



INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2019

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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
INDEPENDENT DIRECTOR	MS	FRANCESCA PISCHEDDA
NON-EXECUTIVE DIRECTOR	MR	ORFEO DALLAGO
INDEPENDENT DIRECTOR	MS	GIGLIOLA DI CHIARA

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 SpA

CONTROL AND RISKS COMMITTEE

MS GIGLIOLA DI CHIARA
 MR GIANFRANCO SEPRIANO
 MS FRANCESCA PISCHEDDA

REMUNERATION COMMITTEE

MS FRANCESCA PISCHEDDA
 MR GIANFRANCO SEPRIANO
 MS GIGLIOLA DI CHIARA

INTERNAL AUDIT

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
 MR GABRIELE FANTI
 MR GIANLUCA PIFFANELLI

REPORT ON OPERATIONS

IRCE Group's (hereinafter also the "Group") first nine months of 2019 closed with a net profit of € 2.13 million.

Consolidated turnover was € 240.94 million, down by 12.4% compared to € 275.01 million of first nine of 2018. The reduction was mainly linked to the decline in the volumes and in the turnover without metal, and was also influenced by the copper price reduction (-3.24% LME of the first nine months of 2019, compared to the value of the same period of the last year).

Sales decrease is explained by the demand slowdown in both business sectors in which the company operates. In particular, in the winding wire sector, there was a deterioration in the European market, which was partly offset by sales outside Europe. The cable sector shows an important drop concentrated in the Italian market, while foreign sales grow.

The turnover without metal¹ decreased by 9.0%, in detail the winding wire sector fell by 5.4%, and the cable sector decreased by 21.5%.

Consolidated turnover without metal (€/million)	9 months 2019		9 months 2018		Change	
	Value	%	Value	%	Value	%
Winding wires	43.91	80.6%	46.42	77.5%	(2.51)	(5.4%)
Cables	10.56	19.4%	13.46	22.5%	(2.90)	(21.5%)
Total	54.47	100.0%	59.88	100.0%	(5.41)	(9.0%)

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 2019	9 months 2018	Change
Sales ²	240.94	275.01	(34.07)
EBITDA ³	6.25	13.34	(7.09)
EBIT	0.93	7.82	(6.89)
Result before taxes	2.78	10.40	(7.62)
Net result	2.13	6.54	(4.41)
EBITDA adjusted ⁴	7.60	15.54	(7.94)
EBIT adjusted ⁴	2.28	10.02	(7.74)

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 (€ +1.35 million in nine months 2019 and € +2.20 million in nine months 2018). 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 30.09.2019	As of 31.12.2018	Change
Net invested capital	180.63	191.01	(10.38)
Shareholders' Equity	131.46	131.30	0.16
Net financial debt ⁵	49.17	59.71	(10.54)

Consolidated net financial debt, at the end of September 2019, was € 49.17 million, down from € 59.71 million at the end of 2018, thanks to the decrease of the net working capital.

The Group's investments, in the nine months 2019, were € 2.88 million and mainly concerned IRCE SpA.


The worsening of our markets, combined with general uncertainty of the economic situation, do not lead us to foresee a recovery of demand in the short term. However, IRCE expects for year 2019 positive results.

Imola, 14th November 2019

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	30.09.2019	30.06.2019	31.12.2018
NON - CURRENT ASSETS				
Intangibles assets	1	97,687	108,174	127,491
Property, plant and machinery	2	44,972,516	46,277,240	48,595,984
Equipment and other tangible other assets	2	1,743,037	1,632,763	1,427,154
Fixed assets under construction and on account	2	3,657,804	3,120,349	2,399,588
Other non-current financial assets and receivables	3	239,106	236,620	111,850
Non-current tax receivables	4	811,582	811,582	811,582
Deferred taxes assets	5	1,935,383	1,952,085	1,879,382
TOTAL NON- CURRENT ASSETS		53,457,115	54,138,813	55,353,031
CURRENT ASSETS				
Inventories	6	94,040,047	96,251,923	95,785,674
Trade receivables	7	66,463,257	85,298,017	70,214,345
Current tax receivables	8	390,199	-	-
Receivables due from others	9	3,376,947	3,673,854	4,039,416
Current financial assets	10	614,678	892,256	589,977
Cash and cash equivalent	11	7,629,578	6,977,162	7,019,127
TOTAL CURRENT ASSETS		172,514,706	193,093,212	177,648,539
TOTAL ASSETS		225,971,821	247,232,025	233,001,570

SHAREHOLDERS EQUITY AND LIABILITIES	Note	30.09.2019	30.06.2019	31.12.2018
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	12	14,626,560	14,626,560	14,626,560
RESERVES	12	115,040,088	116,464,990	111,168,471
PROFIT FOR THE PERIOD	12	2,131,580	2,597,783	5,875,885
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		131,798,228	133,689,333	131,670,916
MINORITY INTEREST		(335,873)	(366,337)	(375,091)
TOTAL SHAREHOLDERS' EQUITY		131,462,355	133,322,996	131,295,825
NON CURRENT LIABILITIES				
Non-current financial liabilities	13	9,861,322	14,106,419	17,032,831
Deferred tax liabilities	5	297,557	296,365	704,309
Provision for risks and charges	14	832,353	852,454	1,893,027
Employee benefits' provision		5,168,500	5,176,087	5,312,834
TOTAL NON-CURRENT LIABILITIES		16,159,732	20,431,325	24,943,001
CURRENT LIABILITIES				
Current financial liabilities	15	47,370,971	55,501,253	49,995,296
Trade payables	16	22,130,121	25,731,675	16,212,015
Tax payables	17	92,330	2,090,035	1,025,696
<i>(of which: related parties)</i>		<i>196,803</i>	<i>185,668</i>	<i>185,668</i>
Social security contributions		1,579,669	1,722,072	1,964,232
Other current liabilities	18	7,176,643	8,432,669	7,565,505
TOTAL CURRENT LIABILITIES		78,349,734	93,477,704	76,762,744
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		225,971,821	247,232,025	233,001,570

CONSOLIDATED INCOME STATEMENT

(Euros)

	Note	30.09.2019	30.09.2018	III quarter 2019	III quarter 2018
Sales revenues	19	240,940,125	275,007,474	70,490,013	82,495,385
Other income	19	813,329	574,618	296,685	178,985
TOTAL REVENUES		241,753,454	275,582,092	70,786,698	82,674,370
Cost for raw material and consumables	20	(190,432,350)	(224,070,907)	(53,029,507)	(60,381,601)
Change in work in progress and finished goods		(325,216)	8,805,780	(3,597,735)	(4,208,871)
Cost for services	21	(21,313,268)	(22,151,900)	(6,374,592)	(7,263,939)
Personnel costs	22	(22,595,384)	(23,860,548)	(6,803,744)	(7,626,105)
Depreciation/Amortisation and impairment of fixed assets	23	(5,236,399)	(5,136,578)	(1,781,829)	(1,600,331)
Provisions and write-downs	24	(91,789)	(383,688)	(16,499)	(17,071)
Other operating costs	25	(834,101)	(964,672)	(184,180)	(277,627)
EBIT		924,946	7,819,579	(1,001,388)	1,298,825
Financial incomes / (charges)	26	1,852,300	2,578,411	526,809	926,396
PROFIT / (LOSS) BEFORE TAXES		2,777,247	10,397,990	(474,579)	2,225,221
Income taxes	27	(606,450)	(3,840,752)	38,840	(643,694)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		2,170,797	6,557,238	(435,739)	1,581,527
Non-controlling interests		(39,217)	(17,847)	(30,464)	(18,666)
RESULT OF IRCE GROUP		2,131,580	6,539,391	(466,203)	1,562,861

Earnings 7 (loss) per shares (EPS)

- basic EPS for the period	28	0.0801	0.2453
- diluted EPS for the period	28	0.0801	0.2453

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.09.2019	30.09.2018
€/000		
PROFIT / (LOSS) BEFORE NON-CONTROLLING INTEREST	2,171	6,557
Foreign currency translation difference	(617)	(5,816)
Total other profit / (loss) net of tax which may be subsequently reclassified to profit / (loss) for the period	(617)	(5,816)
Redetermination of defined benefit plans	(46)	266
Income taxes	20	(54)
Total other profit / (loss) net of tax which not be subsequently reclassified to profit / (loss) for the period	(26)	212
Total profit / (loss) from statement of comprehensive income net of taxes	1,528	954
Ascribable to:		
Shareholders of the parent company	1,489	936
Minority shareholders	(39)	18

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

	Share capital		Other reserves			Retained earnings						Total	Minority interest	Total shareholders' equity	
	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Unidivided profit	Result for the period				
€/000															
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											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	936	18	954	
Allocation of the result of the previous year								4,864		(181)	(4,685)	(1,333)		(1,333)	
Dividends								(1,333)				(163)		(141)	
Sell / purchase own shares		(31)		(132)											
Balance as of 30 september 2018	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	
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											2,132	2,132	39	2,171	
Other comprehensive profit / (loss)						(617)					(26)	(643)		(643)	
Total profit / (loss) from statement of comprehensive income						(617)					2,132	1,489	39	1,528	
Allocation of the result of the previous year								7,903		(2,026)	(5,876)	(1,330)		(1,330)	
Dividends								(1,330)				(32)		(32)	
Sell / purchase own shares		(8)		(24)											
Balance as of 30 september 2019	14,627	(796)	40,539	40	45,924	(23,241)	2,925	41,059	(1,097)	9,689	2,132	131,798	(336)	131,462	

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	30.09.2019	30.09.2018
<i>€/000</i>			
OPERATING ACTIVITIES			
Profit for the year		2,132	6,539
<i>Adjustments for:</i>			
Amortization/depreciation	23	5,169	5,137
Net change in (assets) provision for (advance) deferred taxes		(463)	806
(Gains)/Losses from sell-off of fixed assets		(19)	(16)
(Gains)/Losses on unrealized translation differences		(109)	(195)
Taxes	27	(1,120)	(3,126)
Financial charges / (incomes)	26	(1,640)	(2,384)
Operating profit/(loss) before change in working capital		3,950	6,761
Taxes paid		(2,337)	(1,697)
Financial charges	26	(676)	(785)
Received financial income	26	2,323	3,169
Decrease (increase) in inventory	6	1,746	(10,214)
Change in account receivables	7	3,751	10,959
Change in account payables	16	5,918	2,274
(Increase) decrease in current assets and liabilities		2,140	85
(increase) decrease in non-current assets and liabilities		(1,332)	203
Exchange difference on translation of financial statement in foreign currency		(443)	(3,430)
CASH FLOW GENERATED BY OPERATING ACTIVITIES		15,039	7,325
INVESTING ACTIVITIES			
Investments in intangible assets	1	(2)	(70)
Investments in tangible assets	2	(2,879)	(3,955)
Amount collected from sale of tangible and intangible assets		8	86
CASH FLOW USED IN INVESTMENTS		(2,873)	(3,939)
FINANCIAL ACTIVITIES			
Increase in loans	13	-	918
Decrease in loans	13	(7,373)	-
Net change in short-term loans	15	(2,654)	(3,450)
Exchange difference on translation of financial statement in foreign currency		(146)	69
Change in current financial assets	10	(26)	(528)
Change in minority shareholders' capital		39	18
Change in translation reserve and other effects on shareholder's equity		(25)	212
Dividends paid		(1,330)	(1,333)
Sell/purchase own shares		(32)	(163)
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION		(11,546)	(4,257)
NET CASH FLOW FOR THE PERIOD		620	(871)
CASH BALANCE AT START OF YEAR	11	7,019	7,752
TOTAL NET CASH FLOW FOR THE PERIOD		620	(871)
EXCHANGE DIFFERENCE		(10)	(431)
CASH BALANCE AT THE END OF YEAR	11	7,629	6,450

NOTES TO THE INTERIM REPORT ON OPERATION

GENERAL INFORMATION

The Board of Directors authorized this Interim report of 30 September 2019, to be published on 14th November 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), 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 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, 2018.

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 Report as of 30 September 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 Report as of 30 September 2019, which led to a reduction in the result for the period of €/000 5:

Statement of Financial Position (extract)	Amounts without adoption of IFRS 16	IFRS 16	30.09.2019
Non-current assets			
Property, plant and equipment	44,808	165	44,973
Equipment and other tangible assets	1,679	64	1,743
Effect on assets		229	
non-current financial liabilities	9,660	201	9,861
current liabilities	47,338	33	47,371
Effect on liabilities		234	

Income Statement (extract)	Amounts without adoption of IFRS 16	IFRS 16	30.09.2019
Costs for services	21,382	(69)	21,313
Depreciation/amortisation	5,170	67	5,237
Financial charges	1,845	7	1,852
Effect on profit/(loss) for the period		5	

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 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.

BASIS OF CONSOLIDATION

The following table shows the list of companies included in the scope of consolidation as of 30 September 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 nine 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.

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 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 satisfy the conditions required for recognising these instruments as hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts 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 30/09/2019 - €/000
Tons	1,300	-	183

- Derivative instruments related to USD and GBP forward purchases and sales contracts with maturity after 30 September 2019. 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 30/09/2019 €/000
GBP	6,000	-	(105)
USD	3,500	-	20

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 September 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	239			239
Current financial assets				
Trade receivables	66,463			66,463
Current financial assets	412	203		615
Cash and cash equivalents	7,630			7,630
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 September 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	9,660			9,660
IFRS 16	201			201
Current financial liabilities				
Trade payables	22,130			22,130
Other payables	8,849			8,849
Financial payables	47,233	105		47,338
IFRS 16	33			33
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: 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 2019 and as of 31 December 2018 in terms of hierarchical level of fair value measurement (€/000):

30/09/2019	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	203	-	203
Total assets	-	203	-	203
Liabilities:				
Derivative financial instruments	-	(105)	-	(105)
Total liabilities	-	(105)	-	(105)
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 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. 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
<i>Changes during the period</i>				
. Investments	1	1	-	2
. Effect of exchange rates	1	-	-	1
. Reclassifications	-	-	-	-
. Amortisation	(31)	(3)	-	(34)
Total changes	(29)	(2)	-	(31)
Net carrying amount as of 30/09/2019	77	20	-	97

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 31/12/2018	11,615	13,965	23,015	909	518	2,400	52,423
<i>Changes during the period</i>							
. Investments	-	17	488	289	282	1,803	2,879
. Right of use IFRS 16	-	206	-	-	85	-	291
. Effect of exchange rates	58	65	(141)	3	(5)	2	(18)
. Reclassifications	-	342	64	139	2	(547)	-
. Divestments	-	-	-	(1)	(250)	-	(251)
. Depreciation related to disposals	-	-	-	1	250	-	251
. Depreciation IFRS 16	-	(46)	-	-	(21)	-	(67)
. Depreciation of the period	-	(807)	(3,870)	(321)	(137)	-	(5,135)
Total changes	58	(223)	(3,459)	110	206	1,258	(2,050)
Net carrying amount as of 30/09/2019	11,673	13,742	19,556	1,019	724	3,658	50,373

The Group's investments in the first nine months of 2019 were € 2,88 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	30/09/2019	30/06/2019	31/12/2018
- Equity investments in other companies	117	115	112
- Other receivables	122	122	-
Total	239	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 (TEE) held by the parent company IRCE SPA.

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

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

€/000	30/09/2019	30/06/2019	31/12/2018
- Deferred tax assets	1,935	1,952	1,879
- Deferred tax liabilities	(298)	(296)	(704)
Total deferred tax assets (net)	1,637	1,656	1,176

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	30/09/2019	30/06/2019	31/12/2018
- Raw materials, ancillary and consumables	35,711	34,239	37,269
- Work in progress and semi-finished goods	18,252	16,911	11,110
- Finished products and goods	43,897	48,913	51,218
- Provisions for write-down of raw materials	(2,885)	(2,876)	(2,876)
- Provisions for write-down of finished products	(935)	(935)	(935)
Total	94,040	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 risks calculated by writing down slow moving raw materials, packages and finished products. Inventories are shown net of a write-down of copper for €/000 419.

The table below shows the changes in provisions for write-down of inventories during the first nine months 2019:

€/000	31/12/2018	Allocations	Uses	30/09/2019
-Provisions for write-down of raw materials	2,876	9	-	2,885
-Provisions for write-down of finished products and goods	935	-	-	935
Total	3,811	9	-	3,820

7. TRADE RECEIVABLES

€/000	30/09/2019	30/06/2019	31/12/2018
- Customers/bills receivable	67,150	86,035	70,963
- Bad debts provision	(687)	(737)	(748)
Total	66,463	85,298	70,214

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 2019:

€/000	31/12/2019	Allocations	Uses	30/09/2019
Bad debt provision	748	92	(153)	687

8 CURRENT TAX RECEIVABLES

The item is equal to €/000 319 refers to income tax credit.

9. RECEIVABLES DUE FROM OTHERS

The item is detailed as follows:

€/000	30/09/2019	30/06/2019	31/12/2018
- Accrued income and prepaid expenses	158	234	146
- Receivables due from social security institutions	89	97	84
- VAT receivables	1,127	758	2,328
- Other receivables	2,003	2,585	1,481
Total	3,377	3,674	4,039

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.

10. OTHER CURRENT FINANCIAL ASSETS

€/000	30/09/2019	30/06/2019	31/12/2018
- Mark to Market copper forward transactions	183	362	295
- Mark to Market USD forward transactions	20	-	-
- Fixed deposit for LME transactions	412	530	295
Total	615	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 30/09/2019 of the Parent Company IRCE SpA. The item "Mark to Market USD forward transactions" refers to the Mark to Market (Fair Value) measurement forward contracts outstanding as of 30/09/2019 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).

11. CASH AND CASH EQUIVALENT

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

€/000	30/09/2019	30/06/2019	31/12/2018
- Bank deposits	7,616	6,967	6,157
- Cash on hand and valuables	14	10	861
Total	7,630	6,977	7,019

Bank and postal deposits 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	30/09/2019	30/06/2019	31/12/2018
- Own shares (share capital)	(796)	(793)	(788)
- Share premium reserve	40,539	40,539	40,539
- Own shares (share premium)	40	48	64
- Other reserves	45,924	45,924	45,924
- Foreign currency translation reserve	(23,241)	(21,826)	(22,624)
- Legal reserve	2,925	2,925	2,925
- Extraordinary reserve	41,059	41,058	34,486
- IAS 19 reserve	(1,097)	(1,097)	(1,071)
- Undistributed profit	9,689	9,688	11,714
Total	115,040	116,465	111,168

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 2019 amounted to n°1,531,738, and correspond to 5.45 % of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
Balance as of 01/01/2019	26,612
Share issue	-
Share buyback	(22)
Balance as of 30/09/2019	26,590

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 2019.

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 2,132

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	30/09/2019	30/06/2019	31/12/2018	Expiration
Banco Popolare	EUR	Floating	IRCE SPA	3,750	3,750	4,375	2023
Intesa Sanpaolo	EUR	Floating	IRCE SPA	-	3,000	4,000	2020
Banca di Imola	EUR	Floating	IRCE SPA	-	630	1,260	2020
Banco Popolare	EUR	Floating	Isomet AG	4,154	4,615	5,077	2025
Carisbo	EUR	Floating	IRCE SPA	1,756	1,906	2,321	2021
IFRS 16	EUR	Floating	IRCE SPA	67	67	-	2023
IFRS 16	EUR	Floating	IRCE SL	110	110	-	2023
IFRS 16	EUR	Floating	MAGNET WIRE	24	28	-	2023
Total				9,861	14,106	17,033	

Covenants

- Medium to long term financing totalling € 10 million was granted on 25 September 2015 by Intesa Sanpaolo S.p.A. This financing provides for repayment of capital in eight half-yearly instalments, for a fixed amount of € 1 million each, with the loan maturing on 25 September 2020. Financial covenants in the contract require compliance with a debt to equity ratio of not more than 0.65 (net financial position over net assets), and a debt coverage ratio of not less than 2.5 (adjusted EBITDA over financial charges), calculated on a consolidated basis and audited annually.
- Medium to long term financing totalling € 6 million was granted on 30 January 2018 by Mediocredito Italiano S.p.A. This financing provides for repayment of capital in thirteen half-yearly instalments, for a fixed amount of € 461,500 each, with the loan maturing on 30 January 2025. Financial covenants in the contract require compliance with a debt to equity ratio of not more than 0.65 (net financial position over net assets), and a debt coverage ratio of not less than 2.5 (adjusted EBITDA over financial expenses), calculated on a consolidated basis and audited annually.

For the financial year ended 31 December 2018, the covenants were honoured.

As regards the items relating to the application of the new IFRS 6, reference should be made to the paragraph "Accounting Principles".

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2018	Allocations	Uses	30/09/2019
Provisions for risks and disputes	1,599	390	(1,377)	612
Provision for severance payments to agents	294	16	(90)	220
Total	1,893	406	(1,467)	832

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

15. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

€/000	30/09/2019	30/06/2019	IFRS 16	31/12/2018
- Payables due to banks	47,233	55,407	-	49,931
- Mark to Market USD forward transactions	-	45	-	64
- Mark to Market GBP forward transactions	105	-	-	-
- IFRS 16	33	49	86	-
Total provisions and write-downs	47,371	55,501	86	49,995

The item "Mark to Market USD and GBP forward transactions" refers to the Mark to Market (Fair Value) measurement of forward contracts outstanding as of 30/09/2019 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, calculated considering the debts to banks, other financial payables, cash and cash equivalents is detailed as follows:

€/000	30/09/2019	30/06/2019	31/12/2018
Cash	7,630	6,977	7,019
Other current financial assets	432*	530*	295*
Liquid assets	8,062	7,507	7,314
Current financial liabilities	(47,371)	(55,501)	(49,995)
Net current financial debt	(39,309)	(47,994)	(42,681)
Non-current financial liabilities	(9,861)	(14,106)	(17,033)
Non-current financial debt	(9,861)	(14,106)	(17,033)
Net financial debt	(49,170)	(62,100)	(59,714)

* 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 2019, they amount to €/000 22,130, compared to €/000 16,212 as of 31 December 2018.

17. TAX PAYABLES

The item is equal to €/000 92 and refers to payables due for income taxes.

18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/09/2019	30/06/2019	31/12/2018
- Payables due to employees	3,819	4,124	3,668
- Deposits received from customers	1,973	2,007	1,617
- Accrued liabilities and deferred income	298	256	353
- VAT payables	561	1,220	590
- IRPEF payables	140	414	477
- Other payables	386	412	861
Total	7,177	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 none months of 2019 amounted to €/000 290,940, shows a decrease of 12,4% compared to the previous year (€/000 275,007).

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 1,526).

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	30/09/2019	30/09/2018	III° quarter 19	III° quarter 18
- External manufacturing	4,030	4,172	1,101	1,201
- Utility expenses	7,907	8,612	2,120	2,725
- Maintenance	1,561	1,354	635	540
- Transportation expenses	3,625	3,631	1,110	1,147
- Payable fees	205	295	71	69
- Compensation of Statutory Auditors	56	56	19	19
- Other services	3,685	3,782	1,245	1,475
- Costs for the use of third-party goods	244	250	73	88
Total	21,313	22,152	6,374	7,264

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

22. PERSONNEL COST

Personnel cost is detailed as follows:

€/000	30/09/2019	30/09/2018	III° quarter 19	III° quarter 18
- Salaries and wages	15,611	16,757	4,622	5,357
- Social security charges	4,088	4,257	1,259	1,300
- Retirement costs for defined contribution plans	1,054	956	345	350
- Other costs	1,842	1,890	577	619
Total Personnel Cost	22,595	23,860	6,803	7,626

The item "Other costs" includes costs for temporary work, contract work, and the remuneration 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 in force for the period and the current number at the reporting date is shown below:

Personnel	Average 9 months 2019	Average 9 months 2018	30/09/2019
- Executives	23	23	23
- White collars	157	165	155
- Blue collars	532	546	528
Total	712	734	706

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 2019 was 706 people.

23. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

Depreciation is as follows:

€/000	30/09/19	30/09/18	III° quarter 19	III° quarter 18
- Intangible asset depreciation	44	78	21	28
- Tangible asset depreciation	5,125	5,058	1,737	1,668
- Depreciation IFRS 16	67	-	23	-
- Write-down of intangible asset	-	-	-	(96)
Total	5,236	5,136	1,781	1,600

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

24. PROVISIONS AND WRITE-DOWNS

Allocations and write-downs are detailed as follows:

€/000	30/09/19	30/09/18	III° quarter 19	III° quarter 18
- Write-downs of receivables	92	94	17	10
- Receivables losses	-	181	-	-
- Allocations for risks	-	109	-	7
Total allocations and write-downs	92	384	17	17

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	30/09/19	30/09/18	III° quarter 19	III° quarter 18
- Other financial income	2,323	3,169	468	1,030
- Interest and financial charges	(683)	(785)	(149)	(199)
- Foreign exchange gains / (losses)	212	194	208	95
Total	1,852	2,578	527	926

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

€/000	30/09/19	30/09/18	III° quarter 19	III° quarter 18
- Income from LME derivatives	1,354	2,201	210	701
Total	1,354	2,201	210	701

27. INCOME TAXES

€/000	30/09/19	30/09/18	III° quarter 19	III° quarter 18
- Current taxes	(1,120)	(3,126)	(12)	(743)
- Deferred taxes	514	(715)	51	99
Total	(606)	(3,841)	39	(644)

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.

	30/09/2019	30/09/2018
Net profit/(loss) attributable to shareholders of the Parent Company	2,131,580	6,539,391
Average weighted number of ordinary shares used to calculate basic earnings per share	26,596,262	26,665,409
Basic earnings/(loss) per share	0.0801	0.2453
Diluted earnings/(loss) per share	0.0801	0.2453

29. 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	189	251	440

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 2019, the Group Parent Company IRCE SPA had a payable of €/000 197 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. MANAGEMENT OF TRADE RECEIVABLES

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

Risk level	30/09/2019 Exposure, €/000	31/12/2018 Exposure, €/000
Low	45,149	42,691
Medium	14,617	19,720
Above-average	6,435	7,439
High	949	1,113
Total	67,150	70,963

Due date	30/09/2019 Exposure, €/000	31/12/2018 Exposure, €/000
Not yet due	63,000	67,713
< 30 days	2,126	1,477
31-60	483	416
61-90	396	126
91-120	26	56
> 120	1,146	1,175
Total	67,150	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 €/000 687, 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. 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.