HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2019

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CORPORATE BODIES

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EXECUTIVE DIRECTOR	MR	FRANCESCO GANDOLFI COLLEONI
NON-EXECUTIVE DIRECTOR	MR	GIANFRANCO SEPRIANO
INDEPENDENT DIRECTOR	MS	FRANCESCA PISCHEDDA
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PricewaterhouseCoopers SpA

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MR GIANFRANCO SEPRIANO
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REMUNERATION COMMITTEE

MS FRANCESCA PISCHEDDA
MR GIANFRANCO SEPRIANO
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MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
MR GABRIELE FANTI
MR GIANLUCA PIFFANELLI

INTERIM REPORT ON OPERATIONS AS OF 30 June 2019

For the IRCE Group (hereafter also referred to as the "Group"), the first half of 2019 ended with net profit of € 2.60 million.

Consolidated turnover amounted to € 170.45 million, down 11.5% compared to € 192.51 million in the first half of 2018; this reduction was linked to the fall in turnover without metal[1] and the 4.5% decrease in the average LME copper price in the first half of the year, compared to the same period of last year.

Sales dropped in both of the sectors the company operates in, consistent with the results of the first part of the year. In the winding wire sector, the decline of the European market was partially offset by the performance of sales on non-European markets. In the cable sector, the significant decrease was concentrated on the Italian market.

Turnover without metal[1] fell by 8.1%; the winding wire sector fell by 3.8%, and the cable sector fell by 22.6%.

Consolidated turnover without metal	1st half 2019		1st half 2018		Change	
(€/million)	Value	%	Value	%	Value	%
Winding wires	31.43	*80.9%*	32.68	*77.3%*	(1.25)	*(3.8%)*
Cables	7.44	*19.1%*	9.61	*22.7%*	(2.17)	*(22.6%)*
Total	38.87	*100.0%*	42.29	*100.0%*	(3.42)	*(8.1%)*

The following table shows the changes in results compared to the first half of 2018, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	1st half 2019	1st half 2018	Change
Turnover[2]	170.45	192.51	(22.06)
EBITDA[3]	5.46	10.42	(4.96)
EBIT	1.93	6.52	(4.59)
Profit before tax	3.25	8.17	(4.92)
Net profit	2.60	4.98	(2.38)
Adjusted EBITDA[4]	6.60	11.92	(5.32)
Adjusted EBIT[4]	3.07	8.02	(4.95)

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 gains/losses on copper derivatives transactions (€ +1.14 million in the first half of 2019 and € +1.50 million in the first half of 2018). 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.

Consolidated net financial debt, at the end of June 2019, was € 62.10 million, up from € 59.71 million at the end of 2018, due to the increase in net working capital.

Consolidated statement of financial position data (€/million)	30.06.2019	31.12.2018	Change
Net invested capital	195.42	191.01	4.41
Shareholders' equity	133.32	131.30	2.02
Net financial debt[5]	62.10	59.71	2.39

Investments

Investments of the Group in the first half of 2019 amounted to € 1.43 million and were primarily related to IRCE SpA.

Main risks and uncertainties

The Group's main 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, Poland, and China.
  As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the investment's carrying amount. In the first half of 2019, the Brazilian currency remained relatively stable with respect to the Euro, recording a maximum variation of +/- 5%, closing the end of June 2019 with an appreciation of 2% compared to the exchange rate at the end of 2018.

- *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 the 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. The average price of copper in € per kg in the first half of 2019 fell by 4.5% compared to the average for the same period of 2018.

Financial risks

These are risks associated with financial resources.

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5 Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets (see note 15). 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.

- *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 position, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities. The limited used of credit lines suggests that liquidity risk is not significant.

The Half-Yearly Financial Report does not include all the risk management information required for preparing the annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2018. There were no material changes in risk management and relevant policies adopted by the Group during the period under review.

Outlook

In the short-term, we do not foresee changes in the general economy conditions. In any case, for the second part of the year, IRCE expects positive results.

Imola, 12 September 2019

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In Euro)

ASSETS	Notes	30.06.2019	31.12.2018
NON-CURRENT ASSETS			
Intangible assets	1	108,174	127,491
Property, plant and equipment	2	46,277,240	48,595,984
Equipment and other tangible assets	2	1,632,763	1,427,154
Assets under construction and advances	2	3,120,349	2,399,588
Other non-current financial assets and receivables	3	236,620	111,850
Non-current tax receivables	4	811,582	811,582
Deferred tax assets	5	1,952,085	1,879,382
TOTAL NON-CURRENT ASSETS		**54,138,813**	**55,353,031**
CURRENT ASSETS			
Inventories	6	96,251,923	95,785,674
Trade receivables	7	85,298,017	70,214,345
Receivables due from others	8	3,673,854	4,039,416
Current financial assets	9	892,256	589,977
Cash and cash equivalents	10	6,977,162	7,019,127
TOTAL CURRENT ASSETS		**193,093,212**	**177,648,539**
TOTAL ASSETS		**247,232,025**	**233,001,570**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2019	31.12.2018
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	11	14,626,560	14,626,560
RESERVES	11	116,464,990	111,168,471
PROFIT FOR THE PERIOD	11	2,597,783	5,875,885
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		**133,689,333**	**131,670,916**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(366,337)**	**(375,091)**
TOTAL SHAREHOLDERS' EQUITY		**133,322,996**	**131,295,825**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	12	14,106,419	17,032,831
Deferred tax liabilities	5	296,365	704,309
Provisions for risks and charges	13	852,454	1,893,027
Provisions for employee benefits	14	5,176,087	5,312,834
TOTAL NON-CURRENT LIABILITIES		**20,431,325**	**24,943,001**
CURRENT LIABILITIES			
Current financial liabilities	15	55,501,253	49,995,296
Trade payables	16	25,731,675	16,212,015
Tax payables	17	2,090,035	1,025,696
(of which: related parties)		*185,668*	*185,668*
Social security contributions		1,722,072	1,964,232
Other current liabilities	18	8,432,669	7,565,505
TOTAL CURRENT LIABILITIES		**93,477,704**	**76,762,744**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**247,232,025**	**233,001,570**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 29 "Related party disclosures".

CONSOLIDATED INCOME STATEMENT

(In Euro)

	Notes	30.06.2019	30.06.2018
Sales revenues	19	170,450,112	192,512,089
Other income		516,644	395,633
TOTAL REVENUES		**170,966,756**	**192,907,722**
Costs for raw materials and consumables	20	(137,402,843)	(163,689,306)
Change in inventories of work in progress and finished goods		3,272,519	13,014,651
Costs for services	21	(14,938,676)	(14,887,962)
Personnel costs	22	(15,791,640)	(16,234,443)
Depr./amort. and impairment of tangible and intangible assets	23	(3,454,570)	(3,536,247)
Provisions and write-downs	24	(75,290)	(366,617)
Other operating costs	25	(649,921)	(687,045)
EBIT		**1,926,335**	**6,520,753**
Financial income/(charges)	26	1,325,491	1,652,015
PROFIT/(LOSS) BEFORE TAX		**3,251,826**	**8,172,768**
Income taxes	27	(645,290)	(3,197,058)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		**2,606,536**	**4,975,710**
Non-controlling interests		(8,753)	819
RESULT OF IRCE GROUP		**2,597,783**	**4,976,530**

Earnings/(loss) per share (EPS)			
- basic EPS for the period attributable to ordinary shareholders of the Parent Company	28	0.0976	0.1866
- diluted EPS for the period attributable to ordinary shareholders of the Parent Company	28	0.0976	0.1866

The effects of related party transactions on the consolidated income statement are reported in Note 29 “Related party disclosures”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**30.06.2019**	**30.06.2018**
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**2,607**	**4,976**
Translation difference on financial statements of foreign companies	798	(4,590)
Total components of comprehensive income that will be reclassified under the profit/(loss) for the year	**798**	**(4,590)**
Re-determination defined-benefit plans	(46)	266
Income taxes	20	(54)
	(26)	**212**
Total components of comprehensive income that will not be reclassified under the profit/(loss) for the year	**(26)**	**212**
Total comprehensive profit (loss) for the period, net of taxes	**3,378**	**598**
Attributable to:		
Shareholders of the Parent Company	**3,370**	**598**
Minority shareholders	**9**	**1**

With regard to the items of the consolidated statement of comprehensive income, please refer to note 11.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Retained earnings								
€/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 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 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)		(1,333)
Sell / purchase own shares		(27)		(117)								(144)		(144)
Balance as of 31 march 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**
Balance as of 31 december 2018	**14,627**	**(788)**	**40,539**	**64**	**45,924**	**(22,624)**	**2,925**	**34,486**	**(1,071)**	**11,714**	**5,876**	**131,671**	**(375)**	**131,296**
Result for the period											2,598	2,598	9	2,606
Other comprehensive profit / (loss)						798			(26)			772		772
Total profit / (loss) from statement of comprehensive income						**798**			**(26)**		**2,598**	**3,370**	**9**	**3,378**
Allocation of the result of the previous year								7,903		(2,026)	(5,876)			
Dividends								(1,330)				(1,330)		(1,330)
Sell / purchase own shares		(5)		(16)								(21)		(21)
Balance as of 31 march 2019	**14,627**	**(793)**	**40,539**	**48**	**45,924**	**(21,826)**	**2,925**	**41,058**	**(1,097)**	**9,688**	**2,598**	**133,689**	**(366)**	**133,323**

With regard to the items of consolidated shareholders' equity, please refer to note 11.

CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	30.06.2019	30.06.2018
€/000			
OPERATING ACTIVITIES			
Profit/(loss) for the period		**2,598**	**4,977**
Adjustments for:			
Depreciation/amortisation	23	3,410	3,536
Net change in deferred tax (assets)/liabilities		(481)	898
Capital (gains)/losses from the realisation of fixed assets		(18)	(3)
(Profit)/loss on unrealised exchange rate differences		(40)	115
Current taxes	27	(1,108)	(2,383)
Financial (income)/charges	26	(1,322)	(1,553)
Operating profit/(loss) before changes in working capital		**3,038**	**5,587**
Taxes paid		(191)	(459)
Financial charges paid	26	(528)	(586)
Financial income received	26	1,855	2,139
Decrease/(increase) in inventories	6	(466)	(11,402)
Change in trade receivables	7	(15,084)	(11,059)
Change in trade payables	16	9,520	1,546
Net change in current assets and liabilities for the period		3,399	(4,187)
Net change in non-current assets and liabilities for the period		(1,296)	9,098
Exchange rate difference on translation of financial statements in foreign currency		461	(2,666)
CASH GENERATED FROM OPERATING ACTIVITIES		**707**	**(11,989)**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(2)	(68)
Investments in tangible assets	2	(1,430)	(3,480)
IFRS 16	2	0	-
Consideration received for the sale of tangible and intangible assets		8	18
CASH GENERATED FROM/USED IN INVESTING ACTIVITIES		**(1,424)**	**(3,530)**
FINANCING ACTIVITIES			
Increase in loans	12	-	3,126
Decrease in loans	12	(3,090)	-
Net change in short-term financial payables	15	5,419	12,747
Exchange rate difference on translation of financial statements in foreign currency		(31)	87
Change in current financial assets	9	(302)	(485)
Change in non-controlling interests		9	(1)
Change in foreign currency translation reserve and other effects on equity		(26)	212
Dividends paid		(1,330)	(1,333)
Management of own shares (sales-purchases)		(21)	(144)
CASH GENERATED FROM/USED IN FINANCING ACTIVITIES		**626**	**14,209**
NET CASH FLOW FOR THE PERIOD		**(91)**	**(1,310)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	10	7,019	7,752
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		(91)	(1,310)
Exchange rate difference		49	(361)
CASH BALANCE AT THE END OF THE PERIOD	10	6,977	6,080

NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

GENERAL INFORMATION

The IRCE Group's Half-Yearly Financial Report as of 30 June 2019 was approved by the Board of Directors of IRCE SpA (hereafter also referred to as the "Company" or the "Parent Company") on 12 September 2019.
The IRCE Group 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 headquarters of the recently incorporated company Irce Electromagnetic Wire (Jiangsu) Co. Ltd is located in Hai'an (China).
The distribution network consists of agents and the following commercial subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco Srl in liquidation 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 2018.

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 2019 are the same as those used to prepare the consolidated financial statements as of 31 December 2018 to which reference should be made for further details, except for the following:

Accounting standards, amendments and interpretations applied as of 1 January 2019

IFRS 16: Leases

Starting 1 January 2019, the Group adapted to the new standard IFRS 16 – Leases for all contracts that, in exchange for consideration, convey the right to control the use of an identified asset for a period of time - with the exception of leases with a term of less than 12 months and leases of low-value assets - pursuant to the provisions of paragraphs 5, B3-B8 of the standard. The lease term was defined on the basis of the contractually agreed duration and, where applicable, the reasonable certainty of exercising an option to extend or not to terminate the contract, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise such option.
The Group applied the standard by adopting the simplified retrospective approach, recording, for the leases previously classified as operating leases, the lease liability at the current value of the remaining payments due, discounted using the incremental borrowing rate of the lessee at the date of initial application, and

recognising the asset consisting of the right to use for an amount equal to the liability. Therefore, no cumulative effects adjusted the opening balance of shareholders' equity. In particular, as shown in the table below, the net assets (right of use) recorded at the date of first application amounted to €/000 291 and, likewise, the financial liabilities for leasing amounted to €/000 291.

It should be noted that the Group chose to adopt IFRS 16 without restating the comparative figures for 2018, as allowed by the standard.
The leases entered into by the Group are mainly attributable to lease contracts for buildings and cars.
The effect on the financial statements as of 1 January 2019 is shown below:

€/000

Statement of Financial Position (extract)	31.12.2018 without the effects of IFRS 16	IFRS 16	01.01.2019 with the effects of IFRS 16
Non-current assets			
Property, plant and equipment	48,596	206	48,802
Equipment and other tangible assets	1,427	85	1,512
Effect on assets		**291**	
non-current liabilities	17,033	86	17,119
non-current liabilities	49,995	205	50,200
Effect on liabilities		**291**	

The following table sets out the effect of the application of IFRS 16 on the Half-Yearly Financial Report as of 30 June 2019, which led to a reduction in the result for the period of €/000 7:

Statement of Financial Position (extract)	Amounts without adoption of IFRS 16	IFRS 16	30.06.2019 with the effects of IFRS 16
Non-current assets			
Property, plant and equipment	46,101	176	46,277
Equipment and other tangible assets	1,562	71	1,633
Effect on assets		**247**	
non-current financial liabilities	13,791	205	13,996
current liabilities	55,438	49	55,487
Effect on liabilities		**254**	

Income Statement (extract)	Amounts without adoption of IFRS 16	IFRS 16	30.06.2019 with the effects of IFRS 16
Costs for services	14,875	(43)	14,832
Depreciation/amortisation	3,411	44	3,455
Financial charges	1,319	6	1,325
Effect on profit/(loss) for the period		**7**	

Other amendments to and interpretations of accounting standards effective as of 1 January 2019 concern issues that are not discussed in or relevant to the Group's consolidated financial statements.

- Amendments to IAS 28 - Long Term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017 Cycle – incorporates certain amendments to the standards IFRS 3, IFRS 11, IAS 12 and IAS 23

Accounting standards issued but not yet in force

Below is a list of other standards and interpretations, which, at the date of the preparation of this document, had already been issued but were not yet in force:

- IFRS 17 – Insurance Contracts
- Amendments to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 - Definition of a business
- Amendments to IAS 1 and to IAS 8 - Definition of Material
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

USE OF ESTIMATES

The drafting of the condensed 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, realisable value, 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 reflected in the income statement.

BASIS OF CONSOLIDATION

The following table shows the list of companies included in the scope of consolidation as of 30 June 2019:

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 in liquidazione	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	15,045,297	line by line

In the first six months of 2019, the parent company IRCE SPA paid and subscribed a capital increase of the subsidiary Irce Electromagnetic Wire (Jiangsu) Co. Ltd for CNY/000 7,307 equal to €/000 1,000.

DIVIDENDS

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

€/000	30/06/2019	30/06/2018
Resolved and paid during the period		
Ordinary share dividends	1,330	1,333
2019 dividend: 0.05 Euro (2018: 0.05 Euro)		

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 2019. 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 30/06/2019 €/000
Tons	1,625	0	362

- 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 30/06/2019 €/000
USD	8,063	0	(45)
GBP	6,000	0	-

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 June 2019 - €/000	Financial assets measured at amortised cost	Financial assets measured at FVPL	Financial assets measured at FVOCI	Total
Non-current financial assets				
Non-current tax receivables	812			812
Non-current financial assets and receivables	115	122		237
Current financial assets				
Trade receivables	85,298			85,298
Current financial assets	530	362		892
Cash and cash equivalents	6,977			6,977

As of 31 December 2018 - €/000	Financial assets measured at amortised cost	Financial assets measured at FVPL	Financial assets measured at FVOCI	Total
Non-current financial assets				
Non-current tax receivables	812			812
Non-current financial assets and receivables	112			112
Current financial assets				
Trade receivables	70,214			70,214
Current financial assets	295	295		590
Cash and cash equivalents	7,019			7,019

As of 30 June 2019 - €/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	13,901			13,901
IFRS 16	205			
Current financial liabilities				
Trade payables	25,732			25,732
Other payables	12,245			12,245
Financial payables	55,407	45		55,452
IFRS 16	49			49

As of 31 December 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	17,033			17,033
Current financial liabilities				
Trade payables	16,212			16,212
Other payables	10,555			10,555
Financial payables	49,931	64		49,995

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 2019 and as of 31 December 2018 broken down by level of fair value hierarchy (€/000):

30/06/2019	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	362	-	362
Non-current financial assets	-	122	-	122
Total assets	-	484	-	484
Liabilities:				
Derivative financial instruments	-	(45)	-	(45)
Total liabilities	-	(45)	-	(45)

31/12/2018	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	295	-	295
Total assets	-	295	-	295
Liabilities:				
Derivative financial instruments	-	(64)	-	(64)
Total liabilities	-	(64)	-	(64)

During the first half of 2019, 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 are not significant and 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 2019				1st half 2018			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	141,843	28,598	9	170,450	156,163	36,335	14	192,512
% of total	83.2%	16.8%	0.0%	100.0%	81.1%	18.9%	0.0%	100.0%

Revenues by geographical area

€/000	1st half 2019				1st half 2018			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	65,607	67,328	37,515	170,450	69,295	82,141	41,076	192,512
% of total	38.5%	39.5%	22.0%	100.0%	36.0%	42.7%	21.3%	100.0%

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. 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 31/12/2018	106	22	-	128
Changes during the period				
. Investments	1	1	-	2
. Effect of exchange rates	1	-	-	1
. Reclassifications	-	-	-	-
. Depreciation/amortisation	(21)	(2)	-	(23)
Total changes	(19)	(1)	-	(20)
Net carrying amount as of 30/06/2019	87	21	-	108

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 31/12/2018	11,615	13,965	23,015	909	518	2,400	52,423
Changes during the period							
. Investments	-	4	269	241	178	738	1,430
. Right-of-use assets (IFRS 16)	-	206	-	-	85	-	291
. Effect of exchange rates	31	85	198	3	-	1	318
. Reclassifications	-	-	17	-	2	(19)	0
. Divestments	-	-	-	(1)	(250)	-	(251)
. Depreciation related to disposals	-	-	-	1	250	-	251
. Depreciation related to IFRS 16	-	(30)	-	-	(14)	-	(44)
. Depreciation of the period	-	(537)	(2,562)	(201)	(88)	-	(3,388)
Total changes	31	(272)	(2,078)	43	163	720	(1,393)
Net carrying amount as of 30/06/219	11,646	13,693	20,937	952	681	3,120	51,030

Investments of the Group in the first half of 2019 amounted to € 1.43 million and were primarily related to IRCE SpA.

As regards the items related to the application of the new IFRS 16 standard, please refer to the paragraph "Accounting Standards".

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/06/2019	31/12/2018
- Equity investments in other companies	115	112
- Other receivables	122	-
Total	237	112

The item "equity investments in other companies" refers to a shareholding held in the Indian subsidiary Stable Magnet Wire P. Ltd in a non-operational company.
The item "Other receivables" refers to energy savings certificates (ESC) held by the parent company IRCE SPA.

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	30/06/2019	31/12/2018
- Deferred tax assets	1,952	1,879
- Deferred tax liabilities	(296)	(704)
Total deferred tax assets (net)	1,656	1,176

The changes for the period are shown below:

€/000	30/06/2019	31/12/2018
Deferred tax assets (net) as of 1 January	1,176	1,407
Effect of IFRS 15 as of 01.01.2018	-	511
Exchange rate differences	(3)	24
Income statement effect	463	(704)
Effect on shareholders' equity	20	(62)
Deferred tax assets (net) as of 30 June	1,656	1,176

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	30/06/2019	31/12/2018
- Allocations to Provisions for risks and charges	353	536
- Allocations to the taxed Bad debt provision	236	236
- Tax losses which can be carried forward	390	309
- Intra-group margin	59	58
- Allocations to the Provision for write-downs	690	751
- IAS 19 reserve	239	219
- Effect of application of IFRS 15	628	476
- Other	78	88
Total	2,673	2,673

The table below shows the changes in deferred tax assets during the first half-of 2019:

	Taxed provisions	IFRS 15	IAS 19	Tax losses carried forward	Other	Total
balance as of 01.01.2018	1,473		235	567	176	2,451
IFRS 15		511				511
income statement effect	50	(35)		(292)	(15)	(292)
equity effect			(16)		(24)	(40)
exchange rate difference				34	9	43
balances as of 31.12.2018	1,523	476	219	309	146	2,673
income statement effect	(243)	152		80	(10)	(21)
equity effect			20			20
exchange rate difference				1		1
balances as of 30.06.2019	1,280	628	239	390	136	2,673

Deferred tax liabilities - €/000	30/06/2019	31/12/2018
- Depreciation/amortisation	31	36
- IAS capital gains on buildings	97	97
- IAS capital gains on land	413	413
- IAS 19	-	22
- Effect of tax depreciation of Isomet AG building	218	225
- Effect of tax inventory difference of Isomet AG	258	259
- Effect of tax depreciation of Smit Draad Nijmegen building	-	23
- Effect of tax inventory difference of Smit Draad Nijmegen	-	422
Total	1,017	1,497

The table below shows the changes in deferred tax liabilities during the first half of 2019:

	Depreciation/amortisation	**IAS capital gain on land and building**	**ISOMET AG**	**Simit Draad BV**	**Effect of IAS 19**	**Total**
balance as of 01.01.2018	42	510	489	-	3	1,044
income statement effect	(6)		(24)	445	(3)	412
equity effect					22	22
exchange rate difference			19			19
balances as of 31.12.2018	36	510	484	445	22	1,497
income statement effect	(5)		(12)	(445)	(22)	(484)
equity effect						
exchange rate difference			4			4
balances as of 30.06.2019	31	510	476	-	-	1,017

6. INVENTORIES

Inventories are broken down as follows:

€/000	30/06/2019	31/12/2018
- Raw materials, ancillary and consumables	34,239	37,269
- Work in progress and semi-finished goods	16,911	11,110
- Finished products and goods	48,913	51,218
- Provision for write-down of raw materials	(2,876)	(2,876)
- Provision for write-down of finished products and goods	(935)	(935)
Total	96,252	95,786

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 and write-down risks calculated by writing down slow moving raw materials, packages and finished products.
Inventories were also written down by €/000 724 to their estimated realisable value, which is lower than their average weighted cost.

7. TRADE RECEIVABLES

€/000	30/06/2019	31/12/2018
- Customers/Bills receivable	86,035	70,963
- Bad debt provision	(737)	(748)
Total	85,298	70,214

The balance of receivables due from customers is entirely composed of receivables due within the next 12 months.
The increase in receivables compared to 31/12/2018 was mainly due to greater turnover in the second quarter of 2019 compared to the final quarter of 2018.

The table below shows the changes in the bad debt provision during the first half of 2019:

€/000	31/12/2018	Allocations	Uses	30/06/2019
Bad debt provision	748	75	(86)	737

8. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

€/000	30/06/2019	31/12/2018
- Accrued income and prepaid expenses	234	146
- Receivables due from INPS	97	84
- VAT receivables	758	2,328
- Other receivables	2,585	1,481
Total	3,674	4,039

The item "other receivables" includes a contribution equal to €/000 690 to be received by the Parent Company IRCE SPA on energy consumption for the year 2017, assigned by the Authority for electricity with the authorisation from the Ministry for Economic Development
The decrease in the item "VAT receivables" was mainly due to the use of VAT credit to offset other taxes due from the Brazilian subsidiary Irce Ltda.
The increase in the item "other receivables" is primarily related to the security deposit paid by the subsidiary Irce Electromagnetic Wire Co. Ltd for the purchase of land.

9. OTHER CURRENT FINANCIAL ASSETS

€/000	30/06/2019	31/12/2018
- Mark to Market copper forward transactions	362	295
- Fixed deposit for LME transactions	530	295
Total	892	590

The item "Mark to Market copper forward transactions" refers to the Mark to Market (Fair Value) measurement of copper forward contracts outstanding as of 30/06/2019 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).

10. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	30/06/2019	31/12/2018
- Bank and postal deposits	6,967	6,158
- Cash and cash equivalents	10	861
Total	6,977	7,019

Short-term bank deposits are remunerated at floating rates. Bank deposits outstanding as of 30 June 2018 are not subject to constraints or restrictions.

11. 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	30/06/2019	31/12/2018
- Own shares (share capital)	(793)	(788)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	48	64
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(21,826)	(22,624)
- Legal reserve	2,925	2,925
- Extraordinary reserve	41,058	34,486
- IAS 19 reserve	(1,097)	(1,071)
- Undistributed profits	9,688	11,714
Total	116,465	111,168

Own shares

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

Own shares as of 30 June 2019 amounted to 1,525,938 and corresponded to 5.42% of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
Balance as of 31.12.2017	**26,716**
Share issue	-
Share buyback	(104)
Balance as of 31.12.2018	**26,612**
Share issue	-
Share buyback	(11)
Balance as of 30.06.2019	**26,601**

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.

Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings of the Parent Company.

IAS 19 reserve

The change in the reserve is as follows:

Balance as of 01.01.2018	**(1,304)**
Actuarial valuation	294
Tax effect	(62)
Balance as of 31.12.2018	**(1,071)**
Actuarial valuation	(46)
Tax effect	20
Balance as of 30.06.2019	**(1,097)**

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

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 2,598

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.

12. NON-CURRENT FINANCIAL LIABILITIES

Here below is the breakdown:

€/000	Currency	Rate	Company	30/06/2019	31/12/2018	Due date
Banco Popolare	EUR	Floating	IRCE SpA	3,750	4,375	2023
Carisbo	EUR	Floating	IRCE SpA	3,000	4,000	2020
Banca di Imola	EUR	Floating	IRCE SpA	630	1,260	2020
Mediocredito	EUR	Floating	IRCE SpA	4,615	5,077	2025
Banco Popolare	EUR	Floating	ISOMET AG	1,906	2,321	2021
IFRS 16	EUR	Floating	IRCE SpA	67	-	2023
IFRS 16	EUR	Floating	IRCE SL	110	-	2023
IFRS 16	EUR	Floating	MAGNET WIRE	28	-	2022
Total				14,106	17,033	

Covenants

- The medium-long term loan granted on 25 September 2015 by Carisbo S.p.A. for a total of €/000 10,000 provides for eight six-monthly constant capital repayments of €/000 1,000 each, expiring on 25 September 2020. The contract envisages, as financial covenants, compliance with a "net financial position" to "net equity" ratio of no more than 0.65 and an "adjusted EBITDA" to "financial charges" ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis;
- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. for a total of €/000 6,000 provides for thirteen six-monthly constant capital repayments equal to €/000 461.5 each, expiring on 30 January 2025. The contract envisages, as financial covenants, compliance with a "net financial position" to "net equity" ratio of no more than 0.65 and an "adjusted EBITDA" to "financial charges" ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis.

For the year ended at 31 December 2018, the covenants were respected.

As regards the items related to the application of the new IFRS 16 standard, please refer to the paragraph "Accounting Standards".

13. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2018	Allocations	Uses	30/06/2019
Provisions for risks and disputes	1,599	322	(1,285)	636
Provision for severance payments to agents	294	12	(90)	216
Total	1,893	334	(1,375)	852

"Uses" refer mainly to the Dutch subsidiary Smit Draad Nijmengen BV and were related to costs incurred pursuant to the corporate structuring plan.

14. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	30/06/2019	31/12/2018
Provision for employee benefits as of 01.01.2018	5,313	5,720
Financial charges	29	51
Actuarial (gains)/losses	45	(294)
Service cost	67	175
Payments	(294)	(386)
Effect of exchange rates	16	47
Provision for employee benefits as of 30.06.2019	5,176	5,313

The Provision includes €/000 4,209 related to the Parent Company IRCE SpA, €/000 896 related to the Swiss subsidiary ISOMET AG, €/000 65 to the subsidiary Isolveco Srl, and €/000 6 related to the subsidiary Isolveco 2 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;
- 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:

	30/06/2019	31/12/2018
Annual discount rate	0.35%	1.13%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of employee termination indemnities	2.625%	2.625%

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

The annual rate of increase of employee termination indemnities is equal to 75% of inflation, plus 1.5 percentage points.
Here below are the disclosures required by IAS 19.

Sensitivity analysis of IRCE SpA’s main measurement parameters:

€/000	DBO change as of 30/06/2019
Inflation rate +0.25%	4,266
Inflation rate -0.25%	4,153
Discount rate +0.25%	4,119
Discount rate -0.25%	4,302
Turnover rate +1%	4,170
Turnover rate -1%	4,253

Service cost: 0.00

Duration of the plan: 9.3

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 30/06/2019
Inflation rate -0.25%	880
Inflation rate +0.25%	912
Discount rate -0.25%	1,050
Discount rate +0.25%	752
Turnover rate -0.25%	846
Turnover rate +0.25%	946

Service cost with +0.25% discount rate: €/000 148
Service cost with +0.25% turnover rate: €/000 163

Duration of the plan: 17.1.

15. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

€/000	30/06/2019	IFRS 16	31/12/2018
- Payables due to banks	55,407	-	49,931
- Mark to Market USD forward transactions	45	-	64
- IFRS 16	49	86	-
Total provisions and write-downs	55,501	86	49,995

The item "Mark to Market USD forward transactions" refers to the Mark to Market (Fair Value) measurement of USD forward contracts outstanding as of 30/06/2019 of the Parent Company IRCE SpA.

As regards the item related to the application of the new IFRS 16 standard, please refer to the paragraph "Accounting Standards".

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

€/000	30/06/2019	31/12/2018
Cash	6,977	7,019
Other current financial assets	530*	295*
Liquid assets	**7,507**	**7,314**
Current financial liabilities	(55,501)	(49,995)
Net current financial debt	**(47,994)**	**(42,681)**
Non-current financial liabilities	(14,106)	(17,033)
Non-current financial debt	**(14,106)**	**(17,033)**
Net financial debt	**(62,100)**	**(59,714)**

* 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.

16. TRADE PAYABLES

Trade payables are all due in the following 12 months.
As of 30 June 2019 they totalled €/000 25,732, compared to €/000 16,212 as of 31 December 2018.
Trade payables increased mainly due to the higher amount of copper shipped as of 30 June 2019.

17. TAX PAYABLES

The item is equal to €/000 2.090 and refers to payables due for income taxes.

18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/06/2019	31/12/2018
- Payables due to employees	4,124	3,668
- Deposits received from customers	2,007	1,617
- Accrued liabilities and deferred income	256	353
- VAT payables	1,220	590
- IRPEF (personal income tax) payables	414	477
- Other payables	412	861
Total	8,433	7,566

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 first six months of 2019 amounted to €/000 170,450, down 11.5% compared to the prior year period (€/000 192,512). For additional details, see the note on segment reporting.

20. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item includes costs incurred for the acquisition of raw materials, the most significant of which are copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 3,185).

21. 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	30/06/2019	30/06/2018	Change
- External processing	2,929	2,971	(42)
- Utility expenses	5,787	5,887	(100)
- Maintenance	926	814	112
- Transportation expenses	2,515	2,484	31
- Payable fees	134	226	(92)
- Compensation of Statutory Auditors	37	37	0
- Other services	2,440	2,307	133
- Costs for the use of third-party assets	171	162	9
Total	14,939	14,888	51

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

22. PERSONNEL COSTS

Personnel costs are detailed as follows:

€/000	30/06/2019	30/06/2018	Change
- Salaries and wages	10,989	11,400	(411)
- Social security charges	2,829	2,957	(128)
- Retirement costs for defined contribution and defined benefit plans	709	606	103
- Other costs	1,265	1,271	(6)
Total personnel costs	15,792	16,234	(442)

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 2019	Average 1st half 2018	30/06/2019
- Executives/Managers	23	23	22
- White collars	158	164	155
- Blue collars	538	546	532
Total	719	733	709

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 2019 was 709 people.

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

Here is the breakdown of depreciation/amortisation:

€/000	30/06/2019	30/06/2018	Change
- Amortisation of intangible assets	23	50	(27)
- Depreciation of tangible assets	3,388	3,390	(2)
- Depreciation/Amortisation IFRS 16	44	-	44
- Impairment of intangible assets	-	96	(96)
Total depreciation/amortisation	3,455	3,536	(81)

24. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	30/06/2019	30/06/2018	Change
- Write-downs of receivables	75	84	(9)
- Credit losses	-	181	(181)
- Provisions for risks	-	102	(102)
Total provisions and write-downs	75	367	292

25. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	30/06/2019	30/06/2018	Change
- Non-income taxes and duties	153	146	7
- Capital losses and contingent liabilities	93	114	(21)
- Other costs	404	427	(23)
Total other operating costs	650	687	(37)

26. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	30/06/2019	30/06/2018	Change
- Other financial income	1,855	2,139	(284)
- Interest and financial charges	(534)	(586)	52
- Foreign exchange gains/(losses)	4	99	(95)
Total	1,325	1,652	(327)

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	30/06/2019	30/06/2018	Change
- Income from LME derivatives	1,144	1,500	(356)
Total	1,144	1,500	(356)

27. INCOME TAXES

€/000	30/06/2019	30/06/2018	Change
- Current taxes	(1,108)	(2,383)	1,275
- Deferred tax assets/(liabilities)	463	(814)	1,277
Total	(645)	(3,197)	2,552

28. 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 dilutive effect and no shares or warrants that could have a dilutive effect will be exercised.

	30/06/2019	30/06/2018
Net profit/(loss) attributable to shareholders of the Parent Company	2,597,783	4,976,530
Average weighted number of ordinary shares used to calculate basic earnings per share	26,602,062	26,664,726
Basic earnings/(loss) per share	0.0976	0.1866
Diluted earnings/(loss) per share	0.0976	0.1866

29. 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 in 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.

30. MANAGEMENT OF TRADE RECEIVABLES

The classification of receivables takes into account any positions subject to renegotiation.

Risk level	30/06/2019 Exposure, €/000	31/12/2018 Exposure, €/000
Low	49,665	42,691
Medium	28,002	19,720
Above-average	7,293	7,439
High	1,075	1,113
Total	86,035	70,963

Due date	30/06/2019 Exposure, €/000	31/12/2018 Exposure, €/000
Not yet due	80,865	67,713
< 30 days	3,167	1,477
31-60	661	416
61-90	48	126
91-120	63	56
> 120	1,231	1,175
Total	86,035	70,963

The Fair Value of trade receivables corresponds to their nominal exposure net of the provision for bad debts.

The bad debt provision, equal to €/000 737, refers to the range between 91-120 and > 120 days and to the above-average and high risk level.

Please note that there are no clients generating revenue for the Group that exceeds 10% of total revenue.

31. 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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Financial assets				
Cash and cash equivalents	6,977	7,019	6,977	7,019
Other financial assets	892	590	892	590
Financial liabilities				
Current loans	55,501	49,995	55,501	49,995
Non-current loans	14,106	17,033	14,106	17,033

32. 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 2019 AND 2018

	2nd quarter 2019 (*)	2nd quarter 2018 (*)
Revenues	85,249,055	98,304,957
Other revenues and income	86,082	185,901
TOTAL REVENUES	**85,335,137**	**98,490,858**
Costs for raw materials and consumables	(66,641,907)	(83,866,294)
Change in inventories of work in progress and finished goods	(411,287)	5,647,719
Costs for services	(7,334,970)	(7,088,737)
Personnel costs	(7,960,875)	(8,051,683)
Depreciation/amortisation	(1,726,817)	(1,865,803)
Provisions and write-downs	(39,018)	(76,717)
Other operating costs	(258,701)	(366,412)
EBIT	**961,562**	**2,822,932**
Financial income and charges	(71,344)	563,341
PROFIT BEFORE TAX	**890,218**	**3,392,273**
Income taxes	195,510	(1,372,020)
PROFIT BEFORE NON-CONTROLLING INTERESTS	**1,085,728**	**2,020,252**
Non-controlling interests	(9,414)	(5,152)
NET PROFIT FOR THE PERIOD	**1,076,314**	**2,015,100**

(*) Unaudited

Attachment

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2nd quarter 2019 (*)	2nd quarter 2018 (*)
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**1,086**	**2,020**
Translation difference on financial statements of foreign companies	(25)	(3,613)
Total components of comprehensive income that will be reclassified under the profit/(loss) of the year	**(25)**	**(3,613)**
Re-determination defined-benefit plans	(46)	266
Income taxes	20	(54)
	(26)	**212**
Total components of comprehensive income that will not be reclassified under the profit/(loss) of the year	**(26)**	**212**
Total comprehensive profit (loss) for the period, net of taxes	**1,034**	**(1,381)**
Attributable to:		
Shareholders of the Parent Company	**1,027**	**(1,376)**
Minority shareholders	**8**	**(5)**

(*) Unaudited

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

We, the undersigned, Mr Filippo Casadio, Chairman, and Ms Elena Casadio, Manager responsible for preparing the corporate accounting documents of IRCE S.p.A., 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 IAS/IFRS half-yearly financial statements.

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

a) are consistent with accounting books and records;
b) are prepared in accordance with IAS/IFRSs 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 2019

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

pwc

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 together with its subsidiaries the "IRCE Group") as of 30 June 2019, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cashflow statement and the 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 31 July 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 30 June

2019 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, 12 September 2019

PricewaterhouseCoopers SpA

Signed by
Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers