FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

ADDITIONAL VERSION NOT COMPLIANT WITH THE PROVISIONS OF COMMISSION DELEGATED REGULATION (UE) 2019/815

TABLE OF CONTENTS

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
MR 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

NOTICE OF GENERAL MEETING

Our shareholders are called to participate in the General Meeting, which according to art.106, comma 2, D.L no.18/2020 will be held at the registered office, exclusively by telecommunication with the first call on 28 April 2022 at 11.00 am, and on the second call, if necessary, on 5 May 2022 at the same time

AGENDA

- Balance sheet as of 31/12/2021 and relative reports of the Board of Directors and Board of Auditors; consequential;
- Presentation of the consolidated balance sheet as of 31/12/2021;
- Appointment of the Board of Directors for the years 2022-2023-2024;
- Determination of the annual remuneration of the members of Board of Directors;
- Proposal of authorization to the acquire and dispose hold of own shares, how to purchase and to sale;
- Report on remuneration:
    - examination of Section I (i.e. remuneration policy) resolution pursuant to Article 123-ter, paragraph 3 bis, of Legislative Decree 24/02/98 no. 58;
    - examination of Section II (i.e. remuneration paid in the year) resolution pursuant to Article 123-ter, paragraph 6, of Legislative Decree 24/02/98 no. 58.

SHARE CAPITAL AND VOTING RIGHTS – The company's share capital is 14,626,560 euros, represented by 28,128,000 general shares. Each general share represents one vote in General and extraordinary Company Meetings. To, the Company holds 1.586.388 of its own shares representing 5,64% of the total share capital. The company's vote is suspended, according to article 2357 ter of the civil code.

ATTENDING THE SHAREHOLDERS' MEETING AND EXERCISING VOTING RIGHTS
In relation to the measures adopted by the Italian Authorities to contain the emergency COVID-19, participation in the Shareholders' Meeting will only be possible by proxy to be conferred to the Representative Designated by the Company pursuant to article 135-*undecies* of the TUF or also by proxy and /or subdelegation pursuant to art. 135-novies of the TUF, in derogation from art. 135-undecies, paragraph 4, of the TUF, therefore the physical participation of the shareholders in the shareholders' meeting is excluded, as permitted by art. 106 of Law Decree 17 March 2020 n.18.
According to article 83-*sexies* of legislative Decree 58/1998 the right to participate in the Meeting and to exercise voting rights is conditional upon the Company receiving notice of the subject's right to vote by an intermediary. This must be in conformity with the intermediary's accounting records and balances recorded at the end of the seventh trading day prior to the date established for the first call of the Meeting; credit or debit recordings made to the account after the said term do not influence the right to exercise a vote in the Meeting. Those who become shareholders in the Company after this date will not have the right to participate and to vote at the Meeting. The company must receive the above-mentioned notice sent by the intermediary at least two working days prior to the first call of the Meeting. The right to participate and vote stands if notice is received by the Company after the aforesaid term, provided that it arrives by the opening of the meeting at the first call.
The participation in the meeting of all legitimate entitled subjects (Designated Representative, Members of the Board of Directors, the Board of Statutory Auditors and appointed Secretary) will take place exclusively by telecommunication means that will guarantee the identification of the participants. The operating procedures

with which participation in audio / videoconferencing will be possible will be communicated individually to each legitimated subject.

DESIGNATED REPRESENTATIVE AND DELEGATION PROCEDURE
For the Shareholders' Meeting referred to in this notice, the Company has appointed the Lawyer Stefania Salvini as Designated Representative, pursuant to art. 135-undecies of Legislative Decree 58/1998 (TUF).
The proxy can be granted to the lawyer Stefania Salvini by registered mail with return receipt at Via Tinti 16, 40026 Imola (BO), or by certified e-mail message to the address avvstefaniasalvini@ordineavvocatibopec.it. The Company prepares a specific form which will be made available on the company's website www.irce.it. The proxy to the designated representative must contain voting instructions on all or some of the proposals on the agenda and must reach the aforementioned Representative by 26 April 2022 (second open market day preceding the date of the Shareholders' Meeting on first call). Within the aforementioned term, the proxy and the voting instructions can always be revoked in the same way as for the assignment. The proxy has effect only for proposals in relation to which voting instructions have been given. The aforementioned designated representative may also be given proxies and/or subdelegations pursuant to art. 135-novies of the TUF, in derogation of art. 135-undecies, paragraph 4, of the TUF.

APPOINTMENT OF THE BOARD OF DIRECTORS - The Shareholders who collectively hold a stake of at least 2.5% have the right a right to present lists for the appointment of the Board of Directors by shareholders who collectively hold a stake of at least 2.5%. The lists must be deposited at the registered office of the Company, by registered letter with return receipt addressed to the registered office of the Company or sent e-mail at ircespa-pec@legalmail.it certified at least twenty five days before date set for the meeting on first call, together with detailed information on the personal and professional characteristics of the candidates, the statements in which the individual candidates irrevocably accept the position , subject to their appointment, and attest, under their own responsibility, that there are no causes of ineligibility and incompatibility, the possession of the independence requirements provided for in Article 148, comma3, of the Consolidated Law and the code of conduct of listed companies and the indication of 'identity of the shareholders who submitted the list and the percentage of shares owned.

QUESTIONS ON THE SUBJECTS ON THE AGENDA - Pursuant to Article 27-ter of Legislative Decree 58/1998, Shareholders can ask questions on the items on the agenda even before the Shareholders' Meeting by sending a registered letter with return receipt addressed to the Company's registered office or via certified e-mail message to the address ircespa-pec@legalmail.it. The questions, accompanied by the personal data of the requesting shareholder and by the certification certifying the ownership of the participation, must be received by the Company by 10.00 am on the day before the date of the first call of the Shareholders' Meeting.

INTEGRATION OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS
Shareholders who, even jointly, represent at least one fortieth of the share capital may request in writing, within 10 days of the publication of this notice and in compliance with the provisions of Article 126-bis of Legislative Decree 58/1998 (TUF), the integration of the agenda’s items indicating in the request the additional topics proposed or submitting proposals for resolutions on items already on the agenda. The requests, together with the certification certifying the ownership of the shares, are sent by registered mail with return receipt at the registered office of the Company or by certified e-mail message to the address ircespa-pec@legalmail.it. Within this period and in the same way it must be delivered to the Board of Directors of the Company a report that contains the motivation of the resolution proposals on the new matters or the motivation relating to the new resolution proposals. Notice of integration to the agenda or presentation of further resolution proposals on items already on the agenda shall be given in the same form as required for the publication of the notice of general meeting, at least 15 days before the date of shareholders' meeting on first call. Further resolution proposals on items already on the agenda, as well as the aforementioned explanatory reports (accompanied by any assessments by the Board of Directors) will be made available by the Company at the registered office and on the website at the same time as the publication of the presentation notice.
Pursuant to the provisions of Article 126-bis, paragraph 3, of the TUF, the integration of the agenda by the Shareholders is not allowed for the topics on which the Shareholders' Meeting is called to resolve on the proposal of the Directors or on the basis of a project prepared by them.

DOCUMENTATION – Documents relating to the Meeting will be made available at the Registered office, at the Borsa Italiana SpA (Italian Stock Market) and on the website www.irce.it, within the terms set by the applicable laws. The shareholders have the right to obtain a copy of the deposited documentation.

Any changes and / or additions to the information contained in the notice of meeting will be made available via the company website www.irce.it and in the other ways provided for by law.

This notice is also published on the company website and in the “Corriere della Sera” newspaper.

REPORT ON OPERATIONS FOR 2021

Introduction

Given the significant impact of the activities of the Parent Company IRCE S.p.A. (hereinafter also referred to as the “Company”) within the IRCE Group and pursuant to art. 40 of Italian Legislative Decree no. 127/1991, this Report on Operations is drafted jointly for the separate financial statements of IRCE S.p.A. and the consolidated financial statements of the IRCE Group.

Macroeconomic Scenario

Dear Shareholders,

According to OECD’s December forecasts, world gross domestic product grew by 5.6 percent in 2021 while it is estimated a slowdown to 4.5 percent in the current year. The outlook remains heterogeneous between countries: in 2022, gross domestic product in advanced economies will be back in line with the trend before the start of the pandemic, while the recovery will remain more fragile in emerging economies, especially in less developed ones.

In the euro area, the product increased by 5.2% in 2021, with a sharp deceleration at the end of the year, due to the rising rate of the infections and the persistent tensions on supply chains which hinder manufacturing production. Inflation reached its highest value since the start of the Monetary Union, due to the exceptional increases in the energy component, in particular gas, which in Europe is also affected by geopolitical factors. According to Euro-system experts' projections, inflation would progressively fall over the course of 2022, to 3.2% and to 1.8% in 2023.

Italy’s GDP is expected to grow by 6.3 percent in 2021, despite the significant reduction in the last quarter caused by the resurgence of infections as well as by the persistent supply difficulties related to the unavailability of certain raw materials and intermediate products at a global level.

According to the macroeconomic projections of Banca d’Italia, GDP is expected to increase by 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024, while inflation is expected to stand at 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024.

The above forecasts do not reflect estimates of the potential effects of the ongoing conflict between Russia and Ukraine.

In this context, the 2021 financial year of the Irce Group (hereinafter also the "Group") closed with a net profit of € 9.38 million.

Consolidated Performance for 2021

Consolidated turnover was € 457.14 million, up 54.8% compared to € 295.26 million in 2020, thanks to the increase of sales volumes and of the price of copper (LME average price in euro year 2021 +46.24% on the same period of 2020).

Both winding wires and energy cables confirmed the recovery in market demand, which brought sales volumes back to pre-covid levels.

Since the beginning of the year, we recorded a strong and continuous increase in the cost of raw materials and, starting from the third quarter, was also registered the marked increase in the cost of electricity, which reached the highest purchase prices of the year in December. In order to limit the negative impact on results, the Group started and continues to pursue the transfer of cost increases to the market.

Consolidated turnover without metal[1] grew by 35.2%; the winding conductors sector increased by 30.8% and the cables sector recorded a growth of 49.0%.

[1] Turnover or revenues without metal corresponds to overall turnover after deducting the metal component.

In detail:

Consolidated turnover without metal (€/million)	Year 2021 Value	%	Year 2020 Value	%	Change %
Winding wires	67.80	*73.40%*	51.82	*75.90%*	*30.80%*
Cables	24.57	*26.60%*	16.49	*24.10%*	*49.00%*
Total	92.37	*100.0%*	68.31	*100.0%*	*35.20%*

The following table shows the changes in results compared to the previous year, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	Year 2021	Year 2020	Change
Turnover[2]	457.14	295.26	161.88
EBITDA[3]	23.20	10.75	12.45
EBIT	14.36	3.20	11.16
Profit / (loss) before tax	14.16	4.29	9.87
Profit / (loss) for the year	9.38	2.73	6.65
Adjusted EBITDA[4]	22.96	12.15	10.81
Adjusted EBIT[4]	14.12	4.60	9.52

Consolidated statement of financial position data (€/million)	As of 31.12.2021	As of 31.12.2020	Change
Net invested capital	196.25	162.36	33.89
Shareholders' equity	131.96	122.62	9.34
Net financial debt[5]	64.29	39.74	24.55

Net financial debt as of 31 December 2021 amounted to € 64.29 million, up from € 39.74 million as of 31 December 2020, but down from € 72.75 as of 30 June 2021, as a result of changes in working capital.

Investments

The Group's investments in 2021 amounted to € 7.72 million and mainly concerned IRCE S.p.A. and its subsidiary IRCE Ltda.

[2] The item "turnover" consists in the "sales revenues" as recognised in the income statement.

[3] EBITDA is a performance indicator the Group's Management uses to assess the operating performance of the company and is not an IFRS measure; IRCE S.p.A. calculates it by adding depreciation/amortisation, provisions and write-downs to EBIT.

[4] Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ - 0,24 million in 2021 and € +1.40 million in 2020). These are indicators the Group's Management uses to monitor and assess its own operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and is therefore not comparable.

[5] Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets; see Note 16 of the Notes to the Consolidated Financial Statements. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the Net Financial Position as defined by Consob's Notice no. 5/21 attention recall of 29 April 2021, which takes over the ESMA guideline of 4 March 2021.

Irce Share Price Performance

Below there is a summary of the performance of IRCE's shares, listed on Borsa Italiana's Mercato Telematico - STAR segment.

Stock market indices		
Stock market price		
Official price as of 04 January 2021	Euro	1.68
Official price as of 30 December 2021	Euro	3.12
Market capitalisation		
Capitalisation as of 04 January 2021	Euro	47,255,040
Capitalisation as of 30 December 2021	Euro	87,759,360
Ordinary shares		
Total no. of shares	no.	28,128,000
No. of outstanding shares	no.	26,542,912

Main Risks and Uncertainties

The Group's main risks and uncertainties, as well as risk management policies, are detailed below:

Market risk

The Group is strongly focused on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the Group's medium-term strategy provides for a geographic diversification in non-EU countries. As part of this strategy, the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd was set up in China with the aim of producing and serving the local market. However, the company is currently not operational.

Risk associated with changes in financial and economic variables

- *Exchange rate risk*
  The Group primarily uses the Euro as the reference currency for its sales transactions. It is subject to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also subject to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, China and Czech Republic
  As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the carrying amount of the investment.
  As of 31 December 2021, the exchange rate of the Brazilian currency against the Euro appears to be substantially in line with that of the previous year, while in the first months of 2022 the Real appears to be revalued.

- *Interest rate risk*
  The Group obtains medium/long-term bank financing, mainly at floating interest rates (linked to Euribor) thus exposing itself to the risk deriving from the rise in rates. The Group's policy is not to hedge, given the short average duration of these loans (less than 3 years). With regard to the use of short-term credit lines, at floating rates, the management's attention is aimed at safeguarding and consolidating relations with credit institutions assuming the latter propose the same spread on the Euribor.

- *Risk related to fluctuation in copper price*
  The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential impact of changes in the price of copper on

margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. The average price of copper in 2021 was up 46.2% compared to the same figure of the previous year, reaching Euro 8.56 per kg at the end of the year (as of 31 December 2020 Euro 6.31 per kg). The growth trend continued in the first months of 2022.

- *Risks associated with the procurement of raw materials at sustainable prices*
  Uncertainty about the price development of many raw materials, in particular plastics, insulation materials, electricity and gas, as well as the extent of the required increases could make complex their absorption or their timely transfer to sales prices.

Financial risks
These are risks associated with financial resources.

- *Credit risk*
  There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks, including those related to the COVID-19 pandemic, that could cause days sales outstanding or credit quality to deteriorate.

- *Liquidity risk*
  Based on its financial position, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities.

Risks related to the COVID-19 pandemic

As regards the risks and impacts of the Coronavirus pandemic health emergency, please refer to the specific paragraph in the notes to the financial statements.

Cyber Security risks

The spread of technologies allowing to transfer and share sensitive information virtually gives rise to computer vulnerabilities that could affect the business and compromise the business continuity of the Group.
Given the increasing frequency and breadth of cyber-attacks in recent times, IRCE recently launched an analysis and identified potential issues inside and outside the company, and then implemented a Cyber Security plan as well as a recovery procedure.
Presently, given the ongoing Russian-Ukrainian conflict, the Group is also intensifying monitoring and defence activities in relation to possible malware activities, adopting all the necessary measures to mitigate risks.

Climate Change Risks

The Group has examined the climate change risk scenarios relevant to its operations. In particular, on the one hand it is expected that the sector to which it belongs can be positively impacted by an increase in demand as the new energy transition requires the strengthening of electricity grids and the development of battery vehicles, on the other hand, the strong demand for copper, electricity and other materials necessary for the production of cables and conductors for winding (in particular, granules, PVC, enamels , ...) could cause a sharp increase in prices, making its timely and complete transfer to end customers potentially complex.
At present, these scenarios are constantly monitored by the Group, which currently sees greater opportunities in climate change than the elements of risk.

Outlook

Although remaining at good levels, at the beginning of 2022, sales volumes reflected a slowdown of demand. The continuous increase in the costs of raw materials and electricity, combined with the effects on the global economy of the Russian-Ukrainian conflict, add further elements of uncertainty in making forecasts.

Information on IRCE S.p.A.'s performance

The financial statements of the parent company Irce S.p.A. show a turnover of € 311.59 million, an increase of 69.9% compared to the figure of the previous year, equal to € 183.35 million.

Both business areas, winding conductors and electrical cables, recorded high sales volumes throughout the year returning to pre-covid levels.

It should also be noted that in order to reduce the negative impact on the operating result, the company began to transfer to the market during the year the significant increase in the costs of raw materials and electricity.

In this context, the operating result amounted to € 5.55 million, an increase compared to the one of the previous financial year of € 1.21 million.

The following table shows the changes in results compared to the previous year, including adjusted EBITDA and EBIT.

IRCE S.p.A.' s income statement data (€/million)	Year 2021	Year 2020	Change
Turnover[2]	311.59	183.35	128.24
EBITDA[3]	15.82	5.95	9.87
EBIT	11.07	1.96	9.11
Profit / (loss) before tax	8.03	1.20	6.83
Profit / (loss) for the year	5.55	1.21	4.34
Adjusted EBITDA[4]	15.58	7.53	8.23
Adjusted EBIT[4]	10.83	3.36	7.47

IRCE S.p.A.'s statement of financial position data (€/million)	As of 31.12.2021	As of 31.12.2020	Change
Net invested capital	222.59	196.62	25.97
Shareholders' equity	157.08	152.52	4.56
Net financial debt[5]	65.51	44.10	21.41

Intra-Group Transactions and Transactions with Related Parties

The transactions between the Parent Company and the subsidiaries are of a commercial and financial nature. For more details, please refer to Note 31 of the separate financial statements and to Note 31 of the consolidated financial statements. With regard to transactions with related parties, including intra-group transactions, it should be noted that they can be classified neither as atypical nor unusual, as they are part of the normal course of business of the Group's companies and have been carried out at arm's length.
Pursuant to paragraph 8 of Article 5 of the "Related Party Transactions Regulation" adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently integrated and last amended by resolution no. 21624 of 10 December 2020, the requested information is set out below.

[2] The item "turnover" consists in the "sales revenues" as recognised in the income statement.

[3] EBITDA is a performance indicator the Group's Management uses to assess the operating performance of the company and is not an IFRS measure; IRCE S.p.A. calculates it by adding depreciation/amortisation, provisions and write-downs to EBIT.

[4] Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ -0.24 million in 2021 and € +1.40 million in 2020). These are indicators the Group's Management uses to monitor and assess its own operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and is therefore not comparable.

[5] Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets; see Note 15 of the Notes to IRCE S.p.A.'s Financial Statements. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the Net Financial Position as defined by Consob Resolution no. 5/21 attention recall of 29 April 2021, which takes over the ESMA guideline of 4 March 2021.

In particular, it should be noted that during the 2021 financial year the Company carried out "major transactions" with its subsidiary Smit Draad Nijmegen BV under normal market conditions for a cumulative total of € 6,950 thousand.

Corporate Governance

IRCE S.p.A. adopts the provisions of the Corporate Governance Code issued by Borsa Italiana S.p.A. as a reference for its corporate governance.

The report on corporate governance and ownership structure pursuant to art. 123-bis of the Consolidated Financial Act is available on the website www.irce.it – Investor Relations section, in compliance with art. 89-bis of the Regulation no. 11971/1999 issued by Consob; the purpose of this report is to provide the market and shareholders with a complete disclosure on the governance model chosen by the Company and its actual compliance with the provisions of the Code.

On 28 March 2008, the Company IRCE S.p.A. adopted the organisational, management and control model pursuant to Italian Legislative Decree no. 231/2001 and set up the Supervisory Body, which is responsible for monitoring the operation, updating and compliance of the model.

The Organisational Model and related documents have been updated on the basis of the predicate-offences introduced by the legislator over the years since the adoption of the first version in 2008.

For issues regarding compliance with and interpretation of the Organisational Model, a Supervisory Body was set up when adopting the first version of the Organisational Model.

The current Supervisory Body was appointed by the Board of Directors on 12 September 2019.

Treasury Shares and Shares of the Parent Company

The number of treasury shares at 31/12/2021 is 1,585,088, corresponding to 5.64% of the total shares, equal to a nominal value of € 824 thousand. As of 31.12.2021, the Company does not own shares of the parent company Aequafin S.p.A., nor has traded it during the 2021 financial year.

R&D Activities

Research and development activities in 2021 focused on projects to improve production processes and products.

This year, expenses for development activities were recognised in the income statement, as they are not certain to be recovered in the future through future profits.

Other Information

The attached consolidated and separate annual financial statements are audited by the company Deloitte & Touche S.p.A.

The Board of Directors of IRCE S.p.A. approved the “Consolidated Non-Financial Statement”, which covers environmental and social issues, as well as issues relating to staff, respect for human rights and the fight against corruption. The statement has been included in the financial statements, in compliance with the provisions of Italian Legislative Decree no. 254/2016.

Events after the Reporting Date

In February 2022 the Russian-Ukrainian conflict had a sudden acceleration with the aggression of Ukraine by the Russian army and a consequent new state of emergency arised in Italy to help provide relief and assistance to the Ukrainian population.

Please note that Irce Group has no direct economic impact resulting from the conflict between Ukraine and Russia, not owning companies or manufacturing plants in these countries. In addition, the Group does not purchase anything from these countries and on the basis of preliminary analysis it has been assessed that there are no critical issues related to the supply chain.

On the other hand, the sales channel should be more monitored because, although Irce Group does not have recurring transactions with these countries, it is not known the impact that the Russian-Ukrainian conflict could have on the turnover of our customers, even in absence at the time of specific risk reports.

However, to date the main effects of the conflict perceived by the Irce Group are substantially linked to the sudden and exceptional increase in the price of natural gas, and therefore of electricity, taking into account that Russia represents for Italy the first supplier of natural gas.

In order to limit the negative impact on results, however, the Group started and continues to pursue the transfer of cost increases to the market.

In conclusion, although Irce Group is certain penalized by the current price of electricity, given that Irce's sector is energy-intensive, it is believed that the negative economic effects, although not estimated in terms of magnitude, cannot jeopardize the Group's net equity and financial solidness.

Dear Shareholders,

we invite you to approve the separate financial statements of IRCE S.p.A. as of 31 December 2021, reporting a profit of € 5,551,458.

We propose to approve the distribution of a € 0.05 dividend per share, to be paid out of the profit of the year, with an ex-dividend date on 23 May 2022, a record date on 24 May 2022, and payment date on 25 May 2022. In addition, we propose to allocate the remaining net profit, after the payment of the dividends, to the Extraordinary Reserve.

The Board thanks the Shareholders for their trust, all personnel for the service rendered during the year, and the Board of Statutory Auditors for the control activities carried out and the valuable advice.

Imola, 15 March 2022

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 254/2016

1. METHODOLOGICAL NOTE

1.1. Scope and Purpose

The Irce Group falls within the scope of application of Italian Legislative Decree no. 254/2016 – issued in implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 – which provides, for certain companies and large groups, for the obligation to disclose non-financial information and information on diversity.

This Consolidated Non-Financial Statement (also “NFS” or “Statement”), for the year ended as of 31 December 2021, confirms IRCE Group’s commitment to report the non-financial impacts of its business, in compliance with the provisions of the Decree. IRCE has chosen to include the Statement in its 2021 Report on Operations, as required by art. 5 of the Decree.

1.2. Scope of the Consolidated Non-Financial Statement

The reporting scope of this Statement includes the following Group Companies:

- *”Manufacturing companies”*:
  - IRCE S.p.A. – Italy (Parent Company);
  - Irce Ltda – Brazil;
  - FD Sims Ltd – UK;
  - Smit Draad Nijmegen BV – The Netherlands;
  - Stable Magnet Wire P. Ltd – India;
  - Isodra GmbH – Germany.
- *”Trading or small companies”:*
  - Isomet AG – Switzerland;
  - DMG GmbH – Germany;
  - Isolveco Srl – Italy (in liquidation);
  - Isolveco 2 Srl – Italy;
  - Irce Electromagnetic wire (Jiangsu) Co. Ltd – China;
  - Irce S.L. – Spain;
  - Irce SP ZO.O. – Poland;
  - Irce sro – Czech Republic.

The reporting scope of the economic-financial data and disclosures corresponds to the scope of the Irce Group’s consolidated financial statements as of 31 December 2021 (please refer to the section accounting standards and explanatory notes).

With respect to qualitative disclosures and quantitative data on human resources, including occupational health and safety matters, these are included in the reporting scope of the companies consolidated using the line-by-line method in the consolidated financial statements.

With respect to qualitative disclosures and quantitative data on environmental matters, “*trading or small companies*” are excluded as they are not considered to be material, given their limited energy consumption and type of business (they are exclusively trading, non-production entities). This option is envisaged by art. 4 of Italian Legislative Decree no. 254/2016, according to which the statement may exclude companies that, even if included in the accounting scope of consolidation, are not necessary to understand the Group’s business, its performance and the results and impact produced by such business.

In 2021, there were no significant changes in the Group's size, organisational structure, ownership and supply chain. In 2021, a new company was set up in the Czech Republic (Irce sro), which is not currently operating.

1.3. Reference Guidelines and Reporting Process

The qualitative and quantitative information reported in the NFS is drawn up in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" developed by the GRI - Global Reporting Initiative, in compliance with the requirements of the Decree on the use of reporting standards issued by authoritative supranational, international or national authorities (art. 3, para. 3).
The level of application of GRI Standards corresponds to the Referenced option (see Chapter 7 – GRI Content Index).

To allow comparing data over time, the Group included a comparison with the data from 2020. The restatement of previously published comparative information is disclosed in the relevant tables. In addition, to ensure the data are reliable, the Group limited the use of estimates as much as possible. Where present, these are properly disclosed and based on the best methods available.

On 20 December 2021, the Board of Directors of IRCE approved a procedure defining the process of preparing the non-financial statement. Here below is a description of the main stages in the non-financial reporting process for 2021, indicating the roles and responsibilities related to them.

Stage 1 – Definition of the matrix and the contents of the NFS

- Preliminary identification of the potentially relevant topics to be included in the questionnaire on the basis of internal and external sources, for example corporate strategies, outcomes of benchmarking, outcomes of the analysis of developments in sustainability and the relevant national and European regulation on sustainable finance; this activity is undertaken by the Manager responsible for preparing the NFS;
- Completion of the questionnaire aimed at identifying the material topics by the management of the Parent Company and the subsidiaries;
- Revision and approval of the materiality analysis by the Chairman of the Board of Directors of the Parent Company;
- Sharing of the Materiality analysis with the Control and Risks Committee, the Board of Statutory Auditors and the Manager responsible for preparing the corporate accounting documents, and transposition of any remarks;
- Discussion and approval by the Board of Directors of the Parent Company of the materiality analysis with resolution of 20 December 2021;
- Definition of the NFS content, indicators and scope with respect to material topics.

Stage 2 – Collection of data, non-financial information and drafting of the NFS

- Start of the process for collecting non-financial data and information through the distribution of forms containing the previously selected GRI indicators to all companies included in the reporting scope;
- Drafting of the NFS.

Stage 3 – Approval of the NFS

- Revision and approval of the NFS by the Chairman of the Board of Directors of the Parent Company;
- Sharing of the NFS with the Control and Risks Committee, the Board of Statutory Auditors and the Manager responsible for preparing the corporate accounting documents, and transposition of any remarks;
- Approval of the NFS by the Board of Directors, jointly with the Report on Operations and the Consolidated Financial Statements with resolution of 15 March 2022.

The consolidated non-financial statement is subject to a limited assurance engagement by Deloitte & Touche S.p.A., in compliance with the criteria set out in ISAE 3000 Revised, which was carried out in accordance with the procedures set out in the "Report of the Independent Auditors" included herein.

The consolidated non-financial statement is prepared on an annual basis.

This consolidated non-financial statement is available on the Group website in the section Investor Relations > Financial Statements and Reports > Financial Statements as of 31 December 2021 and is disseminated to the public and sent to the Consob and to Borsa Italiana via the NIS (Network Information System).

1.4. Materiality Analysis

In order to define the material topics subject to reporting herein, Irce took into account the provisions of art. 3 of Italian Legislative Decree no. 254/2016.

Following this analysis, Irce defined a process – described below – aimed at identifying those topics that could substantially influence stakeholders' assessments and decisions and that reflect the Group's economic, environmental and social impacts.

The process for determining material topics was carried out through the completion of a questionnaire; where possible benchmarking activities were carried out with competitors and new topics were assessed which are of interest to public opinion in order to highlight the topics considered most significant for both the Irce Group and its stakeholders, as reported in this Statement.

The materiality analysis saw the participation of the managers of the various Group companies and of the Parent Company (for the Imola plant the Chairman of the Board of Directors and for the Miradolo Terme, Guglionesi and Umbertide plants, the Plant managers) who play a supporting role for the NFS.

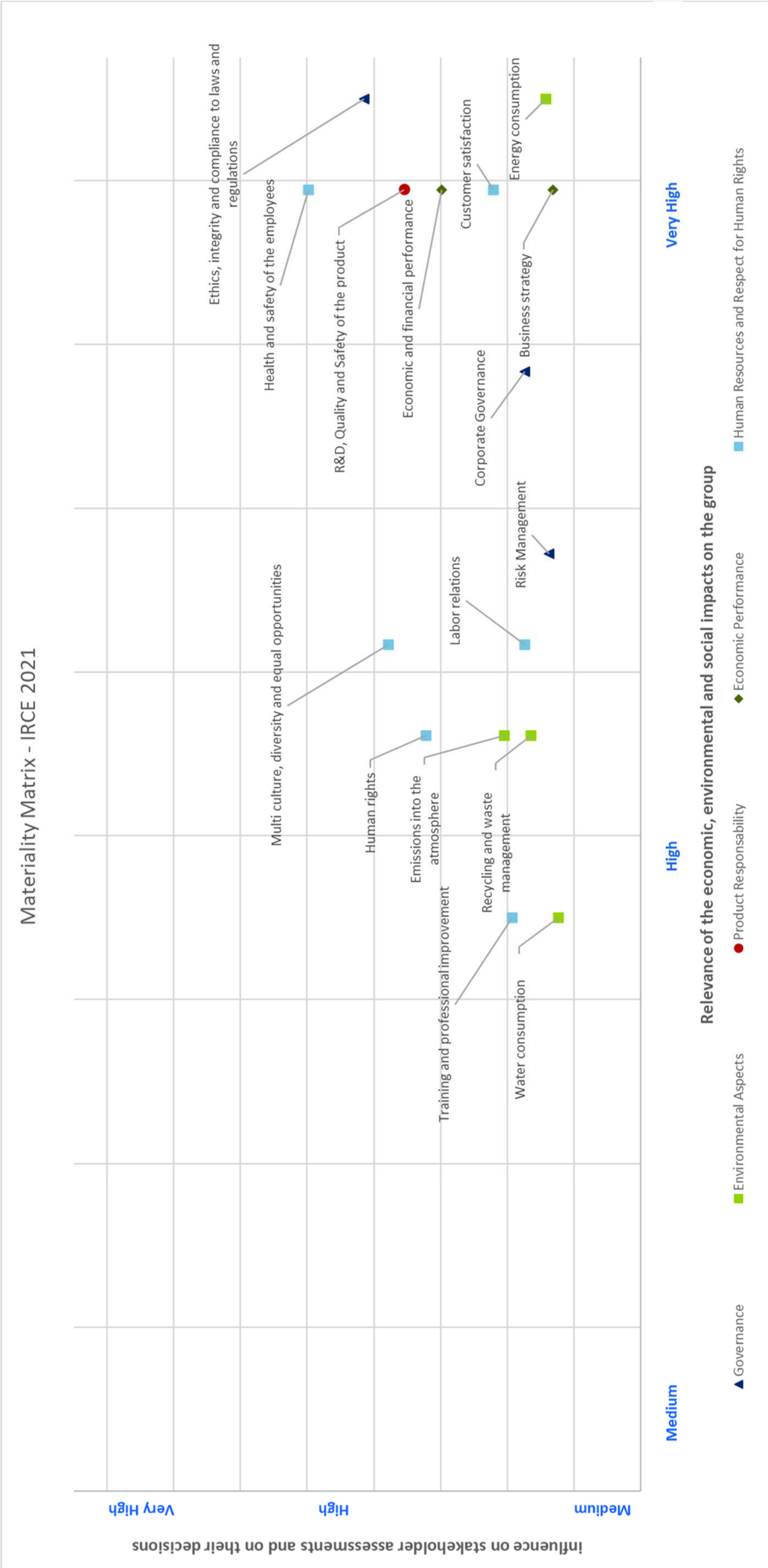
They were given a questionnaire concerning a series of topics classified under five macro areas: Governance, Economic Performance, Product Responsibility, Environmental Aspects, Human Resources and Respect for Human Rights.

Stakeholders include employees, shareholders, customers, suppliers, trade unions and local communities. Given the size and type of business of the Group companies, it was decided that the analysis would be carried out indirectly, as this was considered more practical and efficient, asking internal representatives, through completing the questionnaire, to score each topic being examined, in accordance with their assessment based on their knowledge of the company and the specific needs of the Group's stakeholders, as they have frequent contact with them.

The materiality analysis described above allowed to identify the most significant topics for the Group and its stakeholders, i.e., those with a score higher than the so-called "defined materiality threshold".

The Materiality Analysis was approved by the Chairman of the Board of Directors; it was submitted to the Control and Risks Committee, to the Board of Statutory Auditors and to the Manager responsible for preparing the corporate accounting documents for any remarks and was lastly approved on 20 December 2021 by the Board of Directors of the Parent Company.

The topics which emerged as being material, as shown in the following chart, define the focus areas for reporting. Compared to the previous report, the topics "Ethics and integrity", "Compliance with laws and regulations" and "Fight against corruption and bribery" have been aggregated under the topic "Ethics, integrity and compliance with laws and regulations".


Materiality Matrix - IRCE 2021
Ethics, integrity and compliance to laws and regulations
Health and safety of the employees
R&D, Quality and Safety of the product
Economic and financial performance
Customer satisfaction
Energy consumption
Business strategy
Corporate Governance
Risk Management
Labor relations
Multi culture, diversity and equal opportunities
Human rights
Emissions into the atmosphere
Recycling and waste management
Training and professional improvement
Water consumption
Very High
High
Medium
Relevance of the economic, environmental and social impacts on the group
Influence on stakeholder assessments and on their decisions
Governance
Environmental Aspects
Product Responsability
Economic Performance
Human Resources and Respect for Human Rights

Scope and impact of material topics

Scope of Italian Leg. Decree 254/16	Material topics	GRI aspects	Scope of impact	Group involvement
Fight against corruption and bribery	Ethics, integrity and compliance with laws and regulations	Anti-corruption	Irce Group	Caused by the Group
Occupational health and safety	Employees' health and safety	Occupational health and safety	Group employees and external collaborators (*)	Caused by the Group
	R&D and Product quality and safety	Customer health and safety	Irce Group	Caused by the Group
	Economic and financial performance	Economic Performance	Irce Group	Caused by the Group
	Customer satisfaction		Irce Group	Caused by the Group
Gender equality	Multiculturality, diversity and equal opportunity	Diversity and equal opportunity	Group employees	Caused by the Group
		Non-discrimination	Group employees	Caused by the Group
	Corporate governance		Parent Company Irce S.p.A	Caused by the Group
	Risk management		Irce Group	Caused by the Group
	Business strategy		Irce Group	Caused by the Group
Use of energy resources from renewable and non-renewable sources	Energy consumption	Energy	Irce Group	Caused by the Group
Human rights	Human rights	Child labour	Irce Group and suppliers	Caused by the Group and to which the Group contributes
		Forced or compulsory labour	Irce Group and suppliers	Caused by the Group and to which the Group contributes
	Recycling and waste management	Waste	Irce Group	Caused by the Group
Greenhouse gases	Emissions to air	Emissions	Irce Group and electricity suppliers	Caused by the Group and related to the Group through its commercial relations
Human resources management and relations with social partners	Industrial relations		Irce Group	Caused by the Group
	Training and professional growth	Training and education	Irce Group	Caused by the Group
Use of water resources	Water consumption	Water and effluents	Irce Group	Caused by the Group

(*) Data relating to the Health and Safety of external collaborators include only the category of temporary workers hired from external agencies and not other types of non-employee workers working at the Group's sites and/or under the Group's control, given their significance and the availability of such data over which the Group does not exercise direct control.

2. GOVERNANCE

Irce's management identified the main risks, generated or suffered, relating to the above topics and resulting from business activities, and then identified suitable prevention and mitigation measures.

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
▪ Corporate governance ▪ Ethics, integrity and compliance with laws and regulations ▪ Risk management	▪ Committing corporate and tax crimes ▪ Committing crimes relating to corruption ▪ Failed compliance or violation of reference legislation or applicable regulations ▪ Loss of certifications, approvals or authorisations to operate ▪ Loss of reputation	▪ Code of Ethics ▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 ▪ Supervisory Body ▪ Control and Risks Committee	▪ Encouraging stakeholder engagement to guarantee the most realistic and correct representation of materiality ▪ Strengthening the process of disseminating the Code of Ethics and its principles at Group level

Irce has adopted and implemented a business model described in the previous sections of this Report on Operations, an Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 and consequently, set up a Supervisory Body - as described in the Report on Operations and summarised below.

2.1. Corporate Model

The Corporate Governance structure of the Parent Company IRCE is based on the classic model and is composed of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Board of Directors is composed of three to twelve members, elected by the Shareholders' Meeting. They shall remain in office for a period of no more than three financial years, as established at the time of appointment, and their office ends on the date of the Shareholders' Meeting convened to approve the financial statements for their last year of office.

The Board is currently composed as follows:

- **Board of Directors of the Parent Company**: consisting of 6 members, 2 of which are women (1 chairman, 1 executive director, 2 non-executive directors and 2 independent directors);
- **Remuneration Committee** (within the Board of Directors);
- **Control and Risks Committee** (within the Board of Directors).

For more information on the corporate bodies, internal committees and the internal control and risk management system, please refer to the Corporate Governance Report published on the website www.irce.it.

Governance members by gender - Parent Company IRCE S.p.A.						
Number of individuals	2021 (*)			2020		
	Men	Women	Total	Men	Women	Total
Board of Directors	4	2	**6**	4	2	**6**
Board of Statutory Auditors	2	1	**3**	2	1	**3**
Total	**6**	**3**	**9**	**6**	**3**	**9**

(*) The BoD is broken down as follows: 67% men and 33% women; the board of statutory auditors is broken down as follows: 67% men and 33% women.

The current Board of Directors' term of office expires with the approval of the financial statements for the year 2021.

2.2. Policies, Management Systems and Organisational Models

The IRCE Group is an important multinational player in the European market, operating in the sector of winding wires and electrical cables. Production takes place at four plants in Italy and five located abroad. The Group also includes five trading companies, four of which are foreign, and two newly established and currently non-operating companies in China and the Czech Republic. Irce stands out thanks to its cutting-edge technology, advanced production and self-monitoring processes that guarantee the highest levels of quality and productivity.

IRCE complies with the standards of the following certifications:

- ISO 9001
- IATF 16949*
- ISO 14001**
- ISO 45001***

* For the Companies IRCE S.p.A., Fd Sims Ltd and IRCE Ltda;
** For the Companies IRCE S.p.A. (Imola plant) and Fd Sims Ltd;
*** For the Company FD Sims Ltd.

The Group also approved specific policies concerning the environment and safety, in particular, the Imola plant is subject to Seveso III Directive (Directive 2012/18/EU of 4 July 2012, implemented in Italy by Legislative Decree no. 105 of 26 June 2015).

In compliance with the provisions of art. 4 of the Corporate Governance Code, the Board of Directors established within itself the Control and Risks Committee with consultation and proposal functions.

The principles on which the process of reporting non-financial information is based can be identified in the trustworthiness, accuracy, reliability, and timely nature of the disclosure.

Irce has adopted and implemented a Code of Ethics, an integral part of the Organisation, Management and Control Model 231, which contains the values as well as the moral and professional standards to be observed during the performance of all business activities.

The Code of Ethics applies to all those who, directly or indirectly, permanently or temporarily, establish relationships with the Company, namely: directors, auditors, managers, employees, collaborators, consultants, customers, suppliers, business partners.

The Code states that, when carrying out their activities and exercising their responsibilities, all individuals must behave correctly, transparently and objectively. Moreover, the performance of all business activities must take place in compliance with applicable laws and corporate procedures, according to the criteria of diligence, honesty, collaboration, fairness and loyalty.

Any violations will be reported to the Supervisory Board and the relevant Control Bodies, and may lead to disciplinary, civil or criminal consequences.

As part of its commitment to promote ethical and legal conduct, in its Code of Ethics, IRCE has prepared a specific section where all the stakeholders can report, in writing and anonymously, any violation or suspected violation of the Code of Ethics itself (so-called whistleblowing).

- **Ethics, integrity and compliance with laws and regulations**

On the basis of the Code of Ethics, according to the values of honesty and transparency, the Company undertakes to implement all necessary measures to prevent and avoid cases of corruption and conflict of interest.

All collaborators must know, have full awareness of and adapt their activities to the principles and directives of the Code and refrain from conduct that does not comply with the aforementioned principles, also cooperating in the assessment of any violations and reporting any information relevant for the identification of offenders.

Any collaborators who acquire knowledge of alleged non-compliant conduct are required to report information on such conduct to their supervisors, and/or the Head of Human Resources of the Company, or the Supervisory Board, if present.

All employees have the right and the duty to consult their direct supervisors and/or the Head of Human Resources for any clarifications regarding the interpretation and application of the principles and directives of the Code, as well as the conduct to be adopted in case of any doubts as to their correctness or compatibility with the Code itself and/or its inspiring principles.

In case of violation of the Code of Ethics, IRCE adopts disciplinary measures against those responsible for such violation – if considered necessary for the protection of corporate interest and in line with the provisions of the current regulatory framework and employment contracts – which may lead to the removal of the persons responsible from the Company, in addition to compensation for any damages arising from the violation.

The processes/corruption offences risk matrix was used to calculate the number of processes at risk of corruption in relations with the public administration and at risk of corruption between private parties. 48 activities at risk of corruption out of 82 activities sensitive to the types of offences envisaged by the Model 231 (corresponding to 59% of activities) were identified. Based on the organisational and control system, the residual risk of such offences occurring has been reduced to a low level.

In 2021, there were no cases of non-compliance with social or environmental regulations leading to significant penalties, no cases of corruption and no cases of discrimination.

- **Risk Management**

IRCE has various risk assessment systems and concurrent management methods available, each related to a specific topic:

- Governance, strategy and internal control system (Corporate Governance, Internal Control System as per Law 262 and Strategic Plan);
- Offences under Legislative Decree no. 231/2001 (Model 231 and the Code of Ethics);

- Management risks (as shown in the Report on Operations), subdivided as follows:
  - *Market risk;*
  - *Risks associated with changes in financial and economic variables:*
    - *Exchange rate risk;*
    - *Interest rate risk;*
    - *Risk related to fluctuation in the price of copper;*
    - *Risk related to sourcing raw materials at sustainable prices.*

  - *Financial risks:*
    - *Credit risk;*
    - *Liquidity risk.*
  - *Risks related to the Covid-19 pandemic;*
  - *Cyber Security risks;*
  - *Climate change risks.*
- Environment and safety, including compliance by Group companies with laws and local regulations;
- Quality, with two types of risk analysis related to process and product.

- **Climate Change**

To complete the description in the previous risk analysis "Climate Change Risks", it should be noted that in the second part of 2021, at the IRCE S.p.A. plant in Imola (Bologna), a project started to calculate its carbon footprint.
The project aims to calculate the CO_2 emissions (upstream Scope 1, Scope 2 and Scope 3) from the plant over the course of a year; this project will then be used as a model to make this calculation also for the other Group plants and as a basis for future strategic decisions.

- **Taxes**

The Group's goal is to establish a relationship with the various tax authorities it deals with based on collaboration, dialogue and transparency; it complies with the laws and pays the taxes due in the countries where it operates.

The financial statements of the Group's main companies are audited; and the Parent Company has an Internal Audit function as well as a Control and Risks Committee.

3. HUMAN RESOURCES AND RESPECT FOR HUMAN RIGHTS

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	METHODS FOR MANAGING RISK	IMPROVEMENT OBJECTIVES
▪ Multiculturality, diversity and equal opportunity ▪ Human rights ▪ Employees' health and safety ▪ Training and professional growth ▪ Industrial relations	▪ Damage and/or injuries due to incompetence and negligence ▪ Risk of discrimination and unequal treatment ▪ Increase in the number of injuries ▪ Increase in work-related stress	▪ Code of Ethics ▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 ▪ Supervisory Body ▪ Occupational safety systems ▪ IRCE S.p.A., internal trade union representatives	▪ Development by the Parent Company of training coordination and supervision activities, in order to identify the training needs of each employee category and raise awareness about training. The Group continued its training coordination and supervision activities as reported in the section "Training and professional growth". ▪ Development and scaling up of initiatives concerning prevention, awareness and employees' health protection

3.1. Policy and Management Model

People represent an important and central resource for the Irce Group.

The Group is committed to implementing programmes to protect the health and safety of its workers and focuses on programmes for professional improvement, ensuring equal opportunity and non-discrimination.

Irce is dedicated to improving the workplace and systematically identifies and assesses potential risks for workers and parties involved, defining suitable prevention measures.

The managers of the various companies are the main representatives with respect to risk prevention and are responsible for developing and implementing the Policy for accident prevention, for regularly checking the state of implementation of the Safety Management System adopted and for achieving the objectives set.

All workers are informed, trained and prepared to operate with full knowledge of the potential risks involved in their activities.

The Irce Group's philosophy aims to pursue excellent performance in an environment where individual satisfaction and wellbeing is a key priority for the achievement of corporate objectives.

3.2. Non-Financial Results and Indicators

- **Characteristics and breakdown (multiculturality, diversity and equal opportunity)**

The Irce Group's workforce as of 31 December 2021 consisted of 729 individuals, of which 657 employees and 72 external collaborators; this figure differs from that reported in the notes to the financial statements under "Personnel costs" as the number of employees is calculated using the Full Time Equivalent method.

As far as internal employees are concerned, almost all of them (about 96%) are on permanent contracts, confirming the Group's commitment to fostering stable and long-lasting relationships with its employees.

The geographical distribution of the Group with respect to the main companies sees 55% of personnel employed in Italy, 18% in Brazil, 12% in the Netherlands, 4% in the UK, 4% in India, 3% in Germany, 3% in Switzerland and the remaining 1% in various countries.

Group's workforce by gender as of 31 December						
Job category	**2021**			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Employees	584	73	**657**	593	76	**669**
Workers from external agencies	44	28	**72**	45	15	**60**
Total	**628**	**101**	**729**	**638**	**91**	**729**

Total number of employees broken down by type of contract (permanent or fixed-term employment) and gender, as of 31 December						
Type of contract	**2021**			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Permanent	562	72	**634**	572	74	**646**
Fixed-term	22	1	**23**	21	2	**23**
Total	**584**	**73**	**657**	**593**	**76**	**669**

Total number of employees broken down by type of contract (full-time and part-time) and gender, as of 31 December						
Type of contract	**2021**			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Full-time	579	46	**625**	587	46	**633**
Part-time	5	27	**32**	6	30	**36**
Total	**584**	**73**	**657**	**593**	**76**	**669**

Number of employees broken down by job category and gender, as of 31 December						
Job category	**2021**			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Company managers and Head of functions	32	2	**34**	32	2	**34**
White collars	62	46	**108**	69	50	**119**
Blue collars	490	25	**515**	492	24	**516**
Total	**584**	**73**	**657**	**593**	**76**	**669**

Percentage of total employees covered by collective bargaining agreements, as of 31 December		
Number of employees	**2021**	**2020**
Total number of employees	657	669
Total number of employees covered by collective bargaining agreements	600	605
Total %	**91.32%**	**90.43%**

The most representative contract is the Collective Bargaining Agreement (CCNL) for rubber and plastic industry, which concerns most of IRCE S.p.A.’s plants.

- **Human rights**

The protection of human rights is an important topic for Irce and this is highlighted and explained in the Company’s Code of Ethics. This is in part related to other topics addressed in this Statement, such as health and safety and contractual fairness.

People are a crucial element for company operations; for this reason, the Irce Group gives great importance to personal dignity, protection of moral integrity, tolerance, transparency and, in general, the fundamental rights of every individual.

- **Employees’ health and safety**

The health and safety of workers is a primary concern for the Group. The adequacy of the working environment and work equipment, the education and training of personnel and everything necessary to comply with safety requirements are of paramount importance.

The risk assessment document, in which company risks are identified and assessed in terms of probability and severity, is regularly updated. It is the Group's policy to carry out regular meetings on safety.

Below are the injury rates broken down by frequency and severity as well as by employees and external workers. No deaths resulted from work-related injuries or occupational diseases.

Injury rates - employees	**2021**	**2020**
Frequency		
a) Number of recordable work-related injuries	*30*	*15*
b) Total number of hours worked	*1,142,964*	*1,081,787*
Work-related injury rate (a/b) x 1,000,000	**26.25**	**13.87**
Seriousness		
a) Number of high-consequence injuries (*)	*0*	*0*
b) Total number of hours worked	*1,142,964*	*1,081,787*
High-consequence work-related injury rate (a/b) x 1,000,000	**0.00**	**0.00**

Injury rates - external workers (**)	**2021**	**2020**
Frequency		
a) Number of recordable work-related injuries	*4*	*2*
b) Total number of hours worked	*126,755*	*97,862*
Work-related injury rate (a/b) x 1,000,000	**31.56**	**20.44**
Seriousness		
a) Number of high-consequence injuries	*0*	*0*
b) Total number of hours worked	*126,755*	*97,862*
High-consequence work-related injury rate (a/b) x 1,000,000	**0.00**	**0.00**

(*) A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
(**) Data relating to the Health and Safety of external collaborators include only the category of temporary workers hired from external agencies and not other types of non-employee workers working at the Group's sites and/or under the Group's control, given their significance and the availability of such data over which the Group does not exercise direct control.

Compared to last year, there was an increase in the number of injuries, but considering their causes and duration, most were minor and are of no particular concern. In addition, it should be noted that there were no high-consequence injuries.

- **Covid-19**

As for the healthcare emergency caused by the coronavirus pandemic, there were no critical situations which compromised people's health and the ordinary course of business. Please note that all Group companies promptly adopted the safety protocols required under the various national laws; the more structured entities adopted more stringent measures and set up inter-company committees to discuss with employees the actions to be taken to protect the health of workers.
The staff suspected to have been infected are pre-emptively quarantined, while those infected with Covid-19 need a medical certificate of recovery to return to work.
For more details, please refer to the specific paragraph *"COVID-19 – Impacts of the pandemic – Updates"* in the notes to the financial statements.

- **Training and professional growth**

In line with the business strategy, the Irce Group aims to enhance the skills of its staff. Training activities involved both employees and external workers.
The Group follows training programmes concerning the environment, quality, safety, accident risk and information systems.

Hours of annual training for employees and external workers		
	2021	**2020**
Total hours of training provided to internal and external workers	9,765	8,218
Average hours of training per worker (*)	**13.39**	**11.27**

(*) Data relating to the training of external collaborators include only the category of temporary workers hired from external agencies and not other types of non-employee workers working at the Group's sites and/or under the Group's control, given their significance and the availability of such data over which the Group does not exercise direct control.

- **Industrial relations**

The IRCE Group does not oppose or discriminate against joint trade union representation. IRCE maintains relations with public authorities, trade associations and unions, in order to establish mutually beneficial forms of collaboration.

The companies IRCE S.p.A., FD Sims, Smit Draad and Stable Magnet Wire all have internal trade union representatives. Information sessions are regularly held with these representatives to discuss business performance and address matters of mutual interest.

4. ENVIRONMENTAL ASPECTS

The relevant topics in terms of environmental management are summarised in the table below, together with the main risks identified by Irce. The following pages describe the policies, the management model and the results achieved.

The data provided in this section refer only to the Group's production plants.

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
▪ Energy consumption ▪ Water consumption ▪ Recycling and waste management ▪ Emissions to air	▪ Discontinuity of electricity supply ▪ Air, soil and water pollution	▪ Code of Ethics ▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 ▪ Environmental management systems complying with local regulations based on the ISO 14001 model (for Imola and FD SIMS Ltd plants)	▪ To increase awareness and attention regarding responsible resource management and respect for the environment. The Group is committed to stepping up measures to raise awareness and attention towards the environment over the next few years.

4.1. Policy and Management Model

The Irce Group has adopted an environmental management system based on the ISO 14001 guidelines and ensures management compliance with current environmental regulations; for the Imola and FD SIMS Ltd plants the system has been certified by a third party.

In addition to falling within the scope of application of Italian Legislative Decree no. 81/2008, as subsequently amended, on occupational health and safety, IRCE S.p.A also falls within the scope of application of Italian Legislative Decree no. 105/2015, since substances and preparations (insulating paints) classified as hazardous and exceeding the thresholds indicated in the Decree are present and used at the Imola (Bologna) plant (lower-tier establishment).

Activities with a significant accident risk are identified according to Seveso III Directive (Directive 2012/18/EU of 4 July 2012, implemented in Italy by Legislative Decree no. 105 of 26 June 2015) through a simple mechanism that takes into account the inherent danger of the substances and preparations produced, used, handled or stored at the plant, including those that may be generated in case of accident, and the amounts of the same, making it mandatory for operators of the aforementioned activities to submit to the competent authorities documents certifying the performance of appropriate risk assessment.

All Group companies cooperate through the adoption of responsible and environmentally friendly conduct, in line with the Parent Company’s management system.

The Group is committed to using products and processes that save resources and minimise the environmental impact.

4.2. Non-Financial Results and Indicators

- **Energy consumption**

For the transformation of energy consumption into Giga joules (GJ), conversion factors taken from current technical literature were adopted.

Energy Consumption					
	Unit	2021 (**)		2020 (***)	
		Total	Total GJ	Total	Total GJ
Natural gas	**m^3**	1,739,336	**69,077**	1,784,979	**70,732**
Diesel fuel	**l**	676,640	**25,838**	546,107	**20,806**
LPG	**tonnes**	20	**990**	19	**951**
Electricity(*)	**kWh**	125,832,817	**452,998**	105,745,744	**380,685**
TOTAL ENERGY CONSUMPTION	**GJ**		**548,903**		**473,175**

(*) The Group does not acquire guarantees of origin; all electricity is considered non-renewable.
(**) For 2021, the GJ conversion factors used are from the 2021 UK Government GHG Conversion Factors for Company Reporting.
(***) For 2020, the data were restated using the GJ conversion factors from the 2019 UK Government GHG Conversion Factors for Company Reporting.

Natural gas is mainly used to heat work premises, while electricity is primarily used in the production process and mostly to operate enamelling furnaces.

The higher energy consumption recorded in 2021 compared to the previous year was mainly due to the increase in production at Group level.

In the various Group plants, systems have been set up for constant control of gas and electricity consumption, in particular for the Imola plant, the Group's largest; the development of energy-saving projects has continued on the production side, thus obtaining energy savings certificates (ESC).

- **Water Withdrawal (*)**

Water Withdrawal (ML)				of which area with very high water stress	
Resource	**Unit**	**2021**	**2020**	**2021**	**2020**
Surface water	**ML**	13.2	8.4		
Groundwater		9.9	7.1	9.9	7.1
Third-party water resources		70.9	59.9	60.0	50.2
Total		**94.0**	**75.4**	**69.9**	**57.3**

(*) Data relating to water withdrawal are presented in line with the guidelines contained in the new specific GRI Disclosure 303-3 (2018) "Water withdrawal". For water stress calculation, reference should be made to the Aqueduct portal (*https://www.wri.org/aqueduct*).

The higher water consumption is due to the use of industrial water in the production process to cool machinery, as a consequence of the higher production.

Water stress measures the ratio of total water withdrawals to available renewable surface water and groundwater supplies and refers to the Italian plants in Imola (Bologna), Guglionesi (Campobasso) and Umbertide (Perugia).

- **Recycling and waste management**

The Irce Group aims to reduce and responsibly manage the waste it produces. Also in 2021, the main projects for correct waste management that Irce has invested in include:

- use of materials/processes that reduce waste production;
- training and involvement of all staff to raise awareness about environmental programmes;
- careful selection of environmental suppliers.

Total waste amounted to 4,692 tonnes and the majority went to recycling (82%) and recovery (8%), with only 2% going to landfill.

WASTE by type and disposal destination (tonnes)						
Type of waste	**2021**			**2020**		
	Hazardous	**Non-hazardous**	**Total**	**Hazardous**	**Non-hazardous**	**Total**
Re-use	-	56	**56**	-	39	**39**
Recycling	44	3,790	**3,834**	24	3,179	**3,203**
Composting	-	20	**20**	-	18	**18**
Recovery (also of energy)	41	314	**355**	37	317	**354**
Incineration	-	170	**170**	-	115	**115**
Deep well injection	-	-		-	-	**-**
Landfill	50	23	**74**	13	24	**37**
On-site storage	-	-	**-**	-	-	**-**
Other	175	9	**184**	183	8	**191**
Total	**310**	**4,382**	**4,692**	**257**	**3,700**	**3,957**

The main type of waste is copper scrap from the production process. This is recycled and reprocessed by specialist companies to be recovered almost in full. Owing to this, the increase in waste is linked almost entirely to the greater amount of copper scrap due to the increase in production.

- **Emissions in the atmosphere (*)**

CO_2 emissions resulting from consumption are shown in the previous section.
The Irce Group calculates its "carbon footprint" in terms of CO_2 emissions, reporting on:

- direct GHG emissions (Scope 1), resulting from the use of fuels for operating company-owned or fully-managed plants and equipment
- indirect emissions (Scope 2) resulting from externally supplied energy consumed at all plants (electricity).

Direct GHG emissions (Scope 1)					
	Unit	2021		2020	
		Total	tCO_2e	Total	tCO_2e
Emissions from natural gas consumption	**m³**	1,739,336	**3,516**	1,784,979	**3,610**
Emissions from diesel fuel consumption	**l**	676,640	**1,700**	546,107	**1,390**
Emissions from LPG consumption	**GJ**	990	**59**	951	**57**
Total			**5,275**		**5,057**

Indirect GHG emissions (Scope 2) – Location-Based Method (**)					
	Unit	2021		2020	
		Total	tCO_2e	Total	tCO_2e
Electricity	**kWh**	125,832,817	**35,778**	105,745,744	**32,075**

Indirect GHG emissions (Scope 2) – Market-Based Method (***)					
	Unit	2021		2020	
		Total	tCO_2e	Total	tCO_2e
Electricity	**kWh**	125,832,817	**48,977**	105,745,744	**42,261**

(*) To calculate Scope 1 emissions for 2021, the Group used the conversion factors from the 2021 UK Government GHG Conversion Factors for Company Reporting.
(**) Scope 2 emissions are reported in tonnes of CO_2, however the percentage of methane and nitrous oxide has a negligible impact on total greenhouse gas emissions (CO_2 equivalent), as the relevant technical literature shows. To calculate 2021 Scope 2 emissions under the location-based method, the Group used the emission factors set out in TERNA's document, 2019 International Comparisons (data as of 31 December).
(***) To calculate 2021 Scope 2 emissions under the market-based method, the Group used the emission factors set out in AIB's document, European Residual Mixes 2020, for Euro Area countries, and the emission factors mentioned in the previous note for the other countries in which the Group operates.

As set out previously, also for CO_2 emissions, the increase in 2021 compared to the previous year was due to the increase in production, thanks to the recovery recorded in the year.

In addition to greenhouse gas emissions, the Group's production plants release other types of emissions into the atmosphere. These emissions are regularly monitored, and no legal limits were breached during 2021.
As per the authorisations in place for atmospheric emissions, the main Group companies undertake monitoring campaigns on the following emissions:

- Volatile Organic Compounds (VOC);
- Nitric Oxide (Nox);
- Particulate Matter - PM.

Work is underway to define the sampling criteria in order to standardise the data collected from the various plants also in accordance with the laws of individual countries.

5. PRODUCT RESPONSIBILITY

The relevant topics in terms of Product management are summarised in the table below, together with the main risks identified by Irce's Management. The following pages describe the policies, the management model and the results achieved.

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	METHODS FOR MANAGING RISK	IMPROVEMENT OBJECTIVES
▪ R&D, product quality and safety ▪ Customer satisfaction	▪ Possible delayed and/or inadequate response to customer returns and expected satisfaction levels ▪ Non-compliance of product information ▪ Loss of reputation ▪ Possible problems arising from after-sales service	▪ ISO 9001 quality management system ▪ IATF 16949 (IRCE S.p.A. - Imola, FD Sims Ltd and IRCE Ltda plants)	▪ Improve complaints management ▪ Increase resources dedicated to research and development ▪ Continuous improvement in handling customer requests

5.1. Policy and Management Model

IRCE is a leading European industrial Group, operating in two business areas:

- winding wires for electrical machines;
- insulated electrical cables for energy transmission.

Winding wires for electrical machines are used in a wide range of applications such as engines and electric generators, transformers, inductors and relays.

Cables are used in the installation of electric systems in civil and industrial buildings and for powering and wiring electrical equipment.

The Irce Group fosters relationships with strategic suppliers, with the intent of jointly building a common organisational process based on sustainability throughout the production chain. Irce Group's suppliers procure the main raw materials needed for the production processes: copper, aluminium, and various chemicals. The Group is committed to achieving environmental and social targets, also selecting qualified suppliers and suitable materials.

5.2. Non-Financial Results and Indicators:

- **Research and development, product quality and safety**

The Irce Group has an important internal R&D department, which constantly focuses on activities for:

- improving product performance and production processes;
- developing innovative products and technologies;
- developing products made upon customer's technical specification.

In 2021, no market withdrawals were reported in relation to the safety and quality of the products and services offered by the Companies belonging to the Irce Group.

- **Customer satisfaction**

IRCE monitors customer satisfaction using two types of indicators:

- External: represented by the vendor rating expressed by the customer;
- Internal: related to the monitoring of rejects and returns, non-quality costs and customer complaints.

The Irce Group's quality and service are considered top tier on the market, i.e., at the highest levels in the sector.

6. ECONOMIC AND FINANCIAL PERFORMANCE

6.1. Economic Value Generated and Distributed (Economic and Financial Performance)

With regard to topics concerning the policies, management models and risks related to economic aspects, please refer to the information provided in the financial statements of the Irce Group.

As specific non-financial information, the following table shows the income statement reclassified on a value-added basis, for the entire financial consolidation scope:

Economic value generated and distributed		
Amounts in €/000	**31/12/2021**	**31/12/2020**
Total economic value generated by the Group	**479,590**	**295,347**
Total economic value distributed by the Group	**463,841**	**286,274**
Of which operating costs	424,011	254,368
Of which remuneration of personnel	30,466	28,525
Of which remuneration of lenders	3,259	1,053
Of which remuneration of shareholders (*)	1,327	797
Of which remuneration of the Public Administration (**)	4,778	1,531
Economic value retained by the Group	**15,749**	**9,073**

(*) The amount attributed to shareholders corresponds to the net profit for 2021 distributed as dividends that, on 15 March, the Board of Directors resolved to propose to the Shareholders' Meeting.
(**) The amount attributed to the Public Administration includes only income taxes.

6.2. Business Strategy

The strategy of the Irce Group is based on three long-term strategic guidelines:

1. Cost leadership, continuous modernisation of production equipment and control processes;
2. Growth, increase in market shares and presence in new areas and in market segments with higher margins;
3. Continuous improvement in the quality level of products and services through constantly updated software to control the production process and the status of production, continuous improvement in the integrated management system and development of a logistics system to respond to customer needs.

IRCE aims to be a global leader in its industry through continuous organisational and process improvement to better meet customer needs.

7. TAXONOMY

Regulation EU 2020/852 (hereafter the “Regulation”) introduced taxonomy, a classification system which makes it possible to translate the European Union’s climate and environmental goals into objective criteria, connecting them to specific economic activities.

Starting from this report, IRCE is required to communicate to what extent its revenues, capital expenditure (CapEx) and operating expenditure (OpEx) are considered “eligible” compared to the criteria defined by the Regulation and by its interpretative documents relating to climate change mitigation and adaptation goals.

This analysis is a preliminary stage to the future analysis of “alignment”, which will be carried out also taking into consideration the technical screening criteria.

Comparing the activities of IRCE and the respective NACE codes of the Group companies with the list of the activities defined by the Regulation and with the most recent interpretations published, it is held that there are no activities which can be considered eligible in accordance with the provisions of the Regulation.

	2021 Eligible share	**2021 Non-eligible share**
Revenues	**0%**	100%
CapEx	**0%**	100%
OpEx	**0%**	100%

In line with the requirements of the Regulation, the analysis was carried out on 2021 and includes all the companies in the IRCE Group which are consolidated on a line-by-line basis.

Over coming months further analyses will be undertaken, both following the gradual evolution of the Regulation and its concrete interpretation and application, and the strategic decisions taken by IRCE.

It should be noted that IRCE's customers include important manufacturers of components for the automotive industry, including traction motors, for home automation and automation in general, and for applications for energy production from renewable sources.

8. GRI CONTENTS INDEX

	Disclosure	Page	Notes
GRI 102: GENERAL STANDARD DISCLOSURES (2016)			
Organisational profile			
102-1	Name of the organisation	17	
102-8	Information on employees and other workers	27-28	The indicator is compliant with requirements a), c), d), e) of the reference Standard.
102-10	Significant changes to the organisation and its supply chain	17-18	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	23-24	
Governance			
102-18	Governance structure of the organisation	22-23	The indicator is compliant with requirement a) of the reference Standard.
Stakeholder engagement			
102-41	Collective bargaining agreements	26	
102-43	Approach to stakeholder engagement	16-17	
102-44	Key topics and concerns raised	18	
Reporting practice			
102-45	Entities included in the consolidated financial statements	17	
102-46	Defining report content and topic boundaries	17-21	
102-47	List of material topics	20-21	
102-48	Restatements of information	17	
102-49	Significant changes in reporting	17-18	
102-50	Reporting period	17	
102-52	Reporting cycle	17	
102-55	GRI content index	38-40	
102-56	External assurance	169	
TOPIC-SPECIFIC STANDARDS			
Material topic: Economic and financial performance			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	36	
103-3	Evaluation of the management approach	36	
GRI 201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	36	
Material topic: Ethics, integrity and compliance with laws and regulations			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	23-25	
103-3	Evaluation of the management approach	23-25	
GRI 205: Anti-corruption (2016)			
205-3	Confirmed incidents of corruption and actions taken	In 2021, there were neither established incidents of corruption in the Group in which employees were dismissed or were subject to measures nor incidents where contracts with business partners were terminated or not renewed due to corruption-related violations. In addition, there were no incidents of corruption-related public lawsuits brought against the Group or its employees during the reporting period.	
Material topic: Energy consumption			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	30-32	
103-3	Evaluation of the management approach	30-32	
GRI 302: Energy (2016)			
302-1	Energy consumption within the organisation	32	
Material topic: Emissions to air			

	Disclosure	Page	Notes
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	30-34	
103-3	Evaluation of the management approach	30-34	
GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	34	
305-2	Energy indirect (Scope 2) GHG emissions	34	
Material topic: Water consumption			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	30-33	
103-3	Evaluation of the management approach	30-33	
GRI 303: Water and effluents (2018)			
303-3	Water withdrawal	32	
Material topic: Recycling and waste management			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	30-31;33	
103-3	Evaluation of the management approach	30-31;33	
GRI 306: Waste (2020)			
306-3	Waste production	33	
Material topic: Multiculturality, diversity and equal opportunity			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	26-28	
103-3	Evaluation of the management approach	26-28	
GRI 405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	23; 28	The indicator is compliant with requirements a.i) e b.i) of the reference Standard.
GRI 406: Non-discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination against employees during the reporting period.	
Material topic: Employees' health and safety			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	26-29	
103-3	Evaluation of the management approach	26-29	
GRI 403: Occupational health and safety (2018)			
403-9	Work-related injuries	29	The indicator is compliant with requirements (a) and (b) of the reference Standard, except for points (a) iv; (b) iv.
Material topic: Training and professional growth			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	26-27; 30	
103-3	Evaluation of the management approach	26-27; 30	
GRI 404: Training and education (2016)			
404-1	Average hours of training per year per employee	30	The indicator is compliant with the requirements, except for the breakdown by gender and category of employees
Material topic: Human rights			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	26-28	

	Disclosure	Page	Notes
103-3	Evaluation of the management approach	26-28	
GRI 408: Child labour (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labour	Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk relating to the use of child labour at the Group's main suppliers.	
GRI 409: Forced or compulsory labour (2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk relating to the use of forced or compulsory labour at the Group's main suppliers.	
Material topic: R&D, product quality and safety			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	34-36	
103-3	Evaluation of the management approach	34-36	
GRI 416: Customer health and safety (2016)			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance with regulations and/or codes of conduct concerning the health and safety impacts of products that resulted in a sanction, fine or warning from control bodies were identified.	
Material topic: Corporate governance			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	22-24	
103-3	Evaluation of the management approach	22-24	
Material topic: Customer satisfaction			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	34-36	
103-3	Evaluation of the management approach	34-36	
Material topic: Risk Management			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	23-25	
103-3	Evaluation of the management approach	23-25	
Material topic: Business strategy			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	36	
103-3	Evaluation of the management approach	36	
Material topic: Industrial relations			
GRI 103: Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	20-21	
103-2	The management approach and its components	26-27; 30	
103-3	Evaluation of the management approach	26-27; 30	

CONSOLIDATED FINANCIAL STATEMENTS OF THE IRCE GROUP AS OF 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)	Notes	2021 31 December	2020 31 December
ASSETS			
Non-current assets			
Goodwill and Other intangible assets	1	60	133
Property, plant and machinery	2	37,267	40,862
Equipment and other tangible assets	2	1,445	1,543
Assets under constructions and advances	2	5,475	971
Investments	3	111	102
Non-current financial assets	3	5	125
Deferred tax assets	4	2,002	1,387
NON-CURRENT ASSETS		**46,365**	**45,123**
Current assets			
Inventories	5	104,985	76,231
Trade receivables	6	91,924	73,907
Tax receivables	7	18	7
Other current assets	8	1,680	1,936
Current financial assets	9	673	1,903
Cash and cash equivalent	10	10,678	10,260
CURRENT ASSETS		**209,958**	**164,244**
TOTAL ASSETS		**256,323**	**209,367**

(Thousands of Euro)	Notes	2021 31 December	2020 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	13,802	13,821
Reserves	11	109,089	106,385
Profit (loss) for the period	11	9,376	2,726
Shareholders' equity attributable to shareholders of Parent company		**132,267**	**122,932**
Shareholders equity attributable to Minority interests	11	(305)	(308)
TOTAL SHAREHOLDERS' EQUITY		**131,962**	**122,624**
Non-current liabilities			
Non-current financial liabilities	12	17,846	21,312
Deferred tax liabilities	4	87	182
Non-current provisions for risks and charges	13	167	309
Non-current provisions for post-employment obligation	14	4,842	4,990
NON-CURRENT LIABILITIES		**22,942**	**26,793**
Current liabilities			
Current financial liabilities	15	57,790	30,595
Trade payables	16	30,402	21,201
Current tax payables	17	2,986	595
(of which related parties)		*2,163*	*156*
Social security contributions	18	1,897	1,950
Other current liabilities	19	8,045	5,414
Current provisions for risks and charges	13	299	195
CURRENT LIABILITIES		**101,419**	**59,950**
SHAREHOLDERS' EQUITY AND LIABILITIES		**256,323**	**209,367**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 31 “Related party disclosures”.

CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	Notes	2021 31 December	2020 31 December
Sales revenues	20	457,140	295,262
Other revenues and income	21	575	828
TOTAL REVENUES		**457,715**	**296,090**
Raw materials and consumables	22	(384,214)	(229,092)
Change in inventories of work in progress and finished goods		17,896	(2,721)
Cost for services	23	(36,449)	(23,670)
Personnel costs	24	(30,466)	(28,525)
Amortization /depreciation/write off tangible and intangible assets	25	(7,597)	(7,099)
Provision and write downs	26	(1,243)	(455)
Other operating costs	27	(1,286)	(1,332)
EBIT		**14,356**	**3,196**
Financial income / (charges)	28	(199)	1,097
RESULT BEFORE TAX		**14,157**	**4,293**
Income taxes	29	(4,778)	(1,531)
NET RESULT FOR THE PERIOD		**9,379**	**2,762**
Net result for the period attributable to non-controlling interests		3	36
Net result for the period attributable to the parent company		**9,376**	**2,726**

Earnings / losses per shares			
- basic EPS for the period attributable to shareholders of the parent company	30	0.353	0.103
- diluted EPS for the period attributable to shareholders of the parent company	30	0.353	0.103

The effects of related party transactions on the consolidated statement of financial position are reported in Note 31 “Related party disclosures”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)	Notes	2021 31 December	2020 31 December
Net result for the period		**9,379**	**2,762**
Translation difference on financial statements of foreign companies		835	(11,609)
Total items that will be reclassified to net result		**835**	**(11,609)**
Actuarial gain / (losses) IAS 19		30	(20)
Tax effect		(1)	4
Total IAS 19 reserve variance	11	29	(16)
Total items that will not be reclassified to net result		**29**	**(16)**
Total comprehensive income for the period		**10,243**	**(8,864)**
Attributable to shareholders of Parent company		10,240	(8,900)
Attributable to Minority interest		3	36

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand of Euro)	Share capital	Other reserves		Retained earnings					Equity attributable to shareholder's 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			
Opening balance previous year	**13,827**	**40,571**	**45,923**	**2,925**	**(1,196)**	**50,746**	**(22,893)**	**1,942**	**131,845**	**(344)**	**131,502**
Sell / purchase own shares	(5)	(9)	-	-	-	-	-	-	(14)	-	(14)
Allocation of previous year profits	-	-	-	-	-	1,942	-	(1,942)	-	-	-
Other comprehensive income for the period	-	-	-	-	(16)	-	(11,609)	-	(11,625)	-	(11,625)
Result for the period	-	-	-	-	-	-	-	2,726	2,726	36	2,762
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(16)**	**-**	**(11,609)**	**2,726**	**(8,900)**	**36**	**(8,864)**
Closing balance previous year	**13,822**	**40,562**	**45,923**	**2,925**	**(1,212)**	**52,688**	**(34,502)**	**2,726**	**122,932**	**(308)**	**122,624**
Allocation of previous year profits	-	-	-	-	-	2,726	-	(2,726)	-	-	-
Decreases	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(797)	-	-	(797)	-	(797)
Sell / purchase own shares	(19)	(89)	-	-	-	-	-	-	(108)	-	(108)
Other comprehensive income for the period	-	-	-	-	29	-	835	-	864	-	864
Result for the period	-	-	-	-	-	-	-	9,376	9,376	3	9,379
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**29**	**-**	**835**	**9,376**	**10,240**	**3**	**10,243**
Closing balance current year	**13,802**	**40,474**	**45,923**	**2,925**	**(1,183)**	**54,617**	**(33,667)**	**9,376**	**132,267**	**(305)**	**131,962**

With regard to the items of consolidated net equity, please refer to note 11

CONSOLIDATED STATEMENT OF CASH FLOW

(Thousands of Euro)	Notes	2021 31 December	2020 31 December
OPERATING ACTIVITIES			
Result of the period (Group and Minorities)		9,379	2,762
Adjustments for:			
Depreciation / Amortization	25	7,597	7,099
Net change in deferred tax (assets) / liabilities		(713)	34
Capital (gains) / losses from disposal of fixed assets		(57)	2
Losses / (gains) on unrealised exchange rate differences		(725)	66
Provisions for risks	26	100	10
Income taxes	29	5,490	1,497
Financial (income) / expenses	28	588	(1,494)
Operating result before changes in working capital		**21,659**	**9,976**
Income taxes paid		(3,759)	(1,411)
Financial charges paid	28	(3,259)	(1,076)
Financial income collected	28	2,672	2,463
Decrease / (Increase) in inventories	5	(28,029)	2,446
Change in trade receivables	6	(17,730)	(16,870)
Change in trade payables	16	9,134	8,032
Net changes in current other assets and liabilities		1,982	641
Net changes in current other assets and liabilities - related parties		2,007	751
Net changes in non current other assets and liabilities		(406)	27
CASH FLOW FROM OPERATING ACTIVITIES		**(15,729)**	**4,979**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(26)	(7)
Investments in tangible assets	2	(7,673)	(2,133)
Investments in subsidiaries, associates, other entities		(2)	-
Disposals of tangible and intangible assets		62	13
CASH FLOW FROM INVESTING ACTIVITIES		**(7,639)**	**(2,127)**
FINANCING ACTIVITIES			
Repayments of loans	12	(8,887)	(3,486)
Obtainment of loans	12	5,395	15,933
Net changes of current financial liabilities (include IFRS 16)	15	27,044	(11,546)
Net changes of current financial assets		882	(1,111)
Other effects on shareholders' equity		-	-
Dividends paid to shareholders	11	(797)	-
Sell/(purchase) of own shares	11	(108)	(14)
CASH LOW FROM FINANCING ACTIVITIES		**23,529**	**(224)**
NET CASH FLOW FROM THE PERIOD		**161**	**2,628**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	10	10,260	8,632
Exchange rate differences		257	(1,000)
Net cash flow from the period		161	2,628
CASH BALANCE AT THE END OF THE PERIOD	**10**	**10,678**	**10,260**

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2021 were approved by the Board of Directors of IRCE S.p.A. (hereinafter also referred to as the "Company") on 15 March 2022.

Irce S.p.A. (hereinafter also the "Company") is a company incorporated and domiciled in Italy, with registered office in via Lasie 12/a, Imola (BO), and is organized according to the legal system of the Italian Republic.

As of 31 December 2021, 5.64% of the Issuer's share capital was held by the Issuer itself, 50.045% by Aequafin SpA – a company incorporated and domiciled in Italy in Via dei Poeti no. 1/2, 5.64% and the remaining 44.314% was floating on the Mercato Telematico market of Borsa Italiana S.p.A. – STAR segment.

The IRCE Group owns 9 manufacturing plants and is one of the major players in the European winding wire industry, as well as in the Italian electrical cable sector.
Italian plants are located in the towns of Imola (Bologna), Guglionesi (Campobasso), Umbertide (Perugia) and Miradolo Terme (Pavia), while foreign operations are carried out by Smit Draad Nijmegen BV in Nijmegen (NL), FD Sims Ltd in Blackburn (UK), Irce Ltda in Joinville (SC – Brazil), Stable Magnet Wire P. Ltd in Kochi (Kerala – India) and Isodra GmbH in Kierspe (D).
The distribution network consists of agents and the following trading subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco S.R.L. and Isolveco 2 S.R.L. in Italy, Irce S.L. in Spain, and IRCE SP.ZO.O in Poland.
The companies Irce Electromagnetic Wire (Jiangsu) Co. Ltd based in Haian (China) and Irce s.r.o. based in Ostrawa (Czech Republic), currently not operational, have recently been established.

BASIS OF PREPARATION

The annual financial statements for the year 2021 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, as well as with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. The term IFRS also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The formats used for the consolidated financial statements of the IRCE Group have been prepared in accordance with the provisions of IAS 1. In particular:

- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items by nature;
- the statement of cash flows was drafted, in accordance with IAS 7, by classifying cash flows during the period into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

It should be noted that for a better representation of the financial statements, the "Share Capital", equal to €/000 14,627, was exhibited as of 31 December 2021 net of the "Treasury Shares Reserve", equal to €/000 805, while as of 31 December 2020 the latter item was included among the "Reserves". The comparative balance sheet and financial position as of 31 December 2020 has been consistently updated.

In order to make the economic and financial reporting more effective and consistent, the Group adopted the thousands of euros as the reporting unit for all the schemes of the consolidated financial statements, unlike in previous years when the unit used was thousands of euros only for the consolidated cash flow statement, the movement of consolidated shareholders' equity and the consolidated income statement, while euro units were used for the consolidated balance sheet and consolidated income statement.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company IRCE S.p.A. and those of the subsidiaries, prepared as of 31 December 2021. The financial statements of the subsidiaries were prepared by adopting the same accounting standards used by the parent company. The main consolidation criteria adopted in drafting the consolidated financial statements are as follows:

- Subsidiaries are companies over which the Company has the right to exercise, directly or indirectly, control, as defined by IFRS 10 - "Consolidated financial statements". In particular, control exists when the controlling entity simultaneously holds decision-making power over the investee company; has the right to take part in or is exposed to the variable (positive and negative) results of the investee company; has the ability to exercise power over the investee company in such a way as to affect its profits.
- Consolidation of the subsidiaries was implemented by means of the line-by-line method; this technique consists in incorporating all financial statement items for their global amounts, regardless of the percentage of ownership of the Group. Any non-controlling interest is recorded separately in the statement of financial position and income statement when determining shareholder's equity and the Group's result for the period.
- The carrying amount of equity investments was eliminated against the relevant assets acquired and liabilities assumed.
- All intra-group balances and transactions, including any unrealised gains arising from transactions between Group companies, are eliminated in full.
- With regard to the foreign currency translation of the financial statements of companies with functional currencies other than the one used for the consolidated financial statements, the amounts in the statement of financial position and income statement of all Group companies reported in functional currencies other than the one used for the consolidated financial statements (Euro) are translated as follows:
  - the assets and liabilities in each reported statement of financial position are translated using the exchange rates at the reporting date;
  - the revenues and costs in each income statement are translated using the average exchange rates for the period;
  - Translation differences resulting from the application of this method are recognised in the statement of comprehensive income and allocated to the specific equity reserve until the investment is sold (translation reserve).

Non-controlling interests represent that part of profits or losses and of net assets that are not owned by the Shareholders of the Parent Company.

The following table shows the list of companies included in the scope of consolidation as of 31 December 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	EUR	1,165,761	line by line
FD Sims Ltd	100%	UK	GBP	15,000,000	line by line
Isolveco Srl	75%	Italy	EUR	46,440	line by line
DMG GmbH	100%	Germany	EUR	255,646	line by line
IRCE S.L.	100%	Spain	EUR	150,000	line by line
IRCE Ltda	100%	Brazil	BRL	157,894,223	line by line
ISODRA GmbH	100%	Germany	EUR	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	EUR	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%	Czech Republic	CZK	3,300,000	line by line

As already mentioned, in the first quarter of 2021 the company IRCE s.r.o. was established in the Czech Republic, 100% owned by the parent company IRCE Spa.

The main rates used for the translation are as follows:

Currency	Current period Average	Current period Spot	Previous period Average	Previous period Spot
GBP	0.8599	0.8401	0.8892	0.8990
CHF	1.0815	1.0329	1.0703	1.0802
BRL	6.3820	6.3107	5.8898	6.3735
INR	87.4656	84.1569	84.5790	89.6605
CNY	7.6332	7.1939	7.8707	8.0225
PLN	4.5643	4.5962	4.4431	4.5597
CZK	25.3960	24.8580	25.7882	25.7882

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

Below there is a brief description of the most significant accounting standards and assessment criteria used in preparing the consolidated financial statements.

Going Concern

The directors have assessed the applicability of the going concern assumption in the preparation of the 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.

Foreign Currency Translation of Financial Statement Items

The consolidated financial statements are presented in Euro, which is the presentation currency adopted by the Group. Each entity of the Group determines its functional currency, which is used to measure the items in the individual financial statements. Foreign currency transactions are initially recognised at the spot exchange rate (referring to the functional currency) at the date of the transaction. Monetary assets and liabilities, denominated in foreign currency, are translated into the functional currency at the spot exchange rate at the reporting date. All exchange rate differences are recognised in the financial income/(charges) of the income statement. Non-monetary items measured at their historical cost in a foreign currency are translated using the spot exchange rates at the date of the initial recognition of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rate at the measurement date.

At the reporting date, the assets and liabilities of these subsidiaries are translated into Euro at the spot exchange rate at that date, and their income statement is translated using the average exchange rate for the year. Exchange rate differences resulting from the translation are recognised in the statement of comprehensive income and allocated to the specific equity reserve until the investment is sold (translation reserve).

Tangible Assets

Tangible assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.
The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.
If no binding sale agreement exists, fair value is measured on the basis of quoted prices in an active market, recent transactions, or the best available information to reflect the amount that an entity could obtain from selling the asset.

Value in use is measured by discounting the cash flows expected from the use of the asset and, if these are material and can reasonably be determined, from its disposal at the end of its useful life. Cash flows are measured on the basis of reasonable and supportable assumptions that represent the best estimate of the future economic conditions that will exist over the useful life of the asset. Cash flows are discounted at a rate accounting for the risk implicit in the business segment.
If the reasons for a previously recognised impairment loss no longer exist, the assets are revalued and the adjustment is recognised through profit or loss as a revaluation (reversal) not in excess of the previously recognised impairment loss or the lower of recoverable amount and carrying amount before deducting previously recognised impairment losses and less the depreciation charges that would have been incurred if no impairment loss had been recognised.
The capitalisation of costs related to the expansion, renovation or improvement of the structural elements owned or leased from third parties is exclusively carried out to the extent that they meet the requirements for separate classification as an asset or part of an asset by applying the “component approach” criterion.
On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.
Land, including that ancillary to buildings, is not depreciated.
Assets under construction and advances paid for the acquisition of tangible assets are measured at cost. Depreciation begins when the asset is available and ready for use, and assets are allocated to a specific category from the same date.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible assets. Depreciation begins when the asset is available for use, taking into account the actual time at which this condition occurs.
The rates applied on an annual basis by Group companies are included in the following ranges:

Buildings	3.0% - 10.0%
Plant and equipment	5.0% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

Intangible Assets

Intangible assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible assets which are acquired separately are initially capitalised at cost while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, except for the development costs, are not capitalised and are recognised in profit or loss as incurred. The Group capitalises development costs only when it is likely that they will be recovered. The useful life of intangible assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Group obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.
Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the fixed asset is disposed of.

A description of intangible assets and the amortisation method used is shown in the following table.

Asset	Useful life	Rate	Internally produced or acquired	Impairment test
Patent and intellectual property rights	Finite	50%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist
Concessions and licenses	Finite	20%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist
Trademarks and similar rights	Finite	5.56%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist

The amortisation rates for intangible assets were determined as a function of their specific residual useful lives and are reviewed at each reporting date.

Leased Assets

Following the coming into force of the IFRS 16, since the 1st of January 2019, lease contracts are recognised on the basis of a single accounting model similar to that previously regulated by IAS 17 on accounting for finance leases.
When each contract is stipulated, the Group:

- determines whether the contract is or contains a lease, which is the case when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is repeated in the event of subsequent changes to the terms and conditions of the contract.
- separates the components of the contract, splitting the contract price up between each lease or non-lease component.
- determines the term of the lease as the period during which the lease cannot be cancelled, in addition to any periods covered by an extension or lease termination option.

As of the start date of each contract in which the Group is the lessee of an item, the right-of-use asset recognised, measured at cost, and the finance lease liability, equal to the current value of residual future payments, discounted using the implicit interest rate of the lease or, alternatively, the Group's marginal financing rate. Thereafter, the right-of-use asset is measured applying the cost model, i.e. net of accumulated depreciation and accumulated impairment and adjusted to reflect any new measurement or changes to the lease. Instead, the lease liability is measured by increasing the carrying amount to reflect interest, decreasing the carrying amount to reflect payments due made, and restating the carrying amount to reflect any measurements or changes to the lease.

Assets are depreciated over a period represented by the term of the lease contract, except where the term of the lease contract is shorter than the useful life of the asset on the basis of the rates applied for tangible assets and there is reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract. In this case, the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets.

For leases that expire within 12 months from the date of initial application and that do not provide for renewal options, and for leases for which the underlying asset is of low value, lease payments are recognised in profit or loss on a straight-line basis over the term of the respective leases.

Business Combinations and Goodwill

According to the provisions of IFRS 3, subsidiaries acquired by the Group are accounted for by applying the purchase method, under which:

- the acquisition cost is the fair value of the assets, taking into account the possible issue of equity instruments, as well as the liabilities assumed;
- the excess of the acquisition cost over the fair value of the Group's interest in the net assets is recognised as goodwill;
- if the acquisition cost is less than the fair value of the Group's interest in the net assets of the acquiree, the difference is directly recognised in profit or loss.

Goodwill and, more generally, assets with an indefinite useful life are not amortised but allocated to the Cash Generating Units (CGUs) and tested for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that it may be impaired, in accordance with the provisions of IAS 36 Impairment of Assets. After initial recognition, goodwill and assets with an indefinite useful life are measured at cost less any accumulated impairment losses.

Impairment of (Tangible and Intangible) Assets with a Finite Useful Life

Assets with a finite useful life falling within the scope of application of IAS 36 are tested for impairment whenever indicators of impairment exist.
To that end, both internal and external information sources are considered. With regard to the first category (internal sources) the following information is considered: obsolescence or physical damage to the asset; any significant changes in the use of the asset; and the economic performance of the asset as compared to expectations. With regard to external sources, the following information is considered: market price trends for the asset; any changes in technology, markets or laws; the trend in market interest rates or the cost of capital used for evaluating investments; and market capitalisation below the carrying amount of the entity's net assets. In this case, the net carrying amount of these assets is compared with the estimated recoverable amount and, if the former is higher, a loss is recognised.

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows generated by the asset). In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money (relating to the period of investment) and risks specific to the asset.
In order to test for impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash-generating unit. Impairments of CGUs are recognised first as a reduction in the carrying amount of any goodwill allocated to the CGU and then as a reduction in other assets, in proportion to their carrying amount and up to their recoverable amount.
If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it were not impaired and the related amortisation had been applied.

Financial Assets

At the time of their initial recognition, financial assets must be classified into one of the three categories described below, on the basis of the following elements:
the entity's business model for management of financial assets; and
the contractual cash flow characteristics of the financial asset.

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all the risks and rewards associated with said assets. On the other hand, whenever a significant part of the risks and rewards belonging to the financial asset being transferred have been retained, then that asset will continue to be recognised, even if legal ownership of said asset has actually been transferred.

Financial assets measured at amortised cost

Included in this category are financial assets which satisfy both of the following conditions:
- the financial asset is held according to a business model whose objectives are achieved by collecting the contractual cash flows ("Hold to Collect" business model); and
- the contractual terms of the financial asset provide that as at a certain date, cash flows be represented solely by payments of principal and interest on the amount of capital to be returned (the test known as the "SPPI test" was fulfilled).

Upon initial recognition, these assets are accounted for at fair value, including transaction costs or gains that are directly attributable to said instrument. After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. The amortised cost method is not used for assets – measured at historical cost – whose short duration makes the effect of applying the discounting logic negligible. This applies to those assets without a defined maturity and to revocable loans.

Financial assets measured at fair value with an impact on comprehensive income

Included in this category are financial assets which satisfy both of the following conditions:
- the financial asset is held according to a business model whose objectives are achieved by either collecting the contractual cash flows or by selling the financial asset ("Hold to Collect and Sell" business model); and
- the contractual terms of the financial asset provide that as at a certain date, cash flows be represented solely by payments of principal and interest on the amount of capital to be returned (the test known as the "SPPI test" was fulfilled).

Included in this category are equity interests which do not qualify as interests in subsidiaries, associated companies or jointly controlled entities, and which are not held for trade purposes. Furthermore, the company must have exercised the option to designate their measurement at fair value with an impact on comprehensive income.

Upon initial recognition, these assets are accounted for at fair value, including transaction costs or gains that are directly attributable to said instrument. After initial recognition, equity interests (other than interests in subsidiaries, associated companies or jointly controlled entities) are measured at fair value and amounts are entered and offset against net assets (statement of comprehensive income). These amounts may not subsequently be transferred to the income statement, even if ownership of the asset itself is transferred. The only component of these equity securities that is recognised in the income statement consists of the related dividends.

For equity securities included in this category, which are not listed on an active market, historical cost is used as an estimate of fair value only if no other method applies, and is limited to a small number of circumstances, i.e. when the most recent information for measuring fair value is insufficient, or where there is a wide range of possible fair value measurements and historical cost represents the best estimate of fair value among such a range.

Financial assets measured at fair value with an impact on the income statement

Classified in this category are those financial assets which are not classified as "Financial assets measured at amortised cost" or "Financial assets measured at fair value with an impact on comprehensive income".

Included in this category are financial assets held for trading, and derivative contracts that cannot be classified as hedges (which are shown as assets if the fair value is positive, or as liabilities if the fair value is negative).

Upon initial recognition, financial assets measured at fair value with an impact on the income statement are entered at fair value, without considering transaction costs or gains that are directly attributable to said instrument. On subsequent reporting dates, these assets are measured at fair value and the measurement effects are recognised in the income statement.

Impairment of Financial Assets

In accordance with the provisions of IFRS 9, the Group uses a simplified approach for estimating full lifetime expected credit losses for financial instruments. This approach takes into consideration the company's historical experience with credit losses and is adjusted on the basis of forward-looking factors specific to the nature of the Group's receivables and the economic scenario.

Financial assets are credit-impaired when one or more events have occurred which will have a negative impact on future estimated cash flows for the financial asset. Evidence that the financial asset has been credit-impaired includes observable data in relation to one or more of the following events (it is possible that the company may not be able to identify one individual event, and so the impairment of financial assets may be due to the combined effect of several events):

a) significant financial difficulty of the issuer or borrower;
b) a breach of contract, such as a default or past-due event;
c) for economic or contractual reasons relating to the borrower's financial difficulty, the lender granting the borrower a concession that would not have been otherwise considered by the lender;
d) it is probable that the borrower will enter bankruptcy or other financial reorganisation procedures;
e) the disappearance of an active market for the financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

For financial assets that have been accounted for using the amortised cost method, when an impairment has been identified then the amount of that impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (discounted on the basis of the original effective interest rate). This amount will be recognised in the income statement.

Inventories

Inventories are measured at the lower of cost and net realisable value.

The costs incurred are recognised as follows:

1. Raw materials: average weighted purchase cost, including transportation expenses and customs clearance.
2. Finished and semi-finished goods and work in progress: direct cost of materials and labour costs plus a share of the indirect costs and production overheads defined on the basis of normal production capacity. In greater detail, the metal which represents the most significant cost for work in progress, semi-finished goods and finished goods, is assessed separately from the other components (processing and other raw materials).

The presumed net realisable value for metal is measured separately from the other components, inasmuch as it is subject to separate negotiation at the time of sale.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand as well as demand and short-term bank deposits recognised at their nominal amounts; in the latter case, the original maturity shall not exceed three months.

Financial Liabilities and Trade Payables

Financial liabilities and trade payables are recognised when the Group becomes party to the relevant contractual clauses. They are initially measured at fair value, adjusted for directly attributable transaction costs.
They are subsequently measured at amortised cost, using the effective interest rate method.
Financial liabilities are derecognised when the contractual rights over the related cash flows expire, or when the financial liability is transferred along with substantially all the risks and rewards which come from responsibility for said liability.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Group retains the right to receive cash flows from the asset but has assumed the contractual obligation to pay them in full without delay to a third party;

- the Group has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset but has transferred control.

In cases where the Group has transferred its rights to receive cash flows from an asset and has not substantially transferred nor withheld all the risks and rewards or has not lost control over the asset, this is recognised in the financial statements of the Group to the extent of the latter's continuing involvement in the asset. The continuing involvement – which takes the form of guaranteeing the transferred asset – is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Group could be required to pay.

In cases where the continuing involvement takes the form of an option that is issued and/or acquired with respect to the transferred asset (including cash-settled options, or similar options), the extent of the Group's involvement corresponds to the amount of the transferred asset which the Group may buy back; however, in the case of a put option which is issued on an asset that is measured at fair value (including the options settled in cash or with similar provisions), the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or discharged.
If an existing financial liability is replaced by another from the same lender – and with substantially different terms – or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, recognising any differences between the carrying amounts through profit or loss.

Provisions for Risks and Charges

Provisions for risks and charges include provisions arising from present obligations (legal or constructive) as a result of past events and for which an outflow of resources is probable. Changes in estimates are reflected in the income statement for the period in which the change occurs. If the effect of discounting the value of money is material, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian and the pension funds of some foreign companies.
Italian Law no. 296 of 27 December 2006 ("2007 Budget Law") introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit that an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service.
Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's social security institute).
In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Group actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

Derivative Financial Instruments

The Group used derivative financial instruments such as forward contracts for the purchase and sale of copper and aluminium in order to hedge against its exposure to the risk of changes in raw material prices as well as forward contracts for currency purchases.
As of the contract date, derivative financial instruments are recognised at fair value and, if not accounted for as hedging instruments, the changes in fair value after initial recognition are recognised directly through profit or loss.
If the derivative financial instruments qualify for hedge accounting, the subsequent changes in fair value are accounted for under hedge accounting according to specific criteria, which are described below.

The fair value of raw material forward contracts, outstanding at the reporting date, is determined on the basis of forward prices of raw materials with reference to the maturity dates of contracts outstanding at the reporting date.
For the purposes of hedge accounting, hedges are classified as:

- fair value hedges against the risk of changes in the fair value of an underlying asset or liability; or a firm commitment (except for currency risk);
- cash flow hedges against the exposure to changes in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of an hedge, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, as well as its risk management objectives and the pursued strategy. The documentation includes the identification of the hedging instrument as well as of the hedged item or transaction, the nature of the risk, and how the company intends to measure the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.
These hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in the fair value or cash flows attributable to the hedged risk. The measurement of the effectiveness of these hedges is conducted on an ongoing basis during the years in which they have been designated.

Treasury Shares

Treasury shares that are purchased are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "Treasury shares reserve" and the excess of the purchase amount over the nominal amount is accounted for as a deduction from "Other reserves". The purchase, sale, issue or cancellation of equity instruments does not result in the recognition of any gain or loss in the income statement, but is rather recognised directly as a change in shareholders' equity.

Recognition of Revenues

Recognition of Revenues

Revenues from contracts with customers are recognised when the following conditions are met:
- a contract with a customer has been identified;
- the contractual performance obligations have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations contained in the contract;
- the contractual performance obligations have been fulfilled.

The Group recognises revenue from contracts with customers at a point in time (or over time) when performance obligations are fulfilled by transferring the promised goods or services (namely, the asset) to the customer. The asset is transferred at a point in time (or over time) when the customer obtains control of the asset.
The Group transfers control of the goods or services over time (and thus fulfils the performance obligations and recognises the revenue over time) if the situation satisfies one of the following criteria:
- the customer simultaneously receives and consumes all of the benefits deriving from the entity's performance over time, as and when the entity performs;
- the Group's performance creates or enhances an asset (for example, works in progress) that the

customer controls over time, as and when the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment for performance completed up to the date under consideration.

If the performance obligation is not satisfied over time, it is satisfied at a point in time. In such a situation, the Group recognises revenue at the time when the customer obtains control of the promised asset.

The Group allocates the contractual price to the individual performance obligations by reference to the relative standalone selling prices (SSP) for the individual performance obligations. When there is no SSP, the Group estimates the SSP using an adjusted market assessment approach.
In this case, the Group uses judgement to determine the performance obligation, variable consideration and allocation of the transaction price.

With reference to the previous year and the current one, there are no cases for which the recognition of the revenue has taken place over time.

In relation to the sale of packaging, the Group recognizes, in certain circumstances, the right of return provided that the customer exercises it within 12 months of delivery. In line with IFRS 15, the repurchase commitment shall be booked by recording:
• to reduce revenues the amount of the consideration at which the return is expected, decreasing trade receivables by the same amount;
• to increase the final inventories the cost of packaging in stock, before its sale to the customer, with opposite entry the cost of sales.

Dividends

Dividends are recognised as at the date of the Shareholders' Meeting when the resolution establishing the right to receive payment is passed.
Dividends approved by the Shareholders' Meeting are shown as movements in shareholders' equity for the financial year in which they are approved.

Costs

Costs are recognised on an accrual basis. Research, advertising and promotional costs are recognised in the income statement in the year in which they are incurred.

Financial Income and Charges

Financial income and charges are recognised in the income statement when they are incurred.

Earnings per Share

As required by IAS 33, the Group presents on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The information is presented only on the basis of the consolidated data, in accordance with the requirements of the aforementioned IAS.
Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent entity by the weighted number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average of the shares was applied retroactively for all previous years.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and tax laws used to calculate the amount are those that have been enacted or are expected to apply as of the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated using the so-called liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit/loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when:

- the deferred tax asset for the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.
Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in the income statement.

Use of Estimates

The drafting of the financial statements in accordance with the IFRS requires the use by the Management of estimates and assumptions, which influence the value of assets and liabilities recorded in the statement of financial position as well as in the disclosures published in the explanatory notes regarding potential assets and liabilities at the reporting date, and the revenues and costs for the period.
These estimates are based on experience and on other factors considered relevant. The effective results could thus differ from those estimated. The estimates are revised on a regular basis and the effects of each change to the same are reflected in the income statement of the period in which the estimate is revised.
The most significant cases requiring greater subjectivity on the part of directors in making the relevant estimates are briefly described below.

a. Measurement of receivables. Trade receivables are adjusted using the relevant bad debt provision to take into account their recoverable amount. To determine impairment losses, directors are required to make subjective measurements based on the documentation and information available, including the creditworthiness of the client as well as past experience and historical trends;
b. Measurement of inventories. Inventories showing obsolescence are periodically measured and impaired if the net realisable value of the same is lower than the carrying amount. Impairment losses are calculated on the basis of assumptions and estimates made by the Management, based on the experience of the same and the historical results achieved. Furthermore, the price of copper, as listed on the main stock exchange for non-ferrous metals (London Metal Exchange) appears to be subject to fluctuations, which are sometimes significant. Therefore, there is a risk that a prolonged downward trend in the price of copper after the reporting date could lead to the potential risk that the realisable value of the copper held in inventories may be lower than its carrying amount and that, as a consequence, raw materials, work in progress and finished goods may need to be written down. To this end, the Directors

of IRCE S.p.A. carry out a specific analysis to verify whether the conditions exist to write down the "Copper Component" of the inventories, taking into account, among other things: the process for determining the sale price of the Copper Component, the copper prices available up to a date close to the approval of the financial statements, the commitments and sales orders in place at the end of the financial year with a fixed price of copper, as well as the expected trend in the price of copper in the months following the approval of the financial statements.

c. Recoverability of deferred tax assets. Deferred tax assets are measured on the basis of expected taxable income in future years. The measurement of this expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets;
d. Pension plans. The Group companies participate in pension plans in various countries. The current value of liabilities for retirement benefits depends on a series of factors that are determined using actuarial techniques based on certain assumptions, which concern the discount rate, the expected return on plan assets, the rates of future salary increases, as well as mortality and resignation rates. Any changes to the aforementioned assumptions could have significant effects on the liabilities for retirement benefits;
e. Measurement of provisions for risks. The determination of the provisions allocated requires the Directors to make subjective measurements based on the documentation and information available on potential liabilities.
f. Asset's impairments. Assets are written down whenever events or changes in circumstances cause the Company to deem that the carrying amount is not recoverable. Events which may lead to the impairment of an asset may include changes to industrial plans, changes in market prices, or reduced plant utilisation. The decision about whether to proceed with an impairment (and to what extent) depends on management's assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on the cost of production, production profiles, and supply and demand conditions. The impairment loss is determined by comparing the carrying amount with the associated recoverable amount, represented by the higher of fair value (net of disposal costs) and value in use, determined by discounting to present value the expected cash flows arising from the use of the asset. The expected cash flows are quantified in the light of information available at the time the estimate is made, and are based on subjective assessments on the trend in future variables, such as prices, costs, demand growth rates, and production profiles. The cash flows are discounted using a rate which takes into account the inherent risk for the asset in question.
g. Useful life of tangible and intangible assets with a finite useful life. Depreciation and amortisation are calculated based on the useful life of the asset, which is determined at the time the asset is recognised in the financial statements. Useful life assessments are based on historical experience, market conditions and expectations of future events that may affect the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

Offsetting of Financial Assets and Liabilities

The Group offsets financial assets and liabilities if, and only if:
- it has a legally enforceable right to offset the reported amounts;
- it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Group from 1st January 2021:

- On 31 March 2021, the IASB published an amendment called "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" with which it extends by one year the period of application of the amendment issued in 2020, which provided for tenants the right to account for rent reductions related to Covid-19 without having to evaluate, through the analysis of contracts, if the definition of lease modification of IFRS 16 was respected. Therefore, the tenants who applied this option in the 2020 financial year, accounted for the effects of the reductions in rents directly in the income statement on the effective date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from 1 April 2021 and early adoption is allowed. The adoption of these amendments did not have a significant effect on the Group's consolidated financial statements.

- On 25 June 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from IFRS 9 application until 1 January 2023 for insurance companies. The adoption of this amendment did not affect the Group's consolidated financial statements

- On 27 August 2020, the IASB published, in the light of the interbank interest rate reform such as IBOR, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:

  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All changes entered into force on 1 January 2021. The adoption of this amendment did not have a significant effect on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2021

- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without resulting in any changes to the provisions of the standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended not to allow the deduction from the cost of material assets the amount received from the sale of goods produced in the testing phase of the activity itself. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate of the possible onerous contract all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerous contract includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all costs that the company cannot avoid because it has entered into the contract (such as, for example, the depreciation of the machinery used for the fulfilment of the contract).

- Annual Improvements 2018-2020: Changes were made 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.

All changes will take effect on 1 January 2022. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts which is intended to replace IFRS 4 – Insurance Contracts.
The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to account for all types of insurance contracts, including the reinsurance contracts that an insurer holds.
The new standard also includes presentation and disclosure requirements to improve comparability between entities in this sector.
The new principle measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- the estimates and assumptions of future cash flows are always the current ones; the measurement reflects the time value of the money;
- the estimates provide for extensive use of marketable information;
- there is a current and explicit measurement of risk;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
- the expected profit shall be recognised over the contractual coverage period taking into account adjustments resulting from changes in cash flow assumptions for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, you do not need to discount those cash flows if you expect that the balance to be paid or cashed will take place within one year from the date the claim occurred.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2023 but early adoption is allowed, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. Since the Irce Group does not operate in the insurance sector, this principle is not applicable.

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

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

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other liabilities in the short or long term. The amendments enter into force on 1 January 2023; however, an early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The changes are aimed at improving disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policy. The changes will apply from 1 January 2023, but early application is allowed. At the moment, the directors are evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, are to be accounted for. The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". This amendment is a transition option related to comparative information on financial assets submitted at the initial date of application of IFRS 17. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for balance sheet readers. The amendments will apply from 1 January 2023, together with the application of IFRS 17. Since Irce Group does not operate in the insurance sector, this principle is not applicable.

- On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts which allows only the IFRS first time adopters to continue to recognise amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") in accordance with previous accounting standards adopted. Since the Company/Group is not a first-time adopter, this principle does not apply.

COVID-19 - IMPACTS OF THE PANDEMIC - UPDATES

The 2021 financial year, despite the strong acceleration of the vaccination campaign, continued to be affected by the uncertainties related to the spread of Covid-19 with different degrees of intensity depending on the time period of analysis and the geographical area in which the Group operates.

In response to this emergency, many governments in affected jurisdictions have, from time to time, imposed travel bans, quarantines and other public safety measures, for example by imposing restrictions on the gathering of people, restrictions on economic activity as well as lockdown periods.

Many of these measures are still in force today as the pandemic has resumed to spread rapidly especially in Europe mainly due to the new Omicron variant, consequently there is still a high uncertainty about the relative repercussions on the economic system.

However, the Group's manufacturing plants have continued to produce in 2021 without being impacted by periods of closure imposed by governments with the lockdown.

Each Group company, in order to reduce the risk of contagion and respond to the measures of the Governments for the containment of the pandemic, has implemented specific internal procedures such as, the sanitization of the premises, the measurement of the temperature at the entrance, the use of masks, distancing, the use of disinfectant gel, using telework when deemed necessary. In addition, personnel suspected of contagion are subjected to preventive quarantine while those suffering from Covid-19 are readmitted to the workplace upon presentation of a medical certificate.

In this context, the Irce Group continued to produce continuously, promptly coping with the important growth in orders that began in 2020, strengthened in the first half of 2021 and continued in the following months.

As far as our supply chain is concerned, the difficulties in finding raw materials (mainly copper, electricity, packaging, PVC, enamels, ...) essentially due to an unexpectedly strong recovery of the world market, has mainly had effects on the increase in production costs while the impacts on volumes have been relatively limited to date.

The impact on the business continues to be closely monitored, especially in relation to the Group's ability to pass on the price increase to customers.

With regard to trade receivables and the valuation of final inventories, the analyses carried out did not reveal any critical elements related to Covid-19.
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On the other hand, in relation to the analysis of recoverability more generally of The Net Invested Capital, for the details of which please refer to the comment note "Impairment test" of this report, it did not emerge the need to make any write-down on the Irce Group and on the Cash Generating Units of the consolidated financial statements.

With reference to potential liquidity risks, it should be noted that the Group still has a solid financial situation; net financial debt, although increasing compared to 31 December 2020 due to the dynamics of working capital, is equal to € 64.3 million at 31 December 2021, while the available and unused credit lines amounted to approximately € 66.0 million at the same date.

CLIMATE CHANGE – FINANCIAL STATEMENTS IMPACTS

The world market was impacted in the second half of 2021 by a major energy shock with a sudden inflationary push mainly linked to the rise in the prices of natural gas, coal and, at European level, emission allowances, the main instrument adopted by the EU to reduce greenhouse gas emissions in energy-intensive sectors. In the analysis of the causes that triggered this reaction of the energy market, both profiles related to the effects of climate change (i.e. extreme climate phenomena) and to the measures to contain it (i.e. production of energy from renewable sources) emerge; in particular, hydroelectric production was impacted by lower rainfall while wind energy production was limited by the reduced contribution of winds.

Overall, the increase in electricity in 2021 deriving from the price effect has led to a significant increase in costs for the Irce Group, estimated at over € 7 million.

With reference to copper and other raw materials such as PVC and enamels, the main components of Irce's finished product, the significant increase in price in 2021 is attributable to several factors, in particular, the acceleration of the economy driven by the arrival of the post-crisis recovery, the scarcity on the market of some materials, the significant increase in transport and logistics costs as well as the effects of the progressive transition to the "green economy".

It should be noted that the increase in electricity and raw material prices was only partially transferred to customers during 2021, in the presence of sales contracts that fixed the component of the processing cost for the entire year, while the increase in the price of copper, being linked to the LME quotation of the period, did not have significant economic effects during the period.

The critical issues associated with the risk of supply at reasonable prices as well as the difficulties of transferring its impact to end customers, however, is considered a transitional effect since the Group began in this year a process of adjustment of sales prices in order to transfer the increases to customers.

However, it is considered that the long-term effects of climate change show greater opportunities than the elements of risk (the latter linked, in particular, to the possibility of promptly transferring the prices of raw materials and electricity to customers in the scenario of continuous increases) as demand is expected to grow due to the need both to strengthen electricity distribution networks, which are essential to increase green energy supply capacity, and to accompany the transition to electric vehicles, which require electric batteries.

As reported above, in relation to climate change, no critical issues related to the recoverability of balance sheet assets have been identified, neither at the level of impairment tests, nor of the reduction of the useful life of tangible and intangible fixed assets, nor of the collection of trade receivables; similarly, the analyses carried out did not reveal contingent liabilities attributable to contracts that have become onerous, the need for restructuring to achieve climate-related objectives, penalties for failure to meet environmental requirements or to remedy environmental damage.

DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2021. 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 forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium 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.

The tables below show a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2021		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	1,625	750	607	(187)	420
Total	**1,625**	**750**	**607**	**(187)**	**420**

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	875	1,200	879	(307)	572
Total	**875**	**1,200**	**879**	**(307)**	**572**

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

The tables below show a summary of the currency derivative contracts for forward purchases and sales, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2021		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
USD	747	500	18	(15)	3
GBP	-	6,000	-	(21)	(21)
Total	**747**	**6,500**	**18**	**(36)**	**(18)**

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	-	2,000	-	(10)	(10)
GBP	-	6,000	-	(63)	(63)
Total	**-**	**8,000**	**-**	**(73)**	**(73)**

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

The tables below show a summary of the electricity derivative contracts for forward purchases and sales, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2021		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
MWh	926	-	107	-	107
Total	**926**	**-**	**107**	**-**	**107**

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	4,052	-	38	-	38
Total	**4,052**	**-**	**38**	**-**	**38**

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 Nijemegen BV, DMG Gmbh, Irce S.L., Isodra Gmbh and 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)

The following tables show the consolidated revenues by operating segment for the years 2021 and 2020.

(Thousands of Euro)	Italy	UE	Extra UE	Consolidation entries	Irce Group
Current period					
Sales revenues	311,900	39,020	123,152	(16,932)	**457,140**
Ebitda	15,847	(1,511)	8,886	(26)	**23,196**
Ebit	11,083	(2,620)	5,918	(26)	**14,356**
Financial income / (charges)	-	-	-	-	**(199)**
Income taxes	-	-	-	-	**(4,778)**
Net result for the period	-	-	-	-	**9,376**
Intangible assets	26	-	34	-	**60**
Tanbgible assets	23,190	5,380	15,617	-	**44,187**
Previous period					
Sales revenues	183,443	36,746	82,247	(7,174)	**295,262**
Ebitda	6,090	(1,687)	6,131	216	**10,750**
Ebit	2,077	(2,512)	3,313	318	**3,196**
Financial income / (charges)	-	-	-	-	**1,097**
Income taxes	-	-	-	-	**(1,531)**
Net result for the period	-	-	-	-	**2,762**
Intangible assets	83	-	50	-	**133**
Tanbgible assets	21,741	5,763	15,604	269	**43,377**

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

1. GOODWILL AND OTHER INTANGIBLE ASSETS

This item refers to intangible assets from which future economic benefits are expected.

The following table shows the breakdown and changes in intangible assets for the years ended 31 December 2021 and 2020.

(Thousands of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance previous period	**69**	**187**	**256**
Changes previous period:			
Purchases	9	-	9
Amortization	(32)	(92)	(124)
Reclass	(2)	2	-
Exchange rate differences	(3)	(5)	(8)
Net value previous period	**41**	**92**	**133**
Changes current period:			
Purchases	18	8	26
Amortization	(28)	(72)	(100)
Reclass	-	-	-
Exchange rate differences	1	-	1
Net value current period	**32**	**28**	**60**

Research costs are incurred periodically and, in the absence of the conditions required by IAS 38 for their possible capitalisation, they are recognised in the income statement.

2. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2021 and 2020.

(Thousands of Euro)	Lands	Buildings	Plant and machinery	Equipments	Other tangible assets	Assets under constructions and advances	Total
Opening previous period	**13,042**	**13,639**	**21,672**	**1,056**	**695**	**1,436**	**51,541**
Changes previous period							
Purchases	-	713	737	377	78	507	2,412
Depreciation	(28)	(1,176)	(5,033)	(464)	(274)	-	(6,975)
Reclass	-	-	851	102	-	(953)	-
Disposals - Historical cost	-	-	(247)	-	(8)	(10)	(265)
Disposals - Depreciation fund	-	-	245	-	2	-	247
Exchange rate differences	(194)	(836)	(2,523)	-	(21)	(9)	(3,583)
Net value previous period	**12,820**	**12,340**	**15,702**	**1,071**	**472**	**971**	**43,377**
Changes - current period							
Purchases	1,228	35	1,152	408	150	4,725	7,698
Depreciation	(29)	(1,135)	(5,445)	(471)	(255)	-	(7,335)
Reclass	-	-	1	145	(75)	(71)	-
Write off	-	-	-	-	-	(162)	(162)
Disposals - Historical cost	-	-	(60)	(10)	(109)	-	(179)
Disposals - Depreciation fund	-	-	59	10	105	-	174
Exchange rate differences	286	243	70	3	1	12	615
Net value current period	**14,305**	**11,483**	**11,479**	**1,156**	**289**	**5,475**	**44,187**

The balance of tangible assets as of 31 December 2021, equal to € 44.19 million, includes Rights of use for € 1.9 million. In particular, the land item includes for € 1.4 million the investment made a few years ago by the Chinese subsidiary to acquire the fifty-year concession of the land on which the production plant will be built.

The Group's investments as of 31 December 2021, without considering those in the Rights of Use of € 0.02 million, amounted to € 7.67 million and mainly concerned investments in lands, plant and machinery by IRCE SpA and the Brazilian subsidiary IRCE Ltda.

Disposals mainly refer to machinery no longer in use and almost totally depreciated, while reclassifications into fixed assets in progress refer to machinery purchased in previous years and entered into operation.

Write-downs for the period, amounting to € 0.16 million, refer to machines and plants in production of the Parent Company and the Indian subsidiary.

The “Assets under constructions and advances” includes machinery available and not yet installed. They are mainly related to furnaces for the production of enamelled wires purchased in the second half of 2021 for the renewal of part of the machine park.

The effect of exchange rates is mainly due to the conversion from local currency to Euro of the fixed assets of the Brazilian subsidiary IRCE Ltda.

Impairment Test

As envisaged by IAS no. 36, tangible assets, such as plants, machinery and equipment, as well as intangible assets must be tested for impairment: separately, if they can generate their own cash flows, or on a CGU level, if they cannot generate their own cash flows (IAS 36.22). For assets with a finite useful life, the impairment test is only carried out where there is an indication that value may have been lost; instead, for assets with an indefinite useful life, the impairment test is carried out at least once a year (IAS 36.11).

In absence of assets with an indefinite useful life, the Directors considered necessary to carry out the impairment test respectively:

- on FDSims (the English subsidiary) and Smit Draad (the Dutch subsidiary) CGU, as a first-level test, having assessed that the negative results of the period, under the budget, together with the worsening of the WACC compared to the previous year represented indicators of possible loss in value;
- on Irce Group, as a second-level test, having ascertained that the consolidated net equity is lower than the market capitalisation together with the worsening of Group's WACC compared to the previous year.

On the basis of the 2022-2026 Business Plans of the aforementioned CGU and of Irce Group, impairment tests were carried out and approved by the Board of the Parent Company on 15 March 2022.

The Group tested the recoverability of the amount of net invested capital (NIC) of the individual CGUs, calculated by adding together fixed assets, net working capital, and other non-financial items, i.e., other assets, other liabilities, and provisions, respectively.

The recoverable amount (Enterprise value) is calculated in compliance with the criteria set out in IAS 36 and determined as value in use by discounting the cash flows expected from the use of the asset or CGU as well as the value expected from its disposal at the end of its useful life.

This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the relevant discounting rates. Future cash flows are based on the latest economic-financial plans prepared and approved by the Management of each CGU in reference to the operation of the production structures and market context.

In order to determine future cash flows, the data of the 2022 – 2026 plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2026).
In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, insofar as the Company's Management team considers this to be a normalised long-term flow.

The aforementioned multi-year plans were approved by the Board of Directors of the Irce group on 15 March 2022.

The growth rate "g" applied to determine the Terminal Value has been set as equal to the risk free of the country in which each subsidiary operates instead of, as happened last year, to the long-term inflation.
This is because following the impacts due to Covid-19 and the implementation measures put in place by central banks, risk-free rates are particularly low when compared with historical values. Therefore, to avoid the paradox of a perpetual growth parameter higher than the risk-free rate (of which the first should be only one of the factors), it was considered more prudent to consider a cap at "g" equal to risk free.

The rate (WACC) used reflects market information, the current assessment of the time value of money for the period considered and the specific risks of the individual Group companies. Specifically, a Small Size Premium of 1% and an execution risk of between 1.0% and 3.5% was applied to Group companies, differentiated according to the degree of attainability of the expected results included by the local management in the plan.

The table below shows the results of the impairment tests carried out:

	FD Sims	Smit Draad	Gruppo Irce
g	0.90%	1.48%	1.65%
WACC	9.09%	8.72%	7.75%
EV (€/000)	11,867	13,049	212,834
NIC (€/000)	10,800	11,848	196,247
Difference (€/000)	1,067	1,201	16,587

The impairment testing procedure carried out in accordance with the provisions of IAS 36 and in applying criteria agreed with the Board of Directors, did not highlight any losses of value in net invested capital booked in financial statements with reference to each CGU and Irce Group.

Moreover, based also on the indications contained in document no. 4 issued jointly by the Bank of Italy, Consob and Isvap on 3 March 2010, the Group prepared the sensitivity analysis on the impairment test results compared with the changes in the basic assumptions that affect the value in use of the CGU.

The table below shows the results of the sensitivity analysis that highlights what should be to make the value in use equal to its CIN, alternatively, the "discount rate (WACC)" in absolute value and the change in "EBITDA" in percentage compared to the values included in the 2022-2026 Plan.

	FD Sims	Smit Draad	Gruppo Irce
WACC	9.70%	9.31%	8.18%
EBITDA	(8.27%)	(6.98%)	(5.04%)

Following the above analyses, the Directors consider that the impairment tests carried out don't highlight risk profiles that lead to the need of write off.

3. EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL RECEIVABLES

Investments in other entities and non-current financial assets are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Investments in other entities	111	102
Non-current financial assets	5	125
Total investments and non-current financial assets	**116**	**227**

The item "Investments in other entities" refers to an equity investment entirely held by the Indian subsidiary Stable Magnet Wire P. Ltd in a non-operating company.

4. DEFERRED TAX ASSETS AND LIABILITIES

The item "deferred tax assets" is the net amount of deferred tax assets less deferred tax liabilities, as shown below:

(Thousands of Euro)	2021 31 December	2020 31 December
Deferred tax assets	2,002	1,387
Deferred tax liabilities	(87)	(182)
Total Deferred tax (net)	**1,914**	**1,205**

The changes for the period of the deferred tax assets (netted) are shown below:

(Thousands of Euro)	Opening balance	Increases	Decreases	Net equity effect	Exchange rate differences	Closing balance
Deferred tax assets	1,387	1,992	(1,407)	27	2	2,002
Deferred tax liabilities	(182)	-	127	(28)	(4)	(87)
Total	**1,205**	**1,992**	**(1,280)**	**(1)**	**(2)**	**1,914**

The "Net equity effect" refers to changes in the actuarial reserve as per IAS 19.

It should be noted that deferred tax assets are offset against related deferred tax liabilities within the same tax jurisdiction.

In the table below it is shown the Deferred tax assets and Deferred tax liabilities, before the offset, separated for each Group company:

(Thousands of Euro)	Italy	Irce Brasil	Isomet	Isolveco 2	Consolidated entries	Total
Deferred tax assets	2,400	308	187	12	63	2,970
Deferred tax liabilities	(648)	(134)	(274)	-	-	(1,056)
Total	**1,752**	**174**	**(87)**	**12**	**63**	**1,914**

The table below shows the breakdown of deferred tax assets and deferred tax liabilities:

(Thousands of Euro)	2021 31 December	2020 31 December
Provisions for risks and charges	10	60
Provision for bad debts (taxed)	321	215
Inventories / Inventory obsolescence fund	1,535	892
Application of IFRS 15	615	551
Application of IAS 19	327	241
Tax losses carried forward	12	66
Other	150	275
Total Deferred tax labilities	**2,970**	**2,301**

(Thousands of Euro)	2021 31 December	2020 31 December
Depreciation	103	157
Exchange rate difference	119	1
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	80	88
Inventories	207	201
Others	134	236
Total Deferred tax	**1,056**	**1,096**

5. INVENTORIES

Inventories are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Raw materials, ancillary and consumables	38,126	27,179
Work in progress and semi-finished goods	17,897	10,893
Finished products and goods	54,700	41,835
Provision for write down of raw material	(3,340)	(2,865)
Provision for write down of finished goods	(2,398)	(811)
Total inventories	**104,985**	**76,231**

Inventories are not pledged nor used as collateral.

The change in the period is essentially attributable to the price effect of the metal in stock taking into account that the average price of copper in 2021 was 7.88 €/kg significantly higher than the one of the previous year, equal to 5.39 Euro/Kg and the quotation at the end of the current year was 8.56 €/kg, about 36% higher than the 6.31 Euro/Kg of 31 December 2020. It should also be noted that this upward trend continued in the first months of 2022.

The table below shows the changes in the provision for write-down of inventories during 2021:

(Thousands of Euro)	Opening balance	Provisions	Utilization	Exchange rate differences	Closing balance
Provision for write down of raw material	(2,865)	(493)	22	(4)	(3,340)
Provision for write down of finished goods	(811)	(1,669)	85	(3)	(2,398)
Total	**(3,676)**	**(2,162)**	**107**	**(7)**	**(5,738)**

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

The increase in the “Provision for write-down of raw materials” is partly attributable to the technological obsolescence of some articles in the cable sector containing chlorinated paraffins following the change in regulations that occurred during the year and partly to the devaluation of specific items that are considered to have limited sales prospects.

6. TRADE RECEIVABLES

The breakdown of trade receivables is shown below:

(Thousands of Euro)	2021 31 December	2020 31 December
Current trade receivables - third parties	93,690	74,766
Current bad debt provision - third parties	(1,766)	(859)
Total trade receivables	**91,924**	**73,907**

The change in trade receivables is essentially due to the significant increase in turnover due for the most part to the increase in the price of copper in part offset by the increase in transfers without recourse made compared to the previous year.

Trade receivables transferred during the year amounted to € 63.9 million (€ 30.0 million as of 31 December 2020) of which € 36.7 million related to invoices transferred but not yet due as of 31 December 2021 (as of 31 December 2020 € 16.6 million).

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

(Thousands of Euro)	Opening balance	Provisions	Utilization	Exchange rate differences	Closing balance
Current bad debt provision	(859)	(1,096)	201	(12)	(1,766)

The increase in the “Current bad debt provision” is mainly due to the reassessment of "expected losses", as the possible renewal of the insurance policy on trade receivables expired at the beginning of the year is still being evaluated.

7. CURRENT TAX RECEIVABLES

(Thousands of Euro)	2021 31 December	2020 31 December
Tax receivables	18	7
Total tax receivables	**18**	**7**

Please note that the Group offset tax payables with tax receivables by tax jurisdiction, as the requirements in IAS 12 were met.

8. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Accrued income and prepaid expenses	87	63
Receivables due from social security institutions	-	19
Other receivables	650	1,126
VAT receivables	943	728
Total receivables due from others	**1,680**	**1,936**

The item “Other receivables” mainly refers to advance payments and insurance reimbursements.

The decrease in “Other receivables” is mainly attributable to the Brazilian subsidiary, in particular to the reduction of advance payment made in December on import duties and agency fees relating to the supplies of raw materials delivered in January.

Please note that VAT receivables were offset by tax jurisdiction if, and only if, the entity has the right to offset the recognised amounts and intends to settle on a net basis.

9. CURRENT FINANCIAL ASSETS

(Thousands of Euro)	2021 31 December	2020 31 December
Copper mark-to-market derivatives	420	572
Guarantee deposits and other current financial assets	143	1,293
Mark to market gains derivatives exchange rate	3	-
MWh mark-to-market derivatives	107	38
Total other current financial assets	**673**	**1,903**

The items "Mark to market copper derivatives", "Mark to market gains derivatives exchange rate" and "MWh Mark to market MWh derivatives" refer to the fair value of forward contracts on copper, foreign exchange and electricity open at the end of the year of the Parent company IRCE SpA.
The item "Guarantee deposits and other current financial assets" mainly includes the energy efficiency certificates TEE, classified up to last year in "Other non-current financial receivables".

The change in the item "Guarantee deposits and other current financial assets" is attributable to the repayment of the so-called margin calls ("hedging requests") lodged with the broker for copper forward transactions on the LME (London Metal Exchange).

10. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

(Thousands of Euro)	2021 31 December	2020 31 December
Bank deposits	10,669	10,249
Cash and cash equivalents	9	11
Total cash and cash equivalent	**10,678**	**10,260**

Bank deposits are remunerated at floating rate and are not subject to constraints or restrictions.

11. SHAREHOLDERS’ EQUITY

Shareholders’ equity amounted to € 131.96 million as of 31 December 2021 (€ 122.62 million as of 31 December 2020) and is detailed in the following table.

(Thousands of Euro)	2021 31 December	2020 31 December
Share capital	14,627	14,627
Own share capital	(824)	(805)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Own share premium	(65)	24
Legal reserve	2,925	2,925
IAS 19 Reserve	(1,183)	(1,212)
Extraordinary reserve	45,075	44,662
Other reserve	23,595	23,595
Profit (losses) of previous years	9,542	8,027
Translation Reserve	(33,667)	(34,502)
Profit (loss) for the period	9,376	2,726
Total group's shareholders' equity	**132,267**	**122,932**
Shareholders' equity attributable to Minority interests	(305)	(308)
Total shareholders' equity	**131,962**	**122,624**

Share capital

The following table shows the breakdown of the share capital.

(Thousands of Euro)	2021 31 December	2020 31 December
Subscribed share capital	14,627	14,627
Treasury share capital	(824)	(805)
Total share capital	**13,802**	**13,822**

The share capital is composed of 28,128,000 ordinary shares worth € 14,626,560. 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.

Treasury share capital refers to the nominal value of the treasury shares held by the Company and, as required by IFRS, are deducted from Subscribed share capital.

Treasury shares as of 31 December 2021 amounted to 1,585,088, corresponding to 5.6% of the share capital.

The number of shares (in thousands) outstanding at the beginning and at the end of the last two years is shown below:

Thousands of shares	
Balance as of 31/12/2019	**26,590**
Share buyback	(10)
Balance as of 31/12/2020	**26,580**
Share buyback	(37)
Balance as of 31/12/2021	**26,543**

Share premium reserve

This item refers to the higher issue value compared to the par value of IRCE S.p.A. shares at the time of the share capital increase when the Company was first listed on the stock exchange in 1996.

Revaluation reserve

The item refers to the revaluation carried out in accordance with law 266/1995, equal to € 22,328 thousand, prior to the transition to IFRS. This was not reversed as, upon adopting IFRS, the Group elected to adopt fair value, as resulting from net revaluation balances, as a deemed cost with respect to the assets being revalued.

IAS 19 reserve

This reserve includes actuarial gains and losses accumulated as a result of the application of IAS 19 Revised. The change in the reserve is as follows:

Balance as of 01/01/2020	(1,196)
Actuarial valuation	(20)
Tax effect on actuarial valuation	4
Balance as of 31/12/2020	(1,212)
Actuarial valuation	(30)
Tax effect on actuarial valuation	(1)
Balance as of 31/12/2021	(1,183)

Extraordinary reserve

The extraordinary reserve consists mainly of, and is increased annually by, the retained earnings of the Parent Company and decreased by dividends distributed in 2021 of € 797 thousand.

Other reserves

This item, equal to € 23,596 thousand, includes:

- the Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of Irce Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A., amounting to € 6,621 thousand.
- the Reserve of profits to be re-invested in Southern Italy, totalling € 201 thousand.
- the 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 € 16,772 thousand.

Foreign currency translation reserve

The reserve represents the accounting differences in value with respect to the historical exchange rate resulting from the conversion of the financial statements of the foreign subsidiaries, with a local currency other than the Euro, at the official exchange rate of 31 December 2021.
The improvement in the translation reserve is mainly due to the revaluation of the Brazilian Real, the British Pound and the Swiss Franc against the Euro.

Undistributed profits

The reserve for undistributed profits primarily refers to the subsidiaries' retained earnings.

12. NON-CURRENT FINANCIAL LIABILITIES

The table below shows the breakdown of non-current financial liabilities:

(Thousands of Euro)	2021 31 December	2020 31 December
Non-current Financial liabilities due to banks	17,680	21,069
Non-current Financial liabilities - IFRS 16	166	243
Total non-current financial liabilities	**17,846**	**21,312**

The following table shows the detail of non-current loans outstanding at year-end, highlighting, in particular, the type of rate and due date.

€/000	Currency	Rate	Company	31/12/2020	31/12/2021	Due date
Banca di Imola	EUR	Floating	Irce S.p.A.	5,500	4,821	2026
Unicredit	EUR	Floating	Irce S.p.A.	10,000	5,000	2025
Mediocredito	EUR	Floating	Irce S.p.A	3,231	2,307	2025
Banco Popolare	EUR	Floating	Irce S.p.A.	1,875	625	2023
Banco Popolare	EUR	Fixed	Irce S.p.A.	-	2,630	2026
NAB	EUR	Zero	Isomet AG	463	404	2025
Banco Popolare	EUR	Fixed	Isomet AG	-	1,893	2026
Total				**21,069**	**17,680**	

The table below shows the changes in non-current financial liabilities during 2021:

(Thousands of Euro)	Company	31.12.2020	Reclass. shortly	Exchange effect	Accensions	Repayments	31.12.2021
Banca di Imola	Irce	5,500	(679)				4,821
Unicredit	Irce	10,000	(1,000)			(4,000)	5,000
Mediocredito	Irce	3,231	(923)				2,308
Banco Popolare	Irce	1,875	(1,250)				625
Banco Popolare	Irce	-	(370)		3,000		2,630
NAB	Isomet	463	(80)	20			403
Banco Popolare	Isomet	-	(635)	28	2,500		1,893
Total		**21,069**	**(4,937)**	**48**	**5,500**	**(4,000)**	**17,679**

Please note that both the "Unicredit" loan, obtained by the Parent Company in 2020 in accordance with the Corporate Liquidity Decree (Legislative Decree no. 23/2000) and the NAB subsidized rate loan, obtained last year by the subsidiary Isomet, were provided as part of the government facilities for the Covid-19 emergency.

Covenants

- The medium-long term loan granted by Mediocredito Italiano S.p.A. amounting to € 3,231 thousand at 31.12.2021 provides for thirteen six-monthly constant capital repayments equal to € 461.5 thousand each, expiring on 30 January 2025. The contract envisages, as financial covenants, compliance with a “net financial position” to “net equity” ratio of no more than 0.65 and an “adjusted EBITDA” to “financial charges” ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis.
- The medium-long term loan granted by Unicredit S.p.A. amounting to € 6,000 thousand at 31.12.2021 provides for eight six-monthly constant capital repayments of € 833 thousand each, expiring on 30 June 2025. The financial covenants under the contract include maintaining a ratio of “net financial debt” to “Equity + Quasi Equity” of less than 1 throughout the loan term with respect to the consolidated financial statements starting from the year ended 31.12.2021, and a ratio of “net financial debt” to “EBITDA” of less than 5 for the consolidated financial statements for the year ended 31.12.2021, of less than 4.5 for the consolidated financial statements for the years ended 31.21.2022 and 31.12.2023, and of less than 4 starting from the financial statements for the year ended 31.12.2024 as well as subsequent years through the term of the loan.

For the year ended as of 31 December 2021, the above covenants were respected.

13. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges, broken down into current and non-current, are detailed as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Provision for severance payments to agents	145	140
Other provision for risks and charges	22	169
Total provisions for risk and charges – non-current	**167**	**309**

(Thousands of Euro)	2021 31 December	2020 31 December
Provision for severance payments to agents - current	4	1
Other provision for risks and charges – current	295	194
Total provisions for risk and charges – current	**299**	**195**

The table below shows the changes in the provision for risk and charges, current and non-current, as of 31 December 2021

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing balance
Provision for severance payments to agents	140	5	-	145
Other provision for risks and charges	169	-	(147)	22
Total provision for risk and charges – non-current	**309**	**5**	**(147)**	**167**

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing balance
Provision for severance payments to agents	1	4	(1)	4
Other provision for risks and charges	194	217	(116)	295
Total provision for risk and charges- current	**195**	**221**	**(117)**	**299**

The item “Provision for severance payments to agents” refers to allocations made for severance payments relating to outstanding agency contracts of the Parent Company and Smit Draad Nijmegen BV.

The item “Provisions for risks and charges” mainly refers to the Parent Company and Smit Draad Nijmegen BV. The increase for the period is mainly due to the provision made by the Dutch subsidiary due to a dispute still at a preliminary stage.

In May 2021, the Brazilian Supreme Court of Justice (Receipta Federal do Brasil - RFB) issued a ruling irrevocably defining that the ICMS regional tax should be excluded from the federal tax base PIS and Cofins. The Brazilian subsidiary therefore had the right to request a refund of the higher PIS and Cofins taxes paid to the Brazilian tax authorities in relation to the sales invoices issued starting from March 2017 or with an administrative proceeding or with a judicial appealing.
The Directors, who considered preferred to take legal action, assessed that there were no conditions in this financial statements to record the tax income because, accordingly with the opinion of the lawyer in charge, although it is probable to obtain a positive judgment, the requirement of reasonable certainty required by IAS 37 for its accounting is currently missing.
On the basis of a preliminary estimate, the potential maximum effect on the income statement as of 31 December 2021 deriving from the recording of this tax income would be, net of the tax effect, equal to 1.8 million euros, including interest.

During 2021, the subsidiary FD Sims was sued by its customer to a French court for alleged defects in its supplies. The lawyer of Irce Group, after evaluating the conclusions of the expert appointed by the Parent Company that excludes any responsibilities attributable to the products supplied by FD Sims, assessed that, in relation to the plaintiff's claim for damages quantified at € 307 thousand, the risk of loss is only possible. Therefore, the Directors, consistently with the accounting principles and also taking into account that this claim is covered by insurance, have not made any provisions in the financial statements as of 31 December 2021.

14. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

(Thousands of Euro)	Opening balance	Reclass	Provisions	Net equity effect	Utilization	Exchange rate differences	Closing balance
Provision for employee defined benefit	4,990	6	41	(30)	(209)	44	4,842
Total	**4,990**	**6**	**41**	**(30)**	**(209)**	**44**	**4,842**

The Fund, which is part of the defined benefit plans, refers for € 3,750 thousand to the Parent Company, for € 936 thousand to Isomet, for € 59 thousand to Magnet Wire, for € 65 thousand to Isolveco in liquidation, for € 28 thousand to Isolveco 2 as well as for € 4 thousand to DMG.

The actuarial valuation of defined benefit plans was conducted on the basis of the "accrued benefits" methodology using the "Projected Unit Credit" (PUC) criterion as provided for in paragraphs 67 to 69 of IAS 19.

Below there are the assumptions used by the actuary for the measurement of the provision for employee benefits with reference to the main Group companies, IRCE S.p.A. and Isomet AG respectively:

A) Parent Company IRCE S.p.A.
Demographic assumptions:

- death: RG48 mortality tables issued by the State General Accounting Department;
- disability: INPS tables based on age and gender;
- pension: 100% on reaching the AGO requirements.

Technical-economic assumptions:

	31/12/2021	31/12/2020
Annual discount rate	0.44%	-0.02%
Annual inflation rate	1.75%	0.80%
Annual rate of increase of employee termination indemnities	2.81%	2.10%

The "Annual discount rate", consistently with paragraph 83 of IAS 19, was taken from the IBOXX Corporate AA index with duration 7-10 at the date of the assessment

The annual rate of increase of employee termination indemnities, as envisaged by art. 2120 of the Italian Civil Code, is equal to 75% of inflation, plus 1.5 percentage points.

Sensitivity analysis of the main measurement parameters of Irce SpA (in thousands of Euro):

Parameter	Change	31/12/2021	31/12/2020
Turnover rate	+1,00%	3,721	3,826
Turnover rate	- 1,00%	3,782	3,890
Inflation rate	+0,25%	3,794	3,905
Inflation rate	- 0,25%	3,706	3,810
Discount rate	+0,25%	3,680	3,781
Discount rate	- 0,25%	3,822	3,935

B) ISOMET

Demographic and technical-economic assumptions:

Parameter	31/12/2021	31/12/2020
Discount rate	0.35%	0.20%
Interest rate on capital	0.50%	0.50%
Salary increase rate	1.00%	1.00%
Inflation rate	1.00%	1.00%
Mortality tables	BVG2020 GT	BVG2015 GT

Sensitivity analysis of ISOMET AG's main measurement parameters:

Parameter	Change	31/12/2021	31/12/2020
Discount rate	-0.25%	4,747	5,006
Discount rate	+0.25%	4,396	4,586
Interest rate on capital	-0.25%	4,523	4,744
Interest rate on capital	+0.25%	4,609	4,834
Salary increase rate	-0.25%	4,549	4,766
Salary increase rate	+0.25%	4,581	4,806
Life expectancy	+ 1 anno	4,675	4,898
Life expectancy	- 1 anno	4,456	4,678
Pension cost 2022 with Discount rate increase	+0.25%	99	94
Pension cost 2022 with Discount rate decrease	-0.25%	109	104

15. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Payables due to banks	53,446	28,208
Mark to market losses derivatives exchange rate	21	73
IFRS 16 financial liabilities	101	138
Other current financial liabilities	-	3
Long term loans- current portion	4,222	2,173
Total current financial liabilities	**57,790**	**30,595**

Payables due to banks essentially include self-liquidating credit lines and short-term credit lines

The item "Mark to market losses derivatives exchange rate" refers to the Mark-to-Market value of USD and GBP forward purchase and sale contracts outstanding as of 31/12/2021 of the Parent Company.

The following table highlights the net financial position of Irce Group, determined on the basis of the new scheme envisaged by Consob attention call no. 5/21 of 29 April 2021, which incorporates the ESMA guideline published on 4 March 2021:

(Thousands of Euro)	2021 31 December	2020 31 December
Cash and cash equivalents	10,678	10,260
Current financial assets	673	1,903
Liquid assets	**11,351**	**12,163**
Other current financial liabilities	(53,568)	(28,422)
Long term loans- current portion	(4,222)	(2,173)
Net current financial debt	**(46,439)**	**(18,432)**
Non-current financial liabilities third parties	(17,846)	(21,312)
NET FINANCIAL DEBT	**(64,285)**	**(39,744)**

The negative change in the net financial position is attributable both to the increasing in working capital, following the growth in sales volumes and in the price of copper, and to the greater investing activities.

Net financial debt includes a total of € 267 thousand of financial payables relating to leases accounted for in accordance with IFRS16.

16. TRADE PAYABLES

Trade payables amounted to € 30.40 million as of 31 December 2021 compared to € 21.20 million at as of31 December 2020.

The change in the period is mainly attributable to the higher quantity of copper in travel included in the inventory of the Parent Company compared to the previous year.

17. TAX PAYABLES

(Thousands of Euro)	2021 31 December	2020 31 December
Tax payables due to Aequafin	2,163	226
Tax payables-current	823	369
Total tax payables	**2,986**	**595**

The item "Tax payables due to Aequafin" shows the liability of Irce SpA for IRES due to its parent company with which a national tax consolidation contract is in place.

The "Tax payables-current" includes the Parent Company's debt for Irap, as well as the debt of the other Group companies for income taxes, net of the related tax advance payments.

18. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,897 as of 31/12/2021, primarily refers to IRCE S.p.A.'s payables for social security contributions due to INPS.

19. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Payables due to employees	3,513	3,119
Accrued liabilities and deferred income	332	307
Other payables	1,038	628
VAT payables	2,682	885
Payables for employee IRPEF withholdings	480	475
Total other current liabilities	**8,045**	**5,414**

The item "Payables due to employees" includes the liabilities for the thirteenth month's salary, for holiday accrued and not taken and for production premiums.

Other payables are mainly amounts due to tax authorities for withholdings, advances to customers, when non-countervailable with related receivables, and other miscellaneous liabilities.

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

20. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packaging.

Consolidated turnover in 2021, equal to € 457.1 million, was up 54,8% compared to the previous year (€ 295,3 million). The change is due to the increase of volume and of the price copper.
For further details, please refer to the section “*Consolidated performance for 2021*” in the Report on Operations.

Revenues broken down by product are shown below:

(in thousands of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Widing wires	Cables	Total
Revenues	366,844	90,296	457,140	239,215	56,047	295,262
% of total	*80%*	*20%*	*100%*	*81%*	*19%*	*100%*

The following table shows the breakdown of revenues by geographical area of destination of the finished product.

(in thousands of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	184,756	139,452	132,932	457,140	105,764	97,278	92,220	295,262
% of total	*40%*	*31%*	*29%*	*100%*	*36%*	*33%*	*31%*	*100%*

21. OTHER INCOME

Other income was broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Increase in internally generated fixed assets	55	107	(52)
Capital gains on assets disposals	57	-	57
Insurance reimbursements	16	112	(96)
Contingent assets	129	72	57
Other revenues	318	537	(219)
Total other revenues and income	**575**	**828**	**(253)**

The item “Other revenues” mainly includes revenues from the sale of energy efficiency certificates TEE, revenues from the recognition of the tax credit for costs incurred for sanitisation and purchases of anti-COVID-19 protective equipment, training fees and chargebacks to customers for reimbursement of expenses.

22. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to € 384.2 million includes for € 386.3 million the costs incurred for the acquisition of raw materials, of which the most significant are copper, insulating materials and packaging and maintenance materials and for € 8.1 million the cost of goods purchased, partially offset by the change in inventories of raw materials and consumables for € 10.1 million.

23. COSTS FOR SERVICES

These include costs incurred for the provision of services pertaining to copper processing as well as utilities, transportation, commercial and administrative services, and the costs for the use of third-party goods, as detailed below:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
External processing	5,382	4,614	768
Utility expenses	17,849	8,191	9,658
Maintenance	2,152	1,845	307
Transport expenses	5,277	4,268	1,009
Fees payable	150	193	(43)
Compensation of Statutory Auditors	69	69	-
Other services	5,354	4,331	1,023
Costs for the use of third-party assets	216	159	57
Total cost for services	**36,449**	**23,670**	**12,779**

The change in “Costs for services”, in particular in the variable costs (external processing, utility expenses, transport expenses), is linked to the significant increase in production, as well as, with particular reference to electricity, to the significant increase in unit cost per MWh.

The item "Other services" mainly includes costs for technical, legal and tax advice, as well as costs for R&D, insurance and commercial costs.

“Costs for the use of third-party assets” include lease payments to which IFRS 16 does not apply because the underlying asset has a low value (less than € 5 thousand) or the lease term is 12 months or less.

24. PERSONNEL COSTS

The table below shows the breakdown of personnel costs:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Salary and wages	20,628	19,235	1,393
Social security charges	5,095	4,907	188
Pension costs	1,492	1,437	55
Other personnel costs	3,251	2,946	305
Total personnel costs	**30,466**	**28,525**	**1,941**

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

The increase in personnel costs is attributable to the fact that in 2020, to cope with the drop in production due to the Covid-19 pandemic, the available holidays were used and Irce SpA resorted to “Cassa integrazione” as well as other Group companies to alternative government social safety nets.

The increase in personnel costs is attributable to the fact that in the 2020 financial year, to cope with the drop in production due to the Covid-19 pandemic, the available holidays were used and Recourse was made, by Irce SpA and the other Group companies, to the "Layoff" or alternative social safety nets.

The Group’s average number of employees for the year and the current number at year-end is shown below:

(Number of employees)	Average 31/12/2021	Closing 31/12/2021	Closing 31/12/2020
Executives	29	29	24
White collars	146	142	154
Blue collars	539	546	539
Total	**714**	**717**	**717**

The average number of employees is calculated according to the Full-Time Equivalent method and includes both internal and external (temporary and contract) staff. Personnel is classified according to the type of employment contract.

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

Here is the breakdown of depreciation/amortisation:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Amortization of intangible assets	100	124	(24)
Depreciation of tangible assets	7,171	6,806	365
Depreciation of tangible assets - IFRS 16	164	169	(5)
Write off tangible assets	162	-	162
Total amortization/depreciation and write-down	**7,597**	**7,099**	**498**

The change in depreciation of tangible assets is mainly attributable to the Brazilian subsidiary following to the recent investments made in plants and machinery.

In relation to the item "Write-downs of tangible assets", see the comment in section 2. Tangible assets.

26. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Bad debt provision	896	319	577
Receivables losses	247	126	121
Provision for risks	100	10	90
Total provisions and write-downs	**1,243**	**455**	**788**

With reference to the change in the item "Bad debt provision" please refer to section 6.Trade receivables.

27. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Non-income taxes and duties	1,053	780	273
Capital losses and contingent liabilities	47	44	3
Other operating costs	186	508	(322)
Total other operating costs	**1,286**	**1,332**	**(46)**

The item “non-income taxes and duties” mainly consists of non-deductible taxes of the Brazilian subsidiary IRCE Ltda.

The changes in “Other operating costs” is mainly due to contractual penalties charged last year to the Parent Company by a customer for late delivery of the finished product.

28. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Financial income	2,672	2,473	199
Financial charges	(3,260)	(1,086)	(2,174)
Foreign exchanges	389	(290)	679
Total financial income and charges	**(199)**	**1,097**	**(1,296)**

The item "Financial income" includes € 2.3 million interest income on extended payments granted to customers by the Brazilian subsidiary and € 0.3 million the net effect of derivatives on electricity.

The item "Financial charges" mainly includes € 0.6 million of the net effect of forward transactions on copper, both already settled during the year and from valuation at the end of the period, as well as € 2.4 million in charges relating to the non-recourse discount of trade receivables by the Parent Company and the Brazilian subsidiary.

The negative balance of the item "Foreign exchange" includes for €/000 354 the net effect of realised and unrealised exchange differences and for €/000 34 the net effect of forward transactions in currencies, both already settled and for year-end valuation.

29. INCOME TAXES

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Current taxes	(5,493)	(1,497)	(3,996)
Deferred tax assets / liabilities	715	(34)	749
Total income tax	**(4,778)**	**(1,531)**	**(3,247)**

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

30. EARNINGS PER SHARE

As required by IAS 33, here below there 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 treasury 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.

	2021 31 December	2020 31 December
Net profit/(loss) for the period (Thousand euros)	9,376	2,726
Average weighted number of ordinary shares outstanding	26,542,912	26,579,912
Basic earnings/(loss) per share	0.353	0.103
Diluted earnings/(loss) per share	0.353	0.103

31. RELATED PARTY DISCLOSURES

In compliance with the requirements of IAS 24, the annual compensation received by the members of IRCE S.p.A.'s Board of Directors is shown below:

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	215	314	529

This table shows the compensation paid for any reason and in any form, excluding social security contributions. Following the introduction of Article 123-ter of the Consolidated Financial Act, further details on these amounts are provided in the Remuneration Report, which will be made available within the time limits prescribed by the law at the registered office of the Company, as well as on the website www.irce.it.

32. COMMITMENTS AND GUARANTEES

There are no particularly important commitments made by the Group as of the reporting date; two guarantees of € 670 thousand and € 79 thousand were issued in favour of a publicly owned company to guarantee a supply of electrical cables.

33. FINANCIAL RISK MANAGEMENT

The Group's main risks and uncertainties, as well as risk management policies, are detailed below:

Market risk

The Group is strongly focused on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the Group's medium-term strategy provides for a geographic diversification in non-EU countries. As part of this strategy, the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd was set up in China with the aim of producing and serving the local market. However, the company is currently not operational.

Risk associated with changes in financial and economic variables

- *Exchange rate risk*
  The Group primarily uses the Euro as the reference currency for its sales transactions. It is exposed to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, China and Czech Republic.
  As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the carrying amount of the investment. At 31 December 2021, the exchange rate of the Brazilian currency against the Euro appears to be substantially in line with the of the previous year, while in the first months of 2022 the Real appears to be revalued.

  Here below there is a sensitivity analysis that shows the hypothetical accounting effects on the Group's statement of financial position, simulating a +5% (further depreciation of the Real) -5% (recovery of the Real) change in the EUR/BRL exchange rate compared to 31 December 2021 (6.3107 EUR/BRL):

	31.12.2021	Change in EUR/BRL exchange rate	
		+5%	-5%
Consolidated statement of financial position data	€/million	Change	Change
Non-current assets	7.40	(0.38)	0.38
Current assets	29.47	(1.47)	1.47
TOTAL ASSETS	36.97	(1.85)	1.84
Total Shareholders' Equity	33.07	(1.65)	1.65
Non-current liabilities	0.00	0.00	0.00
Current liabilities	3.90	(0.20)	0.20
TOTAL LIABILITIES	36.97	(1.85)	1.84

  The above simulation shows that a 5% depreciation in the Real would negatively impact the Group's foreign currency translation reserve, and therefore other comprehensive income, by € 1.65 million, while an appreciation in the Brazilian currency would result in a € 1.65 million positive impact.

- *Interest rate risk*
  The Group obtains medium/long-term bank financing, mainly at floating interest rates (linked to Euribor) thus exposing itself to the risk deriving from the rise in rates.. The Group's policy is not to hedge, given the short average duration of these loans (less than 3 years). With regard to the use of short-term credit lines, at floating rates, the management's attention is aimed at safeguarding and consolidating relations with credit institutions assuming the latter propose the same spread on the Euribor

  Here below there is a sensitivity analysis showing the effects on the result, simulating a +/- 25 basis points change in interest rates:

	31/12/2021	Change in interest rates	
		+25 bps	-25 bps
Consolidated income statement data	€/million	Change	Change
Revenues	457.14	-	-
EBITDA	23.20	-	-
EBIT	14.36	-	-
Net profit/(loss)	9.38	(0.12)	0.12

- *Risks related to fluctuations in the prices of cooper price*
  The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential impact of changes in the price of copper on margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. The average price of copper in 2021 was up 46.2% compared to the same figure of the previous year, reaching Euro 8.56 per kg at the end of the year (at 31 December 2020 Euro 6.31 per kg). The growth trend continued in the first months of 2022.

  A sensitivity analysis is provided below which shows the effects on the turnover and EBIT of the Group by simulating a change in the copper price of +/- 5% versus the average LME price in 2021 and assuming no economic impacts due the changes in inventory:

	31/12/2021	Change in the price of copper	
		+5%	-5%
Consolidated income statement data	€/million	Change	Change
Turnover	457.14	18.23	(18.23)
EBITDA	23.20	0.42	(0.42)
EBIT	14.36	0.42	(0.42)

Financial risks
These are risks associated with financial resources

- *Credit risk*
  There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. Selected insurance policies are taken out in order to limit insolvency risk. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks, including with respect to the COVID-19 pandemic, that could cause days sales outstanding or credit quality to deteriorate.

- *Liquidity risk*
  Based on its financial position, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities.

  The table below shows the amounts of credit lines and uses as of 31 December 2021. The Group can rely on € 66.00 million in available credit.

Consolidated financial data €/thousand	Cash	Self-liquidating credit lines	Short-term credit lines	Total
Credit lines	1,405	60,000	58,045	119,450
Uses	-	(37,851)	(15,595)	(53,446)
Available credit lines	**1,405**	**22,149**	**42,450**	**66,004**

The table below shows the breakdown and due date of debt items as of 31 December 2021.

Consolidated financial data €/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
Non-current liabilities				
Non-current financial liabilities	-	17,846	-	17,846
Deferred tax liabilities	-	87	-	87
Provision for risks and charges	-	167	-	167
Provision for employee benefits	570	2,279	1,994	4,848
Total non-current liabilities	**570**	**20,379**	**1,994**	**22,942**
Current liabilities				
Current financial liabilities	57,790			57,790
Trade payables	30,402			30,402
Tax payables	2,986			2,986
Social security contributions	1,897			1,897
Other current liabilities	8,045			8,045
Provisions for current risks and charges	299			299
Total non-current liabilities	**101,419**			**101,419**
Commitments	-	-	-	-
Total debt by expiry date	**101,989**	**20,379**	**1,944**	**124,361**

The table does not include copper purchase commitments, as this is a commodity quoted on the LME market easily disposed of.

As of 31 December 2021, the IRCE Group reported € 10.68 million in cash, € 0.67 million in current financial assets, € 91.92 million in trade receivables, € 104.98 million in inventories, and € 66.00 million in available credit lines, compared to current payables and commitments totalling € 101.42 million.

34. MANAGEMENT OF TRADE RECEIVABLES

The table below shows the breakdown of receivables by internal rating.

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

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Risk level			
Minimum	59,780	53,249	6,531
Medium	24,411	17,511	6,900
Above average	8,416	3,150	5,266
High	1,083	856	227
Total trade receivables	**93,690**	**74,766**	**18,924**

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Due dates			
Not yet due	53,390	44,030	9,360
< 30 days	37,630	27,513	10,117
30 - 60 days	1,162	1,347	(185)
60 - 120 days	688	941	(253)
> 120 days	820	935	(115)
Total trade receivables	**93,690**	**74,766**	**18,924**

The bad debt provision, equal to € 1,77 million refers for € 0,67 million to the ranges between “60-120 days” and “>120 days” and to the “above-average” and “high” risk level.
In accordance with the provisions of IFRS 8, para. 34, please note that for the years ended on 31 December 2021 and 2020, there are no third-party customers generating revenues for the Group that exceed 10% of total revenues.

35 . CAPITAL RISK MANAGEMENT

The primary objective in managing the Group’s capital is to maintain a solid credit rating and adequate capital ratios in order to support operations and maximise shareholder value.

(in thousands of Euro)	2021 31 December	2020 31 December
Net financial debt (A)	64,285	39,743
Shareholders' equity (B)	131,962	122,624
Total capital (A) + (B) = (C)	196,247	162,368
Gearing ratio (A) / (C)	33%	25%

36 . FINANCIAL INSTRUMENTS

a) Financial instruments by category

The following table shows financial assets and liabilities broken down by category of financial instrument:

	Current period			
(in thousands of Euro)	Amortised cost	FV with opposite entry in income statement	FV with opposite entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	5	-		5
Current financial assets				
Trade receivables	91,924	-		91,924
Current financial assets	143	530		673
Cash and cash equivalent	10,678	-		10,678
Non-current financial liabilities				
Financial payables	17,846	-		17,846
Current financial liabilities				
Trade payables	30,402	-		30,402
Financial payables	57,769	21		57,790

(in thousands of Euro)	Previous period Amortised cost	FV with opposite entry in income statement	FV with opposite entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	125	-		125
Current financial assets				
Trade receivables	73,906	-		73,906
Current financial assets	1,293	610		1,903
Cash and cash equivalent	10,260	-		10,260
Non-current financial liabilities				
Financial payables	21,312	-		21,312
Current financial liabilities				
Trade payables	21,201	-		21,201
Financial payables	30,520	75		30,595

b) Fair value of financial instruments

The following table shows a comparison between the carrying amount and fair value broken down by category of financial instrument:

(Thousands of Euro)	2021 31 December Carrying amount	2020 31 December	2021 31 December Fair value	2020 31 December
Financial assets				
Cash and cash equivalent	10,678	10,260	10,678	10,260
Current financial assets	673	1,903	673	1,903
Trade receivables	91,924	73,906	91,924	73,906
Non-current financial assets and non-current receivables	116	125	116	125
Financial liabilities				
Current financial liabilities	57,790	30,595	57,790	30,595
Trade payables	30,402	21,201	30,402	21,201
Non-current financial liabilities	17,846	21,312	17,846	21,312

c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (€/000).
IFRS 13 defines the following three levels of fair value for measuring the financial instruments recognised in the statement of financial position:

- Level 1: quoted prices in active markets.
- Level 2: market inputs other than Level 1 inputs that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs not based on observable market data.

2021	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	530	-	530
Total assets	**-**	**530**	**-**	**530**
Liabilities:				
Derivative Financial Instruments	-	(21)	-	(21)
Total liabilities	**-**	**(21)**	**-**	**(21)**

2020	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	610	-	610
Total assets	**-**	**610**	**-**	**610**
Liabilities:				
Derivative Financial Instruments	-	(73)	-	(73)
Total liabilities	**-**	**(73)**	**-**	**(73)**

During the financial year, there were no transfers between the three fair value levels specified in IFRS 7.

37 . DISCLOSURE PURSUANT TO ART. 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with art. 149-duodecies of Consob Issuers' Regulations, shows the compensation for 2021 for auditing services and for other services, including expenses, provided by the independent auditor or by entities belonging to its network to Group's companies.

Type of service	Entity supplying the service	Recipient	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	IRCE S.p.A.	85
Other certifications (NFS)	Deloitte & Touche S.p.A.	IRCE S.p.A.	11
Auditing services	Deloitte & Touche	Foreign subsidiaries	52

38 . INFORMATION PURSUANT TO LAW NO. 124/2017

The following table provides the information required by art. 1, paragraph 125 of Law No. 124 of 4 August 2017.

Grantor	Description	Amount (€/000)
Comune Imola (BO), Miradolo Terme (PV), Guglionesi (CB), Trezzano sul Naviglio (MI)	TARI facilitation	196
Italian Institute for Social Security (INPS)	Facilitation of contribution for employment in disadvantaged areas	9
Cassa per i servizi energetici ed ambientali (CSEA, Energy and Environmental Services Fund)	Reduced 2021 electricity tariff rate	1,719

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

In accordance with Consob Communication dated 28 July 2006, the table below shows the reconciliation between the result for the financial year and shareholders' equity of the Group as of 31 December 2021 and 2020 with the corresponding amounts in the Parent Company separate financial statements:

	31 December 2021		**31 December 2020**	
(Thousands of Euro)	**Shareholders' equity**	**Result**	**Shareholders' equity**	**Result**
Shareholders' equity and result for the period as per the Parent Company's separate financial statements	**157,087**	**5,551**	**152,523**	**1,210**
Cancellation of carrying amount of consolidated equity investments				
a) difference between carrying amount and pro-rata value of shareholders' equity	2,230	-	1,324	-
b) investees' pro-rata results	1,002	1,002	(133)	(133)
c) Reversal of impairment of equity investments in subsidiaries	4,402	4,402	2,425	2,425
d) Derecognition of dividends distributed by subsidiaries	-	(1,500)	-	(1,000)
e) Reversal of provision for bad debts due from subsidiaries	1,405	-	1,405	-
f) Foreign currency translation of financial statements	(33,667)	-	(34,502)	-
g) Reversal of capital gains from disposal of intra-group assets	-	-	-	120
h) Write-off of unrealized intra-group margin	(190)	(80)	(110)	103
Group shareholders' equity and result for the period	**132,267**	**9,376**	**122,932**	**2,726**
Shareholders' equity and result for the period attributable to non-controlling interests	(305)	3	(308)	36
Consolidated shareholders' equity and net result (Group and third parties)	**131,962**	**9,379**	**122,624**	**2,762**

40. EVENTS AFTER THE REPORTING DATE

As for events occurred after the reporting date, reference should be made to the paragraph "Events after the reporting date" of the Report on Operations for 2021.

Attachment 1

List of Equity Investments Held by Directors, Statutory Auditors as well as their Spouses and Underage Children

SURNAME AND NAME	INVESTEE COMPANY	No. OF SHARES OWNED AS OF 31/12/2020	No. OF SHARES ACQUIRED	No. OF SHARES SOLD	No. OF SHARES OWNED AS OF 31/12/2021
Casadio Filippo	IRCE S.p.A.	560,571			560,571
Gandolfi Colleoni Francesco	IRCE S.p.A.	559,371 (*) 30,000			559,371 (*) 30,000
Sepriano Gianfranco	IRCE S.p.A.	3,500			3,500
Pischedda Francesca	IRCE S.p.A.	0			0
Dallago Orfeo	IRCE S.p.A.	587,267			587,267
Gigliola Di Chiara	IRCE S.p.A.	0			0
Fabio Senese	IRCE S.p.A.	0			0
Donatella Vitanza	IRCE S.p.A.	0			0
Adalberto Costantini	IRCE S.p.A.	0			0

(*) Shares owned by his wife, Carla Casadio

Attachment 2

Certification of the Annual Consolidated Financial Statements pursuant to art. 154-bis, para. 5, of Italian Legislative Decree no. 58 of 24 February 1998:

We, the undersigned, Mr Filippo Casadio, Chairman, and Ms Elena Casadio, Manager responsible for preparing the corporate accounting documents of IRCE S.p.A., hereby certify, taking into account the provisions of art. 154-bis, para. 5, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the company's characteristics, and
- the effective implementation

of the administrative and accounting procedures used to prepare the consolidated financial statements.

In addition, we hereby certify that the consolidated financial statements:

a) are consistent with accounting books and records;
b) are prepared in accordance with international accounting standards and give a true and fair view of the financial position, financial performance and cash flows of the issuer as well as of the group of companies included within the scope of consolidation; and
c) that the Report on Operations contains a reliable analysis of the information pursuant to para. 4, art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

Imola, 15 March 2022

SEPARATE FINANCIAL STATEMENTS OF IRCE S.p.A. AS OF 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

(Unit of Euro)	Notes	2021 31 December	2020 31 December
ASSETS			
Non-current assets			
Goodwill and Other intangible assets	1	25,135	81,872
Property, plant and machinery	2	16,662,501	19,574,997
Equipments and other tangible assets	2	1,149,518	1,210,439
Assets under constructions and advances	2	5,263,429	835,750
Investments	3	69,133,433	73,170,322
Non-current financial assets	4	22,083,958	19,986,307
(of which related parties)		*22,083,958*	*19,866,725*
Deferred tax assets	5	1,752,343	1,346,817
NON-CURRENT ASSETS		**116,070,317**	**116,206,504**
Current assets			
Inventories	6	76,657,379	54,448,190
Trade receivables	7	77,328,737	59,470,237
(of which related parties)		*8,854,129*	*9,878,690*
Other current assets	8	220,481	682,848
Current financial assets	9	673,118	1,903,144
Cash and cash equivalent	10	460,975	511,090
CURRENT ASSETS		**155,340,690**	**117,015,509**
TOTAL ASSETS		**271,411,007**	**233,222,013**

(Unit of Euro)	Notes	2021 31 December	2020 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	13,802,323	13,821,563
Reserves	11	137,730,148	137,491,320
Profit (loss) for the period	11	5,551,458	1,210,478
SHAREHOLDERS' EQUITY		**157,083,929**	**152,523,361**
Non-current liabilities			
Non-current financial liabilities	12	15,422,321	20,644,383
Non-current provisions for risks and charges	13	7,250,938	7,193,480
Non-current provisions for post-employment obligation	14	3,749,602	3,837,703
NON-CURRENT LIABILITIES		**26,422,861**	**31,675,566**
Current liabilities			
Current financial liabilities	15	51,221,944	25,870,104
Trade payables	16	26,440,858	17,906,871
(of which related parties)		*169,704*	*273,517*
Current tax payables	17	2,586,924	221,292
(of which related parties)		*2,162,510*	*155,914*
Social security contributions	18	1,691,635	1,757,025
Other current liabilities	19	5,962,856	3,267,794
CURRENT LIABILITIES		**87,904,217**	**49,023,086**
SHAREHOLDERS' EQUITY AND LIABILITIES		**271,411,007**	**233,222,013**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 31 “Related party disclosures”.

INCOME STATEMENT

(Unit of Euro)	Notes	2021 31 December	2020 31 December
Sales revenues	20	311,586,436	183,350,407
(of which related parties)		*12,950,325*	*6,599,743*
Other revenues and income	21	513,211	612,363
(of which related parties)		*148,147*	*123,608*
TOTAL REVENUES		**312,099,647**	**183,962,770**
Raw materials and consumables	22	(263,109,725)	(141,455,051)
(of which related parties)		(2,829,164)	(38,596)
Change in inventories of work in progress and finished goods		13,502,515	(1,812,290)
Cost for services	23	(28,038,379)	(17,225,622)
(of which related parties)		*(1,060,742)*	*(919,930)*
Personnel costs	24	(18,343,411)	(16,825,516)
Amortization /depreciation/write off tangible and intagible assets	25	(3,863,751)	(3,853,707)
Provision and write downs	26	(892,783)	(141,377)
Other operating costs	27	(286,571)	(692,308)
EBIT		**11,067,542**	**1,956,899**
Impairment of equity investments	28	(4,402,000)	(2,425,022)
Financial income / (charges)	29	1,361,357	1,672,276
(of which related parties)		*1,611,851*	*541,813*
RESULT BEFORE TAX		**8,026,899**	**1,204,153**
Income taxes	30	(2,475,441)	6,325
NET RESULT FOR THE PERIOD		**5,551,458**	**1,210,478**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 31 “Related party disclosures”.

STATEMENT OF COMPREHENSIVE INCOME

(Unit of Euro)	Notes	2021 31 December	2020 31 December
Net result for the period		**5,551,458**	**1,210,478**
Actuarial gain / (losses) IAS 19		(112,510)	(19,507)
Tax effect		27,002	4,682
Total IAS 19 reserve variance	11	(85,508)	(14,825)
Total items that will not be reclassified to net result		**(85,508)**	**(14,825)**
Total comprehensive income for the period		**5,465,950**	**1,195,653**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unit of Euro)	Share capital	Other reserves		Retained earnings				Total shareholders' equity
		Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Result for the period	
Opening balance previous year	**13,826,815**	**40,571,324**	**43,085,647**	**2,925,312**	**(752,891)**	**48,082,315**	**3,603,483**	**151,342,005**
Sell / purchase own shares	(5,252)	(9,045)	-	-	-	-	-	(14,297)
Profit allocation	-	-	-	-		3,603,483	(3,603,483)	-
Other comprehensive income for the	-	-	-	-	(14,825)	-	-	(14,825)
Result for the period	-	-	-	-	-	-	1,210,478	1,210,478
Total comprehensive income for	**-**	**-**	**-**	**-**	**(14,825)**	**-**	**1,210,478**	**1,195,653**
Closing balance previous year	**13,821,563**	**40,562,279**	**43,085,647**	**2,925,312**	**(767,716)**	**51,685,797**	**1,210,478**	**152,523,361**
Result for previous period	-	-	-	-	-	1,210,478	(1,210,478)	-
Dividends	-	-	-	-	-	(797,397)	-	(797,397)
Sell / purchase own shares	(19,240)	(88,744)	-	-	-	-	-	(107,984)
Other comprehensive income for the	-	-	-	-	(85,508)	-		(85,508)
Result for the period	-	-	-	-	-	-	5,551,458	5,551,458
Total comprehensive income for	**-**	**-**	**-**	**-**	**(85,508)**	**-**	**5,551,458**	**5,465,950**
Closing balance current year	**13,802,323**	**40,473,536**	**43,085,647**	**2,925,312**	**(853,224)**	**52,098,878**	**5,551,458**	**157,083,929**

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

CASH FLOW STATEMENT

(Unit of Euro)	Notes	2021 31 December	2020 31 December
OPERATING ACTIVITIES			
Result of the period		5,551,458	1,210,478
Adjustments for:			
Depreciation / Amortization	25	3,863,751	3,853,707
Net change in deferred tax (assets) / liabilities	30	(378,523)	(172,271)
Capital (gains) / losses from disposal of fixed assets		(7,800)	-
Losses / (gains) on unrealised exchange rate differences		(633,181)	43,687
Expenses / (Income) from investments		2,902,000	1,425,022
Income taxes	30	2,853,965	165,946
Financial (income) / expenses	29	208,851	(816,452)
Operating result before changes in working capital		**14,360,521**	**5,710,117**
Income taxes paid		(487,486)	(301,527)
Financial charges paid	29	(796,676)	(794,593)
Financial income collected	29	587,824	1,611,045
Decrease / (Increase) in inventories	6	(22,209,189)	1,954,598
Change in trade receivables	7	(18,883,061)	(14,457,117)
Change in trade payables	16	8,637,800	7,687,586
Net changes in current other assets and liabilities		1,717,775	175,411
Net changes in current other assets and liabilities - related parties		2,927,345	438,515
Net changes in non-current other assets and liabilities		(343,153)	94,864
Net changes in non-current other assets and liabilities - related parties		(2,217,233)	(1,206,408)
CASH FLOW FROM OPERATING ACTIVITIES		**(16,705,533)**	**912,491**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(23,752)	(5,745)
Investments in tangible assets	2	(5,213,471)	(1,592,814)
Investments in subsidiaries, associates, other entities	3	(165,112)	(9,832)
Dividends received from investments	29	1,500,000	1,000,000
Disposals of tangible and intangible assets		7,800	20,179
CASH FLOW FROM INVESTING ACTIVITIES		**(3,894,535)**	**(588,212)**
FINANCING ACTIVITIES			
Repayments of loans	12	(8,221,968)	(2,173,077)
Obtainment of loans	12	3,000,000	15,500,000
Net changes of current financial liabilities	15	25,327,695	(12,368,729)
Net changes of current financial assets		1,349,607	(1,514,867)
Dividends paid to shareholders	11	(797,397)	-
Sell/(purchase) of own shares	11	(107,984)	(14,297)
CASH LOW FROM FINANCING ACTIVITIES		**20,549,953**	**(570,970)**
NET CASH FLOW FROM THE PERIOD		**(50,115)**	**(246,691)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	10	511,090	757,781
NET CASH FLOW FROM THE PERIOD		(50,115)	(246,691)
CASH BALANCE AT THE END OF THE PERIOD	**10**	**460,975**	**511,090**

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

GENERAL INFORMATION

These annual financial statements as of 31 December 2021 were authorised for publication by the Board of Directors on 15 March 2022.
IRCE S.p.A. (hereinafter also referred to as the “Company”) is a company incorporated under the law of the Italian Republic and has its registered office in via Lasie 12/a, Imola (Italy), Economic & Administrative Index no. 266734 BO 001785.
IRCE S.p.A. owns four manufacturing plants and is one of the major industrial players in the winding wires sector in Europe, as well as in low-voltage electrical cables in Italy.
Its plants are located in Imola (Bologna), Guglionesi (Campobasso), Umbertide (Perugia), and Miradolo Terme (Pavia).

CRITERIA FOR PREPARATION

The annual financial statements for the year 2021 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. The term IFRS also refers to all revised International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The formats used for the financial statements have been prepared in accordance with the provisions of IAS 1; in particular:

- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items by nature;
- the statement of cash flows was drafted, in accordance with IAS 7, by classifying cash flows during the period into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

It should be noted that for a better representation of the financial statements, the "Share Capital", equal to € 14,627 thousand, was exhibited as of 31 December 2021 net of the "Treasury Shares Reserve", equal to € 805 thousand, while at 31 December 2020 the latter item was included among the "Reserves". The comparative balance sheet and financial position as of 31 December 2020 has been consistently updated.

In order to make the economic and financial reporting more effective and consistent, Irce SpA adopted euro unit for the reporting of all the schemes of the separate financial statements, unlike in previous years where euro unit was used only for the Statement of financial position and Income statements while for Cash flow statement, the Statement of changes in shareholders’ equity and the Statement of comprehensive income, was used the thousands of Euro.

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

Below there is a brief description of the most significant accounting standards and assessment criteria used in preparing the Separate Financial Statements.

Going Concern

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

Foreign Currency Translation of Financial Statement Items

The functional and presentation currency adopted by IRCE S.p.A. is the Euro. The following criteria were used:

- monetary items, consisting of money held and assets or liabilities to be received or paid, were translated using the spot exchange rate at the reporting date, and the relevant exchange gains and losses were recognised in the income statement;
- non-monetary items measured at their historical cost in a foreign currency were translated using the spot exchange rate at the date on which the transaction occurred;

Tangible Assets

Tangible assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.
The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.
If no binding sale agreement exists, fair value is measured on the basis of quoted prices in an active market, recent transactions, or the best available information to reflect the amount that an entity could obtain from selling the asset.
Value in use is measured by discounting the cash flows expected from the use of the asset and, if these are material and can reasonably be determined, from its disposal at the end of its useful life. Cash flows are measured on the basis of reasonable and supportable assumptions that represent the best estimate of the future economic conditions that will exist over the useful life of the asset. Cash flows are discounted at a rate accounting for the risk implicit in the business segment.
If the reasons for an impairment loss no longer exist, the assets are revalued and the adjustment is recognised through profit or loss as a revaluation (reversal) not in excess of the previously recognised impairment loss or the lower of recoverable amount and carrying amount before deducting previously recognised impairment losses and less the depreciation charges that would have been incurred if no impairment loss had been recognised.
The capitalisation of costs related to the expansion, renovation or improvement of the structural elements owned or leased from third parties is exclusively carried out to the extent that they meet the requirements for separate classification as an asset or part of an asset by applying the “component approach” criterion.
On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.
Land, including that ancillary to buildings, is not depreciated.
Assets under construction and advances paid for the acquisition of tangible assets are measured at cost. Depreciation begins when the asset is available and ready for use, and assets are allocated to a specific category from the same date.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible assets. Depreciation begins when the asset is available for use, taking into account the actual time at which this condition occurs.
The rates applied by the Company on an annual basis are included in the following ranges:

Buildings	3.0% - 10.0%
Plant and equipment	5.0% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

Intangible Assets

Intangible assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible assets which are acquired separately are initially capitalised at cost, while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, except for the development costs, are not capitalised and are recognised in profit or loss as incurred. The Company capitalises development costs only when it is likely that they will be recovered. The useful life of intangible assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Company obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.
Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the fixed asset is disposed of.

A description of intangible assets and the amortisation method used is shown in the following table.

Asset	Useful life	Rate	Internally produced or acquired	Impairment test
Patent and intellectual property rights	Ended	50%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist
Concessions and licenses	Ended	20%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist
Trademarks and similar rights	Ended	5.56%	Acquired	Review of the amortisation method at each reporting date and impairment test if indicators of impairment exist

The amortisation rates for intangible assets were determined as a function of their specific residual useful lives and are reviewed at each reporting date.

Leased Assets

Following the coming into force of IFRS 16, since 1st of January 2019, lease contracts are recognised on the basis of a single accounting model similar to that previously regulated by IAS 17 on accounting for finance leases.
When each contract is stipulated, the Company:

- determines if the contract is or contains a lease, which is the case when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is repeated in the event of subsequent changes to the terms and conditions of the contract.
- separates the components of the contract, splitting the contract price up between each lease or non-lease component.
- determines the term of the lease as the period during which the lease cannot be cancelled, in addition to any periods covered by an extension or lease termination option.

As of the start date of each contract in which the Company is the lessee of an item, the right-of-use asset recognised, measured at cost, and the finance lease liability, equal to the current value of residual future payments, discounted using the implicit interest rate of the lease or, alternatively, the Company's marginal financing rate. Thereafter, the right-of-use asset is measured applying the cost model, i.e. net of accumulated depreciation and accumulated impairment and adjusted to reflect any new measurement or changes to the lease. Instead, the lease liability is measured by increasing the carrying amount to reflect interest, decreasing the carrying amount to reflect payments due made, and restating the carrying amount to reflect any measurements or changes to the lease.

Assets are depreciated over a period represented by the term of the lease contract, except where the term of the lease contract is shorter than the useful life of the asset on the basis of the rates applied for tangible assets and there is reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract. In this case, the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets.

For leases that expire within 12 months from the date of initial application and that do not provide for renewal options, and for leases for which the underlying asset is of low value, lease payments are recognised in profit or loss on a straight-line basis over the term of the respective leases.

Business Combinations and Goodwill

According to the provisions of IFRS 3, subsidiaries acquired by the Company are accounted for by applying the purchase method, under which:
- the acquisition cost is the fair value of the assets, taking into account the possible issue of equity instruments, as well as the liabilities assumed;
- the excess of the acquisition cost over the fair value of the Company's interest in the net assets is recognised as goodwill;
- if the acquisition cost is less than the fair value of the Company's interest in the net assets of the acquired subsidiary, the difference is directly recognised in the income statement.

Goodwill and, more generally, assets with an indefinite useful life are not amortised but allocated to the Cash Generating Units (CGUs) and tested for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that it may be impaired, in accordance with the provisions of IAS 36 Impairment of Assets. After initial recognition, goodwill and assets with an indefinite useful life are measured at cost less any accumulated impairment losses.

Equity Investments

Equity investments in subsidiaries, joint ventures and associates are valued using the cost method, including the costs directly attributable to the investment, adjusted for impairment.
Subsidiaries are companies over which the Company has the right to exercise, directly or indirectly, control, as defined by IFRS 10 – Consolidated Financial Statements. In particular, control exists when the controlling entity simultaneously:
› holds decision-making power over the investee company;
› has the right to take part in or is exposed to the variable (positive and negative) results of the investee company;
› has the ability to exercise power over the investee company in such a way as to affect its profits.
A joint venture is a joint arrangement in which the parties which hold joint control have rights over the net assets of the arrangement and, therefore, have a stake in the joint venture.
An associate is a company in which the Company holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over the financial and managerial policies.
At each reporting date, the Company reviews the carrying amount of the equity investments to determine whether there are any indications of impairment and, in that case, it carries out impairment tests in the same way as described above for intangible and tangible fixed assets.
Given objective indications of impairment, recoverability is verified by comparing the carrying amount with the recoverable amount, which is the higher of the fair value (net of disposal costs) and the value in use generally determined within the limits of the relevant portion of equity.
The Company writes back the value of equity investments when the reasons that had led to their impairment cease to apply.

Impairment of (Tangible and Intangible) Assets with a Finite Useful Life

Assets with a finite useful life falling within the scope of application of IAS 36 are tested for impairment whenever indicators of impairment exist.
To that end, both internal and external information sources are considered. With regard to the first category (internal sources) the following information is considered: obsolescence or physical damage to the asset; any significant changes in the use of the asset; and the economic performance of the asset as compared to expectations. With regard to external sources, the following information is considered: market price trends for the asset; any changes in technology, markets or laws; the trend in market interest rates or the cost of capital used for evaluating investments; and market capitalisation below the carrying amount of the entity's net assets.
In this case, the net carrying amount of these assets is compared with their estimated recoverable amount and, if the former is higher, a loss is recognised.

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows generated by the asset). In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money (relating to the period of investment) and risks specific to the asset.
In order to test for impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash-generating unit. Impairments of CGUs are recognised first as a reduction in the carrying amount of any goodwill allocated to the CGU and then as a reduction in other assets, in proportion to their carrying amount and up to their recoverable amount.
If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it were not impaired and the related amortisation had been applied.

Financial Assets

At the time of their initial recognition, financial assets must be classified into one of the three categories described below, on the basis of the following elements:

- the entity's business model for management of financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all the risks and rewards associated with said assets. On the other hand, whenever a significant part of the risks and rewards belonging to the financial asset being transferred have been retained, then that asset will continue to be recognised, even if legal ownership of said asset has actually been transferred.

Financial assets measured at amortised cost

In this category are included financial assets which satisfy both of the following conditions:

- the financial asset is held according to a business model whose objectives are achieved by collecting the contractual cash flows ("Hold to Collect" business model); and
- the contractual terms of the financial asset provide that as at a certain date, cash flows be represented solely by payments of principal and interest on the amount of capital to be returned (the test known as the "SPPI test" was fulfilled).

Upon initial recognition, these assets are accounted for at fair value, including transaction costs or gains that are directly attributable to said instrument. After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. The amortised cost method is not used for assets – measured at historical cost – whose short duration makes the effect of applying the discounting logic negligible. This applies to those assets without a defined maturity and to revocable loans.

Financial assets measured at fair value with an impact on comprehensive income

Included in this category are financial assets which satisfy both of the following conditions:

- the financial asset is held according to a business model whose objectives are achieved by either collecting the contractual cash flows or by selling the financial asset ("Hold to Collect and Sell" business model); and
- the contractual terms of the financial asset provide that as at a certain date, cash flows be represented solely by payments of principal and interest on the amount of capital to be returned (the test known as the "SPPI test" was fulfilled).

In this category are included equity interests which do not qualify as interests in subsidiaries, associated companies or jointly controlled entities, and which are not held for trade purposes. Furthermore, the company must have exercised the option to designate their measurement at fair value with an impact on comprehensive income.

Upon initial recognition, these assets are accounted for at fair value, including transaction costs or gains that are directly attributable to said instrument. After initial recognition, equity interests (other than interests in subsidiaries, associated companies or jointly controlled entities) are measured at fair value and amounts are entered and offset against net assets (statement of comprehensive income). These amounts may not subsequently be transferred to the income statement, even if ownership of the asset itself is transferred. The only component of these equity securities that is recognised in the income statement consists of the related dividends.

For equity securities included in this category, which are not listed on an active market, historical cost is used as an estimate of fair value only if no other method applies, and is limited to a small number of circumstances, i.e. when the most recent information for measuring fair value is insufficient, or where there is a wide range of possible fair value measurements and historical cost represents the best estimate of fair value among such a range.

Financial assets measured at fair value with an impact on the income statement

Classified in this category are those financial assets which are not classified as "Financial assets measured at amortised cost" or "Financial assets measured at fair value with an impact on comprehensive income".

In this category are included financial assets held for trading, and derivative contracts that cannot be classified as hedges (which are shown as assets if the fair value is positive, or as liabilities if the fair value is negative).

Upon initial recognition, financial assets measured at fair value with an impact on the income statement are entered at fair value, without considering transaction costs or gains that are directly attributable to said instrument. On subsequent reporting dates, these assets are measured at fair value and the measurement effects are recognised in the income statement.

Impairment of Financial Assets

In accordance with the arrangements of IFRS 9, the Company uses a simplified approach for estimating full lifetime expected credit losses for financial instruments. This approach takes into consideration the company's historical experience with credit losses and is adjusted on the basis of specific outlook factors depending on the nature of the Company's receivables and the economic context.

Financial assets are credit-impaired when one or more events have occurred which will have a negative impact on future estimated cash flows for the financial asset. Evidence that the financial asset has been credit-impaired includes observable data in relation to one or more of the following events (it is possible that the company may not be able to identify one individual event, and so the impairment of financial assets may be due to the combined effect of several events):

g) significant financial difficulty of the issuer or borrower;
h) a breach of contract, such as a default or past-due event;
i) for economic or contractual reasons relating to the borrower's financial difficulty, the lender granting the borrower a concession that would not have been otherwise considered by the lender;
j) it is probable that the borrower will enter bankruptcy or other financial reorganisation procedures;
k) the disappearance of an active market for the financial asset because of financial difficulties; or

l) the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

For financial assets that have been accounted for using the amortised cost method, when an impairment has been identified then the amount of that impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (discounted on the basis of the original effective interest rate). This amount will be recognised in the income statement.

Inventories

Inventories are measured at the lower of cost and net realisable value.

The costs incurred are recognised as follows:

3. Raw materials: average weighted purchase cost, including transportation expenses and customs clearance.
4. Finished and semi-finished goods and work in progress: direct cost of materials and labour costs plus a share of the indirect costs and production overheads defined on the basis of normal production capacity. In greater detail, the metal which represents the most significant cost for work in progress, semi-finished goods and finished goods, is assessed separately from the other components (processing and other raw materials).

The presumed net realisable value for metal is measured separately from the other components, as it is subject to separate negotiation at the time of sale.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand as well as demand and short-term bank deposits recognised at their nominal amounts; in the latter case, the original maturity shall not exceed three months.

Financial Liabilities and Trade Payables

Financial liabilities and trade payables are recognised when the Company becomes party to the relevant contractual clauses. They are initially measured at fair value, adjusted for costs which are directly attributable to the transaction.
They are subsequently measured at amortised cost, using the effective interest rate method.
Financial liabilities are derecognised when the contractual rights over the related cash flows expire, or when the financial liability is transferred along with substantially all the risks and rewards which come from responsibility for said liability.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the asset but has assumed the contractual obligation to pay them in full without delay to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset but has transferred control.

In cases where the Company transferred its rights to receive cash flows from an asset and has not substantially transferred nor withheld all the risks and rewards or has not lost control over the asset, this is recognised in the financial statements of the Company to the extent of the latter's continuing involvement in the asset. The continuing involvement – which takes the form of guaranteeing the transferred asset – is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Company could be required to pay.

In cases where the continuing involvement takes the form of an option that is issued and/or acquired with respect to the transferred asset (including cash-settled options, or similar options), the extent of the Company's involvement corresponds to the amount of the transferred asset which the Company may buy back; however, in the case of a put option which is issued on an asset that is measured at fair value (including the options settled in cash or with similar provisions), the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or discharged.

If an existing financial liability is replaced by another from the same lender – and with substantially different terms – or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, recognising any differences between the carrying amounts through profit or loss.

Provisions for Risks and Charges

Provisions for risks and charges include provisions arising from present obligations (legal or constructive) as a result of past events and for which an outflow of resources is probable. Changes in estimates are reflected in the income statement for the period in which the change occurs. If the effect of discounting the value of money is material, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision that arises from the passage of time is recognised as a financial expense.

Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian and the pension funds of some foreign companies, respectively Isomet and Magnet Wire.
Italian Law no. 296 of 27 December 2006 ("2007 Budget Law") introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service.
Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's National Institute for Social Security).
In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Company actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

Derivative Financial Instruments

The Company used derivative financial instruments such as forward contracts for the purchase and sale of copper and aluminium in order to hedge against its exposure to the risk of changes in raw material prices as well as forward contracts for currency purchases.

As of the contract date, derivative financial instruments are recognised at fair value and, if not accounted for as hedging instruments, the changes in fair value after initial recognition are recognised directly through profit or loss.
If the derivative financial instruments qualify for hedge accounting, the subsequent changes in fair value are accounted for under hedge accounting according to specific criteria, which are described below.

The fair value of raw material forward contracts, outstanding at the reporting date, is determined on the basis of forward prices of raw materials with reference to the maturity dates of contracts outstanding at the reporting date.
For the purposes of hedge accounting, hedges are classified as:

- fair value hedges against the risk of changes in the fair value of an underlying asset or liability; or a firm commitment (except for currency risk);
- cash flow hedges against the exposure to changes in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedge, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting as well as its risk management objectives and the pursued strategy. The documentation includes the identification of the hedging instrument as well as of the hedged item or transaction, the nature of the risk, and how the company intends to measure the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

These hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in the fair value or cash flows attributable to the hedged risk. The measurement of the effectiveness of these hedges is conducted on an ongoing basis during the years in which they have been designated.

Treasury Shares

Treasury shares that are purchased are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "Treasury shares reserve" and the excess of the purchase amount over the nominal amount is accounted for as a deduction from "Other reserves". The purchase, sale, issue or cancellation of equity instruments does not result in the recognition of any gain or loss in the income statement but is rather recognised directly as a change in shareholders' equity.

Recognition of Revenues

<u>Recognition of Revenues</u>

Revenues from contracts with customers are recognised when the following conditions are met:

- a contract with a customer has been identified;
- the contractual performance obligations have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations contained in the contract;
- the contractual performance obligations have been fulfilled.

The Company recognises revenue from contracts with customers at a point in time (or over time) when performance obligations are fulfilled by transferring the promised goods or services (namely, the asset) to the customer. The asset is transferred at a point in time (or over time) when the customer obtains control of the asset.
The Company transfers control of the goods or services over time (and thus fulfils the performance obligations and recognises the revenue over time) if the situation satisfies one of the following criteria:

- the customer simultaneously receives and consumes all of the benefits deriving from the entity's performance over time, as and when the entity performs;
- the Company's performance creates or enhances an asset (for example, works in progress) that the customer controls over time, as and when the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use for the Company, and the Company has an enforceable right to payment for performance completed up to the date under consideration.

If the performance obligation is not satisfied over time, it is satisfied at a point in time. In such a situation, the Company recognises revenue at the time when the customer obtains control of the promised asset.

The Company allocates the contractual price to the individual performance obligations by reference to the relative standalone selling prices (SSP) for the individual performance obligations. When there is no SSP, the Group estimates the SSP using an adjusted market assessment approach.
In this case, the Company uses judgement to determine the performance obligation, variable consideration and allocation of the transaction price.

With reference to the previous year and the current one, there are no cases for which the recognition of the revenue has taken place over time.

In relation to the sale of packaging, the Group recognizes, in certain circumstances, the right of return provided that the customer exercises it within 12 months of delivery. In line with IFRS 15, the repurchase commitment shall be booked by recording:
• to reduce revenues, the amount of the consideration at which the return is expected, decreasing trade receivables by the same amount;
• to increase the final inventories, the cost of packaging in stock, before its sale to the customer, with opposite entry the cost of sales.

Dividends

Dividends received are recognised as at the date the resolution is passed by the subsidiary's Shareholders' Meeting and charged to the income statement. The distribution of these profit reserves is an event which involves impairment and, therefore, the need to verify the recoverability of the carrying amount of the equity investment.

Dividends approved by the Shareholders' Meeting, even if not yet paid, are shown as movements in shareholders' equity for the financial year in which they are approved.

Costs

Costs are recognised on an accrual basis. Research, advertising and promotional costs are recognised in the income statement in the year in which they are incurred.

Financial Income and Charges

Financial income and charges are recognised in the income statement when they are incurred.

Earnings per Share

As required by IAS 33, the Company presents on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The information is presented only on the basis of the consolidated data, in accordance with the requirements of the aforementioned IAS.
Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent entity by the weighted number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average of the shares was applied retroactively for all previous years.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and tax laws used to calculate the amount are those that have been enacted or are expected to apply as of the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated using the so-called liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit/loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when:

- the deferred tax asset for the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, affects neither accounting profit nor taxable profit;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.
Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in the income statement.

Use of Estimates

The drafting of the financial statements in accordance with the IFRS requires the use by the Management of estimates and assumptions, which influence the value of assets and liabilities recorded in the statement of financial position as well as in the disclosures published in the explanatory notes regarding potential assets and liabilities at the reporting date, and the revenues and costs for the period.
These estimates are based on experience and on other factors considered relevant. The effective results could thus differ from those estimated. The estimates are revised on a regular basis and the effects of each change to the same are reflected in the income statement of the period in which the estimate is revised.
The most significant accounting principles that require greater subjectivity by directors when preparing estimates are described below:

h. Measurement of receivables. Trade receivables are adjusted using the relevant bad debt provision to take into account their recoverable amount. To determine impairment losses, directors are required to make subjective measurements based on the documentation and information available, including the creditworthiness of the client as well as past experience and historical trends;
i. Measurement of inventories. Inventories showing obsolescence are periodically measured and impaired if the net realisable value of the same is lower than the carrying amount. Impairment losses are calculated on the basis of assumptions and estimates made by the Management, based on the experience of the same and the historical results achieved. Furthermore, the price of copper, as listed on the main stock exchange for non-ferrous metals (London Metal Exchange) appears to be subject to fluctuations, which are sometimes significant. Therefore, there is a risk that a prolonged downward trend in the price of copper after the reporting date could lead to the potential risk that the realisable value of

the copper held in inventories may be lower than its carrying amount and that, as a consequence, raw materials, work in progress and finished goods may need to be written down. To this end, the Directors of IRCE S.p.A. carry out a specific analysis to verify whether the conditions exist to write down the "Copper Component" of the inventories, taking into account, among other things: the process for determining the sale price of the Copper Component, the copper prices available up to a date close to the approval of the financial statements, the commitments and sales orders in place at the end of the financial year with a fixed price of copper, as well as the expected trend in the price of copper in the months following the approval of the financial statements.

j. Recoverability of deferred tax assets. Deferred tax assets are measured on the basis of expected taxable income in future years. The measurement of this expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets;
k. Pension plans. The current value of liabilities for retirement benefits depends on a series of factors that are determined using actuarial techniques based on certain assumptions, which concern the discount rate, the expected return on plan assets, the rates of future salary increases, as well as mortality and resignation rates. Any changes to the aforementioned assumptions could have significant effects on the liabilities for retirement benefits;
l. Measurement of provisions for risks. The determination of the provisions allocated requires the Directors to make subjective measurements based on the documentation and information available on potential liabilities.
m. Asset impairments. Assets are written down whenever events or changes in circumstances cause the Company to deem that the carrying amount is not recoverable. Events which may lead to the impairment of an asset may include changes to industrial plans, changes in market prices, or reduced plant utilisation. The decision about whether to proceed with an impairment (and to what extent) depends on management's assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on the cost of production, production profiles, and supply and demand conditions. The impairment loss is determined by comparing the carrying amount with the associated recoverable amount, represented by the higher of fair value (net of disposal costs) and value in use, determined by discounting to present value the expected cash flows arising from the use of the asset. The expected cash flows are quantified in the light of information available at the time the estimate is made, and are based on subjective assessments on the trend in future variables, such as prices, costs, demand growth rates, and production profiles. The cash flows are discounted using a rate which takes into account the inherent risk for the asset in question.
n. Useful life of tangible and intangible assets with a finite useful life. Depreciation and amortisation are calculated based on the useful life of the asset, which is determined at the time the asset is recognised in the financial statements. Useful life assessments are based on historical experience, market conditions and expectations of future events that may affect the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

Offsetting of Financial Assets and Liabilities

The Company offsets financial assets and liabilities if, and only if:
- it has a legally enforceable right to set off the reported amounts;
- it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2021

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Parent Company from 1 January 2021:

- On 31 March 2021, the IASB published an amendment called "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" with which it extends by one year the period of application of the amendment issued in 2020, which provided for tenants the right to account for rent reductions related to Covid-19 without having to evaluate, through the analysis of contracts, if the definition of lease modification of IFRS 16 was respected. Therefore, the tenants who applied this option in the 2020 financial year, accounted for the effects of the reductions in rents directly in the income statement on the effective date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from 1 April 2021 and early adoption is allowed. The adoption of these amendments did not have a significant effect on the Parent Company's financial statements.

- On 25 June 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from IFRS 9 application until 1 January 2023 for insurance companies. The adoption of this amendment did not affect the Parent Company’s financial statements.

- On 27 August 2020, the IASB published, in the light of the interbank interest rate reform such as IBOR, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:

  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All changes entered into force on 1 January 2021. The adoption of this amendment did not have a significant effect on the Parent Company's financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2021

- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of the standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended not to allow the deduction from the cost of material assets the amount received from the sale of goods produced in the testing phase of the activity itself. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate of the possible onerous contract all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerous contract includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all costs that the company cannot avoid because it has entered into the contract (such as, for example, the depreciation of the machinery used for the fulfillment of the contract).

- Annual Improvements 2018-2020: Changes were made 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.

All changes will take effect on the 1st of January 2022. The Directors do not expect a significant effect on the Parent Company's financial statements from the adoption of these amendments.

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts which is intended to replace IFRS 4 – Insurance Contracts.
The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to account for all types of insurance contracts, including the reinsurance contracts that an insurer holds.
The new standard also includes presentation and disclosure requirements to improve comparability between entities in this sector.
The new principle measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

  - the estimates and assumptions of future cash flows are always the current ones; the measurement reflects the time value of the money;
  - the estimates provide for extensive use of marketable information;
  - there is a current and explicit measurement of risk;
  - the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
  - the expected profit shall be recognised over the contractual coverage period taking into account adjustments resulting from changes in cash flow assumptions for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, you do not need to discount those cash flows if you expect that the balance to be paid or cashed will take place within one year from the date the claim occurred.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1st of January 2023 but early adoption is allowed, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. Since the Parent Company does not operate in the insurance sector, this principle is not applicable.

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

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

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other liabilities in the short or long term. The amendments enter into force on 1 January 2023; however, an early application is allowed. The Directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The changes are aimed at improving disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policy. The changes will apply from 1 January 2023, but early application is allowed. At the moment, the Directors are evaluating the possible effects of the introduction of these amendments on the Parent Company's financial statements.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, are to be accounted for. The changes will apply from 1 January 2023, but early application is allowed. The Directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". This amendment is a transition option related to comparative information on financial assets submitted at the initial date of application of IFRS 17. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for balance sheet readers. The amendments will apply from 1 January 2023, together with the application of IFRS 17. Since Irce does not operate in the insurance sector, this principle is not applicable.

- On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts which allows only the IFRS first time adopters to continue to recognise amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") in accordance with previous accounting standards adopted. Since Irce is not a first-time adopter, this principle does not apply.

COVID-19 - IMPACTS OF THE PANDEMIC - UPDATES

The 2021 financial year, despite the strong acceleration of the vaccination campaign, continued to be affected by the uncertainties related to the spread of Covid-19 with different degrees of intensity depending on the analysis's period of time and the geographical area in which the Group operates.

In response to this emergency, Italian government has, from time to time, imposed travel bans, quarantines and other public safety measures, for example by imposing restrictions on the gathering of people, restrictions on economic activity as well as lockdown periods.

Many of these measures are still in force today as the pandemic has resumed to spread rapidly especially in Europe mainly due to the new Omicron variant, consequently there is still a high uncertainty about the relative repercussions on the economic system.

However, the Parent Company's manufacturing plants have continued to produce in 2021 without being impacted by periods of closure imposed by the Government with the lockdown.

The Parent Company, in order to reduce the risk of contagion and respond to the measures of the Government for the containment of the pandemic, has implemented specific internal procedures such as, the sanitization of the premises, the measurement of the temperature at the entrance, the use of masks, distancing, the use of disinfectant gel, using telework when deemed necessary. In addition, personnel suspected of contagion are subjected to preventive quarantine while those suffering from Covid-19 are readmitted to the workplace upon presentation of a medical certificate.

In this context, Irce SpA continued to produce, promptly coping with the important growth in orders that began in 2020, strengthened in the first half of 2021 and continued in the following months.

As far as our supply chain is concerned, the difficulties in finding raw materials (mainly copper, electricity, packaging, PVC, enamels, ...) essentially due to an unexpectedly strong recovery of the world market, has mainly had effects on the increase in production costs while the impacts on volumes have been relatively limited to date.

The impact on the business continues to be closely monitored, especially in relation to the Company's ability to pass on the price increase to customers.

With regard to trade receivables and the valuation of final inventories, the analyses carried out did not highlight any critical elements related to Covid-19.
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In relation to the analysis of recoverability of investments for the details of which reference is made to the note "Impairment test" of this explanatory note, a write-down was carried out on the subsidiaries FD Sims Ltd and Smit Draad Nijmegen BV for some € 4.2 million.

With reference to potential liquidity risks, it should be noted that Irce still has a solid financial situation; net financial debt, although increasing compared to 31 December 2020 due to the dynamics of working capital, is equal to € 65.5 million as of 31 December 2021, while the available and unused credit lines amounted to approximately € 66.1 million at the same date.

CLIMATE CHANGE – FINANCIAL STATEMENTS IMPACTS

The world market was impacted in the second half of 2021 by a major energy shock with a sudden inflationary push mainly linked to the rise in the prices of natural gas, coal and, at European level, emission allowances, the main instrument adopted by the EU to reduce greenhouse gas emissions in energy-intensive sectors. In the analysis of the causes that triggered this reaction of the energy market, both profiles related to the effects of climate change (i.e. extreme climate phenomena) and to the measures to contain it (i.e. production of energy from renewable sources) emerge; in particular, hydroelectric production was impacted by lower rainfall while wind energy production was limited by the reduced contribution of winds.

Overall, the increase in electricity in 2021 deriving from the price effect has led to a significant increase in costs for Irce, estimated in some € 7 million.

With reference to copper and other raw materials such as PVC and enamels, the main components of Irce's finished product, the significant increase in price in 2021 is attributable to several factors, in particular, the acceleration of the economy driven by the arrival of the post-crisis recovery, the scarcity on the market of some materials, the significant increase in transport and logistics costs as well as the effects of the progressive transition to the "green economy".

It should be noted that the increase in electricity and raw material prices was only partially transferred to customers during 2021, since sales contracts fixed the component of the processing cost for the entire year, while the increase in the price of copper, being linked to the LME quotation of the period, did not have significant economic effects during the period.

The critical issues associated with the risk of supply at reasonable prices as well as the difficulties of transferring its impact to end customers, however, is considered a transitional effect since Irce began in this year a process of adjustment of sales prices in order to transfer the increases to customers.

However, it is considered that the long-term effects of climate change show greater opportunities than the elements of risk (the latter linked, in particular, to the possibility of promptly transferring the prices of raw materials and electricity to customers in the scenario of continuous increases) as demand is expected to grow due to the need both to strengthen electricity distribution networks, which are essential to increase green energy supply capacity, and to accompany the transition to electric vehicles, which require electric batteries.

As reported above, in relation to climate change, no critical issues related to the recoverability of balance sheet assets have been identified, neither at the level of impairment tests, nor of the reduction of the useful life of tangible and intangible fixed assets, nor of the collection of trade receivables; similarly, the analyses carried out did not reveal contingent liabilities attributable to contracts that have become onerous, the need for restructuring to achieve climate-related objectives, penalties for failure to meet environmental requirements or to remedy environmental damage.

DERIVATIVE INSTRUMENTS

The Company uses the following type of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2020. The Company 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 forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium 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.

The table below shows a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2021		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	1,625	750	607	(187)	420
Total	**1,625**	**750**	**607**	**(187)**	**420**

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	875	1,200	879	(307)	572
Total	**875**	**1,200**	**879**	**(307)**	**572**

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

The table below shows a summary of the currency derivative contracts for forward purchases and sales, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2021		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
USD	747	500	18	(15)	3
GBP	-	6,000	-	(21)	(21)
Total	**747**	**6,500**	**18**	**(36)**	**(18)**

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
USD	-	2,000	-	(10)	(10)
GBP	-	6,000	-	(63)	(63)
Total	**-**	**8,000**	**-**	**(73)**	**(73)**

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

The table below shows a summary of the electricity derivative contracts for forward purchases and sales, outstanding as of 31 December 2021 and 31 December 2020:

Measurement unit of the notional amount	Net notional amount –– MWh		Result with fair value measurement as of 31/12/2021		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
MWh	926	-	107	-	107
Total	**926**	**-**	**107**	**-**	**107**

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	4,052	-	38	-	38
Total	**4,052**	**-**	**38**	**-**	**38**

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.

The Parent Company approaches the market through a single operating segment, as it seeks to achieve the highest levels of operational efficiency through cross-sectoral products.

However, to analyse operational and sales performance, the General Manager monitors revenues by type of products sold, i.e., winding wires and cables, respectively, at least on a quarterly basis.

The table below shows the breakdown.

	Current period				Previous period			
(Thousands of Euro)	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	183,679	104,536	23,371	311,586	105,829	64,115	13,406	183,350
% of total	*59%*	*33%*	*8%*	*100%*	*58%*	*35%*	*7%*	*100%*

The winding wire segment supplies manufacturers of electric motors and generators, transformers, relays and solenoid valves.

The cable segment supplies the following industries: construction, civil and industrial engineering (cabling), and consumer durables (electrical devices).

COMMENT ON THE MAIN ITEMS OF THE SEPARATE 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:

(Thousands of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance previous period	**3**	**168**	**171**
Changes - previous period			
Purchases	6	-	6
Amortization	(6)	(89)	(95)
Net value previous period	**3**	**79**	**82**
Changes - current period			
Purchases	16	7	23
Amortization	(11)	(69)	(80)
Closing balance - current period	**8**	**17**	**25**

Please note that, on a recurring basis, the Company incurs R&D expenses that are recognised in the income statement, as they do not meet the conditions for capitalisation pursuant to IAS 38.

2. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2021 and 2020.

(Thousands of Euro)	Lands	Buildings	Plant and machinery	Equipments	Other tangible assets	Assets under constructions and advances	Total
Opening previous period	**7,835**	**3,469**	**9,861**	**702**	**553**	**1,339**	**23,758**
Changes - previous period							
Purchases	-	477	307	368	49	430	1,631
Depreciation	-	(400)	(2,798)	(358)	(203)	-	(3,759)
Reclass	-	-	824	98	-	(922)	-
Disposals - Historical cost	-	-	(245)	-	(2)	(10)	(257)
Disposals - Depreciation fund	-	-	245	-	2	-	247
Net value previous period	**7,835**	**3,546**	**8,194**	**810**	**399**	**837**	**21,621**
Changes - current period							
Purchases	-	5	193	401	87	4,551	5,237
Depreciation	-	(388)	(2,724)	(390)	(184)	-	(3,686)
Reclass	-	-	2	26	-	(28)	-
Write off	-	-	-	-	-	(97)	(97)
Disposals - Historical cost	-	-	(3)	(10)	(36)	-	(49)
Disposals - Depreciation fund	-	-	3	10	36	-	49
Net value current period	**7,835**	**3,163**	**5,665**	**847**	**302**	**5,263**	**23,075**

The balance of tangible assets at 31 December 2021, equal to € 23,07 million, includes Rights of use for € 0,07 million.

Irce's investments at 31 December 2021, without considering those in the Rights of Use of € 0.02 million, amounted to € 5.21 million and mainly concerned investments in “Equipments” and “Assets under construction”.

Disposals mainly refer to machinery no longer in use and almost totally depreciated, while reclassifications into fixed assets in progress refer to machinery purchased in previous years and entered into operation.

Write-downs for the period, amounting to € 0.01 million, refer to machines and plants under construction.

The “Assets under constructions and advances” includes plant and machinery available and not yet installed. They are mainly related to furnaces for the production of enamelled wires purchased in the second half of 2021 for the renewal of part of the machine park.

3. EQUITY INVESTMENTS

The table blow shows the breakdown of Equity investments:

(Thousands of Euro)	2021 31 December	2020 31 December
Equity investments in subsidiaries	86,218	86,053
Provision for write down of equity investments	(17,084)	(12,882)
Total investments	**69,133**	**73,170**

The following tables show the changes in the historical cost and the provision for impairment of equity investments for the years ended 31 December 2021 and 2020.

(Thousands of Euro)	Opening balance	Increases	Closing balance
FD SIMS ltd	13,375	-	13,375
Smit Draad Nijmegen BV	7,273	-	7,273
Isomet AG	1,435	-	1,435
IRCE Ltda	58,808	-	58,808
DMG Gmbh	120	-	120
Isodra Gmbh	28	-	28
IRCE SL	150	-	150
Stable Magnet Wire P.Ltd	2,600	-	2,600
Isolveco 2 SRL	20	35	55
Isolveco SRL in liquidazione	195	-	195
Irce Electromagnetic wire Co.Ltd	2,000	-	2,000
Irce SP.ZO.O	48	-	48
Irce S.R.O. Cechia	-	130	130
Total investments in subsidiaries	**86,052**	**165**	**86,217**

In the first quarter of 2021 the company Irce s.r.o. was established in the Czech Republic, 100% owned by the parent company Irce SpA, with share capital of € 130 thousand.

(Thousand of Euro)	Opening balance	Provisions	Closing balance
FD SIMS ltd	(8,138)	(997)	(9,135)
Smit Draad Nijmegen BV	(1,361)	(3,205)	(4,566)
IRCE Ltda	(343)	-	(343)
Isodra Gmbh	(28)	-	(28)
IRCE SL	(150)	-	(150)
Stable Magnet Wire P.Ltd	(2,600)	-	(2,600)
Isolveco 2 SRL	(20)	-	(20)
Isolveco SRL in liquidazione	(195)	-	(195)
Irce SP.ZO.O	(48)	-	(48)
Total provision for write-down of equity investments	**(12,882)**	**(4,202)**	**(17,084)**

With reference to the provision of FD Sims and Smit Draad, equal to € 997 thousands and € 3.205 thousands, see the following paragraph "Impairment test" and the Attachment 2.

Impairment Test

The carrying amount of the equity investments should be tested for impairment if impairment indicators are identified.

In particular, the Directors considered it necessary to carry out the impairment test respectively:
- on FD Sims Ltd and Smit Draad Nijmegen B.V. investments, having assessed that the negative results of the period, which were under the budget, together with the worsening of the WACC represented indicators of possible loss of value;
- on Irce Ltda investment, taking into account the significant devaluation of the Brazilian currency compared to the initial investment together with the fact that, despite the actual results were better than the budget, the WACC worsened compared to the previous year.

The Business Plans for the aforementioned investments tested for impairment were approved by the Board of Directors of the Parent Company on 15 March 2022.

In order to determine future cash flows, the data of the 2022 – 2026 plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2026).
In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, insofar as the Company's Management team considers this to be a normalised long-term flow.

The growth rate "g" applied to determine the Terminal Value has been set as equal to the risk free of the country in which each subsidiary operates instead of to the long-term inflation, as in the previous year.
This is because following the impacts due to Covid-19 and the implementation measures put in place by central banks, risk-free rates are particularly low when compared with historical values. Therefore, to avoid the paradox of a perpetual growth parameter higher than the risk-free rate (of which the first should be only one of the factors), it was considered more prudent to consider a cap at "g" equal to risk free.

The rate (WACC) used reflects market information, the current assessment of the time value of money for the period considered and the specific risks of the individual Group companies. Specifically, a Small Size Premium of 1% and an execution risk of between 1.0% and 3.5% was applied to the investments, depending to the degree of reachability of the expected results included by the local management in the plan.

The Group tested the recoverability of the amount of net invested capital (NIC) of the individual CGUs, calculated by adding together fixed assets, net working capital, and other non-financial items, i.e., other assets, other liabilities, and provisions, respectively.

In compliance with the criteria set out in IAS 36, impairment test has been carried on by comparing the recoverable amount of the investments (Enterprise value), net of the net financial position ("NFP") as of 31 December 2021 ("Equity Value") with the related carrying amounts for the equity investment as of 31 December 2021.

The table below shows the results of the impairment tests carried out:

	IRCE Ltda	FD Sims	Smit Draad
G	3.06%	0.90%	1.48%
WACC	11.36%	9.09%	8.72%
Equity value (€/000)	67,192	4,242	2.707
Equity investment (€/000)	58,466	5,239	5,912
Difference (€/000)	8,726	(997)	(3,205)

With reference to the investments recorded in the financial statements, the results of the impairment tests highlighted both for FD Sims Ltd and for Smit Draad Nijmegen B.V. a risk profile such as to entail the need for an impairment of € 997 thousand and € 3,205 thousand respectively while for Irce Ltda there are no critical issues.

In relation to Irce Ltda, which was not impaired, a sensitivity analysis is reported that highlights what should be to make the Equity Value equal to the investment, alternatively, the "discount rate (WACC)" in absolute value and the reduction of "EBITDA" in percentage terms compared to the values included in the 2022-2026 Plan.

	IRCE Ltda
WACC	12.79%
EBITDA	(13.66%)

Based on the above analysis, the Directors concluded that Irce Ltda investment does not highlight risk profiles that lead to the need of an impairment.

Finally, as regards the small operating Group companies, the Directors carry out where with reference to equity investments shown. Finally, in relation to the smaller operating Group Companies, the Directors carry on, in the event of unforeseen losses, a substantial alignment to the percentage of interest in the shareholders' equity of the subsidiary.

The comparison between the net carrying amount of equity investments in subsidiaries and the relevant shareholders' equity is shown in Attachment 2, an integral part of explanatory notes.

4. OTHER NON-CURRENT FINANCIAL RECEIVABLES

The "Other non-current financial receivables" are detailed as follows:

(in thousands of Euro)	2021 31 December	2020 31 December
Other non-current financial assets	-	120
Non-current intercompany financial assets	22,084	19,867
Total other non-current financial receivables	**22,084**	**19,986**

The table below shows the breakdown of interest-bearing loans extended to subsidiaries:

(Thousands of Euro)	2021 31 December	2020 31 December
FD SIMS ltd	7,878	7,024
Smit Draad Nijmegen BV	8,913	6,941
Isomet AG	-	602
DMG Gmbh	1,708	1,708
Isodra Gmbh	1,855	1,868
IRCE SL	1,608	1,601
Irce SP.ZO.O	121	123
Total non current intercompany loans	**22,084**	**19,867**

As part of the impairment tests carried out on equity investments, commented on in the previous paragraph, management analysed also the recoverability of these amounts: the results showed that such receivables can be fully recovered.

5. DEFERRED TAX ASSETS

The item “deferred tax assets” is the net amount of deferred tax assets less deferred tax liabilities, as shown in the table below:

(Thousands of Euro)	2021 31 December	2020 31 December
Deferred tax assets	2,400	1,885
Deferred tax liabilities	(648)	(538)
Total Deferred tax (net)	**1,752**	**1,347**

The changes for the period of the deferred tax assets (netted) are shown below:

(Thousands of Euro)	Opening balance	Increases	Decreases	Net equity effect	Closing balance
Deferred tax assets	1,347	637	(259)	27	1,752
Total	**1,347**	**637**	**(259)**	**27**	**1,752**

The “Net equity effects” refers to the changes in the actuarial reserve as per IAS 19.

The table below shows the breakdown of the deferred tax assets and deferred tax liabilities:

(Thousands of Euro)	2021 31 December	2020 31 December
Provisions for risks and charges	5	60
Provision for bad debts (taxed)	321	215
Inventories / Inventory obsolescence fund	1,374	892
Application of IFRS 15	614	551
Application of IAS 19	65	38
Other	21	129
Total Deferred tax labilities	**2,400**	**1,752**

(Thousands of Euro)	2021 31 December	2020 31 December
Depreciation	36	36
Exchange rate difference	119	1
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	80	88
Total Deferred tax	**648**	**538**

6. INVENTORIES

Inventories are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Raw materials, ancillary and consumables	30,064	20,727
Work in progress and semi-finished goods	13,698	8,042
Finished products and goods	38,282	29,249
Provision for write down of raw material	(3,197)	(2,759)
Provision for write down of finished goods	(2,190)	(811)
Total inventory	**76,657**	**54,448**

Inventories are not pledged nor used as collateral.

The change in the period is essentially attributable to the price effect of the metal in stock taking into account that the average price of copper in 2021 was 7.88 €/kg significantly higher than the one of the previous year, equal to 5.39 Euro/Kg and the quotation at the end of the current year was 8.56 €/kg, about 36% higher than the 6.31 Euro/Kg of 31 December 2020. It should also be noted that this upward trend continued in the first months of 2022.

The table below shows the changes in the provision for write-down of inventories during 2021:

(Thousands of Euro)	Opening balance	Provisions	Closing Balance
Provision for write down of raw material	(2,759)	(438)	(3,197)
Provision for write down of finished products	(811)	(1,379)	(2,190)
Total	**(3,570)**	**(1,817)**	**(5,387)**

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

The increase in the "Provision for write-down of raw materials" is partly attributable to the technological obsolescence of some articles in the cable sector containing chlorinated paraffins following the change in regulations that occurred during the year and partly to the devaluation of specific items that are considered to have limited sales prospects.

7. TRADE RECEIVABLES

The table below shows the breakdown of trade receivables

(Thousands of Euro)	2021 31 December	2020 31 December
Current trade receivables - third parties	69,801	50,217
Trade receivables - intercompany	10,260	11,284
Current bad debt provision - third parties	(1,327)	(626)
Bad debt provision - intercompany	(1,405)	(1,405)
Total trade receivables	**77,329**	**59,470**

The change in trade receivables is essentially due to the significant increase in turnover due for the most part to the increase in the price of copper partially offset by the increase in transfers without recourse made compared to the previous year.

Trade receivables transferred during the year amounted to € 6.5 million (€ 3.5 million as of 31 December 2020) of which € 5.6 million related to invoices transferred but not yet due as of 31 December 2021 (as of 31 December 2020 € 0).

The balance of intercompany trade receivables due from subsidiaries is broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
FD SIMS ltd	223	174
Isomet AG	2,373	3,571
IRCE Ltda	391	609
DMG Gmbh	13	1
Isodra Gmbh	776	847
IRCE SL	2,361	2,345
Stable Magnet Wire P.Ltd	2,522	2,216
Isolveco 2 SRL	-	1
Isolveco SRL in liquidation	1,521	1,520
Irce Electromagnetic wire Co.Ltd	80	-
Total intercompany trade receivables	**10,260**	**11,284**
Isolveco SRL in liquidation	(1,405)	(1,405)
Total intercompany trade receivables (net value)	**8,855**	**9,879**

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

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing Balance
Current bad debt provision - third parties	(626)	(893)	192	(1,327)
Bad debt provision - intercompany	(1,405)	-	-	(1,405)

The increase in the “Current bad debt provision” is mainly due to the reassessment of "expected losses", as the possible renewal of the insurance policy on trade receivables expired at the beginning of the year is still being evaluated.

8 RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Other current assets	220	367
VAT receivables	-	316
Total receivables due from others	**220**	**683**

The item “Other current assets” mainly refers to advance payments and insurance reimbursements.

Please note that the Company offset tax payables with tax receivables, as the requirements in IAS 12 were met.

9. CURRENT FINANCIAL ASSETS

(Thousands of Euro)	2021 31 December	2020 31 December
Copper mark-to-market derivatives	420	572
Guarantee deposits and other current financial assets	143	1,293
Mark to market gains derivatives exchange rate	3	-
MWh mark-to-market derivatives	107	38
Total other current financial assets	**673**	**1,903**

The items "Mark to market copper derivatives", "Mark to market gains derivatives exchange rate" and "MWh Mark to market MWh derivatives" refer to the fair value of forward contracts on copper, foreign exchange and electricity open at the end of the year.

The item "Guarantee deposits and other current financial assets" mainly includes the energy efficiency certificates TEE, classified up to last year in "Other non-current financial receivables".

The change in the item "Guarantee deposits and other current financial assets" is attributable to the repayment of the so-called margin calls ("hedging requests") lodged with the broker for copper forward transactions on the LME (London Metal Exchange).

10. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

(Thousands of Euro)	2021 31 December	2020 31 December
Bank deposits	453	505
Cash and cash equivalents	8	6
Total cash and cash equivalent	**461**	**511**

Bank deposits are remunerating at floating rate and are not subject to constraints or restrictions.

11. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to Euro 157.1 million as of 31 December 2021 (Euro 152.5 million as of 31 December 2020) and is detailed in the following table:

(Thousands of Euro)	2021 31 December	2020 31 December
Share capital	14,627	14,627
Own share capital	(824)	(805)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Own share premium	(65)	24
Legal reserve	2,925	2,925
IAS 19 Reserve	(853)	(768)
Extraordinary reserve	45,637	45,224
Other reserve	20,758	20,758
Profit (losses) of previous years	6,462	6,462
Profit (loss) for the period	5,551	1,210
Total shareholders' equity	**157,084**	**152,523**

<u>Share capital</u>

The following table shows the breakdown of the share capital

(Thousands of Euro)	2021 31 December	2020 31 December
Subscribed share capital	14,627	14,627
Treasury share capital	(825)	(805)
Total share capital	**13,802**	**13,822**

The share capital is composed of 28,128,000 ordinary shares worth € 14,626,560. 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.

Treasury share capital refers to the nominal value of the treasury shares held by the Company and, as required by IFRS, are deducted from "Subscribed share capital".

Treasury shares as of 31 December 2021 amounted to 1,585,088, corresponding to 5.6% of the share capital.

The number of shares (in thousands) outstanding at the beginning and at the end of the last two years is shown below:

Thousands of shares	
Balance as of 31/12/2019	**26,590**
Share buyback	(10)
Balance as of 31/12/2020	**26,580**
Share buyback	(37)
Balance as of 31/12/2021	**26,543**

<u>Share premium reserve</u>

This item refers to the higher issue value compared to the par value of IRCE S.p.A. shares at the time of the share capital increase when the Company was first listed on the stock exchange in 1996.

Revaluation reserve

The item refers to the revaluation carried out in accordance with law 266/1995, equal to € 22,328 thousand, prior to the transition to IFRS. This was not reversed as, upon adopting IFRS, the Group elected to adopt fair value, as resulting from net revaluation balances, as a deemed cost with respect to the assets being revalued.

IAS 19 reserve

This reserve includes actuarial gains and losses accumulated as a result of the application of IAS 19 Revised. The change in the reserve is as follows:

Balance as of 01/01/2020	(753)
Actuarial valuation	(20)
Tax effect on actuarial valuation	5
Balance as of 31/12/2020	(768)
Actuarial valuation	(112)
Tax effect on actuarial valuation	27
Balance as of 31/12/2021	(853)

Extraordinary reserve

The extraordinary reserve consists mainly of, and is increased annually by, the retained earnings of the Parent Company and decreased by dividends distributed in 2021 of € 797 thousand.

Other reserves

This item, equal to € 23,596 thousand, includes:

- the Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of Irce Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A., amounting to € 6,621 thousand.
- the Reserve of profits to be re-invested in Southern Italy, totalling € 201 thousand.
- the 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 € 16,772 thousand.

The table below shows the detail of origin, availability and use of equity items:

Description	Amount	Possibility of use	Quota avalaible	Distributable
Share capital	**14,626,560**			
Capital's reserves				
Share premium reserve (Note 1)	40,538,732	A,B,C	40,538,732	40,538,732
Other reserves	6,035,757	A,B,C	6,035,757	6,035,757
Total capital's reserve	**46,574,489**		**46,574,489**	**46,574,489**
Earning's reserves				
Legal	2,925,312	B	2,925,312	-
Extraordinary	45,636,856	A,B,C	45,636,856	45,636,856
IAS	5,608,798	A,B	5,608,798	1,597,853
Own shares	- 889,433	-	- 889,433	- 889,433
Cash flow hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585,888
Total earning's reserves	**53,867,421**		**53,867,421**	**46,931,164**
Reserves in tax suspension				
The South incomes	201,160	A,B,C	201,160	201,160
Extraordinary revaluation in the financial statements	22,327,500	A,B,C	22,327,500	22,327,500
Revaluation n.266/2005	13,935,343	A,B	13,935,343	
Total reserves in tax suspension	**36,464,003**		**36,464,003**	**22,528,660**
Total reserves	**136,905,913**		**136,905,913**	**116,034,313**
Profit 2021	**5,551,458**			
Total equity	**157,083,931**			
Total reserves available			136,905,913	
Not-assignable share for non-amortized start-up and expansion cost			-	
Quota not available for legal reserves			2,925,312	
Quota not available IAS			4,010,945	
Quota not available fair value land			13,935,343	
Residual quota available			**116,034,313**	

KEY:
A = increase in capital; B = coverage of losses; C = distributable

It should be noted that the share premium reserve is fully distributable, as the legal reserve has already reached 1/5 of the share capital.

12. NON-CURRENT FINANCIAL LIABILITIES

Here below is the breakdown of non-current financial liabilities

(Thousands of Euro)	2021 31 December	2020 31 December
Non-current Financial liabilities due to banks	15,383	20,605
Non-current Financial liabilities - IFRS 16	39	39
Total non current financial liabilities	**15,422**	**20,644**

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

€/000	Currency	Rate	31/12/2020	31/12/2021	Due date
Banca di Imola	EUR	Floating	5,500	4,821	2026
Unicredit	EUR	Floating	10,000	5,000	2025
Mediocredito	EUR	Floating	3,231	2,307	2025
Banco Popolare	EUR	Floating	1,875	625	2023
Banco Popolare	EUR	Fixed	-	2,630	2026
Total			**20,606**	**15,383**	

The table below shows the changes in non-current financial liabilities during 2021:

(Thousands of Euro)	31.12.2020	Reclass.	Accensions	Refunds	31.12.2021
Banca di Imola	5,500	(679)	-	-	4,821
Unicredit	10,000	(1,000)	-	(4,000)	5,000
Mediocredito	3,231	(923)	-	-	2,308
Banco Popolare	1,875	(1,250)	-	-	625
Banco Popolare	-	(370)	3,000	-	2,630
Total	**20,606**	**(4,222)**	**3,000**	**(4,000)**	**15,384**

Please note that both the "Unicredit" loan, obtained by the Parent Company in 2020 in accordance with the Corporate Liquidity Decree (Legislative Decree no. 23/2000) and the NAB subsidized rate loan, obtained last year by the subsidiary Isomet, were provided as part of the government facilities for the Covid-19 emergency.

Covenants

- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. amounting to € 3,231 thousand at 31.12.2021 provides for thirteen six-monthly constant capital repayments equal to € 461.5 thousand each, expiring on 30 January 2025. The contract envisages, as financial covenants, compliance with a “net financial position” to “net equity” ratio of no more than 0.65 and an “adjusted EBITDA” to “financial charges” ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis.
- The medium-long term loan granted on 30 September 2020 by Unicredit S.p.A. amounting to € 6,000 thousand at 31.12.2021 provides for eight six-monthly constant capital repayments of € 833 thousand each, expiring on 30 June 2025. The financial covenants under the contract include maintaining a ratio of “net financial debt” to “Equity + Quasi Equity” of less than 1 throughout the loan term with respect to the consolidated financial statements starting from the year ended 31.12.2021, and a ratio of “net financial debt” to “EBITDA” of less than 5 for the consolidated financial statements for the year ended 31.12.2021, of less than 4.5 for the consolidated financial statements for the years ended 31.21.2022 and 31.12.2023, and of less than 4 starting from the financial statements for the year ended 31.12.2024 as well as subsequent years through the term of the loan.

For the year ended as of 31 December 2021, the above covenants were respected.

13. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Provision for severance payments to agents	145	139
Other provision for risks and charges	22	170
Coverage losses fund Intercompany	7,084	6,884
Total provision for risk and charges	**7,251**	**7,193**

The following table shows changes in the provision for risks and charges:

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing Balance
Provision for severance payments to agents	139	6	-	145
Other provision for risks and charges	170	-	(148)	22
Coverage losses fund Intercompany	6,884	200	-	7,084
Total	**7,193**	**206**	**(148)**	**7,251**

The item "Provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts.

The item "other long-term provisions" refers to various disputes.

The Company has allocated a provision to cover losses in subsidiaries which, due to the losses incurred, have a negative shareholders' equity. Changes in the provision are shown below.

(Thousands of Euro)	Opening balance	Provisions	Closing balance
Isodra Gmbh	1,855	-	1,855
IRCE SL	3,744	-	3,744
Stable Magnet Wire P.Ltd	1,197	200	1,397
Isolveco 2 SRL	21	-	21
Irce SP.ZO.O	68	-	68
Total write-down provision for equity investments	**6,884**	**200**	**7,084**

14. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

(Thousands of Euro)	Opening balance	Provisions	Net equity effect	Utilization	Closing balance
Provision for employee defined benefit	3,838	4	113	(205)	3,750
Total provision for employee defined benefits	**3,838**	**4**	**113**	**(205)**	**3,750**

This provision, which is part of defined benefit plans, includes the liability for "Trattamento di Fine Rapporto" (TFR).

The actuarial valuation of the TFR was conducted on the basis of the "accrued benefits" methodology using the "Projected Unit Credit" (PUC) criterion as provided for in paragraphs 67 to 69 of IAS 19 and consists in the following:

- it projected up to the estimated future payment date the employee termination indemnity (TFR) accrued by each employee and reassessed as of the date of the financial statements;
- it calculated TFR payments, based on their probability of occurrence, that the company will have to make in the event that the employee leaves the company following dismissal, resignation, disability, death and retirement, as well as in the event of advance payment requests;
- it discounted, at the measurement date, each payment based on the probability of occurrence.

Here below are the demographic assumptions used by the actuary in measuring the provision for employee benefits:

- death: RG48 mortality tables issued by the State General Accounting Department;

- disability: INPS tables based on age and gender;
- pension: 100% on reaching the requirements of the general compulsory insurance (AGO, Assicurazione Generale Obbligatoria).

In addition, the following technical-economic assumptions were made:

	31/12/2021	31/12/2020
Annual discount rate	0.44%	-0.02%
Annual inflation rate	1.75%	0.80%
Annual rate of increase of employee termination indemnities	2.81%	2.10%

The "Annual discount rate", consistently with paragraph 83 of IAS 19, was taken from the IBOXX Corporate AA index with duration 7-10 at the date of the assessment.

The annual rate of increase of employee termination indemnities, as envisaged by art. 2120 of the Italian Civil Code, is equal to 75% of inflation, plus 1.5 percentage points.

Sensitivity analysis of the main measurement parameters:

Parameter	Change	31/12/2021	31/12/2020
Turnover rate	+1,00%	3,721	3,826
Turnover rate	- 1,00%	3,782	3,890
Inflation rate	+0,25%	3,794	3,905
Inflation rate	- 0,25%	3,706	3,810
Discount rate	+0,25%	3,680	3,781
Discount rate	- 0,25%	3,822	3,935

Service cost: 0.00
Duration of the plan: 8.5

15. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Payables due to banks	46,955	23,576
Mark to market losses derivatives exchange rate	21	73
IFRS 16 financial liabilities	24	48
Long term loans - current portion	4,222	2,173
Total current financial liabilities	**51,222**	**25,870**

Payables due to banks essentially include self-liquidating credit lines and short-term credit lines.

The item “Mark to market losses derivatives exchange rate” refers to the Fair Value of USD and GBP forward purchase and sale contracts outstanding as of 31/12/2021 of the Parent Company.

The following table highlights the net financial position, determined on the basis of the new scheme envisaged by Consob attention call no. 5/21 of 29 April 2021, which incorporates the ESMA guideline published on 4 March 2021:

(Thousands of Euro)	2021 31 December	2020 31 December
Cash and cash equivalents	461	511
Current financial assets	673	1,903
Liquid assets	**1,134**	**2,414**
Other current financial liabilities	(47,000)	(23,697)
Long term loans- current portion	(4,222)	(2,173)
Current net financial position	(50,088)	(26,169)
Non-current financial liabilities third parties	(15,422)	(17,931)
Net financial position	**(65,510)**	**(44,100)**

Please note that intercompany financial receivables have been excluded from the calculation of the net financial position since “non-current”.

Net financial position as of 31 December 2021 amounts to € 65,51 million and is up compared to 44,10 million as of 31 December 2020.

The negative change in the net financial position is attributable both to the increasing in working capital, following the growth in sales volumes and in the price of copper, and to the greater investing activities.

Net financial debt includes a total of € 63 thousand of financial payables relating to leases accounted for in accordance with IFRS16.

16. TRADE PAYABLES

Trade payables are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Trade payables	26,271	17,633
Trade payables due to Group	170	274
Total trade payables	**26,441**	**17,907**

The change in the period is mainly attributable to the higher quantity of copper in travel included in inventory compared to the previous year.

Trade payables due to subsidiaries were broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
FD SIMS ltd	2	3
Smit Draad Nijmegen BV	11	97
Isomet AG	4	-
DMG Gmbh	109	90
IRCE SL	33	55
Isolveco 2 SRL	11	29
Total intercompany trade payables	**170**	**274**

17. TAX PAYABLES

(Thousands of Euro)	2021 31 December	2020 31 December
Tax payables due to Aequafin	2,163	156
Tax payables-current	424	65
Total tax payables	**2,587**	**221**

The item "Tax payables due to Aequafin" shows the liability for IRES due to the parent Company with which a national tax consolidation contract is in place.

The "Tax payables-current" includes the debt for Irap (regional tax on productive activities).

18. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to € 1,692 thousand, primarily refers to the contributions payable to INPS.

19. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
Payables due to employees	2,490	2,199
Accrued liabilities and deferred income	23	25
Other payables	752	98
VAT payables	2,218	471
Income taxes withheld on income from employee	480	475
Total other current liabilities	**5,963**	**3,268**

The item “Payables due to employees” includes the liabilities for the thirteenth month’s salary, for holiday accrued and not taken and for production premiums.

“Other payables” are mainly amounts due to tax authorities for withholdings, advances to customers, when non countervailable with related receivables, and other miscellaneous liabilities

COMMENT ON THE MAIN ITEMS OF THE SEPARATE INCOME STATEMENT

20. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packaging.

Consolidated turnover in 2021, equal to € 311,59 million, was up some 70% compared to previous year (€ 183,35). The change is due to the increase of volume and of the price copper.

In the tables below it is shown the breakdown of revenues by product and by geographical area of destination of the finished product.

(Thousands of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	231,020	80,567	311,586	137,694	45,656	183,350
% of total	*74%*	*26%*	*100%*	*75%*	*25%*	*100%*

(Thousands of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	183,679	104,536	23,371	311,586	105,829	64,115	13,406	183,350
% of total	*59%*	*33%*	*8%*	*100%*	*58%*	*35%*	*7%*	*100%*

For additional details, please refer to the previous paragraph on Segment reporting and to the Report on Operations.

21. OTHER INCOME

Other income was broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Increase in internally generated fixed assets	55	107	(52)
Capital gains on assets disposals	8	-	8
Insurance reimbursements	11	80	(69)
Contingent assets	129	72	57
Other revenues	162	229	(67)
Other income intercompany	148	124	24
Total other revenues and income	**513**	**612**	**(99)**

The item “Other revenues” mainly includes revenues from the sale of energy efficiency certificates TEE, revenues from the recognition of the tax credit for costs incurred for sanitisation and purchases of anti-COVID-19 protective equipment, training fees and chargebacks to customers for reimbursement of expenses.

22. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to € 263.11 million, includes for € 271.79 million the costs incurred for the acquisition of raw materials, of which the most significant are copper, insulating materials and packaging and maintenance materials and for € 0.02 million the cost of goods purchased, partially offset by the change in inventories of raw materials and consumables for € 8.71 million.

23. COSTS FOR SERVICES

These include costs incurred for the provision of services pertaining to copper processing as well as utilities, transportation, commercial and administrative services, and the costs for the use of third-party goods, as detailed below:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
External processing	5,382	4,584	798
Utility expenses	13,782	5,542	8,240
Maintenance	854	777	77
Transport expenses	3,243	2,517	726
Fees payable	141	137	4
Compensation of Statutory Auditors	69	69	-
Other services	3,496	2,680	816
Costs for the use of third-party assets	10	-	10
Other service intercompany	1,061	920	141
Total cost for services	**28,038**	**17,226**	**10,812**

The change in “Costs for services”, in particular in the variable costs (external processing, utility expenses, transport expenses), is linked to the significant increase in production, as well as, with particular reference to electricity, to the relevant increase in unit cost per MWh.

The item "Other services" mainly includes costs for technical, legal and tax advice, as well as costs for R&D, insurance and commercial costs.

“Costs for the use of third-party assets” include lease payments to which IFRS 16 does not apply because the underlying asset has a low value (less than € 5 thousand) or the lease term is 12 months or less.

24. PERSONNEL COSTS

The table below shows the breakdown of personnel costs:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Salaries and wages	11,579	10,609	970
Social security charges	3,487	3,405	82
Pension costs	933	898	35
Other personnel costs	2,344	1,914	430
Total personnel costs	**18,343**	**16,826**	**1,517**

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

The increase in personnel costs is attributable to the fact that in 2020, to cope with the drop in production due to the Covid-19 pandemic, the available holidays were used and Irce SpA resorted to “Cassa integrazione”.

The Group's average number of employees for the year and the current number at year-end is shown below:

(Number of employees)	Average 31/12/2021	Closing 31/12/2021	Closing 31/12/2020
Executives	14	14	14
White collars	92	90	93
Blue collars	305	305	308
Total	**411**	**409**	**415**

The average number of employees is calculated according to the Full-Time Equivalent method and includes both internal and external (temporary and contract) staff. Personnel is classified according to the type of employment contract.

25. DEPRECIATION/AMORTISATION

The table below shows the breakdown of depreciation/amortisation:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Amortization of intangible assets	80	95	(15)
Depreciation of tangible assets	3,641	3,709	(68)
Depreciation of tangible assets - IFRS 16	45	50	(5)
Write off tangible assets	97	-	97
Total amortization/depreciation and write-off	**3,863**	**3,854**	**9**

With reference to the item "Write-downs tangible assets", see the comment in section 2 "Tangible assets".

26. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Bad debt provision	893	141	752
Total provisions and write-downs	**893**	**141**	**752**

In relation to the change in the item "Bad debt provision", see Section 7. Trade receivables.

27. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Non-income taxes and duties	215	296	(81)
Capital losses and contingent liabilities	47	44	3
Other operating costs	25	352	(327)
Total other operating costs	**287**	**692**	**(405)**

The change in “Other operating costs” is mainly due to contractual penalties charged last year by a customer for late delivery of the finished product.

28. IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENTS

Impairment for the year is broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December
FD SIMS ltd	997	800
Smit Draad Nijmegen BV	3,205	1,200
Isodra Gmbh	-	112
IRCE SL	-	15
Stable Magnet Wire P.Ltd	200	258
Isolveco 2 SRL	-	40
Total impairments / (write-backs)	**4,402**	**2,425**

With reference to the impairment of FD Sims and Smit Draad Nijmegen, please refer to section 3. Equity investments, while for the impairment of Stable Magnet Wire see section 13. Provision for risks and charges

29. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Financial income	2,088	2,611	(523)
Financial charges	(797)	(795)	(2)
Foreign exchanges	70	(144)	214
Total financial income and charges	**1,361**	**1,672**	**(311)**

The item "Financial income" mainly includes for € 1.50 million dividends paid by the Brazilian subsidiary (€ 1.00 million as of 31 December 2020), for € 0.14 million interest income on extended payments granted to customers and for € 0.31 million the net effect of derivatives on electricity, both already settled during the year and from valuation at the end of the period.

The item "Financial charges" mainly includes for € 0.56 million the net effect of forward transactions on copper, both already settled during the year and from valuation at the end of the period, and for € 0.18 million the interest expense on financial payables, short and long term

In the item "Foreign exchange" is shown for € 36 thousand the net effect of realised and unrealised exchange differences and for € 34 thousand the net effect of forward transactions in currencies, both already settled and for year-end valuation.

30. INCOME TAXES

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Current taxes	(2,854)	(166)	(2,688)
Deferred tax liabilities ù	379	172	207
Total tax income	**(2,475)**	**6**	**(2,481)**

The table below shows the reconciliation between the theoretical and effective tax expense:

€/000	2021 31 December	2020 31 December
Profit/(Loss) before tax	8,027	1,204
Taxes calculated with applicable IRES rate (24%)	1,926	289
Tax impact of non-deductible IRES costs		
Permanent changes	55	(281)
Temporary changes	379	172
ACE deduction (Allowance for corporate equity)	(120)	(110)
IRAP rate (effective)	588	85
Taxes related to previous years	26	11
Total	2,854	166

The item "Permanent changes" mainly includes as increase the tax adjustments deriving from the write-down of investments and as decrease those relating to hyper/super-amortization and dividends distributed by the Brazilian subsidiary

31. RELATED PARTY DISCLOSURES

The Company engages in commercial and financial transactions with its companies, as reported below:

(Thousand of Euro)	Sales revenues Intercompany	Other Intercompany income	Raw materials and consumables - Intercompany	Other service Intercompany	Non current Intercompany financial assets	Trade receivables Intercompany	Trade payables due to Group	Financial income Intercompany	Dividends from subsidiaries	Financial charges Intercompany
FD SIMS ltd	2,119	52	(2,699)	(18)	7,878	223	2	37	-	-
Smit Draad Nijmegen	2	41	-	-	8,913	-	11	50	-	(20)
Isomet AG	6,600	11	-	(4)	-	2,373	4	2	-	-
IRCE Ltda	3,053	33	-	-	-	391	-	-	1,500	-
DMG Gmbh	72	-	(130)	(419)	1,708	13	109	8	-	-
Isodra Gmbh	313	4	-	-	1,855	776	-	11	-	-
IRCE SL	-	5	-	(405)	1,608	2,361	32	19	-	-
Stable Magnet Wire P.	649	-	-	-	-	2,521	-	-	-	-
Isolveco 2 SRL	141	2	-	(159)	-	-	10	-	-	-
Isolveco SRL in liquida	-	-	-	-	-	116	-	-	-	-
Irce Electromagnetic	-	-	-	-	-	80	-	-	-	-
Irce SP.ZO.O	-	-	-	(55)	121	-	-	3	-	-
Total	**12,950**	**148**	**(2,829)**	**(1,061)**	**22,084**	**8,854**	**170**	**132**	**1,500**	**(20)**

In addition, it should be noted that Irce SpA has a tax debt for IRES to the Parent Company Aequafin SpA of € 2,163 thousand deriving from the application of the national tax consolidation.

In compliance with the requirements of IAS 24, the annual compensation received by the members of the Board of Directors is shown below:

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	215	314	529

This table shows the compensation paid for any reason and in any form, excluding social security contributions. Following the introduction of Article 123-ter of the Consolidated Financial Act, further details on these amounts are provided in the Remuneration Report, which will be made available within the time limits prescribed by the law at the registered office of the Company, as well as on the website www.irce.it

32. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of trade receivables due from third parties by internal rating.
The reclassification of receivables takes into account any positions subject to renegotiation.

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Risk level			
Minimum	36,663	29,044	7,619
Medium	24,247	17,223	7,024
Above average	8,244	3,147	5,097
High	647	803	(156)
Total trade receivables	**69,801**	**50,217**	**19,584**

(Thousands of Euro)	2021 31 December	2020 31 December	Change
Due dates			
Not yet due	32,297	21,761	10,626
< 30 days	36,502	27,477	9,025
30 - 60 days	642	-	642
60 - 120 days	41	49	(8)
> 120 days	319	1,020	(701)
Total trade receivables	**69,801**	**50,217**	**19,584**

The bad debt provision, equal to € 1,33 million refers for € 0,34 million to the ranges between “60-120 days” and “>120 days” and to the “above-average” and “high” risk level.

In accordance with the provisions of IFRS 8, para. 34, please note that for the years ended on 31 December 2021 and 2020, there are no third-party customers generating revenues for the Group that exceed 10% of total revenues.

33. CAPITAL RISK MANAGEMENT

The primary objective in managing the Company’s capital is to maintain a solid credit rating and adequate capital ratios in order to support operations and maximise shareholder’s value.

(in thousands of Euro)	2021 31 December	2020 31 December
Net financial debt (A)	(65,510)	(44,100)
Shareholders' equity (B)	(157,084)	(152,523)
Total capital (A) + (B) = (C)	(222,594)	(196,623)
Gearing ratio (A) / (C)	29.4%	22.4%

34. FINANCIAL INSTRUMENTS

a) Financial instruments by category

The following table shows financial assets and liabilities by category of financial instrument:

(in thousands of Euro)	Current period			
	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	22,084	-		22,084
Current financial assets				
Trade receivables	77,329	-		77,329
Current financial assets	144	530		674
Cash and cash equivalent	461	-		461
Non-current financial liabilities				
Financial payables	15,422	-		15,422
Current financial liabilities				
Trade payables	26,441	-		26,441
Financial payables	51,201	21		51,222

(in thousands of Euro)	Previous period			
	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	19,986	-		19,986
Current financial assets				
Trade receivables	59,470	-		59,470
Current financial assets	1,293	610		1,903
Cash and cash equivalent	511	-		511
Non-current financial liabilities				
Financial payables	20,644	-		20,644
Current financial liabilities				
Trade payables	17,907	-		17,907
Financial payables	25,797	73		25,870

b) Fair value of financial instruments

The table below shows a comparison between the carrying amount and fair value of all the Company's financial instruments broken down by category:

(Thousands of Euro)	2021 31 December	2020 31 December	2021 31 December	2020 31 December
	Carrying amount		Fair value	
Financial assets				
Cash and cash equivalent	461	511	461	511
Current financial assets	673	1,903	673	1,903
Trade receivables	77,329	59,470	77,329	59,470
Non-current financial assets and non-current receivables	22,084	19,986	22,084	19,986
Financial liabilities				
Current financial liabilities	51,222	25,870	51,222	25,870
Trade payables	26,441	17,907	26,441	17,907
Non-current financial liabilities	15,422	20,644	15,422	20,644

c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (€/000) as of 31/12/2021 and 31/12/2020. IFRS 13 defines the following three levels of fair value for measuring the financial instruments recognised in the statement of financial position:

- Level 1: quoted prices in active markets.
- Level 2: market inputs other than Level 1 inputs that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs not based on observable market data.

2021	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	530	-	530
Total assets	**-**	**530**	**-**	**530**
Liabilities:				
Derivative Financial Instruments	-	(21)	-	(21)
Total liabilities	**-**	**(21)**	**-**	**(21)**

2021	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	610	-	610
Total assets	**-**	**610**	**-**	**610**
Liabilities:				
Derivative Financial Instruments	-	(73)	-	(73)
Total liabilities	**-**	**(73)**	**-**	**(73)**

During the financial year, there were no transfers between the three fair value levels specified in IFRS 7.

35. DISCLOSURE PURSUANT TO ART. 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with art. 149-duodecies of the Consob Issuers' Regulations, shows the compensation for 2021 for auditing services and for other services provided by the independent auditor or by entities belonging to its network to IRCE S.p.A.

Type of service	Entity supplying the service	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	85
Other certifications (NFS)	Deloitte & Touche S.p.A.	11

36. COMMITMENTS AND GUARANTEES

There are no particularly important commitments made by the Group as of the reporting date; two guarantees of € 670 thousand and € 79 thousand were issued in favour of a publicly owned company to guarantee a supply of electrical cables.

37. INFORMATION PURSUANT TO LAW NO. 124/2017

The following table provides the information required by art. 1, paragraph 125 of Law No. 124 of 4 August 2017.

Grantor	Description	Amount (€/000)
Comune Imola (BO), Miradolo Terme (PV), Guglionesi (CB), Trezzano sul Naviglio (MI)	TARI facilitation	7
Italian Institute for Social Security (INPS)	Facilitation of contribution for employment in disadvantaged areas	9
Cassa per i servizi energetici ed ambientali (CSEA, Energy and Environmental Services Fund)	Reduced 2021 electricity tariff rate	1,719

38. EVENTS AFTER THE REPORTING DATE

As for events occurred after the reporting date, reference should be made to the paragraph “Events after the reporting date” of the Report on Operations for 2021.

39. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

With respect to the proposed allocation of the result for the year 2021 to be submitted to the Shareholders’ Meeting, see the “Report on Operations for 2021”.

Imola, 15 March 2022

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

Attachment 1

Certification of the Annual Separate Financial Statements of IRCE S.p.A. pursuant to art. 154-bis, para. 5, of Italian Legislative Decree no. 58 of 24 February 1998:

We, the undersigned, Mr Filippo Casadio, Chairman, and Ms Elena Casadio, Manager responsible for preparing the corporate accounting documents of IRCE S.p.A., hereby certify, taking into account the provisions of art. 154-bis, para. 5, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the company's characteristics, and
- the effective implementation

of the administrative and accounting procedures used to prepare the IAS/IFRS separate financial statements.

In addition, it is hereby certified that the IAS/IFRS separate financial statements:

d) are consistent with accounting books and records;
e) are prepared in compliance with IAS/IFRS standards and give a true and fair view of the financial position, financial performance and cash flows of the Company;
f) that the Report on Operations contains a reliable analysis of the information pursuant to para. 4, art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

Imola, 15 March 2022

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

Attachment 2

List of Equity Investments in Direct Subsidiaries

The amounts referring to foreign investees have been translated into Euro using historical exchange rates.
In the following table, the carrying amount is presented net of the provision for write-down of equity investments, while the provision for future charges was set aside for the subsidiaries whose carrying amount has already been entirely written off.

(Unit of Euro)	Share capital	Equity investment %	Shareholders' equity	Pro-quota of shareholders' equity	Result for the period	Pro-quota of result for the period	Net book value	Provision for covering losses in	Difference
FD SIMS ltd	18,173	100%	3,213	3,213	(1,233)	(1,233)	4,242	-	(1,029)
Smit Draad Nijmegen BV	1,166	100%	1,204	1,204	(2,751)	(2,751)	2,707	-	(1,503)
Isomet AG	674	100%	3,548	3,548	583	583	1,435	-	2,113
IRCE Ltda	58,809	100%	33,069	33,069	4,634	4,634	58,466	-	(25,397)
DMG Gmbh	256	100%	1,237	1,237	13	13	120	-	1,117
Isodra Gmbh	25	100%	(1,828)	(1,828)	27	27	-	1,855	27
IRCE SL	150	100%	(3,744)	(3,744)	-	-	-	3,744	-
Stable Magnet Wire P.Ltd	2,602	100%	(1,396)	(1,396)	(118)	(118)	-	1,397	1
Isolveco 2 SRL	10	100%	15	15	1	1	35	21	1
Isolveco SRL in liquidazione	46	75%	(1,219)	(1,219)	13	13	-	-	(1,219)
Irce Electromagnetic wire Co.Ltd	2,000	100%	1,535	1,535	(160)	(160)	2,000	-	(465)
Irce SP.ZO.O	48	100%	(45)	(45)	4	4	-	68	23
Irce S.R.O. Cechia	130		126	126	(7)	(7)	130	-	(4)
Total			**35,715**				**69,135**	**7,085**	**(26,335)**

Please note that FD Sims Ltd, Smit Draad Nijmegen BV, and Irce Ltda. Please refer to the paragraph 3. Equity Investments for evidence of the results. It should also be noted that the significant negative difference of Irce Ltda, equal to € 25.4 million, is totally attributable to the devaluation of the Brazilian currency.

In relation to the negative difference between the “Pro-quota of Shareholders' Equity” and the “Net book value” of Isolveco Srl in liquidazione, equal to € 1.2 million, instead of the allocation to the Coverage losses fund, a provision for the write-down of receivables of € 1.4 million was entered (see paragraph 7. Trade receivables) to cover the trade receivable of € 1.5 million.

Finally, it should be noted that the Chinese subsidiary Irce Electromagnetic wire Co.Ltd is currently still non-operational and the negative difference between the carrying value and the shareholders' equity, equal to € 0.5 million, is considered recoverable once the start-up phase is completed.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Irce S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Irce S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31st, 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31st, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Irce S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories: Measurement of the "Copper Component"	
Description of the key audit matter	As stated in Note "*5. Inventories*" to the consolidated financial statements of the Group as of December 31st, 2021, the carrying amount of inventories is Euro 104,985 thousand. The principal raw material used by the Group in the production process is copper, whose value represents the most significant component of its inventories. The selling price of the products sold by the Group is agreed with its customers to comprise two components: i) one relating to the quantity of copper included in the finished product (the "Copper Component") and ii) one relating to the processing work carried out (the "Processing Component"). The selling price of the Copper Component is agreed with the customer, which can opt for either a fixed price corresponding to that applying on the order signature date, or a variable price based on a mechanism linked to the trend in the price of copper over a specified period of time. In the consolidated financial statements of the Group, the inventories of raw copper and the Copper Component of finished products and work in process (hereinafter, together, the "Copper Inventories") are measured separately from the Processing Component and are stated at purchase cost or, if lower, at their estimated realisable value. The price of copper, listed on the principal ferrous metal exchanges, is subject to sometimes significant fluctuations and, accordingly, a reduction in the market price of copper subsequent to the reporting date might require the carrying amount of Copper Inventories to be reduced to their estimated realisable value. In order to verify the carrying amount of Copper Inventories, the Directors performed a specific analysis that took account of multiple elements of information, including estimates, such as outstanding sales orders and commitments and expected trend in the copper price in the months subsequent to approval of the financial statements. We considered the measurement of Copper Inventories to be a key aspect of the audit of the consolidated financial statements of the Group as of December 31st, 2021, given: *i)* the significant value of the Copper Inventories recorded in the consolidated financial statements as of December 31st, 2021; *ii)* the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trend.

Audit procedures performed	Our audit procedures on the key aspect relating to the measurement of Copper Inventories, included, among others, the following: • Identifying and understanding the procedures and key controls adopted by the Group for the measurement of Copper Inventories. • Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories. • With reference to the realisable value of Copper Inventories: - Understanding of the calculation method adopted by the Group for determining the realizable value of Copper Inventories; - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the Group; - Verifying the completeness and accuracy of the database used by the Group for the determination of realisable value; - Verifying the sources of the market parameters used by the Group to estimate realisable value; - Verifying the mathematical accuracy of the calculations made by the Group to determine realisable value; - Verifying, on a sample basis, the documentation supporting the detailed calculations of realisable value; • Examining the adequacy and conformity of the disclosures made about Copper Inventories in the explanatory notes, with respect to the requirements of the reference accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Irce S.p.A. has appointed us on June 10, 2020 as auditors of the Company for the years from December 31st, 2020 to December 31st, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Irce S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Irce S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Irce Group as of December 31st, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Irce Group as of December 31st, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Irce Group as of December 31st, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Irce S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of Irce S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Irce S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Irce S.p.A. (the "Company"), which comprise the statement of financial position as of December 31st, 2021, income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31st, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the value of equity investments in subsidiaries	
Description of key audit matter	As stated in Note "3. Equity investments" to the Company's financial statements as of December 31st, 2021, the amount of the investments in subsidiaries is Euro 69,133 thousand, net of an overall write-down of Euro 17,084 thousand, of which Euro 4,200 thousand recorded during the year with reference to two investments in foreign subsidiaries. Investments in subsidiaries are valued at cost adjusted for impairment losses. In line with "IAS 36 Impairment of assets", in the presence of impairment indicators, the Company carries out an impairment test by comparing the recoverable amount of the investments - determined according to the value in use method - and their carrying amount. Given the materiality of the difference between the carrying amount of the investment in the Brazilian subsidiary IRCE Ltda and the corresponding portion of equity, mainly attributable to the exchange rate effect and the losses of certain foreign subsidiaries, the Company has carried out impairment tests. The measurement process adopted by Management is complex and includes several assumptions regarding, for example, forecast of expected cash flows, the appropriate discounting rate (WACC) and long-term growth rate (g-rate). In consideration of the materiality of the difference between the carrying amount of the investment in the Brazilian subsidiary referred to above and the corresponding portion of equity (mainly due to foreign exchange effects) and the subjectivity of the estimates relating to the determination of cash flows and the key variables of the impairment model, we considered the impairment test on investments in subsidiaries a key matter in our audit of the Company's separate financial statements.
Audit procedures performed	In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network: • Identification and understanding of the significant controls implemented by the Company over the impairment testing process of subsidiaries; • Understanding of the Company's calculation method for preparing the impairment test used; • Analysis of the reasonableness of the principal assumptions adopted for the forecasting of cash flows; • Analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;

Deloitte.

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- Assessment of the methodology used to determine the discount rate (*WACC*), analysing each element and their consistency with measurement practices in general use, and analysis of the reasonableness of the growth rate (g rate) and, of used exchange rates;
- Verification of the mathematical accuracy of the model used to determine the value in use of the equity investments;
- Verification of the correct determination of the carrying amount of the investments and comparison with their value in use;
- Verification of the sensitivity analyses prepared by Company Management;
- Examination of the adequacy of the information provided by the Company about the impairment test and its consistency with the requirements of IAS 36.

Inventories: Measurement of the "Copper Component"	
Description of the key audit matter	As stated in Note "*6. Inventories*" to the consolidated financial statements of the Group as of December 31st, 2021, the carrying amount of inventories is Euro 76,657 thousand. The main raw material used by the Company in the production process is copper, whose value represents the most significant component of its inventories. The selling price of the products sold by the Company is agreed with its customers to comprise two components: i) one relating to the quantity of copper included in the finished product (the "Copper Component") and ii) one relating to the processing work carried out (the "Processing Component"). The selling price of the Copper Component is agreed with the customer, which can opt for either a fixed price corresponding to that applying on the order signature date, or a variable price based on a mechanism linked to the trend in the price of copper over a specified period of time. In the financial statements of the Company, the inventories of raw copper and the Copper Component of finished products and work in process (hereinafter, together, the "Copper Inventories") are measured separately from the Processing Component and are stated at purchase cost or, if lower, at their estimated realisable value.

	The price of copper, listed on the principal ferrous metal exchanges, is subject to sometimes significant fluctuations and, accordingly, a reduction in the market price of copper subsequent to the reporting date might require the carrying amount of Copper Inventories to be reduced to their estimated realisable value. In order to verify the carrying amount of Copper Inventories, the Directors performed a specific analysis that took account of multiple elements of information, including estimates, such as outstanding sales orders and commitments and expected trend in the copper price in the months subsequent to approval of the financial statements. We considered the measurement of Copper Inventories to be a key audit metter of the financial statements of the Company as of December 31st, 2021, given: *i)* the significant value of the Copper Inventories recorded in the financial statements as of December 31st, 2021; *ii)* the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trend.
Audit procedures performed	Our audit procedures on the key audit metter relating to the measurement of Copper Inventories included, among others, the following: • Identifying and understanding the procedures and key controls adopted by the Company for the measurement of Copper Inventories. • Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories. • With reference to the realisable value of Copper Inventories: - Understanding of the calculation method adopted by the Company for determining the realizable value of Copper Inventories; - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the Group; - Verifying the completeness and accuracy of the database used by the Group for the determination of realisable value; - Verifying the sources of the market parameters used by the Group to estimate realisable value; - Verifying the mathematical accuracy of the calculations made by the Company to determine realisable value;

- Verifying, on a sample basis, the documentation supporting the detailed calculations of realisable value;

- Examining the adequacy and conformity of the disclosures made about Copper Inventories in the explanatory notes, with respect to the requirements of the reference accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Irce S.p.A. has appointed us on June 10, 2020 as auditors of the Company for the years from December 31st, 2020 to December 31st, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Irce S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Irce S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Irce S.p.A. as of December 31st, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the financial statements of Irce S.p.A. as of December 31st, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Irce S.p.A. as of December 31st, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 1 the accompanying financial statements of Irce S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018 OF JANUARY 2018

To the Board of Directors of
Irce S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Irce S.p.A. and its subsidiaries (hereinafter "Irce Group" or "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 15, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Taxonomy".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (*ISQC Italia 1*) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;

2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;

3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Irce Group;

4. understanding of the following matters:

   - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

   Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

   In particular, we carried out interviews and discussions with the management of Irce S.p.A. and with the employees of Smit Draad Nijmegen B.V. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, for material information, taking into consideration the Group's activities and characteristics:

   - at the parent company's and subsidiaries' level:

     a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
     b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

   - for the following companies and sites, Imola (BO) headquarters and production site for Irce S.p.A. and Nijmegen (Netherland) production site for Smit Draad Nijmegen B.V. which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits or remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Irce Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

Our conclusion on the NFS of the Irce Group does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Taxonomy".

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2022

IRCE S.p.A.

Registered office Imola (Bologna) Via Lasie 12/B
Share capital € 14,626,560.00 fully paid up
Bologna Companies' Register and Tax Code No. 82001030384 – Economic and Administrative Index (REA) No. 266734

Report of the Board of Statutory Auditors to the Shareholders' Meeting of IRCE S.p.A., pursuant to art. 153 of Italian Legislative Decree no. 58/98 and art. 2429 paragraph 3 of the Italian Civil Code

Dear Shareholders,

the separate financial statements for the financial year ended 31 December 2021, which are submitted for approval, show a profit of € 5,551,458.

The financial statements, which the Board of Directors submitted to the Board of Statutory Auditors within the time limits prescribed by law, have been prepared in accordance with IASs/IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The financial statements include the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes to the Financial Statements. The financial statements are supplemented with the Directors' Report on Operations, which outlines the main risks and uncertainties and the outlook of the company, considering the guidelines issued by ESMA (Public Statement ESMA32-63-1186 "European common enforcement priorities for 2021 annual financial reports").

Pursuant to art. 40, paragraph 2 bis of Legislative Decree no. 127/19917, the Directors' Report has been drawn up with the same text for the separate financial statements of IRCE S.p.A. and the consolidated financial statements of the IRCE Group.

The annual Financial Report has been prepared in accordance with Delegated Regulation (EU) no. 2019/815 of 17 December 2018 (OJEU L143 of 29 May 2019), which, in supplementing Directive no. 2004/109/EC, established regulatory technical standards on the specification of the single electronic format to disclose annual financial reports; therefore, the report has been prepared in accordance with the European Single Electronic Format (ESEF).

Pursuant to art. 123-bis of the Consolidated Financial Act and to the Rules of the Markets organised and managed by Borsa Italiana S.p.A., the Company has prepared the annual Report on Corporate Governance and Ownership Structure.

During the financial year ended 31 December 2021, the Board of Statutory Auditors has carried out its supervisory activities in compliance with art. 149 of Italian Legislative Decree no. 58/98, in accordance with the code of ethics of the Board of Statutory Auditors in companies with shares listed in regulated markets drafted by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Board of Chartered Accountants and Accounting Consultants), as well as CONSOB recommendations concerning accounting audits and the activities of the Board of Statutory Auditors.

In preparing this report, we have taken into consideration CONSOB communications no. 1025564 of 6 April 2001, no. 321582 of 4 April 2003, and no. 6031329 of 7 April 2006 and the guidelines indicated in the Corporate Governance Code, which concern the content of the reports of the Board of Statutory Auditors to the shareholders' meetings of listed companies.

In particular, the Board of Statutory Auditors has:

- supervised compliance with the law and the Articles of Association as well as the principles of correct management. On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors believes the company's operations conform to the principles of correct management, have been resolved upon and implemented in compliance with the law and the Articles of Association, and are in the interest of the company. Moreover, said operations do not appear to be manifestly imprudent, reckless or uninformed, in that they do not conflict with the resolutions passed by the shareholders' meeting, nor do they appear to compromise the integrity of the company's assets;

- attended meetings of shareholders and of the board of directors and obtained from directors information on the operations and the transactions carried out by the company and its subsidiaries that were most significant in terms of financial performance, financial position and cash flows;

- supervised to ensure the adequacy of the administrative-accounting system, both on the basis of direct checks and through the periodic exchange of information with the independent auditors, from which the Board of Statutory Auditors has not received any reports of errors as defined in art. 155, paragraph 2 of Italian Legislative Decree no. 58/1998. The Board of Statutory Auditors believes that the administrative-accounting system is essentially adequate for ensuring that the company's operations are presented fairly in the separate and consolidated financial statements;

- obtained information from the Manager responsible for preparing the corporate accounting documents, in accordance with the provisions of art. 154-bis of Italian Legislative Decree no. 58/1998, who did not report any particular or significant deficiencies in the operating and control processes such as to question the adequacy and effective implementation of administrative-accounting procedures for the purpose of presenting fairly the company's financial performance, financial position and cash flows in compliance with international accounting standards;

- liaised with members of the Control and Risks Committee established within the Board of Directors, attending the relevant meetings;

- received information from the professional to whom the internal audit function was entrusted on the activities performed during 2021, specifically concerning the control of the procedures under review. As outlined in the Report on Corporate Governance and Ownership Structure, in compliance with the provisions of the Corporate Governance Code, the Board of Directors has assumed responsibility for the Company's internal control;

- supervised – since the Board of Statutory Auditors is not required to carry out an analytical control of the substance of the financial statements' contents – the overall presentation of the financial statements drafted in accordance with IASs/IFRSs, as well as compliance with the law concerning their preparation and presentation, and has no remarks to make;

- obtained, during the year, information on the operations of the Supervisory Body as per the organisational, management and control model (Italian Legislative Decree no. 231/2001), as reported also in the Supervisory Body's annual report, issued on 16 February 2022;

- verified that the report on operations complies with applicable laws and regulations, consistently with the resolutions passed by the Board of Directors and the representations in the financial statements. The Board of Statutory Auditors had no remarks to make on the consolidated half-yearly report. The half-yearly and quarterly reports have been published according to applicable laws and regulations;

- supervised, within the scope of its responsibility, the obligations concerning non-financial information pursuant to Italian Legislative Decree no. 254/2016, verifying, in particular, the proper fulfilment of the requirements in connection with the drawing up and publication of the consolidated non-financial statement by the Parent Company. In the Non-Financial Statement of the Irce Group the information required by Regulation (EU) 2020/8525 (the so-called Taxonomy Regulation) was provided.

- supervised the actual functioning and the effective implementation by the Board of Directors of the procedure for the management and approval of related-party transactions adopted by the Company with the Board of Directors' resolution of 30 November 2010, pursuant to art. 2391-bis of the Italian Civil Code and art. 4 of the Regulation on Related-Party Transactions adopted by CONSOB with resolution no. 17221 of 12 March 2010.

The Board of Statutory Auditors noted that, as recommended in a document dated 3 March 2010 issued jointly by the Bank of Italy/Consob/ISVAP, at the meeting of 15 March 2022 the Board of Directors certified, independently and prior to approving the draft financial statements, the compliance of the impairment testing procedure with IAS 36.

In particular, impairment testing procedures were carried out by the Company on the value of the Net Invested Capital recognised in the financial statements of the IRCE Group and of the companies IRCE S.p.A., FD Sims LTD, Irce Ltda and Smit Draad Nijmegen. The Notes to the Financial Statements include information on, and the results of, our assessment.

In the notes to the separate financial statements and to the consolidated financial statements, the Directors provided information regarding the presence of the Company and of the Group in the countries involved in the Russia-Ukraine conflict as well as their assessments of the potential direct and indirect impacts of the conflict on the operations.

During our supervisory activity, as described above, we found no significant issues to be mentioned in this report.

The statutory audit was performed by the Independent Auditors Deloitte & Touche S.p.A. - which was appointed for the period 2020-2028 by the shareholders' meeting of 10 June 2020, and with which the Board held periodic meetings to exchange information about the operations of the Company and its subsidiaries, also for the purposes of preparing this report, by gathering information on the audit report as per articles 14 and 16 of Italian Legislative Decree no. 39/2010.

The Board of Statutory Auditors examined the Independent Auditors' reports drawn up on 28 March 2022, issued pursuant to article 14 of Italian Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014, acknowledging that, in the opinion of the independent auditors, the separate financial statements of the company and the consolidated financial statements of the group as of 31 December 2021 comply with the International Financial Reporting Standards as endorsed by the European Union as well as the provisions issued in implementation of article 9 of Italian Legislative Decree no. 38/2005, and give a true and fair view of the financial position, financial performance and cash flows for the financial year ended on said date, outlining in the same reports the key aspects of the audit that it regards as the most significant within the work carried out.

In addition, the Independent Auditors judged the separate financial statements – prepared in the XHTML format – as complying with the provisions of Regulation (EU) 2019/815 of the European Commission on regulatory technical standards on the specification of the European Single Electronic Format.

Lastly, it is also the opinion of the Independent Auditors that the Report on Operations and the information as per paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of art. 123-bis of Italian Legislative Decree no. 58/1998 contained in the Report on Corporate Governance are consistent with the financial statements.

The Independent Auditors Deloitte & Touche S.p.A. submitted to the Board of Statutory Auditors the additional report as set out in art. 11 of Regulation (EU) 537/2014 relating to the separate and the consolidated financial statements as of 31 December 2021, in which, among other things, they:

– highlighted the key aspects of the audit;
– confirmed, pursuant to art. 6 paragraph 2) lett. a) of European Regulation 537/2014 and the requirement of paragraph 17 lett. a) of the International Standard on Auditing (ISA) Italy 260, that, on the basis of the information obtained and the checks carried out, having taken account of the regulatory and professional standards which govern the auditing, in the period from 1 January 2021 to date no situations have been found which have compromised the independence of the auditors pursuant to articles 10 and 17 of Legislative Decree 39/2010 and articles 4 and 5 of the European Regulation;
– confirmed the independence of the other subjects involved in carrying out the audit;
– did not highlight any failings in the internal control system in regard to the financial reporting process;
– did not highlight cases of actual or alleged non-compliance with laws and regulations or with the provisions of the Articles of Association;
– highlighted that they had not found any obstacles in the process of acquiring sufficient and appropriate evidence on which to base their judgment;
– expressed considerations related to the conflict between Russia and

Ukraine;
– set out the significant issues which emerged from the audit.

The Board of Statutory Auditors examined the report by Deloitte & Touche S.p.A. on the consolidated non-financial statement of Irce S.p.A. and its subsidiaries, pursuant to art. 3, para. 10, of Italian Legislative Decree no. 254/2016 and art. 5 of CONSOB Regulation no. 20267, released on 28 March 2022, acknowledging that, in the opinion of the Independent Auditors, there are no elements to suggest that the NFS of the Irce Group relating to the year ended 31 December 2021 was not drawn up, in all the important aspects, in compliance with the requirements of articles 3 and 4 of the Decree and of the GRI Standards, in reference to the latter's selection.

Within the scope of its responsibility, pursuant to art. 153 of the above-mentioned Italian Legislative Decree no. 58/1998 and in accordance with CONSOB resolution DEM 1025564 of 6 April 2001, the Board of Statutory Auditors also specifies that:

- it received from Directors, during both board meetings and the meetings held on a regular basis, detailed and relevant information about the company's operations, and especially the transactions that were most significant in terms of financial performance, financial position and cash flows;

- the report on operations, the information supplied during the Board of Directors' meetings, and that received by the company's management and the Independent Auditors did not reveal any atypical and/or unusual transactions, including intra-group or related-party transactions;

- during the year, neither Deloitte & Touche S.p.A. (nor any other company belonging to its network), was assigned any other tasks in addition to the auditing of the accounts and the appointment as Auditor in charge of preparing the consolidated Non-Financial Statement;

- during the financial year, the Board of Statutory Auditors did not submit any opinions or proposals in accordance with the law, since no situations occurred which required them to do so;

- during the financial year, the following meetings were held:
  - 1 Shareholders' Meeting
  - 6 Meetings of the Board of Directors
  - 5 Meetings of the Board of Statutory Auditors;

- during 2021 and up to the present date, no claims were made pursuant to art. 2408 of the Italian Civil Code nor did any shareholders and/or third parties submit any complaints;

- the Board of Statutory Auditors acts as the *Internal Control and Audit Committee,* as defined in art. 19 of Italian Legislative Decree no. 39/2010; in this regard, based also on the information received from the Chairman of the Board of Directors, the members of the Control and Risks Committee, the head of Internal Audit and the Independent Auditors, the Board of Statutory Auditors confirms that the internal control system is adequate to the company's size;

- the Board also supervised the adequacy of the orders the company gave to its subsidiaries in accordance with art. 114, paragraph 2, of Italian Legislative Decree no. 58/1998, obtaining information from the company's Directors. It found transactions with subsidiaries to be substantially adequate.

In carrying out its supervision, the Board of Statutory Auditors found no errors, omissions or irregularities to be mentioned in this Report.

The Board of Statutory Auditors does not consider it necessary to exercise the right to make proposals to the Shareholders' Meeting under art. 153 paragraph two of Italian Legislative Decree no. 58/1998.

In light of the above, the Board of Statutory Auditors gives its favourable opinion to the approval of the Financial Statements as of 31 December 2021 and has no objections to the Board of Directors' proposal concerning the allocation of the profit for the year 2021.

Bologna, 28 March 2022

THE BOARD OF STATUTORY AUDITORS

(Fabio Senese) ____________________________

(Adalberto Costantini) ____________________________

(Donatella Vitanza) ____________________________