FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN	MR	FILIPPO CASADIO
EXECUTIVE DIRECTOR	MR	FRANCESCO GANDOLFI COLLEONI
NON-EXECUTIVE DIRECTOR	MR	GIANFRANCO SEPRIANO
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

PricewaterhouseCoopers S.p.A.

CONTROL AND RISKS COMMITTEE

MS GIGLIOLA DI CHIARA
MR GIANFRANCO SEPRIANO
MS FRANCESCA PISCHEDDA

REMUNERATION COMMITTEE

MS FRANCESCA PISCHEDDA
MR GIANFRANCO SEPRIANO
MS GIGLIOLA DI CHIARA

INTERNAL AUDITOR

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
MR GABRIELE FANTI
MR GIANLUCA PIFFANELLI

CALLING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are convened to an Ordinary Shareholders' Meeting, in first call for 11.00 on 29 April 2020, at the company's registered office and, if necessary, in second call for 4 May 2020, at the same time and to the same place, save for any updates, which will be promptly disclosed, following developments connected with the COVID-19 medical emergency and any regulatory provisions as may be issued in respect of said emergency, to discuss and resolve on the following

AGENDA

- Separate financial statements as at 31 December 2019 and related reports of the Board of Directors and the Board of Statutory Auditors, and consequent resolutions;
- Presentation of the consolidated financial statements as at 31 December 2019;
- Appointment of the Board of Statutory Auditors and its Chairperson for the years 2020-2021-2022 and determination of their annual remuneration;
- Remuneration report and consequent resolutions;
- Proposal for authorisation to acquire and dispose of own shares, methods of acquisition and transfer;
- Provision of audit services for the 2020-2028 period.

SHARE CAPITAL AND VOTING RIGHTS – The share capital of the Company is equal to € 14,626,560 and divided into 28,128,000 ordinary shares. Each ordinary share gives the right to one vote in the ordinary and extraordinary Shareholders' Meetings of the Company. As of the current date, the Company owns 1,546,988 own shares which represent 5.5% of the share capital, and whose vote is suspended in accordance with art. 2357-ter of the Italian Civil Code.

RIGHT TO ATTEND – In accordance with art. 83-sexies of Italian Legislative Decree no. 58/1998, the right to attend the Shareholders' Meeting and to exercise the voting right is established by a communication addressed to the Company – made by the intermediary, in accordance with its accounting records – in favour of the owner of voting rights and based on the evidence available at the end of the accounting day of the seventh trading day prior to the date established for the Meeting in first call; credit and debit entries made after this deadline are not applicable for determining the right to exercise the voting right in the Meeting. Those determined to be owners of Company shares only after that date will not be entitled to attend and vote in the Meeting. The Company must receive the above-mentioned communication from the intermediary at least two business days before the first call. The above does not prejudice the right to attend and vote should the Company receive the communication beyond that date but before the beginning of the Meeting in first call.

VOTING BY PROXY – Each Shareholder may appoint a proxy, in accordance with the law and in writing, by signing the proxy form issued upon request of the entitled party by qualified intermediaries or available on the website www.irce.it. The proxy can also be sent via registered mail with receipt of return to the registered office of the Company, or certified e-mail to the address ircespa-pec@legalmail.it attaching a copy of a valid identification document of the principal.

The Company has appointed as Designated Representative, in accordance with art. 135-undecies of Italian Legislative Decree no. 58/1998 (Consolidated Financial Act), Ms Stefania Salvini (lawyer), who may be appointed as proxy and receive voting instructions on the condition that she receives this proxy via registered mail with receipt of return to Studio legale Avv. Carlo Zoli, via Mengolina 18, 48018 Faenza, Italy, or certified e-mail to avvstefaniasalvini@ordineavvocatibopec.it, by the end of the second trading day prior to the date of the Meeting in first call. The proxy granted in this manner is valid only for proposals for which the principal has provided voting instructions; the principal may revoke the proxy and voting instructions before the above deadline. A proxy form and the voting instructions are available on the website www.irce.it.
APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS – Shareholders holding, on aggregate, at least a 2.5% stake in the Company retain the right to present lists for the appointment of the Board of Statutory Auditors. These lists must be filed at the registered office of the Company – also by means of a registered letter with return receipt addressed to the registered office of the Company, or sent by certified email to the address ircespa-pec@legalmail.it attaching a copy of a valid identification document of the delegating party, at least twenty-five days before the date set for the first call of the Shareholders' Meeting, along with information on the shareholders who have submitted the lists, along with the percentage of stake they hold, a declaration from the shareholders other than those who hold, even if jointly, a controlling stake or a relative majority thereof, stating the non-existence of relationships with the latter, in compliance with article 144-quinquies, comprehensive information on the personal and professional characteristics of the candidates, and finally a declaration from the candidates themselves demonstrating that they meet the requirements set forth by the law, as well as their acceptance of the candidacy.
QUESTIONS ON THE TOPICS ON THE AGENDA – Pursuant to art. 27-ter of Italian Legislative Decree no. 58/1998, Shareholders can submit questions on the topics on the agenda even before the Meeting via registered mail with receipt of return to the registered office of the Company or certified e-mail sent to ircespa-pec@legalmail.it. The questions, complete with the personal details of the shareholder asking the question and the certification proving the ownership of the shares, must be delivered to the Company by 10:00 am of the day prior to the date of the Meeting in first call.
ADDITIONS TO THE AGENDA — Shareholders which represent, including jointly, at least 2.5% of the share capital can request – in writing and within 10 days from the date of publication of this notice, and in compliance with the provisions of art. 126-bis of Italian Legislative Decree no. 58/1998 (Consolidated Financial Act) – to add topics to the agenda, indicating in their request any additional topics they propose. This request must be sent via registered mail with return receipt to the Registered Office of the Company or certified e-mail to the address ircespa-pec@legalmail.it. A report on the topics being proposed for discussion must be submitted, by the same deadline and in the same manner, to the Board of Directors of the Company. In addition, and in accordance with the provisions of art. 126-bis, para. 3, of the Consolidated Financial Act, an integration of the agenda on the part of Shareholders is not allowed for topics on which the Meeting is called upon to resolve, upon proposal of the Directors or on the basis of a project they prepare.
DOCUMENTATION – The documentation concerning the Meeting will be available to the public, within the terms established by the laws in force, at the Registered Office of the Company, at Borsa Italiana S.p.A., and on the website www.irce.it. Shareholders are entitled to obtain a copy of the filed documentation.

The terms and conditions for attending the shareholders' meeting, described in the call notice, may change and/or be supplemented in connection with the COVID-19 medical emergency. Any changes and/or supplements to the information given in the notice, will be made available on the company's website www.irce.it and using the other procedures envisaged by the law.

REPORT ON OPERATIONS FOR 2019

Consolidated Performance for 2019

Introduction

Given the significant impact of the activities of the Parent Company IRCE S.p.A. (hereinafter also referred to as the "Company") on the consolidated financial statements of the IRCE Group, 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.

Dear Shareholders,

For the IRCE Group (hereinafter also referred to as the "Group"), 2019 ended with net profit of € 1.94 million.

Consolidated turnover was € 311.94 million, down by 12.2% compared to € 355.40 million of 2018. The reduction was manly linked to the decline in the sales volumes and in the turnover without metal. Decrease is also affected by the copper price reduction (-2.84% average LME quotation of 2019, compared to the value of last year).

Sales decrease is explained by the demand slowdown in both business sectors in which the company operates. In the winding wire sector, there was a deterioration in the European market, which worsened in the fourth quarter, partly offset by sales outside Europe. In the cables sector, there was a reduction in sales concentrated on the Italian market.

Consolidated turnover without metal[1] decreased by 9.1%; the winding wire sector fell by 6.3%, while the cable sector decreased by 18.7%.
In detail:

Consolidated turnover without metal (€/million)	Year 2019 Value	%	Year 2018 Value	%	Change %
Winding wires	56.43	*80.2%*	60.25	*77.8%*	*-6.3%*
Cables	13.94	*19.8%*	17.15	*22.2%*	*-18.7%*
Total	70.37	*100.0%*	77.40	*100.0%*	*-9.1%*

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

Consolidated income statement data (€/million)	Year 2019	Year 2018	Change
Turnover[2]	311.94	355.40	(43.46)
EBITDA[3]	7.82	14.96	(7.14)
EBIT	0.42	7.54	(7.12)
Profit / (loss) before tax	2.72	10.24	(7.52)
Profit / (loss) for the year	1.94	5.88	(3.94)
Adjusted EBITDA[4]	9.55	17.42	(7.87)
Adjusted EBIT[4]	2.15	10.00	(7.85)

[1] Turnover without metal corresponds to the total turnover after deducting the metal component.

[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 derivatives transactions (€ +1.73 million in 2019 and € +2.46 million in 2018). 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 therefore not comparable.

Consolidated statement of financial position data (€/million)	31/12/2019	31/12/2018	Change
Net invested capital	173.89	191.01	(17.12)
Shareholders' equity	131.50	131.30	0.20
Net financial debt[5]	42.39	59.71	(17.32)

Consolidated net financial debt, at the end of December 2019, was € 42.39 million, down from € 59.71 million at the end of 2018, thanks to the decrease of the net working capital.

Investments

Investments of the Group in 2019 amounted to € 6.07 million and were primarily related to IRCE S.p.A.

Main Risks and Uncertainties

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

Market risk

The Group is strongly concentrated on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the medium-term strategy of the Group focuses on geographic diversification in non-EU and Asian countries, with a constant recovery of margins in the Group's structure. In line with this strategy, the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd was set up in China, aiming at reaching the local market.

Risk associated with changes in financial and economic variables

- *Exchange rate risk*
  The Group primarily uses the Euro as the reference currency for its sales transactions. It is exposed to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, and China.
  As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the investment's carrying amount. In 2019, the Brazilian currency depreciated by about 3% since the beginning of the year.

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

- *Risks related to fluctuations in the prices of raw materials*
  The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential effect on margins of changes in the price of copper, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. The average Euro/Kg copper price for 2019 has shown a decrease of 2.84% as compared to the same figure for 2018.

[5] Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets, see Note 16. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the net financial position as defined by Consob Resolution no. 6064293 of 28 July 2006 and CESR recommendation of 10 February 2005.

Financial risks
These are risks associated with financial resources.

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

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

Outlook

The early months of 2020 have confirmed the slow-down to demand on the reference markets as a result of the worsening of the economic situation, and Europe in particular. Additionally, recent weeks have seen us faced with the issue of the spread of the Coronavirus, the effects of which are presently unforeseeable.

The Group is involved in cost-cutting programmes and efficiency drives.

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

The financial statements of the parent company IRCE S.p.A. show a turnover of € 203.02 million – a decrease compared with the previous year results of € 233.06 million.

In the winding wire sector, sales fell compared to 2018. This showed the effects of the slowdown in European market demand which had already begun in the first half of the year.

The cable sector experienced a decrease in sales in the Italian market.

Against this backdrop, the Group posted a profit of € 3.60 million, down from € 7.90 million in 2018.

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 34 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.

Corporate Governance

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

The report on corporate governance and the shareholding structure pursuant to art. 123-bis of the Consolidated Financial Act is available at **www.irce.it** – Investor Relations, in compliance with art. 89-bis of Regulation no. 11971/1999 issued by Consob. This report aims 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 created the Supervisory Body, which is responsible for monitoring the operation, updating and compliance of the model.
On 12 September 2019, the company updated its Code of Ethics and its Organisational, Management and Control Model, after completion of the planned activities to review and update the Model 231 as well as all the relevant documentation.

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.

Own Shares and Shares of the Parent Company

The number of own shares as of 31 December 2019 was 1,537,988, i.e. 5.47% of total shares and equal to a nominal value of €/000 800. As of 31 December 2019, the Company does not own shares in the parent company Aequafin S.p.A., nor did it trade in them during 2019.

R&D Activities

Research and development activities in 2019 focused on projects to improve 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.

In 2019, costs were capitalised in intangible fixed assets for €/000 176, incurred for product approval tests run at external laboratories, necessary to obtain technical suitability for the supply of materials to a publicly-owned company.

Other Information

With regard to the Conditions for the Listing of Shares of Companies with Control over Companies Established and Regulated under the Law of non-EU Countries pursuant to arts. 36 and 39 of the Markets Regulations (Consob Resolution No. 16191/2007), the Company declares it complies with the provisions of the above-mentioned Regulation.

The attached consolidated and separate annual financial statements are audited by the company PricewaterhouseCoopers 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 accordance with the provisions of Italian Legislative Decree no. 254/2016.

Events after the Reporting Date

Starting February 2020, there has been a rapid spread of the Coronavirus pandemic all over the globe. In Italy and elsewhere in Europe, the situation has worsened quickly, not only in medical terms but also impacting the production system.

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

All the Group's plants used to produce winding wires, in Europe and Brazil, which in fact account for the majority of our business, instead continue to produce normally, in complete compliance with strict rules of conduct designed to protect the health of workers, which we have adopted.

The only exception, in the segment of winding wires, is the small thin enamelled wire production unit we have in India (Kerala), of entirely marginal importance in terms of the total figure, whose production has been temporarily suspended to comply with the provisions issued by the government of that country.

With reference to employees, we have adopted working procedures and rules of conduct that prevent the aggregation of employees in offices and minimise the number of people present, where possible adopting remote working solutions and using holiday and permits.

As regards the additional risks brought about by the spread of the virus, we are carefully, constantly monitoring our supply chain, in which, for now, no particular problems have emerged, and have decided to increase stocks of the most critical materials. The availability of several plants in different countries and geographic areas, with production capacity reserves, reduces our exposure to the risk of temporary closures of individual units, putting us in a better position than many of our competitors.

Firmly convinced that we have adopted suitable policies by which to minimise health risks and aware of the possibilities offered by the geographic distribution of our production capacity, our financial solidity and the additional room for improvement available to us, we have every confidence in our ability to cope with the risks and uncertainties linked to the spread of the Coronavirus, including the impact that such a spread may have on the general economic performance.

In respect of possible impacts on 2020, we cannot exclude that there may be an effect on the financial statement items most impacted by assessment analyses, but we are presently unable to reliably estimate such impacts.

Dear Shareholders,

we invite you to approve the separate financial statements of IRCE S.p.A. as of 31 December 2019, reporting a profit of € 3,603,483.

We propose to approve the distribution of a € 0.03 dividend per share, to be paid out of the profit of the year, with ex-dividend date on 18 May 2020, record date on 19 May 2020, and payment date on 20 May 2020. 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, 13 March 2020

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 the obligation to disclose non-financial information and information on diversity by certain companies and certain large groups.

This consolidated non-financial statement (also "NFS" or "Statement"), referring to the year ended as of 31 December 2019, represents IRCE Group's commitment to report the non-financial impacts of its business, in accordance with the provisions of the Decree: IRCE has chosen to include the Statement in its 2019 Report on Operations.

1.2. Scope of the Consolidated Non-Financial Statement

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

- IRCE S.p.A. – Italy;
- Irce Ltda – Brazil;
- FD Sims Ltd – UK;
- Smit Draad Nijmegen BV – The Netherlands;
- Stable Magnet Wire P. Ltd – India;
- Isodra GmbH – Germany.

The following companies were excluded from the reporting scope:

- Isomet AG – Switzerland;
- DMG GmbH – Germany;
- Isolveco S.R.L. – Italy (in liquidation);
- Isolveco 2 S.R.L. – Italy;
- Irce Electromagnetic wire (Jiangsu) Co. Ltd – China (newly established company, operations have not started yet);
- Irce S.L. – Spain;
- Irce SP ZO.O. – Poland.

These exclusions are due to the fact that the social, economic and environmental impacts of these companies were not considered significant given their low incidence in terms of turnover compared to the consolidated total, the limited number of employees out of the total, and the type of business (exclusively commercial, not productive). 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.

1.3. Reference Guidelines and Reporting Process

The qualitative and quantitative information reported in the NFS are prepared according to the standards issued in 2016 by the Global Reporting Initiative, in compliance with the requirements of the Decree on the use of reporting standards issued by 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 – GRI Correlation Table).

The reporting process was developed according to the following work phases:

1. Preparation and approval of the materiality analysis by representatives of the main corporate functions of the various plants (Irce Ltda; FD Sims Ltd; Smit Draad Nijmegen BV; Stable Magnet Wire P. Ltd; Isodra GmbH; IRCE S.p.A. at the Imola, Miradolo, Guglionesi and Umbertide plants);
2. Definition of the NFS content regarding material issues and the scope of reporting;
3. 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 scope;
4. Drafting of the NFS, initial validation by the internal working group and approval by the Chairman;
5. Approval of the NFS by the Board of Directors, jointly with the Report on Operations;
6. Certification by the Independent Auditors specifically appointed for such verification (see the Audit Report).

This consolidated non-financial statement is available on the Group website under the section *Investor Relations > Financial Statements and Reports > Financial Statements as of 31 December 2019*.

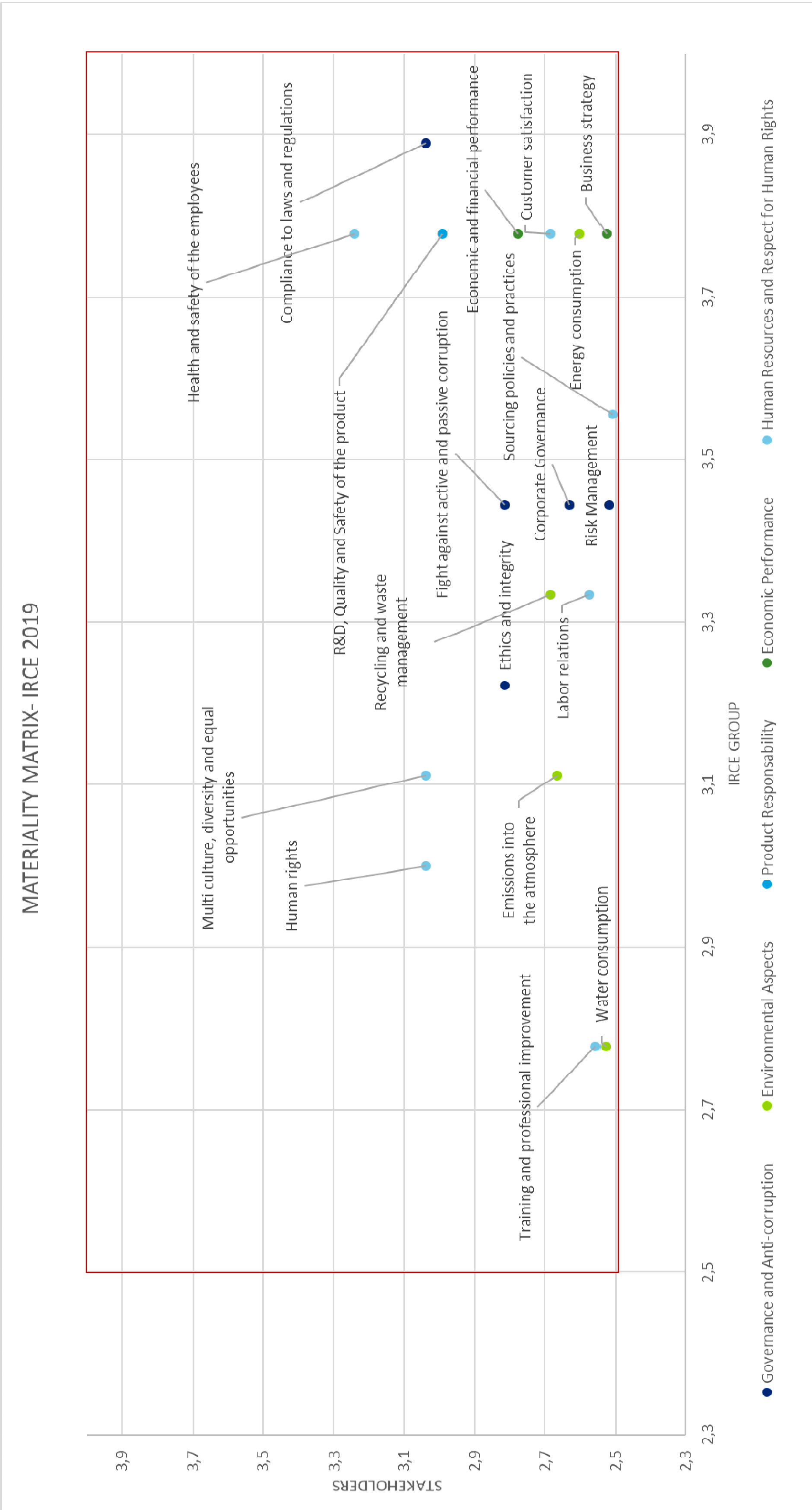
1.4. Materiality Analysis

In order to define the material issues subject to reporting herein, IRCE analysed the provisions of art. 3 of Italian Legislative Decree no. 254/2016.
Following this analysis, IRCE defined a process – described below – aimed at identifying the most significant issues for Stakeholders and the Group, i.e. those issues which were identified as being both highly significant, and representative of the nature of IRCE's business.

The process for determining material issues was carried out through the compilation of a questionnaire and following a benchmark activity, in order to complete the materiality analysis and highlight the issues considered most significant for both the IRCE Group and its Stakeholders, as reported herein.

The materiality analysis saw direct participation from key contact staff from the main business functions of the various branches which are included in the reporting scope. These were staff who play a supporting role at a group level for the non-financial statement and who were given a questionnaire concerning a series of issues classified under six macro areas: Governance and Anti-Corruption, Economic Responsibility, Product Responsibility, Environmental Aspects, Human Resources and Respect for Human Rights. For each issue, the representatives had to give a score from 1 (least relevant) to 4 (most relevant) based on their own perception and sensitivity to the topic examined, in order to highlight the issues which are most relevant for the Group.

Stakeholders were considered to be employees, shareholders, customers, suppliers, unions and local communities. It was decided that the analysis would be carried out indirectly, using a questionnaire, and asking key internal contacts to give a score from 1 to 4 for each of the issues under consideration. The scores were also based on the perceived relevance that specific Group Stakeholders assigned to each issue, according to their own personal assessment.
The materiality analysis described above allowed the most significant issues for the Group to be identified, based on those which had a score higher than what has been termed the 'defined threshold of materiality'. The issues which emerged as being material, as shown in the following chart, define the focus areas for reporting.


MATERIALITY MATRIX- IRCE 2019
STAKEHOLDERS
IRCE GROUP
Health and safety of the employees
Compliance to laws and regulations
R&D, Quality and Safety of the product
Recycling and waste management
Fight against active and passive corruption
Economic and financial performance
Customer satisfaction
Business strategy
Sourcing policies and practices
Energy consumption
Corporate Governance
Risk Management
Ethics and integrity
Labor relations
Multi culture, diversity and equal opportunities
Human rights
Emissions into the atmosphere
Water consumption
Training and professional improvement
Governance and Anti-corruption
Environmental Aspects
Product Responsability
Economic Performance
Human Resources and Respect for Human Rights

2 GOVERNANCE AND ANTI-CORRUPTION

IRCE management identified the main risks, generated or suffered, in relation to the above issues resulting from business activities, and then identified suitable prevention and mitigation measures.

Table – Material Issues

MATERIAL ISSUES	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
▪ Corporate governance ▪ Compliance with laws and regulations ▪ Ethics and integrity ▪ Fight against active and passive corruption ▪ Risk assessment	▪ Committing corporate 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 Legislative Decree no. 231/2001 ▪ Supervisory Body ▪ Control and Risks Committee	▪ Promotion of stakeholder engagement to guarantee the most realistic and correct representation of materiality.

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, a Supervisory Board - 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. Their term of office lasts for a period of no more than three years, as established at the time of appointment, and it ends on the date of the Shareholders' Meeting convened to approve the financial statements relating to 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						
Number of individuals	**2019**			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Board of Directors	13	2	15	13	2	15
Board of Statutory Auditors	2	1	3	2	1	3
Supervisory Board	3	-	3	3	-	3
Total	**18**	**3**	**21**	**18**	**3**	**21**

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 commercial subsidiaries, four of which are foreign. IRCE stands out thanks to its cutting-edge technology, advanced production and self-monitoring processes. These guarantee maximum quality and production standards.

IRCE complies with the standards of the following certifications:

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

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

The Group also approved specific policies concerning the environment, safety and prevention of major accidents 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).

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 objectives of the financial reporting process can be identified in terms of the trustworthiness, accuracy, reliability, and timely nature of the disclosure. Risk management activities are an integral part of the internal control system.

IRCE has adopted and implemented a Code of Ethics, an integral part of the 231 Organisation, Management and Control Model, 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 participants in the IRCE organisation, namely: directors, auditors, managers, employees, collaborators, consultants, customers, suppliers, business partners and any parties that, directly or indirectly, permanently or temporarily, establish relationships with the Company.

The Code states that, when carrying out their activities and exercising their responsibilities, all workers 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 Internal Control Bodies, and may lead to disciplinary, civil or criminal consequences.

- **Fight against Active and Passive Corruption**

On the basis of the Code of Ethics, all Group companies, according to the values of honesty and transparency, undertake 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.

All employees have the right and the duty to consult their direct supervisors and/or the Head of Human Resources for any clarification 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 deriving from the violation.

The processes/corruption offences risk matrix was used to calculate the number of activities at risk of corruption in relations with the public administration and at risk of corruption between private parties. 46 activities at risk of corruption out of 81 activities sensitive to the types of offences envisaged by the model 231 (corresponding to 57% of processes) were identified. Based on our organisational and control system, the residual risk of such offences occurring has been reduced to a low level. The increase in activities sensitive to the crimes of corruption is due to the update of the model 231 and the in-depth analysis of the risk mapping process in respect of the effective corporate situation.

- **Risk Assessment**

IRCE has various risk assessment systems and contextual management methods available, each of which is related to a specific topic:

- Governance, strategy and internal control system (Corporate Governance, Internal Control System as per Law 262 and the Strategic Plan);

- Offences under Legislative Decree no. 231/2001 (Model 231 and the Code of Ethics);
- Financial 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 fluctuations in prices of raw materials.*
  - *Specific financial risks:*
    - *Credit risk;*
    - *Liquidity risk.*
- 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.

3 HUMAN RESOURCES AND RESPECT FOR HUMAN RIGHTS

Table – Material Issues

MATERIAL ISSUES	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
▪ Diversity and equal opportunity ▪ Respect for human rights ▪ Health and safety of employees ▪ Professional training and 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 Legislative Decree no. 231/2001 ▪ Supervisory Body ▪ Safety systems in the workplace ▪ IRCE S.p.A., internal union representation	▪ Development by the Parent Company of coordination and supervision of training activities, in order to identify the training needs of each employee category and raise awareness about training ▪ 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 the implementation of programmes that protect the health and safety of its workers and focuses on programmes for professional growth, guaranteeing equal opportunity and lack of discrimination.

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

Plant operators 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 priority, since high retention rates are believed to be crucial for the achievement of corporate objectives.

3.2 Non-Financial Results and Indicators

- **Characteristics and Breakdown (Diversity and Equal Opportunity)**

As of 31 December 2019, the IRCE Group counted a total of 704 employees, while employees of companies analysed in the NFS are 625; nearly all of them were hired with a permanent employment contract, confirming the Group's commitment to fostering stable and long-lasting relationships with its employees.

The reduction in the number of employees was due to the implementation of a restructuring plan at Smit Draad Nijmegen BV in the Netherlands.

Total number of employees broken down by type of contract (permanent or fixed-term employment) and gender						
Type of contract	**2019**			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Permanent	542	72	**614**	568	75	**643**
Fixed-term	10	1	**11**	4	2	**6**
Total	**552**	**73**	**625**	**572**	**77**	**649**

In cases where production activities typically focus on production and shift work, 88% of the staff shown are male.

The IRCE Group's geographic distribution sees 60% of staff employed in Italy, 13% in the Netherlands, 16% in Brazil, 5% in the UK, 4% in India and 2% in Germany.

Total number of employees broken down by type of contract (full-time and part-time) and gender						
Type of contract	**2019**			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Full-time	546	47	**593**	567	48	**615**
Part-time	6	26	**32**	5	29	**34**
Total	**552**	**73**	**625**	**572**	**77**	**649**

Number of employees broken down by function and gender						
Job category	**2019**			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executives	11	1	**12**	11	1	**12**
Function managers	22	2	**24**	21	1	**22**
White collars	53	44	**97**	59	46	**105**
Blue collars	466	26	**492**	481	29	**510**
Total	**552**	**73**	**625**	**572**	**77**	**649**

Number of external staff broken down by job category and gender						
Job category	**2019**			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Workers from external agencies	31	13	**44**	28	13	**41**
Others	-	-	**-**	-	-	**-**
Total	**31**	**13**	**44**	**28**	**13**	**41**

Percentage of total employees covered by collective bargaining agreements		
Number of employees	**2019**	**2018**
Total number of employees	625	649
Total number of employees covered by collective bargaining agreements	596	623
Total %	**95.4%**	**96.0%**

- **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 the other issues addressed herein, 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.

- **Health and Safety of Employees**

The health and safety of employees is a priority for the Group. The adequacy of the working environment and equipment, staff training and preparation and everything necessary for compliance with safety requirements are crucial.

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.

In terms of injuries, 2019 saw 32 injuries occur (35 in 2018); the related data and indicators are given in the tables below.

Lost days (employees)						
Number of days	2019			2018		
	Men	Women	Total	Men	Women	Total
Lost days due to injury	776	0	**776**	471	8	**479**

Injury rates	2019	2018
Severity *(number of lost days for workplace injuries/total number of hours worked) x 1,000*	0.74	0.40
Frequency *(number of injuries/total number of hours worked) x 1,000,000*	30.31	32.30

The increase in the severity indicator is influenced by prolonged injuries from last year.

- **Professional Training and Growth**

In line with the business strategy, the IRCE Group has set itself the aim of increasing its staff's competences. Training activities involved both employees and external workers.

The Group follows integrated training programmes concerning the environment, quality, safety, accident risk and information systems.

Hours of annual training for employees and external workers		
	2019	**2018**
Total hours of training provided to internal and external workers	3,360	2,777
Average hours of training per worker	**5.0**	**4.0**

- **Industrial Relations**

The IRCE Group does not oppose or discriminate against joint union representation. IRCE entertains relations with public authorities, trade associations and unions, in order to improve company operations and establish methods of cooperation for mutual benefit.

The companies IRCE S.p.A., FD Sims, Smit Draad and Stable Magnet Wire all have internal 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 issues 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.

Table – Material Issues

MATERIAL ISSUES	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
▪ Energy consumption ▪ Water consumption ▪ Waste management ▪ Emissions to air	▪ Non-continuous electricity supply ▪ Air, soil and water pollution	▪ Code of Ethics ▪ Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 ▪ IRCE S.p.A. Imola plant ISO 14001 ▪ ISO 14001 environmental management system	▪ To increase awareness and attention regarding responsible resource management with respect for the environment

4.1 Policy and Management Model

IRCE organised an environmental management system based on the ISO 14001 guidelines and ensures the compliance of management with current environmental regulations.

In addition to falling within the scope of application of Italian Legislative Decree no. 81/2008, as subsequently amended, on workplace health and safety, IRCE S.p.A also falls within the scope of application of Italian Legislative Decree no. 105/2015, since the plant in Imola (Bologna) contains and uses substances and preparations (paints and solvents) classified as hazardous and exceeding the thresholds indicated in the Decree.

Activities with a significant accident risk are identified according to Seveso III Directive (Directive 2012/18/EC 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	2019		2018	
		Total	Total GJ	Total	Total GJ
Natural Gas	**m³**	1,741,235	**62,406**	2,051,614	**72,081**
Diesel	**l**	547,630	**19,706**	524,760	**18,866**
LPG	**tonnes**	55.7	**2,571**	85.23	**3,933**
Electricity (*)	**kWh**	114,095,842	**410,745**	122,465,059	**440,874**
TOTAL ENERGY CONSUMPTION	**GJ**		**495,428**		**535,754**

(*) The amount of electricity communicated by the supplier includes a portion of energy from renewable sources.

The percentage of total energy consumption out of the total consumption of raw materials are higher than in the previous year: 7.79 GJ/Ton in 2019 and 7.32 GJ/Ton in 2018, due to lower production volumes.
Also in 2019, IRCE S.p.A. has continued to develop energy saving projects for the Imola and Umbertide plants, obtaining energy savings certificates (ESC), as well as projects aimed at recovering heat to be used in the production process.

- **Water Consumption**

Water consumption (m^3)			
Resource	**Unit**	**2019**	**2018**
Surface water (lake, river, other)	**m^3**	2,272	4,109
Groundwater (aqueduct)		60,191	59,791
Rain water		7,719	7,719
Other		13,345	13,794
Total		**83,527**	**85,413**

In the Imola plant, an automatic, real time monitoring system has been installed for statistics on drinking and industrial water consumption.

- **Recycling and Waste Management**

The IRCE Group aims to reduce and responsibly manage the waste it produces. Also in 2019, 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.

WASTE (tonnes)						
Type of waste	**2019**			**2018**		
	Hazardous	**Non-hazardous**	**Total**	**Hazardous**	**Non-hazardous**	**Total**
Re-use	-	2.0	**2.0**	-	2.3	**2.3**
Recycling	78.6	3,164.5	**3,243.1**	50.6	3,194.3	**3,244.9**
Composting	-	20.0	**20.0**	-	39.0	**39.0**
Recovery (also of energy)	44.2	563.7	**607.9**	15.4	667.8	**683.2**
Incineration	-	3.2	**3.2**	-	0.5	**0.5**
Deep well injection	-	-	**-**	-	-	**-**
Landfill	15.9	66.3	**82.2**	13.1	95.6	**108.6**
On-site storage	-	-	**-**	-	-	**-**
Other	164.4	0.1	**164.5**	278.6	10.1	**288.7**
Total	**303.1**	**3,819.9**	**4,123.0**	**357.6**	**4,009.6**	**4,367.1**

From the data shown in the above table, it follows that the majority of waste disposed in 2019 was destined for recycling (78.7%) and recovery (14.7%).

- **Emissions to Air**

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 in operating company-owned or fully managed plant and equipment
- indirect emissions (Scope 2) resulting from externally supplied energy consumed at all plants (electricity).

Direct GHG emissions (Scope 1)					
	Unit	2019		2018	
		Total	tCO2e	Total	tCO2e
Emissions from natural gas consumption	**m³**	1,741,235	**3,536**	2,051,614	**4,199**
Emissions from fuel oil consumption	**l**	547,630	**1,421**	524,760	**1,410**
Emissions from LPG consumption	**GJ**	2,571	**169**	3,933	**258**
Indirect GHG emissions (Scope 2)					
	Unit	**2019**		**2018**	
		Total	**tCO2e**	**Total**	**tCO2e**
Electricity	**kWh**	114,095,842	**3,540,394**	122,465,059	**4,048,695**

Scope 2 emissions have been calculated in accordance with the location-based method provided in GHG Protocol Scope 2 Guidance – An Amendment to the GHG Protocol Corporate Standard (2015).

Sources used for the calculation of emissions are:

- Department for Environment, Food and Rural Affairs (DEFRA)
- ISPRA Report for 2018 - Atmospheric emission factors for CO_2 and other greenhouse gases in the electrical industry.

5 PRODUCT RESPONSIBILITY

The relevant issues 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 Issues

MATERIAL ISSUES	RELATED RISKS	METHODS FOR MANAGING RISK	IMPROVEMENT OBJECTIVES
▪ Research, development and product quality ▪ 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	▪ Improve complaints management ▪ Increase resources dedicated to research and development

5.1 Policy and Management Model

IRCE is a leading European industrial group, with two areas of business:

- 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.

Electric wires are used in the installation of electric systems in civil and industrial buildings and for the supply and connection of 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 and Product Quality**

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

- the improvement of product performance and production processes;
- the development of innovative products and technologies;
- the development of customised products made upon specific customer request.

In 2019, no market withdrawal was reported in relation to the safety and quality of the products and services offered by the Companies belonging to the IRCE Group.

In total, in 2019 approximately 63,600 tonnes of raw materials (copper, aluminium and insulating materials) were used, down compared to 73,200 tonnes in 2018, mainly due to the decline in sales made on the European market.

The raw materials used also include quantities on manufacturing account supplied by customers and raw materials obtained through reusing rejected products.

- **Customer Satisfaction**

IRCE monitors customer satisfaction using two types of indicators:

- External: represented by the vendor rating issued by the same;
- Internal: related to the monitoring of rejected products 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. The scorecards of major customers revealed ratings and assessments which placed IRCE in the top supplier bracket.

6 ECONOMIC PERFORMANCE

With regard to issues 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 value added reclassified income statement, for the entire financial consolidation scope:

Economic value generated and distributed		
Amounts in €/000	**31/12/2019**	**31/12/2018**
Revenues	311,938	355,404
Other income	1,009	1,001
Financial income	2,996	3,743
Profit/loss from the sale of tangible and intangible assets		
Total economic value generated by the Group	**315,943**	**360,148**
Operating costs	274,933	309,092
Financial charges	862	1,084
Personnel costs	30,195	32,357
Remuneration to lenders		
Dividends paid to shareholders		
Remuneration of the Public Administration**		
Taxes	750	4,391
External largesse		
Result attributable to non-controlling interests	31	(25)
Total economic value distributed by the Group	**306,772**	**346,900**
Bad debts	104	353
Write-downs		
Exchange rate differences	(167)	(39)
Adjustments to tangible and intangible assets	0	0
Adjustments to financial assets	0	(0)
Depreciation/amortisation	7,292	6,855
Provisions	0	203
Retained earnings/losses	1,942	5,876
Economic value retained by the Group	**9,171**	**13,248**

7 GRI STANDARDS CORRELATION TABLE

GRI Standard Title	GRI disclosure number	GRI Disclosure Title	Page number	Notes/Omissions
GRI 102: General Disclosures 2016 - Organisational Profile	**102-1**	Name of the organisation	1	
	102-8	Information on employees and other workers	20-21	
GRI 102: General Disclosures 2016 - Ethics and integrity	**102-16**	Values, principles, standards and norms of behaviour	16-17-18	
GRI 102: General Disclosures 2016 – Governance	**102-18**	Governance structure	16-17-18	
GRI 102: General Disclosures 2016 - Reporting process	**102-45**	Entities included in the consolidated financial statements	13	
	102-46	Defining report content and topic boundaries	14	
	102-47	List of material topics	14-15	
	102-55	GRI content index	30	
	102-56	External assurance	Report on operations	
GRI 103: Management approach 2016	**103-1**	Explanation of the material topic and its boundary	13	
	103-2	The management approach and its components	16-17-20-24-27	
GRI 201: Economic performance 2016	**201-1**	Direct economic value generated and distributed	29	
GRI 205: Anti-corruption 2016	**205-3**	Confirmed incidents of corruption and actions taken	18	
GRI 301: Materials 2016	**301-1**	Materials used by weight or volume	28	Partial coverage
GRI 302: Energy 2016	**302-1**	Energy consumption within the organisation	24	
GRI 303: Water 2016	**303-1**	Water withdrawal by source	24	
GRI 305: Emissions 2016	**305-1**	Direct (Scope 1) GHG emissions	26	
	305-2	Energy indirect (Scope 2) GHG emissions	26	
GRI 306: Effluents and waste 2016	**306-2**	Waste by type and disposal method	25	
GRI 403: Occupational Health and Safety 2016	**403-2**	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	22	
GRI 404: Training and education 2016	**404-1**	Average hours of training per year per employee	22-23	
GRI 405: Diversity and equal opportunity 2016	**405-1**	Diversity of governance bodies and employees	17	
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	-	No cases of discrimination in the two-year reference period
GRI 412: Human rights assessment 2016	**412-2**	Employee training on human rights policies or procedures	22	
GRI 416: Customer Health and Safety 2016	**416-2**	Incidents of non-compliance concerning the health and safety impacts of products and services	28	

CONSOLIDATED FINANCIAL STATEMENTS OF THE IRCE GROUP AS OF 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in euros)

ASSETS	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS			
Intangible assets	1	256,300	127,491
Property, plant and equipment	2	48,354,131	48,595,984
Equipment and other tangible assets	2	1,750,118	1,427,154
Assets under construction and advances	2	1,436,379	2,399,588
Non-current financial assets and receivables	3	234,765	111,850
Non-current tax receivables	4	375,564	811,582
Receivables for deferred tax assets	5	1,375,021	1,879,382
TOTAL NON-CURRENT ASSETS		**53,782,278**	**55,353,031**
CURRENT ASSETS			
Inventories	6	82,308,481	95,785,674
Trade receivables	7	63,130,268	70,214,345
Tax receivables	8	832,772	-
(of which: related parties)		*196,803*	-
Receivables due from others	9	2,053,794	4,039,416
Current financial assets	10	385,919	589,977
Cash and cash equivalents	11	8,631,545	7,019,127
TOTAL CURRENT ASSETS		**157,342,779**	**177,648,539**
TOTAL ASSETS		**211,125,057**	**233,001,570**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	14,626,560	14,626,560
RESERVES	12	115,276,611	111,168,471
RESULT FOR THE PERIOD	12	1,942,159	5,875,885
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO GROUP SHAREHOLDERS		**131,845,330**	**131,670,916**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(343,966)**	**(375,091)**
TOTAL SHAREHOLDERS' EQUITY		**131,501,364**	**131,295,825**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	8,746,825	17,032,831
Deferred tax liabilities	5	127,125	704,309
Provisions for risks and charges	14	901,284	1,893,027
Provisions for employee benefits	15	5,099,185	5,312,834
TOTAL NON-CURRENT LIABILITIES		**14,874,419**	**24,943,001**
CURRENT LIABILITIES			
Current financial liabilities	16	42,300,450	49,995,296
Trade payables	17	13,454,746	16,212,015
Tax payables	18	126,082	1,025,696
(of which: related parties)		-	*185,668*
Social security contributions	19	1,848,422	1,964,232
Other current liabilities	20	7,019,574	7,565,505
TOTAL CURRENT LIABILITIES		**64,749,274**	**76,762,744**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**211,125,057**	**233,001,570**

The effects of related party transactions on the consolidated statement of financial position are reported in Note 33 "Related party disclosures".

CONSOLIDATED INCOME STATEMENT

(In euros)

	Notes	31/12/2019	31/12/2018
Sales revenues	21	311,937,790	355,403,851
Other income	22	1,009,464	1,001,081
TOTAL REVENUES		**312,947,254**	**356,404,932**
Costs for raw materials and consumables	23	(240,879,183)	(284,742,756)
Change in inventories of work in progress and finished goods		(5,240,697)	5,612,839
Costs for services	24	(27,688,404)	(28,768,259)
Personnel costs	25	(30,195,481)	(32,356,876)
(of which: non-recurring)		-	*(943,964)*
Depr./amort. and impairment of tangible and intangible assets	26	(7,291,619)	(6,855,200)
Provisions and write-downs	27	(104,027)	(556,076)
Other operating costs	28	(1,124,959)	(1,194,118)
EBIT		**422,884**	**7,544,486**
Financial income/(charges)	29	2,300,442	2,697,360
PROFIT BEFORE TAX		**2,723,326**	**10,241,846**
Income taxes	30	(750,042)	(4,390,967)
PROFIT FOR THE PERIOD		**1,973,284**	**5,850,879**
Loss for the period attributable to non-controlling interests		(31,125)	25,006
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**1,942,159**	**5,875,885**

Earnings/(loss) per share (EPS)			
- basic EPS for the year attributable to shareholders of the parent company	31	0.073	0.221
- diluted EPS for the year attributable to shareholders of the parent company	31	0.073	0.221

The effects of related party transactions on the consolidated income statement are reported in Note 32 "Related party disclosures".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/2019	31/12/2018
€/000		
RESULT OF THE GROUP AND NON-CONTROLLING INTERESTS	**1,973**	**5,851**
Translation difference on financial statements of foreign companies	(270)	(4,281)
Total components of comprehensive income that will be reclassified under the profit/(loss) of the year	**(270)**	**(4,281)**
Re-determination of defined-benefit plans	(199)	294
Income taxes	74	(62)
	(125)	**232**
Total components of comprehensive income that will not be reclassified under the profit/(loss) of the year	**(125)**	**232**
Total comprehensive profit (loss) for the period, net of taxes	**1,578**	**1,803**
Attributable to:		
Shareholders of the Parent Company	**1,547**	**1,828**
Minority shareholders	**31**	**(25)**

With regard to the items of the statement of comprehensive income, please refer to note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Retained earnings								
€/000	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Foreing currency reserve	Legal reserve	Extraordinary reserve	Reserve IAS 19	Unidivided profit	Result for the period	Total	Minority interest	Total shareholders' equity
Balance as of 31 december 2017	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(18,343)**	**2,925**	**32,277**	**(1,304)**	**11,897**	**4,685**	**132,749**	**(350)**	**132,400**
Change accounting standards (IFRS 15)*								(1,322)				(1,322)		(1,322)
Balance as of 01 january 2018	**14,627**	**(734)**	**40,539**	**258**	**45,924**	**(18,343)**	**2,925**	**30,955**	**(1,304)**	**11,897**	**4,685**	**131,427**	**(350)**	**131,077**
Result for the period											5,876	5,876	(25)	5,851
Other comprehensive profit / (loss)						(4,281)			232			(4,049)		(4,049)
Total profit / (loss) from statement of comprehensive income						**(4,281)**			**232**		**5,876**	**1,828**	**(25)**	**1,803**
Allocation of the result of the previous year								4,864		(181)	(4,685)			
Dividends								(1,333)				(1,333)		(1,333)
Sell / purchase own shares		(54)		(194)								(248)		(248)
Balance as of 31 december 2019	**14,627**	**(788)**	**40,539**	**64**	**45,924**	**(22,624)**	**2,925**	**34,486**	**(1,071)**	**11,714**	**5,876**	**131,671**	**(375)**	**131,296**
Result for the period											1,942	1,942	31	1,973
Other comprehensive profit / (loss)						(270)			(125)			(395)		(395)
Total profit / (loss) from statement of comprehensive income						**(270)**			**(125)**		**1,942**	**1,547**	**31**	**1,578**
Allocation of the result of the previous year								7,903		(2,027)	(5,876)			
Dividends								(1,333)				(1,333)		(1,333)
Sell / purchase own shares		(12)		(31)								(43)		(43)
Balance as of 31 march 2019	**14,627**	**(800)**	**40,539**	**33**	**45,924**	**(22,894)**	**2,925**	**41,059**	**(1,196)**	**9,687**	**1,943**	**131,845**	**(344)**	**131,501**

With regard to the items of consolidated shareholders' equity, please refer to note 12.

CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	31/12/2019	31/12/2018
€/000			
OPERATING ACTIVITIES			
Profit/(loss) for the period		**1,942**	**5,876**
Adjustments for:			
Depreciation/amortisation	26	7,194	6,855
Net change in deferred tax (assets)/liabilities		(73)	744
Capital (gains)/losses from the realisation of fixed assets		(25)	69
(Profit)/loss on unrealised exchange rate differences		(464)	(35)
Current taxes	30	(782)	3,750
Financial (income)/charges	29	(2,133)	(2,658)
Operating profit/(loss) before changes in working capital		**5,659**	**14,600**
Taxes paid		(2,478)	(4,172)
Financial charges paid	29	(852)	(1,084)
Financial income received	29	2,996	3,743
Decrease/(increase) in inventories	6	13,477	(12,516)
Change in trade receivables	7	7,084	15,128
Change in trade payables	17	(2,757)	(8,476)
Net change in current assets and liabilities for the period		3,763	(2,115)
Net change in non-current assets and liabilities for the period		(1,328)	662
Exchange rate difference on translation of financial statements in foreign currency		(71)	(2,542)
CASH GENERATED FROM OPERATING ACTIVITIES		**25,491**	**3,228**
INVESTING ACTIVITIES			
Investments in intangible assets	1	(182)	(75)
Investments in tangible assets	2	(5,885)	(6,372)
Consideration received for the sale of tangible and intangible assets		19	347
CASH GENERATED FROM/USED IN INVESTING ACTIVITIES		**(6,048)**	**(6,100)**
FINANCING ACTIVITIES			
Entering into loans	13	-	9,452
Financing refunds	13	(8,425)	(4,386)
Net change in short-term financial payables	16	(7,784)	(684)
Exchange rate difference on translation of financial statements in foreign currency		(776)	(233)
Change in current financial assets	10	204	(577)
Change in non-controlling interests		31	(25)
Change in foreign currency translation reserve and other effects on equity		(125)	232
Dividends paid		(1,330)	(1,333)
Management of own shares (sales-purchases)		(43)	(247)
CASH GENERATED FROM/USED IN FINANCING ACTIVITIES		**(18,247)**	**2,199**
NET CASH FLOW FOR THE PERIOD		**1,196**	**(673)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	11	7,019	7,752
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		1,196	(673)
Exchange rate difference		417	(60)
CASH BALANCE AT THE END OF THE PERIOD	11	8,632	7,019

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2019 were approved by the Board of Directors of IRCE S.p.A. (hereinafter also referred to as the "Company") on 13 March 2020.
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 commercial 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.
Finally, Haian (China) hosts the offices of Irce Electromagnetic Wire (Jiangsu) Co. Ltd, a recently established company.

BASIS OF PREPARATION

The annual financial statements for the year 2019 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 consolidated financial statements are drafted in euros and – in order to facilitate their interpretation – all amounts in the explanatory notes are rounded to the nearest thousand, unless otherwise specified.

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.

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 2019. 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;
  - all resulting exchange rate differences are recognised in a specific item of shareholders' equity (foreign currency 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 2019:

Company	% of investment	Registered office	Currency capital	Share	Consolidation
Isomet AG	100%	Switzerland	CHF	1,000,000	line by line
Smit Draad Nijmegen BV	100%	Netherlands	€	1,165,761	line by line
FD Sims Ltd	100%	UK	£	15,000,000	line by line
Isolveco S.R.L.	75%	Italy	€	46,440	line by line
DMG GmbH	100%	Germany	€	255,646	line by line
IRCE S.L.	100%	Spain	€	150,000	line by line
IRCE Ltda	100%	Brazil	BRL	157,894,223	line by line
ISODRA GmbH	100%	Germany	€	25,000	line by line
Stable Magnet Wire P.Ltd.	100%	India	INR	165,189,860	line by line
IRCE SP.ZO.O	100%	Poland	PLN	200,000	line by line
Isolveco 2 S.R.L.	100%	Italy	€	10,000	line by line
Irce Electromagnetic Wire (Jiangsu) Co. Ltd	100%	China	CNY	15,209,587	line by line

In the first six months of 2019, the parent company IRCE S.p.A. paid and subscribed a capital increase of the subsidiary Irce Electromagnetic Wire (Jiangsu) Co. Ltd for CNY/000 7,307 equal to €/000 1,000.

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

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

Foreign Currency Translation of Financial Statement Items

The consolidated financial statements are presented in euros, 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 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.

The subsidiaries using a functional currency other than the Euro are listed in the following table:

Isomet AG	Swiss Franc
FD Sims LTD	British Pound
IRCE LTDA	Brazilian Real
Stable Magnet Wire Private Limited	Indian Rupee
IRCE SP.ZO.O	Polish Zloty
IRCE Electromagnetic wire Co.Ltd	Chinese Renminbi

At the reporting date, the assets and liabilities of these subsidiaries are translated into euros at the spot exchange rate at that date, and their income statement is translated using the average exchange rate for the year. The exchange rate differences arising on the translation are directly recognised in shareholders' equity and separately reported in the foreign currency 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.
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. Amortisation 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. 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, with the exception of 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 new accounting standard IFRS 16, starting 1 January 2019, lease contracts are booked on the basis of a single accounting model similar to that regulated by IAS 17 on the booking of financial leases.

When each contract is stipulated, the Group:

- determines if the contract is or contains a lease, which is the case when it attributes the right to control use of a specified asset for a period of time in exchange for a price. This assessment is repeated in the event of subsequent changes to the terms and conditions of the contract.
- separates the components of the contract out, 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 asset consisting of the right of use is booked, measured at cost, and the financial liability for the lease, 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. Thereinafter, the asset consisting of the right of use is measured applying the cost model, i.e. net of amortisation/depreciation and any impairment accrued and adjusted to take into account any new valuations or changes to the lease. The lease liability is instead measured by increasing the book value to take interest into account, reducing the book value to take payments due and made into account, and redetermining the book value to take any new valuations or changes to the lease into account.

The assets are amortised/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 fixed 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 amortisation/depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets.

For lease contracts with a term of within 12 months of the initial application date, and which do not envisage renewal options, and for contracts for which the underlying asset is of low value, lease charges are booked as profit and loss on a straight-line basis for the duration of the respective contracts.

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, considering any issue of equity instruments, as well as assumed liabilities;
- 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 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. In 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. In 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 valuing investments; and market capitalisation below the net asset carrying amounts for the entity.
In this case, the net carrying amount of the assets is compared with the estimated recoverable amount and, if the former is higher, they are written down.

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 to be derived from 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 verify the presence of impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash generating unit. Impairment for a CGU is first attributed to reducing the carrying amount of any goodwill attributed to the asset, and subsequently to reducing other assets. This must be done in proportion to their carrying amount and the limits of the asset’s associated recoverable value.
If the assumptions underlying a previous write-down no longer apply, the carrying value is reinstated with an entry to the relevant income statement. This is done within the limits of the net carrying value that the asset would have had, if it had not been written down and the related amortisation had been applied.

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:

a. Measurement of receivables. Trade receivables are adjusted using the relevant bad debt provision to take into account their recoverable amount. The determination of the amount of write-downs requires the directors 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 valued and written down if the net realisable value of the same is lower than the carrying amount. Write-downs 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) has been shown 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 balance sheet closing date could lead to a potential risk in that the realisable value of the copper on hand in the warehouse inventory may be lower than the value entered on the balance sheet. In such a situation, the company must therefore proceed with a corresponding devaluation of raw materials, works in progress, and finished goods. To this end, the Directors of IRCE S.p.A. have carried out a specific analysis to confirm whether any conditions exist for devaluing the 'Copper Component' of inventories. This analysis has taken into account, amongst other things: the process for determining the proceeds from sales of the Copper Component; the price of copper available up to a date near the time when the consolidated financial statements are submitted for approval; commitments and sales orders in place as at the close of the financial year using a fixed price for copper; and the expected performance of copper prices in the months following the approval of the consolidated 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 impairments. Assets are written down whenever events or changes in circumstances cause the Company to consider that the carrying value on the balance sheet may not be recoverable. Events which may lead to an asset devaluation may include changes to industrial plans, variations in market prices, or reduced plant utilisation. The decision about whether to proceed with a devaluation (and of what size) depends on management's assessment of complex and highly uncertain factors. This includes items such as future price trends; the impact of inflation and technological improvements on the cost of production; production profiles; and supply and demand conditions. Impairment is determined by comparing the original book value with the associated recoverable value, as represented by the greater of fair value (net of disposal costs) or the value in use as determined by discounting the expected cash flows deriving 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. Business combinations. Entering business combination transactions requires that the difference between the acquisition cost and net carrying value be allocated against the assets and liabilities acquired by the company. For the majority of assets and liabilities, allocation of the difference is undertaken by recognising assets and liabilities at fair value. The unallocated amount is recognised as goodwill (if positive) or charged to the income statement (if negative). During the allocation process, the Group makes use of the information available, and — for the more important business combinations — external valuations;
h. 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 entered to the balance sheet. Assessment of the duration of useful life is based on historical experience; market conditions; and expectations of future events that could affect that useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

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 cash flow characteristics of the contractual terms of the financial asset.

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all of the associated risks and rewards belonging to said asset. 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 effectively 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' has been satisfied).

Upon initial recognition, these assets are accounted for at fair value, including costs or revenues for the transaction which are directly attributable to said instrument. After initial recognition, the financial assets in question are valued at amortised cost, using the effective interest rate method. The amortised cost method is not used for assets which are valued at historical cost, where it is considered that the short duration makes the effect of applying the discounting approach negligible. This applies to those assets which do not have a defined maturity, and revocable loans.

Financial assets measured at fair value with an impact on overall profitability

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' has been satisfied).

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 in order to trade. Furthermore, the company must have exercised the option to designate their measurement at fair value with an impact on overall profitability.

Upon initial recognition, these assets are accounted for at fair value, including costs or revenues for the transaction which 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 that is entered to the income statement for the equity securities in question, are those amounts which represent the associated 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. Or rather, measurement at historical cost is only done 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 overall profitability'.

Included in this category are financial assets which are held for trading, and derivative contracts which cannot be classified as hedging (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 proceeds which are directly attributable to said instrument. On subsequent reporting dates, these assets are assessed at fair value and the impact of valuations is charged against the income statement.

Impairment of Financial Assets

In accordance with the arrangements 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 specific outlook factors depending on the nature of the Group's receivables and the economic context.

In summary, the Group measures the expected losses for financial assets in a way that reflects:

- an objective amount which is weighted on the basis of likelihood, as established by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information (which is available without undue cost or effort as at the balance sheet date) about past events, current conditions and forecasts of future economic conditions.

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 to the other components (handling 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 costs which are directly attributable to the transaction.
They are subsequently valued 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 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 that arises from 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 companies as well as provisions for retirement benefits plans. 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 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.
Any gains or losses arising from changes in the fair value of derivatives, which are outstanding as of the reporting date and do not qualify for hedge accounting, are recognised directly in the income statement.

The fair value of forward contracts for the sale of copper outstanding as of the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding as of 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); or
- 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 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.

Own Shares

If the company reacquires its own shares, these are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "own 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 satisfied.

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 to the customer (namely, the asset). 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.

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 at the Shareholders' Meeting are shown as movements in net assets for the financial year in which they were 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 own 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 utilized. 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

First Application of New Financial Standards

IFRS 16: Leases

Starting 1 January 2019, the Group adapted to the new standard IFRS 16 – Leases for all contracts that, in exchange for consideration, convey the right to control the use of an identified asset for a period of time - with the exception of leases with a term of less than 12 months and leases of low-value assets - pursuant to the provisions of paras. 5, B3-B8 of the standard. The lease term was defined on the basis of the contractually agreed duration and, where applicable, the reasonable certainty of exercising o not an option to extend or to terminate the contract, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise such option.

The Group applied the standard by adopting the simplified retrospective approach, recording, for the leases previously classified as operating leases, the lease liability at the current value of the remaining payments due, discounted using the incremental borrowing rate of the lessee at the date of initial application, and recognising the asset consisting of the right to use for an amount equal to the liability. Therefore, no cumulative effects adjusted the opening balance of shareholders' equity. In particular, as shown in the table below, the net assets (right of use) recorded at the date of first application amounted to €/000 291 and, likewise, the financial liabilities for leasing amounted to €/000 291.

It should be noted that the Group chose to adopt IFRS 16 without restating the comparative figures for 2018, as allowed by the standard.

The leases entered into by the Group are mainly attributable to lease contracts for buildings and cars.

The effect on the financial statements as of 1 January 2019 is shown below:

€/000

Statement of financial position (extract)	31/12/2018 without the effects of IFRS 16	IFRS 16	01/01/2019 with the effects of IFRS 16
Non-current assets			
Property, plant and equipment	48,596	209	48,805
Equipment and other tangible assets	1,427	107	1,534
Effect on assets		**316**	
non-current liabilities	17,033	106	17,139
non-current liabilities	49,995	210	50,205
Effect on liabilities		**316**	

The following table sets out the effect of the application of IFRS 16 on the financial statements as of 31 December 2019, which led to a reduction in the result for the period of €/000 9:

Statement of financial position (extract)	Amounts without adoption of IFRS 16	IFRS 16	31/12/2019 with the effects of IFRS 16
Non-current assets			
Intangible assets	1,595	(1,339)	256
Property, plant and equipment	46,868	1,486	48,354
Equipment and other tangible assets	1,679	71	1,750
Effect on assets		**218**	
non-current financial liabilities	8,608	139	8,747
current financial liabilities	42,212	88	42,300
Effect on liabilities		**227**	

Income statement (extract)	Amounts without adoption of IFRS 16	IFRS 16	31/12/2019 with the effects of IFRS 16
Costs for services	27,788	(100)	27,688
Depreciation/amortisation	7,194	98	7,292
Financial charges	2,290	10	2,300
Effect on profit/(loss) for the period		**9**	

Accounting Standards, Amendments and Interpretations Endorsed by the EU but not yet Implemented

As at the date of approval of these Financial Statements, the European Union competent bodies have completed the approval process required for the adoption of the following accounting standards and amendments, not adopted in advance by the IRCE Group:

Definition of Material (Amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB published the document Definition of Material (Amendments to IAS 1 and IAS 8). It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect. The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

On 29 March 2018, the IASB published an amendment to the References to the Conceptual Framework in IFRS Standards. The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the essential concepts for the financial disclosure and guides the Board in developing IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors. The Conceptual Framework supports businesses in the development of accounting standards when no IFRS applies to a specific transaction and, more generally, helps the parties concerned to understand and interpret the standards. The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	On 26 September 2019, the IASB published the Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform. This amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. More specifically, the amendment alters some of the requirements laid down for the application of hedge accounting, envisaging temporary derogations from such, so as to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements on their hedging relations directly involved by the uncertainties generated by the reform and to which said derogations apply. The changes come into force on 1 January 2020, but companies may apply them early. The amendments introduced were approved on 15 January 2020 and apply to all transactions after 1 January 2020.

The preliminary analyses carried out by the IRCE Group do not suggest any significant impacts deriving from the application of such standards.

Accounting Standards that are not yet Endorsed by the EU and thus they are not yet Applicable, and not Adopted Early by the Group

Furthermore, as at the date of approval of these separate Financial Statements, the European Union competent bodies have not yet completed the approval process required for the adoption of the following accounting standards and amendments:

Accounting standard/amendment	Endorsed by the EU	Effective date
IFRS 17 Insurance Contracts	NO	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 3 Business Combinations	NO	Annual periods beginning on or after 1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	NO	Not available

The preliminary analyses carried out by the IRCE Group do not suggest any significant impacts deriving from the application of such standards.

DERIVATIVE INSTRUMENTS

The Group uses the following type of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2019. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of 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.

A summary of derivative contracts related to commodity for forward sales and purchases outstanding at 31 December 2019 is shown below:

Measurement unit of the notional amount	Notional amount with maturity within one year net tonnes	Notional amount with maturity after one year	Result with fair value measurement as of 31/12/2019 €/000
Copper	1,050		361

- Derivative instruments related to USD and GBP forward purchase and sale contracts with maturity after 31 December 2019. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

A summary of derivative contracts related to USD forward purchases and sales outstanding at 31 December 2019 is shown below:

Measurement unit of the notional amount	Notional amount in foreign currency with maturity within one year	Notional amount with maturity after one year	Result with fair value measurement as of 31/12/2019 €/000
USD	9,211		(113)
GBP	6,000		11
Total			

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 31 December 2018 - €/000	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	112			112
Current financial assets				
Trade receivables	70,214			70,214
Current financial assets	295	295		590
Cash and cash equivalents	7,019			7,019
As of 31 December 2019 - €/000	**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	122			235
Current financial assets				
Trade receivables	63,130			63,130
Current financial assets	14	372		386
Cash and cash equivalents	8,632			8,632

As of 31 December 2018 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial liabilities				
Financial payables	17,033			17,033
Current financial liabilities				
Trade payables	16,212			16,212
Other payables	10,555			10,555
Financial payables	49,931	64		49,995
As of 31 December 2019 - €/000	**Amortised cost**	**FV with a balancing entry in the income statement**	**FV with a balancing entry in equity**	**Total**
Non-current financial liabilities				
Financial payables	8,747			8,747
Current financial liabilities				
Trade payables	13,455			13,455
Other payables	8,994			8,994
Financial payables	42,187	113		42,300

FAIR VALUE

A comparison between the carrying amount of financial instruments held by the Group and their fair value did not yield significant differences in value.
IFRS 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.

The following tables show the assets and liabilities that are measured at fair value as of 31 December 2018 and as of 31 December 2019 broken down by level of fair value hierarchy (€/000):

2018	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	295		295
AFS	-	-		-
Total assets	-	295		295
Liabilities:				
Derivative financial instruments	-	(64)	-	(64)
Total liabilities	-	(64)	-	(64)

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

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

SEGMENT REPORTING

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:
a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.
With regard to the two types of products sold, IRCE S.p.A.'s management only monitors the breakdown of revenues between winding wires and cables. Unallocated balance refers to revenues from the sale of other materials and services that cannot be classified within the two types of products sold.

Revenues are then analysed by geographical area (revenues from Italian customers, EU customers excluding Italy, and non-EU customers).
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).

Revenues by Product

€/000	Year 2019				Year 2018			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	257,666	54,247	25	311,938	290,021	65,353	30	355,404
% of total	*82.6%*	*17.4%*	*0.0%*	*100.0%*	*81.6%*	*18.4%*	*0.0%*	*100.0%*

Revenues by Geographical Area

€/000	Year 2019				Year 2018			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	113,301	122,319	76,318	311,938	125,807	148,374	81,223	355,404
% of total	*36.3%*	*39.2%*	*24.5%*	*100.0%*	*35.4%*	*41.7%*	*22.9%*	*100.0%*

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

1. OTHER INTANGIBLE ASSETS

This item refers to intangible assets from which future economic benefits are expected.
The changes in their net carrying amount are shown below:

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Assets under development	Total
Net carrying amount as of 31/12/2017	136	23	189	348
Changes during the period				
. Investments	70	5	-	75
. Effect of exchange rates	(4)	(2)	-	(6)
. Reclassifications	4	-	-	4
. Write-downs	-	-	(189)	
. Depreciation/amortisation	(100)	(4)	-	(104)
Total changes	(30)	(1)	(189)	(221)
Net carrying amount as of 31/12/2018	106	22	-	127
Changes during the period				
. Investments	5	177	-	182
. Effect of exchange rates	1	-	-	1
. Reclassifications	-	-	-	0
. Write-downs	-	-	-	0
. Depreciation/amortisation	(43)	(12)	-	(55)
Total changes	(37)	165	-	128
Net carrying amount as of 31/12/2019	69	187	-	256

"Investments in licences, trademarks, similar rights and other multi-year charges" include costs for €/000 176 incurred for product approval tests run at external laboratories, necessary to obtain technical suitability for the supply of materials to a publicly-owned company.

2. TANGIBLE ASSETS

€/000	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net carrying amount as of 31/12/2017	11,616	15,263	23,887	962	576	2,211	54,516
Changes during the period							
. Investments	-	47	4,418	252	146	1,509	6,372
. Effect of exchange rates	(1)	(259)	(1,177)	(4)	3	(2)	(1,440)
. Reclassifications	-	-	1,198	92	-	(1,294)	(4)
. Divestments	-	-	(585)	(82)	(238)	(24)	(929)
. Depreciation related to disposals	-	-	379	82	198	-	659
. Depreciation of the period	-	(1,086)	(5,105)	(393)	(167)	-	(6,751)
Total changes	(1)	(1,298)	(872)	(53)	(58)	189	(2,093)
Net carrying amount as of 31/12/2018	11,615	13,965	23,015	909	518	2,400	52,423
Changes during the period							
. Right-of-use assets (IFRS 16)	-	209	-	-	107	-	316
. Investments	1,339	27	3,721	389	292	117	5,885
. Effect of exchange rates	88	148	(79)	5	(1)	-	161
. Reclassifications	-	407	476	192	-	(1,075)	-
. Divestments	-	-	(4,866)	23	(278)	(6)	(5,127)
. Depreciation related to disposals	-	-	4,866	(23)	276	-	5,119
. Depreciation related to IFRS 16	-	(62)	-	-	(36)	-	(98)
. Depreciation of the period	-	(1,055)	(5,461)	(439)	(183)	-	(7,138)
Total changes	1,427	(326)	(1,343)	147	177	(964)	(882)
Net carrying amount as of 31/12/2019	13,042	13,639	21,672	1,056	695	1,436	51,541
- Of which IFRS 16	1,339	147	-	-	71	-	1,557

"Land and buildings" refers to production plants owned by the group, while the investment made of €/000 1,339 under "land" refers to the purchase under a forty-year concession, of land by the Chinese subsidiary.

The item "fixed assets under construction" includes machinery available and not yet installed.

Investments totalled € 5.89 million and concerned mainly the Parent Company IRCE S.p.A. for the purchase of machinery.

The exchange effect is mainly due to the conversion from local currency to euros of changes to fixed assets of IRCE Ltda, Isomet AG and FD Sims Ltd.

Divestments refer primarily to machinery no longer in use and depreciated in full, while reclassifications of assets under construction refer to machinery purchased in the previous years that have become operational.

3. NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

€/000	31/12/2019	31/12/2018
- Equity investments in other companies	113	112
- Other receivables	122	-
Total	235	112

The item "equity investments in other companies" refers to a shareholding held by the Indian subsidiary Stable Magnet Wire P. Ltd in a non-operational company.
The item "other receivables" refers to Energy Savings Certificates (ESC) held by the parent company IRCE S.p.A., issued in 2019.

4. NON-CURRENT TAX RECEIVABLES

The item refers for €/000 376 to the tax credit for the 2011 IRES rebate application, art. 2, para. 1-quater of Italian Decree Law no. 201/2011 of the parent company IRCE S.p.A.; the reduction of €/000 436 on the previous year is due to the rebate obtained in December 2019 for the years 2007 and 2008.

5. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are broken down as follows:

€/000	31/12/2019	31/12/2018
- Deferred tax assets	1,375	1,879
- Deferred tax liabilities	(127)	(704)
Total deferred tax assets (net)	1,248	1,176

The changes for the period are shown below:

€/000	31/12/2019	31/12/2018
Deferred tax assets (net) as of 1 January	1,176	1,407
IFRS 15 (opening effects as of 1 January 2018)	-	511
Exchange rate differences	(34)	24
Income statement effect	32	(704)
Effect on shareholders' equity	74	(62)
Deferred tax assets (net) as of 31 December	1,248	1,176

Here below is the breakdown of deferred tax assets and liabilities and the relevant changes for the period, without considering the offsetting of items within the same fiscal jurisdiction:

€/000	31/12/2019	31/12/2018
- Allocations to provisions for risks and charges	77	536
- Allocations to the taxed bad debt provision	233	236
- Tax losses which can be carried forward	89	309
- Intra-group margin	54	58
- Allocations to the provision for inventory obsolescence	885	751
- Isomet AG Reserve	172	179
- IFRS 15	575	476
- IFRS 19	74	40
- Other	63	88
Total	2,212	2,673

Tax losses that can be carried forward refer to the subsidiary IRCE Ltda.

The Group also has tax losses that can be carried forward relating to foreign subsidiaries in the amount of €/000 1,598 against which no prepaid tax assets had been booked as of 31 December 2019, as the related recovery through future taxable income was not considered likely.

The table below shows the changes in deferred tax assets during 2018 and 2019:

	Taxed provisions	IFRS 15	Tax losses carried forward	Other	Total
balance as of 01/01/2018	1,473		567	411	2,451
IFRS 15		511			511
effect on income statement	50	(35)	(292)	(15)	(292)
effect on shareholders' equity				(40)	(40)
exchange rate difference			34	9	43
balances as of 31/12/2018	1,523	476	309	365	2,673
effect on income statement	(338)	99	(236)	(85)	(561)
effect on shareholders' equity				74	74
exchange rate difference			16	9	25
balances as of 31/12/2019	1,185	575	89	363	2,212

The effects on shareholders' equity refer to changes in the actuarial reserve as per IAS 19.
Deferred tax assets were recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts and to the extent that it is probable that taxable profit will be available against which these differences can be utilised.

Deferred tax liabilities are broken down as follows:

Deferred tax liabilities - €/000	31/12/2019	31/12/2018
- Depreciation/amortisation	36	36
- IAS capital gains on buildings of IRCE S.p.A.	97	97
- IAS capital gains on land of IRCE S.p.A.	413	413
- Effect of application of IAS 19	-	22
- Effect of tax depreciation of the Isomet AG building	210	225
- Effect of tax inventory difference of Isomet AG	119	259
- Effect of tax depreciation of Smit Draad Nijmegen	-	23
- Effect of tax inventory difference of Smit Draad Nijmegen	-	422
- Exchange gains from adjustment	88	-
Total	963	1,497

The table below shows the changes in deferred tax liabilities during 2018 and 2019:

	Depreciation/ amortisation	IAS capital gain on land and building	ISOMET AG	Simit Draad BV	Effect of IAS 19	Other	Total
balance as of 01/01/2018	42	510	489		3		1,044
effect on income statement	(6)		(24)	445	(3)		412
effect on shareholders' equity					22		22
exchange rate difference			19				19
balances as of 31/12/2018	36	510	484	445	22	-	1,497
effect on income statement			(214)	(445)	(22)	88	(593)
effect on shareholders' equity							
exchange rate difference			59				59
balances as of 31/12/2019	36	510	329			88	963

6. INVENTORIES

Inventories are broken down as follows:

€/000	31/12/2019	31/12/2018
- Raw materials, ancillary and consumables	28,584	37,269
- Work in progress and semi-finished goods	12,977	11,110
- Finished products and goods	44,671	51,218
- Provision for write-down of raw materials	(2,759)	(2,876)
- Provision for write-down of finished products and goods	(1,165)	(935)
Total	82,308	95,786

Recognised inventories are not pledged nor used as collateral.
The provision for the write-down of raw materials corresponds to the amount deemed necessary to cover the risks of obsolescence, mainly of packaging, whilst the provision for the write-down of finished products and goods is made against slow-moving or non-moving finished products.

The table below shows the changes in the provision for write-down of inventories during 2019:

€/000	31/12/2018	Allocations	Uses	31/12/2019
Provision for write-down of raw materials	2,876	-	(117)	2,759
Provision for write-down of finished products and goods	935	345	(115)	1,165
Total	3,811	345	(232)	3,924

7. TRADE RECEIVABLES

€/000	31/12/2019	31/12/2018
- Customers/Bills receivable	63,781	70,963
- Bad debt provision	(651)	(748)
Total	63,130	70,214

The balance of receivables due from customers is entirely composed of receivables due within the next 12 months.
The reduction in trade receivables is connected to revenue performance and a reduction in raw material prices, as explained in the report on operations.

The trade receivables sold during the year came to €/000 23,507, whilst at year end they totalled €/000 7,669.

The table below shows the changes in the bad debt provision during 2018 and 2019:

€/000	31/12/2017	Allocations	Uses	31/12/2018
Bad debt provision	825	134	(211)	748

€/000	31/12/2018	Allocations	Uses	31/12/2019
Bad debt provision	748	104	(201)	651

8. TAX RECEIVABLES

Tax receivables, of €/000 807, refer to tax advances paid partially offset by current tax payables.

9. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

€/000	31/12/2019	31/12/2018
- Accrued income and prepaid expenses	119	146
- Receivables due from social security institutions	110	84
- Other receivables	761	1,481
- VAT receivables	1,064	2,328
Total	2,054	4,039

"Other receivables" mainly includes insurance reimbursements of the parent company IRCE S.p.A. and advances for customs expenses of the Brazilian subsidiary IRCE Ltda; the change on last year is mainly due to the receipt, during 2019, by the parent company IRCE S.p.A., of the bonus on electricity consumption assigned by the Electricity Authority, by authorisation of the Minister of Economic Development.

10. CURRENT FINANCIAL ASSETS

€/000	31/12/2019	31/12/2018
- Mark to Market copper forward transactions	372	295
- Guarantee deposits	14	295
Total	386	590

The item "Mark to Market copper forward transactions" refers to the fair value of derivative contracts for the forward purchase and sale of copper on the LME and derivative contracts related to GBP forward sale contract outstanding as of 31 December 2019 of the parent company IRCE S.p.A.

11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	31/12/2019	31/12/2018
- Bank and postal deposits	8,621	6,158
- Cash and cash equivalents	11	861
Total	8,632	7,019

Outstanding bank and postal deposits are not subject to constraints or restrictions.

12. SHAREHOLDERS' EQUITY

Share capital

The share capital is composed of 28,128,000 ordinary shares 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.
In the year 2019, a dividend of €/000 1,333 (€ 0.05 per share) was distributed.

Here below is the breakdown of reserves:

€/000	31/12/2019	31/12/2018
- Own shares (share capital)	(800)	(788)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	33	64
- Other reserves	45,924	45,924
- Foreign currency translation reserve	(22,894)	(22,624)
- Legal reserve	2,925	2,925
- Extraordinary reserve	41,059	34,486
- IAS 19 reserve	(1,196)	(1,071)
- Undistributed profits	9,687	11,714
Total	115,277	111,168

Own shares

This reserve refers to the par value and share premium of own shares held by the Company; they are recognised as a deduction from shareholders' equity.
Own shares as of 31 December 2019 amounted to 1,537,988 and corresponded to 5.47% of the share capital.
The number of shares outstanding at the beginning and at the end of the last two years is shown below:

Thousands of shares	
Balance as of 31/12/2017	**26,716**
Share buyback	(104)
Balance as of 31/12/2018	**26,612**
Share buyback	(23)
Balance as of 31/12/2019	**26,590**

Share premium reserve

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

The item "other reserves" refers mainly to:

- Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of Irce Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A., amounting to €/000 6,621.
- Reserve of profits to be re-invested in Southern Italy totalling €/000 201.
- FTA reserve, which represents the offsetting item for all adjustments made to the financial statements in order to comply with IAS/IFRS as of 1 January 2004 (transition year), amounting to €/000 16,772.
- Revaluation reserve, as per Italian Law no. 266/1995, amounting to €/000 22,328.

Foreign currency translation reserve

This reserve represents the value accounting differences which result from the foreign currency translation of the financial statements of the foreign subsidiaries Isomet AG, FD Sims Ltd, IRCE Ltda, Stable Magnet Wire P.Ltd, IRCE SP.ZO.O and IRCE Electromagnetic wire Co. Ltd by using the official exchange rate as of 31 December 2018.

Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings of the Parent Company.

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 01.01.2018	(1,304)
Actuarial valuation	294
Tax effect on actuarial valuation	(62)
balance as of 31.12.2018	(1,071)
Actuarial valuation	(199)
Tax effect on actuarial valuation	74
balance as of 31.12.2019	1,196

Undistributed profits

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

The distribution of the reserves and profits of subsidiaries is not planned.

Profit for the year

The profit attributable to the Group, net of the portion attributable to non-controlling interests, totalled €/000 1,942 (€/000 5,876 as of 31 December 2018).

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Capital and reserves attributable to non-controlling interests

This amount refers to the portion of shareholders' equity of investees consolidated using the line-by-line method attributable to non-controlling interests.

Losses attributable to non-controlling interests

This represents the portion of loss for the year of investees consolidated using the line-by-line method attributable to non-controlling interests.

13. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	Company	31/12/2019	31/12/2018	Due date
Banco Popolare	EUR	Floating	IRCE S.p.A.	3,125	4,375	2023
Banca di Imola	EUR	Floating	IRCE S.p.A.	-	1,260	2020
CARISBO	EUR	Floating	IRCE S.p.A.	-	4,000	2020
Mediocredito	EUR	Floating	IRCE S.p.A.	4,154	5,077	2025
Banco Popolare	EUR	Floating	Isomet AG	1,329	2,321	2021
IFRS 16	EUR	Floating	IRCE S.p.A.	28	-	2023
IFRS 16	EUR	Floating	IRCE SL	90	-	2023
IFRS 16	EUR	Floating	Magnet Wire Ltd	21	-	2022
Total				8,747	17,033	

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

The table below shows the changes in non-current financial liabilities during 2019:

€/000	Company	31/12/2018	Loans	Repayments	31/12/2019
Banco Popolare	IRCE S.p.A.	4,375	-	(1,250)	3,125
Banca di Imola	IRCE S.p.A.	1,260	-	(1,260)	-
CARISBO	IRCE S.p.A.	4,000	-	(4,000)	-
Mediocredito	IRCE S.p.A.	5,077	-	(923)	4,154
Banco Popolare	Isomet AG	2,321	-	(992)	1,329
IFRS 16	IRCE S.p.A.	-	28	-	28
IFRS 16	IRCE SL	-	90	-	90
IFRS 16	Magnet Wire Ltd	-	21	-	21
Total		17,033	139	(8,425)	8,747

Covenants

- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. for a total of €/000 6,000 provides for thirteen six-monthly constant capital repayments equal to €/000 461.5 each, expiring on 30 January 2025. The contract envisages, as financial covenants, compliance with a "net financial position" to "net equity" ratio of no more than 0.65 and an "adjusted EBITDA" to "financial charges" ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis.

For the year ended at 31 December 2019, the covenants were respected.
The parameters used to calculate compliance with covenants are those of the Group's consolidated financial statements.

14. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2018	Allocations	Uses	31/12/2019
Provision for risks and charges	1,599	627	(1,530)	696
Severance payments	294	2	(91)	205
Total	1,893	629	1,621)	901

The item "provision for risks and charges" refers for €/000 495 to costs to be incurred by the Dutch subsidiary Smit Draad Nijmegen BV, classified in the income statement amongst personnel costs, and for €/000 201 to miscellaneous disputes of the parent company IRCE S.p.A.
Period uses of €/000 1,530 mainly refer to the corporate restructuring implemented by the Dutch subsidiary Smit Draad Nijmegen BV.
"Provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts.

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2019	31/12/2018
Provision for employee benefits as of 01/01	5,313	5,720
Financial charges	40	51
Actuarial (gains)/losses	199	(294)
Service cost	(44)	175
Payments	(447)	(386)
Effect of exchange rates	38	47
Provision for employee benefits as of 31/12	5,099	5,313

The Provision includes €/000 4,009 related to the Parent Company IRCE S.p.A., €/000 1,012 related to the subsidiary ISOMET AG, €/000 65 related to the subsidiary Isolveco S.R.L., and €/000 13 related to the subsidiary Isolveco 2 S.R.L.
The Provision for employee benefits is part of the defined benefit plans.
In order to determine the relevant liability, the Company used the Projected Unit Credit (PUC) cost method, which 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 the probability-based TFR payments that the company will have to make in the event that the employee leaves the company following dismissal, resignation, disability, death and retirement, as well as in the event of advance payment requests;
- it discounted each probability-based payment at the measurement date.

Here below are the demographic assumptions used by the actuary in measuring the provision for employee benefits:

- death: RG48 mortality tables issued by the State General Accounting Department;
- disability: INPS tables based on age and gender;
- pension: 100% on reaching the requirements of the general compulsory insurance (AGO, Assicurazione Generale Obbligatoria).

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

	31/12/2019	31/12/2018
Annual discount rate	0.37%	1.13%
Annual inflation rate	1.20%	1.50%
Annual rate of increase of employee termination indemnities	2.40%	2.625%

The IBOXX Corporate AA index with a 7-10 year duration as of the measurement date was used as a benchmark for the discount rate.
The annual rate of increase of employee termination indemnities is equal to 75% of inflation, plus 1.5 percentage points.

Here below are the disclosures required by IAS 19

Sensitivity analysis of IRCE S.p.A.'s main measurement parameters:

€/000	DBO change as of 31/12/2019
Inflation rate +0.25%	4,062
Inflation rate -0.25%	3,958
Discount rate +0.25%	3,926
Discount rate -0.25%	4,096
Turnover rate +1%	3,977
Turnover rate -1%	4,045

Service cost: 0.00
Duration of the plan: 9.0

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO change as of 31/12/2019
Inflation rate -0.25%	1,035
Inflation rate +0.25%	994
Discount rate -0.25%	859
Discount rate +0.25%	1,155
Turnover rate -0.25%	1,055
Turnover rate +0.25%	970

2019 service cost with +0.25% discount rate: €/000 97
2019 service cost with +0.25% turnover rate: €/000 108

Duration of the plan: 17.3.

16. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

€/000	31/12/2019	31/12/2018
- Payables due to banks	42,099	49,931
- Mark to Market derivatives	113	64
- IFRS 16	88	-
Total	42,300	49,995

The item "Mark to Market derivatives" refers to the fair value of USD forward purchase contracts outstanding as of 31 December 2019 of the Parent Company IRCE S.p.A.
As regards the item related to the application of the new IFRS 16, please refer to the paragraph "Accounting Standards".

With regard to financial liabilities, the overall **net financial position** of the Group, calculated in accordance with the provisions of Consob Communication 6064293 dated 28 July 2006 and CESR recommendation dated 10 February 2005, was as follows:

€/000	31/12/2019	31/12/2018
Cash	8,632	7,019
Other current financial assets*	25*	295*
Liquid assets	**8,657**	**7,314**
Current financial liabilities	(42,300)	(49,995)
Net current financial debt	**(33,643)**	**(42,681)**
Non-current financial liabilities	(8,747)	(17,033)
Non-current financial debt	**(8,747)**	**(17,033)**
Net financial debt	**(42,390)**	**(59,714)**

* These items differ from the corresponding items of the statement of financial position, since the fair value measurement of copper forward contracts is not included.

17. TRADE PAYABLES

Trade payables are all due in the next 12 months.
As of 31 December 2019, they amount to €/000 13,455, compared to €/000 16,212 as of 31 December 2018; the decrease was mainly due to the lower amount of copper purchased at the end of 2019.

18. TAX PAYABLES

The item is equal to €/000 126 as of 31 December 2019 and refers to payables due for income taxes of foreign subsidiaries.

19. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,848 as of 31 December 2019, primarily refers to IRCE S.p.A.'s payables for social security contributions due to INPS.

20. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	31/12/2019	31/12/2018
- Payables due to employees	3,366	3,647
- Deposits received from customers	1,957	1,867
- Accrued liabilities and deferred income	262	353
- Other payables	476	628
- VAT payables	476	593
- Employee IRPEF (personal income tax) payables	483	477
Total	7,020	7,566

"Payables due to employees" include the liabilities for the thirteenth month's salary, for holiday accrued and not taken and for production premiums.
The item "deposits received from customers" refers to deposits for packaging which will be credited back to customers when they return the packaging.
Other payables are mainly amounts due to tax authorities for withholdings and other miscellaneous liabilities

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

21. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packaging. Consolidated turnover in 2019, equal to €/000 311,938, was down 12.2% compared to the previous year (€/000 355,404). For additional details, refer to the previous paragraph on segment reporting.

22. OTHER INCOME

Other income was broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Increases in internally generated fixed assets	116	217	(101)
- Capital gains on disposals of assets	25	23	2
- Insurance reimbursements	132	54	78
- Contingent assets	118	50	68
- Other revenues	618	657	(39)
Total	1,009	1,001	8

23. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 240,879, includes costs incurred for the acquisition of raw materials, of which the most significant are those represented by copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 8,496).

24. COSTS FOR SERVICES

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

€/000	31/12/2019	31/12/2018	change
- External processing	5,240	5,283	(43)
- Utility expenses	10,166	10,960	(794)
- Maintenance	2,134	1,834	300
- Transportation expenses	4,773	4,757	16
- Payable fees	267	303	(36)
- Compensation of Statutory Auditors	69	68	1
- Other services	4,743	5,250	(507)
- Costs for the use of third-party goods	296	313	(17)
Total	27,688	28,768	(1,080)

Savings in "utility expenses" are due to the lesser costs incurred by the production companies in Europe (IRCE S.p.A., FD Sims and Smit Draad) as a consequence of the lesser consumption of electricity due to the decline in production.

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

25. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

€/000	31/12/2019	31/12/2018	change
- Salaries and wages	20,860	21,728	(868)
- Social security charges	5,482	5,694	(212)
- Retirement costs for defined-contribution plans	1,301	1,470	(169)
- Other costs	2,552	3,465	(913)
Total	30,195	32,357	(2,162)

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

The lower personnel costs were due to a reduction in the number of employees in some European subsidiaries, on the basis of a reorganisation plan. Additionally, in 2018 "other costs" had included the costs and redundancy benefits included in the reorganisation plans.

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

Personnel	2019 Average	31/12/2019	31/12/2018
- Executives	23	22	23
- White collars	156	155	159
- Blue collars	529	527	541
Total	708	704	723

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.

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

Here is the breakdown of depreciation/amortisation:

€/000	31/12/2019	31/12/2018	change
- Amortisation of intangible assets	55	104	(49)
- Depreciation of tangible assets	7,139	6,751	388
- Depreciation/amortisation IFRS 16	98	-	98
Total amortisation/depreciation and write-downs	7,292	6,855	437

27. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Write-downs of receivables	104	134	(30)
- Credit losses	-	219	(219)
- Provisions for risks	-	203	(203)
Total provisions and write-downs	104	556	(452)

28. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Non-income taxes and duties	814	904	(90)
- Capital losses and contingent liabilities	123	124	(1)
- Other costs	188	166	22
Total	1,125	1,194	(69)

The item "non-income taxes and duties" mainly consists of non-deductible taxes for Brazilian subsidiary IRCE Ltda.

29. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Other financial income	2,995	3,742	(747)
- Interest and other financial charges	(862)	(1,084)	222
- Foreign exchange gains/(losses)	167	39	128
Total	2,300	2,697	(397)

Here below is the breakdown of "other financial income":

€/000	31/12/2019	31/12/2018	change
- Interest income from banks	6	5	1
- Interest income on receivables due from customers	8	4	4
- Income from LME derivatives	1,734	2,456	(722)
- Other financial income	1,247	1,277	(30)
Total	2,995	3,742	(747)

The item "income from LME derivatives" refers to the closing and Mark to Market (fair value) measurement of copper derivative contracts of the parent company IRCE S.p.A.

"Other financial income" refers mainly to the Brazilian subsidiary IRCE Ltda and concerns interest income on extended payment terms granted to customers due to the use of factoring.

Here below is the breakdown of "Interest and other financial charges":

€/000	31/12/2019	31/12/2018	change
- Interest expense for short-term payables	32	22	10
- Interest expense for medium to long-term payables	106	121	(15)
- Sundry interest expense	40	51	(11)
- Bank fees and expenses	99	88	11
- Interest expense on factoring	585	802	(217)
Total	862	1,084	(222)

The item "sundry interest expense" refers mainly to the interest cost deriving from the discounting of employee termination indemnity in accordance with IAS 19 of the parent company IRCE S.p.A. and the subsidiary ISOMET AG.
"Interest expense on factoring" refers to the expenses relative to the discount without recourse of trade receivables due from the subsidiary IRCE Ltda and the parent company IRCE S.P.A.

30. INCOME TAXES

€/000	31/12/2019	31/12/2018	changes
- Current taxes	(782)	(3,687)	2,905
- Deferred tax assets/(liabilities)	32	(704)	736
Total	(750)	(4,391)	3,641

31. EARNINGS PER SHARE

As required by IAS 33, here below are the disclosures on the data used to calculate basic and diluted earnings per share.

For the purposes of calculating the basic earnings per share, the profit or loss for the period less the portion attributable to non-controlling interests was used as the numerator. In addition, it should be noted that there were no preference dividends, settlements of preference shares, and other similar effects to be deducted from the profit or loss attributable to the ordinary equity holders. The weighted average number of ordinary shares outstanding was used as the denominator; this figure was calculated by deducting the average number of own shares held during the period from the overall number of shares composing the share capital.

Basic and diluted earnings per share were equal, as there are no ordinary shares that could have a dilutive effect and no shares or warrants that could have a dilutive effect will be exercised.

	31/12/2019	31/12/2018
Net profit/(loss) for the period	1,942,159	5,875,885
Average weighted number of ordinary shares outstanding	26,590,012	26,612,686
Basic earnings/(loss) per share	0.073	0.221
Diluted earnings/(loss) per share	0.073	0.221

32. 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	235	319	554

This table shows the compensation paid for any reason and in any form, excluding social security contributions.
Following the introduction of art. 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.

33. COMMITMENTS AND GUARANTEES

There are no particularly important commitments made by the Group as of the reporting date, however we note the issue, by the parent company IRCE S.p.A., of surety in the amount of €/000 670 in the favour of a publicly-owned company, as a guarantee of a three-year supply of electric wires.

34. 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 concentrated on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the medium-term strategy of the Group focuses on geographic diversification in non-EU and Asian countries, with a constant recovery of margins in the Group's structure. It is the pursuit of this strategy that led to the establishment in China of the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd with the aim of producing and serving the local market.

Risk associated with changes in financial and economic variables

- *Exchange rate risk*
  The Group primarily uses the Euro as the reference currency for its sales transactions. It is exposed to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, and China.
  As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the investment's carrying amount. In 2019, the Brazilian currency depreciated by about 3% since the beginning of the year.

Here below 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 2019 (4.516 EUR/BRL):

Consolidated statement of financial position data €/million	31/12/2019	Change in EUR/BRL exchange rate +5% Change	-5% Change
Non-current assets	53.78	(0.57)	0.63
Current assets	157.34	(1.35)	1.50
TOTAL ASSETS	211.12	(1.92)	2.13
Total Shareholders' Equity	131.50	(1.81)	2.00
Non-current liabilities	14.87	0.00	0.00
Current liabilities	64.75	(0.11)	0.13
TOTAL LIABILITIES	211.12	(1.92)	2.13

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

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

Consolidated income statement data €/million	Year 2019	Change in interest rates +25 bps Change	-25 bps Change
Turnover	311.94	-	-
EBITDA	7.82	-	-
EBIT	0.42	-	-
Net profit	1.94	(0.10)	0.10

- *Risks related to fluctuations in the prices of raw materials*
  The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential effect on margins of changes in the price of copper, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. The average Euro/Kg copper price for 2019 has shown a decrease of 2.84% as compared to the same figure for 2018.

  A sensitivity analysis is provided below which shows the effects on the turnover and profit/loss of the Group by simulating a change in the copper price of +/- 5% versus the average LME price in 2019 and assuming that no hedge is in place in relation to EBITDA:

Consolidated income statement data €/million	Year 2019	Change in the price of copper +5% Change	-5% Change
Turnover	311.94	12.11	(12.11)
EBITDA	7.82	3.96	(1.85)
EBIT	0.42	3.96	(1.85)

Financial risks
These are risks associated with financial resources.

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

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

  Comparative data as of 31 December 2018 and 2019 regarding financial assets and liabilities and the composition of payables is shown below:

Consolidated financial data €/million	Cash	Finimport and self-liquidating lines	Medium to long-term loan	Total
Total assets as of 31/12/2018	7.02	116.50	22.28	145.80

Consolidated financial data €/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
Financial liabilities	53.34	19.60		72.94
Commitments	0.08	0.22		0.30
Trade payables and other payables	26.69	3.07	3.19	32.94
Total debt by expiry date	80.11	22.89	3.19	106.18

Consolidated financial data €/million	Cash	Finimport and self-liquidating lines	Medium to long-term loan	Total
Total assets as of 31/12/2019	8.63	121.30	16.04	145.97

Consolidated financial data €/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
Financial liabilities	44.71	14.12		58.84
Commitments	0.20	0.67		0.87
Trade payables and other payables	22.77	2.49	3.06	28.32
Total debt by expiry date	67.68	17.28	3.06	88.03

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

Commitments include the issue, by the parent company IRCE S.p.A., of surety in the amount of €/000 670 in the favour of a publicly-owned company, as a guarantee of a three-year supply of electric wires.

As of 31 December 2019, the financial statements included cash for € 8.63 million, trade receivables for € 63.13 million and inventories for € 82.31 million.

35. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating.
The classification of receivables takes into account any positions subject to renegotiation.

Risk level	2019 Exposure €/000	2018 Exposure €/000
Low	49,312	42,691
Medium	12,999	19,720
Above-average	592	7,439
High	878	1,113
Total	63,781	70,963

Due date	2019 Exposure €/000	2018 Exposure €/000
Not yet due	59,404	67,713
< 30 days	1,997	1,477
31-60	1,058	416
61-90	122	126
91-120	104	56
> 120	1,096	1,175
Total	63,781	70,963

The fair value of trade receivables corresponds to their nominal exposure.
The bad debt provision, equal to €/000 651, refers to the range between 91-120 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 2019 and 2018, there are no third party customers generating revenues that exceed 10% of total revenues.

36. 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.

€/000	31/12/2019	31/12/2018
Net financial debt (A)	42,390	59,714
Shareholders' equity (B)	131,501	131,296
Total capital (A) + (B) = (C)	173,891	191,010
Gearing ratio (A) / (C)	24%	31%

37. FINANCIAL INSTRUMENTS

Here below is a comparison between the carrying amount and fair value of all the Group's financial instruments broken down by category:

€/000	Carrying amount		Fair value	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial assets				
Cash and cash equivalents	8,632	7,019	8,632	7,019
Other financial assets	386	590	386	590
Financial liabilities				
Current loans	42,300	49,995	42,300	49,995
Non-current loans	8,747	17,033	8,747	17,033
Other financial liabilities				

38. 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 2018 for auditing services and for other services, including expenses, supplied by the independent auditor or by entities belonging to its network to the Group's companies.

€/000	Entity supplying the service		Recipient	Compensation for the year 2018
Auditing services	PricewaterhouseCoopers	Euro	IRCE S.p.A	104
Auditing services	PricewaterhouseCoopers	Euro	Foreign subsidiaries	93

39. INFORMATION ON LAW NO. 124/2017

During the financial year, the parent company IRCE S.p.A. received a subsidy from the Italian Government's State Aid Register in relation to the year 2017. A benefit was also received in 2019 through reduced general service charges for 'energyintensive' companies based on law no. 167/2017, with charges reduced by an amount of € 3,443,854 split over the production facilities as follows:
IMOLA (Bologna) € 2,474,797
UMBERTIDE (Perugia) € 652,791
GUGLIONESI (Campobasso) € 273,644
MIRADOLO TERME (Pavia) € 42,622

40. 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, here below is the reconciliation between the result for the year and shareholders' equity of the Group as of 31 December 2018 and 2019 with the corresponding amounts in the Parent Company separate financial statements:

	31 december 2019		31 december 2018	
€/000	**Shareholders' equity**	**Result**	**Shareholders' equity**	**Result**
Shareholders' equity and result for the year as per the parent Company's financial statement	**151,342,005**	**3,603,483**	**149,249,941**	**7,902,954**
Cancellation of book value of consolidated equity investments				
a) difference between book value and pro-rata value of shareholders' equity	(751,156)	-	2,276,567	-
b) investees' pro-rata results	(1,358,892)	(1,358,892)	(3,354,456)	(3,354,456)
d) Reversal of gains / losses on foreign currency loans interco	5,313,888	-	5,256,057	57,831
Reversal of write-down of equity investments in subsidiaries	736,566	736,566	1,586,542	1,586,542
IRCE Ltda dividend	-	(1,000,000)	-	-
Reversal of provision for bad debts towards subsidiary companies	1,404,921		1,404,921	
Financial statements change in foreign currency	(22,894,045)	-	(22,624,294)	-
Write-off of capital gains from disposal of intra-group assets	(137,208)	34,976	(172,184)	-108,719
Reversal of deferred tax	(1,597,772)	(61,387)	(1,540,665)	(57,923)
Write-off of unrealized intra-group margin	(212,972)	18,545	(231,516)	4,649
Group shareholders' equity and result for the year	**131,845,339**	**1,973,288**	**131,670,916**	**5,850,876**
Shareholders' equity and result for the year attributable to non-controlling interests	(343,966)	(31,125)	(375,091)	25,006
Consolidated shareholders' equity and net result	**131,501,372**	**1,942,167**	**131,295,825**	**5,875,885**

41. EVENTS AFTER THE REPORTING DATE

As for events after the reporting date, reference should be made to the paragraph "Events after the reporting date" of the Report on Operations for 2019.

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 31/12/2019	NO. OF SHARES ACQUIRED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AS OF 31/12/2020
Casadio Filippo	IRCE S.p.A.	561,371			561,371
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
Senese Fabio	IRCE S.p.A.	0			0
Vitanza Donatella	IRCE S.p.A.	0			0
Costantini Adalberto	IRCE S.p.A.	0			0

(*) Shares owned by his wife, Casadio Carla

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, 13 March 2020

Filippo Casadio
Chairman

Elena Casadio
Manager responsible for preparing the corporate accounting documents

SEPARATE FINANCIAL STATEMENTS OF IRCE S.p.A.
AS OF 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION

(in euros)

ASSETS	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS			
Intangible assets	1	170,638	4,000
Property, plant and equipment	2	21,163,594	20,083,550
Equipment and other tangible assets	2	1,255,951	834,898
Assets under construction and advances	2	1,338,853	2,268,614
Non-current financial assets and receivables	3	18,782,425	18,362,610
(of which: related parties)		*18,660,317*	*18,362,442*
Equity investments	3	75,180,322	75,428,418
Non-current tax receivables	4	375,564	811,582
Receivables for deferred tax assets	5	1,169,865	1,446,626
TOTAL NON-CURRENT ASSETS		**119,437,212**	**119,240,298**
CURRENT ASSETS			
Inventories	6	56,402,788	67,348,039
Trade receivables	7	36,913,430	44,200,660
Receivables due from subsidiaries	8	9,649,150	8,990,006
Tax receivables	9	807,186	-
Receivables due from others	10	345,951	1,828,847
Current financial assets	11	385,919	589,977
Cash and cash equivalents	12	757,782	1,126,482
TOTAL CURRENT ASSETS		**105,262,206**	**124,084,011**
TOTAL ASSETS		**224,699,418**	**243,324,309**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	13	14,626,560	14,626,560
RESERVES	13	133,111,960	126,720,427
PROFIT FOR THE PERIOD	13	3,603,483	7,902,954
TOTAL SHAREHOLDERS' EQUITY		**151,342,003**	**149,249,941**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	14	7,307,343	14,711,925
Provisions for risks and charges	15	6,877,856	7,631,162
Provisions for employee benefits	16	4,009,497	4,145,929
TOTAL NON-CURRENT LIABILITIES		**18,194,696**	**26,489,016**
CURRENT LIABILITIES			
Current financial liabilities	17	38,199,601	46,331,817
Trade payables	18	9,945,769	12,466,922
Payables due to subsidiaries	19	356,446	1,023,308
Tax payables	20	-	1,004,117
(of which: related parties)		-	*185,668*
Social security contributions	21	1,608,589	1,726,811
Other current liabilities	22	5,052,314	5,032,377
TOTAL CURRENT LIABILITIES		**55,162,719**	**67,585,352**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**224,699,418**	**243,324,309**

INCOME STATEMENT

(in euros)

	Notes	31/12/2019	31/12/2018
Sales revenues	23	203,020,950	233,059,112
(of which: related parties)		*7,377,827*	*9,263,181*
Other income	24	688,132	663,637
(of which: related parties)		*105,037*	*166,832*
TOTAL REVENUES		**203,709,082**	**233,722,749**
Costs for raw materials and consumables	25	(156,322,019)	(183,929,158)
(of which: related parties)		*(759,303)*	*(1,613,149)*
Change in inventories of work in progress and finished goods		(3,541,794)	2,665,716
Costs for services	26	(20,001,588)	(20,836,201)
(of which: related parties)		*(922,984)*	*(999,682)*
Personnel costs	27	(17,590,498)	(17,531,987)
Depreciation/amortisation	28	(3,350,888)	(2,940,072)
Provisions and write-downs	29	(92,268)	(229,692)
Other operating costs	30	(450,357)	(455,581)
EBIT		**2,359,670**	**10,465,774**
Write-back/(impairment) of equity investments	31	(736,566)	(1,586,541)
Financial income/(charges)	32	2,561,502	2,175,772
(of which: related parties)		*(94,102)*	*(83,622)*
PROFIT BEFORE TAX		**4,184,606**	**11,055,005**
Income taxes	33	(581,123)	(3,152,050)
PROFIT FOR THE PERIOD		**3,603,483**	**7,902,955**

SEPARATE CASH FLOW STATEMENT	Notes	31/12/2019	31/12/2018
€/000			
OPERATING ACTIVITIES			
Profit for the period		**3,603**	**7,903**
Adjustments for:		0	
Depreciation/amortisation	28	3,301	2,940
Net change in (assets) / provisions for deferred tax (assets) liabilities	5	277	4
		0	
Capital (gains)/losses from the realisation of fixed assets		(25)	69
(Profit)/loss on unrealised exchange rate differences		(329)	(14)
Current taxes	33	(261)	3,171
Financial (income)/charges	32	(2,715)	(2,418)
Operating profit/(loss) before changes in working capital		**3,902**	**11,654**
		0	
Taxes paid		(2,093)	(3,594)
Financial charges paid	32	(256)	(226)
Financial income received	32	2,972	2,644
Decrease/(increase) in inventories	6	10,945	(7,977)
Change in trade receivables	7	7,287	12,098
Change in trade payables	18	(2,809)	(8,569)
Net change in current assets and liabilities for the period		2,993	(1,471)
Net change in current assets and liabilities of the year with respect to related parties		(1,326)	(2,898)
Net change in non-current assets and liabilities for the period		(1,012)	358
Net change in non-current assets and liabilities of the year with respect to related parties		(50)	(2,310)
CASH GENERATED FROM OPERATING ACTIVITIES		**20,552**	**(291)**
		0	
INVESTING ACTIVITIES		0	
Investments in intangible assets	1	(181)	(8)
Investments in tangible assets	2	(3,795)	(4,557)
Consideration received for the sale of tangible and intangible assets		19	347
CASH GENERATED FROM/USED IN INVESTING ACTIVITIES		**(4,075)**	**(4,218)**
		0	
FINANCING ACTIVITIES		0	
Increase in financing	14	0	9,452
Decrease in financing	14	(7,444)	(3,696)
Net change in short-term financial payables	17	(8,162)	459
Change in current financial assets	11	204	(577)
Dividends paid		(1,333)	(1,333)
Changes with effects on shareholders' equity	13	(138)	72
Management of own shares (sales-purchases)		(43)	(247)
CASH GENERATED FROM/USED IN FINANCING ACTIVITIES		**(16,847)**	**4,130**
		0	
NET CASH FLOW FOR THE PERIOD		**(370)**	**(379)**
		0	
CASH BALANCE AT THE BEGINNING OF THE PERIOD	12	1,127	1,506
COMPREHENSIVE NET CASH FLOW FOR THE PERIOD		(370)	(379)
CASH BALANCE AT THE END OF THE PERIOD	12	758	1,127

STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves			Ret a ined earnings					
€/000	Share capital	Own shares	Share premium reserve	Own shares (shares premium)	Other reserves	Legal reserve	Extraordinary reserve	Unidivided profit	Reserve IAS 19	Result for the period	Total
Balance as of 31 december 2017	**14,627**	**(734)**	**40,539**	**258**	**43,087**	**2,925**	**32,389**	**6,462**	**(686)**	**4,864**	**144,178**
Change accounting standards (IFRS 15)*							(1,322)				
Balance as of 01 january 2018	**14,627**	**(734)**	**40,539**	**258**	**43,087**	**2,925**	**31,517**	**6,462**	**(686)**	**4,864**	**144,178**
Result for the period										7,903	7,903
Other comprehensive profit / (loss)									71		71
Total profit / (loss) from statement of comprehensive income									**11**	**7,903**	**7,974**
Allocation of the result of the previous year							4,864			(4,864)	
Dividends							(1,333)				(1,333)
Sell/purchase own shares		(54)		(194)							(248)
Balance as of 31 december 2017	**14,627**	**(788)**	**40,539**	**64**	**43,087**	**2,925**	**35,047**	**6,462**	**(615)**	**7,903**	**149,250**
Result for the period										3,603	3,603
Other comprehensive profit / (loss)									(138)		(138)
Total profit / (loss) from statement of comprehensive income									**(138)**	**3,603**	**3,465**
Allocation of the result of the previous year							7,903			7,903	
Dividends							(1,330)				(1,330)
Sell/purchase own shares		(12)		(31)							(43)
Balance as of 31 december 2018	**14,627**	**(800)**	**40,539**	**33**	**43,087**	**2,925**	**41,620**	**6,462**	**(753)**	**3,603**	**151,342**

With regard to the items of shareholders' equity, please refer to note 13.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	31/12/2019	31/12/2018
€/000		
PROFIT/(LOSS) FOR THE PERIOD	**3,603**	**7,903**
Re-determination of defined-benefit plans	(182)	93
Tax effect	44	(22)
Total components of the statement of comprehensive income that will later be reclassified to period profit/loss, net of the tax effects	**(138)**	**71**
Total other gains/(losses) for the period	**3,465**	**7,974**

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

GENERAL INFORMATION

These annual financial statements as of 31 December 2019 were authorised for publication by the Board of Directors on 13 March 2020.
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).

BASIS OF PREPARATION

The annual financial statements for the year 2019 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.

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

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

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;
- fixed assets, such as loans in foreign currencies, are recognised at the spot exchange rate at their acquisition date and translated into the functional currency using the spot exchange rate at the reporting date. However, the differences deriving from these loans are not recognised in the income statement, but are directly recognised in equity until the investment is disposed of.

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.
At the time of the transition to the IFRSs, certain elements of the items "land and buildings” and “industrial machinery and equipment” were measured by adopting the re-determined value, which was equal to the fair value at the date of the transition to the IFRSs. This value was then used as the deemed cost at the transition date, generating an FTA – First Time Adoption reserve.
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.

Depreciation, in compliance with IFRS requirements, is calculated by using the straight-line method and on the basis of rates which reflect the estimated useful life of the assets to which they refer.
Costs incurred after the acquisition are only capitalised if they result in an increase in the intrinsic future economic benefits of the asset to which they refer; if this is not the case, they are recognised as an expense when incurred.
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. Amortisation 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. The rates applied on an annual basis are included in the following ranges:

Buildings	3.0% - 10.0%
Plant and equipment	7.5% - 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, with the exception of development costs, are not capitalised and are recognised in profit or loss as incurred. The Company capitalises development costs only when there is reasonable certainty 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.

IRCE S.p.A. did not recognise intangible assets with an indefinite useful life.

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

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. In 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. In 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 valuing investments; and market capitalisation below the net asset carrying amounts for the entity.
In this case, the net carrying amount of the assets is compared with the estimated recoverable amount and, if the former is higher, they are written down.

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 to be derived from 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 verify the presence of impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash generating unit. Impairment for a CGU is first attributed to reducing the carrying amount of any goodwill attributed to the asset, and subsequently to reducing other assets. This must be done in proportion to their carrying amount and the limits of the asset's associated recoverable value.
If the assumptions underlying a previous write-down no longer apply, the carrying value is reinstated with an entry to the relevant income statement. This is done within the limits of the net carrying value that the asset would have had, if it had not been written down and the related amortisation had been applied.

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:

a. Measurement of receivables. Trade receivables are adjusted using the relevant bad debt provision to take into account their recoverable amount. The determination of the amount of write-downs requires the directors 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 valued and written down if the net realisable value of the same is lower than the carrying amount. Write-downs 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) has been shown 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 balance sheet closing date could lead to a potential risk in that the realisable value of the copper on hand in the warehouse inventory may be lower than the value entered on the balance sheet. In such a situation, the company must therefore proceed with a corresponding devaluation of raw materials, works in progress, and finished goods. To this end, the Directors of IRCE S.p.A. have carried out a specific analysis to confirm whether any conditions exist for devaluing the 'Copper Component' of inventories. This analysis has taken into account, amongst other things: the process for determining the proceeds from sales of the Copper Component; the price of copper available up to a date near the time when the financial statements are submitted for approval; commitments and sales orders in place as at the close of the financial year using a fixed price for copper; and the expected performance of copper prices 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 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 impairments (including equity investments). Assets are written down whenever events or changes in circumstances cause the company to consider that the carrying value on the balance sheet may not be recoverable. Events which may lead to an asset devaluation may include changes to industrial plans, variations in market prices, or reduced plant utilisation. The decision about whether to proceed with a devaluation (and of what size) depends on management's assessment of complex and highly uncertain factors. This includes items such as future price trends; the impact of inflation and technological improvements on the cost of production; production profiles; and supply and demand conditions. Impairment is determined by comparing the original book value with the associated recoverable value, as represented by the greater of fair value (net of disposal costs) or the value in use as determined by discounting the expected cash flows deriving 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. Business combinations. Entering business combination transactions requires that the difference between the acquisition cost and net carrying value be allocated against the assets and liabilities acquired by the company. For the majority of assets and liabilities, allocation of the difference is undertaken by recognising assets and liabilities at fair value. The unallocated amount is recognised as goodwill (if positive) or charged to the income statement (if negative). During the allocation process, the Company makes use of the information available, and — for the more important business combinations — external valuations.
h. 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 entered to the balance sheet. Assessment of the duration of useful life is based on historical experience; market conditions; and expectations of future events that could affect that useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

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 cash flow characteristics of the contractual terms of the financial asset.

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all of the associated risks and rewards belonging to said asset. 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 effectively 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' has been satisfied).

Upon initial recognition, these assets are accounted for at fair value, including costs or revenues for the transaction which are directly attributable to said instrument. After initial recognition, the financial assets in question are valued at amortised cost, using the effective interest rate method. The amortised cost method is not used for assets which are valued at historical cost, where it is considered that the short duration makes the effect of applying the discounting approach negligible. This applies to those assets which do not have a defined maturity, and revocable loans.

Financial assets measured at fair value with an impact on overall profitability

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' has been satisfied).

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 in order to trade. Furthermore, the company must have exercised the option to designate their measurement at fair value with an impact on overall profitability.

Upon initial recognition, these assets are accounted for at fair value, including costs or revenues for the transaction which 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 that is entered to the income statement for the equity securities in question, are those amounts which represent the associated 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. Or rather, measurement at historical cost is only done 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 overall profitability'.

Included in this category are financial assets which are held for trading, and derivative contracts which cannot be classified as hedging (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 proceeds which are directly attributable to said instrument. On subsequent reporting dates, these assets are assessed at fair value and the impact of valuations is charged against 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.

In summary, the Company measures the expected losses for financial assets in a way that reflects:

- an objective amount which is weighted on the basis of likelihood, as established by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information (which is available without undue cost or effort as at the balance sheet date) about past events, current conditions and forecasts of future economic conditions.

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.

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.

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.

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 copper which represents the most significant cost for works in progress, semi-finished goods and finished goods, is assessed separately to the other components (materials and handling).

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 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 valued 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.

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 financing cost.

Employee Benefits

Employee benefits substantially include employee termination indemnities as well as retirement funds. 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 social security institute).
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.
Any gains or losses arising from changes in the fair value of derivatives, which are outstanding as of the reporting date and do not qualify for hedge accounting, are recognised directly in the income statement.

The fair value of forward contracts for the sale of copper outstanding as of the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding as of 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); or
- 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.

Own Shares

If the company reacquires its own shares, these are deducted from shareholders' equity. In particular, they are measured at their nominal amount in the "own 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 satisfied.

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 to the customer (namely, the asset). 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 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 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 Company 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.

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 at the Shareholders' Meeting are shown as movements in net assets 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.

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 utilized. 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

First Application of New Financial Standards

IFRS 16: Leases

Starting 1 January 2019, the Company adapted to the new standard IFRS 16 – Leases for all contracts that, in exchange for consideration, convey the right to control the use of an identified asset for a period of time - with the exception of leases with a term of less than 12 months and leases of low-value assets - pursuant to the provisions of paras. 5, B3-B8 of the standard. The lease term was defined on the basis of the contractually agreed duration and, where applicable, the reasonable certainty of exercising or not an option to extend to terminate the contract, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise such option.
The Company applied the standard by adopting the simplified retrospective approach, recording, for the leases previously classified as operating leases, the lease liability at the current value of the remaining payments due, discounted using the incremental borrowing rate of the lessee at the date of initial application, and recognising the asset consisting of the right to use for an amount equal to the liability. Therefore, no cumulative effects adjusted the opening balance of shareholders' equity. In particular, as shown in the table below, the net assets (right of use) recorded at the date of first application amounted to €/000 118 and, likewise, the financial liabilities for leasing amounted to €/000 118.

It should be noted that the Company chose to adopt IFRS 16 without restating the comparative figures for 2018, as allowed by the standard.

The leases entered into by the Company are mainly attributable to lease contracts for buildings and cars.

The effect on the financial statements as of 1 January 2019 is shown below:

€/000

Statement of financial position (extract)	31/12/2018 without the effects of IFRS 16	IFRS 16	01/01/2019 with the effects of IFRS 16
Non-current assets			
Property, plant and equipment	20,084	30	20,114
Equipment and other tangible assets	835	88	923
Effect on assets		**118**	
non-current liabilities	14,712	66	14,778
non-current liabilities	46,332	52	46,384
Effect on liabilities		**118**	

The following table sets out the effect of the application of IFRS 16 on the financial statements of 31 December 2019, which led to a reduction in the result for the period of €/000 2:

Statement of financial position (extract)	Amounts without adoption of IFRS 16	IFRS 16	31/12/2019 with the effects of IFRS 16
Non-current assets			
Property, plant and equipment	21,155	9	21,164
Equipment and other tangible assets	1,197	59	1,256
Effect on assets		**68**	
non-current financial liabilities	7,279	28	7,307
current financial liabilities	38,162	38	38,200
Effect on liabilities		**66**	

Income statement (extract)	Amounts without adoption of IFRS 16	IFRS 16	31/12/2019 with the effects of IFRS 16
Costs for services	156,370	(48)	156,322
Depreciation/amortisation	3,301	50	3,351
Financial charges	2,561	1	2,562
Effect on profit/(loss) for the period		**2**	

Accounting Standards, Amendments and Interpretations Endorsed by the EU but not yet Implemented

As at the date of approval of these financial statements, the European Union competent bodies have completed the approval process required for the adoption of the following accounting standards and amendments, not adopted in advance by the Company:

Definition of Material (Amendments to IAS 1 and IAS 8)	On 31 October 2018, the IASB published the document Definition of Material (Amendments to IAS 1 and IAS 8). It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect. The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.
Amendments to References to the Conceptual Framework in IFRS Standards	On 29 March 2018, the IASB published an amendment to the References to the Conceptual Framework in IFRS Standards. The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the essential concepts for the financial disclosure and guides the Board in developing IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors. The Conceptual Framework supports businesses in the development of accounting standards when no IFRS applies to a specific transaction and, more generally, helps the parties concerned to understand and interpret the standards. The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	On 26 September 2019, the IASB published the Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform. This amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. More specifically, the amendment alters some of the requirements laid down for the application of hedge accounting, envisaging temporary derogations from such, so as to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements on their hedging relations directly involved by the uncertainties generated by the reform and to which said derogations apply. The changes come into force on 1 January 2020, but companies may apply them early. The amendments introduced were approved on 15 January 2020 and apply to all transactions after 1 January 2020.

The preliminary analyses carried out by the Company do not suggest any significant impacts deriving from the application of such standards.

Accounting Standards that are not yet Endorsed by the EU and thus they are not yet Applicable, and not Adopted Early by the Group

Furthermore, as at the date of approval of these separate financial statements, the European Union competent bodies have not yet completed the approval process required for the adoption of the following accounting standards and amendments:

Accounting standard/amendment	Endorsed by the EU	Effective date
IFRS 17 Insurance Contracts	NO	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 3 Business Combinations	NO	Annual periods beginning on or after 1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	NO	Not available

The preliminary analyses carried out by the Company do not suggest any significant impacts deriving from the application of such standards.

DERIVATIVE INSTRUMENTS

The Company uses the following type of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2019. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of 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.

A summary of derivative contracts related to commodity for forward sales and purchases outstanding at 31 December 2019 is shown below:

Measurement unit of the notional amount	Notional amount with maturity within one year (tonnes)	Notional amount with maturity after one year	Result with fair value measurement as of 31/12/2019 €/000
Copper	1,050		361

- Derivative instruments related to USD and GBP forward purchase and sale contracts with maturity after 31 December 2019. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

A summary of derivative contracts related to USD and GBP forward purchases and sales outstanding at 31 December 2019 is shown below:

Measurement unit of the notional amount	Notional amount in foreign currency with maturity within one year	Notional amount with maturity after one year	Result with fair value measurement as of 31/12/2019 €/000
USD	9,221		(113)
GBP	6.000		11
Total			

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 31 December 2019 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Other non-current financial assets and receivables	18,782			18,782
Current financial assets				
Trade receivables	46,563			46,563
Other current financial assets	14	372		386
Cash and cash equivalents	758			758

As of 31 December 2018 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Other non-current financial assets and receivables	18,363			18,363
Current financial assets				
Trade receivables	53,191			53,191
Other current financial assets	295	295		590
Cash and cash equivalents	1,126			1,126

As of 31 December 2019 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial liabilities				
Financial payables	7,307			7,307
Current financial liabilities				
Trade payables	10,302			10,302
Other payables	6,661			6,661
Financial payables	38,087	113		38,200

As of 31 December 2018 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial liabilities				
Financial payables	14,712			14,712
Current financial liabilities				
Trade payables	13,490			13,490
Other payables	7,763			7,763
Financial payables	46,268	64		45,332

FAIR VALUE

A comparison between the carrying amount of financial instruments held and their fair value did not yield significant differences in value.
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.

The following tables show the assets and liabilities that are measured at fair value as of 31 December 2019 and as of 31 December 2018 broken down by level of fair value hierarchy (€/000):

2018	Level 1	Level 2	Level 3	Total
Assets:				
Derivative financial instruments	-	295	-	295
Total assets	-	295	-	295
Liabilities:				
Derivative financial instruments	-	(64)	-	(64)
Total liabilities	-	(64)	-	(64)

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

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

SEGMENT REPORTING

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:
a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.

With regard to the two types of products sold, starting from 2011 IRCE S.p.A.'s management only monitors the breakdown of revenues between winding wires and cables. Unallocated balance refers to revenues from the sale of other materials and services that cannot be classified within the two types of products sold.
Revenues are then analysed by geographical area (revenues from Italian customers, EU customers excluding Italy, and non-EU customers).

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).

Revenues by Product

€/000	Year 2019				Year 2018			
	Winding wires	Cables	Not allocated	Total	Winding wires	Cables	Not allocated	Total
Revenues	157,216	45,780	25	203,021	176,374	56,656	30	233,059
% of total	*77.4%*	*22.5%*	*0.0%*	*100.0%*	*75.7%*	*24.3%*	*0.0%*	*100.0%*

Revenues by Geographical Area

€/000	Year 2019				Year 2018			
	Italy	EU (excluding Italy)	Non-EU	Total	Italy	EU (excluding Italy)	Non-EU	Total
Revenues	112,396	75,205	15,420	203,021	126,014	87,305	19,740	233,059
% of total	*55.4%*	*37.0%*	*7.6%*	*100.0%*	*54.1%*	*37.5%*	*8.5%*	*100.0%*

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:

€/000	Patent and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Assets under development	Total
Net carrying amount as of 31/12/2017	43	-	190	233
Changes during the period				
. Investments	8	-	-	8
. Reclassifications	-	-	-	-
. Write-downs	-	-	(190)	(190)
. Depreciation/amortisation	(47)	-	-	(47)
Total changes	8	-	-	8
Net carrying amount as of 31/12/2018	4	-	-	4
Changes during the period				
. Investments	5	176	-	-
. Reclassifications	-	-	-	-
. Depreciation/amortisation	(6)	(8)	-	(14)
Total changes	(1)	168	-	167
Net carrying amount as of 31/12/2019	3	168	-	171

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

€/000	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net carrying amount as of 31/12/2017	7,835	3,767	7,197	462	434	2,055	21,750
Changes during the period							
. Investments	-	-	2,957	212	53	1,336	4,558
. Reclassifications	-	-	880	25	-	(905)	-
. Divestments	-	-	(389)	(80)	(182)	(217)	(868)
. Depreciation related to disposals	-	-	379	80	181	-	640
. Depreciation of the year	-	(389)	(2,151)	(220)	(132)	-	(2,892)
Total changes	-	(389)	1,676	17	(81)	214	1,437
Net carrying amount as of 31/12/2018	7,835	3,378	8,873	479	354	2,269	23,187
Changes during the period							
. Value in use (IFRS 16)	-	30	-	-	88	-	118
. Investments	-	21	3,113	358	288	15	3,795
. Reclassifications	-	407	394	139	-	(940)	-
. Divestments	-	-	(4,866)	(1)	(272)	(5)	(5,144)
. Depreciation related to disposals	-	-	4,866	1	272	-	5,139
. Depreciation related to IFRS 16	-	(21)	-	-	(29)	-	(50)
. Depreciation of the year	-	(346)	(2,519)	(274)	(148)	-	(3,287)
Total changes	-	91	988	223	199	(930)	571
Net carrying amount as of 31/12/2019	7,835	3,469	9,861	702	553	1,339	23,758
- Of which IFRS 16	-	9	-	-	59	-	68

IRCE S.p.A.'s investments amounted to € 3.80 million in 2019. They concerned the purchase of machinery.

Divestments refer primarily to machinery no longer in use and depreciated in full, while reclassifications of assets under construction refer to machinery purchased in the previous years that have become operational.

The item "fixed assets under construction" includes machinery available and not yet installed.

3. NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES AND EQUITY INVESTMENTS

€/000	31/12/2019	31/12/2018
- Non-current financial assets and receivables	18,783	18,363
- Equity investments	75,180	75,428
Total	93,963	93,791

Receivables due from subsidiaries

€/000	31/12/2019	31/12/2018
- DMG GmbH	1,707	1,706
- FD Sims Ltd	7,420	7,055
- IRCE S.L	1,594	1,588
- IRCE Ltda	-	15
- ISODRA GmbH	1,871	1,934
- ISOMET AG	602	602
- IRCE SP.ZO.O	134	136
- SMIT DRAAD	5,322	5,317
- ISOLVECO 2	10	10
Total	18,660	18,363

The receivables reported above refer to intra-group interest bearing loans.
Management has undertaken an analysis in order to verify the recoverability of the above receivables. Taking into account the expected results and provisions for the coverage of losses of subsidiaries recorded in the financial statements, these receivables are entirely recoverable.

Equity investments in subsidiaries

The list of equity investments included in Attachment 2 forms part of these Explanatory Notes.

The carrying amount of the equity investments in FD Sims Ltd, IRCE Ltda, Smit Draad Nijmegen B.V. and Isomet AG was tested for impairment, after indicators of impairment were identified. This test was carried out projecting the cash flows estimated in the most recent business plan, prepared by subsidiaries' local management and approved separately and prior to these financial statements by central Management. These business plans – which were prepared in nominal terms – were drafted over a period of five years and reflect past experience while excluding any flows deriving from restructuring, optimisation or improvements to operations.

In line with the provisions of IAS 36, the impairment test was carried out by comparing the recoverable amount of the investments net of the net financial position ("NFP") as of 31 December 2019 ("Equity Value") with the related carrying amounts for the equity investments as of 31 December 2019.

For the purposes of estimating the recoverable amount, the Equity Value of the investments was calculated using the Discounted Cash Flow method, which considers the cash flows from operations expected by the company based on the plans approved by management and subtracting the net financial position at the reporting date.

The discount rate used for cash flows is the Weighted Average Cost of Capital (WACC) relating to the equity investment. The method applied is the Capital Asset Pricing Model: the rate is calculated based on a mathematical model given by the sum of a risk-free asset plus a market premium risk. The market premium risk in its turn is the product of the market average risk multiplied by the specific beta for the sector.

The central Management has applied a Small Size Premium of 1% and an execution risk of between 0.5% and 3% (with differentiation based on the degree to which expected results included in the plan are considered reachable).

In applying this method, the main assumptions used are the estimate of future increases in sales, the gross margin, operating costs, the growth rate of the terminal values, the investments, the changes in working capital and the weighted average cost of capital (discount rate).

The terminal value of the Cash Generating Unit (CGU) was estimated on the basis of a cash flow (equal to the normalised cash flow of the last period) discounted at growth rates (g) equal to 0.0% for FD Sims Ltd, Smit

Draad Nijmegen B.V., Isomet AG and 5.0% for IRCE Ltda over an indefinite period of time. The 5-year business plans are prepared in nominal terms (including the forecast inflation rate).
The nominal WACC, net of the tax effect, used in the test was equal to 7.9% for FD Sims Ltd, 6.9% for Smit Draad Nijmegen B.V., 5.7% for Isomet AG and 11.1% for IRCE Ltda; the risk premium inherent in the cost of equity was equal to 5.4% and is common among companies in the sector, as well as the borrowing rate used. The rates used were determined by taking into account the market rates on the basis of the current economic situation. With reference to the value of equity investments shown in the financial statements, both the company FD Sims Ltd and Smit Draad Nijmegen B.V. were found to have a risk profile which would entail the need for a write-down of these investments based on the results of impairment tests and sensitivity analysis carried out. The other group companies did not show a risk profile, as detailed below.

A sensitivity analysis is shown below, comparing the carrying amount of the CGU's invested capital with the corresponding Equity Value calculated on the basis of a discount rate (WACC) and a growth rate (g) half a percentage point below or above the parameters used.

FD Sims Ltd, parameters used WACC 7.9%; (g) 0.0%.

"g"=0.0%		WACC	
€/000	7.4%	7.9%	8.4%
Equity value	6,905	6,038	5,277
Carrying amount of equity investment	7,125	7,125	7,125
Difference between equity value and carrying amount	(220)	(1,087)	(1,848)

"g"=0.5%		WACC	
€/000	7.4%	7.9%	8.4%
Equity value	7,704	6,726	5,873
Carrying amount of equity investment	7,125	7,125	7,125
Difference between equity value and carrying amount	579	(399)	(1,252)

The results of the impairment test showed the need to adjust the amount of the equity investment shown in IRCE S.p.A.'s financial statements, since the Equity Value was lower than the carrying amount of the equity investment. Considering this along with the sensitivity analysis, the Directors have therefore resolved to write down the value of equity investments of the company FD Sims to the tune of €/000 1,087.

Smit Draad Nijmegen B.V., parameters used WACC 6.9% (g) 0.0%

(g)=0.0%		WACC	
€/000	6.4%	6.9%	7.4%
Equity value	8,381	7,112	6,016
Carrying amount of equity investment	7,273	7,273	7,273
Difference between equity value and carrying amount	1,108	(161)	(1,257)

(g)=0.5%		WACC	
€/000	6.4%	6.9%	7.4%
Equity value	9,512	8,059	6,818
Carrying amount of equity investment	7,273	7,273	7,273
Difference between equity value and carrying amount	2,239	786	(455)

The results of the impairment test showed the need to adjust the amount of the equity investment shown in IRCE S.p.A.'s financial statements, since the Equity Value was lower than the carrying amount of the equity investment. Considering this along with the sensitivity analysis, the Directors have therefore resolved to write down the value of equity investments of the company Smit Draad to the tune of €/000 161.

Isomet AG, parameters used WACC 5.7%; (g) 0.0%.

"g"=0.0%		WACC	
€/000	5.2%	5.7%	6.2%
Equity value	3,949	3,501	3,125
Carrying amount of equity investment	1,435	1,435	1,435
Difference between equity value and carrying amount	2,514	2,066	1,690

"g"=0.5%		WACC	
€/000	5.2%	5.7%	6.2%
Equity value	4,378	3,847	3,409
Carrying amount of equity investment	1,435	1,435	1,435
Difference between equity value and carrying amount	2,943	2,412	1,974

As the above tables show, the CGU is not exposed to any risks that would require a write-down.

IRCE Ltda, parameters used WACC 11.1%; (g) 5.0%.

(g)=5.0%		WACC	
€/000	10.6%	11.1%	11.6%
Equity value	68,705	64,062	60,117
Carrying amount of equity investment	58,466	58,466	58,466
Difference between equity value and carrying amount	10,239	5,596	1,651

(g)=4.5%		WACC	
€/000	10.6%	11.1%	11.6%
Equity value	65,748	61,654	58,133
Carrying amount of equity investment	58,466	58,466	58,466
Difference between equity value and carrying amount	7,282	3,188	(333)

(g)=5.5%		WACC	
€/000	10.6%	11.1%	11.6%
Equity value	72,242	66,900	62,427
Carrying amount of equity investment	58,466	58,466	58,466
Difference between equity value and carrying amount	13,776	8,434	3,961

As the above tables show, one scenario includes the possibility of impairment losses that the Directors consider entirely attributable to the negative impact of the Euro/Real exchange rate at year-end. The risk profile associated with a possible loss of value of the equity investment in Irce Ltda is in any case considered not to be significant, considering that the forecast cash flow in currency is more than sufficient, whilst the devaluation of the Real has only resulted in a reduction in the book value of the translated net assets in the subsidiary; more specifically, the category "plant and equipment" continues to maintain its list price in euros, given that said plant and equipment is European, as it was purchased from European manufacturers. Consequently, the Directors do not see risk profiles requiring to recognise impairment losses on the equity investment, also in the light of the impairment test results.

As regards the small operating Group companies, for lack of a business plan prepared by the reduced local structure, where losses are recorded, the Directors ensure a substantial alignment with the percentage stake held in the subsidiary's shareholders' equity.

4. NON-CURRENT TAX RECEIVABLES

The item refers for €/000 376 to the tax credit for the 2011 IRES rebate application, art.2, para. 1-quater of Italian Decree Law no. 201/2011, the reduction of €/000 436 on the previous year is due to the rebate obtained in December 2019 for the years 2007 and 2008.

5. DEFERRED TAX ASSETS

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

€/000	31/12/2019	31/12/2018
- Deferred tax assets	1,804	2,015
- Deferred tax liabilities	(634)	(568)
Total	1,170	1,447

The Company recognised deferred tax assets for the following items:

€/000	31/12/2019	31/12/2018
- Allocations to Provisions for risks and charges	77	536
- Allocations to the taxed Bad debt provision	223	236
- Allocations to the Provision for inventory obsolescence	885	751
- Other	-	15
- IFRS 15	575	476
- IFRS 19	44	-
Total	1,804	2,015

The table below shows the changes in deferred tax assets during 2018 and 2019:

	Taxed provisions	IFRS 15	Other	Total
balance as of 01/01/2018	1,473		21	1,494
IFRS 15		511		511
effect on income statement	50	(35)	(6)	9
effect on shareholders' equity				
balances as of 31/12/2018	1,523	476	15	2,015
effect on income statement	(338)	98	(15)	(255)
effect on shareholders' equity			44	44
balances as of 31/12/2019	1,185	574	44	1,804

The effects on shareholders' equity refer to changes in the actuarial reserve as per IAS 19.
Deferred tax assets were recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts and to the extent that it is probable that taxable profit will be available against which these differences can be utilised.

Deferred tax liabilities are broken down as follows:

€/000	31/12/2019	31/12/2018
- Depreciation/amortisation	36	36
- IAS capital gains on buildings	413	413
- IAS capital gains on land	97	97
- Effect of application of IAS 19	-	22
- Exchange gains from adjustment	88	-
Total	634	568

The table below shows the changes in deferred tax liabilities during 2018 and 2019:

	Depreciation/amortisation	**IAS capital gain on land and building**	**Effect of IAS 19**	**Total**
balance as of 01/01/2018	42	510	3	555
effect on income statement	(6)		(3)	(9)
effect on shareholders' equity			22	22
balances as of 31/12/2018	36	510	22	569
effect on income statement			66	66
effect on shareholders' equity				
balances as of 31/12/2019	36	510	88	634

6. INVENTORIES

Inventories are broken down as follows:

€/000	31/12/2019	31/12/2018
- Raw materials, ancillary and consumables	20,869	28,390
- Work in progress and semi-finished goods	9,692	7,886
- Finished products and goods	29,383	34,845
- Provision for write-down of raw materials	(2,759)	(2,876)
- Provision for write-down of finished products	(782)	(897)
Total	56,403	67,348

Recognised inventories are not pledged nor used as collateral.
The provision for the write-down of raw materials corresponds to the amount deemed necessary to cover the risks of obsolescence, mainly of packaging, whilst the provision for the write-down of finished products and goods is made against slow-moving or non-moving finished products.

The table below shows any changes in the provision for write-down of inventories during 2019:

€/000	31/12/2018	Allocations	Uses	31/12/2019
Provision for write-down of raw materials	2,876		(117)	2,759
Provision for write-down of finished products and goods	897		(115)	782
Total	3,773		(232)	3,541

7. TRADE RECEIVABLES

€/000	31/12/2019	31/12/2018
- Customers/Bills receivable	37,522	44,895
- Bad debt provision	(609)	(694)
Total	36,913	44,201

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

The trade receivables sold during the year came to €/000 8,708.

The table below shows the changes in the bad debt provision during 2017 and 2018:

€/000	31/12/2017	Allocations	Uses	31/12/2018
Bad debt provision	749	121	(177)	693

€/000	31/12/2018	Allocations	Uses	31/12/2019
Bad debt provision	693	92	(176)	609

8. RECEIVABLES DUE FROM SUBSIDIARIES

The balance of trade receivables due from subsidiaries is broken down as follows:

€/000	31/12/2019	31/12/2018
- FD Sims LTD	133	124
- Isolveco S.R.L. in liquidazione	1,521	1,521
- Isomet AG	4,183	2,774
- IRCE S.L	2,337	2,316
- DMG	7	8
- ISODRA GmbH	897	1,180
- IRCE LTDA	172	313
- Stable Magnet Wire P. Ltd.	1,798	1,588
- Smit Draad Nijmegen BV	6	5
- Isolveco 2 S.R.L.	-	566
- Bad debt provision on receivables from Isolveco S.R.L.	(1,405)	(1,405)
Total	9,649	8,990

Changes in bad debt provision:

€/000	31/12/2017	Allocations	Uses	31/12/2018
Bad debt provision	1,405	-	-	1,405

€/000	31/12/2018	Allocations	Uses	31/12/2019
Bad debt provision	1,405	-	-	1,405

The provision for doubtful debt due from subsidiaries refers to the trade receivable due from the subsidiary Isolveco S.R.L. in liquidazione.

On the basis of the analysis performed by management, the net value of these receivables is fully recoverable.

9. TAX RECEIVABLES

Tax receivables, of €/000 807, refer to tax advances paid partially offset by current tax payables.

10. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

€/000	31/12/2019	31/12/2018
- Accrued income and prepaid expenses	113	130
- Other receivables	233	1,699
Total	346	1,829

The item "other receivables" mainly includes insurance reimbursements and the change on last year is mainly due to the receipt, during 2019, of the bonus on electricity consumption assigned by the Electricity Authority, by authorisation of the Minister of Economic Development.

11. CURRENT FINANCIAL ASSETS

€/000	31/12/2019	31/12/2018
- Mark to Market copper forward transactions	372	295
- Guarantee deposits	14	295
Total	386	590

The item "Mark to Market copper forward transactions" refers to the fair value of derivative forward contracts for the purchase and sale of copper on the LME and of derivative contracts related to GBP forward sales.

12. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

€/000	31/12/2019	31/12/2018
- Bank and postal deposits	750	1,115
- Cash and cash equivalents	8	11
Total	758	1,126

Outstanding bank and postal deposits are not subject to constraints or restrictions.

13. SHAREHOLDERS' EQUITY

Share capital

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.
In the year 2019, a dividend of €/000 1,333 (€ 0.05 per share) was distributed.

Here below is the breakdown of reserves:

€/000	31/12/2019	31/12/2018
- Own shares (share capital)	(800)	(788)
- Share premium reserve	40,539	40,539
- Own shares (share premium)	33	64
- Other reserves	43,087	43,087
- Legal reserve	2,925	2,925
- Extraordinary reserve	41,620	35,047
- IAS 19 reserve	(753)	(615)
- Undistributed profits	6,462	6,462
TOTAL	133,112	126,720

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	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	41,620,289	A,B,C	41,620,289	41,620,289
IAS	5,709,132	A,B	5,709,132	1.597.853
Own shares	- 767,153	-	- 767,153	- 767,153
Cash flow hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585,888
Total earning's reserves	**50,073,469**		**50,073,469**	**43,036,878**
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
Reavluation 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	**133,111,960**		**133,111,961**	**112,140,027**
Profit 2019	**3,603,483**			
Total equity	**151,342,003**			
Total reserves available			133,111,960	
Not-assignable share for non-amortized start-up and expansion costs.			-	
Quota not avalaible for legal reserves			2,925,312	
Quota not available IAS			4,111,279	
Quota not avalaible fair value land			13,935,343	
Residual quota available			**112,140,027**	

Own shares

This reserve refers to the par value and share premium of own shares held by the Company; they are recognised as a deduction from shareholders' equity.
Own shares as of 31 December 2019 amounted to 1,537,988 and corresponded to 5.47% of the share capital.

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

Thousands of shares	
Balance as of 01/01/2018	**26,716**
Share buyback	(104)
Balance as of 31/12/2018	**26,612**
Share buyback	(23)
Balance as of 31/12/2019	**26,589**

Share premium reserve

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

Other reserves

Other reserves refer to the following:
- 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 €/000 6,621.
- Reserve of profits to be re-invested in Southern Italy totalling €/000 201.
- FTA reserve, which represents the offsetting item for all adjustments made to the financial statements in order to comply with IAS/IFRS as of 1 January 2004 (transition year), amounting to €/000 13,935.
- Revaluation reserve, as per Italian Law no. 266/1995, amounting to €/000 22,328.

Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings.

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:

balances as of 01/01/2018	(686)
Actuarial valuation	93
Tax effect on actuarial valuation	(22)
balances as of 31/12/2018	(615)
Actuarial valuation	(182)
Tax effect on actuarial valuation	44
balances as of 31.12.2019	(753)

Profit for the year

The profit for the year amounted to €/000 3,603 (€/000 7,903 as of 31 December 2018).

14. NON-CURRENT FINANCIAL LIABILITIES

€/000	Currency	Rate	31/12/2019	31/12/2018	Due date
Banco Popolare	EUR	Floating	3,125	4,375	2023
Banca di Imola	EUR	Floating	-	1,260	2020
CARISBO	EUR	Floating	-	4,000	2020
Mediocredito	EUR	Floating	4,154	5,077	2025
IFRS 16	EUR	Floating	28	-	2023
Total			7,307	14,712	

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

The table below shows the changes in non-current financial liabilities during 2019:

€/000	31/12/2018	Loans	Repayments	31/12/2019
Banco Popolare	4,375	-	(1,250)	3,125
Banca di Imola	1,260	-	(1,260)	-
CARISBO	4,000	-	(4,000)	-
Mediocredito	5,077	-	(923)	4,154
IFRS 16		28	-	28
Total	14,712	28	(7,433)	7,307

Covenants

- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. for a total of €/000 6,000 provides for thirteen six-monthly constant capital repayments equal to €/000 461.5 each, expiring on 30 January 2025. The contract envisages, as financial covenants, compliance with a "net financial position" to "net equity" ratio of no more than 0.65 and an "adjusted EBITDA" to "financial charges" ratio of no less than 2.5, calculated at a consolidated level and verified on an annual basis.

For the financial year ended 31 December 2019 the covenants were honoured.
The parameters used to calculate compliance with covenants are those of the Group's consolidated financial statements.

15. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

€/000	31/12/2018	Allocations	Uses	31/12/2019
Provision for risks and charges	353	31	(183)	201
Severance payments	288	-	(90)	198
Coverage of losses of IRCE SL	3,653	76	-	3,729
Coverage of losses of ISODRA	2,539	-	(795)	1,744
Coverage of losses of IRCE SO.ZO.O	67	-	-	67
Coverage of losses of Magnet Wire	731	208	-	939
Total	7,631	315	(1,068)	6,878

"Provisions for risks and disputes" refer to various disputes.
The item "provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts.
The Company has also raised a provision for the coverage of losses of some of the subsidiaries, and the related funds are shown to be equal to the negative equity in the above companies.

16. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2019	31/12/2018
Provision for employee benefits as of 01/01	4,145	4,482
Financial charges	30	40
Actuarial (gains)/losses	182	(93)
Payments	(348)	(283)
Provision for employee benefits as of 31/12	4,009	4,146

The Provision for employee benefits is part of the defined benefit plans.

In order to determine the relevant liability, the Company used the Projected Unit Credit (PUC) cost method, which 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 the probability-based TFR payments referred to above that the company will have to make in the event that the employee leaves the company following dismissal, resignation, disability, death and retirement, as well as in the event of advance payment requests;
- it discounted each probability-based payment at the measurement date.

Here below are the demographic assumptions used by the actuary in measuring the provision for employee benefits:

- death: RG48 mortality tables issued by the State General Accounting Department;
- disability: INPS tables based on age and gender;
- pension: 100% on reaching the requirements of the general compulsory insurance (AGO, Assicurazione Generale Obbligatoria).

In addition, the following technical-economic assumptions were made:

	31/12/2019	31/12/2018
Annual discount rate	0.37%	1.13%
Annual inflation rate	1.20%	1.50%
Annual rate of increase of employee termination indemnities	2.40%	2.625%

The IBOXX Corporate AA index with a 7-10-year duration as of the measurement date was used as a benchmark for the discount rate.

The annual rate of increase of employee termination indemnities is equal to 75% of inflation, plus 1.5 percentage points.

Here below are the disclosures required by the new IAS 19.

Sensitivity analysis of IRCE S.p.A.'s main measurement parameters:

€/000	DBO change as of 31/12/2019
Inflation rate +0.25%	4,062
Inflation rate -0.25%	3,958
Discount rate +0.25%	3,926
Discount rate -0.25%	4,096
Turnover rate +1%	3,977
Turnover rate -1%	4,045

Service cost: 0.00
Duration of the plan: 9.0

17. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

€/000	31/12/2019	31/12/2018
- Payables due to banks	38,049	46,268
- Mark to Market derivatives	113	64
- IFRS 16	38	-
Total	38,200	46,332

The item "Mark to Market derivatives" refers to the fair value of USD forward purchase contracts outstanding as of 31 December 2018.

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

With regard to financial liabilities, the **net financial position** of the Company, excluding intra-group financial receivables, calculated in accordance with the provisions of Consob Communication 6064293 dated 28 July 2006 and CESR recommendation dated 10 February 2005, was as follows:

€/000	31/12/2019	31/12/2018
Cash	758	1,126
Other current financial assets*	25*	295*
Liquid assets	**783**	**1,421**
Current financial liabilities	(38,200)	(46,332)
Net current financial debt	**(37,417)**	**(44,911)**
Non-current financial liabilities	(7,307)	(14,712)
Non-current financial debt	**(7,307)**	**(14,712)**
Net financial debt	**(44,724)**	**(59,623)**

** These items differ from the corresponding items of the statement of financial position since the fair value measurement of forward copper contracts is no included.*

18. TRADE PAYABLES

Trade payables are due in the next 12 months.
As of 31 December 2019, they amount to €/000 9,946, compared to €/000 12,467 as of 31/12/2018; the decrease was mainly due to the lower amount of copper purchased at the end of 2019.

19. PAYABLES DUE TO SUBSIDIARIES

Trade payables due to subsidiaries were broken down as follows:

€/000	31/12/2019	31/12/2018
- DMG GmbH	90	99
- FD SIMS Ltd	2	5
- IRCE SL	66	122
- IRCE Ltda	145	613
- SMIT DRAAD	6	-
- ISODRA	-	1
- IRCE Sp.Zo.o	-	59
- ISOLVECO 2	47	124
Total	356	1,023

20. TAX PAYABLES

The item is broken down as follows:

€/000	31/12/2019	31/12/2018
- Payables due for income taxes	-	1,004
Total	-	1,004

21. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,609, primarily refers to the contributions payable to INPS.

22. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	31/12/2019	31/12/2018
- Payables due to employees	2,329	2,472
- Deposits received from customers	1,779	1,617
- Accrued liabilities and deferred income	36	42
- Other payables	109	151
- VAT payables	316	273
- IRPEF (personal income tax) payables	483	477
Total	5,052	5,032

COMMENT ON THE MAIN ITEMS OF THE SEPARATE INCOME STATEMENT

23. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packaging. 2019 turnover, equal to €/000 203,021, reported a decrease of 12.9% compared to the previous year (€/000 233,059).
For additional details, please refer to the previous paragraph on segment reporting and to the Report on Operations.

24. OTHER INCOME

Other income was broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Capital gains on disposals of assets	25	120	(95)
- Increases in internally generated fixed assets	116	217	(101)
- Insurance reimbursements	132	48	84
- Contingent assets	104	47	57
- Other revenues	311	232	79
Total	688	664	24

25. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 156,322, includes costs incurred for the acquisition of raw materials, of which the most significant are those represented by copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 7,403).

26. COSTS FOR SERVICES

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

€/000	31/12/2019	31/12/2018	change
- External processing	5,240	5,283	(43)
- Utility expenses	6,977	7,190	(213)
- Maintenance	831	674	157
- Transportation expenses	2,837	2,982	(145)
- Payable fees	1,151	1,237	(86)
- Compensation of Statutory Auditors	69	68	1
- Other services	2,897	3,403	(506)
Total	20,002	20,836	(834)

Savings booked under "utility expenses" and "transportation expenses" are a consequence of the smaller quantities of finished products sold and produced.
The item "other services" includes primarily technical, legal and tax consulting fees as well as insurance and business expenses.

27. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

€/000	31/12/2019	31/12/2018	change
- Salaries and wages	11,525	11,462	63
- Social security charges	3,645	3,706	(61)
- Retirement costs for defined contribution plans	903	838	65
- Other costs	1,518	1,526	(8)
Total	17,591	17,532	59

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

The Company's average number of personnel for the year and the current number at year-end is shown below:

Personnel	2019 Average	31/12/2019	31/12/2018
- Executives	13	12	13
- White collars	93	96	93
- Blue collars	292	290	295
Total	398	398	401

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.

28. DEPRECIATION/AMORTISATION

Here is the breakdown of depreciation/amortisation:

€/000	31/12/2019	31/12/2018	change
- Amortisation of intangible assets	14	48	(34)
- Depreciation of tangible assets	3,287	2,892	395
- Depreciation/amortisation IFRS 16	50	-	50
Total depreciation/amortisation	3,351	2,940	411

29. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Write-downs of receivables	92	121	(29)
- Provisions for risks	-	108	(108)
Total provisions and write-downs	92	229	(137)

30. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Non-income taxes and duties	300	308	(8)
- Capital losses and contingent liabilities	123	114	9
- Other	27	34	(7)
Total	450	456	(6)

31. IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENS

The write-back refers to the subsidiary ISODRA GmbH for €/000 795.

Impairment is broken down as follows:

€/000	31/12/2019	31/12/2018	change
- IRCE SL	75	273	(198)
- Isodra GmbH	-	113	(113)
- Stable Magnet Wire P. Ltd.	208	261	(53)
- Fd Sims Ltd	1,088	940	148
- Smit Draad	161	-	161
Total	1,532	1,587	(55)

Reversals of impairment are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Isodra GmbH	795	-	795
Total	795	-	795

32. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	31/12/2019	31/12/2018	change
- Other financial income	1,878	2,560	(682)
- Income from subsidiaries	1,094	84	1,010
- Interest and other financial charges	(257)	(226)	(31)
- Foreign exchange gains/(losses)	(153)	(242)	89
Total	2,562	2,176	386

In 2019, "income from subsidiaries" also includes the dividend of €/000 1000 paid to the Parent Company by the Brazilian subsidiary IRCE Ltda.

Here below is the breakdown of "other financial income":

€/000	31/12/2019	31/12/2018	change
- Interest income on receivables due from customers	8	4	4
- Sundry interest income	136	100	36
- Income from LME derivatives	1,734	2,456	(722)
Total	1,878	2,560	(682)

The item "income from LME derivatives" refers to the closing and Mark to Market (fair value) measurement of copper derivative contracts.

"Sundry interest income" includes interest on extended payment terms granted to customers concerning the use of factoring services.

Here below is the breakdown of "interest and other financial charges":

€/000	31/12/2019	31/12/2018	change
- Interest expense for short-term payables	26	14	12
- Interest expense for medium to long-term payables	94	95	(1)
- Sundry interest expense	31	42	(11)
- Bank fees and expenses	81	75	6
- Interest expense on factoring	25	-	25
Total	257	226	31

The item "sundry interest expense" includes the interest cost deriving from the discounting of the employee termination indemnity pursuant to IAS 19.

33. INCOME TAXES

€/000	31/12/2019	31/12/2018	changes
- Current taxes	(260)	(3,171)	2,911
- Deferred tax assets/(liabilities)	(321)	19	(340)
Total	(581)	(3,152)	2,571

The numerical reconciliation between the tax charge and the product of accounting profit multiplied by the applicable tax rate is shown below:

€/000	31/12/2019	31/12/2018
Profit/(Loss) before tax	4,185	11,055
Taxes calculated with applicable IRES rate (24%)	1,304	2,653
Tax impact of non-deductible IRES costs		
Permanent changes	(823)	116
Temporary changes	(267)	(64)
ACE deduction (Allowance for corporate equity)	(103)	(91)
IRAP rate (effective)	149	557
Taxes related to previous years		
Total	260	3,171

34. RELATED PARTY DISCLOSURES

The Company engages in commercial and financial transactions with its companies, as reported below:

Company €/000	Revenues	Financial Income	Cost for purchase	Costs for serivces	Financial Credits	Trade Receivables	Trade Payables
FD Sims Ltd	1,172	30	538	8	7,420	133	2
Smit Draad Nijmegen BV	24	22	33	-	5,322	6	7
Isomet AG	4,781	2	-	-	602	4,183	-
IRCE Ltda	566	-	145	-	-	172	145
Isolveco Srl	-	-	-	-	-	1,521	-
DMG Gmbh	29	7	4	410	1,707	7	90
IRCE SL	10	16	-	333	1,594	2,337	66
Stable Magnet Wire P.Ltd	610	-	-	-	-	1,798	-
ISODRA Gmbh	290	10	-	-	1,871	897	-
Isolveco 2 Srl	1	-	39	112	10	-	47
Irce Sp. Zo.o	-	7	-	59	134	-	59
	7,483	94	759,000	923,000	18,660	11,054	356

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	251	334	585

This table shows the compensation paid for any reason and in any form, excluding social security contributions.
Following the introduction of art. 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.

35. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of receivables by internal rating.
The reclassification of receivables takes into account any positions subject to renegotiation.

Risk level	2019 Exposure €/000	2018 Exposure, €/000
Low	23,246	15,684
Medium	12,836	20,750
Above-average	592	7,438
High	848	1,022
Total	37,522	44,894

Due date	2019 Amount €/000	2018 Amount €/000
Not yet due	36,472	43,590
< 30 days	191	241
61-90	16	41
> 120	843	1,022
Total	37,522	44,894

The fair value of trade receivables corresponds to their nominal exposure.
The bad debt provision, equal to €/000 609, refers to the range between 91-120 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 2019 and 2018, there are no third party customers generating revenues that exceed 10% of total revenues.

36. 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 value.

€/000	31/12/2019	31/12/2018
Net financial debt (A)	44,724	59,623
Shareholders' equity (B)	151,342	149,250
Total capital (A) + (B) = (C)	196,066	208,873
Gearing ratio (A) / (C)	22.8%	28.5%

37. FINANCIAL INSTRUMENTS

Here below is a comparison between the carrying amount and fair value of all the Company's financial instruments broken down by category:

€/000	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial assets				
Cash and cash equivalents	758	1,126	758	1,126
Other financial assets	386	590	386	590
Financial liabilities				
Current loans	38,200	46,332	38,200	46,332
Non-current loans	7,307	14,712	7,307	14,712

38. 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 relative to the year 2018 for auditing services and for other services supplied by the independent auditor or by entities belonging to its network to IRCE S.p.A.

€/000	Entity supplying the service	Compensation for the year 2019
Annual statutory audit	PricewaterhouseCoopers S.p.A.	104

39. COMMITTMENTS AND GUARANTEES

There are no particularly important commitments made by the Group as of the reporting date, however we note the issue of surety in the amount of €/000 670 in the favour of a publicly-owned company, as a guarantee of a three-year supply of electrical wires.

40. INFORMATION ON LAW NO. 124/2017

During the financial year, the parent company IRCE S.p.A. received a subsidy from the Italian Government's State Aid Register in relation to the year 2017. A benefit was also received in 2019 through reduced general service charges for 'energyintensive' companies based on Law no. 167/2017, with charges reduced by an amount of € 3,443,854 split over the production facilities as follows:
IMOLA (Bologna) € 2,474,797
UMBERTIDE (Perugia) € 652,791
GUGLIONESI (Campobasso) € 273,644
MIRADOLO TERME (Pavia) € 42,622

41. EVENTS AFTER THE REPORTING DATE

As for events after the reporting date, reference should be made to the paragraph "Events after the reporting date" of the Report on Operations for 2019.

Imola, 13 March 2020

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, 13 March 2020

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 euros using historical exchange rates. Solely for reporting purposes, in the following table, the provision for write-down of equity investments was recognised as a deduction from the carrying amount of the equity investments for which it was set aside. The provision against future losses has been set aside for those subsidiaries whose carrying value has already been written off completely.

2019									
Company	**Share capital**	**Partecipation**	**Shareholders' equity**	**uota of Shareholders equity**	**Result for the year**	**Quota of result for the year**	**Book value**	**Future charges**	**Difference**
FD SIMS ltd*	18,173,127	100%	5,977,355	5,977,355	(1,468,452)	(1,468,452)	6,038,509		(61,153)
Smit Draad Nijmegen BV*	1,165,761	100%	5,795,190	5,795,190	(2,083,307)	(2,083,307)	7,111,711		(1,316,521)
Isomet AG*	674,354	100%	2,880,919	2,880,919	(342,594)	(342,594)	1,434,650		1,446,269
IRCE Ltda*	58,809,209	100%	38,001,154	38,001,154	2,188,181	2,188,181	58,465,925		(20,464,771)
Isolveco SRL	46,440	75%	(1,375,864)	(1,031,898)	124,498	93,374	0		(1,031,898)
DMG Gmbh	255,646	100%	1,297,959	1,297,959	(157,122)	(157,122)	119,526		1,178,434
IRCE SL	150,000	100%	(3,728,799)	(3,728,799)	(75,393)	(75,393)	0	(3,728,799)	0
Stable Magnet Wire P.Ltd	2,601,531	100%	(938,917)	(938,917)	(215,733)	(215,733)	0	(938,917)	(0)
Isodra Gmbh	25,000	100%	(1,743, 422)	(1,743, 422)	794,902	794,902	0	(1,743,422)	0
Isolveco 2 SRL	10,000	100%	60	60	(13,294)	(13,294)	10,000		(9.940)
Irce Electromagnetic wire Co.Ltd	2,000,000	100%	1,684,299	1,684,299	(175,264)	(175,264)	2,000,000		(315,701)
Irce SP.ZO.O	48,156	100%	(58,936)	(58,936)	3,299	3,299	0	(67,977)	9,041
Total							75,180,321	(6,479,115)	(20,566,241)

(*) subject to specific impairment test.

The Chinese start-up Irce Electromagnetic Wire Co. Ltd was not tested for impairment since it is not operational yet.

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
IRCE SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IRCE SpA (hereinafter, also the "Company" and together with its subsidiaries the "IRCE Group"), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the IRCE Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

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 this report. We are independent of IRCE SpA pursuant to the regulations and standards on ethics and independence applicable to audits of consolidated financial statements under Italian law. 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.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Inventories: estimate of the net realizable value of the "copper component" *See note no. 6 to the consolidated financial statements and paragraphs "Assessment criteria and Accounting standards applied" and "Use of estimates" in the notes to the consolidated financial statements as of 31 December 2019.*	
As of 31 December 2019 the value of inventories recognized in the consolidated financial statements of the IRCE Group amounted to Euro 82.3 million, equal to 39% of total consolidated assets. The main raw material used by the IRCE Group in the production process is copper, whose value is the most significant component of raw materials, finished products and work in progress. When arranging the contract conditions of sale, the IRCE Group agrees with customers the mechanism for determining the consideration for sale broken down by the two components of the finished products: i) for the quantity of copper included in the finished products (i.e. "copper component"), the consideration for sale is fixed, if it is equal to the price of copper when the order is confirmed by customers or alternatively, determinable, if there is a mechanism for determining the consideration for sale linked to the trend in the copper prices in a set period of time; ii) for costs of production other than copper (i.e. "manufacturing component") a fixed consideration for sale is agreed upon with the counterparty.	Our audit approach preliminarily consisted in understanding and assessing the methods, procedures and internal controls defined by the IRCE Group in order to valuate the "copper component" of inventories applying the weighted average cost and to determine the related net realizable value. Taking account of the understanding and assessment of the aforementioned internal controls, we planned and performed tests of details on such financial statement line item. In this respect, we highlight that the tests of details on the net realizable value of the "copper component" were designed splitting inventories into the following homogeneous classes based on their risk profile: i) sales commitments and orders in place at the balance-sheet date with a fixed price of copper; ii) inventories relating to sales without a fixed price of copper made in the first months of the financial year 2020; iii) inventories without sales commitments and orders with a fixed price of copper which were not sold in the first months of 2020. Regarding sales commitments and orders in place at the balance-sheet date with a fixed price of copper, in order to verify the correct

For the preparation of the consolidated financial statements, raw materials and the "copper component" of finished products and work in progress, valued separately from the "manufacturing component", are carried at the lower of purchase cost and net realizable value.

The price of copper quoted on the LME ("London Metal Exchange", i.e. the major market for non-ferrous metals) is subject to fluctuations, even significant; therefore, a prolonged downward trend in the copper prices after the closing date of the financial statements entails the potential risk that the net realizable value of copper held within inventories may be lower than its carrying amount and that the value of raw materials, finished products and work in progress needs to be written down.

When preparing the consolidated financial statements, the Directors of IRCE SpA carry out a specific analysis in order to verify if there are the conditions to write down the "copper component" of inventories, taking into account, among others, the mechanism for determining the consideration for sale of the "copper component", the copper prices available until a date close to the approval of the consolidated financial statements, the sales commitments and orders in place at year-end with a fixed price of copper, as well as the expected trend of the copper prices in the months after the approval of the consolidated financial statements.

The valuation of the "copper component" within inventories was considered of particular importance in our audit of the consolidated financial statements of the IRCE Group. It is thus a key audit matter, considering its significance and the methods to calculate the recoverable amount based on management's complex estimates regarding the future trend of copper prices.

measurement in the financial statements of the "copper component", we obtained a detail of these commitments and sales orders from the Company showing a comparison between the weighted average cost of the "copper component" and the selling price, and we checked the mathematical accuracy of such detail, as well as the agreement, on a sample basis, of the related selling price with the supporting documentation (purchase orders from customers and sales invoices).

For sales commitments and orders without a fixed price of copper, whose sale was finalized in the period after the closing date of the financial statements, we obtained a detail of the sales transactions in the first months of 2020 showing, for each transaction, a comparison between the weighted average cost of the "copper component" and the related selling price. We checked the mathematical accuracy of the abovesaid detail and, on a sample basis, the agreement of the selling price reported in that detail with the supporting documentation (purchase orders from customers and sales invoices).

In order to assess the reasonableness of the estimate of the net realizable value of the "copper component" for inventories without sales commitments and orders with a fixed price of copper that were not sold in the first months of 2020 but are expected to be sold within April 2020, on the basis of the average inventory rotation of the IRCE Group, we obtained a detail of the calculation performed by the Company to determine the average of the copper prices on the LME in the period from January to the first days of March 2020, we tested the mathematical accuracy and verified the agreement of the copper prices reported in the abovesaid calculation with publicly available prices. Additionally, we compared the weighted average cost of the "copper component" as at the balance-sheet date and the average copper price mentioned above, to find whether any write-downs were to be entered in the financial statements, considering also the trend of copper prices in March 2020.

	Finally, our audit approach entailed performing sample tests on the correctness of the calculation of the weighted average cost used to value the "copper component".

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, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the IRCE Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate IRCE SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the IRCE 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;

- We obtained 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 IRCE Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors' 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 IRCE 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 IRCE Group to cease to continue as a going concern;
- We evaluated 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.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the IRCE Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the IRCE Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 29 April 2011, the shareholders of IRCE SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The Directors of IRCE SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IRCE Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/1998, with the consolidated financial statements of the IRCE Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of IRCE Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree no. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The Directors of IRCE SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Bologna, 30 March 2020

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
IRCE SpA

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of IRCE SpA (hereinafter, also the "Company"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the explanatory notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of IRCE SpA as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

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 separate financial statements section* of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of separate financial statements under Italian law. 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Recoverability of the value of the equity investments in subsidiaries	
See note no. 3 to the separate financial statements and paragraphs "Assessment criteria and Accounting standards applied" and "Use of estimates" in the notes to the separate financial statements as of 31 December 2019.	
As of 31 December 2019, the value of the equity investments held by IRCE SpA in subsidiaries is equal to Euro 75.2 million, corresponding to 33.5% of total assets, and are carried at cost adjusted for impairment losses. The Company performs analyses, at least annually, in order to find if there are any impairment indicators of equity investments and if such indicators are identified, it carries out impairment testing, i.e. the evaluation exercise aimed to verify if the recoverable amount of the equity investment is at least equal to its carrying amount, applying the discounted cash flow valuation method. The determination of the recoverable amount of the equity investments in subsidiaries was considered of a particular significance for the audit of the Company's separate financial statements; it is therefore a key audit matter since it is based on a complex estimate process and on the use of assumptions affected by future market trends specifically regarding future cash flows, the discount rate, the perpetuity growth rate and, where applicable, the exchange rate between the currency of the foreign subsidiary and the Euro.	Our audit approach preliminarily consisted in understanding and assessing the methods and procedures defined by the Company in order to determine the recoverable amount of the equity investements in subsidiaries that were approved by the Company's Board of Directors on 13 March 2020 to comply with IAS 36 adopted by the European Union. We verified the analysis performed by the Company in order to identify the existence of any impairment indicators of equity investments in subsidiaries and, therefore, those equity investments to be subject to impairment test. We reviewed the reasonableness of the methods adopted and the main assumptions behind the valuation method (discounted cash flow), also involving the PwC network's valuation experts. Specifically, we verified the reasonableness of the discount rate and the perpetuity growth rate compared with the generally adopted valuation practices for companies belonging to the IRCE Group's business sector. We also verified the consistency of the cash flows used in the valuation models with those in the 2020-2024 business plans prepared by the Directors of the subsidiaries (the "Business Plans"). We analysed the reasonableness of the projected cash flows included in the Business Plans of the subsidiaries subject to impairment test through interviews of Company's management; to do this, we carried out a critical analysis on the

reasonableness of such forecasts, with particular regard to the performance of revenues and margins. To this end, we also analysed the management's forecast capacity by comparing the forecasts included in the business plans drawn up in the last three years and the actual data, verifying also any variations between the sales turnover in the first two months of the financial year 2020 and the 2020 budget forecasts.

Moreover, we checked the mathematical accuracy of the valuation models prepared by the Company.

Finally, we examined the disclosures provided by the Company in the financial statements in respect of the method adopted to determine the recoverable amount of the equity investments in subsidiaries subject to impairment test, the results of the valuation and the sensitivity analysis.

Inventories: estimate of the net realizable value of the "copper component"

See note no. 6 to the separate financial statements and paragraphs "Assessment criteria and Accounting standards applied" and "Use of estimates" in the notes to the separate financial statements at 31 December 2019.

As of 31 December 2019 the value of inventories recorded in the separate financial statements of IRCE SpA amounted to Euro 56.4 million, equal to 25.1% of total assets.

The main raw material used by the Company in the production process is copper, whose value is the most significant component of raw materials, finished products and work in progress.

When arranging the contract conditions of sale, the Company agrees with customers the mechanism for determining the consideration for sale broken down by the two components of the finished products: i) for the quantity of copper included in the finished products (i.e.

Our audit approach preliminarily consisted in understanding and assessing the methods, procedures and internal controls defined by IRCE SpA in order to evaluate the "copper component" of inventories applying the weighted average cost and to determine the related net realizable value. Taking account of the understanding and assessment of the aforementioned internal controls, we planned and performed tests of details on such financial statement line item.

In this respect, we highlight that the tests of details on the net realizable value of the "copper component" were designed splitting inventories into the following homogeneous classes based on "copper component"), the consideration for sale is fixed, if it is equal to the price of copper when the order is confirmed by customers or alternatively, determinable, if there is a mechanism for determining the consideration for sale linked to the trend in the copper prices in a set period of time; ii) for costs of production other than copper (i.e. "manufacturing component") a fixed consideration for sale is agreed upon with the counterparty.

For the preparation of the separate financial statements, raw materials and the "copper component" of finished products and work in progress, valued separately from the "manufacturing component", are carried at the lower of purchase cost and net realizable value.

The price of copper quoted on the LME ("London Metal Exchange", i.e. the major market for non-ferrous metals) is subject to fluctuations, even significant; therefore, a prolonged downward trend in the copper prices after the closing date of the financial statements entails the potential risk that the net realizable value of copper held within inventories may be lower than its carrying amount and that the value of raw materials, finished products and work in progress needs to be written down.

When preparing the separate financial statements, the Directors of IRCE SpA carry out a specific analysis in order to verify if there are the conditions to write down the "copper component" of inventories, taking into account, among others, the mechanism for determining the consideration for sale of the "copper component", the copper prices available until a date close to the approval of the separate financial statements, the sales commitments and orders in place at the year-end with a fixed price of copper, as well as the expected performance of the copper prices in the months after the approval of the separate financial statements. The valuation of the "copper component" within inventories was considered of particular importance in our audit of the separate financial statements of IRCE SpA. It is thus a key audit matter, considering its significance and the their risk profile: i) sales commitments and orders in place at the balance-sheet date with a fixed price of copper; ii) inventories relating to sales without a fixed price of copper made in the first months of the financial year 2020; iii) inventories without sales commitments and orders with a fixed price of copper which were not sold in the first months of 2020.

Regarding sales commitments and orders in place at the balance-sheet date with a fixed price of copper, in order to verify the correct measurement in the financial statements of the "copper component", we obtained a detail of these commitments and sales orders from the Company showing a comparison between the weighted average cost of the "copper component" and the selling price, and we checked the mathematical accuracy of such detail, as well as the agreement, on a sample basis, of the related selling price with the supporting documentation (purchase orders from customers and sales invoices).

For sales commitments and orders without a fixed price of copper, whose sale was finalised in the period after the closing date of the financial statements, we obtained a detail of the sales transactions in the first months of 2020 showing, for each transaction, a comparison between the weighted average cost of the "copper component" and related selling price. We checked the mathematical accuracy of this detail and, on a sample basis, the agreement of the selling price reported in that detail with the supporting documentation (purchase orders from customers and sales invoices).

In order to assess the reasonableness of the estimate of the net realizable value of the "copper component" for inventories without sales commitments and orders with a fixed price of copper that were not sold in the first months of 2020 but are expected to be sold within April 2020 on the basis of the average inventory rotation of IRCE SpA, we obtained a detail of the calculation performed by the Company to determine the average of the copper prices on the LME in the period from January to the first

methods to calculate the recoverable amount based on management's complex estimates regarding the future trend of copper prices.	days of March 2020, we tested the mathematical accuracy and verified the agreement of the copper prices reported in the abovesaid calculation with publicly available prices. Additionally, we compared the weighted average cost of the "copper component" as at the balance-sheet date and the average copper price mentioned above, to find whether any write-downs were to be entered in the financial statements, considering also the trend of copper prices in March 2020. Finally, our audit approach entailed performing sample tests on the correctness of the calculation of the weighted average cost used to value the "copper component".

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, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the directors' 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;
- We evaluated 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 communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 29 April 2011, the shareholders of IRCE SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The Directors of IRCE SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of IRCE SpA as at 31 December 2019, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/1998, with the separate financial statements of IRCE SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of IRCE SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 30 March 2020

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

IRCE S.p.A.

Independent Auditors' Report on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no.254/2016 and of article 5 of CONSOB Regulation n.20267/2018

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Independent Auditors' Report

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and of article 5 of CONSOB Regulation n. 20267 of January 18, 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 ("Decree") and to article 5 of the CONSOB Regulation n. 20267 of January 18, 2018, we have been engaged to perform a limited assurance engagement on the Consolidated Non-Financial Statement of IRCE S.p.A. and subsidiaries (the "Group") as of December 31, 2019 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on March 13, 2020 (hereinafter the "NFS").

Directors' and Board of Statutory Auditors' responsibility for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards").
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 a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group' business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' Independence and quality control

We are independent in compliance with the independence and all 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 company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Auditors' responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the requirements of the Decree and the GRI Standards. We carried out our work in accordance with the criteria established in the *International Standard on Assurance Engagements 3000 (Revised) ~ Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with *ISAE 3000 Revised*, and, consequently, does 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 the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented 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 process in place for the selection process in the light of the provisions of article 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 to the Decree.
3. If applicable: comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
    - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
    - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
    - Main risks, generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

   With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).
5. Understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we carried out interviews and discussions with the management of IRCE S.p.A. We also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, with respect to significant information, taking into consideration the Group's business and characteristics:

   - at parent company's level and subsidiaries level FD Sims Ltd (UK):
     a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.
     b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of IRCE Group as of December 31, 2019 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards").

Bologna, March 30, 2020

Signed by
BDO Italia S.p.A.

Alessandro Gallo
Partner

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

<u>IRCE S.p.A.</u>

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. 58/1998 and art. 2429, para. 3 of the Italian Civil Code

Dear Shareholders,

the separate financial statements for the financial year ended 31 December 2019, which are submitted for the approval of the Shareholders' Meeting of this company, show a profit of € 3,603,483.

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 Company's 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.

Pursuant to art. 123-bis of the Consolidated Financial Act and to the Markets Rules organised and managed by Borsa Italiana S.p.A., the Company has prepared the annual Report on Corporate Governance and

Shareholding Structure.

During the financial year ended 31 December 2019, the Board of Statutory Auditors has carried out its supervisory activities in compliance with art. 149 of Italian Legislative Decree no. 58/1998, 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 Tax Advisors), 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 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. 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 the Board of Directors and has obtained from the Directors information on the operations and the transactions carried out by the company and its subsidiaries that were most significant to the 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, para. 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 individual 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. Said Manager has not reported 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, receiving information from the professional entrusted with the internal audit function. As outlined in the Report on Corporate Governance and Shareholding Structure, in compliance with the provisions of the Corporate Governance Code, the

Board of Directors assumed responsibility for the Company's internal control. The Board of Statutory Auditors attended the meetings of the Control and Risks Committee;

- gathered information about the activities carried out by the person entrusted with the internal audit function during 2019, specifically concerning the control of the procedures under review.
- took note of the suggestions provided by the Control and Risks Committee to the Board of Directors to improve the efficiency of the internal control system, considering this a priority. In this regard, the company appointed to audit the accounts, in its periodic exchange of information with the Board of Statutory Auditors, has not reported any critical situations with reference to the internal control system, although it stressed the need for improvements;
- 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 14 February 2020;
- verified that the report on operations for 2019 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 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;
- 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 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 has noted that at the meeting of 13 March 2020, the Board of Directors, as recommended in a document dated 3 March 2010, issued jointly by the Bank of Italy/Consob/ISVAP, has certified, independently and prior to approving the draft financial statements, the compliance of impairment testing with IAS 36.

Specifically, the Company tested for impairment the amounts reported by the investees Isomet AG, FD Sims LTD, Irce Ltda and Smit Draad Nijmegen BV.

The Explanatory Notes to the Financial Statements include information on, and the results of, our assessment.

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 PricewaterhouseCoopers S.p.A., 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 dated 30 March 2020, 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 2019 comply with the International Financial Reporting Standards as endorsed by the European Union and, therefore, are clear 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.

It is also the opinion of the Independent Auditors that the Report on Operations and the information as per para. 1, letters c), d), f), l), m) and para. 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 separate financial statements.

While auditing the separate and consolidated financial statements of Irce S.p.A., the Independent Auditors did not find any actions or events to be reported to the Board of Statutory Auditors.

The Board of Statutory Auditors examined the report by the Independent Auditors BDO Italia S.p.A. on the consolidated non-financial statement pursuant to art. 3, para. 10, of Italian Legislative Decree no. 254/2016 and art. 5 of CONSOB Regulation no. 20267, issued on 30 March 2020, acknowledging that, in the opinion of the Independent Auditors, there are no elements that suggest that the Irce Group’s NFS for the year ended 31 December 2019 has not been drawn up in compliance with the requirements of articles 3 and 4 of the Decree and the GRI Standards defined by the Global Reporting Initiative in 2016.

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's resolution DEM 1025564 of 6 April 2001, the Board of Statutory Auditors also specifies that:

- it received from Board Members, 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 to its financial performance, financial position and cash flows;
- the report on operations, the information supplied during the Board of Directors' Meeting, 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 financial year, neither PricewaterhouseCoopers S.p.A. nor other companies belonging to its network were assigned any duties other than auditing;
- during the financial year the company BDO Italia S.p.A. has been appointed Auditor in charge of preparing the consolidated non-financial statement. In this regard, it is noted that the preparation of the consolidated non-financial statement exempts the subsidiaries already included therein from the preparation of the report;
- during the financial year, the Board of Statutory Auditors did not submit any opinions or proposals in accordance with the law;
- 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 2019 and to date, no claims were made pursuant to art. 2408 of the Italian Civil Code nor did 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 person in charge of the internal audit function, 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, para. 2, of Italian Legislative Decree no. 58/1998, obtaining information from the Independent Auditors and 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 para. 2 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 2019 and has no objections to the Board of Directors' proposal concerning the allocation of the profit for the year 2019.

It should be noted that the Board of Statutory Auditors' term of office started on 28 April 2017 will end on approval of the Financial Statements as of 31 December 2019.

The Board of Directors thanks all Shareholders for the trust and confidence that they have invested in the Board's members and invites the Shareholders' Meeting to appoint the new control body.

Bologna, 30 March 2020

THE BOARD OF STATUTORY AUDITORS

(Mr Fabio Senese)

(Mr Adalberto Costantini)

(Ms Donatella Vitanza)