



**INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2020**

## TABLES OF CONTENTS

### **INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2020**

#### ***Corporate bodies***

#### ***Report on Operations***

#### ***Consolidated Third Quarterly Report as of 30 September 2020***

Consolidated Statement of Financial Position

Consolidated Income Statement

Consolidated Statement of Comprehensive Income

Consolidated Statement of Changes in Equity

Consolidated Cash Flow Statement

Notes to the Interim Report

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

Deloitte & Touche 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

The Board of Directors has today approved the consolidated financial statements as at September 30th 2020.

The first nine months of the year 2020 of the IRCE Group (hereinafter also the "Group") show a profit of € 0.65 million, an improvement compared to the result of the first half.

Consolidated turnover was € 205.95 million, down by 14.5% compared to the € 240.94 million of first nine month of 2019; the decrease due to the decline in volumes.

Sales, after the sharp decline in the second quarter, due to the worldwide spread of the Coronavirus, saw a recovery in the third quarter, in particular, the cable sector recorded growth concentrated on the domestic market.

The turnover without metal<sup>1</sup> decreased by 11.5%, in detail the winding wire sector fell by 15.8%, while the cable sector recorded a growth of 6.1%.

Consolidated turnover without metal (€/million)	9 months 2020		9 months 2019		Change	
	Value	%	Value	%	Value	%
Winding wires	36.98	76.8%	43.91	80.6%	(6.93)	(15.8%)
Cables	11.20	23.2%	10.56	19.4%	0.64	6.1%
<b>Total</b>	<b>48.18</b>	<b>100.0%</b>	<b>54.47</b>	<b>100.0%</b>	<b>(6.29)</b>	<b>(11.5%)</b>

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 2020	9 months 2019	Change
Sales <sup>2</sup>	205.95	240.94	(34.99)
EBITDA <sup>3</sup>	6.16	6.25	(0.09)
EBIT	(0.24)	0.93	(1.17)
Result before taxes	1.41	2.78	(1.37)
Net result	0.65	2.13	(1.48)
EBITDA adjusted <sup>4</sup>	7.35	7.60	(0.25)
EBIT adjusted <sup>4</sup>	0.95	2.28	(1.33)

<sup>1</sup> Il fatturato senza metallo corrisponde al fatturato complessivo dedotta la componente metallo.

<sup>2</sup> The item "Sales" represents "Sales Revenues" as stated on the consolidated income statement.

<sup>3</sup> 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.

<sup>4</sup> Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the income/charges from operations on copper derivatives transactions (€ +1.19 million in nine months 2020 and € +1.35 million in nine months 2019). 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 30.09.2020	As of 31.12.2019	Change
Net invested capital	156.25	173.53	(17.28)
Shareholders' Equity	119.40	131.50	(12.10)
Net financial debt <sup>5</sup>	36.85	42.03	(5.18)

Consolidated net financial debt, at the end of September 2020, was € 36.85 million, down from € 42.03 million at the end of 2019, as a result of the reduction of net working capital.

The decrease of consolidated shareholders' equity is due to the consolidation of our Brazilian subsidiary. The devaluation of the Brazilian Real (around 32% against the Euro from the beginning of the year), has in fact required an increase of € 12.53 million of the negative value of the translation reserve.

The Group's investments, in first nine months of 2020, were € 1.17 million; they mainly concerned IRCE S.p.A. and the Brazilian subsidiary IRCE Ltda.

The policies implemented by European governments to fight the pandemic in progress are causing considerable uncertainty on the market demand. In this scenario, the group still continues its costs containment actions, and expects, for the entire 2020, a further improvement of results.

Imola, 13<sup>rd</sup> November 2020

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

<sup>5</sup> 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)

<b>ASSETS</b>	<b>Note</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
<b>NON- CURRENT ASSETS</b>			
Intangibles assets	1	202,230	256,300
Property, plant and equipment	2	39,888,463	48,354,131
Equipment and other tangible assets	2	1,502,867	1,750,118
Fixed assets under construction and advance	2	1,835,750	1,436,379
Non-current financial assets and receivables	3	216,583	234,765
Non-current tax receivables		-	375,564
Receivables for deferred tax assets	4	1,424,087	1,375,021
<b>TOTAL NON -CURRENT ASSETS</b>		<b>45,069,980</b>	<b>53,782,278</b>
<b>CURRENT ASSETS</b>			
Inventory	5	74,554,386	82,308,481
Trade receivables	6	69,743,591	63,130,268
Tax receivables	7	754,802	832,772
Receivables due from others	8	1,517,020	2,053,794
Current financial assets	9	2,693,279	385,919
Cash and cash equivalents	10	5,777,893	8,631,545
<b>TOTAL CURRENT ASSETS</b>		<b>155,040,971</b>	<b>157,342,780</b>
<b>TOTAL ASSETS</b>		<b>200,110,951</b>	<b>211,125,058</b>

<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL	11	14,626,560	14,626,560
RESERVES	11	104,422,478	115,276,611
PROFIT FOR THE PERIOD	11	650,366	1,942,159
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO GROUP SHAREHOLDERS</b>		<b>119,699,404</b>	<b>131,845,330</b>
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON CONTROLLING INTERESTS</b>		<b>(304,853)</b>	<b>(343,966)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>119,394,551</b>	<b>131,501,364</b>
<b>NON CURRENT LIABILITIES</b>			
Non-current financial liabilities	12	21,790,565	8,746,825
Deferred tax liabilities	4	123,569	127,125
Provision for risks and charges	13	851,781	901,284
Provisions for employee benefits		4,944,303	5,099,185
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>27,710,218</b>	<b>14,874,419</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	14	23,533,068	42,300,450
Trade payables	15	20,107,459	13,454,746
Tax payables	16	400,199	126,082
Social security contributions		1,774,901	1,848,422
Other current liabilities	17	7,190,555	7,019,575
<b>TOTAL CURRENT LIABILITIES</b>		<b>53,006,182</b>	<b>64,749,275</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>200,110,951</b>	<b>211,125,058</b>

**CONSOLIDATED INCOME STATEMENTS**

(Euros)

	Note	30.09.2020	30.09.2019	III° Quart. 20	III° Quart. 19
Sales revenues	18	205,953,771	240,940,125	69,266,244	70,490,013
Other income	18	614,008	813,329	25,726	296,685
<b>TOTAL REVENUES</b>		<b>206,567,778</b>	<b>241,753,454</b>	<b>69,291,970</b>	<b>70,786,698</b>
Cost for raw material and consumables	19	(160,616,684)	(190,432,350)	(50,763,526)	(53,029,508)
Change in inventories of work in progress and finished goods		(1,001,820)	(325,216)	(2,195,831)	(3,597,735)
Costs for services	20	(16,934,989)	(21,313,268)	(5,659,611)	(6,374,592)
Personnel costs	21	(20,879,212)	(22,595,384)	(6,550,624)	(6,803,745)
Amortisation/depreciation and impairment of tangible and intangible assets	22	(5,746,961)	(5,236,399)	(2,218,145)	(1,781,828)
Provisions and write-downs	23	(643,391)	(91,789)	(594,674)	(16,498)
Other operating costs	24	(979,474)	(834,101)	(550,655)	(184,182)
<b>EBIT</b>		<b>(234,752)</b>	<b>924,946</b>	<b>758,905</b>	<b>(1,001,391)</b>
Financial incomes / (charges)	25	1,641,620	1,852,300	914,198	526,809
<b>PRE TAX-PROFIT</b>		<b>1,406,868</b>	<b>2,777,247</b>	<b>1,673,104</b>	<b>(474,582)</b>
Income taxes	26	(717,388)	(606,450)	(561,993)	38,840
<b>GROUP AND THIRD PARTY PROFIT</b>		<b>689,480</b>	<b>2,170,797</b>	<b>1,111,110</b>	<b>(435,742)</b>
(Profit) / loss for the period attributable to non-controlling interests		(39,114)	(39,217)	(31,600)	(30,464)
<b>IRCE GROUP PROFIT</b>		<b>650,366</b>	<b>2,131,580</b>	<b>1,079,511</b>	<b>(466,206)</b>

## Earnings/(loss) per share (EPS)

- basic EPS for the year attributable to shareholders of the parent company	27	0.0245	0.0801
- diluted EPS for the year attributable to shareholders of the parent company	27	0.0245	0.0801

The effects of related party transactions on the consolidated income statement are reported in Note 28 "Related party disclosures".



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	30.09.2020	30.09.2019
€/000			
<b>RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS</b>		<b>689</b>	<b>2,171</b>
Translation difference on financial statements of foreign companies	11	(12,825)	(617)
<b>Total components of comprehensive income that will be reclassified under the profit/(loss) of the year</b>		<b>(12,825)</b>	<b>(617)</b>
Re-determination of defined-benefit plans		53	(46)
Income taxes		(10)	20
<b>Total components of comprehensive income that will be reclassified under the profit/(loss) of the year</b>		<b>43</b>	<b>(26)</b>
<b>Total comprehensive profit (loss) for the period, net of taxes</b>		<b>(12,093)</b>	<b>1,528</b>
Attributable to:			
Shareholders of the Parent Company		(12,132)	1,489
Minority shareholders		39	(39)

## 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	Foreign currency reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Undivided profit	Result for the period				
€/000															
<b>Balance as of 31 december 2018</b>	<b>14,627</b>	<b>(788)</b>	<b>40,539</b>	<b>64</b>	<b>45,924</b>	<b>(22,624)</b>	<b>2,925</b>	<b>34,486</b>	<b>(1,071)</b>	<b>11,714</b>	<b>5,876</b>	<b>131,671</b>	<b>(375)</b>	<b>131,296</b>	
<b>Result for the period</b>															
Other comprehensive profit / (loss)						(617)			(26)		2,132	2,132	39	2,171	
<b>Total profit / (loss) from statement of comprehensive income</b>						<b>(617)</b>			<b>(26)</b>		<b>2,132</b>	<b>1,489</b>	<b>39</b>	<b>1,529</b>	
Allocation of the result of the previous year								7,903		(2,026)	(5,876)				
Dividends								(1,333)				(1,333)		(1,333)	
Sell / purchase own shares		(8)		(24)								(32)		(32)	
<b>Balance as of 30 September 2019</b>	<b>14,627</b>	<b>(796)</b>	<b>40,539</b>	<b>40</b>	<b>45,924</b>	<b>(23,241)</b>	<b>2,925</b>	<b>41,059</b>	<b>(1,097)</b>	<b>9,688</b>	<b>2,132</b>	<b>131,798</b>	<b>(336)</b>	<b>131,462</b>	
<b>Balance as of 31 december 2019</b>	<b>14,627</b>	<b>(800)</b>	<b>40,539</b>	<b>33</b>	<b>45,924</b>	<b>(22,894)</b>	<b>2,925</b>	<b>41,059</b>	<b>(1,196)</b>	<b>9,687</b>	<b>1,943</b>	<b>131,845</b>	<b>(344)</b>	<b>131,501</b>	
<b>Result for the period</b>															
Other comprehensive profit / (loss)						(12,825)			43		650	650	39	689	
<b>Total profit / (loss) from statement of comprehensive income</b>						<b>(12,825)</b>			<b>43</b>		<b>650</b>	<b>(12,133)</b>	<b>39</b>	<b>(12,094)</b>	
Allocation of the result of the previous year								3,603		(1,661)	(1,942)				
Sell / purchase own shares		(5)		(9)								(14)		(14)	
<b>Balance as of 30 september 2020</b>	<b>14,627</b>	<b>(805)</b>	<b>40,539</b>	<b>24</b>	<b>45,924</b>	<b>(35,719)</b>	<b>2,925</b>	<b>44,662</b>	<b>(1,153)</b>	<b>8,026</b>	<b>651</b>	<b>119,699</b>	<b>(305)</b>	<b>119,394</b>	

With regard to the items of consolidated shareholders' equity, reference should be made to note 11.

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>Note</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
<i>€/000</i>			
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		<b>689</b>	<b>2,171</b>
<i>Adjustments for:</i>			
Depreciation/Amortization	22	5,747	5,267
Net change in deferred tax (assets)/liabilities		(110)	514
Capital (gains)/losses from the realisation of fixed assets		(0)	(19)
Costs for the use of third-party assets (IFRS 16)		(82)	(98)
(Profit)/loss on unrealised exchange rate differences		747	(109)
Current taxes	26	828	(1,120)
Financial (income)/charges	25	(1,282)	(1,640)
<b>Operating profit/(loss) before changes in working capital</b>		<b>6,537</b>	<b>4,965</b>
Taxes paid		(329)	(2,337)
Financial charges paid	25	(618)	(667)
Financial income received	25	1,905	2,307
Decrease/(increase) in inventories	5	4,431	1,822
Change in trade receivables	6	(14,544)	3,548
Change in trade payables	15	7,532	5,676
Net change in current assets and liabilities for the period		1,259	2,120
Net change in non-current assets and liabilities for the period		(252)	(2,355)
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>		<b>5,921</b>	<b>15,079</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	1	(4)	(2)
Investments in tangible assets	2	(1,163)	(2,879)
Consideration received for the sale of tangible and intangible assets		-	8
<b>CASH GENERATED FROM/USED IN INVESTING ACTIVITIES</b>		<b>(1,167)</b>	<b>(2,873)</b>
<b>FINANCING ACTIVITIES</b>			
Financing refunds	12	13,550	(7,530)
Net change in short-term financial payables	14	(18,248)	(2,643)
Change in current financial assets	9	(2,307)	(26)
Change in translation reserve and other effects on shareholder's equity		-	(25)
Dividends paid		-	(1,330)
Management of own shares (sales/purchases)		(14)	(32)
<b>CASH GENERATED FROM/USED IN FINANCING ACTIVITIES</b>		<b>(7,021)</b>	<b>(11,587)</b>
<b>NET CASH FLOW FOR THE PERIOD</b>		<b>(2,266)</b>	<b>620</b>
CASH BALANCE AT THE BEGINNING OF THE PERIOD	10	<b>8,632</b>	<b>7,019</b>
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		(2,266)	620
Exchange rate difference		(587)	(10)
CASH BALANCE AT THE END OF THE PERIOD	10	<b>5,778</b>	<b>7,629</b>

## NOTES TO THE INTERIM REPORT ON OPERATION

### GENERAL INFORMATION

The Board of Directors authorized this Interim report of 30 September 2020, to be published on 13<sup>th</sup> November 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), 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, 2019.

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 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 applied as of 1 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 interpretations not yet endorsed by the European Union**

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.
- On April 9, 2020, the IASB published an amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 following the Interest Rate Benchmark Reform. The document aims to analyse the issues that arise following to the reform of the Interest Rate Benchmark Reform, including replacing a benchmark with an alternative benchmark. These changes will take effect from 1 January 2021 but an early application is allowed. Directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of this amendment.

## USE OF ESTIMATES

The drafting of the consolidated interim report 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.

Estimates and assumptions are reviewed periodically and the effects of each change are reflected in the income statement.

## BASIS OF CONSOLIDATION

The following table shows the list of companies included in the scope of consolidation as of 30 September 2020:

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

The main exchange rates used for the conversion of the values of foreign companies into euros were as follows:

	30-sept-20		31-dec-19		30-sept-19	
	average	final period	average	final period	average	final period
Real	5.7072	6.6308	4.4135	4.5157	4.3644	4.5288
CHF	1.0678	1.0804	1.1127	1.0854	1.1176	1.0857
GBP	0.8845	0.9124	0.8773	0.8508	0.8825	0.8857

## COVID-19: IMPACTS FROM THE PANDEMIC - UPDATE

The first nine months of 2020 were marked by the spread of Covid-19 virus with different degrees of intensity depending on the time period of analysis and the geographical area in which the group operates.

In response, many governments in affected jurisdictions have imposed travel bans, quarantines and other emergency public safety measures, for example imposing restrictions on gathering people, as well as restrictions on economic activity.

As of 13 November 2020, many of these measures are still in place as the pandemic has resumed to spread rapidly, especially in Europe, as a result there is still high uncertainty about its impact on the economic system.

However, the Group's plants continued to produce in the third quarter of 2020, although, in some subsidiaries, at reduced speed due to falling demand.

The only exception, in the winding conductor segment, is the small unit, which we have in India (Kerala), whose production has been temporarily suspended, in order to comply with the measures of the country's government.

The Covid 19 emergency had a direct impact on the Group's economic results, which, together with the slowdown in demand that began in 2019, limited the Group's period profit to € 650 thousand.

The negative impact on the results has been mitigated by cost containment by adjusting, where possible, the production capacity to reduced market demand.

As far as our supply chain is concerned, there are still no particular problems with the regularity and timeliness of the supplies requested.

In addition, the availability of multiple plants in different geographical areas, has limited the risk of discontinuing supplies to our customers.

With regard to receivables from customers, there was a lower demand in the third quarter for extension in payment time and, consequently, a gradual reduction in average payment deadlines; the analysis of expired positions did not highlight elements of particular criticality.

With regard to potential liquidity risks, it should be pointed out that the Group continues to present a solid financial position, Net Financial Debt at 30 September 2020 is down to € 36.8 million and the company has obtained, in accordance with the Provisions of the Corporate Liquidity Decree (Legislative Decree no. 23/2020) a loan with a Sace guarantee for an amount of € 10.00 million and a loan with guarantee of the Fondo Centrale di Garanzia for an amount of € 5.50 million.

Available credit facilities not yet been drawn down total € 94.00 million.

Thanks to cost containment actions, the effect of the current crisis on the Group's results has been mitigated; these actions will also be maintained for the future, given the uncertainty surrounding the duration of the economic crisis and the evolution of the health emergency.

Finally, the Directors checked the consistency of the results of the first nine months of 2020 with the economic and financial estimates used in carrying out the impairment test as of June 30, 2020.

Based on this analysis, no issues emerged to date such as to update the forecast estimates, which, therefore, will be reviewed as of December 31, 2020 also in order to better evaluate the effects of the recovery, starting in October, of the spread of the Covid-19 pandemic, in particular on the Group's european subsidiaries.

## 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 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 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 amount	Net notional amount - tonnes		Result with fair value measurement as of 30/09/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
<b>Non-current assets and liabilities</b>					
Tonnes	25	0	24	0	24
<b>Current financial assets and liabilities</b>					
Tonnes	925	0	1,103	0	1,103
<b>Total</b>	<b>950</b>	<b>0</b>	<b>1,127</b>	<b>0</b>	<b>1,127</b>

- Derivative instruments related to USD and GBP forward purchases and sales contracts with maturity after 30 September 2020. 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	Net notional amount - currency		Result with fair value measurement as of 30/09/2020		
	Assets/000	Liabilities/000	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
<b>Current financial assets and liabilities</b>					
USD	500	0	5	0	5
GBP	6,000	0	390	0	390
<b>Total</b>	<b>6,500</b>	<b>0</b>	<b>395</b>	<b>0</b>	<b>395</b>

## FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 30 September 2020 - €/000	Loans and credits	FV with a balancing entry in the income statement	FV with a balancing entry in equity	AFS	Total
<b>Non-current financial assets</b>					
Non-current financial assets and receivables	217				217
<b>Current financial assets</b>					
Trade receivables	69,744				69,744
Current financial assets	1,171	1,522			2,693
Cash and cash equivalents	5,778				5,778
<b>As of 31 December 2019 - €/000</b>	<b>Loans and credits</b>	<b>FV with a balancing entry in the income statement</b>	<b>FV with a balancing entry in equity</b>	<b>AFS</b>	<b>Total</b>
<b>Non-current financial assets</b>					
Non-current financial assets and receivables	122	113			235
<b>Current financial assets</b>					
Trade receivables	63,130				63,130
Current financial assets	14	372			386
Cash and cash equivalents	8,632				8,632

As of 30 September 2020 - €/000	Other financial liabilities	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial liabilities</b>				
Financial payables	21,791			21,791
<b>Current financial liabilities</b>				
Trade payables	20,107			20,107
Other payables	9,366			9,366
Financial payables	25,533			25,533
As of 31 December 2019 - €/000	Other financial liabilities	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial liabilities</b>				
Financial payables	8,747			8,747
<b>Current financial liabilities</b>				
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: 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 2020 and as of 31 December 2019 in terms of hierarchical level of fair value measurement (€/000):

31/12/2019	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative financial instruments		372		372
AFS		-		-
Total assets		372		372
<b>Liabilities:</b>				
Derivative financial instruments		(113)		(113)
Total liabilities		(113)		(113)
30/09/2020	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative financial instruments		1,522		1,522
Total assets		1,522		1,522
<b>Liabilities:</b>				
Derivative financial instruments		-		-
Total liabilities		-		-

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 31/12/2019		69	187	-	256
<i>Changes during the period</i>					
. Investments	-		4	-	4
. Effect of exchange rates	-		(5)	-	(5)
. Reclassifications	-		-	-	-
. Amortisation	(23)		(30)	-	(53)
<b>Total changes</b>	<b>(23)</b>		<b>(31)</b>	<b>-</b>	<b>(54)</b>
Net carrying amount as of 30/09/2020		46	156	-	202

### 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
Of which IFRS 16 net value	1,339	147			71		1,557
<i>Changes during the period</i>							
. Right of use IFRS 16	-	52	-	-	23	-	75
. Investments	-	10	346	239	29	539	1,163
. Effect of exchange rates	(225)	(935)	(2,710)	(21)	(1)	53	(3,839)
. Reclassifications	-	-	175	7	-	(182)	-
. Divestments	-	-	(255)	-	(35)	(10)	(300)
. Depreciation related to disposals	-	-	252	-	30	-	282
. Depreciation IFRS 16	-	(42)	-	-	(22)	-	(64)
. Depreciation of the period	-	(746)	(4,388)	(350)	(147)	-	(5,631)
<b>Total changes</b>	<b>(225)</b>	<b>(1,661)</b>	<b>(6,580)</b>	<b>(125)</b>	<b>(123)</b>	<b>400</b>	<b>(8,314)</b>
Net carrying amount as of 30/09/2020	12,817	11,978	15,092	931	572	1,836	43,227
Of which IFRS 16 net value	1,339	157			72		1,568

The Group's investments in the first nine months of 2020, excluding the increase for "Right of Use IFRS 16", were € 1,17 million and were primarily related to IRCE SpA and the Brazilian subsidiary.

The value of IFRS 16 land amounting to € 1,34 million refers to the payment already made for the entire 40-year concession period of the Chinese subsidiary.

**3. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES**

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

€/000	30/09/2020	31/12/2019
- Equity investments in other companies	106	113
- Other receivables	111	122
<b>Total</b>	<b>217</b>	<b>235</b>

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. DEFERRED TAXES ASSETS**

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

€/000	30/09/2020	31/12/2019
- Deferred tax assets	1,424	1,375
- Deferred tax liabilities	(124)	(127)
<b>Total deferred tax assets (net)</b>	<b>1,300</b>	<b>1,248</b>

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.

**5. INVENTORIES**

Inventories is detailed below:

€/000	30/09/2020	31/12/2019
- Raw materials, ancillary and consumables	23,739	28,584
- Work in progress and semi-finished goods	14,761	12,977
- Finished products and goods	39,723	44,671
- Provisions for write-down of raw materials	(2,767)	(2,759)
- Provisions for write-down of finished products	(902)	(1,165)
<b>Total</b>	<b>74,554</b>	<b>82,308</b>

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.

The change in inventories' value is due to the significant decrease of volumes in stock following the acceleration of sales in the third quarter.

The table below shows the changes in provisions for write-down of inventories during the first nine months 2020:

€/000	31/12/2019	Provisions	Utilizations	30/09/2020
-Provisions for write-down of raw materials	2,759	8	-	2,767
-Provisions for write-down of finished products and goods	1,165	-	(263)	902
Total	3,924	8	(263)	3,669

## 6. TRADE RECEIVABLES

€/000	30/09/2020	31/12/2019
- Customers/bills receivable	70,538	63,781
- Bad debts provision	(794)	(651)
Total	69,744	63,130

The balance of receivables due from customers is entirely composed of receivables due within the next 12 months. With regard to the information required by IFRS 7, see paragraph 29

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

€/000	31/12/2019	Provisions	Utilizations	30/09/2020
Bad debt provision	651	210	(67)	794

The change in trade receivables is due to the increase of turnover attributable in particular to the parent company Irce and its Brazilian subsidiary.

## 7 CURRENT TAX RECEIVABLES

This item, amounting to €/000 755, refers to tax advances already paid partially offset by current tax payables.

## 8. RECEIVABLES DUE FROM OTHERS

The item is detailed as follows:

€/000	30/09/2020	31/12/2019
- Accrued income and prepaid expenses	212	119
- Receivables due from social security institutions	95	110
- VAT receivables	270	1,064
- Other receivables	940	761
Total	1,517	2,054

The decrease of VAT receivables is mainly due to the Brazilian subsidiary.

**9. OTHER CURRENT FINANCIAL ASSETS**

€/000	30/09/2020	31/12/2019
- Mark to Market copper forward transactions	1,127	361
- Mark to Market GBP forward transactions	390	11
- Mark to Market USD forward transactions	5	-
- Fixed deposit for LME transactions	1,171	14
<b>Total</b>	<b>2,693</b>	<b>386</b>

The item "Mark to Market copper forward transactions" refers to the Mark to Market (Fair Value) measurement of copper forward contracts outstanding as of 30/09/2020 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 30/09/2020 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 EQUIVALENT**

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

€/000	30/09/2020	31/12/2019
- Bank and postal deposits	5,768	8,621
- Cash and cash equivalents	10	11
<b>Total</b>	<b>5,778</b>	<b>8,632</b>

Short-term bank and postal deposits are remunerated at floating rates. Bank and postal deposits are not subject to constraints or restrictions.

**11. 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	30/09/2020	30/06/2020	31/12/2019
- Own shares (share capital)	(805)	(805)	(788)
- Share premium reserve	40,539	40,539	40,539
- Own shares (share premium)	24	24	33
- Other reserves	45,924	45,924	45,924
- Foreign currency translation reserve	(35,719)	(33,213)	(22,624)
- Legal reserve	2,925	2,925	2,925
- Extraordinary reserve	44,662	44,662	41,059
- IAS 19 reserve	(1,153)	(1,153)	(1,196)
- Undistributed profit	8,026	8,027	9,687
<b>Total</b>	<b>104,422</b>	<b>106,928</b>	<b>115,277</b>

## 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 2020 amounted to n° 1,548,088 and correspond to 5.50 % of the share capital.

Here below is the number of outstanding shares:

Thousands of shares	
<b>Balance as of 31/12/2018</b>	<b>26,612</b>
Share buyback	(23)
<b>Balance as of 31/12/2019</b>	<b>26,590</b>
Share buyback	(10)
<b>Balance as of 30/09/2020</b>	<b>26,580</b>

## 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 2020. The significant change is mainly attributable to the Brazilian subsidiary.

## 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.

## Profit for the period

The profit pertaining to the Group, net of non-controlling interests, is equal to €/000 650.

## 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.

**12. NON-CURRENT FINANCIAL LIABILITIES**

€/000	Currency	Rate	Company	30/09/2020	31/12/2019	Due date
Banco Popolare	EUR	Floating	IRCE SPA	2,500	3,125	2023
Mediocredito	EUR	Floating	IRCE SPA	3,231	4,154	2025
Banca di Imola	EUR	Floating	IRCE SPA	5,500	-	2026
Unicredit	EUR	Floating	IRCE SPA	10,000	-	2025
Banco Popolare	EUR	Floating	ISOMET AG	463	1,329	2021
IFRS 16	EUR	Floating	IRCE SPA	31	28	2023
IFRS 16	EUR	Floating	IRCE SL	57	90	2023
IFRS 16	EUR	Floating	MAGNET WIRE	9	21	2022
<b>Total</b>				<b>21,791</b>	<b>8,747</b>	

## Within one year

From 1 to 5 years

21,095

Over 5 years

696

**TOTAL****21,791**

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	Provisions	Utilizations	30/09/2020
Provisions for risks and charges	696	296	(304)	688
Severance payments	205	24	(65)	164
<b>Total</b>	<b>901</b>	<b>320</b>	<b>(369)</b>	<b>852</b>

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



**14. CURRENT FINANCIAL LIABILITIES**

Current financial liabilities are broken down as follows:

€/000	30/09/2020	31/12/2019
- Payables due to banks	23,397	42,099
- Mark to Market USD forward transactions	-	113
- IFRS 16	136	88
<b>Total</b>	<b>23,533</b>	<b>42,300</b>

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	30/09/2020	31/12/2019
Cash	5,778	8,632
Other current financial assets	2,693	386
<b>Liquid assets</b>	<b>8,471</b>	<b>9,018</b>
Current financial liabilities	(23,533)	(42,300)
<b>Net current financial debt</b>	<b>(15,062)</b>	<b>(33,082)</b>
Non-current financial liabilities	(21,791)	(8,747)
<b>Non-current financial debt</b>	<b>(21,791)</b>	<b>(8,747)</b>
<b>Net financial debt</b>	<b>(36,853)</b>	<b>(42,029)</b>

The improvement in Net financial debt is mainly due to the change in net working capital

**15. TRADE PAYABLES**

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

As of 30 September 2020, they amount to €/000 20,107, compared to €/000 13,455 as of 31 December 2019.

The change is attributable to "travelling copper" as the incooterms provide for the transfer of ownership at the time of departure of the ship while the payment of the raw material is made only on arrival.

**16. TAX PAYABLES**

The item is equal to €/000 400 and refers to payables due for income taxes.

**17. OTHER CURRENT LIABILITIES**

Other payables are broken down as follows:

€/000	30/09/2020	31/12/2019
- Payables due to employees	3,449	3,366
- Deposits received from customers	1,833	1,957
- Accrued liabilities and deferred income	360	262
- VAT payables	1,036	476
- Employee IRPEF (personal income tax) payables	120	483
- Other payables	393	476
<b>Total</b>	<b>7,191</b>	<b>7,020</b>

The change in VAT payables is mainly attributable to the subsidiaries Isomet, Smitt Draad Nijmegen and Irce Ltda.

## COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

### 18. REVENUES

Revenues are related to sale of goods, net of returns, rebates and the return of packages. Consolidated turnover in the nine months of 2020 amounted to €/000 205,954, shows a decrease of 14,52% compared to the previous year (€/000 240,940).

### 19. 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 3,063).

### 20. 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	30/09/2020	30/09/2019	III° quarter 20	III° quarter 19
- External manufacturing	3,325	4,030	1,045	1,101
- Utility expenses	5,751	7,907	1,991	2,120
- Maintenance	1,310	1,561	454	635
- Transportation expenses	3,051	3,625	988	1,110
- Payable fees	188	205	47	71
- Compensation of Statutory Auditors	56	56	19	19
- Other services	3,064	3,685	1,056	1,245
- Costs for the use of third-party goods	190	244	60	73
<b>Total</b>	<b>16,935</b>	<b>21,313</b>	<b>5,660</b>	<b>6,374</b>

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

The decrease in service costs is closely related to the 9-month reduction in turnover.

## 21. PERSONNEL COST

Personnel cost is detailed as follows:

€/000	30/09/2020	30/09/2019	III° quarter 20	III° quarter 19
- Salaries and wages	14,178	15,611	4,321	4,622
- Social security charges	3,603	4,088	1,111	1,259
- Retirement costs for defined contribution plans	1,055	1,054	336	345
- Other costs	2,043	1,842	782	577
<b>Total</b>	<b>20,879</b>	<b>22,595</b>	<b>6,550</b>	<b>6,803</b>

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 2020	Average 9 months 2019	30/09/2020
- Executives	23	23	24
- White collars	152	157	150
- Blue collars	527	532	541
<b>Total</b>	<b>702</b>	<b>712</b>	<b>715</b>

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 2020 was 715 people.

## 22. DEPRECIATION/AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

Depreciation is as follows:

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Amortisation of intangible assets	53	44	17	21
- Depreciation of tangible assets	5,630	5,125	2,181	1,737
- Depreciation/amortisation IFRS 16	64	67	20	23
<b>Total</b>	<b>5,747</b>	<b>5,236</b>	<b>2,218</b>	<b>1,781</b>

**23. PROVISIONS AND WRITE-DOWNS**

Provisions and write-downs are detailed as follows:

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Write-downs of receivables	210	92	275	17
- Credit losses	113	-	-	-
- Provisions for risks	320	-	320	-
<b>Total</b>	<b>643</b>	<b>92</b>	<b>595</b>	<b>17</b>

**24. OTHER OPERATING COSTS**

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

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Non-income taxes and duties	228	236	78	83
- Capital losses and contingent liabilities	274	122	258	29
- Other costs	477	476	214	72
<b>Total other operating costs</b>	<b>979</b>	<b>834</b>	<b>550</b>	<b>184</b>

**25. FINANCIAL INCOMES AND CHARGES**

Financial income and charges were broken down as follows:

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Other financial income	1,905	2,323	1,090	468
- Interest and other financial charges	(623)	(683)	(95)	(149)
- Foreign exchange gains/(losses)	360	212	(81)	208
<b>Total</b>	<b>1,642</b>	<b>1,852</b>	<b>914</b>	<b>527</b>

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

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Income from LME derivatives	1,185	1,354	826	210
<b>Total</b>	<b>1,185</b>	<b>1,354</b>	<b>826</b>	<b>210</b>

**26. INCOME TAXES**

€/000	30/09/20	30/09/19	III° quarter 20	III° quarter 19
- Current taxes	(827)	(1,120)	(400)	(13)
- Deferred tax assets/(liabilities)	110	514	(162)	51
<b>Total</b>	<b>(717)</b>	<b>(606)</b>	<b>(562)</b>	<b>39</b>

**27. 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.

	30/09/2020	30/09/2019
Net profit/(loss) for the period	650,366	2,131,580
Average weighted number of ordinary shares outstanding	26,579,912	26,596,262
Basic earnings/(loss) per share	0.0245	0.0801
Diluted earnings/(loss) per share	0.0245	0.0801

## 28. RELATED PARTY DISCLOSURES

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

€/000	Compensation for office held	Compensation for other tasks	Total
Directors	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](http://www.irce.it).

As of 30 September 2020, 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.

## 29. MANAGEMENT OF TRADE RECEIVABLES

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

Risk level	30/09/2020 Exposure, €/000	31/12/2019 Exposure, €/000
Low	36,437	49,312
Medium	30,784	12,999
Above-average	2,456	592
High	861	878
<b>Total</b>	<b>70,538</b>	<b>63,781</b>

Due date	30/09/2020 Exposure, €/000	31/12/2019 Exposure, €/000
Not yet due	63,908	59,404
< 30 days	4,754	1,997
31-60	442	1,058
61-90	331	122
91-120	228	104
> 120	875	1,096
<b>Total</b>	<b>70,538</b>	<b>63,781</b>

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

The bad debt provision, equal to €/000 794, 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.

### 30. EVENTS FOLLOWING THE REPORTING PERIOD

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

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

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