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Taxes paid		(1,697)	(332)
Decrease (increase) in inventory	6	(10,214)	(10,227)
(Increase) decrease in current assets and liabilities		13,318	(14,692)
(increase) decrease in non-current assets and liabilities		203	(230)
Exchange difference on translation of financial statement in foreign currency		(3,430)	(2,943)
CASH FLOW GENERATED BY OPERATING ACTIVITIES		4,941	(13,847)
INVESTING ACTIVITIES			
Investments in intangible assets	1	(70)	(109)
Investments in tangible assets	2	(3,955)	(4,017)
Amount collected from sale of tangible and intangible assets		86	26
CASH FLOW USED IN INVESTMENTS		(3,939)	(4,100)
FINANCIAL ACTIVITIES			
Net change in loans	13	918	(1,637)
Net change in short-term loans	15	(3,450)	16,536
Exchange difference on translation of financial statement in foreign currency		69	593
Change in current financial assets	10	(528)	502
Payment of interest		(785)	(1,029)
Receipt of interest		3,169	1,450
Change in minority shareholders' capital		18	(74)
Change in translation of financial statements in foreign currency with effects in shareholders' equity		212	59
Dividends paid		(1,333)	(803)
Sell/purchase own shares		(163)	0
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		(1,873)	15,597
NET CASH FLOW FOR THE PERIOD		(871)	(2,350)
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CASH BALANCE AT START OF YEAR	11	7,752	7,776
TOTAL NET CASH FLOW FOR THE PERIOD		(871)	(2,350)
EXCHANGE DIFFERENCE		(431)	(206)
CASH BALANCE AT THE END OF YEAR	11	6,450	5,220

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

NOTES TO THE INTERIM REPORT ON OPERATION

GENERAL INFORMATION

The Board of Directors authorized this Interim report of 30 September 2018, to be published on 14th November 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 Interim report have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as required by interim financial statements prepared in a "synthetic" form, and under Article. 154 ter of TUF.

The consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group annual financial statements at December 31, 2017.

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

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

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

ACCOUNTING 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 September 2018, which led to a reduction in the result for the period of €/000 421:

€/000			
Statement of Financial Position (extract)	Amounts without adoption of IFRS 15	Increase/(decrease)	30/09/2018
Inventories	93,396	88	93,484
Deferred tax assets	2,423	161	2,584
Trade receivables	77,845	(670)	78,515
Effect on assets		(421)	

€/000			
Income Statement (extract)	Amounts without adoption of IFRS 15	Increase/(decrease)	30/09/2018
Sales revenues	275,677	(670)	275,007
Costs for raw materials	(223,983)	88	(224,071)
Income taxes	(3,680)	161	(3,841)
Effect on profit/(loss) for the period		(421)	

- 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.

2017 RESTATEMENT

During the second half of 2017, asset misappropriation to the detriment of the subsidiary Iolveco 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 Iolveco 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 Iolveco 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 September 2017, in the consolidated financial statements of the Group.

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	64,696
Effect on liabilities		236	

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

€/000

Statement of Financial Position (extract)	30/09/2017	Increase/(decrease)	30/09/2017 Restated
Trade receivables	92,856	1,830	94,686
Effect on assets		1,830	

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

€/000			
Income Statement (extract)	30/09/2017	Increase/(decrease)	30/09/2017 Restated
Provisions and write-downs	2,428	(1,830)	598
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.

CONSOLIDATION PRINCIPLES

The following table shows the list of companies included in the scope of consolidation as of 30 September 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%	Brasile	Real	157.894.223	line by line
ISODRA GmbH	100%	Germany	€	25,000	line by line
Stable Magnet Wire P.Ltd.	100%	India	INR	165,189,860	line by line
IRCE Kablo Ve Tel Ltd	100%	Turkey	TRY	1,700,000	line by line
IRCE SP.ZO.O	100%	Poland	PLN	200,000	line by line
Isolveco 2 Srl	100%	Italy	€	10,000	line by line
Irce Electromagnetic wire (Jiangsu) Co. Ltda	100%	Cina	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.

DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

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

A summary of derivative contracts related to commodities (copper) for forward sales and purchases, in force on 30 September 2018, is shown below:

Measurement unit of the notional value	Notional net value with maturity within one year (tons)	Notional value with maturity after one year	Result with fair value measurement as of 30/09/2018 - €/000
Tons	350	-	145

- Derivative instruments related to USD and GBP forward purchases and sales contracts with maturity after 30 September 2018. These transactions do not satisfy the conditions required for recognising these instruments as hedges for the purposes of cash flow hedge accounting

The summary is set out below:

Measurement unit of the notional amount	Notional net amount with maturity within one year (€/000)	Notional amount with maturity after one year	Result with fair value measurement as of 30/09/2018 €/000
GBP	6,000	-	19
USD	1,500	-	24

FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments referring to the items of the financial statements are detailed as follows:
Here below is the breakdown of financial instruments referring to the items of the financial statements:

As of 30 September 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	1	105			106
Current financial assets					
Trade receivables	78,515				78,515
Current financial assets	353	188			541
Cash and cash equivalents	6,450				6,450
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 September 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	12,885			12,885
Current financial liabilities				
Trade payables	26,962			26,962
Other payables	11,383			11,383
Financial payables	47,229			47,229
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: inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs not based on observable market data.

The following tables highlight the assets and liabilities that are measured at fair value as of 30 September 2018 and as of 31 December 2017 in terms of hierarchical level of fair value measurement (€/000):

30/09/2018	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	188	-	188
Total assets	-	188	-	188
Liabilities:				
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-

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

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

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
<i>Changes during the period</i>				
. Investments	67	3	-	70
. Effect of exchange rates	(5)	(2)	-	(7)
. Reclassifications	3	-	-	3
. Write-downs	-	-	(189)	(189)
. Amortisation	(76)	(2)	-	(78)
Total changes	(11)	(1)	(189)	(201)
Net carrying amount as of 30/09/2018	125	22	-	147

The item "Write-downs" of €/000 189 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	Fixed 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>Changes during the period</i>							
. Investments	-	22	2,848	200	95	790	3,955
. Effect of exchange rates	(23)	(372)	(1,607)	(8)	-	(7)	(2,017)
. Reclassifications	-	-	282	(1)	-	(284)	(3)
. Divestments	-	-	(267)	(80)	(142)	-	(489)
. Depreciation related to disposals	-	-	263	80	116	-	459
. Depreciation of the period	-	(805)	(3,852)	(277)	(124)	-	(5,058)
Total changes	(23)	(1,155)	(2,333)	(86)	(55)	499	(3,153)
Net carrying amount as of 30/09/2018	11,593	14,108	21,554	876	521	2,710	51,363

The Group's investments in the first nine months of 2018 were € 3.96 million and mainly refer to investments made at European factories.

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/09/2018	30/06/2018	31/12/2017
- Equity investments in other companies	105	59	62
- Other receivables	1	58	59
Total	106	117	121

4. NON-CURRENT TAX RECEIVABLES

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

5. DEFERRED TAXES ASSETS AND LIABILITIES

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

€/000	30/09/2018	30/06/2018	31/12/2017
- Deferred tax assets	1,853	1,783	1,662
- Deferred tax liabilities	(740)	(762)	(255)
Total deferred tax assets (net)	1,113	1,021	1,407

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

6. INVENTORIES

Inventories is detailed below:

€/000	30/09/2018	30/06/2018	31/12/2017
- Raw materials, ancillary and consumables	32,369	29,428	28,541
- Work in progress and semi-finished goods	17,321	17,012	12,260
- Finished products and goods	47,907	52,344	44,485
- Provisions for write-down of raw materials	(2,974)	(2,974)	(1,982)
- Provisions for write-down of finished products	(1,139)	(1,138)	(928)
Total	93,484	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 €/000 967.

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

€/000	31/12/2017	IFRS 15 effects	Allocations	Uses	30/09/2018
-Provisions for write-down of raw materials	1,982	894	98	-	2,974
-Provisions for write-down of finished products and goods	928	-	211	-	1,139
Total	2,910	894	309	-	4,113

7. TRADE RECEIVABLES

€/000	30/09/2018	30/06/2018	31/12/2017
- Customers/bills receivable	79,382	97,260	90,299
- Bad debts provision	(867)	(859)	(825)
Total	78,515	96,401	89,474

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

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

€/000	31/12/2017	Allocations	Uses	30/09/2018
Bad debt provision	825	94	(52)	867

8. CURRENT TAX RECEIVABLES

The item is detailed as follows:

€/000	30/09/2018	30/06/2018	31/12/2017
- Receivables due from income taxes	22,453	-	-
Total	22,453	-	-

9. RECEIVABLES DUE FROM OTHERS

The item is detailed as follows:

€/000	30/09/2018	30/06/2018	31/12/2017
- Accrued income and prepaid expenses	223	275	136
- Receivables due from social security institutions	93	79	161
- Vat receivables	277	80	168
- Irce Ltda receivables	2,034	1,467	716
- Other receivables	563	626	1,422
Total	3,190	2,527	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	30/09/2018	30/06/2018	31/12/2017
- Mark to Market copper forward transactions	145	465	-
- Mark to Market USD forward transactions	19	20	-
- Mark to Market GBP forward transactions	24	-	-
- Fixed deposit for LME transactions	353	14	13
Total	541	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 30/09/2018 of the Parent Company IRCE SpA. The item "Mark to Market USD and GBP forward transactions" refers to the Mark to Market (Fair Value) measurement forward contracts outstanding as of 30/09/2018 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 EQUIVALENT

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

€/000	30/09/2018	30/06/2018	31/12/2017
- Bank deposits	6,436	6,062	7,736
- Cash on hand and valuables	14	18	16
Total	6,450	6,080	7,752

Bank and postal deposits outstanding as of 30 September 2018 are not subject to constraints or restrictions.

12. SHAREHOLDERS' EQUITY

Share capital

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

Here below is the breakdown of reserves:

€/000	30/09/2018	30/06/2018	31/12/2017
- Own shares (share capital)	(765)	(761)	(734)
- Share premium reserve	40,539	40,539	40,539
- Own shares (share premium)	126	140	258
- Other reserves	45,924	45,924	45,924
- Foreign currency translation reserve	(24,160)	(22,933)	(18,343)
- Legal reserve	2,925	2,925	2,925
- Extraordinary reserve	34,486	34,486	32,277
- IAS 19 reserve	(1,092)	(1,092)	(1,304)
- Undistributed profit	11,715	11,715	11,897
Total	109,698	110,943	113,437

Own Shares

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

Own shares as of 30 September 2018 amounted to n.1,471,591 and correspond to 5.23% 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	(60)
Balance as of 30/09/2018	26,656

Share premium reserve

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

The item "Other reserves" refers mainly to:

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

Foreign currency translation reserve

This reserve represents the value accounting differences which result from the foreign currency translation of the financial statements prepared by the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd, IRCE Sp.zo.o and Irce Electromagnetic wire Co. Ltd by using the official exchange rate as of 30 September 2018. The change in the reserve is mainly due to the depreciation of the Brazilian real to the Euro.

Extraordinary reserve

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

IAS 19 reserve

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

Undistributed profit

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

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

Profit for the period

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 6,539.

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Capital and reserves attributable to non-controlling interests

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

Profit attributable to non-controlling interests

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

13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	30/09/2018	30/06/2018	31/12/2017	Expiration
Banco Popolare	EUR	Floating	IRCE SPA	-	-	442	2019
Carisbo	EUR	Floating	IRCE SPA	4,000	5,000	6,000	2020
Banca di Imola	EUR	Floating	IRCE SPA	1,260	1,888	2,514	2020
Banco Popolare	EUR	Floating	Isomet AG	2,548	2,667	3,011	2021
Carisbo	EUR	Floating	IRCE SPA	5,077	5,538	-	2025
Total				12,885	15,093	11,967	

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are detailed below:

€/000	31/12/2017	IFRS 15 Effects	Allocations	Uses	30/09/2018
-Provisions for risks and disputes	2,071	(1,404)	608	(83)	1,192
-Provision for severance payments to agents	266	-	57	-	323
Total	2,337	(1,404)	665	(83)	1,515

The item "IFRS 15 Effects" 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.

The provision refers for €/ 000 500 to the subsidiary Smit Draad Nijmegen BV and was carried out against a company restructuring plan.

15. CURRENT FINANCIAL LIABILITIES

The current financial liabilities are detailed below:

€/000	30/09/2018	30/06/2018	31/12/2017
- Payables due to banks	47,229	63,396	49,824
- Payables due for derivative contracts	-	30	855
Total	47,229	63,426	50,679

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

€/000	30/09/2018	30/06/2018	31/12/2017
Cash	6,450	6,080	7,752
Other current financial assets	396*	34*	13
Liquid assets	6,846	6,114	7,765
Current financial liabilities	(47,229)	(63,426)	(49,914)*
Net current financial debt	(40,383)	(57,312)	(42,149)
Non-current financial liabilities	(12,885)	(15,093)	(11,967)
Non-current financial debt	(12,885)	(15,093)	(11,967)
Net financial debt	(53,268)	(72,405)	(54,116)

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

16. TRADE PAYABLES

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

As of 30 September 2018, they amount to €/000 26,962, compared to €/000 24,688 as of 31 December 2017.

17. TAX PAYABLES

The item is detailed as follows:

€/000	30/09/2018	30/06/2018	31/12/2017
- Payables due for income taxes	1,763	3,449	1,518
Total	1,763	3,449	1,518

18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/09/2018	30/06/2018	31/12/2017
- Payables due to employees	3,778	4,269	3,598
- Vat payables	977	1,092	1,082
- IRPEF payables	221	392	453
- Deposits received from customers	1,732	1,702	1,743
- Accrued liabilities and deferred income	372	393	343
- Other payables	841	1,000	795
Total	7,921	8,848	8,014

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

19. REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the nine months of 2018 amounted to €/000 275,007, shows an increase of 2.31% compared to the previous year (€/000 268,796).

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

20. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, of which the most significant are those represented by copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 2,817).

21. COSTS FOR SERVICES

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

€/000	30/09/2018	30/09/2017	III° quarter 18	III° quarter 17
- External manufacturing	4,172	4,223	1,201	1,225
- Utility expenses	8,612	10,580	2,725	2,622
- Maintenance	1,354	1,384	540	486
- Transportation expenses	3,631	3,547	1,147	1,069
- Payable fees	295	179	69	41
- Compensation of Statutory Auditors	56	50	19	17
- Other services	3,782	4,184	1,475	1,213
- Costs for the use of third-party goods	250	195	88	65
Total	22,152	24,342	7,264	6,738

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 2017 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.

22. PERSONNEL COST

Personnel cost is detailed as follows:

€/000	30/09/2018	30/09/2017	III° quarter 18	III° quarter 17
- Salaries and wages	16,757	16,411	5,357	4,630
- Social security charges	4,257	4,234	1,300	1,351
- Retirement costs for defined contribution plans	956	1,062	350	331
- Other costs	1,890	2,037	619	784
Total Personnel Cost	23,860	23,744	7,626	7,096

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

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

Personnel	Average 9 months 2018	30/09/2018	31/12/2017
- Executives	23	23	22
- White collars	165	165	168
- Blue collars	546	551	534
Total	734	739	724

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

The total number of employees as of 30 September 2018 was 739 people.

23. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

Depreciation is as follows:

€/000	30/09/18	30/09/17	III° quarter 18	III° quarter 17
- Intangible asset depreciation	78	47	28	19
- Tangible asset depreciation	5,058	4,619	1,668	1,537
- Write-down of goodwill of Smit Draad Nijmegen BV	-	900	-	-
- Write-down of intangible asset	-	-	(96)	-
Total	5,136	5,566	1,600	1,556

24. PROVISIONS AND WRITE-DOWNS

Allocations and write-downs are detailed as follows:

€/000	30/09/18	30/09/17	III° quarter 18	III° quarter 17
- Write-downs of receivables	94	308	10	37
- Receivables losses	181	-	-	-
- Allocations for risks	109	290	7	-
Total allocations and write-downs	384	598	17	37

25. OTHER OPERATING COSTS

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

26. FINANCIAL INCOMES AND CHARGES

Financial income and charges were broken down as follows:

€/000	30/09/18	30/09/17	III° quarter 18	III° quarter 17
- Other financial income	3,169	1,450	1,030	125
- Interest and financial charges	(785)	(1,029)	(199)	(501)
- Foreign exchange gains / (losses)	194	(450)	95	(327)
Total	2,578	(29)	926	(703)

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

€/000	30/09/18	30/09/17	III° quarter 18	III° quarter 17
- Income from LME derivatives	2,201	(455)	701	(669)
Total	2,201	(455)	701	(669)

27. INCOME TAXES

€/000	30/09/18	30/09/17	III° quarter 18	III° quarter 17
- Current taxes	(3,126)	(2,824)	(743)	(404)
- Deferred taxes	(715)	(496)	99	(42)
Total	(3,841)	(3,320)	(644)	(446)

28. RELATED PARTY DISCLOSURES

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

€/000	Compensation for office held	Compensation for other tasks	Total
Directors	161	228	389

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

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

As of 30 September 2018, the Group Parent Company IRCE SPA had a payable of €/000 131 with respect to its parent company Aequafin SPA for the payment of tax advances due to the application of the national tax consolidation regime.

30. EVENTS FOLLOWING THE REPORTING PERIOD

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

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

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