SPAFID CONNECT

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Testo del comunicato

Vedi allegato.

E-MARKET SDIR CERTIFIED

IRCE

HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2020

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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

Deloitte & Touche S.p.A.

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

INTERIM REPORT ON OPERATIONS AS OF 30 JUNE 2020

During the first half of 2020, the IRCE Group (hereinafter also referred to as the "Group") records a loss of € 0.43 million with the result being severely impacted by the consequences of COVID-19.

Consolidated turnover totalled € 136.69 million compared to € 170.45 million in the first half of 2019, a 19.8% fall that was mainly due to the decrease in sales volume.

The reduction in sales, which had already begun last year following the decline in demand, was accentuated during the second quarter as the Coronavirus spread worldwide. The winding wires segment has recorded a greater decline in sales than that seen on the cables market, due to the major decline in demand by the motor vehicle market.

Turnover without metal[1] fell by 20.6%; the winding wire sector fell by 21.9%, and the cable sector fell by 15.1%.

Consolidated turnover without metal (€/million)	2020 1st half		2019 1st half		Change
	Value	%	Value	%	%
Winding wires	24.55	*79.5%*	31.43	*80.9%*	*-21.9%*
Cables	6.32	*20.5%*	7.44	*19.1%*	*-15.1%*
Total	30.87	*100.0%*	38.87	*100.0%*	*-20.6%*

The following table shows the changes in results compared to the first half of 2019, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	1st half 2020	1st half 2019	Change
Turnover[2]	136.69	170.45	(33.76)
EBITDA[3]	2.58	5.46	(2.88)
EBIT	(0.99)	1.93	(2.92)
Profit/(Loss) before tax	(0.27)	3.25	(3.52)
Result for the period	(0.43)	2.60	(3.03)
Adjusted EBITDA[4]	2.94	6.60	(3.66)
Adjusted EBIT[4]	(0.63)	3.07	(3.70)

[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 S.p.A. 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 (€ +0.36 million in the first half of 2020 and € +1.14 million in the first half of 2019). These are indicators the Group's Management uses to monitor and assess operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and therefore not comparable.

As of 30 June 2020, net financial debt amounted to € 38.55 million, down from € 42.39 million as of 31 December 2019 due to the decrease in working capital.

Consolidated statement of financial position data (€/million)	30/06/2020	31/12/2019	Change
Net invested capital	159.34	173.89	(14.55)
Shareholders' equity	120.79	131.50	(10.71)
Net financial debt[5]	38.55	42.39	(3.84)

The reduction in consolidated shareholders' equity was brought about by the devaluation of the Brazilian real (approximately 26% against the euro), which called for an increase of € 10.04 million in the negative value of the conversion reserve in relation to our Brazilian subsidiary.

Investments

Investments of the Group in the first half of 2020 amounted to € 0.82 million and were primarily related to IRCE S.p.A. and the Brazilian subsidiary IRCE Ltda.

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. It is the pursuit of this strategy that led to the establishment in China of the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd with the aim of producing and serving the local market.
For information about the effects and management of risks connected with the Coronavirus pandemic, we would refer you to the specific paragraph given below.

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. It should be noted that, during the first half of 2020, the Brazilian currency depreciated by about 26% since the beginning of the year.

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

[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.

- *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 list price of copper during H1 2020 was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a dive to prices recorded in March and April, followed by a significant recovery the following months, closing at 30-06-2020 at 5.3920 euros/kg, almost entirely recovering the values of 31-12-2019 (5.4798 euros/kg).

Financial risks
These are risks associated with financial resources.

- *Credit risk*
  There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. Selected insurance policies are taken out in order to limit insolvency risk.

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

The COVID-19 risk
Information is given on the risks and impacts of the Coronavirus pandemic health emergency in a specific paragraph in the notes to the financial statements.

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 2019. There were no material changes in risk management and relevant policies adopted by the Group during the period under review.

Outlook

An improvement is forecast to demand during the second part of the year and consolidated turnover is expected to recover on the first half.

Moreover, thanks to the action taken to contain costs, which will continue into the second half of the year, if the health emergency does not worsen, generating exceptional situations and decisions, the group expects FY 2020 to record improving EBIT on the first half.

Imola, 16 September 2020

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in euros)

ASSETS	Notes	30/06/2020	31/12/2019
NON-CURRENT ASSETS			
Intangible assets	1	235,778	256,300
Property, plant and equipment	2	42,576,717	48,354,131
Equipment and other tangible assets	2	1,579,444	1,750,118
Assets under construction and advances	2	1,535,863	1,436,379
Other non-current financial assets and receivables	3	359,193	234,765
Non-current tax receivables		-	375,564
Deferred tax assets	4	1,576,956	1,375,021
TOTAL NON-CURRENT ASSETS		**47,863,951**	**53,782,278**
CURRENT ASSETS			
Inventories	5	83,415,409	82,308,481
Trade receivables	6	53,347,944	63,130,268
Tax receivables	7	760,275	832,772
(of which: related parties)		-	*196,803*
Receivables due from others	8	1,643,251	2,053,794
Current financial assets	9	2,774,108	385,919
Cash and Cash Equivalents	10	9,552,759	8,631,545
TOTAL CURRENT ASSETS		**151,493,746**	**157,342,779**
TOTAL ASSETS		**199,357,697**	**211,125,057**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30/06/2020	31/12/2019
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	11	14,626,560	14,626,560
RESERVES	11	106,928,263	115,276,611
RESULT FOR THE PERIOD	11	(429,144)	1,942,159
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP		**121,125,679**	**131,845,330**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(336,453)**	**(343,966)**
TOTAL SHAREHOLDERS' EQUITY		**120,789,226**	**131,501,364**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	12	7,140,415	8,746,825
Deferred tax liabilities		107,924	127,125
Provisions for Risks and Charges	13	624,206	901,284
Provisions for employee benefits	14	4,966,431	5,099,185
TOTAL NON-CURRENT LIABILITIES		**12,838,976**	**14,874,419**
CURRENT LIABILITIES			
Current financial liabilities	15	42,579,165	42,300,450
Trade payables	16	14,221,929	13,454,746
Tax payables	17	178,522	126,082
Social security contributions		1,372,678	1,848,422
Other current liabilities	18	7,377,201	7,019,574
TOTAL CURRENT LIABILITIES		**65,729,495**	**64,749,274**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**199,357,697**	**211,125,057**

CONSOLIDATED INCOME STATEMENT

(in euros)

	Notes	30/06/2020	30/06/2019
Sales revenues	19	136,687,527	170,450,112
Other income		588,281	516,644
TOTAL REVENUES		**137,275,808**	**170,966,756**
Costs for raw materials and consumables	20	(109,853,158)	(137,402,843)
Change in inventories of work in progress and finished goods		1,194,011	3,272,519
Costs for services	21	(11,275,378)	(14,938,676)
Personnel costs	22	(14,328,588)	(15,791,640)
Depr./amort. and impairment of tangible and intangible assets	23	(3,528,816)	(3,454,570)
Provisions and write-downs	24	(48,717)	(75,290)
Other operating costs	25	(428,819)	(649,921)
EBIT		**(993,657)**	**1,926,335**
Financial income/(charges)	26	727,422	1,325,491
PROFIT/(LOSS) BEFORE TAX		**(266,325)**	**3,251,826**
Income Taxes	27	(155,395)	(645,290)
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS		**(421,630)**	**2,606,536**
Non-controlling interests		(7,514)	(8,753)
RESULT OF IRCE GROUP		**(429,144)**	**2,597,783**

Earnings/(loss) per share (EPS)			
- basic EPS for the period attributable to ordinary shareholders of the Parent Company	28	(0.0161)	0.0976
- diluted EPS for the period attributable to ordinary shareholders of the Parent Company	28	(0.0161)	0.0976

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30/06/2020	30/06/2019
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**(422)**	**2,607**
Translation difference on financial statements of foreign companies	(10,319)	798
Total components of comprehensive income that will be reclassified under the profit/(loss) of the year	**(10,319)**	**798**
Re-determination of defined-benefit plans	53	(46)
Income Taxes	(10)	20
	43	**(26)**
Total components of comprehensive income that will not be reclassified under the profit/(loss) of the year	**43**	**(26)**
Total comprehensive profit (loss) for the period, net of taxes	**(10,698)**	**3,380**
Attributable to:		
Shareholders of the Parent Company	**(10,706)**	**3,370**
Minority shareholders	**8**	**9**

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 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											**1,942**	**1,942**	**31**	**1,973**
Other comprehensive profit / (loss)						(270)			(125)			(395)		(395)
Total profit / (loss) from statement of comprehensive income						**(270)**			**(125)**		**1,942**	**1,547**	**31**	**1,579**
Allocation of the result of the previous year								7,903		(2,027)	(5,876)			
Dividends								(1,333)				(1,333)		(1,333)
Sell / purchase own shares		(12)		(31)								(43)		(43)
Balance as of 31 december 2019	**14,627**	**(800)**	**40,539**	**33**	**45,924**	**(22,894)**	**2,925**	**41,059**	**(1,196)**	**9,687**	**1,942**	**131,845**	**(344)**	**131,501**
Result for the period											(429)	(429)	8	(421)
Other comprehensive profit / (loss)						(10,319)			43			(10,276)		(10,276)
Total profit / (loss) from statement of comprehensive income						**(10,319)**			**43**		**(429)**	**(10,706)**	**8**	**(10,698)**
Allocation of the result of the previous year								3,603		(1,661)	(1,942)			
Sell / purchase own shares		(5)		(9)								(14)		(14)
Balance as of 30 june 2020	**14,627**	**(805)**	**40,539**	**24**	**45,924**	**(33,213)**	**2,925**	**44,662**	**(1,153)**	**8,027**	**(429)**	**121,126**	**(336)**	**120,789**

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

CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	30/06/2020	30/06/2019
€/000			
OPERATING ACTIVITIES			
Result of the group and non-controlling interests		**(422)**	**2,607**
Adjustments for:			
Depreciation/amortisation	23	3,485	3,410
Net change in deferred tax (assets)/liabilities		272	463
Capital (gains)/losses from the realisation of fixed assets		12	(18)
(Profit)/loss on unrealised exchange rate differences		22	(40)
Current taxes	27	427	1,108
Financial (income)/charges	26	(286)	(1,322)
Operating profit/(loss) before changes in working capital		**3,510**	**6,207**
Taxes paid		(148)	(191)
Financial charges paid	26	(250)	(519)
Financial income received	26	532	1,840
Decrease/(increase) in inventories	5	(4,612)	29
Change in trade receivables	6	6,606	(14,770)
Change in trade payables	16	1,049	9,393
Net change in current assets and liabilities for the period		639	982
Net change in non-current assets and liabilities for the period		(1,051)	(2,261)
CASH GENERATED FROM OPERATING ACTIVITIES		**6,275**	**710**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(22)	(2)
Investments in tangible assets	2	(803)	(1,420)
Consideration received for the sale of tangible and intangible assets		-	8
CASH GENERATED FROM/USED IN INVESTING ACTIVITIES		**(825)**	**(1,414)**
FINANCING ACTIVITIES			
Financing refunds	12	(1,086)	(3,112)
Net change in short-term financial payables	15	413	5,410
Change in current financial assets	9	(2,388)	(302)
Change in foreign currency translation reserve and other effects on equity		43	(26)
Dividends paid		-	(1,330)
Management of own shares (sales-purchases)		(14)	(21)
CASH GENERATED FROM/USED IN FINANCING ACTIVITIES		**(3,033)**	**618**
NET CASH FLOW FOR THE PERIOD		**2,417**	**(87)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	10	8,632	7,019
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		2,417	(87)
Exchange rate difference		(1,496)	45
CASH BALANCE AT THE END OF THE PERIOD	10	9,553	6,977

NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

GENERAL INFORMATION

The Half-Yearly Financial Report of IRCE S.p.A and its subsidiaries (hereafter referred to as "IRCE Group" or "Group") as of 30 June 2020 was approved by the Board of Directors of IRCE SpA (hereafter also referred to as the "Company" or the "Parent Company") on 16 September 2020.
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 2019.

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.

The Directors gave careful consideration as to the assumption of the business being a going concern when preparing the consolidated interim financial report, concluding that there could be no doubt on the matter.

ACCOUNTING STANDARDS

The accounting standards adopted to prepare the Half-Yearly Financial Report as of 30 June 2020 are the same as those used to prepare the consolidated financial statements as of 31 December 2019 to which reference should be made for further details, except for the following:

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE APPLICABLE AS OF 01 JANUARY 2020

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Group from 1 January 2020:

- On 31 October 2018, the IASB published the document Definition of Material (Amendments to IAS 1 and IAS 8). It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect.
The adoption of this amendment did not have any impact on the Group consolidated financial statements.

- On 29 March 2018, the IASB published an amendment to the References to the Conceptual Framework in IFRS Standards. The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the essential concepts for the financial disclosure and guides the Board in developing IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors. The Conceptual Framework supports businesses in the development of accounting standards when no IFRS applies to a specific transaction and, more generally, helps the parties concerned to understand and interpret the standards.

- On 26 September 2019, the IASB published the Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform. This amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. More specifically, the amendment alters some of the requirements laid down for the application of hedge accounting, envisaging temporary derogations from such, so as to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements on their hedging relations directly involved by the uncertainties generated by the reform and to which said derogations apply.
The adoption of this amendment did not have any impact on the Group consolidated financial statements.

- On 22 October 2018, the IASB published the document Definition of a Business (Amendments to IFRS 3). The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3.
The amendments are applicable to all business combinations and acquisitions of assets starting from 1 January 2020; earlier application is, however, permitted.
The adoption of this amendment did not have any impact on the Group consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET OBLIGATORILY APPLICABLE AND NOT ADOPTED BY THE GROUP IN ADVANCE AS AT 30 JUNE 2020

As at 30 June 2020, no accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union but not yet obligatorily applicable as at 30 June 2020, had been issued.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Furthermore, as at the reporting date of this document, the European Union competent bodies have not yet completed the approval process required for the adoption of the following accounting standards and amendments:

- On 23 January 2020, the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments come into force starting 1 January 2022, but the IASB has issued an exposure draft to defer the coming into force to 1 January 2023; earlier application is, however, permitted. With reference to the new amendments, at present the directors are assessing the possible impacts on the Group's consolidated financial statements linked to their introduction.

- On 14 May 2020, the IASB published the following amendments:
    - Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of standard IFRS 3.
    - Amendments to IAS 16 Property, Plant and Equipment: the amendments aim to disallow the deduction of the amount received from the sale of goods produced during the test phase of the asset, from the cost of tangible assets. Such revenues from sale and the related costs will therefore be recorded as profit and loss.
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the potential costs of a contract, all costs directly relating to said contract must be considered. Consequently, the valuation of the potential cost of a contract includes not only the incremental costs (such as, for example, the cost of the direct material used in manufacture) but also all costs that the company cannot avoid insofar as it has stipulated the contract (such as, for example, the portion of the payroll costs and amortisation of machinery used to fulfil the contract).
    - Annual Improvements 2018-2020: the amendments applied to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

  The changes will come into force on 1 January 2022

  With reference to the new amendments, at present the Directors are evaluating the possible effects on the Group's consolidated financial statements in respect of their introduction.

- On 28 May 2020, the IASB published the document "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document envisages that lessees shall have the right to book reductions in charges connected with COVID-19 without having to assess, through an analysis of contracts, whether or not the definition of lease modification given by IFRS 16 is effectively respected. Therefore, any lessees applying this faculty may book the effects of the reductions in

  rental charges directly as profit and loss as at the date of effect of said reduction. Although this amendment applies to financial statements starting as at 1 June 2020, without prejudice to the fact that a company may apply this early to financial statements starting 1 January 2020, it has not yet been approved by the European Union and, therefore, as at 30 June 2020 has not yet been applied by the Group. The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said amendment.

- On 28 May 2020, the IASB published the amendment "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023. The amendments will come into force on 1 January 2021. The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said amendment.

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.

SCOPE OF CONSOLIDATION

The following table shows the list of companies included in the scope of consolidation as of 30 June 2020 (no change from 31 December 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 liquidation	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 S.R.L.	100%	Italy	€	10,000	line by line
Irce Electromagnetic Wire (Jiangsu) Co. Ltd	100%	China	CNY	15,045,297	line by line

The main exchange rates used to convert the figures of foreign countries into euros were as follows:

	30/06/2020		31/12/2019		30/06/2019	
	average	spot	average	spot	average	spot
BRL	5.4169	6.1118	4.4135	4.5157	4.3407	4.3511
GBP	1.0639	1.0651	1.1127	1.0854	1.1294	1.1105
CHF	0.8743	0.9124	0.8773	0.8508	0.8508	0.9866

COVID-19 - NOTE OF ATTENTION TO FINANCIAL DISCLOSURES

In compliance with the obligations envisaged by note of attention no. 8/20 issued by Consob on 16 July 2020 in relation to the financial disclosure that issuers are called to provide in connection with the possible impacts of COVID-19 (in line with the recommendations published by ESMA in its public statement made on 20 May 2020 "Implication of the COVID-19 outbreak on the half-yearly financial reports"), the Company reports as follows:

(i) Valuations in accordance with IAS 36 "Impairment of Assets";
(ii) Impacts of the COVID-19 epidemic on the income statement,
(iii) Description of the risks and uncertainties connected with COVID-19 in regard to any present or future impacts on the strategic planning and plan targets, economic performance, the financial position and cash flow;
(iv) Description of any measures adopted or planned to address and mitigate the impacts of COVID-19 on the business and economic results.

Valuations in accordance with IAS 36 "Impairment of Assets"

As of 30 June 2020, in order to take due account of the effects connected with the spread of the Coronavirus and the current context of economic uncertainty, the Directors updated their estimates and forecast results for the whole of FY 2020. Therefore, on the basis of the macroeconomic scenario that has emerged and in assessing its possible repercussions on the Group's business, as well as taking into account the uncertainty of exactly how and when a recovery will take place, the choice was made to impairment test the recoverability of assets booked as of 30 June 2020. The test was carried out considering multiple scenarios, so as to take into account the results expected for the second half of 2020 and projecting forward to FYs 2021 and 2022 too.

The impairment testing, details of which are given in the notes on "Impairment testing" of this report, did not reveal any need to write any values down.

Impacts deriving from the COVID-19 pandemic

Starting February 2020, we have seen the rapid spread of the Coronavirus pandemic, which has affected the global macroeconomic trend, producing, also as a result of the restrictive measures adopted by the various government authorities, a contraction in demand and a progressive slowing of the market.

The health emergency has not yet been resolved internationally and is now reaching a peak in various areas across the globe, such as the United States, South America and India. Consequently there remains a context of limited uncertainty with regard to potential future developments of the pandemic and their potential impact on the economic system.

In a bid to cope with the emergency, the Italian government has issued a series of measures, through to the Decree issued on 22 March 2020, which required a series of production activities to close from 24 March to 3 May 2020, including our plants for cable production, which consequently ceased operating for the period established by the government.

The Group's plants used to produce winding wires in Europe and Brazil, which in fact account for the majority of our business, have instead continued to produce, albeit at a lower rate due to the major decline in demand.

The only exception, in the segment of winding wires, is the small unit we have in India (Kerala), whose production has been temporarily suspended to comply with the provisions issued by the government of that country.

The COVID-19 emergency has had a direct impact on the Group's economic results, which, coupled with the slowing of demand seen starting 2019, has resulted in a period loss of € 0.43 million.

The negative impact on results has been mitigated by the containment of costs, adjusting, wherever possible, the production capacity to fit with the reduced market demand.

Description of the risks and uncertainties connected with COVID-19 in regard to any present or future impacts on the strategic planning and plan targets, economic performance, the financial position and cash flow

As previously shown, the intensification of the economic and financial crisis determined by the Coronavirus has led to a generalised situation of uncertainty over production and the aggregated demand of all economies.

Our procurement chain has not shown any particular problems in terms of the regularity and timeliness of the supplies requested.

Additionally, the fact of having multiple plants available in different geographic areas helps reduce the risk of discontinuing supplies to our customers.

The corporate management team has updated the 2020 objectives to take into account the negative effects of the current situation and we expect to see a partial recovery of the volumes lost during the first part of the year, in the second half.

Receivables from customers suffer an extension in average payment time but with no particularly critical issues.

As regards potential liquidity risks, we would point out that the Group has a solid financial position, with net financial debt as at 30 June 2020 down to € 38.55 million. Moreover, in accordance with the provisions of Corporate Liquidity Decree (Decree Law no. 23/2020), the company has also obtained a loan backed by SACE for € 10.00 million and a loan backed by the Fondo Centrale di Garanzia for € 5.50 million.

Available credit facilities that have not yet been drawn down total € 78.00 million.

Description of any measures adopted or planned to address and mitigate the impacts of COVID-19 on the business and economic results.

Thanks to actions taken to contain costs, the effect of the current crisis on the group's results has been mitigated and these actions will be maintained in the future too, considering the uncertainty surrounding the duration of the economic crisis and the evolution of the health emergency.

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 2020. 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 and, therefore, they affected the result for the period.

A summary is shown below:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 30/06/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Non-current assets and liabilities					
Tonnes	75	0	48	0	48
Current financial assets and liabilities					
Tonnes	2,475	75	1,124	(19)	1,105
Total	**2,550**	**75**	**1,172**	**(19)**	**1,153**

- Derivative instruments related to USD and GBP forward purchase and sale transactions with maturity after 30 June 2020. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting and, therefore, they affected the result for the period.

A summary is shown below:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 30/06/2020		
	Assets/000	Liabilities/000	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current financial assets and liabilities					
USD	700	1,450	5	(24)	(19)
GBP	6,000	-	397	0	397
Total	**6,700**	**1,450**	**402**	**(24)**	**378**

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 June 2020 - €/000	**Financial assets measured at amortised cost**	**Financial assets measured at FVPL**	**Financial assets measured at FVOCI**	**Total**
Non-current financial assets				
Non-current financial assets and receivables	251	108		359
Current financial assets				
Trade receivables	53,348			53,348
Current financial assets	1,224	1,550		2,774
Cash and cash equivalents	9,553			9,553
As of 31 December 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 financial assets and receivables	122	113		235
Current financial assets				
Trade receivables	63,130			63,130
Current financial assets	14	372		386
Cash and cash equivalents	8,632			8,632

As of 30 June 2020 - €/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	7,140			7,140
Current financial liabilities				
Trade payables	14,222			14,222
Other payables	8,928			8,928
Financial payables	42,560	19		42,579

As of 31 December 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	8,747			8,747
Current financial liabilities				
Trade payables	13,455			13,455
Other payables	8,994			8,994
Financial payables	42,187	113		42,300

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 31 December 2019 and as of 30 June 2020 broken down by level of fair value hierarchy (€/000):

31/12/2019	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments		372		372
AFS		-		-
Total assets		372		372
Liabilities:				
Derivative financial instruments		(113)		(113)
Total liabilities		(113)		(113)

30/06/2020	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments		1,550		1,550
AFS		-		-
Total assets		1,550		1,550
Liabilities:				
Derivative financial instruments		(19)		(19)
Total liabilities		(19)		(19)

During H1 2020, no financial assets and liabilities classified at different levels, were transferred.

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 broken down by geographic area according to the destination of the revenue (revenues from Italian customers, EU customers excluding Italy, and non-EU customers) as well as according to the country in which the revenue was generated.

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).

Lastly, fixed assets are shown broken down by area

Revenues by Product

€/000	1st half 2020				1st half 2019			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	112,515	24,158	15	136,688	141,843	28,598	9	170,450
% of total	82.3%	17.7%	0.0%	100.0%	83.2%	16.8%	0.0%	100.0%

Revenues by Geographical Area

€/000	1st half 2020				1st half 2019			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	45,270	52,881	38,537	136,688	59,753	67,328	43,369	170,450
% of total	33.1%	38.6%	28.3%	100.0%	35.1%	39.5%	25.4%	100.0%

On 31 January 2020, the United Kingdom left the EU; turnover generated by our English subsidiary FD Sims Ltd from that date onwards has consequently been entered under the non-EU geographic area.

Revenues by country of generation

€/000	H1 2020						
	Italy	Brazil (*)	UK	Netherlands	Switzerland	Other countries	Total
Revenues generated	81,798	21,807	6,175	18,058	7,530	1,320	136,688
% of total	*59.8%*	*16.0%*	*4.5%*	*13.2%*	*5.5%*	*1.0%*	*100.0%*

€/000	H1 2019						
	Italy	Brazil	UK	Netherlands	Switzerland	Other countries	Total
Revenues generated	108,400	26,555	9,898	16,989	6,880	1,728	170,450
% of total	*63.6%*	*15.6%*	*5.8%*	*10.0%*	*4.0%*	*1.0%*	*100.0%*

Tangible and intangible fixed assets by geographic area

€/000	30 June 2020						
	Italy	Brazil (*)	UK	Netherlands	Switzerland	Other countries	Total
Assets	22,630	8,308	3,563	3,614	3,836	3,977	45,928
% of total	*49.3%*	*18.1%*	*7.8%*	*7.9%*	*8.4%*	*8.7%*	*100.0%*

€/000	31 December 2019						
	Italy	Brazil	UK	Netherlands	Switzerland	Other countries	Total
Assets	23,930	11,853	3,999	4,055	3,932	4,027	51,796
% of total	*46.2%*	*22.9%*	*7.7%*	*7.8%*	*7.6%*	*7.8%*	*100.0%*

(*) Please note that the figures referring to the Brazil area, in particular fixed assets, are impacted, as already mentioned elsewhere in the note, by the devaluation of the Brazilian real against the euro during H1 2020.

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 intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Assets under development	Total
Net carrying amount as of 31/12/2019	69	187	-	256
Changes during the period				
. Investments	-	20	-	20
. Effect of exchange rates	(4)	(2)	-	(6)
. Reclassifications	-	-	-	-
. Depreciation/amortisation	(15)	(21)	-	(36)
Total changes	(18)	(3)	-	(21)
Net carrying amount as of 30/06/2020	51	184	-	235

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 31/12/2019	13,042	13,639	21,672	1,056	695	1,436	51,541
Changes during the period							
. Right-of-use assets (IFRS 16)	-	52	-	-	23	-	75
. Investments	-	12	334	144	16	297	803
. Effect of exchange rates	(162)	(771)	(2,268)	(15)	(1)	(5)	(3,222)
. Reclassifications	-	-	175	7	-	(182)	-
. Divestments	-	-	(255)	-	(24)	(10)	(289)
. Depreciation related to disposals	-	-	253	-	24	-	277
. Depreciation related to IFRS 16	-	(29)	-	-	(15)	-	(44)
. Depreciation of the period	-	(501)	(2,619)	(231)	(98)	-	(3,449)
Total changes	(162)	(1,237)	(4,380)	(95)	(75)	100	(5,849)
Net carrying amount as of 30/06/2020	12,880	12,403	17,292	961	619	1,536	45,692
- Of which IFRS 16	-	170	-	-	79	-	249

Investments of the Group in the first half of 2020 amounted to € 0.80 million and were primarily related to IRCE S.p.A. and the Brazilian subsidiary IRCE Ltda.

Impairment Test

As envisaged by IAS no. 36, tangible fixed assets, such as plants, machinery and equipment, as well as intangible fixed assets must be impairment tested: separately, if they can generate their own cash flows, or

on a CGU level, if they cannot generate their own cash flows (IAS 36.22). For assets with a finite useful life, impairment testing is only carried out where there is an indication that value may have been lost; instead, for assets with an undefined useful life, impairment testing is carried out at least once a year (IAS 36.11). Considering the progressive spread of the COVID-19 pandemic and the indications given by Consob (note of attention no. 8/20 of 16/07/2020), as well as the ESMA recommendations (Public Statement on half-yearly financial reports in relation to COVID-19 of 20 May 2020), at the close of the interim financial report as at 30 June 2020, the Group's Management team prepared the new multi-year 2020-2022 plans for IRCE SpA and the Group, approved by the Parent Company's Board and, on this basis, carried out its impairment testing.
The test was carried out on the cash generating units ("CGUs") representing the smallest identifiable group able to generate independent cash flows; such CGUs were identified as the individual companies operating on the markets of the countries where the Group is present and are listed below:

Irce S.p.A.
Smit Draad Nijmegen B.V.
Irce L.T.D.A.
Isomet A.G.

The Group tested the recoverability of the value of net invested capital (NIC) booked for the individual CGUs.

The company F.D. Sims L.T.D. has a net invested capital mainly comprising the property, out of which the company operates, and the warehouse. In consideration of the foregoing, and on the basis of the provisions of IAS 36, the Group's Management team, having the necessary information, determined the fair value of the net invested capital. As of 30 June 2020, the book value of the net invested capital of F.D. Sims L.T.D., equal to GBP/000 7,837, was in line with the fair value and, therefore, no need was seen to also estimate the value in use.

The recoverable value is calculated in compliance with the criteria set out in IAS 36 and determined in the understanding of value of use through the discounting of forecast cash flow expected from the use of an asset or a CGU as well as the value expected to be obtained when disposing of it at the end of its useful life.
This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the relevant discounting rates. Future cash flows are based on the latest economic-financial plans prepared by the Management of each CGU in reference to the operation of the production structures and market context.
In order to determine future cash flows, the data of the Multi-Year 2020-2022 Plans was considered; data regarding 2023 and 2024 was prepared by the Parent Company's Management team, using the Group business plan guidelines approved by the Board of Directors as reference. At the end of the explicit period forecasts (2024), a terminal value represented by a perpetual return, was determined. In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, insofar as the Company's Management team expect this to be a normalised long-term flow.
The growth rate "g" applied to determine the terminal value has been set as equal to the long-term inflation (2024) of the country in which each CGU operates.
The rate (WACC) used reflects market information, the current valuation of the time value of money for the period considered and the specific risks of the individual Group companies.

Below is a summary of the rates used for the individual CGUs:

Irce S.p.A. - WACC	5.93%
Smit Draad Nijmegen B.V. – WACC	7.23%
Irce L.T.D.A. – WACC	10.69%
Isomet A.G. – WACC	5.34%

In order to carry out impairment testing, the cash flow for the CGUs expected to suffer the greatest impact from COVID-19 was calculated on the basis of the preparation of three plans for the period 2020-2024, representing three different scenarios ("Base", "Worst" and "Best"), to which a different probability of onset was assigned, taking into account, both in order to prepare the plans and the probability of the onset of the scenarios with which they are associated, the effects deriving from the worldwide spread of the COVID-19 virus. The plans are based on Management's best estimates of the Group's future operative performance.

Below are the results of the impairment testing carried out:

Irce S.p.A.	
(g)=	1.5%
WACC	5.9%
€/000	
Enterprise value	128,897
NIC	98,329
Difference between enterprise value and carrying amount	30,568

Irce LTDA	
(g)=	5.0%
WACC	10.7%
€/000	
Enterprise value	54,803
NIC	26,003
Difference between enterprise value and carrying amount	28,800

Smit Draad Nijmegen B.V.	
(g)=	1.7%
WACC	7.2%
€/000	
Enterprise value	26,679
NIC	14,212
Difference between enterprise value and carrying amount	12,467

Isomet AG	
(g)=	0.9%
WACC	5.3%
€/000	
Enterprise value	9,766
NIC	4,771
Difference between enterprise value and carrying amount	4,995

The impairment testing procedure carried out in accordance with the provisions of IAS 36 and in applying criteria agreed with the Board of Directors, did not reveal any losses of value in net invested capital booked by each CGU.

Moreover, based also on the indications contained in document no. 4 issued jointly by the Bank of Italy, Consob and Isvap on 03 March 2010, the Group has elaborated the sensitivity analysis on the impairment test results compared with the variation of the basic assumptions that affect the value in use of the CGU and losses in value would only occur in the event of a major worsening to the parameters considered.

IRCE SpA

(g)=2.0%		WACC	
€/000	5.4%	5.9%	6.4%
Enterprise value	149,748	130,552	115,329
NIC	98,329	98,329	98,329
Difference between enterprise value and carrying amount	51,419	32,223	17,000

(g)=1.5%		WACC	
€/000	5.4%	5.9%	6.4%
Enterprise value	147,580	128,897	114,029
NIC	98,329	98,329	98,329
Difference between enterprise value and carrying amount	49,251	30,568	15,700

(g)=1.0%		WACC	
€/000	5.4%	5.9%	6.4%
Enterprise value	145,901	127,577	112,967
NIC	98,329	98,329	98,329
Difference between enterprise value and carrying amount	47,572	29,248	14,638

Irce LTDA

(g)=5.5%		WACC	
€/000	10.2%	10.7%	11.2%
Enterprise value	64,979	59,007	54,074
NIC	26,003	26,003	26,003
Difference between enterprise value and carrying amount	38,976	33,004	28,071

(g)=5.0%		WACC	
€/000	10.2%	10.7%	11.2%
Enterprise value	59,808	54,803	50,597
NIC	26,003	26,003	26,003
Difference between enterprise value and carrying amount	33,805	28,800	24,594

(g)=4.5%		WACC	
€/000	10.2%	10.7%	11.2%
Enterprise value	55,546	51,279	47,640
NIC	26,003	26,003	26,003
Difference between enterprise value and carrying amount	29,543	25,276	21,637

Smith Draad Nijmegen B.V.

(g)=2.2%		WACC	
€/000	6.7%	7.2%	7.7%
Enterprise value	32,356	29,044	26,335
NIC	14,212	14,212	14,212
Difference between enterprise value and carrying amount	18,144	14,832	12,123

(g)=1.7%		WACC	
€/000	6.7%	7.2%	7.7%
Enterprise value	29,428	26,679	24,390
NIC	14,212	14,212	14,212
Difference between enterprise value and carrying amount	15,216	12,467	10,178

(g)=1.2%		WACC	
€/000	6.7%	7.2%	7.7%
Enterprise value	27,030	24,707	22,743
NIC	14,212	14,212	14,212
Difference between enterprise value and carrying amount	12,818	10,495	8,531

Isomet AG

(g)=1.4%		WACC	
€/000	4.8%	5.3%	5.8%
Enterprise value	12,426	10,855	9,639
NIC	4,771	4,771	4,771
Difference between enterprise value and carrying amount	7,655	6,084	4,867

(g)=0.9%		WACC	
€/000	4.8%	5.3%	5.8%
Enterprise value	11,001	9,766	8,782
NIC	4,771	4,771	4,771
Difference between enterprise value and carrying amount	6,229	4,995	4,011

(g)=0.4%		WACC	
€/000	4.8%	5.3%	5.8%
Enterprise value	9,896	8,897	8,083
NIC	4,771	4,771	4,771
Difference between enterprise value and carrying amount	5,124	4,126	3,311

A stress test was also carried out, identifying the WACC and EBITDA of break-even, which are considerably different from the values used for impairment testing.

Moreover, level two impairment testing was also carried out on the Group to take into account the stock market capitalisation. For the considerations in respect of the plans used to carry out the level two tests, we would refer you to the information given above; for this test, a WACC of 6.87% was used, calculated as the weighted average of revenues of H1 2020 of the WACC of each CGU tested at level one, and a "g" rate of 2.1%, calculated using the same method as the WACC. The impairment testing procedure carried out in accordance with the provisions of IAS 36 and in applying criteria agreed with the Board of Directors, did not reveal any critical issues.

The Group has elaborated the sensitivity analysis on the impairment test results compared with the variation of the basic assumptions that affect the value in use of the CGU. The test was successfully passed, revealing that losses in value would only occur in the event of a considerable worsening in the parameters considered.

At the close of the annual financial statements, the multi-year plans and enterprise value valuation parameters will be updated.

Below are the results of the level two testing performed:

Irce Group

(g)=2.6%		WACC	
€/000	6.4%	6.9%	7.4%
Enterprise value	243,131	209,956	183,742
NIC	159,340	159,340	159,340
Difference between enterprise value and carrying amount	83,791	50,616	24,402

(g)=2.1%		WACC	
€/000	6.4%	6.9%	7.4%
Enterprise value	213,065	186,468	164,939
NIC	159,340	159,340	159,340
Difference between enterprise value and carrying amount	53,725	27,128	5,599

(g)=1.6%		WACC	
€/000	6.4%	6.9%	7.4%
Enterprise value	189,246	167,400	149,370
NIC	159,340	159,340	159,340
Difference between enterprise value and carrying amount	29,906	8,060	(9,970)

3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	30/06/2020	31/12/2019
- Equity investments in other companies	108	113
- Other receivables	251	122
Total	359	235

The item "equity investments in other companies" refers to a shareholding held by 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. DEFERRED TAX ASSETS AND LIABILITIES

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

€/000	30/06/2020	31/12/2019
- Deferred tax assets	2,414	2,212
- Deferred tax liabilities	(945)	(963)
Total deferred tax assets (net)	1,469	1,248

The changes for the period are shown below:

€/000	30/06/2020	31/12/2019
Deferred tax assets (net) as of 1 January	1,248	1,176
Exchange rate differences	(42)	(34)
Income statement effect	272	32
Effect on shareholders' equity	(10)	74
Deferred tax assets (net) as of 30 June	1,469	1,248

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	30/06/2020	31/12/2019
- Allocations to Provisions for risks and charges	70	77
- Allocations to the taxed Bad debt provision	223	223
- Deferred tax assets IRCE Ltda	210	89
- Intra-group margin	44	54
- Allocations to the Provision for inventory obsolescence	885	885
- Isomet AG Reserve	186	172
- IFRS 15	575	575
- IFRS 19	10	74
- Foreign currency translation	121	-
- Other	90	63
Total	2,414	2,212

The table below shows the changes in deferred tax assets during the first half-of 2020:

	Taxed provisions	**IFRS 15**	**Deferred tax assets, IRCE Ltda**	**Other**	**Total**
balances as of 01/01/2019	1,523	476	309	365	2,673
effect on income statement	(338)	99	(236)	(85)	(560)
effect on shareholders' equity				74	74
exchange rate difference			16	9	25
balances as of 31/12/2019	1,185	575	89	363	2,212
effect on income statement	(7)		157	98	248
effect on shareholders' equity				(10)	(10)
exchange rate difference			(36)		(36)
balances as of 30/06/2020	1,178	575	210	451	2,414

"IRCE Ltda prepaid tax" refers to the prepayments allocated by the Brazilian subsidiary, mainly due to losses in stock value and unrealised exchange gains or losses.

Deferred tax liabilities - €/000	30/06/2020	31/12/2019
- Depreciation/amortisation	36	36
- IAS capital gains on buildings of IRCE S.p.A.	97	97
- IAS capital gains on land of IRCE S.p.A.	413	413
- Effect of tax depreciation of Isomet AG building	154	210
- Effect of tax inventory difference of Isomet AG	146	119
- Exchange gains from adjustment	92	88
- Other	7	-
Total	945	963

The table below shows the changes in deferred tax liabilities during the first half of 2020:

	Depreciation/amortisation	IAS capital gain on land and building	ISOMET AG	Simit Draad BV	Effect of IAS 19	Other	Total
balances as of 01/01/2019	36	510	484	445	22		1,497
effect on income statement			(214)	(445)	(22)	88	(593)
effect on shareholders' equity							0
exchange rate difference			59				59
balances as of 31/12/2019	36	510	329	-	-	88	963
effect on income statement			(35)			11	(24)
effect on shareholders' equity							0
exchange rate difference			6				6
balances as of 30/06/2020	36	510	300	-	-	99	945

5. INVENTORIES

Inventories are broken down as follows:

€/000	30/06/2020	31/12/2019
- Raw materials, ancillary and consumables	30,359	28,584
- Work in progress and semi-finished goods	16,867	12,977
- Finished products and goods	40,019	44,671
- Provision for write-down of raw materials	(2,767)	(2,759)
- Provision for write-down of finished products and goods	(1,063)	(1,165)
Total	83,415	82,308

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.
The list price of copper during H1 2020 was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a dive to prices recorded in March and April, followed by a significant recovery the following months, closing as of 30-06-2020 at 5.3920 euros/kg, almost entirely recovering the values as of 31-12-2019 (5.4798 euros/kg).

6. TRADE RECEIVABLES

€/000	30/06/2020	31/12/2019
- Customers/Bills receivable	53,987	63,781
- Bad debt provision	(639)	(651)
Total	53,348	63,130

The balance of receivables due from customers is entirely composed of receivables due within the next 12 months. The information required by IFRS 7 is given in paragraph 30.
The reduction in receivables is mainly due to the decline in turnover connected with the COVID-19 emergency.

The table below shows the changes in the bad debt provision during the first half of 2020:

€/000	31/12/2019	Allocations	Uses	30/06/2020
Bad debt provision	651	49	(61)	639

7. TAX RECEIVABLES

Tax receivables, of €/000 760, refer to tax advances paid partially offset by current tax payables.

8. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

€/000	30/06/2020	31/12/2019
- Accrued income and prepaid expenses	240	119
- Receivables due from social security institutions	112	110
- VAT receivables	754	1,064
- Other receivables	537	761
Total	1,643	2,054

"Other receivables" mainly refers to deposits paid and insurance reimbursements.

9. OTHER CURRENT FINANCIAL ASSETS

€/000	30/06/2020	31/12/2019
- Mark to Market copper forward transactions	1,153	361
- Mark to Market GBP forward transactions	397	11
- Fixed deposit for LME transactions	1,224	14
Total	2,774	386

The item "Mark to Market GBP forward transactions" refers to the Mark to Market (Fair Value) measurement of copper and GBP forward contracts outstanding as of 30/06/2020 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	30/06/2020	31/12/2019
- Bank and postal deposits	9,540	8,621
- Cash and cash equivalents	13	11
Total	9,553	8,632

Short-term bank deposits are remunerated at floating rates. Bank deposits outstanding as of 30 June 2020 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	30/06/2020	31/12/2019
- Own shares (share capital)	(805)	(800)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	24	33
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(33,213)	(22,894)
- Legal reserve	2,925	2,925
- Extraordinary reserve	44,662	41,059
- IAS 19 reserve	(1,153)	(1,196)
- Undistributed profits	8,027	9,687
Total	106,928	115,277

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 2020 amounted to 1,548,088 and corresponded to 5.50% of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
Balance as of 31/12/2018	**26,612**
Share buyback	(23)
Balance as of 31/12/2019	**26,590**
Share buyback	(10)
Balance as of 30/06/2020	**26,580**

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 2020. The change in the conversion reserve is linked to the variation in the Brazilian real, which, as already mentioned, has devalued by approximately 26 % over the last 6 months.

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 01.01.2019	(1,071)
Actuarial valuation	(199)
Tax effect on the actuarial valuation	74
Balance as of 31.12.2019	(1,195)
Actuarial valuation	53
Tax effect on the actuarial valuation	(10)
Balance as of 30.06.2020	(1,152)

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.

Loss for the period

The loss attributable to the Group, net of the portion attributable to non-controlling interests, totalled €/000 429

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.

Result 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.

STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY AND CONSOLIDATED RESULT WITH THE CORRESPONDING FIGURES OF THE PARENT COMPANY

In accordance with Consob Communication dated 28 July 2006, we hereby show the reconciliation statement between the result of the year and the shareholders' equity of the Group as of 30 June 2020 with the corresponding values of the Parent Company.

	30 June 2020	
(in thousands of euro)	**Shareholders' equity**	**Result**
Shareholders' equity and result for the period as per the Parent Company's separate financial statements	**151,473,561**	**159,747**
Cancellation of book value of consolidated equity investments		
a) difference between book value and pro-rata value of shareholders' equity	(2,970,307)	
b) investees' pro-rata results	(588,228)	(644,082)
d) Reversal of profits/losses on loans in inter-company currency	5,313,888	
Reversal of provision for doubtful debts from subsidiaries	1,404,921	
Foreign currency translation of financial statements in currencies other than Euro	(33,213,168)	
Write-off of capital gains from disposal of intra-group assets	(119,414)	17,794
Write-off of unrealized intra-group margin	(175,576)	37,397
Group shareholders' equity and result for the period	**121,125,679**	**(429,144)**
Shareholders' equity and result for the period attributable to non-controlling interests	(336,453)	7,514
Consolidated shareholders' equity and net result	**120,789,225**	**(421,630)**

12. NON-CURRENT FINANCIAL LIABILITIES

Here below is the breakdown:

€/000	Currency	Rate	Company	30/06/2020	31/12/2019	Due date
Banco Popolare	EUR	Floating	IRCE SpA	2,500	3,125	2023
Mediocredito	EUR	Floating	IRCE SpA	3,692	4,154	2025
Banco Popolare	EUR	Floating	ISOMET AG	850	1,329	2021
IFRS 16	EUR	Floating	IRCE SpA	29	28	2023
IFRS 16	EUR	Floating	IRCE SL	57	90	2023
IFRS 16	EUR	Floating	MAGNET WIRE	12	21	2022
Total				7,140	8,747	

Within one year	
From 1 to 5 years	7,140
Over 5 years	
TOTAL	**7,140**

Covenants

- 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 as of 31 December 2019, the covenants were respected.

The IFRS 16 items derive from the application of the accounting standard on "leases", in particular the lease contracts stipulated by the Group relate to lease contracts for properties and cars.

13. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2019	Allocations	Uses	30/06/2020
Provision for risks and charges	696	166	(455)	407
Severance payments	205	12	-	217
Total	901	178	(455)	624

"Uses" refer mainly to the Dutch subsidiary Smit Draad Nijmengen BV and were related to costs incurred pursuant to the corporate structuring plan, reclassified in the income statement under personnel costs.

14. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	30/06/2020	31/12/2019
Provision for employee benefits as of 01/01	5,099	5,313
Financial charges	9	40
Actuarial (gains)/losses	(53)	199
Service cost	(29)	(44)
Payments	(162)	(447)
Effect of exchange rates	102	38
Provision for employee benefits as of 30/06	4,966	5,099

The Provision includes €/000 3,928 related to the Parent Company IRCE SpA, €/000 958 related to the Swiss subsidiary ISOMET AG, €/000 65 to the subsidiary Isolveco Srl, and €/000 15 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 (Compulsory General Insurance).

For the Parent Company IRCE S.p.A., the following technical-economic assumptions were made:

	30/06/2020	31/12/2019
Annual discount rate	0.30%	0.37%
Annual inflation rate	1.20%	1.20%
Annual rate of increase of employee termination indemnities	2.40%	2.40%

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 30/06/2020
Inflation rate +0.25%	3,979
Inflation rate -0.25%	3,879
Discount rate +0.25%	3,849
Discount rate -0.25%	4,011
Turnover rate +1%	3,897
Turnover rate -1%	3,963

Service cost: 0.00

Duration of the plan: 8.8

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 30/06/2020
Inflation rate -0.25%	941
Inflation rate +0.25%	973
Discount rate -0.25%	1,112
Discount rate +0.25%	814
Turnover rate -0.25%	918
Turnover rate +0.25%	999

Service cost with +0.25% discount rate: €/000 91
Service cost with +0.25% turnover rate: €/000 101

Duration of the plan: 17.3.

15. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

€/000	30/06/2020	31/12/2019
- Payables due to banks	42,408	42,099
- Mark to Market USD forward transactions	19	113
- IFRS 16	152	88
Total provisions and write-downs	42,579	42,300

The item "Mark to Market USD forward transactions" refers to the Mark to Market (Fair Value) measurement of USD forward contracts outstanding as of 30/06/2020 of the Parent Company IRCE SpA.

IFRS 16 refers to the application of the accounting standard on "leases", in particular the lease contracts stipulated by the Group relate to lease contracts for properties and cars.

With regard to financial liabilities, **the net financial position of the Group**, calculated in accordance with the provisions of Consob Communication 6064293 dated 28 July 2006, was as follows:

€/000	30/06/2020	31/12/2019
Cash	9,553	8,632
Other current financial assets	1,621*	25*
Liquid assets	**11,174**	**8,657**
Current financial liabilities	(42,579)	(42,300)
Net current financial debt	**(31,405)**	**(33,643)**
Non-current financial liabilities	(7,140)	(8,747)
Non-current financial debt	**(7,140)**	**(8,747)**
Net financial debt	**(38,545)**	**(42,390)**

* 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 2020, they totalled €/000 14,222 compared to €/000 13,455 as of 31 December 2019.
Trade payables increased mainly due to the higher amount of copper shipped as of 30 June 2020.

17. TAX PAYABLES

The item is equal to €/000 179 and refers to payables due for income taxes.

18. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	30/06/2020	31/12/2019
- Payables due to employees	3,573	3,366
- Deposits received from customers	2,129	1,957
- Accrued liabilities and deferred income	62	262
- VAT payables	825	476
- IRPEF (personal income tax) payables	304	483
- Other payables	484	476
Total	7,377	7,020

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 packaging. Consolidated turnover in the first six months of 2020 amounted to €/000 136,688, down 19.80% compared to the prior year period (€/000 170,450). 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 3,193).

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	30/06/2020	30/06/2019	Change
- External processing	2,280	2,929	(649)
- Utility expenses	3,760	5,787	(2,027)
- Maintenance	856	926	(70)
- Transportation expenses	2,063	2,515	(452)
- Payable fees	141	134	7
- Compensation of Statutory Auditors	37	37	0
- Other	2,008	2,440	(432)
- Costs for the use of third-party goods	130	171	(41)
Total	11,275	14,939	(3,664)

The reduction in costs for services, in particular variable costs (external works, utilities and transport costs) is linked to the decline in production in the European plants (in Italy, some plants have temporarily closed) due to the decline in sales as a result of the current pandemic.

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	30/06/2020	30/06/2019	Change
- Salaries and wages	9,857	10,989	(1,132)
- Social security charges	2,492	2,829	(337)
- Retirement costs for defined contribution and defined benefit plans	719	709	10
- Other costs	1,261	1,265	(4)
Total personnel costs	14,329	15,792	(1,463)

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

The reduction in payroll costs is due to the use of holidays and temporary lay-off funds by IRCE SpA, to address the decline in production.

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 2020	Average 1st half 2019	30/06/2020
- Executives/Managers	22	23	22
- White collars	157	158	153
- Blue collars	528	538	525
Total	707	719	700

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 2020 was 700 people.

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

Here is the breakdown of depreciation/amortisation:

€/000	30/06/2020	30/06/2019	Change
- Amortisation of intangible assets	36	23	13
- Depreciation of tangible assets	3,449	3,388	61
- Depreciation/amortisation IFRS 16	44	44	-
Total depreciation/amortisation	3,529	3,455	74

24. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	30/06/2020	30/06/2019	Change
- Write-downs of receivables	49	75	(26)
Total provisions and write-downs	49	75	(26)

25. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	30/06/2020	30/06/2019	Change
- Non-income taxes and duties	150	153	(3)
- Capital losses and contingent liabilities	16	93	(77)
- Other costs	263	404	(141)
Total other operating costs	429	650	(221)

26. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	30/06/2020	30/06/2019	Change
- Other financial income	814	1,855	(1,041)
- Interest and financial charges	(528)	(534)	6
- Foreign exchange gains/(losses)	441	4	437
Total	727	1,325	(598)

The reduction in "Other financial income" is mainly due to the lesser income on LME derivatives and lesser interest income as a result of the lesser use of factoring by the Brazilian subsidiary IRCE Ltda.

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	30/06/2020	30/06/2019	Change
- Income from LME derivatives	359	1,144	(785)
Total	359	1,144	(785)

27. INCOME TAXES

€/000	30/06/2020	30/06/2019	Change
- Current taxes	(427)	(1,108)	681
- Deferred tax assets/(liabilities)	272	463	(191)
Total	(155)	(645)	490

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.

	30/06/2020	30/06/2019
Net profit/(loss) attributable to shareholders of the Parent Company	(429,144)	2,597,783
Average weighted number of ordinary shares used to calculate basic earnings per share	26,579,912	26,602,062
Basic earnings/(loss) per share	(0.0161)	0.0976
Diluted earnings/(loss) per share	(0.0161)	0.0976

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	118	159	277

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	30/06/2020 Exposure €/000	31/12/2019 Exposure €/000
Low	33,898	49,312
Medium	17,998	12,999
Above-average	1,219	592
High	872	878
Total	53,987	63,781

Due date	30/06/2020 Exposure €/000	31/12/2019 Exposure €/000
Not yet due	30,734	59,404
< 30 days	19,228	1,997
31-60	1,585	1,058
61-90	407	122
91-120	387	104
> 120	1,647	1,096
Total	53,987	63,781

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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Financial assets				
Cash and Cash Equivalents	9,553	8,632	9,553	8,632
Other financial assets	2,774	386	2,774	386
Financial liabilities				
Current loans	42,579	42,300	42,579	42,300
Non-current loans	7,140	8,747	7,140	8,747

32. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred between the reporting date and the date when the financial statements are prepared.

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, 16 September 2020

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Irce S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Irce S.p.A. and subsidiaries (the "Irce Group"), which comprise the consolidated statement of financial position as of June 30, 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Irce Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The consolidated financial statements of the Irce Group for the period ended as of December 31, 2019 and the half-yearly condensed consolidated financial statements as at June 30, 2019 have been respectively audited and reviewed by other auditors that on March 30, 2020 and on September 12, 2019 expressed an unmodified opinion and an unmodified conclusion on those consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Masetti
Partner

Bologna, Italy
September 17, 2020

This report has been translated into the English language solely for the convenience of international readers.

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