



**INTERIM REPORT ON OPERATIONS AT 31<sup>st</sup> MARCH 2021**

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Certification pursuant to Article 154-*bis* of Italian Legislative Decree 58/1998

**CORPORATE BODIES****BOARD OF DIRECTORS**

CHAIRMAN	MR	FILIPPO CASADIO
EXECUTIVE DIRECTOR	MR	FRANCESCO GANDOLFI COLLEONI
NON-EXECUTIVE DIRECTOR	MR	GIANFRANCO SEPRIANO
NON-EXECUTIVE DIRECTOR	MR	ORFEO DALLAGO
INDEPENDENT DIRECTOR	MS	FRANCESCA PISCHEDDA
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 AUDITOR**

MR FABRIZIO BIANCHIMANI

**SUPERVISORY BODY**

MR FRANCESCO BASSI  
MR GABRIELE FANTI  
MR GIANLUCA PIFFANELLI

**INTERIM REPORT ON OPERATIONS AT 31 MARCH 2021**

IRCE Group's first quarter 2021 (hereinafter also the "Group") closed with a profit of the period of € 3.34 million.

Consolidated turnover was € 103.53 million, up by 34.0% compared to the € 77.26 million of first quarter of 2020, thanks to the growth in sale volumes and copper price (LME quoted in Euro +38.0%, quarter 2021 to quarter 2020).

In the first quarter of this year, sales in both our areas of business, winding wires and energy cables, confirm the recovery of market demand, which began in the second half of 2020 and record a further improvement vis-à-vis the fourth quarter of last year.

The consolidated turnover without metal<sup>1</sup> grew by 27.5%, the winding wires sector increased by 16.3% and the cable sector by 71.3%.

In detail:

Consolidated turnover without metal (€/million)	2021 1 <sup>st</sup> quarter		2020 1 <sup>st</sup> quarter		Change
	Value	%	Value	%	%
Winding wires	16.16	72.6%	13.90	79.6%	16.3%
Cables	6.10	27.4%	3.56	20.4%	71.3%
<b>Total</b>	<b>22.26</b>	<b>100.0%</b>	<b>17.46</b>	<b>100.0%</b>	<b>27.5%</b>

The following table reports the results compared with those of the first three months of last year, including the adjusted values of EBITDA and EBIT.

Consolidated income statement data (€/million)	1 <sup>st</sup> quarter 2021	1 <sup>st</sup> quarter 2020	Change
Turnover <sup>2</sup>	103.53	77.26	26.27
EBITDA <sup>3</sup>	7.17	2.91	4.26
EBIT	4.64	1.06	3.58
Profit / (loss) before taxes	4.22	(1.02)	5.24
Net profit / (loss) of the period	3.34	(0.87)	4.21
Adjusted EBITDA <sup>4</sup>	6.45	0.49	5.96
Adjusted EBIT <sup>4</sup>	3.92	(1.36)	5.28

<sup>1</sup> Turnover without metal corresponds to overall turnover after deducting the metal component.

<sup>2</sup> The item "Turnover" represents the "Sales Revenues" reported in the income statement.

<sup>3</sup> EBITDA is a performance indicator used by the Management of the Group in order to assess the operating performance of the company and is not identified as an accounting item within IFRS; it is calculated by IRCE S.p.A. by adding amortisation/depreciation, allocations and write-downs to EBIT.

<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 and electricity derivatives transactions (€ -0.72 million in the first quarter 2021 and € -2.42 million in the first quarter 2020). 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 31.03.2021	As of 31.12.2020	Change
Net capital employed	185.05	162.36	22.69
Shareholders' equity	124.35	122.62	1.73
Net financial debt <sup>5</sup>	60.70	39.74	20.96

Consolidated net financial debt, at the end of March 2021, was € 60.70 million, up from € 39.74 million at the end of 2020, as a result of the growth in sales volumes and the copper price.

Shareholders' equity was negatively affected by the change in the translation reserve mainly due to the devaluation of the Brazilian real (which accounted for € 1.78 million), which, from the beginning of the year, went down by 6%.

The Group's investments, in the first quarter 2021, were € 0.73 million.

The forecasts for 2021, which also consider the uncertainty about the recovery time of the economy after the pandemic, remain positive and we expect a significant recovery in demand compared to last year.

To date, the Group has not had any significant impacts due to the Coronavirus pandemic and has in fact continued to produce continuously. For an update on the situation, please refer to a specific paragraph in the explanatory notes.

Imola, 14<sup>th</sup> May 2021

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. 12. 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.

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
(Unit of Euro)			
<b>ASSETS</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.12.2020</b>
<b>NON CURRENT ASSETS</b>			
Goodwill and Other intangible assets	1	119,482	133,008
Property, plant and machinery	2	38,603,759	40,862,438
Equipments and other tangible assets	2	1,433,479	1,542,621
Assets under constructions and advances	2	1,512,389	971,478
Investments	3	106,995	102,137
Non current financial assets	3	144,437	124,882
Deferred tax assets		1,408,040	1,386,848
<b>NON CURRENT ASSETS</b>		<b>43,328,581</b>	<b>45,123,412</b>
<b>CURRENT ASSETS</b>			
Inventories	4	87,245,564	76,230,890
Trade receivables	5	89,549,904	73,906,499
Tax receivables		8,075	7,236
Other current assets	6	2,655,149	1,935,970
Current financial assets	7	322,719	1,903,141
Cash and cash equivalent	8	6,160,137	10,259,995
<b>CURRENT ASSETS</b>		<b>185,941,548</b>	<b>164,243,731</b>
<b>TOTAL ASSETS</b>		<b>229,270,129</b>	<b>209,367,143</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.12.2020</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	13,821,563	13,821,563
Reserves	9	107,502,911	106,384,781
Result for the period	9	3,335,829	2,725,715
<b>Shareholders' equity attributable to shareholders of Parent company</b>		<b>124,660,303</b>	<b>122,932,058</b>
Shareholders' equity attributable to Minority interests	9	(306,392)	(308,043)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>124,353,911</b>	<b>122,624,015</b>
<b>NON CURRENT LIABILITIES</b>			
Non current financial liabilities	10	27,811,610	21,311,962
Deferred tax liabilities		235,029	181,882
Non current provisions for risks and charges	11	321,538	309,344
Non current provisions for post employment obligation		4,961,232	4,990,269
<b>NON CURRENT LIABILITIES</b>		<b>33,329,409</b>	<b>26,793,456</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	12	39,373,136	30,594,634
Trade payables	13	23,108,802	21,200,554
Current tax payables	14	1,092,250	594,843
<i>(of which related parties)</i>		-	155,914
Social security contributions		1,295,643	1,950,195
Other current liabilities	15	6,507,289	5,414,449
Current provisions for risks and charges	11	209,689	194,995
<b>CURRENT LIABILITIES</b>		<b>71,586,809</b>	<b>59,949,670</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>229,270,129</b>	<b>209,367,141</b>

<b>CONSOLIDATED INCOME STATEMENT</b>			
<b>(Unit of Euro)</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
Sales revenues	16	103,524,777	77,258,265
Other revenues and income		237,115	386,223
<b>TOTAL REVENUES</b>		<b>103,761,892</b>	<b>77,644,488</b>
Raw materials and consumables	17	(88,733,516)	(66,849,387)
Change in inventories of work in progress and finished goods		7,911,302	6,656,524
Cost for services		(7,434,985)	(6,652,488)
Personnel costs	18	(7,747,538)	(7,651,601)
Amortization /depreciation/write off tangible and intangible assets	19	(2,321,129)	(1,818,153)
Provision and write downs	20	(209,735)	(28,592)
Other operating costs		(590,735)	(236,990)
<b>EBIT</b>		<b>4,635,556</b>	<b>1,063,800</b>
Financial income / (charges)	21	(412,093)	(2,086,383)
<b>RESULT BEFORE TAX</b>		<b>4,223,463</b>	<b>(1,022,583)</b>
Income taxes	22	(885,983)	165,166
<b>RESULT FOR THE PERIOD</b>		<b>3,337,480</b>	<b>(857,417)</b>
Result for the period attributable to non-controlling interests		1,651	7,529
<b>Result for the period attributable to the Parent company</b>		<b>3,335,829</b>	<b>(864,946)</b>

## Earnings / losses per shares

- basic EPS for the period attributable to shareholders of the parent company	23	0.126	(0.033)
- diluted EPS for the period attributable to shareholders of the parent company	23	0.126	(0.033)



<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>(Thousand of Euro)</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
<b>Result for the period</b>		<b>3,337</b>	<b>(865)</b>
Translation difference on financial statements of foreign companies	9	(1,608)	(8,046)
<b>Total items of consolidated statements of comprehensive income that will be reclassified to net result</b>		<b>(1,608)</b>	<b>(8,046)</b>
<b>Total comprehensive income for the period</b>		<b>1,729</b>	<b>(8,911)</b>
Attributable to shareholders of Parent company		1,727	(8,903)
Attributable to Minority interest		2	8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY											
(Thousand of Euro)	Share capital	Capital reserves		Profit reserves					Equity attributable to shareholders of Parent company	Equity attributable to minority interest	Total shareholders' equity
		Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Translation reserve	Result for the period			
<b>Balance as of 31 December 2019</b>	<b>13,827</b>	<b>40,572</b>	<b>45,924</b>	<b>2,925</b>	<b>(1,196)</b>	<b>50,747</b>	<b>(22,894)</b>	<b>1,942</b>	<b>131,847</b>	<b>(344)</b>	<b>131,501</b>
Sell / purchase own shares	(5)	(9)							(14)		(14)
Allocation of previous year profits						1,942		(1,942)			
Other movements						10			10		10
Other comprehensive income for the period							(8,048)		(8,048)		(8,048)
Result for the period								(865)	(865)	8	(857)
<b>Total comprehensive income for the period</b>					<b>(16)</b>		<b>(8,048)</b>	<b>(865)</b>	<b>(8,913)</b>	<b>8</b>	<b>(8,905)</b>
<b>Balance as of 31 March 2020</b>	<b>13,822</b>	<b>40,563</b>	<b>45,924</b>	<b>2,925</b>	<b>(1,196)</b>	<b>52,699</b>	<b>(30,942)</b>	<b>(865)</b>	<b>122,930</b>	<b>(336)</b>	<b>122,594</b>
<b>Balance as of 31 December 2020</b>	<b>13,822</b>	<b>40,562</b>	<b>45,923</b>	<b>2,925</b>	<b>(1,212)</b>	<b>52,689</b>	<b>(34,502)</b>	<b>2,726</b>	<b>122,932</b>	<b>(308)</b>	<b>122,624</b>
Allocation of previous year profits						2,726		(2,726)			
Decreases											
Other comprehensive income for the period							(1,608)		(1,608)		(1,608)
Result for the period								3,335	3,335	2	3,337
<b>Total comprehensive income for the period</b>							<b>(1,608)</b>	<b>3,335</b>	<b>1,727</b>	<b>2</b>	<b>1,729</b>
<b>Balance as of 31 March 2021</b>	<b>13,822</b>	<b>40,562</b>	<b>45,923</b>	<b>2,925</b>	<b>(1,212)</b>	<b>55,415</b>	<b>(36,110)</b>	<b>3,335</b>	<b>124,660</b>	<b>(306)</b>	<b>124,354</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>(Thousand of Euro)</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
<b>OPERATING ACTIVITIES</b>			
Result for the period (Group and Minorities)		3,337	(857)
<i>Adjustments for:</i>			
Deprecitation / Amortization	19	2,321	1,818
Net changes in deferred tax (assets) / liabilities	22	40	(285)
Capital (gains) / losses from disposal of fixed assets		(6)	-
Losses / (gains) on unrealised exchange rate differences		(39)	(132)
Income taxes	22	846	(161)
Financial (income) / expenses	21	725	2,509
<b>Operating result before changes in working capital</b>		<b>7,224</b>	<b>2,892</b>
Income taxes paid		(4)	-
Financial charges paid		(759)	(2,736)
Financial income collected		34	227
Decrease / (increase) in inventories		(11,531)	(11,889)
Change in trade receivables		(16,341)	(8,878)
Change in trade payables		1,986	12,845
Net changes in current other assets and liabilities		(435)	2,617
Net changes in current other assets and liabilities - related parties		(156)	-
Net changes in non current other assets and liabilities		6	(314)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(19,976)</b>	<b>(5,236)</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	2	(4)	-
Investments in tangible assets	1	(729)	(533)
Investments in subsidiaries, associates, other entities		-	-
Disposals of tangible and intangible assets		10	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(723)</b>	<b>(533)</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of loans	10	(462)	(747)
Obtainments of loans	10	7,000	-
Net changes of current financial liabilities and others financial liabilities (includes IFRS 16)		8,826	4,724
Net changes of current financial assets and others financial receivables		1,222	(1,672)
Management of own shares (sales/purchase)	9	-	(14)
<b>CASH LOW FROM FINANCING ACTIVITIES</b>		<b>16,586</b>	<b>2,291</b>
<b>NET CASH FLOW FROM THE PERIOD</b>		<b>(4,113)</b>	<b>(3,478)</b>
<b>CASH BALANCE AT THE BEGINNING OF THE PERIOD</b>	<b>8</b>	<b>10,260</b>	<b>8,632</b>
Exchange rate differences		13	(169)
NET CASH FLOW FROM THE PERIOD		(4,113)	(3,478)
<b>CASH BALANCE AT THE END OF THE PERIOD</b>	<b>8</b>	<b>6,160</b>	<b>4,985</b>

## NOTES TO THE CONSOLIDATED INTERIM REPORT AT 31 MARCH 2021

### GENERAL INFORMATION

The consolidated interim report as of March 31<sup>st</sup>, 2021 was authorised for publication by the Board of Directors of IRCE S.p.A. (henceforth also referred to as the "Company") on May 14<sup>th</sup>, 2021.

IRCE Group owns 9 plants and is one of the major industrial players in Europe in winding wires as well as in electrical cables in Italy.

Italian plants are located in the towns of Imola (Bologna), Guglionesi (Campobasso), Umbertide (Perugia) and Miradolo Terme (Pavia), while foreign operations are carried out by Smit Draad Nijmegen BV in Nijmegen (NL), FD Sims Ltd in Blackburn (UK), IRCE Ltda in Joinville (SC – Brazil), Stable Magnet Wire P.Ltd in Kochi (Kerala – India) and Isodra GmbH in Kierspe (D).

The distribution network consists of agents and of the following commercial subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco Srl and Isolveco 2 Srl in Italy, IRCE S.L. in Spain, and IRCE SP.ZO.O in Poland.

The new companies recently established, IRCE Electromagnetic wire (Jiangsu) Co. Ltd. and Irce S.r.o, host the offices respectively in Haian (China) and in Ostrawa (Rep. Ceca).

### GENERAL CRITERIA

The First Quarter Report at March 31<sup>st</sup>, 2021 have been drawn up in compliance with the IAS 34 "Intermediate Balance Sheet" and with article 154 ter of TUF. This interim consolidated balance sheet doesn't include all information requested by annual consolidated financial statements and must be read together with December 31<sup>st</sup> 2020 consolidated financial statements.

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 following notes have been indicated in thousand euro.

This First Quarter Report has not been reviewed by Auditors, because it is not mandatory.

The Directors have assessed the applicability of the going concern assumption in the preparation of the interim consolidated financial statements, concluding that this assumption is appropriate as there is no doubt about the company's ability to continue as a going concern.

### ACCOUNTING PRINCIPLES

The accounting principles and criteria adopted for the preparation of the Interim Report as at 31 March 2021 are consistent with those used for the preparation of the financial statements as at 31 December 2020 to which reference should be made for further information, with the exception of the new standards which have come into force and which became effective from 1 January 2021, subsequently summarized.

It should be noted that for a better representation of the financial statements, the "Share capital", equal to €/000 14,627, is shown at March 31, 2021 net of the "Reserve for treasury shares", equal to €/000 805 while at 31 December 2020 the latter item was included among the "Reserves".

In addition, to provide a better understanding of the consolidated statement of cash flows, compared to the one prepared as at 31 march 2020, the Group did the following:

- included the profit or loss attributable to non-controlling interests in the "Result for the period"
- allocated the aggregate amounts reported in "Exchange rate difference on translation of financial statements in foreign currency" between the relevant specific items;

- added "Provisions" and "Net change in current assets and liabilities of the year with respect to related parties" to "Cash generated from operating activities";
- included the item "Investments in equity investments" in the "Investing activities" section.

The comparative statements as at December 31, 2020 and March 31, 2020 have been updated accordingly.

### ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2021

Accounting standard, Amendment, Interpretation	Entry into force	Effective date	Endorsement date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16 Interest Rate Benchmark Reform - Phase 2	27 August 2020	1 January 2021	13 January 2021
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	25 June 2020	1 January 2021	15 December 2020

The adoption of these amendments did not have any impact on the interim consolidated financial statements.

### EVALUATION USAGE

The compilation of consolidated shortened balance sheet according to IFRS requires the evaluation and the value assuming which affect the assets and the liabilities and the advises related to potential assets and liabilities up to reference date. The collected results could be different from the evaluations. The evaluations are used to point out allowances due to credit risks, amortizations, asset devaluations and taxes.

### CONSOLIDATION AREA

The table below lists the companies included in the consolidation area as at March 31<sup>st</sup>,2021:

Company	% of investment	Registered office	Currency	Share capital	Consolidation
Isomet AG	100%	Switzerland	CHF	1,000,000	line by line
Smit Draad Nijmegen BV	100%	Netherlands	€	1,165,761	line by line
FD Sims Ltd	100%	UK	£	15,000,000	line by line
Isolveco Srl	75%	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	15,209,587	line by line
IRCE s.r.o	100%	Rep. Ceca	CZK	800.000	line by line

In the first quarter of 2021, the company IRCE s.r.o, wholly owned by the parent company IRCE Spa, was established in the Czech Republic.

The rates used for the translation of the financial statements of the Group's subsidiaries as at 31 March 2021 and in the comparative periods are as follows:

Currency	31-Mar-21		31-Dec-20		31-Mar-20	
	Average	Spot	Average	Spot	Average	Spot
GBP	0.8746	0.8520	0.8892	0.8990	0.8616	0.8864
CHF	1.0905	1.1072	1.0703	1.0802	1.0668	1.0585
BRL	6.5935	6.7231	5.8898	6.3735	4.9111	5.7001
INR	87.8889	85.7633	84.5790	89.6605	79.8511	82.8985
CNY	7.8105	7.6834	7.8707	8.0225	7.6973	7.7784
PLN	4.5433	4.6554	4.4431	4.5597	4.3226	4.5506
CZK	-	26.1281	-	-	-	-

### COVID-19 - IMPACTS OF THE PANDEMIC - UPDATES

The high uncertainty of 2020 financial year persists also in the first quarter of 2021, especially in relation to the dynamics of the coronavirus pandemic (Covid-19) and the speed of vaccination campaigns. The high rates of contagion, the spread of variants of the virus, as well as the extension and / or tightening of containment measures also continue to weigh on economic activity, especially in the euro area.

Consistently with the previous year, in order to reduce the risk of contagion and respond to the Government orders to contain the pandemic, each company of the Group has implemented specific internal procedures such as the sanitising premises, taking temperatures at the entrance, using of masks, distancing, using gel sanitiser as well as, when deemed necessary, using remote working. In addition, the staff suspected to have been infected are pre-emptively quarantined while those affected by Covid-19 are readmitted to the workplace upon presentation of a medical certificate.

In this context, the Irce Group continued to produce regularly, promptly coping with the significant orders increase which began at the end of 2020 and continued in the first quarter of 2021.

With respect to our supply chain, if demand continues to be high in the coming months as well, difficulties may arise in sourcing certain materials. However, the potential impact on the business connected to this risk is still considered limited due to the geographical diversification of the Group, the use of multiple sources of supply as well as the limited effects, considering the types of products involved, in terms of lower turnover.

With regard to customers and the valuation of final inventories, no critical elements emerged from the analyzes carried out.

With respect to potential liquidity risks, it should be noted that the Group still maintains a solid financial position; Net Financial Debt, albeit increasing compared to December 31, 2020 due to the dynamics of working capital, is equal to € 60.7 million at March 31, 2021 while available and unused credit lines amounted to € 79.5 million at the same date.

Considering the above, the Directors, despite the uncertainty linked to the difficulties in predicting the impacts of the pandemic, believe that the current financial conditions allow the Group to support its growth and the achievement of the stated objectives.

## 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.

Strategic decisions, including the allocation of financial resources, are the responsibility of the Chairman of the Board of Directors of the Parent Company as well as the Parent Company's General Manager—the top operational decision-making level.

At least on a quarterly basis, the General Manager assesses and monitors the Group's performance by geographic area of production of operating results.

In accordance with IFRS 8, the companies of the IRCE Group were grouped in the following 3 operating segments, considering their similar economic characteristics:

- Italy: Irce SpA, Isolveco 2 Srl and Isolveco Srl in liquidation;
- EU: Smit Draad Nijmegen BV, DMG GmbH, Irce S.L., Isodra GmbH, IRCE SP. ZO.O., Irce S.r.o
- Non-EU: FD Sims Ltd, Irce Ltda, Isomet AG, Stable Magnet Wire Ltda Irce Electromagnetic Wire (Jiangsu)

Below is the income statement broken down by operating segments of the Irce Group, compared with the period March 31, 2020 as well as the balances of intangible and tangible fixed assets, compared with the period December 31, 2020:

€/000	Italy	EU	Non-EU	Consolidation adjustments	Irce Group Total
<b>Current period</b>					
Revenues	70,014	8,844	28,338	(3,672)	103,525
Ebitda	5,328	(460)	2,309	(10)	7,166
Ebit	4,050	(746)	1,342	(10)	4,636
Financial income /(charges)					(412)
Taxes					(886)
Result for the period					3,337
Intangible assets	75	0	44	0	119
Tangible assets	21,268	5,745	14,537	0	41,550
<b>Comparative period</b>					
Revenues	49,179	9,849	20,694	(2,463)	77,258
Ebitda	2,797	94	(24)	44	2,911
Ebit	1,874	(184)	(680)	54	1,064
Financial income /(charges)					(2,086)
Taxes					165
Result for the period					(857)
Intangible assets	83	0	50	0	133
Tangible assets	21,741	6,032	15,603	0	43,377

**DERIVATIVE INSTRUMENTS**

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper purchase and sale forward transactions with maturity after March 31<sup>st</sup>, 2021. Purchase contracts have been done to prevent price increases relating to sale commitments with fixed copper values. The fair value of 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.

Below is a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of March 31, 2021:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	925	700	763	(789)	(22)
<b>Total</b>			<b>763</b>	<b>(789)</b>	<b>(22)</b>

- Derivative instruments related to USD forward purchase and GBP forward sale contracts with maturity after March 31, 2021. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the currency derivative contracts for forward purchases and sales, outstanding as of March 31, 2021:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2020		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
USD	600	930	17	(22)	(5)
GBP		6,000		(442)	(442)
<b>Total</b>			<b>17</b>	<b>(464)</b>	<b>(447)</b>

- Derivative instruments related to electricity purchase obligations with a maturity date after March 31, 2021. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the electricity derivative contracts for forward purchases and sales, outstanding as of March 31, 2021:

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
MWh	3,363		53		53
<b>Total</b>			<b>53</b>		<b>53</b>



**COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****1. INTANGIBLE ASSETS**

This balance sheet item concerns the intangible assets from which economic benefits are expected in the future. The variations in intangible assets are detailed below:

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Total
<b>Opening balance current period</b>	<b>41</b>	<b>92</b>	<b>133</b>
Investments	-	4	4
Amortization	(6)	(11)	(17)
Reclassifications	-	-	-
Effect of exchange rates	-	(1)	(1)
<b>Closing balance current period</b>	<b>35</b>	<b>84</b>	<b>119</b>

**2. TANGIBLE ASSETS**

The following table shows the breakdown and changes in tangible assets for the period 31 March 2021.

€/000	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
<b>Opening balance current period</b>	<b>12,820</b>	<b>12,340</b>	<b>15,702</b>	<b>1,071</b>	<b>472</b>	<b>971</b>	<b>43,377</b>
Investments	-	6	112	14	57	540	729
Depreciations of the period	(5)	(282)	(1.841)	(116)	(60)	-	(2,304)
Reclassifications	-	-	-	4	-	(4)	-
Disposals – Historical cost	-	-	-	-	(49)	-	(49)
Disposals – Depreciation Fund	-	-	-	-	45	-	45
Effect of exchange rates	36	(12)	(272)	(1)	(3)	5	(247)
<b>Closing balance current period</b>	<b>12,851</b>	<b>12,052</b>	<b>13,701</b>	<b>972</b>	<b>462</b>	<b>1,512</b>	<b>41,550</b>

It should be noted that the balance as at March 31, 2021, equal to € 41,55 million, includes rights of use for € 1,67 million.

Investments, not including right-of-use assets, amounted to € 0,73 million and mainly related to the Parent company IRCE S.p.A.

### 3. INVESTMENTS AND NON-CURRENT FINANCIAL ASSETS

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

€/000	31 March 2021	31 December 2020
Equity investments in other companies	107	102
Other non current receivables	144	125
<b>Total investments and non-current financial assets</b>	<b>251</b>	<b>227</b>

The item "Equity investments in other companies" refers to a shareholding held in the Indian subsidiary Stable Magnet Wire P. Ltd in a dormant company.

The item "Other receivables" refers to Energy Savings Certificates (ESC) held by the Parent company IRCE S.p.A.

### 4. INVENTORIES

Inventories are detailed as follows:

€/000	31 March 2021	31 December 2020
Raw materials, ancillary and consumables	30,759	27,179
Work in progress and semi-finished goods	17,261	10,893
Finished products and goods	43,095	41,835
Provisions for write-down of raw materials	(2,858)	(2,865)
Provisions for write-down of finished products and goods	(1,011)	(811)
<b>Total inventories</b>	<b>87,246</b>	<b>76,231</b>

Inventories are not pledged nor used as collateral.

The provision for the write-down of raw materials corresponds to the amount deemed necessary to cover the risks of obsolescence, mainly of packaging, whilst the provision for the write-down of finished products and goods is made against slow-moving or non-moving finished products.

The table below shows the changes in the provision for write-down of inventories in the 1st quarter 2021.

€/000	Opening balance	Allocation to provisions	Use of provisions	Effect of exchange rates	Closing period
Provision for write-down of raw materials	(2,865)	(24)	30	1	(2,858)
Provision for write-down of finished goods	(811)	(200)	-	-	(1,011)
<b>Total provision for write-down</b>	<b>(3,676)</b>	<b>(224)</b>	<b>30</b>	<b>1</b>	<b>(3,869)</b>

**5. TRADE RECEIVABLES**

€/000	31 March 2021	31 December 2020
Customers/bills receivable	90,573	74,766
Bad debt provision	(1,023)	(859)
<b>Total trade receivables</b>	<b>89,550</b>	<b>73,907</b>

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

The change is mainly due to the increase in turnover compared to the 4th quarter of 2020.

The table below shows the changes in the bad debt provision during the first months of 2021:

€/000	Opening balance	Reclassification	Allocations	Uses	Effect of exchange rates	Closing period
Bad debt provision	(857)	(3)	(210)	55	(8)	(1,023)

**6. RECEIVABLES DUE FROM OTHERS**

The item was broken down as follows:

€/000	31 March 2021	31 December 2020
Accrued income and prepaid expenses	235	63
Receivables due from social security institutions	5	19
Other receivables	1,365	1,126
VAT receivables	1,050	728
<b>Total other receivables due fro others</b>	<b>2,655</b>	<b>1,936</b>

The increase in "Accrued income and prepaid expenses" is due to services pertaining to the entire year invoiced at the beginning of the period.

The change in "VAT receivables" is mainly attributable to the Brazilian subsidiary, only partially offset by the reduction in the Parent Company's balance.

**7. CURRENT FINANCIAL ASSETS**

€/000	31 March 2021	31 December 2020
Mark to Market copper forward transactions	-	572
Guarantee deposits and other current financial assets	270	1,293
Mark to market energy forward transactions	53	38
<b>Total current financial assets</b>	<b>323</b>	<b>1,903</b>

The change in the item "Fixed deposit for LME transactions" is due to the partial repayment of the margin calls ("hedging requests") deposited with brokers for copper forward transactions on the LME (London Metal Exchange).

**8. CASH AND CASH EQUIVALENTS**

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

€/000	31 March 2021	31 December 2020
Bank deposits	6,151	10,249
Cash on hand and valuables	9	11
<b>Total cash and cash equivalents</b>	<b>6,160</b>	<b>10,260</b>

The bank and postal deposits are not subject to liens or restrictions.

**9. 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.

Own shares as of 31<sup>st</sup> March, 2021 amounted to 1,548,088 and correspond to 5.5% of the share capital.

The table below shows the break down of the share capital:

€/000	31 March 2021	31 December 2020
Subscribed share capital	14,627	14,627
Treasury shares	(805)	(805)
<b>Total share capital</b>	<b>13,822</b>	<b>13,822</b>

Shareholders' equity is detailed below:

€/000	31 March 2021	31 December 2020
Share capital	13,822	13,822
Share premium reserve	40,539	40,539
Treasury share premium reserve	24	24
Revaluation reserve	22,328	22,328
Legal reserve	2,925	2,925
IAS 19 reserve	(1,212)	(1,212)
Extraordinary reserve	44,662	44,662
Other reserves	23,595	23,595
Retained earnings / losses carried forward	10,752	8,027
Foreign currency translation reserve	(36,110)	(34,502)
Result for the period	3,335	2,726
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>124,660</b>	<b>122,932</b>
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(306)	(308)
<b>TOTALE SHAREHOLDERS' EQUITY</b>	<b>124,354</b>	<b>122,624</b>

The changes in the foreign currency translation reserve is mainly due to the depreciation of the Brazilian Real against the Euro.

## 10. NON-CURRENT FINANCIAL LIABILITIES

€/000	31 March 2021	31 December 2020
Financial liabilities due to banks	27,596	21,069
IFRS 16 financial liabilities	216	243
<b>Total non-current financial liabilities</b>	<b>27,812</b>	<b>21,312</b>

The table below shows the breakdown of non-current loans outstanding at the closing date, highlighting, in particular, type of rate and due date.

€/000	Currency	Rates	Company	31/03/2021	31/12/2020	Due date
Banco di Imola	EUR	Floating	IRCE S.p.A.	5,500	5,500	2026
Unicredit	EUR	Floating	IRCE S.p.A.	10,000	10,000	2025
Mediocredito	EUR	Floating	IRCE S.p.A.	2,769	3,231	2025
Banco Popolare	EUR	Floating	IRCE S.p.A.	1,875	1,875	2023
M.P.S	EUR	Floating	IRCE S.p.A.	7,000	-	2025
NAB	CHF	Zero	Isomet AG	452	463	2025
IFRS 16	EUR	Floating	Isodra GmbH	128	139	2025
IFRS 16	EUR	Floating	IRCE S.p.A.	32	39	2023
IFRS 16	EUR	Floating	IRCE SL	53	60	2023
IFRS 16	EUR	Floating	Magnet Wire Ltd	3	5	2022
<b>Total</b>				<b>27,812</b>	<b>21,312</b>	

## 11. PROVISIONS FOR RISKS AND CHARGES

The movements of the provisions for risks and charges – non current and current - are shown below:

€/000	Opening balance	Provisions	Use of provisions	Closing balance
Provision for severance payments to agents	140	-	-	140
Provisions for risks and disputes	169	13	-	182
<b>Total provision for risks and charges- non current</b>	<b>309</b>	<b>13</b>	<b>-</b>	<b>322</b>

€/000	Opening balance	Provisions	Use of provisions	Closing balance
Provision for severance payments to agents	1	8	(1)	8
Provisions for risks and disputes	194	32	(24)	202
<b>Total provision for risks and charges - current</b>	<b>195</b>	<b>40</b>	<b>(25)</b>	<b>210</b>

The item "Provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts of the Parent company IRCE S.p.a and the Dutch subsidiary Smit Draad Nijmegen BV.

The item "provision for risks and charges" mainly refers to the Parent company and the Dutch subsidiary Smit Draad Nijmegen BV.

## 12. CURRENT FINANCIAL LIABILITIES

The current financial liabilities are detailed below:

€/000	31 March 2021	31 December 2020
Payables due to banks	38,773	30,381
Mark to market derivatives - metal	22	-
Current liabilities IFRS 16	131	138
Other current financial liabilities	-	3
Mark to market derivatives – exchange rate	447	73
<b>Total current financial liabilities</b>	<b>39,373</b>	<b>30,595</b>

The item "Mark to Market Derivatives-metal" refers to the Mark to Market (*Fair Value*) measurement of currencies forward contracts outstanding as of 31/03/2021 of the Parent Company IRCE S.p.A.

With reference to the financial liabilities, **the Group's net financial position**, drawn up in accordance with the Consob Communication 6064293 dated 28<sup>th</sup> July 2006 and the CESR guidelines dated 10<sup>th</sup> February 2005, is as follows:

€/000	31 March 2021	31 December 2020
Cash	6,160	10,260
Other current financial assets	323	1,903
<b>Liquid assets</b>	<b>6,483</b>	<b>12,163</b>
Current financial liabilities	(39,373)	(30,595)
<b>Net current financial indebtedness</b>	<b>(32,890)</b>	<b>(18,432)</b>
Non-current financial liabilities	(27,812)	(21,312)
<b>NET FINANCIAL INDEBTEDNESS</b>	<b>(60,702)</b>	<b>(39,744)</b>

## 13. TRADE PAYABLES

Trade payables are all due in the next 12 months.

As of 31/03/2021 they are €/000 23,109 compared to €/000 21,201 as of 31/12/2020.

The change in the period is mainly attributable to the Parent company and the subsidiary Smit Draad Nijmegen BV.

**14. TAX PAYABLES**

The item, equal to € / 000 1,092 at 31/03/2021, refers to payables for income taxes mainly of the Parent Company and the Brazilian subsidiary.

**15. OTHER CURRENT LIABILITIES**

Other payables were broken down as follows:

€/000	31 March 2021	31 December 2020
Payables due to employees	3,867	3,119
Accrued liabilities and deferred income	295	307
Other payables	360	628
VAT payables	1,697	885
Employee IRPEF (personal income tax) payables	288	475
<b>Total other current liabilities</b>	<b>6,507</b>	<b>5,414</b>

Payables to employees include liabilities for the thirteenth month, for accrued holidays and for production bonus.

The change in VAT payables is mainly attributable to the Parent Company and the subsidiary FD Sims.

**COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT****16. SALES REVENUES**

These items refer to revenues for the sales of goods after returns and discount. The consolidated turnover of the first three months equal to € 103,52 millions increased of 34% in respect to the same period of the previous year (€ 77,26 millions).

**17. COSTS OF RAW MATERIALS AND CONSUMABLES**

This item is equal to € 88,73 millions includes for € 90,44 millions the purchasing cost for raw materials - such as copper, insulating materials, packaging materials and consumable items (for maintenance work), for € 1,91 millions the purchasing cost of goods and for € 3,62 millions the positive net balance of changes to inventories.

**18. PERSONNEL COST**

Here below is the breakdown of personnel cost:

€/000	31 March 2021	31 March 2020	Change
- Salaries and wages	5,209	5,244	(35)
- Social security charges	1,343	1,355	(12)
- Retirement costs for defined contribution plans	364	350	14
- Other costs	832	703	129
<b>Total personnel cost</b>	<b>7,748</b>	<b>7,652</b>	<b>96</b>

**19. AMORTISATION/DEPRECIATION**

Amortisation/depreciation is detailed as follows:

€/000	31 March 2021	31 March 2020	Change
Amortisation of intangible assets	17	18	(1)
Depreciation of tangible assets	2,265	1,776	489
Depreciation IFRS 16	39	24	15
<b>Total amortisation/depreciation</b>	<b>2,321</b>	<b>1,818</b>	<b>503</b>

**20. PROVISIONS AND WRITE-DOWNS**

Provisions and write-downs are broken down as follows:

€/000	31 March 2021	31 March 2020	Change
Write-downs of receivables	210	29	181
<b>Total provisions and write-downs</b>	<b>210</b>	<b>29</b>	<b>181</b>

**21. FINANCIAL INCOME AND CHARGES**

Financial income and charges are detailed as follows:

€/000	31 March 2021	31 March 2020	Change
Financial income	442	227	215
Financial charges	(1,167)	(2,735)	1,568
Foreign exchange gains/(losses)	313	422	(109)
<b>Total financial income and charges</b>	<b>(412)</b>	<b>(2,086)</b>	<b>1,674</b>

"Financial income" refers for €/000 389 to the Brazilian subsidiary IRCE Ltda and Parent company IRCE S.p.a and concerns interest income on extended payment terms granted to customers.

The item below "Income / (expenses) on LME derivatives", included in the item "Financial charges", refers to the net effect of the Parent Company's commodity derivatives, metal and electricity, relating to both the liquidations that took place during the first quarter and the Mark to Market valuations at the end of the period.

€/000	31 March 2021	31 March 2020	Change
Income / (losses) on LME derivatives – metal	(741)	(2,416)	1,675
Income / (losses) on LME derivatives – energy	22		22
<b>Total Income / (losses) on LME derivatives</b>	<b>(719)</b>	<b>(2,416)</b>	<b>1,697</b>



In addition "Financial charges" include for €/000 365 the expenses related to the discount without recourse of trade receivables of the subsidiary IRCE Ltda and Parent company IRCE S.p.A.

The "Foreign exchange gains/(losses)" include for €/000 396 the net negative effect of derivatives on exchange rates, respectively USD and GBP.

## 22. INCOME TAX

€/000	31 March 2021	31 March 2020	Change
- Current taxes	(846)	(161)	(685)
- Deferred tax assets/(liabilities)	(40)	326	(366)
<b>Total income tax</b>	<b>(886)</b>	<b>165</b>	<b>(1,051)</b>

Current taxes mainly refer to the Parent company and the Brazilian subsidiary.

## 23. 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 dilutive effects and no shares or warrants that could have dilutive effects will be exercised.

	31/03/2021	31/03/2020
Result for the period	3,335,829	(864,946)
Average weighted number of ordinary shares outstanding	26,579,912	26,579,912
Basic earnings/(loss) per Share	0.126	(0.033)
Diluted earnings/(loss) per Share	0.126	(0.033)

## 24. RELATED PARTY DISCLOSURES

In compliance with the requirements of IAS 24, the quarterly compensation for the members of the Board of Directors is shown below:

€/000	Compensation for office held	Compensation for other tasks	Total
Directors	63	80	143

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

## **25. EVENTS FOLLOWING THE REPORTING PERIOD**

No significant events occurred between the reporting date and the current drafting date.

## **26. CERTIFICATION PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/1998**

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