



**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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## CORPORATE BODIES

### BOARD OF DIRECTORS

CHAIRMAN	MR	FILIPPO CASADIO
EXECUTIVE DIRECTOR	MR	FRANCESCO GANDOLFI COLLEONI
NON-EXECUTIVE DIRECTOR	MR	GIANFRANCO SEPRIANO
NON-EXECUTIVE DIRECTOR	MR	ORFEO DALLAGO
INDEPENDENT DIRECTOR	MS	FRANCESCA PISCHEDDA
INDEPENDENT DIRECTOR	MS	GIGLIOLA DI CHIARA

### BOARD OF STATUTORY AUDITORS

CHAIRMAN	MR	FABIO SENESE
STANDING STATUTORY AUDITOR	MR	ADALBERTO COSTANTINI
STANDING STATUTORY AUDITOR	MS	DONATELLA VITANZA
SUBSTITUTE STATUTORY AUDITOR	MR	GIANFRANCO ZAPPI
SUBSTITUTE STATUTORY AUDITOR	MS	CLAUDIA MARESCA

### INDEPENDENT AUDITORS

DELOITTE & TOUCHE SpA

### CONTROL AND RISKS COMMITTEE

MS GIGLIOLA DI CHIARA  
 MR GIANFRANCO SEPRIANO  
 MR FRANCESCA PISCHEDDA

### REMUNERATION COMMITTEE

MS FRANCESCA PISCHEDDA  
 MR GIANFRANCO SEPRIANO  
 MS GIGLIOLA DI CHIARA

### INTERNAL AUDITOR

MR FABRIZIO BIANCHIMANI

### SUPERVISORY BODY

MR FRANCESCO BASSI  
 MR GABRIELE FANTI  
 MR GIANLUCA PIFFANELLI

## CALLING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary Shareholders' Meeting, which pursuant to Article 106, paragraph 2, of Italian Legislative Decree no. 18/20 will be held at the Company's registered office exclusively through telecommunication means, in first call on 29 April 2021 at 11.00 a.m. and, if necessary, in second call on 3 May 2021, at the same time, to discuss and resolve on the following

### AGENDA

- Separate financial statements as of 31/12/2020 and related reports of the Board of Directors and the Board of Statutory Auditors, and consequent resolutions;
- Presentation of the consolidated financial statements as of 31/12/2020;
- Proposal for authorisation to acquire and dispose of treasury shares, methods of acquisition and transfer;
- Remuneration Report:
  - review of Section I (i.e. 2021 remuneration policy), resolution pursuant to Article 123-ter, paragraph 3 bis, of Italian Legislative Decree no. 58 of 24/02/98
  - review of Section II (i.e. compensation paid in 2020), resolution pursuant to Article 123-ter, paragraph 6, of Italian Legislative Decree no. 58 of 24/02/98

**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 1,548,088 treasury shares that represent 5.5% of the share capital, and whose vote is suspended in accordance with art. 2357-ter of the Italian Civil Code.

### ATTENDING THE SHAREHOLDERS' MEETING AND EXERCISING VOTING RIGHTS

With respect to the measures taken by Italian Authorities to contain the COVID-19 emergency, shareholders will be able to attend the meeting exclusively by appointing the Company's Designated Representative as proxy pursuant to Article 135-*undecies* of the Consolidated Financial Act, or also by proxy and/or sub-proxy pursuant to Article 135-*novies* of the Consolidated Financial Act, notwithstanding Article 135-*undecies*, paragraph 4, of the Consolidated Financial Act, thus excluding the possibility for shareholders to attend the meeting in person, as allowed under Article 106 of Italian Law Decree no. 18 of 17 March 2020.

In accordance with article 83-sexies of Italian Legislative Decree no. 58/1998, the entitlement 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 the 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 entitlement 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 entitlement to attend and vote, should the Company receive the communication beyond that date but before the beginning of the Meeting in first call.

All those entitled to attend the meeting (Designated Representative, Members of the Board of Directors, of the Board of Statutory Auditors, and the Secretary in charge) shall do so exclusively through telecommunication tools allowing to identify attendees. Each person entitled to attend will be informed individually about how they may attend by audio/video conferencing.

### **DESIGNATED REPRESENTATIVE AND PROXY APPOINTMENT**

For the purposes of the Meeting concerned, the Company has appointed Ms Stefania Salvini (lawyer) as Designated Representative pursuant to Article 135-undecies of Italian Legislative Decree 58/1998 (Consolidated Financial Act).

Ms Stefania Salvini may be appointed as proxy via registered mail with return receipt to Via Tinti 16, 40026 Imola (province of Bologna), or certified e-mail to [avstefaniasalvini@ordineavvocatibopec.it](mailto:avstefaniasalvini@ordineavvocatibopec.it). The Company will make the relevant form available on its website [www.irce.it](http://www.irce.it). The proxy form shall include voting instructions on all or part of the items on the agenda and be delivered to the Designated Representative by 27 April 2021 (second trading day prior to the date of the Meeting in first call). By said date, the proxy and voting instructions may always be revoked in the manner described above for the appointment. The proxy shall be effective only with respect to items for which voting instructions have been provided. The above designated representative may also be appointed as proxy and/or sub-proxy pursuant to Article 135-novies of the Consolidated Financial Act, notwithstanding Article 135-undecies, paragraph 4, of the Consolidated Financial Act.

**QUESTIONS ON THE TOPICS ON THE AGENDA** – Pursuant to Article 27-ter of Italian Legislative Decree 58/1998, Shareholders can submit questions on the topics on the agenda even before the Meeting via registered mail with return receipt to the registered office of the Company or certified e-mail sent to [ircespa-pec@legalmail.it](mailto:ircespa-pec@legalmail.it). The questions, accompanied by the personal details of the shareholder asking the question and the certification proving the ownership of the shares, must be submitted to the Company by 10:00 a.m. of the day prior to the date of the Meeting in first call.

**ADDITIONS TO THE AGENDA** – Shareholders that 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 items on the agenda, indicating in their request the additional items 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](mailto:ircespa-pec@legalmail.it). A report on the items 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, Shareholders are not allowed to add to the agenda items on which the Meeting is called upon to resolve, upon proposal of the Directors or on the basis of a project they prepared.

**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, Borsa Italiana S.p.A. And on the website [www.irce.it](http://www.irce.it). Shareholders are entitled to obtain a copy of the filed documentation.

Any changes and/or supplements to the information given in the notice of call, will be made available on the company's website [www.irce.it](http://www.irce.it) and using the other procedures envisaged by the law.

This notice will also be published on the Company's website and on the daily newspaper "Corriere della Sera".

**REPORT ON OPERATIONS FOR  
2020**

## Introduction

Given the significant impact of the activities of the Parent Company IRCE S.p.A. (hereinafter also referred to as the "Company") within the IRCE Group and pursuant to art. 40 of Italian Legislative Decree no. 127/1991 amended by art. 2 letter d) of Italian Legislative Decree no. 32/2007, this Report on Operations is drafted jointly for the separate financial statements of IRCE S.p.A. and the consolidated financial statements of the IRCE Group.

## Macroeconomic Scenario

Dear Shareholders,

the world economy contracted sharply in 2020, largely because of the impact of the COVID-19 pandemic. The International Monetary Fund's most recent estimates show that global GDP fell by approximately 3.5% year-on-year.

Over the next two years, the IMF expects a broad-based global recovery of about 5.5% in 2021 and 4.2% in 2022, to be confirmed also based on how health conditions will evolve, the roll-out of vaccines on a global scale, and the effectiveness of the extraordinary economic-financial stimulus measures implemented in major countries.

The economic downturn was more severe in the Euro Area—down approximately 7% compared to the previous year—and especially concentrated in the second and fourth quarters. The contraction in gross domestic product was more pronounced in Spain, France, and Italy, which declined exceeding even 10%, whereas it was more limited in Germany.

With respect to the economic situation in Italy, restrictions caused GDP to shrink by approximately 9% year-on-year. According to the IMF's latest estimates, Italy will see a recovery of about 3% in 2021 and 3.6% in 2022, provided the pandemic is effectively contained and the extraordinary measures implemented at the European level are used just as effectively.

In this context, for the IRCE Group (hereinafter also referred to as the "Group") 2020 ended with a net profit of € 2.73 million, with results improving from the third quarter onwards.

## Consolidated Performance for 2020

Consolidated turnover of the IRCE Group totalled € 295.26 million, down 5.3% compared to € 311.94 million in 2019, mainly due to the decrease in sales volume.

After contracting sharply in the first half of the year, and especially in the second quarter because of the impact of the Coronavirus outbreak, sales started recovering in the third quarter and continued improving in the fourth quarter, significantly closing the gap with 2019. With respect to the winding wire segment, sales in Europe slowed down dramatically, whereas volumes were up in non-European markets. The cable sector performed positively, reporting growth in the European market.

Consolidated turnover without metal<sup>1</sup> decreased by 2.9%; the winding wire sector fell by 8.2%, while the cable sector grew by 18.3%. In detail:

Consolidated turnover without metal (€/million)	Year 2020		Year 2019		Change %
	Value	%	Value	%	
Winding wires	51.82	75.9%	56.43	80.2%	-8.2%
Cables	16.49	24.1%	13.94	19.8%	18.3%
<b>Total</b>	<b>68.31</b>	<b>100.0%</b>	<b>70.37</b>	<b>100.0%</b>	<b>-2.9%</b>

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

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

Consolidated income statement data (€/million)	Year 2020	Year 2019	Change
Turnover <sup>2</sup>	295.26	311.94	(16.68)
EBITDA <sup>3</sup>	10.75	7.82	2.93
EBIT	3.20	0.42	2.78
Profit / (loss) before tax	4.29	2.72	1.57
Profit / (loss) for the year	2.73	1.94	0.79
Adjusted EBITDA <sup>4</sup>	12.15	9.55	2.60
Adjusted EBIT <sup>4</sup>	4.60	2.15	2.45

Consolidated statement of financial position data (€/million)	As of 31.12.2020	As of 31.12.2019	Change
Net invested capital	162.36	173.53	(11.17)
Shareholders' equity	122.62	131.50	(8.88)
Net financial debt <sup>5</sup>	39.74	42.03	(2.29)

As of 31 December 2020, net financial debt amounted to € 39.74 million, down from € 42.03 million as of 31 December 2019.

The decrease in consolidated equity is mainly due to the depreciation of the Brazilian Real (about 30% against the Euro since the beginning of the year), which increased the negative value of the foreign currency translation reserve by € 11.41 million.

## Investments

The Group's investments in 2020 amounted to € 2.15 million and were primarily related to IRCE S.p.A.

## Irce Share Price Performance

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

<sup>2</sup> The item "turnover" consists in the "sales revenues" as recognised in the income statement.

<sup>3</sup> 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.

<sup>4</sup> Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ +1.40 million in 2020 and € +1.73 million in 2019). These are indicators the Group's Management uses to monitor and assess its own operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and is therefore not comparable.

<sup>5</sup> Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets; see Note 16 of the Notes to the Consolidated Financial Statements. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the Net Financial Position as defined by Consob Resolution no. 6064293 of 28 July 2006 and CESR recommendation of 10 February 2005.



<b>Stock market indices</b>		
<b>Stock market price</b>		
Official price as of 2 January 2020	Euro	1.75
Official price as of 30 December 2020	Euro	1.69
<b>Market capitalisation</b>		
Capitalisation as of 2 January 2020	Euro	49,224,000
Capitalisation as of 30 December 2020	Euro	47,536,320
<b>Ordinary shares</b>		
Total no. of shares	no.	28,128,000
No. of outstanding shares	no.	26,579,912

## Main Risks and Uncertainties

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

### Market risk

The Group is strongly focused on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the Group's medium-term strategy provides for a geographic diversification in non-EU countries. As part of this strategy, the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd was set up in China with the aim of producing and serving the local market.

For information about the effects and management of risks connected with the Coronavirus pandemic, please refer to the specific paragraph below.

### Risk associated with changes in financial and economic variables

- *Exchange rate risk*

The Group primarily uses the Euro as the reference currency for its sales transactions. It is exposed to exchange rate risks in relation to its copper purchases, which it partly carries out in dollars; it hedges such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, and China.

As for the foreign currency translation risk, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the carrying amount of the investment. It should be noted that, in 2020, the Brazilian Real depreciated by about 30% since the beginning of the year. However, as more fully detailed below, the Brazilian subsidiary continues to show improved economic results also in Euro, despite the negative exchange rate and the impact of the COVID-19 pandemic.
- *Interest rate risk*

The Group obtains short and medium/long-term bank financing, mainly 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 impact of changes in the price of copper on margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. In 2020 the price of copper was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a sharp fall in LME prices in March and April followed by a strong recovery in the following months, closing as of 31 December 2020 at 6.31 Euro/kg, with an average price for 2020 (5.39 Euro/Kg) in line with 2019.

### Financial risks

These are risks associated with financial resources.

- *Credit risk*

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

- *Liquidity risk*

Based on its financial position, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities. The limited use of credit lines suggests that liquidity risk is not significant. In accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità Imprese"), the Parent Company obtained medium-term loans backed by Sace for an amount of € 10.00 million and backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million; in addition, the subsidiary Isomet received a loan of CHF 0.5 million to support liquidity as a result of the pandemic.

### COVID-19 risk

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

### Cyber Security risks

The spread of technologies allowing to transfer and share sensitive information virtually gives rise to computer vulnerabilities that could affect the business and compromise the business continuity of the Group. Given the increasing frequency and breadth of cyber attacks in recent times, IRCE recently launched an analysis and identified potential issues inside and outside the company, and then implemented a Cyber Security plan as well as a recovery procedure.

### Risks arising from Brexit

In June 2016, the United Kingdom voted to leave the European Union (EU). In January 2020, the UK Parliament approved the "Withdrawal Agreement Bill", which sets out the terms of Britain's departure from the European Union (Brexit). The result of the Brexit referendum created uncertainty, which in turn caused the level of investments in the United Kingdom to fall and GDP growth to slow down. The Group is closely monitoring the fallout in order to assess the impacts on its British subsidiary FD Sims, which to date do not appear to be material.

### Climate Change Risks

The Group has examined the climate change risk scenarios relevant to its operations, considering that, on the one hand, copper is the commodity required for the new energy transition, centred on electric grids and the development of battery-powered vehicles and, on the other hand, that the strong demand for this metal could cause procurement issues. At present, the Group is constantly monitoring these scenarios and sees more opportunities than risks in climate change.

## **Outlook**

The signs of improvement seen in the final quarter of 2020 continue into 2021, but the overall scenario remains uncertain because of the impact of the ongoing Coronavirus pandemic on the economy. Demand is expected to bounce back in 2021 compared to the previous year based on the current economic situation and the improved health outlook.

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

The financial statements of the parent company IRCE S.p.A. show a turnover of € 183.35 million, down compared to € 203.02 million in the previous year.

Sales in the winding wire sector declined due to the ongoing pandemic, while the cable sector was up on last year.

Against this backdrop, the Group posted a profit of € 1.21 million, down from € 3.60 million in 2019.

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

IRCE S.p.A.'s income statement data (€/million)	Year 2020	Year 2019	Change
Turnover <sup>2</sup>	183.35	203.02	(19.67)
EBITDA <sup>3</sup>	5.95	5.80	0.15
EBIT	1.96	2.36	(0.40)
Profit / (loss) before tax	1.20	4.18	(2.98)
Profit / (loss) for the year	1.21	3.60	(2.39)
Adjusted EBITDA <sup>4</sup>	7.35	7.53	(0.18)
Adjusted EBIT <sup>4</sup>	3.36	4.09	(0.73)

IRCE S.p.A.'s statement of financial position data (€/million)	As of 31.12.2020	As of 31.12.2019	Change
Net invested capital	196.62	195.70	0.92
Shareholders' equity	152.52	151.34	1.18
Net financial debt <sup>5</sup>	44.10	44.36	(0.26)

### 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 33 of the separate financial statements and to Note 32 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 issued by Borsa Italiana S.p.A. as a reference for its corporate governance.

<sup>2</sup> The item "turnover" consists in the "sales revenues" as recognised in the income statement.

<sup>3</sup> 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.

<sup>4</sup> Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ +1.40 million in 2020 and € +1.73 million in 2019). These are indicators the Group's Management uses to monitor and assess its own operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and is therefore not comparable.

<sup>5</sup> Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets; see Note 17 of the Notes to IRCE S.p.A.'s Financial Statements. It should be noted that the methods for measuring net financial debt comply with the methods for measuring the Net Financial Position as defined by Consob Resolution no. 6064293 of 28 July 2006 and CESR recommendation of 10 February 2005.

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

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

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

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

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

### **Treasury Shares and Shares of the Parent Company**

The number of treasury shares as of 31 December 2020 was 1,548,088, i.e. 5.5% of total shares, equal to a par value of €/000 805. As of 31 December 2020, the Company does not own shares in the parent company Aequafin S.p.A., nor did it trade in them during 2020.

### **R&D Activities**

Research and development activities in 2020 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.

### **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 Deloitte & Touche S.p.A.

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

### **Events after the Reporting Date**

No significant events occurred between the end of 2020 and today’s date.

Dear Shareholders,

we invite you to approve the separate financial statements of IRCE S.p.A. as of 31 December 2020, reporting a profit of € 1,210,478.

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 24 May 2021, record date on 25 May 2021, and payment date on 26 May 2021. 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, 16 March 2021

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



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

## 1. METHODOLOGICAL NOTE

### 1.1. Scope and Purpose

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

This Consolidated Non-Financial Statement (also “NFS” or “Statement”), for the year ended as of 31 December 2020, confirms IRCE Group’s commitment to report the non-financial impacts of its business, in compliance with the provisions of the Decree. IRCE has chosen to include the Statement in its 2020 Report on Operations, as required by art. 5 of the Decree.

### 1.2. Scope of the Consolidated Non-Financial Statement

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

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

The reporting scope of the economic-financial data and disclosures corresponds to the scope of the IRCE Group’s consolidated financial statements as of 31 December 2020 (please refer to the section accounting standards and explanatory notes).

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

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

In 2020 there were no significant changes in the Group’s size, organisational structure, ownership and supply chain.

### 1.3. Reference Guidelines and Reporting Process

The qualitative and quantitative information reported in the NFS is drawn up in accordance with the “Global Reporting Initiative Sustainability Reporting Standards” developed by the GRI - Global Reporting Initiative, in compliance with the requirements of the Decree on the use of reporting standards issued by authoritative supranational, international or national authorities (art. 3, para. 3). The level of application of GRI Standards corresponds to the Referenced option (see Chapter 7 – GRI Content Index). Regarding the specific Standards GRI 303 (Water and effluents) and GRI 403 (Occupational health and safety), the most recent 2018 versions have been adopted.

To allow comparing data over time, the Group included a comparison with the data from 2019. The restatement of previously published comparative information is disclosed in the relevant tables. In addition, to ensure the data are reliable, the Group limited the use of estimates as much as possible. Where present, these are properly disclosed and based on the best methods available.

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

1. Preparation by the managers of the various companies and of the Parent Company (for IRCE S.p.A. the managers of the premises in Imola, Miradolo Terme, Guglionesi and Umbertide) of a questionnaire aimed at identifying the issues relevant to the materiality analysis;
2. Approval by the Board of Directors of the Parent Company IRCE S.p.A. of the materiality analysis on 22 December 2020;
3. Definition of the NFS content and scope with respect to material topics;
4. Start of the process for collecting non-financial data and information through the distribution of forms containing the previously selected GRI indicators to all companies included in the reporting scope;
5. Drafting of the NFS;
6. Approval of the NFS by the Board of Directors, jointly with the Report on Operations, on 16 March 2021;
7. Certification by the Independent Auditors specifically appointed for such verification (see the Audit Report).

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

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

This consolidated non-financial statement is available on the Group website in the section *Investor Relations > Financial Statements and Reports > Financial Statements as of 31 December 2020*.

### 1.4. Materiality Analysis

In order to define the material topics 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 those issues that could substantially influence stakeholders’ assessments and decisions and that reflect the Group’s economic, environmental and social impacts.

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

The materiality analysis saw the participation of the managers of the various Group companies, who play a supporting role for the non-financial statement. They were given a questionnaire concerning a series of issues classified under six macro areas: Governance, Economic Performance, Product Responsibility, Environmental Aspects, Human Resources and Respect for Human Rights. For each issue, the managers had to give a score

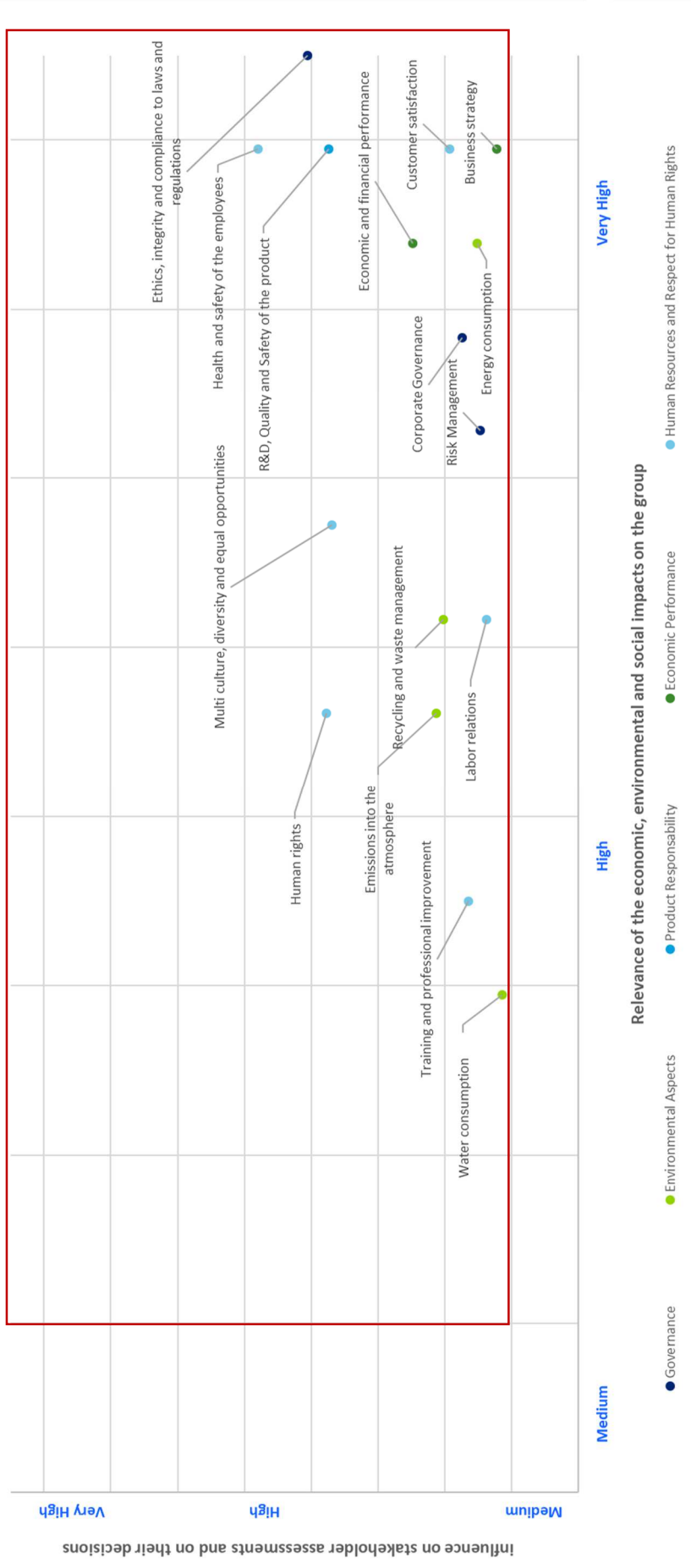


ranging from 1 (least relevant) to 4 (most relevant) based on their own perception and sensitivity to the topic examined, in order to highlight the issues which are most relevant for the Group.

Stakeholders include employees, shareholders, customers, suppliers, trade unions and local communities. It was decided that the analysis would be carried out indirectly, using a questionnaire, and asking internal representatives 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 assign to each issue, according to their own personal assessment.

The materiality analysis described above allowed to identify the most significant issues for the Group and its stakeholders, i.e. those with a score higher than the so-called defined materiality threshold. The issues which emerged as being material, as shown in the following chart, define the focus areas for reporting.

Materiality Matrix - IRCE 2020



**Scope and impact of material topics**

Scope of Italian Leg. Decree no. 254/16	Material topics	GRI aspects	Scope of impact	Group involvement
Fight against corruption and bribery	Ethics, integrity and compliance with laws and regulations	Anti-corruption (2016)	IRCE Group	Caused by the Group
Occupational health and safety	Employees' health and safety	Occupational health and safety (2018)	Group employees and external collaborators(*)	Caused by the Group
	R&D and Product quality and safety	Customer health and safety (2016)	IRCE Group	Caused by the Group
	Economic and financial performance	Economic performance (2016)	IRCE Group	Caused by the Group
	Customer satisfaction		IRCE Group	Caused by the Group
Gender equality	Multiculturality, diversity and equal opportunity	Diversity and equal opportunity (2016)	Group employees	Caused by the Group
		Non-discrimination (2016)	Group employees	Caused by the Group
	Corporate governance		Parent Company IRCE S.p.A	Caused by the Group
	Risk management		IRCE Group	Caused by the Group
	Business strategy		IRCE Group	Caused by the Group
Use of energy resources from renewable and non-renewable sources	Energy Consumption	Energy (2016)	IRCE Group	Caused by the Group
Human rights	Human rights	Child labour (2016)	IRCE Group and suppliers	Caused by the Group and to which the Group contributes
		Forced or compulsory labour (2016)	IRCE Group and suppliers	Caused by the Group and to which the Group contributes
	Recycling and waste management	Effluents and waste (2016)	IRCE Group	Caused by the Group
Greenhouse gases	Emissions to air	Emissions (2016)	IRCE Group and electricity suppliers	Caused by the Group and related to the Group through its commercial relations
Human resources management and relations with social partners	Industrial relations		IRCE Group	Caused by the Group
	Training and professional growth	Training and education (2016)	IRCE Group	Caused by the Group
Use of water resources	Water consumption	Water and effluents (2018)	IRCE Group	Caused by the Group

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

## 2. GOVERNANCE

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

**Table – Material topics**

MATERIAL TOPICS	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
<ul style="list-style-type: none"> <li>▪ Corporate governance</li> <li>▪ Ethics, integrity and compliance with laws and regulations</li> <li>▪ Risk management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Committing corporate crimes</li> <li>▪ Committing crimes relating to corruption</li> <li>▪ Failed compliance or violation of reference legislation or applicable regulations</li> <li>▪ Loss of certifications, approvals or authorisations to operate</li> <li>▪ Loss of reputation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Code of Ethics</li> <li>▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001</li> <li>▪ Supervisory Body</li> <li>▪ Control and Risks Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Encouraging stakeholder engagement to guarantee the most realistic and correct representation of materiality.</li> <li>▪ Strengthening the process of disseminating the Code of Ethics and its principles at Group level</li> </ul>

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

### 2.1. Corporate Model

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

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

The Board is currently composed as follows:

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

For more information on the corporate bodies, internal committees and the internal control and risk management system, please refer to the Corporate Governance Report published on the website [www.irce.it](http://www.irce.it).

<b>Governance members by gender - Parent Company IRCE S.p.A.</b>						
<b>Number of individuals</b>	<b>2020 (*)</b>			<b>2019 (**)</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Board of Directors</b>	4	2	<b>6</b>	4	2	<b>6</b>
<b>Board of Statutory Auditors</b>	2	1	<b>3</b>	2	1	<b>3</b>
<b>Total</b>	<b>6</b>	<b>3</b>	<b>9</b>	<b>6</b>	<b>3</b>	<b>9</b>

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

(\*\*) Contrary to the information disclosed in the previous Non-Financial Statement, the 2019 data includes only the members of the Board of Directors of the Parent Company IRCE S.p.A.

## **2.2. Policies, Management Systems and Organisational Models**

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

IRCE complies with the standards of the following certifications:

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

\* For the Companies IRCE S.p.A., Fd Sims Ltd and IRCE Ltda;

\*\* Certification present at the Imola plant (IRCE S.p.A.) and at FD Sims Ltd.

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

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

The Code of Ethics applies to all participants in the IRCE organisation, namely: directors, auditors, managers, employees, collaborators, consultants, customers, suppliers, business partners and any individuals 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 individuals must behave correctly, transparently and objectively. Moreover, the performance of all business activities must take place in compliance with applicable laws and corporate procedures, according to the criteria of diligence, honesty, collaboration, fairness and loyalty.

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

- **Ethics, Integrity and Compliance with Laws and Regulations**

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, if present.

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

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

The processes/corruption offences risk matrix was used to calculate the number of processes at risk of corruption in relations with the public administration and at risk of corruption between private parties. 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 activities) were identified. Based on our organisational and control system, the residual risk of such offences occurring has been reduced to a low level.

In 2020 there were no cases of non-compliance with social or environmental regulations leading to fines or penalties, no cases of corruption and no cases of discrimination.

- **Risk Management**

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

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

- Offences under Legislative Decree no. 231/2001 (Model 231 and the Code of Ethics);
- 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.

- **Climate Change**

The Group has examined the climate change risk scenarios relevant to its operations, considering that, on the one hand, copper is the commodity required for the new energy transition, centred on electric grids and the development of battery-powered vehicles, and on the other hand, that the strong demand for this metal could cause procurement issues. At present, the Group is constantly monitoring these scenarios and sees more opportunities than risks in climate change.

- **Taxes**

The Group does not engage in private negotiations with public institutions to obtain preferential treatment, but abides by, complies with, and pays taxes based on applicable laws in the countries where it operates.

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

### 3. HUMAN RESOURCES AND RESPECT FOR HUMAN RIGHTS

**Table – Material topics**

<b>MATERIAL TOPICS</b>	<b>RELATED RISKS</b>	<b>METHODS FOR MANAGING RISK</b>	<b>IMPROVEMENT OBJECTIVES</b>
<ul style="list-style-type: none"> <li>▪ Multiculturalism, diversity and equal opportunity</li> <li>▪ Human rights</li> <li>▪ Employees' health and safety</li> <li>▪ Training and professional growth</li> <li>▪ Industrial relations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Damage and/or injuries due to incompetence and negligence</li> <li>▪ Risk of discrimination and unequal treatment</li> <li>▪ Increase in the number of injuries</li> <li>▪ Increase in work-related stress</li> </ul>	<ul style="list-style-type: none"> <li>▪ Code of Ethics</li> <li>▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001</li> <li>▪ Supervisory Body</li> <li>▪ Occupational safety systems</li> <li>▪ IRCE S.p.A., internal trade union representatives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development by the Parent Company of training coordination and supervision activities, in order to identify the training needs of each employee category and raise awareness about training. The Group continued its training coordination and supervision activities as reported in the section "Training and professional growth".</li> <li>▪ Development and scaling up of initiatives concerning prevention, awareness and employees' health protection</li> </ul>

#### 2.1. Policy and Management Model

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

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



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

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

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

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

## 2.2. Non-Financial Results and Indicators

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

The IRCE Group's workforce as of 31 December 2020 consisted of 729 individuals, of which 669 employees and 60 external collaborators; this figure differs from that reported in the notes to the financial statements under "Personnel costs" as the number of employees is calculated using the Full Time Equivalent method.

As far as internal employees are concerned, almost all of them (about 97%) are on permanent contracts, confirming the Group's commitment to fostering stable and long-lasting relationships with its employees.

The geographical distribution of the Group with respect to the main IRCE companies sees 55% of personnel employed in Italy, 16% in Brazil, 12% in the Netherlands, 5% in the UK, 4% in India, 3% in Germany, 3% in Switzerland and the remaining 2% in various countries.

<b>Group's workforce by gender as of 31 December</b>						
<b>Job category</b>	<b>2020</b>			<b>2019</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Employees</b>	<b>593</b>	<b>76</b>	<b>669</b>	<b>580</b>	<b>81</b>	<b>661</b>
<b>Workers from external agencies</b>	45	15	<b>60</b>	32	14	<b>46</b>
<b>Total</b>	<b>638</b>	<b>91</b>	<b>729</b>	<b>612</b>	<b>95</b>	<b>707</b>

<b>Total number of employees broken down by type of contract (permanent or fixed-term employment) and gender, as of 31 December</b>						
<b>Type of contract</b>	<b>2020</b>			<b>2019 (*)</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Permanent</b>	572	74	<b>646</b>	568	80	<b>648</b>
<b>Fixed-term</b>	21	2	<b>23</b>	12	1	<b>13</b>
<b>Total</b>	<b>593</b>	<b>76</b>	<b>669</b>	<b>580</b>	<b>81</b>	<b>661</b>

(\*) Following the inclusion of trading companies in the scope of consolidation, the information on human resources as well as occupational health and safety for the year 2019 have been updated by adding the relevant employees (28 men and 8 women, for a total of 36 employees, and 1 man and 1 woman, for a total of 2 external workers). For previously published data, please refer to the 2019 non-financial statement, published on the Group's website in the Financial Statements as of 31 December 2019.

<b>Total number of employees broken down by type of contract (full-time and part-time) and gender, as of 31 December</b>						
<b>Type of contract</b>	<b>2020</b>			<b>2019</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Full-time</b>	587	46	<b>633</b>	574	53	<b>627</b>
<b>Part-time</b>	6	30	<b>36</b>	6	28	<b>34</b>
<b>Total</b>	<b>593</b>	<b>76</b>	<b>669</b>	<b>580</b>	<b>81</b>	<b>661</b>

<b>Number of employees broken down by job category and gender, as of 31 December</b>						
<b>Job category</b>	<b>2020</b>			<b>2019</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Company managers and Head of functions</b>	32	2	<b>34</b>	32	2	<b>34</b>
<b>White collars</b>	69	50	<b>119</b>	67	53	<b>120</b>
<b>Blue collars</b>	492	24	<b>516</b>	481	26	<b>507</b>
<b>Total</b>	<b>593</b>	<b>76</b>	<b>669</b>	<b>580</b>	<b>81</b>	<b>661</b>

<b>Percentage of total employees covered by collective bargaining agreements, as of 31 December</b>		
<b>Number of employees</b>	<b>2020</b>	<b>2019</b>
<b>Total number of employees</b>	669	661
<b>Total number of employees covered by collective bargaining agreements</b>	605	599
<b>Total %</b>	<b>90.43%</b>	<b>90.62%</b>

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

- **Human rights**

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

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

- **Employees' health and safety**

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

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

With respect to the health emergency caused by the coronavirus pandemic, for more details please refer to the relevant paragraph in the explanatory notes.

That said, please note that all Group companies promptly adopted the safety protocols required under the various national laws: the more structured Group companies adopted more stringent protocols, and some entities set up inter-company committees to discuss with employees the actions to be taken to protect the health of workers.

The positive coronavirus cases found were handled by applying the adopted protocols, minimising potential additional infections within the organisation.

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

<b>Injury rates - employees</b>	<b>2020</b>	<b>2019 (*)</b>
<b>Frequency</b>		
<i>a) Number of recordable work-related injuries</i>	15	33
<i>b) Total number of hours worked</i>	1,081,787	1,115,071
<b>Work-related injury rate (a/b) x 1,000,000</b>	<b>13.87</b>	<b>29.59</b>
<b>Seriousness</b>		
<i>a) Number of high-consequence injuries (**)</i>	0	1
<i>b) Total number of hours worked</i>	1,081,787	1,115,071
<b>High-consequence work-related injury rate (a/b) x 1,000,000</b>	<b>0.00</b>	<b>0.90</b>

<b>Injury rates - external workers(**)</b>	<b>2020</b>	<b>2019</b>
<b>Frequency</b>		
<i>a) Number of recordable work-related injuries</i>	2	1
<i>b) Total number of hours worked</i>	97,862	71,980
<b>Work-related injury rate (a/b) x 1,000,000</b>	<b>20.44</b>	<b>13.89</b>
<b>Seriousness</b>		
<i>a) Number of high-consequence injuries</i>	0	1
<i>b) Total number of hours worked</i>	97,862	71,980
<b>High-consequence work-related injury rate (a/b) x 1,000,000</b>	<b>0.00</b>	<b>13.89</b>

(\*) Data relating to injuries are presented in line with the guidelines contained in the new specific GRI Disclosure 403-9 (2018) "Work-related injuries". Therefore, data relating to 2019 have been restated in line with the new guidelines in order to facilitate comparability of information. For previously published data, please refer to the 2019 non-financial statement, published on the Group's website.

(\*\*) A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

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

- **Training and professional growth**

In line with the business strategy, the IRCE Group aims to enhance the skills of its staff. Training activities involved both employees and external workers.

As from 2020 the indicator below includes the training hours of "*Trading or small companies*", therefore the indicator has been updated also for the year 2019 (178 hours).

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

<b>Hours of annual training for employees and external workers</b>		
	<b>2020</b>	<b>2019 (*)</b>
Total hours of training provided to internal and external workers	8,218	3,538
<b>Average hours of training per worker (**)</b>	<b>11.27</b>	<b>5.00</b>

(\*) The 2019 figure has been restated following the inclusion of trading companies.

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

- **Industrial relations**

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

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

#### **4. ENVIRONMENTAL ASPECTS**

The relevant 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.

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

**Table – Material topics**

MATERIAL TOPICS	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
<ul style="list-style-type: none"> <li>▪ Energy Consumption</li> <li>▪ Water consumption</li> <li>▪ Recycling and waste management</li> <li>▪ Emissions to air</li> </ul>	<ul style="list-style-type: none"> <li>▪ Discontinuity of electricity supply</li> <li>▪ Air, soil and water pollution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Code of Ethics</li> <li>▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001</li> <li>▪ Environmental management systems based on the ISO 14001 model (for Imola and FD SIMS Ltd plants)</li> </ul>	<ul style="list-style-type: none"> <li>▪ To increase awareness and attention regarding responsible resource management and respect for the environment. The Group is committed to stepping up measures to raise awareness and attention towards the environment over the next few years.</li> </ul>

### 3.1. Policy and Management Model

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

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

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.

### 3.2. 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	2020 (**)		2019 (***)	
		Total	Total GJ	Total	Total GJ
<b>Natural Gas</b>	<b>m<sup>3</sup></b>	1,784,979	<b>70,732</b>	1,741,235	<b>69,251</b>
<b>Diesel fuel</b>	<b>l</b>	546,107	<b>20,806</b>	547,630	<b>20,891</b>
<b>LPG</b>	<b>tonnes</b>	19	<b>951</b>	56	<b>2,746</b>
<b>Electricity(*)</b>	<b>kWh</b>	105,745,744	<b>380,685</b>	114,095,842	<b>410,745</b>
<b>TOTAL ENERGY CONSUMPTION</b>	<b>GJ</b>		<b>473,175</b>		<b>503,633</b>

(\*) The Group does not acquire guarantees of origin, therefore all electricity is considered non-renewable.

(\*\*) For 2020, the GJ conversion factors used are from the 2020 UK Government GHG Conversion Factors for Company Reporting.

(\*\*) For 2019, the data were restated using the GJ conversion factors from the 2019 UK Government GHG Conversion Factors for Company Reporting. For previously published data, please refer to the 2019 non-financial statement, published on the Group's website in the Financial Statements as of 31 December 2019.

The year-on-year decline in GJs consumed in 2020 was largely related to the reduced electricity consumption, as the Group's output decreased because of the slump in market demand associated with the coronavirus outbreak.

Also in 2020, IRCE S.p.A. 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 Withdrawal (\*)**

Water Withdrawal (ML)				of which area with very high water stress	
Resource	Unit	2020	2019	2020	2019
Surface water	ML	8.4	10.0		
Groundwater		7.1	7.0	7.1	7.0
Third-party water resources		59.9	66.6	50.2	51.9
<b>Total</b>		<b>75.4</b>	<b>83.6</b>	<b>57.3</b>	<b>58.9</b>

(\*) Data relating to water withdrawal are presented in line with the guidelines contained in the new specific GRI Disclosure 303-3 (2018) "Water withdrawal". Therefore, data relating to 2019 have been restated in line with the new guidelines in order to facilitate comparability of information. For water stress calculation, reference should be made to the Aqueduct portal (<https://www.wri.org/aqueduct>).

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

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

- **Recycling and waste management**

The IRCE Group aims to reduce and responsibly manage the waste it produces. Also in 2020, the main projects for correct waste management that IRCE has invested in include:

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

Total waste amounted to 3,957 tonnes and the majority went to recycling (81%) and recovery (9%), with only 1% going to landfill.

<b>WASTE by type and disposal destination (tonnes)</b>						
<b>Type of waste</b>	<b>2020</b>			<b>2019 (*)</b>		
	<b>Hazardous</b>	<b>Non-hazardous</b>	<b>Total</b>	<b>Hazardous</b>	<b>Non-hazardous</b>	<b>Total</b>
Re-use	-	39	<b>39</b>	-	28	<b>28</b>
Recycling	24	3,179	<b>3,203</b>	53	3,594	<b>3,647</b>
Composting	-	18	<b>18</b>	-	20	<b>20</b>
Recovery (also of energy)	37	317	<b>354</b>	44	252	<b>296</b>
Incineration	-	115	<b>115</b>	-	67	<b>67</b>
Deep well injection	-	-	-	-	-	-
Landfill	13	24	<b>37</b>	22	24	<b>45</b>
On-site storage	-	-	-	-	-	-
Other	183	8	<b>191</b>	164	-	<b>160</b>
<b>Total</b>	<b>257</b>	<b>3,700</b>	<b>3,957</b>	<b>283</b>	<b>3,985</b>	<b>4,268</b>

(\*) The 2019 figure has been restated following an improvement of the waste categorisation system. For previously published data, please refer to the 2019 non-financial statement, published on the Group's website in the Financial Statements as of 31 December 2019.

- **Emissions to air (\*)**

CO<sub>2</sub> emissions resulting from consumption are shown in the previous section.

The IRCE Group calculates its "carbon footprint" in terms of CO<sub>2</sub> emissions, reporting on:

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

<b>Direct GHG emissions (Scope 1)</b>					
	<b>Unit</b>	<b>2020</b>		<b>2019</b>	
		<b>Total</b>	<b>tCO2e</b>	<b>Total</b>	<b>tCO2e</b>
<b>Emissions from natural gas consumption</b>	<b>m<sup>3</sup></b>	1,784,979	<b>3,610</b>	1,741,235	<b>3,536</b>
<b>Emissions from diesel fuel consumption</b>	<b>l</b>	546,107	<b>1,390</b>	547,630	<b>1,421</b>
<b>Emissions from LPG consumption</b>	<b>GJ</b>	951	<b>57</b>	2,571	<b>164</b>
<b>Indirect GHG emissions (Scope 2) – Location-Based Method (**)</b>					
	<b>Unit</b>	<b>2020</b>		<b>2019</b>	
		<b>Total</b>	<b>tCO2e</b>	<b>Total</b>	<b>tCO2e</b>
<b>Electricity</b>	<b>kWh</b>	105,745,744	<b>32,075</b>	114,095,842	<b>34,807</b>
<b>Indirect GHG emissions (Scope 2) – Market-Based Method (***)</b>					
	<b>Unit</b>	<b>2020</b>		<b>2019</b>	
		<b>Total</b>	<b>tCO2e</b>	<b>Total</b>	<b>tCO2e</b>
<b>Electricity</b>	<b>kWh</b>	105,745,744	<b>42,261</b>	114,095,842	<b>46,056</b>

(\*) To calculate Scope 1 emissions for 2020, the Group used the conversion factors from the 2020 UK Government GHG Conversion Factors for Company Reporting. The 2019 data on Scope 1 and Scope 2 location-based emissions were restated after the Group improved the calculation method. For previously published data, please refer to the 2019 non-financial statement, published on the Group's website in the Financial Statements as of 31 December 2019.

(\*\*) Scope 2 emissions are reported in tonnes of CO<sub>2</sub>, however the percentage of methane and nitrous oxide has a negligible impact on total greenhouse gas emissions (CO<sub>2</sub> equivalent), as the relevant technical literature shows. To calculate 2020 Scope 2 emissions under the location-based method, the Group used the emission factors set out in TERNA's document, 2018 International Comparisons (data as of 31 December).

(\*\*\*) To calculate 2020 Scope 2 emissions under the market-based method, the Group used the emission factors set out in AIB's document, European Residual Mixes 2019, for Euro Area countries, and the emission factors mentioned in the previous note for the other countries in which the Group operates.

In addition to greenhouse gas emissions, the Group's production plants release other types of emissions into the atmosphere. These emissions are regularly monitored, and no legal limits were breached during 2020. The Group is committed to disclosing also this type of emissions starting from next year.

## 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 topics**

<b>MATERIAL TOPICS</b>	<b>RELATED RISKS</b>	<b>METHODS FOR MANAGING RISK</b>	<b>IMPROVEMENT OBJECTIVES</b>
<ul style="list-style-type: none"> <li>▪ R&amp;D, product quality and safety</li> <li>▪ Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Possible delayed and/or inadequate response to customer returns and expected satisfaction levels</li> <li>▪ Non-compliance of product information</li> <li>▪ Loss of reputation</li> <li>▪ Possible problems arising from after-sales service</li> </ul>	<ul style="list-style-type: none"> <li>▪ ISO 9001 quality management system</li> <li>▪ IATF 16949 (IRCE S.p.A. - Imola, Fd Sims Ltd and IRCE Ltda plants)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improve complaints management</li> <li>▪ Increase resources dedicated to research and development</li> <li>▪ Continuous improvement in handling customer requests</li> </ul>

### 5.1. Policy and Management Model

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

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

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

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

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

### 5.2. Non-Financial Results and Indicators:

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

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

- improving product performance and production processes;
- developing innovative products and technologies;
- developing customised products made upon specific customer request.

In 2020, no market withdrawals were reported in relation to the safety and quality of the products and services offered by the Companies belonging to the IRCE Group.

- **Customer satisfaction**

IRCE monitors customer satisfaction using two types of indicators:

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

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

## 6. ECONOMIC AND FINANCIAL PERFORMANCE

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:

<b>Economic value generated and distributed</b>		
<b>Amounts in €/000</b>	<b>31.12.2020</b>	<b>31.12.2019 (*)</b>
<b>Total economic value generated by the Group</b>	<b>295,347</b>	<b>302,270</b>
<b>Total economic value distributed by the Group</b>	<b>286,274</b>	<b>293,005</b>
Of which operating costs	254,368	261,198
Of which remuneration of personnel	28,525	30,195
Of which remuneration of lenders	1,053	862
Of which remuneration of shareholders (**)	797	-
Of which remuneration of the Public Administration (***)	1,531	750
<b>Economic value retained by the Group</b>	<b>9,073</b>	<b>9,265</b>

(\*) The 2019 figure has been restated following an improvement of the calculation method. For previously published data, please refer to the 2019 non-financial statement, published on the Group's website in the Financial Statements as of 31 December 2019.

(\*\*) The amount attributed to shareholders corresponds to the net profit for 2020 distributed as dividends that the Board of Directors approved on 16 March 2021 at the proposal of the Shareholders' Meeting.

(\*\*\*) The amount attributed to the Public Administration includes only income taxes.

**7. GRI CONTENTS INDEX**

	Disclosure	Page	Notes
<b>GRI 102: GENERAL STANDARD DISCLOSURES (2016)</b>			
<b>Organisational profile</b>			
102-1	Name of the organisation	15	
102-8	Information on employees and other workers	25-26	The indicator is compliant with requirements a), c), d), e) of the reference Standard.
102-10	Significant changes to the organisation and its supply chain	15	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards and norms of behaviour	22	
<b>Governance</b>			
102-18	Governance structure	20-21	The indicator is compliant with requirement a) of the reference Standard.
<b>Stakeholder engagement</b>			
102-41	Collective bargaining agreements	26	
102-43	Approach to stakeholder engagement	16-17	
102-44	Key topics and concerns raised	18	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	15	
102-46	Defining report content and topic boundaries	15-19	
102-47	List of material topics	18-19	
102-48	Restatements of information	21; 25-32; 34	
102-49	Changes in reporting	15	
102-50	Reporting period	15	
102-52	Reporting cycle	16	
102-55	GRI content index	35-37	
102-56	External assurance	172	
<b>TOPIC-SPECIFIC STANDARDS</b>			
<b>Material topic: Economic and financial performance</b>			
<b>GRI 103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	18-19	
103-2	The management approach and its components	33-34	
103-3	Evaluation of the management approach	33-34	
<b>GRI 201: Economic performance (2016)</b>			
201-1	Direct economic value generated and distributed	34	
<b>Material topic: Ethics, integrity and compliance with laws and regulations</b>			
<b>GRI 103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	18-19	
103-2	The management approach and its components	20-22	
103-3	Evaluation of the management approach	20-22	
<b>GRI 205: Anti-corruption (2016)</b>			
205-3	Confirmed incidents of corruption and actions taken		In 2020, there were neither established incidents of corruption in the Group in which employees were dismissed or were subject to measures nor incidents where contracts with business partners were terminated or not renewed due to corruption-related violations. In addition, there were no incidents of corruption-related public lawsuits brought against the Group or its employees during the reporting period.
<b>Material topic: Energy consumption</b>			
<b>GRI 103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	18-19	

	<b>Disclosure</b>	<b>Page</b>	<b>Notes</b>
<b>103-2</b>	The management approach and its components	28-30	
<b>103-3</b>	Evaluation of the management approach	28-30	
<b>GRI 302: Energy (2016)</b>			
<b>302-1</b>	Energy consumption within the organisation	30	
<b>Material topic: Emissions to air</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	28-29; 31-32	
<b>103-3</b>	Evaluation of the management approach	31-32	
<b>GRI 305: Emissions (2016)</b>			
<b>305-1</b>	Direct (Scope 1) GHG emissions	32	
<b>305-2</b>	Energy indirect (Scope 2) GHG emissions	32	
<b>Material topic: Water consumption</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	28-31	
<b>103-3</b>	Evaluation of the management approach	30-31	
<b>GRI 303: Water and effluents (2018)</b>			
<b>303-3</b>	Water Withdrawal	30	
<b>Material topic: Recycling and waste management</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	28-29; 31	
<b>103-3</b>	Evaluation of the management approach	31	
<b>GRI 306: Effluents and waste (2016)</b>			
<b>306-2</b>	Waste by type and disposal method	31	
<b>Material topic: Multiculturalism, diversity and equal opportunity</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	24-26	
<b>103-3</b>	Evaluation of the management approach	25-26	
<b>GRI 405: Diversity and equal opportunity (2016)</b>			
<b>405-1</b>	Diversity of governance bodies and employees	21; 26	The indicator is compliant with requirements a.i) e b.i) of the reference Standard.
<b>GRI 406: Non-discrimination (2016)</b>			
<b>406-1</b>	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination against employees during the reporting period.	
<b>Material topic: Employees' health and safety</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	24-25; 27-28	
<b>103-3</b>	Evaluation of the management approach	27-28	
<b>GRI 403: Occupational health and safety (2018)</b>			
<b>403-9</b>	Work-related injuries	27	The indicator is compliant with requirements (a) and (b) of the reference Standard, except for points (a) iv; (b) iv.
<b>Material topic: Training and professional growth</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	24-25; 28	
<b>103-3</b>	Evaluation of the management approach	28	

	<b>Disclosure</b>	<b>Page</b>	<b>Notes</b>
<b>GRI 404: Training and education (2016)</b>			
<b>404-1</b>	Average hours of training per year per employee	28	The indicator is compliant with the requirements, except for the breakdown by gender and category of employees
<b>Material topic: Human rights</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	24-26	
<b>103-3</b>	Evaluation of the management approach	26	
<b>GRI 408: Child labour (2016)</b>			
<b>408-1</b>	Operations and suppliers at significant risk for incidents of child labour		Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk relating to the use of child labour at the Group's main suppliers.
<b>GRI 409: Forced or compulsory labour (2016)</b>			
<b>409-1</b>	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk relating to the use of forced or compulsory labour at the Group's main suppliers.
<b>Material topic: R&amp;D, product quality and safety</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	32-34	
<b>103-3</b>	Evaluation of the management approach	34	
<b>GRI 416: Customer health and safety (2016)</b>			
<b>416-2</b>	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents of non-compliance with regulations and/or codes of conduct concerning the health and safety impacts of products that resulted in a sanction, fine or warning from control bodies were identified.
<b>Material topic: Corporate governance</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	20-21	
<b>103-3</b>	Evaluation of the management approach	21	
<b>Material topic: Customer satisfaction</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	32-34	
<b>103-3</b>	Evaluation of the management approach	33-34	
<b>Material topic: Risk Management</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	20-23	
<b>103-3</b>	Evaluation of the management approach	20-23	
<b>Material topic: Business strategy</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	20-23	
<b>103-3</b>	Evaluation of the management approach	20-23	
<b>Material topic: Industrial relations</b>			
<b>GRI 103: Management Approach (2016)</b>			
<b>103-1</b>	Explanation of the material topic and its Boundary	18-19	
<b>103-2</b>	The management approach and its components	24-28	
<b>103-3</b>	Evaluation of the management approach	28	

**CONSOLIDATED FINANCIAL STATEMENTS OF THE IRCE GROUP  
AS OF 31 DECEMBER 2020**

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
(Unit of Euro)			
<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>NON CURRENT ASSETS</b>			
Goodwill and Other intangible assets	1	133,008	256,300
Property, plant and machinery	2	40,862,438	48,354,131
Equipments and other tangible assets	2	1,542,621	1,750,118
Assets under constructions and advances	2	971,478	1,436,379
Investments	3	102,137	113,010
Non current financial assets	3	124,882	121,755
Non current tax receivables	4	0	375,564
Deferred tax assets	5	1,386,848	1,375,021
<b>NON CURRENT ASSETS</b>		<b>45,123,412</b>	<b>53,782,278</b>
<b>CURRENT ASSETS</b>			
Inventories	6	76,230,890	82,308,481
Trade receivables	7	73,906,499	61,350,882
Tax receivables	8	7,236	832,772
<i>(of which related parties)</i>		<i>0</i>	<i>196,803</i>
Other current assets	9	1,935,970	2,053,794
Current financial assets	10	1,903,141	385,919
Cash and cash equivalent	11	10,259,995	8,631,545
<b>CURRENT ASSETS</b>		<b>164,243,731</b>	<b>155,563,394</b>
<b>TOTAL ASSETS</b>		<b>209,367,143</b>	<b>209,345,672</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	14,626,560	14,626,560
Reserves	12	105,579,784	115,276,611
Result for the period	12	2,725,715	1,942,159
<b>Shareholders' equity attributable to group shareholders</b>		<b>122,932,059</b>	<b>131,845,330</b>
Shareholders' equity attributable to non controlling interest	12	(308,043)	(343,966)
<b>SHAREHOLDERS' EQUITY</b>		<b>122,624,016</b>	<b>131,501,364</b>
<b>NON CURRENT LIABILITIES</b>			
Non current financial liabilities	13	21,311,962	8,746,825
Deferred tax liabilities	5	181,882	127,125
Provision for risks and charges	14	309,344	534,920
Provision for employee defined benefit	15	4,990,269	5,099,185
<b>NON CURRENT LIABILITIES</b>		<b>26,793,457</b>	<b>14,508,055</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	16	30,594,634	42,300,450
Trade payables	17	21,200,554	13,454,746
Tax payables	18	594,843	126,082
<i>(of which related parties)</i>		<i>155,914</i>	<i>0</i>
Social security contributions	19	1,950,195	1,848,422
Other current liabilities	20	5,414,449	5,240,189
Provision for risks and charges	14	194,995	366,364
<b>CURRENT LIABILITIES</b>		<b>59,949,670</b>	<b>63,336,253</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>209,367,143</b>	<b>209,345,672</b>

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



<b>CONSOLIDATED INCOME STATEMENT</b>			
<b>(Unit of Euro)</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Sales revenues	21	295,262,303	311,937,790
Other revenues and income	22	827,690	1,009,464
<b>TOTAL REVENUES</b>		<b>296,089,993</b>	<b>312,947,254</b>
Raw materials and consumables	23	(229,092,247)	(240,879,183)
Change in inventories of work in progress and finished goods		(2,721,107)	(5,240,697)
Cost for services	24	(23,669,706)	(27,688,404)
Personnel costs	25	(28,525,135)	(30,195,481)
Amortization /depreciation/write off tangible and intangible assets	26	(7,098,824)	(7,291,619)
Provision and write downs	27	(455,257)	(104,027)
Other operating costs	28	(1,331,945)	(1,124,960)
<b>EBIT</b>		<b>3,195,772</b>	<b>422,884</b>
Financial income and charges	29	1,096,782	2,300,442
<b>RESULT BEFORE TAX</b>		<b>4,292,554</b>	<b>2,723,325</b>
Income taxes	30	(1,530,916)	(750,042)
<b>Result for the period</b>		<b>2,761,638</b>	<b>1,973,283</b>
Result for the period attributable to non-controlling interests		35,923	31,125
<b>Result for the period attributable to the Parent company</b>		<b>2,725,715</b>	<b>1,942,159</b>

## Earnings / losses per shares

- basic EPS for the period attributable to shareholders of the parent company	31	0.103	0.073
- diluted EPS for the period attributable to shareholders of the parent company	31	0.103	0.073

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

<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>			
<b>€/000</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Result for the period</b>		<b>2,762</b>	<b>1,973</b>
Translation difference on financial statements of foreign companies	13	(11,609)	(270)
<b>Total items that will be reclassified to Net result</b>		<b>(11,609)</b>	<b>(270)</b>
Actuarial gains / (losses) IAS 19	16	(20)	(199)
Tax effect	6	4	74
<b>Total IAS 19 reserve variance</b>	<b>13</b>	<b>(16)</b>	<b>(125)</b>
<b>Total items that will not be reclassified to net result</b>		<b>(16)</b>	<b>(125)</b>
<b>Total comprehensive income for the period</b>		<b>(8,864)</b>	<b>1,578</b>
<i>attributable to shareholders of Parent company</i>		<i>(8,900)</i>	<i>1,547</i>
<i>attributable to Minority interest</i>		<i>36</i>	<i>31</i>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY														
€/000	Share capital		Other reserves			Retained earnings						Equity attributable to shareholders of parent company	Equity attributable to minority interest	Total shareholders' equity
	Share capital	Own shares	Own shares (shares premium)	Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Extraordinary reserve	Retained earnings	Translation reserve	Result for the period			
<b>Balance as of 31 December 2018</b>	<b>14,627</b>	<b>(788)</b>	<b>64</b>	<b>40,539</b>	<b>45,924</b>	<b>2,925</b>	<b>(1,071)</b>	<b>34,486</b>	<b>11,714</b>	<b>(22,624)</b>	<b>5,876</b>	<b>131,672</b>	<b>(375)</b>	<b>131,297</b>
Result for previous period								7,903	(2,027)		(5,876)	-		-
Sell / (purchase) own shares		(12)	(31)									(43)		(43)
Dividends								(1,330)				(1,330)		(1,330)
Other comprehensive income for the period							(125)			(270)		(395)		(395)
Result for the period											1,942	1,942	31	1,973
<b>Total comprehensive income for the period</b>							<b>(125)</b>			<b>(270)</b>	<b>1,942</b>	<b>1,547</b>	<b>31</b>	<b>1,578</b>
<b>Balance as of 31 December 2019</b>	<b>14,627</b>	<b>(800)</b>	<b>33</b>	<b>40,539</b>	<b>45,924</b>	<b>2,925</b>	<b>(1,196)</b>	<b>41,059</b>	<b>9,688</b>	<b>(22,893)</b>	<b>1,942</b>	<b>131,845</b>	<b>(344)</b>	<b>131,502</b>
Result for previous period								3,603	(1,661)		(1,942)	-		-
Sell / (purchase) own shares		(5)	(9)									(14)		(14)
Other comprehensive income for the period							(16)			(11,609)		(11,625)		(11,625)
Result for the period											2,726	2,726	36	2,762
<b>Total comprehensive income for the period</b>							<b>(16)</b>			<b>(11,609)</b>	<b>2,726</b>	<b>(8,899)</b>	<b>36</b>	<b>(8,864)</b>
<b>Balance as of 31 December 2020</b>	<b>14,627</b>	<b>(805)</b>	<b>24</b>	<b>40,539</b>	<b>45,924</b>	<b>2,925</b>	<b>(1,212)</b>	<b>44,662</b>	<b>8,027</b>	<b>(34,502)</b>	<b>2,726</b>	<b>122,932</b>	<b>(308)</b>	<b>122,624</b>

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

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>€/000</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>OPERATING ACTIVITIES</b>			
<b>Result of the period (Group and Minorities)</b>		<b>2,762</b>	<b>1,973</b>
<i>Adjustments for:</i>			
Deprecitation / Amortization	26	7,099	7,194
Net change in deferred tax (assets) / liabilities		34	(73)
Capital (gains) / losses from disposal of fixed assets		2	(25)
Profit /loss on unrealised exchange rate differences		66	(464)
Provisions for risks		10	-
Income taxes	30	1,497	(782)
Financial (income) / expenses	29	(1,494)	(2,133)
<b>Operating result before changes in working capital</b>		<b>9,976</b>	<b>5,690</b>
Income taxes paid		(1,411)	(2,478)
Financial charges paid	29	(1,076)	(852)
Financial income collected	29	2,463	2,996
Decrease / (Increase) in inventories	6	2,446	13,698
Change in trade receivables	7	(16,870)	8,828
Change in trade payables	17	8,032	(2,932)
Net changes in current other assets and liabilities		641	1,967
Net changes in current other assets and liabilities - related parties		751	0
Net changes in non current other assets and liabilities		27	(1,375)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>4,979</b>	<b>25,542</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	2	(7)	(181)
Investments in tangible assets	1	(2,133)	(5,729)
Investments in subsidiaries, associates, other entities		0	0
Disposals of tangible and intangible assets		13	19
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(2,127)</b>	<b>(5,891)</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings	13	(3,486)	(8,860)
Obtainment of loans	13	15,933	0
Net changes of current financial liabilities	16	(11,546)	(8,115)
Net changes of current financial assets	10	(1,111)	204
Other effects on shareholders' equity		0	0
Dividends		0	(1,330)
Management of own shares (sales/purchase)		(14)	(43)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(224)</b>	<b>(18,144)</b>
<b>NET CASH FLOW FROM THE PERIOD</b>		<b>2,628</b>	<b>1,507</b>
CASH BALANCE AT THE BEGINNING OF THE PERIOD	11	8,632	7,019
Exchange rate differences		(1,001)	107
NET CASH FLOW FROM THE PERIOD		2,628	1,507
<b>CASH BALANCE AT THE END OF THE PERIOD</b>	<b>11</b>	<b>10,259</b>	<b>8,633</b>

## GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2020 were approved by the Board of Directors of IRCE S.p.A. (hereinafter also referred to as the "Company") on 16 March 2021.

The IRCE Group owns 9 manufacturing plants and is one of the major players in the European winding wire industry, as well as in the Italian electrical cable sector.

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

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

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 2020 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, as well as with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. The term IFRS also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The consolidated financial statements are drafted in Euro 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.

To provide a better understanding of the consolidated financial statements, the Group did the following:

- in the consolidated statement of financial position, it allocated:

- "Financial assets and other non-current receivables" between "Equity investments" and "Other non-current financial receivables";
- "Provisions for risks and charges" between "Provisions for non-current risks and charges" and "Provisions for current risks and charges".

- in the consolidated statement of cash flows, it:

- included the profit or loss attributable to non-controlling interests in the "Result for the period"
- allocated the aggregate amounts reported in "Exchange rate difference on translation of financial statements in foreign currency" between the relevant specific items;
- added "Provisions" and "Net change in current assets and liabilities of the year with respect to related parties" to "Cash generated from operating activities";
- included the item "Investments in equity investments" in the "Investing activities" section.

Finally, to improve the presentation, starting with these financial statements, the item "Payables for deposits received from customers", included under "Other current liabilities" as of 31 December 2019, was reclassified as a deduction from "Trade receivables", since the Group offsets the liability with the trade receivable outstanding when the customer returns packaging.

Item reclassified in the comparative financial statements as of 31.12.2019	€/000	Previous classification	Current classification
Payables for deposits received from customers	1,779	Other liabilities	Trade receivables

## 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 2020. The financial statements of the subsidiaries were prepared by adopting the same accounting standards used by the parent company. The main consolidation criteria adopted in drafting the consolidated financial statements are as follows:

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

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

The following table shows the list of companies included in the scope of consolidation as of 31 December 2020:

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	EUR	1,165,761	line by line
FD Sims Ltd	100%	UK	GBP	15,000,000	line by line
Isolveco Srl	75%	Italy	EUR	46,440	line by line
DMG GmbH	100%	Germany	EUR	255,646	line by line
IRCE S.L.	100%	Spain	EUR	150,000	line by line
IRCE Ltda	100%	Brazil	BRL	157,894,223	line by line
ISODRA GmbH	100%	Germany	EUR	25,000	line by line
Stable Magnet Wire P.Ltd.	100%	India	INR	165,189,860	line by line
IRCE SP.ZO.O	100%	Poland	PLN	200,000	line by line
Isolveco 2 Srl	100%	Italy	EUR	20,000	line by line
Irce Electromagnetic Wire (Jiangsu) Co. Ltd	100%	China	CNY	15,209,587	line by line

During 2020, the parent company IRCE S.p.A. paid and subscribed a capital increase of the subsidiary Isolveco 2 Srl for €/000 10.

The main rates used for the translation are as follows:

Currency	Country	31/12/2020		31/12/2019	
		Average	Spot	Average	Spot
BRL	Brazil	5.8898	6.3735	4.4135	4.5157
GBP	United Kingdom	0.8892	0.8990	0.8773	0.8508
CHF	Switzerland	1.0703	1.0802	1.1127	1.0854
INR	India	84.5790	89.6605	78.8541	80.187
PLN	Poland	4.4431	4.5597	4.2975	4.2568
CNY	China	7.8707	8.0225	7.7355	7.8205

## 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.

### Going Concern

The directors have assessed the applicability of the going concern assumption in the preparation of the consolidated financial statements, concluding that this assumption is appropriate as there is no doubt about the company's ability to continue as a going concern. In making this assessment, the current pandemic context was also taken into account, as reported in the section "COVID-19 - IMPACTS OF THE PANDEMIC - UPDATES".

### Foreign Currency Translation of Financial Statement Items

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

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

### Tangible Assets

Tangible assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.

The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.

If no binding sale agreement exists, fair value is measured on the basis of quoted prices in an active market, recent transactions, or the best available information to reflect the amount that an entity could obtain from selling the asset.

Value in use is measured by discounting the cash flows expected from the use of the asset and, if these are material and can reasonably be determined, from its disposal at the end of its useful life. Cash flows are measured on the basis of reasonable and supportable assumptions that represent the best estimate of the future economic conditions that will exist over the useful life of the asset. Cash flows are discounted at a rate accounting for the risk implicit in the business segment.

If the reasons for a previously recognised impairment loss no longer exist, the assets are revalued and the adjustment is recognised through profit or loss as a revaluation (reversal) not in excess of the previously recognised impairment loss or the lower of recoverable amount and carrying amount before deducting previously recognised impairment losses and less the depreciation charges that would have been incurred if no impairment loss had been recognised.

The capitalisation of costs related to the expansion, renovation or improvement of the structural elements owned or leased from third parties is exclusively carried out to the extent that they meet the requirements for separate classification as an asset or part of an asset by applying the "component approach" criterion.

On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

Land, including that ancillary to buildings, is not depreciated.

Assets under construction and advances paid for the acquisition of tangible assets are measured at cost. Depreciation begins when the asset is available and ready for use, and assets are allocated to a specific category from the same date.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible assets. Depreciation begins when the asset is available for use, taking into account the actual time at which this condition occurs.

The rates applied on an annual basis by Group companies are included in the following ranges:

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

### **Intangible Assets**

Intangible assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Intangible assets which are acquired separately are initially capitalised at cost while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, 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 IFRS 16, starting 1 January 2019, lease contracts are recognised on the basis of a single accounting model similar to that regulated by IAS 17 on accounting for finance leases.

When each contract is stipulated, the Group:

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

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

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

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

### Business Combinations and Goodwill

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

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

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

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

Assets with a finite useful life falling within the scope of application of IAS 36 are tested for impairment whenever indicators of impairment exist.

To that end, both internal and external information sources are considered. 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 evaluating investments; and market capitalisation below the carrying amount of the entity's net assets.

In this case, the net carrying amount of these assets is compared with the estimated recoverable amount and, if the former is higher, a loss is recognised.

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows generated by the asset). In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money (relating to the period of investment) and risks specific to the asset.

In order to test for impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash-generating unit. Impairments of CGUs are recognised first as a reduction in the carrying amount of any goodwill allocated to the CGU and then as a reduction in other assets, in proportion to their carrying amount and up to their recoverable amount.

If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it were not impaired and the related amortisation had been applied.

### **Financial Assets**

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

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

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

#### *Financial assets measured at amortised cost*

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

- the financial asset is held according to a business model whose objectives are achieved by collecting the contractual cash flows ("Hold to Collect" business model); and
- the contractual terms of the financial asset provide that as at a certain date, cash flows be represented

solely by payments of principal and interest on the amount of capital to be returned (the test known as the "SPPI test" was fulfilled).

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

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

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

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

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

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

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

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

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

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

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

### **Impairment of Financial Assets**

In accordance with the provisions of IFRS 9, the Group the Group uses a simplified approach for estimating full lifetime expected credit losses for financial instruments. This approach takes into consideration the company's

historical experience with credit losses, and is adjusted on the basis of forward-looking factors specific to the nature of the Group's receivables and the economic scenario.

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

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

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

### **Inventories**

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

The costs incurred are recognised as follows:

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

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

### **Cash and Cash Equivalents**

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

### **Financial Liabilities and Trade Payables**

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

## **Derecognition of Financial Assets and Liabilities**

### Financial Assets

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

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

In cases where the Group 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 and the pension funds of some foreign companies, respectively Isomet and Magnet Wire.

Italian Law no. 296 of 27 December 2006 ("2007 Budget Law") introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this

manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service. Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a “defined contribution plan”. More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy’s social security institute).

In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Group actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

### **Derivative Financial Instruments**

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

As of the contract date, derivative financial instruments are recognised at fair value and, if not accounted for as hedging instruments, the changes in fair value after initial recognition are recognised directly through profit or loss.

If the derivative financial instruments qualify for hedge accounting, the subsequent changes in fair value are accounted for under hedge accounting according to specific criteria, which are described below.

The fair value of raw material forward contracts, outstanding at the reporting date, is determined on the basis of forward prices of raw materials with reference to the maturity dates of contracts outstanding at the reporting date.

For the purposes of hedge accounting, hedges are classified as:

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

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

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

### **Treasury Shares**

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



## Recognition of Revenues

### Recognition of Revenues

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

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

The Group recognises revenue from contracts with customers at a point in time (or over time) when performance obligations are fulfilled by transferring the promised goods or services (namely, the asset) to the customer. The asset is transferred at a point in time (or over time) when the customer obtains control of the asset.

The Group transfers control of the goods or services over time (and thus fulfils the performance obligations and recognises the revenue over time) if the situation satisfies one of the following criteria:

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

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

The Group allocates the contractual price to the individual performance obligations by reference to the relative standalone selling prices (SSP) for the individual performance obligations. When there is no SSP, the Group estimates the SSP using an adjusted market assessment approach.

In this case, the Group uses judgement to determine the performance obligation, variable consideration and allocation of the transaction price.

### Dividends

Dividends are recognised as at the date of the Shareholders' Meeting when the resolution establishing the right to receive payment is passed.

Dividends approved by the Shareholders' Meeting are shown as movements in shareholders' equity for the financial year in which they are approved.

## Costs

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

## Financial Income and Charges

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

## Earnings per Share

As required by IAS 33, the Group presents on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The information is presented only on the basis of the consolidated data, in accordance with the requirements of the aforementioned IAS.

Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent entity by the weighted number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average of the shares was applied retroactively for all previous years.

## Income Taxes

### Current taxes

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

### Deferred tax assets and liabilities

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in the income statement.

## Use of Estimates

The drafting of the financial statements in accordance with the IFRS requires the use by the Management of estimates and assumptions, which influence the value of assets and liabilities recorded in the statement of financial position as well as in the disclosures published in the explanatory notes regarding potential assets and liabilities at the reporting date, and the revenues and costs for the period.

These estimates are based on experience and on other factors considered relevant. The effective results could thus differ from those estimated. The estimates are revised on a regular basis and the effects of each change to the same are reflected in the income statement of the period in which the estimate is revised.

The most significant cases requiring greater subjectivity on the part of directors in making the relevant estimates are briefly described below.

- a. Measurement of receivables. Trade receivables are adjusted using the relevant bad debt provision to take into account their recoverable amount. To determine impairment losses, directors are required to



- make subjective measurements based on the documentation and information available, including the creditworthiness of the client as well as past experience and historical trends;
- b. Measurement of inventories. Inventories showing obsolescence are periodically measured and impaired if the net realisable value of the same is lower than the carrying amount. Impairment losses are calculated on the basis of assumptions and estimates made by the Management, based on the experience of the same and the historical results achieved. Furthermore, the price of copper, as listed on the main stock exchange for non-ferrous metals (London Metal Exchange) appears to be subject to fluctuations, which are sometimes significant. Therefore, there is a risk that a prolonged downward trend in the price of copper after the reporting date could lead to the potential risk that the realisable value of the copper held in inventories may be lower than its carrying amount and that, as a consequence, raw materials, work in progress and finished goods may need to be written down. To this end, the Directors of IRCE S.p.A. carry out a specific analysis to verify whether the conditions exist to write down the "Copper Component" of the inventories, taking into account, among other things: the process for determining the sale price of the Copper Component, the copper prices available up to a date close to the approval of the financial statements, the commitments and sales orders in place at the end of the financial year with a fixed price of copper, as well as the expected trend in the price of copper in the months following the approval of the financial statements.
  - c. Recoverability of deferred tax assets. Deferred tax assets are measured on the basis of expected taxable income in future years. The measurement of this expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets;
  - d. Pension plans. The Group companies participate in pension plans in various countries. The current value of liabilities for retirement benefits depends on a series of factors that are determined using actuarial techniques based on certain assumptions, which concern the discount rate, the expected return on plan assets, the rates of future salary increases, as well as mortality and resignation rates. Any changes to the aforementioned assumptions could have significant effects on the liabilities for retirement benefits;
  - e. Measurement of provisions for risks. The determination of the provisions allocated requires the Directors to make subjective measurements based on the documentation and information available on potential liabilities.
  - f. Asset impairments. Assets are written down whenever events or changes in circumstances cause the Company to deem that the carrying amount is not recoverable. Events which may lead to the impairment of an asset may include changes to industrial plans, changes in market prices, or reduced plant utilisation. The decision about whether to proceed with an impairment (and to what extent) depends on management's assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on the cost of production, production profiles, and supply and demand conditions. The impairment loss is determined by comparing the carrying amount with the associated recoverable amount, represented by the higher of fair value (net of disposal costs) and value in use, determined by discounting to present value the expected cash flows arising from the use of the asset. The expected cash flows are quantified in the light of information available at the time the estimate is made, and are based on subjective assessments on the trend in future variables, such as prices, costs, demand growth rates, and production profiles. The cash flows are discounted using a rate which takes into account the inherent risk for the asset in question.
  - g. Useful life of tangible and intangible assets with a finite useful life. Depreciation and amortisation are calculated based on the useful life of the asset, which is determined at the time the asset is recognised in the financial statements. Useful life assessments are based on historical experience, market conditions and expectations of future events that may affect the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

### **Offsetting of Financial Assets and Liabilities**

The Group offsets financial assets and liabilities if, and only if:

- it has a legally enforceable right to offset the reported amounts;
- it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020**

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

- On 31 October 2018, the IASB issued the document "Definition of Material (Amendments to IAS 1 and IAS 8)". It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect. The adoption of this amendment did not have any impact on the Group consolidated financial statements.
- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the essential concepts for the financial disclosure and guides the Board in developing IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors. The Conceptual Framework supports businesses in the development of accounting standards when no IFRS applies to a specific transaction and, more generally, helps the parties concerned to understand and interpret the standards. The adoption of this amendment did not have any impact on the Group consolidated financial statements.
- 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 on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements on their hedging relations directly involved by the uncertainties generated by the reform and to which said derogations apply. The adoption of this amendment did not have any impact on the Group consolidated financial statements.
- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually has outputs, these are not strictly required for an integrated set of activities/processes and assets to qualify as a business. However, to qualify as a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist without including all of the inputs and processes needed to create outputs. The amendment also introduced an optional concentration test that allows ruling out the existence of a business if the price paid essentially refers to an individual asset or group of assets. The amendments are applicable to all business combinations and acquisitions of assets starting from 1 January 2020; earlier application is, however, permitted. The adoption of this amendment did not have any impact on the Group consolidated financial statements.
- On 28 May 2020, the IASB published the document "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides lessees with the option to account for rent reductions related to COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees that apply this option may account for the effects of

rent reductions directly through profit or loss at the effective date of the reduction. This amendment applies to financial years beginning on or after 1 June 2020, but an earlier application of this amendment to 1 January 2020 is permitted. The adoption of this amendment did not have any impact on the Group consolidated financial statements.

**ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2020**

- On 28 May 2020, the IASB published the amendment “Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)”. The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance contracts. The amendments will come into force on 1 January 2021. The Directors do not expect a significant impact on the Group’s consolidated annual financial statements from the adoption of said amendment.
- On 27 August 2020, the IASB published, in light of the reform of interest rate benchmarks (such as IBOR), the document “Interest Rate Benchmark Reform - Phase 2” which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

All amendments will come into force on 1 January 2021. The Directors do not expect a significant impact on the Group’s consolidated annual financial statements from the adoption of said amendment.

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

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

- On 18 May 2017, the IASB issued the standard IFRS 17 – Insurance Contracts, which will replace IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also specifies presentation and disclosure requirements to enhance comparability between insurers.

The new standard measures insurance contracts under a General Model or a simplified version of this, called the Premium Allocation Approach (“PAA”).

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- measurement reflects the time value of money;
- estimates make maximum use of observable market inputs;
- there is a current and explicit measurement of risk;

- expected profit is deferred and aggregated in groups of insurance contracts at initial recognition; and
- expected profit is recognised over the coverage period after adjustments from changes in the cash flows assumptions related to each group of contracts.

Under the PAA, the liability for the remaining coverage of a group of insurance contracts shall be measured on the condition that, at initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA. The simplifications arising from applying the PAA do not apply to the measurement of liabilities for outstanding claims, which are measured under the General Model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

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

The standard is effective for annual periods beginning on or after 1 January 2023, but earlier application is permitted only for the entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Considering the contents of the standard concerned, the Directors do not anticipate impacts on the Group's consolidated financial statements as a result of the adoption of this standard.

- On 23 January 2020, the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments will come into force on 1 January 2023; however, earlier application is however permitted. The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said amendment.
- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of IFRS 3 standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments aim to disallow the deduction of the amount received from the sale of goods produced during the test phase of the asset, from the cost of tangible assets. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the potential costs of a contract, all costs directly relating to said contract must be considered. Consequently, the assessment of the potential cost of a contract includes not only the incremental costs (such as, for example, the cost of direct material used in processing) but also all costs that the company cannot avoid insofar as it has stipulated the contract (such as, for example, the portion of the payroll costs and depreciation of machinery used to fulfil the contract).
  - Annual Improvements 2018-2020: the amendments applied to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

All amendments will come into force on 1 January 2022. The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said amendments.

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

### Introduction

The year 2020 was characterised by the COVID-19 outbreak, with varying levels of intensity according to the time period under consideration and the geography in which the Group operates.

In response to this emergency, several governments in the affected jurisdictions implemented travel bans, quarantines, and other public safety measures, such as imposing limits on social gatherings, restrictions on business activities, and lockdowns.

As of 16 March 2021, although vaccines have started rolling out in the countries where the Group operates, several of these measures are still in place, as the pandemic has resurged, especially in Europe. Therefore, there is still considerable uncertainty over the economic fallout.

That said, production at the Group's facilities has continued without interruptions as they were not closed during the lockdowns imposed from time to time by government, although some subsidiaries operated at reduced capacity because of the slump in demand.

The only exception, in the segment of winding wires, is the Group's small unit in India (Kerala), whose production has been temporarily suspended at the beginning of the pandemic to comply with the country's government measures.

To reduce the risk of contagion and comply with Government orders to contain the pandemic, each company of the Group also implemented specific internal procedures, such as sanitising premises, taking temperatures at the entrance, using masks, distancing, using gel sanitiser, and using remote working where deemed necessary.

In addition, the staff suspected to have been infected are pre-emptively quarantined, while those infected with COVID-19 need a medical certificate to return to work.

With respect to our supply chain, we have not yet encountered any issues in terms of regularity and punctuality of the requested supplies, also thanks to the diversification of suppliers. In addition, the fact of having multiple plants in different geographic areas has further contributed to limiting the risk of discontinuing supplies to our customers.

To meet the requirements under Consob warning notice no. 1/21 of 15 February 2021 concerning: "*COVID-19 – measures to support the economy – warning notice on the information to be provided*" (in line with the document issued by ESMA on 28 October 2020 "*European common enforcement priorities for 2020 annual financial reports*"), the Company discloses the following:

#### (i) Application of IAS 1 "Presentation of Financial Statements"

The COVID-19 emergency has had a direct impact on the Group's economic results, which, together with the slowdown in demand that had already started in 2019, curbed its results, particularly in the first half of 2020. However, the steady recovery in sales volumes seen in the second half of 2020, especially at the plants in Italy and Brazil, allowed mitigating the decline in turnover on an annual basis.

The impact on falling sales volumes was mitigated by curbing costs, adjusting production capacity to reduced market demand, and benefiting, where possible, from the measures passed by governments to mitigate the negative economic and financial impact of the pandemic.

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

Considering the decrease in revenues and the previously described uncertainties, the Directors concluded that there were indicators of impairment concerning the Group and, therefore, carried out an impairment test as of 31 December 2020 to measure the recoverable amount of the assets of the Cash Generating Units, as described below.

The Group did not find significant impacts from COVID-19 on the other line items and, specifically, the estimates concerning the recoverability of receivables and the measurement of inventories of raw materials and finished products.

With respect to potential liquidity risks, please note that the Group still maintains a solid financial position. Net Financial Debt amounted to € 39.7 million as of 31 December 2020, down from € 42.0 million as of 31 December 2019. In accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità Imprese"), the Parent Company obtained a loan backed by Sace for an amount of € 10.00 million and a loan backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million, while the subsidiary Isomet received a loan of CHF 0.5 million. In addition, thanks to its industry leadership and credit standing, the Company believes it can continue relying on the support of the financial system also in the near future.

Moreover, please note that as of 31 December 2020 the Group had € 87.83 million in available unused lines of credit.

Considering the above, the Directors believe that the Group's current financial conditions do not put its solvency in question, and are instead adequate to help achieve the stated objectives.

**(ii) Application of IAS 36 "Impairment of Assets"**

To account for the impact of the Coronavirus outbreak and the current economic uncertainty, the Directors have developed a forecasting model based on their best estimate of COVID-19 impact on the future performance of the Group and of the specific Cash Generating Units, including under a multi-scenario approach. The forecasts produced by this model were used also in the impairment tests carried out to measure the recoverable amount of net invested capital and, specifically, the tangible and intangible assets recognised as of 31 December 2020.

Based on the results of the impairment test, details of which are provided in the "Impairment test" note of this report, no impairment losses were recognised for the IRCE Group and the Cash Generating Units in the consolidated financial statements.

**(iii) Application of IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures",**

With respect to customers, in the second half of 2020 the Group saw a decline in requests for payment extensions and, therefore, a gradual decrease in average payment terms; the analysis of past due receivables at the end of the year did not highlight particular issues. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks associated with the pandemic that could cause days sales outstanding or credit quality to deteriorate in future periods.

**(iv) Application of IFRS 16 "Leasing"**

There are no particular changes in the application of IFRS 16 compared to the previous year.



**DERIVATIVE INSTRUMENTS**

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2020. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of 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.

Below is a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 31 December 2020 and 31 December 2019:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	875	1200	879	(307)	572
<b>Total</b>	<b>875</b>	<b>1200</b>	<b>879</b>	<b>(307)</b>	<b>572</b>

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2019		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	1050		361		361
<b>Total</b>	<b>1050</b>		<b>361</b>		<b>361</b>

- Derivative instruments related to USD and GBP forward purchase and sale contracts with maturity after 31 December 2020. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the currency derivative contracts for forward purchases and sales, outstanding as of 31 December 2020 and 31 December 2019:

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

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2019		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
<b>Current assets and liabilities</b>					
USD	9,211			(113)	(113)
GBP	6,000		11		11
<b>Total</b>			<b>11</b>	<b>(113)</b>	<b>(102)</b>

- Derivative instruments related to electricity purchase obligations with a maturity date after 31 December 2020. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the electricity derivative contracts for forward purchases and sales, outstanding as of 31 December 2020 and 31 December 2019:

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
<b>Current assets and liabilities</b>					
MWh	4,052		38		38
<b>Total</b>	<b>4,052</b>		<b>38</b>		<b>38</b>

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2019		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
<b>Current assets and liabilities</b>					
MWh	-		-		-
<b>Total</b>	<b>-</b>		<b>-</b>		<b>-</b>

## SEGMENT REPORTING

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- 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);
- 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
- for which discrete financial information is available.

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

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

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

- Italy: Irce SpA, Iolveco 2 Srl and Iolveco Srl in liquidation;



- EU: Smit Draad Nijmegen BV, DMG GmbH, Irce S.L., Isodra GmbH and IRCE SP. ZO.O.
- Non-EU: FD Sims Ltd, Irce Ltda, Isomet AG, Stable Magnet Wire Ltda Irce Electromagnetic Wire (Jiangsu)

The following tables show the consolidated revenues by geographical area for the years 2020 and 2019.

31/12/2020	Italy	EU	Non-EU	Consolidation adjustments	Group Total
(€/000)					
Revenues	183,443	36,746	82,247	(7,174)	<b>295,262</b>
EBITDA	6,090	(1,687)	6,131	216	<b>10,750</b>
EBIT	2,077	(2,512)	3,313	318	<b>3,196</b>
Financial income/(charges)					<b>1,097</b>
Taxes					<b>(1,531)</b>
Result for the year					<b>2,762</b>
Intangible assets	83	0	50	0	<b>133</b>
Tangible assets	21,741	5,763	15,603	269	<b>43,377</b>

31/12/2019	Italy	EU	Non-EU	Consolidation adjustments	Group Total
(€/000)					
Revenues	203,293	36,282	82,090	(9,727)	<b>311,938</b>
EBITDA	5,928	(758)	2,627	22	<b>7,819</b>
EBIT	2,478	(1,884)	(238)	67	<b>423</b>
Financial income/(charges)					<b>2,300</b>
Taxes					<b>(750)</b>
Result for the year					<b>1,973</b>
Intangible assets	173	0	83	0	<b>256</b>
Tangible assets	23,885	6,638	21,200	(183)	<b>51,541</b>

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

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

The following table shows the breakdown and changes in intangible assets for the years ended 31 December 2020 and 2019.

	Patents and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Total
€ 000			
<b>Opening balance of previous year</b>	<b>106</b>	<b>22</b>	<b>127</b>
<i>Changes in previous year:</i>			
Investments	5	177	182
Amortisation	(43)	(12)	(55)
Reclassifications	-	-	-
Effect of exchange rates	1	-	1
<b>Net carrying amount of previous year</b>	<b>69</b>	<b>187</b>	<b>256</b>
<i>Changes in current year:</i>			
Investments	9	-	9
Amortisation	(32)	(92)	(124)
Reclassifications	(2)	2	-
Effect of exchange rates	(3)	(5)	(8)
<b>Net carrying amount of current year</b>	<b>41</b>	<b>92</b>	<b>133</b>

“Investments in licences, trademarks, similar rights and other multi-year charges” mainly include costs incurred last year for product approval tests run at external laboratories, necessary to obtain technical qualification for the supply of materials to a publicly-owned company.

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

## 2. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2020 and 2019.

	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
€/000							
<b>Net carrying amount of previous year</b>	<b>11,615</b>	<b>13,965</b>	<b>23,015</b>	<b>909</b>	<b>518</b>	<b>2,400</b>	<b>52,423</b>
<i>Changes in previous year:</i>							
Investments	1,339	236	3,721	389	399	117	6,201
Depreciation	-	(1,117)	(5,461)	(439)	(219)	-	(7,236)
Reclassifications	-	407	476	192	-	(1,075)	-
Divestments - Historical cost	-	-	(4,866)	23	(278)	(6)	(5,127)
Divestments - Accumulated depreciation	-	-	4,866	(23)	276	-	5,119
Effect of exchange rates	88	148	(79)	5	(1)	-	161
<b>Net carrying amount of previous year</b>	<b>13,042</b>	<b>13,639</b>	<b>21,672</b>	<b>1,056</b>	<b>695</b>	<b>1,436</b>	<b>51,541</b>
<i>Changes in current year:</i>							
Investments	-	713	737	377	78	507	2,412
Depreciation	(28)	(1,176)	(5,033)	(464)	(274)	-	(6,975)
Reclassifications	-	-	851	102	-	(953)	-
Divestments - Historical cost	-	-	(247)	-	(8)	(10)	(265)
Divestments - Accumulated depreciation	-	-	245	-	2	-	247
Effect of exchange rates	(194)	(836)	(2,523)	-	(21)	(9)	(3,583)
<b>Net carrying amount of current year</b>	<b>12,820</b>	<b>12,340</b>	<b>15,702</b>	<b>1,071</b>	<b>472</b>	<b>971</b>	<b>43,377</b>

Changes in Right-of-use assets determined in accordance with IFRS 16, the values of which are already included in the above table, are as follows:

€/000	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net carrying amount as of 31/12/2019	1,339	147			71		1,557
Investments	-	275	-	-	31	-	306
Depreciation	(28)	(97)	-	-	(45)	-	(170)
Net carrying amount as of 31/12/2020	1,311	325	-	-	57	-	1,693

Investments, not including Right-of-use assets, amounted to € 2.1 million and mainly related to the Parent Company IRCE S.p.A.

Land includes the investment of initial €/000 1,339 made by the Chinese subsidiary to acquire the 50-year concession for the land on which the production site will be built.

Assets under construction include machinery available and not yet installed.

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

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.

### **Impairment Test**

As envisaged by IAS no. 36, tangible assets, such as plants, machinery and equipment, as well as intangible assets must be tested for impairment: separately, if they can generate their own cash flows, or on a CGU level, if they cannot generate their own cash flows (IAS 36.22). For assets with a finite useful life, the impairment test is only carried out where there is an indication that value may have been lost; instead, for assets with an indefinite useful life, the impairment test is carried out at least once a year (IAS 36.11). Considering the gradual spread of the Coronavirus pandemic, the current economic uncertainty, and the requirements under warning notice no. 1/21 issued by Consob on 16 February 2021, concerning: "*COVID-19 – measures to support the economy – warning notice on the information to be provided*" (in line with the document issued by ESMA on 28 October 2020 "European common enforcement priorities for 2020 annual financial reports"), when approving the draft separate financial statements and the consolidated financial statements for the year 2020, the Group prepared the 2021 – 2025 Business Plans for the following entities, among others:

- IRCE Group;
- IRCE S.p.A.;
- IRCE Ltda;
- FD Sims Ltd;
- Smit Draad/Draad Nijmegen B.V.;
- Isomet AG.

Based on the aforementioned multi-year plans, impairment tests were performed and approved by the Parent Company's Board of Directors on 16 March 2021.

A first test was carried out on the Cash Generating Units ("CGUs") representing the smallest identifiable group able to generate independent cash flows; such CGUs were identified in the individual companies operating on the markets of the countries where the Group is present and are listed below:

- IRCE S.p.A.;
- IRCE Ltda;
- FD Sims Ltd;
- Smit Draad Nijmegen B.V.;
- Isomet AG.

The Group tested the recoverability of the amount of net invested capital (NIC) of the individual CGUs, calculated by adding together fixed assets, net working capital, and other non-financial items, i.e., other assets, other liabilities, and provisions, respectively. With respect to the CGU IRCE S.p.A., considering also that it is a holding company, the items "Equity investments in subsidiaries" and "Intra-group financial receivables" were excluded from NIC, as their recoverability is already tested when testing the other CGUs for impairment.

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

This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the relevant discounting rates. Future cash flows are based on the latest economic-financial plans prepared

and approved by the Management of each CGU in reference to the operation of the production structures and market context.

In order to determine future cash flows, the data of the 2021 – 2025 multi-year plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2025). In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, insofar as the Company's Management team considers this to be a normalised long-term flow.

The growth rate "g" applied to determine the terminal value has been set as equal to the long-term inflation (2025) of the country in which each CGU operates.

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

In order to perform the impairment test and to take into account a possible worsening of the current pandemic consequences on the economy, the cash flow for the various CGUs was calculated on the basis of multi-scenarios, which were assigned a different probability of occurrence.

Below are the results of the impairment tests carried out:

	<b>IRCE S.p.A.</b>	<b>IRCE Ltda</b>	<b>FD Sims</b>	<b>Smit Draad</b>	<b>Isomet</b>
g	1.4%	3.3%	2.0%	1.7%	1.0%
WACC	5.7%	10.4%	7.9%	7.6%	6.2%
EV (€/000)	130,496	66,385	9,006	14,221	6,217
NIC (€/000)	103,467	27,178	7,949	12,403	4,267
Difference (€/000)	27,029	39,207	1,057	1,818	1,950

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

Moreover, based also on the indications contained in document no. 4 issued jointly by the Bank of Italy, Consob and Isvap on 3 March 2010, the Group prepared the sensitivity analysis on the impairment test results compared with the changes in the basic assumptions that affect the value in use of the CGU. Such analysis revealed that impairment would only occur in the event of a major worsening in the parameters considered.

Below are the results of the sensitivity analysis, in which the net invested capital (NIC) of the CGU was compared with its Enterprise Value calculated on the basis of a discount rate (WACC) and a growth rate (g) half a percentage point lower and higher than the parameters used.

€/000		<b>IRCE S.p.A.</b>		
g / WCC		5.2%	5.7%	6.2%
1.9%		70,640	44,585	24,570
1.4%		47,439	<b>27,029</b>	10,880
0.9%		29,548	13,079	(261)
€/000		<b>IRCE Ltda</b>		
g / WCC		9.9%	10.4%	10.9%
3.8%		48,162	42,817	38,229
3.3%		43,882	<b>39,207</b>	35,150
2.8%		40,206	36,071	32,451

€/000		FD Sims		
g / WCC	7.4%	7.9%	8.4%	
2.5%	2,926	1,822	907	
2.0%	1,989	<b>1,057</b>	273	
1.5%	1,211	412	(269)	

€/000		Smit Draad Nijmegen		
g / WCC	7.1%	7.6%	8.1%	
2.2%	<b>5,084</b>	3,147	1,547	
1.7%	3,450	<b>1,818</b>	447	
1.2%	2,096	698	(492)	

€/000		Isomet		
g / WCC	5.7%	6.2%	6.7%	
1.5%	3,343	2,524	1,861	
1.0%	2,623	<b>1,950</b>	1,395	
0.5%	2,040	1,477	1,004	

Moreover, a second-level impairment test was also carried out on the IRCE Group in order to take into account the stock market capitalisation. For considerations regarding the plans used to carry out the second-level test, reference should be made to the information given above. For this test, a WACC of 6.9% was used, calculated as the weighted average of revenues for 2020 of the WACC of each CGU that was tested at level one, and a "g" rate of 1.8%, calculated using the same method as the WACC. The impairment testing procedure carried out in accordance with the provisions of IAS 36 and in applying criteria agreed with the Board of Directors, did not reveal any critical issues.

	IRCE Group
g	1.8%
WACC	6.9%
EV	196,374
NIC	162,367
Difference	34,007

In addition, the management prepared the sensitivity analysis on the IRCE Group's impairment test results compared with the changes in the basic assumptions that affect the value in use of the CGU.

Below are the results of the sensitivity analysis on "g" and "WACC", which revealed that impairment would only occur in the event of a major worsening in the parameters considered.

€/000		IRCE Group		
g / WCC	6.4%	6.9%	7.4%	
2.3%	89,799	56,721	30,251	
1.8%	60,997	<b>34,007</b>	11,945	
1.3%	37,853	15,357	(3,354)	

Finally, management confirmed by how much EBITDA would have to change compared to the amounts included in the 2021-2025 Plan for the IRCE Group's value in use to equal its "NIC". The sensitivity analysis showed that EBITDA would have to decline by 12.18% over the explicit period and terminal value to reach such level.

### 3. EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL RECEIVABLES

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

	FY20 December	FY19 December
€/000		
Other equity investments	102	113
Other non-current financial receivables	125	122
<b>Total</b>	<b>227</b>	<b>235</b>

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

The item "Other non-current financial receivables" includes the energy savings certificates (ESC) held by the parent company IRCE S.p.A.

### 4. NON-CURRENT TAX RECEIVABLES

As of 31 December 2019, this item referred to the residual tax credit relating to the 2011 IRES (corporate income tax) reimbursement claim, in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011, of the Parent Company IRCE S.p.A.; this credit was entirely collected in the first half of the year.

### 5. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are broken down as follows:

	FY20 December	FY19 December
€/000		
Deferred tax assets	1,387	1,375
Deferred tax liabilities	(182)	(127)
<b>Total deferred tax assets (net)</b>	<b>1,205</b>	<b>1,248</b>

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

The changes for the period are shown below:

€/000	31/12/2020	31/12/2019
Deferred tax assets (net) as of 1 January	1,248	1,176
Exchange rate differences	(13)	(34)
Impact on income statement	(34)	32
Impact on shareholders' equity	4	74
Deferred tax assets (net) as of 31 December	1,205	1,248

Here below is the breakdown of deferred tax assets and liabilities and the relevant changes for the period, if the items within the same tax jurisdiction have not been offset:

	FY20 December	FY19 December
€/000		
Deferred tax assets before offsetting	2,301	2,211
Deferred tax liabilities before offsetting	(1,096)	(963)
<b>Total</b>	<b>1,205</b>	<b>1,248</b>

€/000	31/12/2020	31/12/2019
- Allocations to provisions for risks and charges	60	77
- Allocations to the taxed bad debt provision	215	223
- Tax losses which can be carried forward	66	89
- Intra-group margin	27	54
- Allocations to the provision for inventory obsolescence	892	885
- IFRS 15	551	575
- IFRS 19	241	246
- Other	248	62
<b>Total</b>	<b>2,301</b>	<b>2,211</b>

The table below shows the changes in deferred tax assets during 2019 and 2020:

	Taxed provisions	IFRS 15	Brazil	Other	Total
<b>balances as of 01/01/2019</b>	<b>1,523</b>	<b>476</b>	<b>309</b>	<b>365</b>	<b>2,673</b>
impact on income statement	(338)	99	(236)	(85)	(560)
impact on shareholders' equity				74	74
exchange rate difference			16	9	25
<b>balances as of 31/12/2019</b>	<b>1,185</b>	<b>575</b>	<b>89</b>	<b>363</b>	<b>2,212</b>
impact on income statement	(25)	7	107	28	117
impact on shareholders' equity				4	4
exchange rate difference			(32)	1	(31)
<b>balances as of 31/12/2020</b>	<b>1,160</b>	<b>582</b>	<b>164</b>	<b>396</b>	<b>2,301</b>

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	31/12/2020	31/12/2019
- Depreciation/amortisation	36	36
- IAS capital gains on buildings of IRCE S.p.A.	88	97
- IAS capital gains on land of IRCE S.p.A.	413	413
- Effect of tax depreciation of the Isomet AG building	121	210
- Effect of tax inventory difference of Isomet AG	201	119
- Gains on exchange rate adjustments	1	88
- Effect of tax depreciation of building/plants in Brazil	236	-
<b>Total</b>	<b>1,096</b>	<b>963</b>

The table below shows the changes in deferred tax liabilities during 2019 and 2020:

	Depreciation	IAS capital gain on land and building	ISOMET AG	Brazil	Other	Total
<b>balances as of 01/01/2019</b>	36	510	484			<b>1,030</b>
impact on income statement			(214)		88	<b>(126)</b>
impact on shareholders' equity						
exchange rate difference			59			<b>59</b>
<b>balances as of 31/12/2019</b>	36	510	329		88	<b>963</b>
impact on income statement		(9)	(9)	255	(87)	<b>151</b>
impact on shareholders' equity						
exchange rate difference			2	(19)		<b>(17)</b>
<b>balances as of 31/12/2020</b>	<b>36</b>	<b>501</b>	<b>322</b>	<b>236</b>	<b>1</b>	<b>1,096</b>

## 6. INVENTORIES

Inventories are broken down as follows:

	FY20 December	FY19 December
€/000		
Raw materials, ancillary and consumables	27,179	28,584
Work in progress and semi-finished goods	10,893	12,977
Finished products and goods	41,835	44,671
Provision for write-down of raw materials	(2,865)	(2,759)
Provision for write-down of finished products	(811)	(1,165)
<b>Inventories</b>	<b>76,231</b>	<b>82,308</b>

Recognised inventories are not pledged nor used as collateral.

The change in the period is attributable both to the lower volumes in stock at the end of the year, mainly in the Parent Company and in the subsidiaries FD Sims and Draad Nijmegen, and to the effect of the devaluation of the Brazilian real.

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

As described in detail in the Report on Operations, in 2020 the price of copper was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a sharp fall in prices in March and April followed by a strong recovery in the following months, closing as of 31 December 2020 at 6.31 Euro/kg, with an average price for 2020 (5.39 Euro/Kg) in line with 2019. Moreover, it should be noted that the copper prices available at the time of approval of this Financial Report are well above the prices as of 31 December 2020.

The table below shows the changes in the provision for write-down of inventories during 2020:

	Opening balance	Allocation to provisions	Use of provisions	Effect of exchange rates	Closing balance
€/000					
Provision for write-down of raw materials	(2,759)	(103)	-	(3)	(2,865)
Provision for write-down of finished products	(1,165)	(29)	389	(6)	(811)
<b>Total</b>	<b>(3,924)</b>	<b>(132)</b>	<b>389</b>	<b>(9)</b>	<b>(3,676)</b>

## 7. TRADE RECEIVABLES

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

	FY20 December	FY19 December
€/000		
Short-term receivables due from customers	74,766	62,001
Short-term provision for bad debts from third parties	(859)	(651)
<b>Total</b>	<b>73,907</b>	<b>61,350</b>

The increase in trade receivables is due to both the increase in sales in the 4th quarter of 2020 compared to the same period of 2019 and the decrease in transfers without recourse made at year-end.

Trade receivables transferred during the year amounted to €/000 29,958 (as of 31 December 2019 €/000 23,507) while at year-end they amounted to €/000 5,579 (as of 31 December 2019 €/000 7,669).

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

	Opening balance	Allocation to provisions	Use of provisions	Effect of exchange rates	Closing balance
€/000					
Bad debt provision	(651)	(319)	124	(13)	(859)

## 8. CURRENT TAX RECEIVABLES

	FY20 December	FY19 December
€/000		
Tax receivables (direct taxes)	7	637
Tax receivables due from the Parent Company Aequafin	-	196
<b>Tax receivables</b>	<b>7</b>	<b>833</b>

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

Tax receivables, amounting to €/000 7, refer to tax advances mainly from Isoleco 2.

## 9. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

	FY20 December	FY19 December
€/000		
Accrued income and prepaid expenses	63	119
Receivables due from social security institutions	19	110
Other receivables	1,126	761
VAT receivables	728	1,064
<b>Receivables due from others</b>	<b>1,936</b>	<b>2,054</b>

The increase in "Other receivables" was attributable to the Brazilian subsidiary, and specifically to the advance payment made in December of import duties and agency fees relating to supplies of raw materials delivered in January.

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

## 10. CURRENT FINANCIAL ASSETS

	FY20 December	FY19 December
€/000		
Copper mark-to-market derivatives	572	372
Guarantee deposits and other current financial assets	1,293	14
MWh mark-to-market derivatives	38	-
<b>Total</b>	<b>1,903</b>	<b>386</b>

The increase in financial assets is mainly attributable to "Guarantee deposits and other current financial assets". This item mainly includes the balance of the escrow account for transactions on the LME and refers to so-called margin calls lodged with the Broker for copper forward transactions on the LME (London Metal Exchange).

The item "Copper mark-to-market" refers to the fair value of derivative contracts for the forward purchase and sale of copper on the LME outstanding as of 31/12/2020 of the parent company IRCE S.p.A.

The item "MWh mark-to-market" refers to the fair value of "commodity swap" derivative contracts for the purchase of electricity as of 31/12/2020 entered into by the parent company IRCE S.p.A.

## 11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

	FY20 December	FY19 December
€/000		
Bank deposits	10,249	8,621
Cash and cash equivalents	11	11
<b>Total</b>	<b>10,260</b>	<b>8,632</b>

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

## 12. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to € 122.6 million as of 31 December 2020 (€ 131.5 million as of 31 December 2019) and is detailed in the following table.

	FY20 December	FY19 December
€/000		
Share capital	14,627	14,627
Treasury Shares	(805)	(800)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Treasury shares (share premium)	24	33
Legal reserve	2,925	2,925
IAS 19 reserve	(1,212)	(1,196)
Extraordinary reserve	44,662	41,059
Other reserves	23,596	23,595
Retained earnings/losses carried forward	8,027	9,688
Foreign currency translation reserve	(34,502)	(22,893)
Result for the period	2,726	1,942
<b>TOTAL GROUP'S SHAREHOLDERS' EQUITY</b>	<b>122,932</b>	<b>131,845</b>
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(308)	(344)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>122,624</b>	<b>131,502</b>

### 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.

### Treasury Shares and Treasury Shares (share premium)

This reserve refers to the par value and share premium of treasury shares held by the Company and recognised as a deduction from shareholders' equity.

The number of treasury shares as of 31 December 2020 was 1,548,088, i.e. 5.5% of the share capital.

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

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

### Share premium reserve

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

### Revaluation reserve

The item refers to the revaluation carried out in accordance with law 266/1995, equal to €/000 22,328, prior to the transition to IFRS. This was not reversed as, upon adopting IFRS, the Group elected to adopt fair value, as resulting from net revaluation balances, as a surrogate for cost with respect to the assets being revalued.

### Other reserves

This item, equal to €/000 23,596, includes:

- the Merger surplus reserve (due to cancellation) which arose in the year 2001 following the merger of Irce Cavi S.p.A. and Isolcable S.r.l. into IRCE S.p.A., amounting to €/000 6,621.
- the Reserve of profits to be re-invested in Southern Italy, totalling €/000 201.
- the FTA reserve, which represents the offsetting item for all adjustments made to the financial statements in order to comply with IAS/IFRS as of 1 January 2004 (transition year), amounting to €/000 16,772.

### Foreign currency translation reserve

This reserve represents the value accounting differences resulting 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 2020. The decrease in the translation reserve is mainly related to the trend of the Brazilian Real, as previously reported.

### Extraordinary reserve

The extraordinary reserve consists mainly of, and is increased annually by, the retained earnings of the Parent Company.

No dividend was distributed in 2020.

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:

<b>balance as of 01/01/2019</b>	(1,071)
Actuarial valuation	(199)
Tax effect on actuarial valuation	74
<b>balance as of 31/12/2019</b>	(1,196)
Actuarial valuation	(20)
Tax effect on actuarial valuation	4
<b>balance as of 31/12/2020</b>	(1,212)

Undistributed profits

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

Profit for the year

The profit attributable to the Group, net of the portion attributable to non-controlling interests, totalled €/000 2,726 (€/000 1,942 as of 31 December 2019).

**SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**
Capital and reserves attributable to non-controlling interests

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

Result attributable to non-controlling interests

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

**13. NON-CURRENT FINANCIAL LIABILITIES**

	FY20 December	FY19 December
€/000		
Financial liabilities due to banks	21,069	8,608
IFRS 16 financial liabilities	243	139
<b>Non-current financial liabilities due to third parties</b>	<b>21,312</b>	<b>8,747</b>

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

€/000	Currency	Rate	Company	31/12/2020	31/12/2019	Due date
Banca di Imola	EUR	Floating	Irce S.p.A.	5,500	-	2026
Unicredit	EUR	Floating	Irce S.p.A.	10,000	-	2025
Mediocredito	EUR	Floating	Irce S.p.A.	3,231	4,154	2025
Banco Popolare	EUR	Floating	Irce S.p.A.	1,875	3,125	2023
Banco Popolare	EUR	Floating	Isomet AG	-	1,329	2021
NAB	CHF	Zero	Isomet AG	463	-	2025
IFRS 16	EUR	Floating	Isodra GmbH	139	-	2025
IFRS 16	EUR	Floating	Irce SL	60	90	2023
IFRS 16	EUR	Floating	Irce S.p.A.	39	28	2023
IFRS 16	EUR	Floating	Magnet Wire Ltd	5	21	2023
<b>Total</b>				<b>21,312</b>	<b>8,747</b>	

The table below shows the changes in non-current financial liabilities during 2020:

€/000	Company	31/12/2019	Loans	Repayments	31/12/2020
Banca di Imola	Irce S.p.A.	-	5,500	-	5,500
Unicredit	Irce S.p.A.	-	10,000	-	10,000
Mediocredito	Irce S.p.A.	4,154	-	(923)	3,231
Banco Popolare	Irce S.p.A.	3,125	-	(1,250)	1,875
Banco Popolare	Isomet AG	1,329	-	(1,329)	-
NAB	Isomet AG	-	463	-	463
IFRS 16	Isodra GmbH	-	139	-	139
IFRS 16	Irce SL	90	-	(30)	60
IFRS 16	Irce S.p.A.	28	11	-	39
IFRS 16	Magnet Wire Ltd	21	-	(16)	5
<b>Total</b>		<b>8,747</b>	<b>16,113</b>	<b>(3,548)</b>	<b>21,312</b>

As shown in the table above, in accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità Imprese"), the Parent Company obtained a loan backed by Sace for an amount of € 10.00 million and a loan backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million, while the subsidiary Isomet received a loan of CHF 0.5 million.

#### *Covenants*

- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. for a total of €/000 3,231 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.
- The medium-long term loan granted on 30 September 2020 by Unicredit S.p.A. for a total of €/000 10,000 provides for eight six-monthly constant capital repayments of €/000 833 each, expiring on 30 June 2025. The financial covenants under the contract include maintaining a ratio of "net financial debt" to "Equity + Quasi Equity" of less than 1 throughout the loan term with respect to the consolidated financial statements starting from the year ended 31.12.2021, and a ratio of "net financial debt" to "EBITDA" of less than 5 for the consolidated financial statements for the year ended 31.12.2021, of less than 4.5 for the consolidated financial statements for the years ended 31.12.2022 and 31.12.2023, and of less than 4 starting from the financial statements for the year ended 31.12.2024 as well as subsequent years through the term of the loan.

For the year ended as of 31 December 2020, the covenants of the Mediocredito Italiano loan were respected.

#### 14. PROVISIONS FOR RISKS AND CHARGES

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

##### PROVISIONS FOR CURRENT RISKS AND CHARGES

€/000	Opening balance	Provisions	Use of provisions	Closing balance
Other provisions for risks	366	10	(181)	195
<b>Total</b>	<b>366</b>	<b>10</b>	<b>(181)</b>	<b>195</b>

##### PROVISIONS FOR NON-CURRENT RISKS AND CHARGES

€/000	Opening balance	Provisions	Use of provisions	Closing balance
Provision for severance payments to agents	198	-	(58)	140
Other provisions for risks	337	-	(168)	169
<b>Total</b>	<b>535</b>	<b>-</b>	<b>(226)</b>	<b>309</b>

The item "Provisions for risks and charges" mainly refers to the parent company and Smit Draad Nijmegen BV.

The decrease compared to the previous year is attributable to the Dutch subsidiary following the use of part of the personnel provisions previously allocated.

The item "provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts of the Parent Company.

#### 15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2020	31/12/2019
Provision for employee benefits as of 01/01	5,099	5,313
Reclassifications	44	-
Financial charges	20	40
Actuarial (gains)/losses	20	199
Service cost	120	(44)
Payments	(315)	(447)
Effect of exchange rates	2	38
Provision for employee benefits as of 31/12	4,990	5,099

The Provision includes €/000 3,837 related to the Parent Company IRCE S.p.A., €/000 1,017 related to the subsidiary ISOMET AG, €/000 65 related to the subsidiary Iolveco SRL, €/000 20 related to the subsidiary Iolveco 2 SRL, and €/000 50 related to the subsidiary Magnet Wire.

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 probable 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, at the measurement date, each payment based on the probability of occurrence.

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

A) Parent Company IRCE S.p.A.

Demographic assumptions:

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

Technical-economic assumptions:

	31/12/2020	31/12/2019
Annual discount rate	-0.02%	0.37%
Annual inflation rate	0.80%	1.20%
Annual rate of increase of employee termination indemnities	2.10%	2.4%

With regard the discount rate, in line with paragraph 83 of IAS 19, 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, as envisaged by art. 2120 of the Italian Civil Code, is equal to 75% of inflation, plus 1.5 percentage points.

Sensitivity analysis of the main measurement parameters:

€/000	DBO 31/12/2020	DBO 31/12/2019
Inflation rate + 0.25%	3,905	4,062
Inflation rate - 0,25%	3,810	3,958
Discount rate + 0.25%	3,781	3,926
Discount rate - 0.25%	3,935	4,096
Turnover rate + 1%	3,826	3,977
Turnover rate -1%	3,890	4,045

Service cost: 0.00

Duration of the plan: 8.5

B) ISOMET

Demographic and technical-economic assumptions:

	31/12/2020	31/12/2019
Discount rate	0.20%	0.20%
Interest rate on capital	0.50%	0.50%
Salary increase rate	1.00%	1.00%
Mortality tables	BVG2015 GT	BVG2015 GT

Sensitivity analysis of ISOMET AG's main measurement parameters:

€/000	DBO 31/12/2020	DBO 31/12/2019
Discount rate -0.25%	5,006	3,598
Discount rate + 0.25%	4,586	3,300
Interest rate on capital -0.25%	4,744	3,401
Interest rate on capital +0.25%	4,834	3,487
Salary increase rate -0.25%	4,766	3,421
Salary increase rate +0.25%	4,806	3,463
Life expectancy +1 year	4,898	3,523
Life expectancy -1 year	4,678	3,363

2021 service cost with +0.25% discount rate: €/000 94

2021 service cost with +0.25% interest rate on capital: €/000 104

Duration of the plan: 17.6.

## 16. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

	FY20 December	FY19 December
€/000		
Payables due to banks	30,381	42,099
Derivative liabilities	73	113
IFRS 16 financial liabilities	138	88
Other current financial liabilities	3	-
<b>Current financial liabilities due to third parties</b>	<b>30,595</b>	<b>42,300</b>

The item "Derivative liabilities" refers to the Mark-to-Market value of USD and GBP forward purchase and sale contracts outstanding as of 31/12/2020 of the Parent Company IRCE S.p.A.

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:

	FY20 December	FY19 December
€/000		
Cash and Cash Equivalents	10,260	8,632
Current financial assets	1,903	386*
<b>Liquid assets</b>	<b>12,163</b>	<b>9,018</b>
Current financial liabilities	(30,595)	(42,300)
<b>Net current financial debt</b>	<b>(18,432)</b>	<b>(33,282)</b>
Non-current financial liabilities	(21,312)	(8,747)
<b>NET FINANCIAL DEBT</b>	<b>(39,744)</b>	<b>(42,029)</b>

(\*) Starting from this year, "Other current financial assets" include also the fair value of commodity derivatives, i.e., copper and electricity, respectively, to make them more consistent with the income statement and the statement of financial position, as the asset and the relevant item recognised in profit or loss are classified as financial items. The comparative information for 2019 was adjusted accordingly.

The improvement in the net financial position was associated with cash flows from operating activities, only partially offset by investing activities. In addition, by securing two loans associated with the Liquidity Decree, as previously detailed, the Group reduced short-term financial debt while increasing medium/long-term financial debt.

## 17. TRADE PAYABLES

Trade payables are all due in the next 12 months.

As of 31/12/2020 they totalled €/000 21,201, compared to the €/000 13,455 as of 31 December 2019.

The change in the period is mainly attributable to the increase in procurement of raw materials compared to the previous year in order to meet the increase in customer orders in the last quarter.

## 18. TAX PAYABLES

The item, equal to €/000 595 as of 31/12/2020, refers to income tax payables of some foreign subsidiaries and of the Parent Company due to the parent company Aequafin.

## 19. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,950 as of 31/12/2020, 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:

	FY20 December	FY19 December
€/000		
Payables due to employees	3,119	3,366
Accrued liabilities and deferred income	307	355
Other payables	628	560
VAT payables	885	476
Payables for employee IRPEF withholdings	475	483
<b>Other current liabilities</b>	<b>5,414</b>	<b>5,240</b>

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

Other payables are mainly amounts due to tax authorities for withholdings 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 2020, equal to €/000 295,262, was down 5.3% compared to the previous year (€/000 311,938). For further details, please refer to the section "Consolidated performance for 2020" in the Report on Operations.

Revenues broken down by product are shown below:

	Current year			Previous year		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	239,215	56,047	295,262	257,691	54,247	311,938
% of total	81.0%	19.0%	100.0%	82.6%	17.4%	100.0%

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

	Current year				Previous year			
	Italy	EU	Non-EU	Total	Italy	EU	Non-EU	Total
Revenues	105,764	97,278	92,220	295,262	113,301	122,319	76,318	311,938
% of total	35.8%	32.9%	31.2%	100.0%	36.3%	39.2%	24.5%	100.0%

### 22. OTHER INCOME

Other income was broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Increases in fixed assets for internal work	107	116	(9)
Capital gains on disposals of assets	-	25	(25)
Insurance reimbursements	112	132	(20)
Contingent assets	72	118	(46)
Other revenues and income	537	618	(81)
<b>Total</b>	<b>828</b>	<b>1,009</b>	<b>(181)</b>

The item "Other revenues and income" mainly includes revenues from the sale of energy savings certificates "ESC", revenues from the recognition of the tax credit for costs incurred for sanitisation and purchases of anti-COVID-19 protective equipment, as well as hyper- and super-depreciation, training fees, and chargebacks for expenses reimbursed to customers.

### 23. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to € 229.1 million, includes costs incurred for the acquisition of raw materials, of which the most significant are copper, insulating materials and materials for packaging and maintenance, net of the change in inventories (€/000 275).

### 24. COSTS FOR SERVICES

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

	FY20 December	FY19 December	Change
€/000			
External processing	4,614	5,240	(626)
Utility expenses	8,191	10,166	(1,975)
Maintenance	1,845	2,134	(289)
Transport expenses	4,268	4,773	(505)
Fees payable	193	267	(74)
Compensation of Statutory Auditors	69	69	-
Other services	4,331	4,743	(412)
Costs for the use of third-party assets	159	296	(137)
<b>Total</b>	<b>23,670</b>	<b>27,688</b>	<b>(4,018)</b>

The decrease in the items "External processing", "Utility expenses", "Transport expenses" and "Maintenance" is due to lower costs incurred by the manufacturing companies in Europe (mainly IRCE S.p.A., FD Sims and Smit Draad) as a result of the drop in production and turnover due to the pandemic.

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

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

### 25. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

	FY20 December	FY19 December	Change
€/000			
Salaries and wages	19,235	20,860	(1,625)
Social security charges	4,907	5,482	(575)
Pension costs	1,437	1,301	136
Other costs	2,946	2,552	394
<b>Total</b>	<b>28,525</b>	<b>30,195</b>	<b>(1,670)</b>

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

The decrease in personnel costs is due to the use by Group companies of holiday leaves and the redundancy fund or similar instruments to face the drop in production due to the pandemic.

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

Employees	2020 Average	31/12/2020	31/12/2019
- Executives	22	24	22
- White collars	156	154	155
- Blue collars	530	539	527
<b>Total</b>	<b>708</b>	<b>717</b>	<b>704</b>

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:

	FY20 December	FY19 December	Change
€/000			
Amortisation of intangible assets	124	55	69
Depreciation of tangible assets	6,806	7,139	(333)
Depreciation of IFRS 16 tangible assets	169	98	71
<b>Total amortisation/depreciation and impairment</b>	<b>7,099</b>	<b>7,292</b>	<b>(193)</b>

The change in depreciation of tangible assets is mainly due to lower depreciation in the Brazilian and Dutch subsidiaries, partially offset by the increase recorded in IRCE S.p.A.

## 27. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Write-down of receivables and cash and cash equivalents	319	104	215
Credit losses	126	-	126
Provisions for risks	10	-	10
<b>Provisions and write-downs</b>	<b>455</b>	<b>104</b>	<b>351</b>

## 28. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Non-income taxes and duties	780	814	(34)
Capital losses and contingent liabilities	44	123	(79)
Other operating costs	508	188	320
<b>Total other operating costs</b>	<b>1,332</b>	<b>1,125</b>	<b>207</b>

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

The increase in "Other operating costs" is mainly due to contractual penalties charged to the Parent Company by a customer for late delivery of the finished product.

## 29. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Interest income due from banks	1	6	(5)
Interest income due from customers	966	1,111	(145)
Income from derivatives	1,404	1,734	(330)
Other financial income	102	144	(42)
<b>Financial income</b>	<b>2,473</b>	<b>2,995</b>	<b>(522)</b>
Interest expense for short-term financial payables	(59)	(32)	(27)
Interest expense for medium/long-term financial payables	(106)	(106)	-
Miscellaneous financial interest expense	(27)	(40)	13
Bank fees and expenses	(116)	(99)	(17)
Interest expense on factoring	(778)	(585)	(193)
<b>Financial charges</b>	<b>(1,086)</b>	<b>(862)</b>	<b>(224)</b>
Positive exchange rate differences	1,383	1,329	54
Negative exchange rate differences	(1,673)	(1,162)	(511)
<b>Foreign exchange gains/(losses)</b>	<b>(290)</b>	<b>167</b>	<b>(457)</b>
<b>Financial income/(charges)</b>	<b>1,097</b>	<b>2,300</b>	<b>(1,203)</b>

"Income from derivatives" refers to the net impact of the Parent Company's commodity derivatives on both the liquidations occurred during the year and the Mark-to-Market measurement at the end of the year (€/000 1,366 in the fair value of copper derivatives and €/000 38 in the fair value of electricity derivatives, respectively).

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

"Interest expense on factoring" refers to the expenses related to the discount without recourse of trade receivables of the subsidiary IRCE Ltda and the parent company IRCE S.p.A.

Positive and negative exchange rate differences largely refer to the Parent Company and the Brazilian subsidiary. These items include also the impact of the currency derivatives the Parent Company entered into with respect

to both the liquidations occurred during the year and the Mark-to-Market (fair value) measurement at the end of the year.

### 30. INCOME TAXES

	FY20 December	FY19 December	Change
€/000			
Current taxes	(1,497)	(782)	(715)
Deferred tax assets / liabilities	(34)	32	(66)
<b>Income Taxes</b>	<b>(1,531)</b>	<b>(750)</b>	<b>(781)</b>

Current taxes mainly refer to the Brazilian subsidiary

### 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 treasury shares held during the period from the overall number of shares composing the share capital.

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

	31/12/2020	31/12/2019
Net profit/(loss) for the period	2,725,716	1,942,159
Average weighted number of ordinary shares outstanding	26,579,912	26,590,012
Basic earnings/(loss) per share	0.103	0.073
Diluted earnings/(loss) per share	0.103	0.073

### 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	215	318	533

This table shows the compensation paid for any reason and in any form, excluding social security contributions. Following the introduction of Article 123-ter of the Consolidated Financial Act, further details on these amounts are provided in the Remuneration Report, which will be made available within the time limits prescribed by the law at the registered office of the Company, as well as on the website [www.irce.it](http://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 focused on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the Group's medium-term strategy provides for a geographic diversification in non-EU countries. As part of this strategy, the company Irce Electromagnetic Wire (Jiangsu) Co. Ltd was set up in China with the aim of producing and serving the local market.

For information about the effects and management of risks connected with the Coronavirus pandemic, please refer to the specific paragraph "*COVID-19 – Impacts of the pandemic – Updates*".

#### 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 carrying amount of the investment. It should be noted that, in 2020, the Brazilian Real depreciated by about 30% since the beginning of the year. However, as more fully detailed below, the Brazilian subsidiary continues to show improved economic results also in Euro, despite the negative exchange rate and the impact of the COVID-19 pandemic.

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 2020 (6.3735 EUR/BRL):

Consolidated statement of financial position data	€/million	Change in EUR/BRL exchange rate	
		+5%	-5%
		Change	Change
Non-current assets	45.12	(0.34)	0.38
Current assets	164.24	(1.23)	1.36
<b>TOTAL ASSETS</b>	<b>209.36</b>	<b>(1.57)</b>	<b>1.74</b>
Total Shareholders' Equity	122.62	(1.41)	1.55
Non-current liabilities	26.79	0.00	0.01
Current liabilities	59.95	(0.16)	0.18
<b>TOTAL LIABILITIES</b>	<b>209.36</b>	<b>(1.57)</b>	<b>1.74</b>

The above simulation shows that a 5% depreciation in the Real would negatively impact the Group's foreign currency translation reserve, and therefore other comprehensive income, by € 1.41 million, while

an appreciation in the Brazilian currency would result in a € 1.55 million positive impact. Major analysts expect the Real to recover over the next few years.

- *Interest rate risk*

The Group obtains short and medium/long-term bank financing, mainly 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	31/12/2020 €/million	Change in interest rates	
		+25 bps Change	-25 bps Change
Revenues	295.26	-	-
EBITDA	10.75	-	-
EBIT	3.20	-	-
Net profit/(loss)	2.73	(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 impact of changes in the price of copper on margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. In 2020 the price of copper was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a sharp fall in LME prices in March and April followed by a strong recovery in the following months, closing as of 31 December 2020 at 6.31 Euro/kg, with an average price for 2020 (5.39 Euro/Kg) in line with 2019.

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 2020 and assuming that no hedge is in place in relation to EBITDA:

Consolidated income statement data €/million	Year 2020	Change in the price of copper	
		+5% Change	-5% Change
Turnover	295.26	12.05	(12.05)
EBITDA	10.75	3.15	(2.95)
EBIT	3.20	3.15	(2.95)

### Financial risks

These are risks associated with financial resources.

- *Credit risk*

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

- *Liquidity risk*

Based on its financial position, the Group rules out the possibility of difficulties in meeting obligations associated with liabilities. The limited use of credit lines suggests that liquidity risk is not significant. In accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità"), the Parent Company obtained medium-term loans backed by Sace for an amount of € 10.00 million and backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million; in addition, the subsidiary Isomet received a loan of CHF 0.5 million to support liquidity as a result of the pandemic.

Below are the amounts of credit lines and uses as of 31 December 2020. The Group can rely on € 87.83 million in available credit.

Consolidated financial data				
€/thousand	Cash	Self-liquidating credit lines	Short-term credit lines	Total
Credit lines	1,595	55,337	62,510	119,442
Uses	0	(22,839)	(8,773)	(31,612)
<b>Available credit</b>	<b>1,595</b>	<b>32,498</b>	<b>53,737</b>	<b>87,830</b>

The table below shows the breakdown and due date of debt items as of 31 December 2020.

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

Consolidated financial data				
€/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
<i>Non-current liabilities</i>				
Non-current financial liabilities	-	15,812	5,500	21,312
Deferred tax liabilities	-	182	-	182
Provision for risks and charges	-	309	-	309
Provision for employee benefits	587	2,348	2,055	4,990
<b>Total non-current liabilities</b>	<b>587</b>	<b>18,651</b>	<b>7,555</b>	<b>26,793</b>
<i>Current liabilities</i>				
Current financial liabilities	30,595	-	-	30,595
Trade payables	21,201	-	-	21,201
Tax payables	595	-	-	595
Social security contributions	1,950	-	-	1,950
Other current liabilities	5,414	-	-	5,414
Provisions for current risks and charges	195	-	-	195
<b>Total non-current liabilities</b>	<b>59,950</b>	-	-	<b>59,950</b>
<i>Commitments</i>				
<b>Total debt by expiry date</b>	<b>60,537</b>	<b>18,651</b>	<b>7,555</b>	<b>86,743</b>

As of 31 December 2020, the IRCE Group reported € 10.26 million in cash, € 1.90 million in current financial assets, € 73.91 million in trade receivables, € 76.23 million in inventories, and € 87.83 million in unused credit lines, totalling € 250.13 million, compared to current payables and commitments totalling € 60.54 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	2020 Exposure €/000	2019 Exposure €/000
Low	53,249	47,532
Medium	17,511	12,999
Above-average	3,150	592
High	856	878
<b>Total</b>	<b>74,766</b>	<b>62,001</b>

Due date	2020 Exposure €/000	2019 Exposure €/000
Not yet due	44,030	57,624
< 30 days	27,513	1,997
31-60	1,347	1,058
61-90	234	122
91-120	707	104
> 120	935	1,096
<b>Total</b>	<b>74,766</b>	<b>62,001</b>

The fair value of trade receivables corresponds to their nominal exposure.

The bad debt provision, equal to €/000 859, refers to the ranges 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 2020 and 2019, there are no third party customers generating revenues for the Group 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.

	FY20 December	FY19 December
€/000		
Net financial debt (A)	39,743	42,029
Shareholders' equity (B)	122,624	131,501
Total capital (A) + (B) = (C)	162,367	173,530
Gearing ratio (A) / (C)	25%	24%

### 37. FINANCIAL INSTRUMENTS

#### a) Financial instruments by category

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

As of 31 December 2020 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial assets</b>				
Non-current financial assets and receivables	125			125
<b>Current financial assets</b>				
Trade receivables	73,906			73,906
Current financial assets	1,293	610		1,903
Cash and cash equivalents	10,260			10,260
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
<b>Non-current financial assets</b>				
Non-current financial assets and receivables	122			122
<b>Current financial assets</b>				
Trade receivables	61,350			61,350
Current financial assets	14	372		386
Cash and cash equivalents	8,632			8,632

As of 31 December 2020 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial liabilities</b>				
Financial payables	21,312			21,312
<b>Current financial liabilities</b>				
Trade payables	21,201			21,201
Financial payables	30,519	75		30,594
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
<b>Non-current financial liabilities</b>				
Financial payables	8,747			8,747
<b>Current financial liabilities</b>				
Trade payables	13,455			13,455
Financial payables	42,187	113		42,300

**b) Fair value of financial instruments**

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

€/000	Carrying amount		Fair value	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Financial Assets</b>				
Cash and Cash Equivalents	10,260	8,632	10,260	8,632
Current financial assets	1,903	386	1,903	386
Trade receivables	73,906	61,351	73,906	61,351
Non-current financial assets	125	122	125	122
<b>Financial liabilities</b>				
Current loans	30,595	42,300	30,595	42,300
Trade payables	21,201	13,455	21,201	13,455
Non-current loans	21,312	8,747	21,312	8,747

**c) Fair value hierarchy**

The following table shows the levels of the fair value hierarchy (€/000).

IFRS 13 defines the following three levels of fair value for measuring the financial instruments recognised in the statement of financial position:

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

2019	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative Financial Instruments	-	372	-	372
Total assets	-	372	-	372
<b>Liabilities:</b>				
Derivative Financial Instruments	-	(113)	-	(113)
Total liabilities	-	(113)	-	(113)
<b>2020</b>				
<b>Assets:</b>				
Derivative Financial Instruments	-	610	-	610
Total assets	-	610	-	610
<b>Liabilities:</b>				
Derivative Financial Instruments	-	(73)	-	(73)
Total liabilities	-	(73)	-	(73)

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

### 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 2020 for auditing services and for other services, including expenses, provided by the independent auditor or by entities belonging to its network to Group's companies.

Type of service	Entity supplying the service	Recipient	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	IRCE S.p.A.	68
Other certifications (NFS)	Deloitte & Touche S.p.A.	IRCE S.p.A.	11
Auditing services	Deloitte & Touche S.p.A.	Foreign subsidiaries	37

### 39. INFORMATION PURSUANT TO LAW NO. 124/2017

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

Grantor	Description	Amount (€/000)
Banca del Mezzogiorno MedioCredito Centrale SpA	COVID-19 - State aid SME Guarantee Fund	196
Municipality of Umbertide	Waste collection tax holiday for the Umbertide plant	2
Italian Institute for Social Security (INPS)	Reduced INPS contributions for the Guglionesi plant	54
Cassa per i servizi energetici ed ambientali (CSEA, Energy and Environmental Services Fund)	Reduced 2020 electricity tariff rate	3,125

### 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 2019 and 2020 with the corresponding amounts in the Parent Company separate financial statements:

<i>(in thousands of Euro)</i>	31 December 2020		31 December 2019	
	Shareholders' equity	Result	Shareholders' equity	Result
<b>Shareholders' equity and result for the period as per the Parent Company's separate financial statements</b>	<b>152,523</b>	<b>1,210</b>	<b>151,342</b>	<b>3,603</b>
Cancellation of carrying amount of consolidated equity investments				
a) difference between carrying amount and pro-rata value of shareholders' equity	1,324	-	3,040	-
b) investees' pro-rata results	(133)	(133)	(1,451)	(1,451)
Reversal of impairment of equity investments in subsidiaries	2,425	2,425	737	737
Derecognition of dividends distributed by subsidiaries	-	(1,000)	-	(1,000)
Reversal of provision for bad debts due from subsidiaries	1,405	-	1,405	-
Foreign currency translation of financial statements	(34,503)	-	(22,894)	-
Reversal of capital gains from disposal of intra-group assets	-	120	(120)	35
Write-off of unrealized intra-group margin	(110)	103	(213)	19
<b>Group shareholders' equity and result for the period</b>	<b>122,932</b>	<b>2,726</b>	<b>131,845</b>	<b>1,942</b>
Shareholders' equity and result for the period attributable to non-controlling interests	(308)	36	(344)	31
<b>Consolidated shareholders' equity and net result (Group and third parties)</b>	<b>122,624</b>	<b>2,762</b>	<b>131,501</b>	<b>1,973</b>

#### 41. EVENTS AFTER THE REPORTING DATE

As for events occurred after the reporting date, reference should be made to the paragraph "Events after the reporting date" of the Report on Operations for 2020.



**Attachment 1**
**List of Equity Investments Held by Directors, Statutory Auditors as well as their Spouses and Underage Children**

SURNAME AND NAME	INVESTE E 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.	560,571			560,571
Gandolfi Colleoni Francesco	IRCE S.p.A.	559,371 (*) 30,000			559,371 (*) 30,000
Sepriano Gianfranco	IRCE S.p.A.	3,500			3,500
Pischedda Francesca	IRCE S.p.A.	0			0
Dallago Orfeo	IRCE S.p.A.	587,267			587,267
Gigliola Di Chiara	IRCE S.p.A.	0			0
Fabio Senese	IRCE S.p.A.	0			0
Donatella Vitanza	IRCE S.p.A.	0			0
Adalberto Costantini	IRCE S.p.A.	0			0

(\*) Shares owned by his wife, Carla Casadio

## Attachment 2

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

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

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

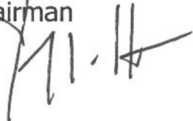
of the administrative and accounting procedures used to prepare the consolidated financial statements.

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

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

Imola, 16 March 2021

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 2020**

<b>STATEMENT OF FINANCIAL POSITION</b>			
(Unit of Euro)			
<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>NON CURRENT ASSETS</b>			
Goodwill and Other intangible assets	1	81,872	170,638
Property, plant and machinery	2	19,574,997	21,163,594
Equipments and other tangible assets	2	1,210,439	1,255,951
Assets under constructions and advances	2	835,750	1,338,853
Investments	3	73,170,322	75,180,322
Non current financial assets	4	19,986,307	18,782,425
<i>(of which related parties)</i>		<i>19,866,725</i>	<i>18,660,317</i>
Non current tax receivables	5	0	375,564
Deferred tax assets	6	1,346,817	1,169,865
<b>NON CURRENT ASSETS</b>		<b>116,206,504</b>	<b>119,437,212</b>
<b>CURRENT ASSETS</b>			
Inventories	7	54,448,190	56,402,788
Trade receivables	8	59,470,237	44,783,194
<i>(of which related parties)</i>		<i>9,878,690</i>	<i>9,649,150</i>
Tax receivables	9	0	807,186
Other current assets	10	682,848	345,951
Current financial assets	11	1,903,144	385,919
Cash and cash equivalent	12	511,090	757,781
<b>CURRENT ASSETS</b>		<b>117,015,509</b>	<b>103,482,819</b>
<b>TOTAL ASSETS</b>		<b>233,222,013</b>	<b>222,920,031</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	14,626,560	14,626,560
Reserves	13	136,686,323	133,111,960
Result for the period	13	1,210,478	3,603,483
<b>SHAREHOLDERS' EQUITY</b>		<b>152,523,361</b>	<b>151,342,003</b>
<b>NON CURRENT LIABILITIES</b>			
Non current financial liabilities	14	20,644,383	7,307,343
Provision for risks and charges	15	7,193,480	6,877,856
Provision for employee defined benefit	16	3,837,703	4,009,497
<b>NON CURRENT LIABILITIES</b>		<b>31,675,566</b>	<b>18,194,696</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	17	25,870,104	38,199,601
Trade payables	18	17,906,871	10,302,215
<i>(of which related parties)</i>		<i>273,517</i>	<i>356,446</i>
Tax payables	19	221,292	0
<i>(of which related parties)</i>		<i>155,914</i>	<i>0</i>
Social security contributions	20	1,757,025	1,608,589
Other current liabilities	21	3,267,794	3,272,927
<b>CURRENT LIABILITIES</b>		<b>49,023,086</b>	<b>53,383,332</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>233,222,013</b>	<b>222,920,031</b>

<b>INCOME STATEMENT</b>			
(Unit of Euro)	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Sales revenues	22	183,350,407	203,020,950
<i>(of which related parties)</i>		<i>6,599,743</i>	<i>7,328,555</i>
Other revenues and income	23	612,363	688,132
<i>(of which related parties)</i>		<i>123,608</i>	<i>105,037</i>
<b>TOTAL REVENUES</b>		<b>183,962,770</b>	<b>203,709,082</b>
Raw materials and consumables	24	(141,455,053)	(156,322,020)
<i>(of which related parties)</i>		<i>(38,596)</i>	<i>(692,392)</i>
Change in inventories of work in progress and finished goods		(1,812,290)	(3,541,794)
Cost for services	25	(17,225,622)	(20,001,588)
<i>(of which related parties)</i>		<i>(919,930)</i>	<i>(922,984)</i>
Personnel costs	26	(16,825,516)	(17,590,498)
Amortization /depreciation/write off tangible and intangible assets	27	(3,853,707)	(3,350,887)
Provisions and write downs	28	(141,377)	(92,268)
Other operating costs	29	(692,308)	(450,357)
<b>EBIT</b>		<b>1,956,899</b>	<b>2,359,670</b>
Impairment of equity investments	30	(2,425,022)	(736,566)
Financial income and charges	31	1,672,276	2,561,502
<i>(of which related parties)</i>		<i>541,813</i>	<i>1,094,102</i>
<b>RESULT BEFORE TAX</b>		<b>1,204,153</b>	<b>4,184,606</b>
Income taxes	32	6,325	(581,123)
<b>RESULT FOR THE PERIOD</b>		<b>1,210,478</b>	<b>3,603,483</b>

<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>€/000</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Result for the period</b>		<b>1,210</b>	<b>3,603</b>
Actuarial gains / (losses) IAS 19	16	(20)	(182)
Tax effect	6	5	44
<b>Total IAS 19 reserve variance</b>	<b>13</b>	<b>(15)</b>	<b>(138)</b>
<b>Total items that will not be reclassified to net result</b>		<b>(15)</b>	<b>(138)</b>
<b>Total comprehensive income for the period</b>		<b>1,195</b>	<b>3,465</b>

<b>CASH FLOW STATEMENT</b>			
€/000	Notes	31.12.2020	31.12.2019
<b>OPERATING ACTIVITIES</b>			
<b>Result for the period</b>		<b>1,210</b>	<b>3,603</b>
<i>Adjustments for:</i>			
Deprecitation / Amortization	27	3,854	3,301
Net change in deferred tax (assets) / liabilities	32	(172)	277
Capital (gains) / losses from disposal of fixed assets		0	(25)
Profit /loss on unrealised exchange rate differences		44	(329)
Expenses / (Income) from investments		1,425	(264)
Income taxes	32	166	(261)
Financial (income) / expenses	31	(817)	(1,715)
<b>Operating result before changes in working capital</b>		<b>5,710</b>	<b>4,587</b>
Income taxes paid		(89)	(2,093)
Financial charges paid	31	(794)	(255)
Financial income collected	31	1,611	1,972
Decrease / (Increase) in inventories	7	1,955	10,945
Change in trade receivables	8	(14,457)	9,066
Change in trade payables	18	7,688	(2,809)
Net changes in current other assets and liabilities		(39)	1,214
Net changes in current other assets and liabilities - related parties		439	(1,326)
Net changes in non current other assets and liabilities		95	(1,886)
Net changes in non current other assets and liabilities - related parties		(1,206)	(50)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>913</b>	<b>19,365</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	2	(6)	(181)
Investments in tangible assets	1	(1,582)	(3,795)
Investments in subsidiaries, associates, other entities	3	(10)	0
Dividends received from investments	31	1,000	1,000
Disposals of tangible and intangible assets		10	19
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(588)</b>	<b>(2,957)</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings	14	(2,173)	(7,444)
Obtainment of loans	14	15,500	-
Net changes of current financial liabilities		(12,369)	(8,162)
Net changes of current financial assets	11	(1,516)	204
Dividends paid		0	(1,333)
Other effects on shareholders' equity		0	0
Management of own shares (sales/purchase)	13	(14)	(43)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(572)</b>	<b>(16,778)</b>
<b>NET CASH FLOW FROM THE PERIOD</b>		<b>(247)</b>	<b>(370)</b>
<b>CASH BALANCE AT THE BEGINNING OF THE PERIOD</b>	<b>12</b>	<b>758</b>	<b>1,128</b>
NET CASH FLOW FROM THE PERIOD		(247)	(370)
<b>CASH BALANCE AT THE END OF THE PERIOD</b>	<b>12</b>	<b>511</b>	<b>758</b>



## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€/000	Share capital		Other reserves			Retained earnings				Total shareholders' equity	
	Share capital	Own shares	Own shares (shares premium)	Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Extraordinary reserve	Retained earnings		Result for the period
<b>Balance as of 31 December 2018</b>	<b>14,627</b>	<b>(788)</b>	<b>64</b>	<b>40,539</b>	<b>43,086</b>	<b>2,925</b>	<b>(615)</b>	<b>35,047</b>	<b>6,462</b>	<b>7,903</b>	<b>149,250</b>
Result for previous period	-	-	-	-	-	-	-	7,903	-	(7,903)	0
Sell / (purchase) own shares	-	(12)	(31)	-	-	-	-	-	-	-	(43)
Dividends	-	-	-	-	-	-	-	(1,330)	-	-	(1,330)
Other comprehensive income for the period	-	-	-	-	-	-	(138)	-	-	-	(138)
Result for the period	-	-	-	-	-	-	-	-	-	3,603	3,603
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>(138)</b>	-	-	<b>3,603</b>	<b>3,465</b>
<b>Balance as of 31 December 2019</b>	<b>14,627</b>	<b>(800)</b>	<b>33</b>	<b>40,539</b>	<b>43,086</b>	<b>2,925</b>	<b>(753)</b>	<b>41,620</b>	<b>6,462</b>	<b>3,603</b>	<b>151,342</b>
Result for previous period	-	-	-	-	-	-	-	3,603	-	(3,603)	0
Sell / (purchase) own shares	-	(5)	(9)	-	-	-	-	-	-	-	(14)
Other comprehensive income for the period	-	-	-	-	-	-	(15)	-	-	-	(15)
Result for the period	-	-	-	-	-	-	-	-	-	1,210	1,210
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>(15)</b>	-	-	<b>1,210</b>	<b>1,195</b>
<b>Balance as of 31 December 2020</b>	<b>14,627</b>	<b>(805)</b>	<b>24</b>	<b>40,539</b>	<b>43,086</b>	<b>2,925</b>	<b>(768)</b>	<b>45,224</b>	<b>6,462</b>	<b>1,210</b>	<b>152,523</b>

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

## ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

### GENERAL INFORMATION

These annual financial statements as of 31 December 2020 were authorised for publication by the Board of Directors on 16 March 2021.

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 2020 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.

To improve the presentation, starting with these financial statements, the item "Payables for deposits received from customers", included under "Other current liabilities" as of 31 December 2019, was reclassified as a deduction from "Trade receivables", since the Company offsets the liability with its trade receivable when the customer returns packaging.

Item reclassified in the comparative financial statements as of 31.12.2019	€/000	Previous classification	Current classification
Payables for deposits received from customers	1,779	Other liabilities	Trade receivables

### 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.

#### Going Concern

The directors have assessed the applicability of the going concern assumption in the preparation of the separate financial statements, concluding that this assumption is appropriate as there is no doubt about the company's ability to continue as a going concern. In making this assessment, the current pandemic context was also taken into account, as reported in the section "COVID-19 – IMPACTS OF THE PANDEMIC – UPDATES" in the consolidated 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;

## Tangible Assets

Tangible assets are measured at their purchase cost after deducting discounts and rebates, or at the construction cost, including directly attributable costs less any accumulated depreciation and accumulated impairment losses.

The carrying amount of tangible assets is tested for impairment if events or changes in circumstances indicate that it might be impaired. If there is any such indication, and the asset's carrying amount exceeds its recoverable amount, the asset is written down to this lower value. The recoverable amount of tangible assets is the higher of net price to sell and value in use.

If no binding sale agreement exists, fair value is measured on the basis of quoted prices in an active market, recent transactions, or the best available information to reflect the amount that an entity could obtain from selling the asset.

Value in use is measured by discounting the cash flows expected from the use of the asset and, if these are material and can reasonably be determined, from its disposal at the end of its useful life. Cash flows are measured on the basis of reasonable and supportable assumptions that represent the best estimate of the future economic conditions that will exist over the useful life of the asset. Cash flows are discounted at a rate accounting for the risk implicit in the business segment.

If the reasons for an impairment loss no longer exist, the assets are revalued and the adjustment is recognised through profit or loss as a revaluation (reversal) not in excess of the previously recognised impairment loss or the lower of recoverable amount and carrying amount before deducting previously recognised impairment losses and less the depreciation charges that would have been incurred if no impairment loss had been recognised.

The capitalisation of costs related to the expansion, renovation or improvement of the structural elements owned or leased from third parties is exclusively carried out to the extent that they meet the requirements for separate classification as an asset or part of an asset by applying the "component approach" criterion.

On disposal, or when no future economic benefits are expected from the use of an asset, this is derecognised from the financial statements and any gain or loss (calculated as the difference between the disposal value and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

Land, including that ancillary to buildings, is not depreciated.

Assets under construction and advances paid for the acquisition of tangible assets are measured at cost. Depreciation begins when the asset is available and ready for use, and assets are allocated to a specific category from the same date.

Depreciation was calculated on the basis of rates that were deemed representative of the estimated useful life of the relevant tangible assets. Depreciation begins when the asset is available for use, taking into account the actual time at which this condition occurs.

The rates applied by the Company on an annual basis are included in the following ranges:

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

## Intangible Assets

Intangible assets are recognised under assets, in accordance with the provisions of IAS 38 (Intangible Assets) when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Intangible assets which are acquired separately are initially capitalised at cost while those which are acquired through business combination transactions are capitalised at their fair value on their acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, 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 it is likely that they will be recovered. The useful life of intangible assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Company obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset, and are recognised in profit or loss when the fixed asset is disposed of.

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

Asset	Useful life	Rate	Internally produced or acquired	Impairment test
Patent and intellectual property rights	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 IFRS 16, starting 1 January 2019, lease contracts are recognised on the basis of a single accounting model similar to that regulated by IAS 17 on accounting for finance leases.

When each contract is stipulated, the Company:

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

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

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

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

### **Business Combinations and Goodwill**

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

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

### **Equity Investments**

Equity investments in subsidiaries, joint ventures and associates are valued using the cost method, including the costs directly attributable to the investment, adjusted for impairment.

Subsidiaries are companies over which the Company has the right to exercise, directly or indirectly, control, as defined by IFRS 10 – Consolidated Financial Statements. In particular, control exists when the controlling entity simultaneously:

- > holds decision-making power over the investee company;
- > has the right to take part in or is exposed to the variable (positive and negative) results of the investee company;
- > has the ability to exercise power over the investee company in such a way as to affect its profits.

A joint venture is a joint arrangement in which the parties which hold joint control have rights over the net assets of the arrangement and, therefore, have a stake in the joint venture.

An associate is a company in which the Company holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over the financial and managerial policies.

At each reporting date, the Company reviews the carrying amount of the equity investments to determine whether there are any indications of impairment and, in that case, it carries out impairment tests in the same way as described above for intangible and tangible fixed assets.

Given objective indications of impairment, recoverability is verified by comparing the carrying amount with the recoverable amount, which is the higher of the fair value (net of disposal costs) and the value in use generally determined within the limits of the relevant portion of equity.

The Company writes back the value of equity investments when the reasons that had led to their impairment cease to apply.

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

Assets with a finite useful life falling within the scope of application of IAS 36 are tested for impairment whenever indicators of impairment exist.

To that end, both internal and external information sources are considered. 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 evaluating investments; and market capitalisation below the carrying amount of the entity's net assets.

In this case, the net carrying amount of these assets is compared with the estimated recoverable amount and, if the former is higher, a loss is recognised.

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows generated by the asset). In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money (relating to the period of investment) and risks specific to the asset.

In order to test for impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash-generating unit. Impairments of CGUs are recognised first as a reduction in the carrying amount of any goodwill allocated to the CGU and then as a reduction in other assets, in proportion to their carrying amount and up to their recoverable amount.

If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it were not impaired and the related amortisation had been applied.

### **Financial Assets**

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

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

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

#### *Financial assets measured at amortised cost*

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

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

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

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



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

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

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

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

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

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

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

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

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

#### **Impairment of Financial Assets**

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

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

- g) significant financial difficulty of the issuer or borrower;
- h) a breach of contract, such as a default or past-due event;

- i) for economic or contractual reasons relating to the borrower's financial difficulty, the lender granting the borrower a concession that would not have been otherwise considered by the lender;
- j) it is probable that the borrower will enter bankruptcy or other financial reorganisation procedures;
- k) the disappearance of an active market for the financial asset because of financial difficulties; or
- l) the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

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

### **Inventories**

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

The costs incurred are recognised as follows:

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

The presumed net realisable value for metal is measured separately from the other components, 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 measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the contractual rights over the related cash flows expire, or when the financial liability is transferred along with substantially all the risks and rewards which come from responsibility for said liability.

### **Derecognition of Financial Assets and Liabilities**

#### Financial Assets

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

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



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

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

#### Financial liabilities

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

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

#### Provisions for Risks and Charges

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

#### Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian and the pension funds of some foreign companies, respectively Isomet and Magnet Wire.

Italian Law no. 296 of 27 December 2006 ("2007 Budget Law") introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service. Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's 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.

As of the contract date, derivative financial instruments are recognised at fair value and, if not accounted for as hedging instruments, the changes in fair value after initial recognition are recognised directly through profit or loss.

If the derivative financial instruments qualify for hedge accounting, the subsequent changes in fair value are accounted for under hedge accounting according to specific criteria, which are described below.

The fair value of raw material forward contracts, outstanding at the reporting date, is determined on the basis of forward prices of raw materials with reference to the maturity dates of contracts outstanding at the reporting date.

For the purposes of hedge accounting, hedges are classified as:

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

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

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

## Treasury Shares

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

## Recognition of Revenues

### Recognition of Revenues

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

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

The Company recognises revenue from contracts with customers at a point in time (or over time) when performance obligations are fulfilled by transferring the promised goods or services (namely, the asset) to the customer. The asset is transferred at a point in time (or over time) when the customer obtains control of the asset.

The Company transfers control of the goods or services over time (and thus fulfils the performance obligations and recognises the revenue over time) if the situation satisfies one of the following criteria:

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

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

The Company allocates the contractual price to the individual performance obligations by reference to the relative standalone selling prices (SSP) for the individual performance obligations. When there is no SSP, the Group estimates the SSP using an adjusted market assessment approach.

In this case, the Company uses judgement to determine the performance obligation, variable consideration and allocation of the transaction price.

#### Dividends

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

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

#### **Costs**

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

#### **Financial Income and Charges**

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

#### **Earnings per Share**

As required by IAS 33, the Company presents on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The information is presented only on the basis of the consolidated data, in accordance with the requirements of the aforementioned IAS.

Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent entity by the weighted number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average of the shares was applied retroactively for all previous years.

#### **Income Taxes**

##### Current taxes

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

### Deferred tax assets and liabilities

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed on an annual basis at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets or liabilities relating to items recognised directly in equity are recognised directly in equity and not in the income statement.

### **Use of Estimates**

The drafting of the financial statements in accordance with the IFRS requires the use by the Management of estimates and assumptions, which influence the value of assets and liabilities recorded in the statement of financial position as well as in the disclosures published in the explanatory notes regarding potential assets and liabilities at the reporting date, and the revenues and costs for the period.

These estimates are based on experience and on other factors considered relevant. The effective results could thus differ from those estimated. The estimates are revised on a regular basis and the effects of each change to the same are reflected in the income statement of the period in which the estimate is revised.

The most significant accounting principles that require greater subjectivity by directors when preparing estimates are described below:

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

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

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

### **Offsetting of Financial Assets and Liabilities**

The Company offsets financial assets and liabilities if, and only if:

- it has a legally enforceable right to set off the reported amounts;
- it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020**

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

- On 31 October 2018, the IASB issued the document "Definition of Material (Amendments to IAS 1 and IAS 8)". It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect. The adoption of this amendment did not have any impact on the Parent Company consolidated financial statements.
- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the essential concepts for the financial disclosure and guides the Board in developing IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors. The Conceptual Framework supports businesses in the development of accounting standards when no IFRS applies to a specific transaction and, more generally, helps the parties concerned to understand and interpret the standards. The adoption of this amendment did not have any impact on the Parent Company separate financial statements.
- 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 on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements on their hedging relations directly involved by the uncertainties generated by the reform and to which said derogations apply. The adoption of this amendment did not have any impact on the Parent Company separate financial statements.
- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually has outputs, these are not strictly required for an integrated set of activities/processes and assets to qualify as a business. However, to qualify as a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist without including all of the inputs and processes needed to create outputs. The amendment also introduced an optional concentration test that allows ruling out the existence of a business if the price paid essentially refers to an individual asset or group of assets. The amendments are applicable to all business combinations and acquisitions of assets starting from 1 January 2020; earlier application is, however, permitted. The adoption of this amendment did not have any impact on the Parent Company separate financial statements.
- On 28 May 2020, the IASB published the document "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides lessees with the option to account for rent reductions related to COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees that apply this option may account for the effects of



rent reductions directly through profit or loss at the effective date of the reduction. This amendment applies to financial years beginning on or after 1 June 2020, but an earlier application of this amendment to 1 January 2020 is permitted. The adoption of this amendment did not have any impact on the Parent Company separate financial statements.

**ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE PARENT COMPANY IN ADVANCE AS OF 31 DECEMBER 2020**

- On 28 May 2020, the IASB published the amendment "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance contracts. The amendments will come into force on 1 January 2021. The Directors do not expect a significant impact on the Parent Company's separate annual financial statements from the adoption of said amendment.
- On 27 August 2020, the IASB published, in light of the reform of interest rate benchmarks (such as IBOR), the document "Interest Rate Benchmark Reform - Phase 2" which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

All amendments will come into force on 1 January 2021. The Directors do not expect a significant impact on the Parent Company's separate annual financial statements from the adoption of said amendment.

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

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

- On 18 May 2017, the IASB issued the standard IFRS 17 – Insurance Contracts, which will replace IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also specifies presentation and disclosure requirements to enhance comparability between insurers.

The new standard measures insurance contracts under the General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- measurement reflects the time value of money;
- estimates make maximum use of observable market inputs;
- there is a current and explicit measurement of risk;

- expected profit is deferred and aggregated in groups of insurance contracts at initial recognition; and
- expected profit is recognised over the coverage period after adjustments from changes in the cash flows assumptions related to each group of contracts.

Under the PAA, the liability for the remaining coverage of a group of insurance contracts shall be measured on the condition that, at initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA. The simplifications arising from applying the PAA do not apply to the measurement of liabilities for outstanding claims, which are measured under the General Model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

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

The standard is effective for annual periods beginning on or after 1 January 2023, but earlier application is permitted only for the entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Considering the contents of the standard concerned, the Directors do not anticipate impacts on the Parent Company's separate financial statements as a result of the adoption of this standard.

- On 23 January 2020, the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments will come into force on 1 January 2023; however, earlier application is however permitted. The Directors do not expect a significant impact on the Parent Company's separate annual financial statements from the adoption of said amendment.
- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of IFRS 3 standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments aim to disallow the deduction of the amount received from the sale of goods produced during the test phase of the asset, from the cost of tangible assets. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the potential costs of a contract, all costs directly relating to said contract must be considered. Consequently, the assessment of the potential cost of a contract includes not only the incremental costs (such as, for example, the cost of direct material used in processing) but also all costs that the company cannot avoid insofar as it has stipulated the contract (such as, for example, the portion of the payroll costs and depreciation of machinery used to fulfil the contract).
  - Annual Improvements 2018-2020: the amendments applied to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

All amendments will come into force on 1 January 2022. The Directors do not expect a significant impact on the Parent Company's separate annual financial statements from the adoption of said amendments.



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

### Introduction

The year 2020 was characterised by the COVID-19 outbreak, with varying levels of intensity according to the time period under consideration.

In response to this emergency, the Italian Government implemented travel bans, quarantines, and other public safety measures, such as imposing limits on social gatherings, restrictions on business activities, and lockdowns.

As of 16 March 2021, although vaccines have started rolling out in Italy, several of these measures are still in place, as the pandemic has resurged. Therefore, there is still considerable uncertainty over the economic fallout.

That said, production at the Parent Company's plants has continued without interruptions, as they were not closed during lockdowns.

To reduce the risk of contagion and comply with Government orders to contain the pandemic, IRCE S.p.A. also implemented specific internal procedures, such as sanitising premises, taking temperatures at the entrance, using masks, distancing, using gel sanitiser, and using remote working where deemed necessary.

In addition, the staff suspected to have been infected are pre-emptively quarantined, while those infected with COVID-19 need a medical certificate to return to work.

With respect to our supply chain, we have not yet encountered any issues in terms of regularity and punctuality of the requested supplies, also thanks to the diversification of suppliers. In addition, the fact of having multiple plants in different geographic areas has further contributed to limiting the risk of discontinuing supplies to our customers.

To meet the requirements under Consob warning notice no. 1/21 of 15 February 2021 concerning: "*COVID-19 – measures to support the economy – warning notice on the information to be provided*" (in line with the document issued by ESMA on 28 October 2020 "*European common enforcement priorities for 2020 annual financial reports*"), the Company discloses the following:

#### **(i) Application of IAS 1 "Presentation of Financial Statements"**

The COVID-19 emergency has had a direct impact on the Parent Company's economic results, which, together with the slowdown in demand that had already started in 2019, curbed its results, particularly in the first half of 2020. However, the steady recovery in sales volumes seen in the second half of 2020 allowed mitigating the decline in turnover on an annual basis.

The impact on falling sales volumes was mitigated by curbing costs, adjusting production capacity to reduced market demand, and benefiting, where possible, from the measures passed by the Government to mitigate the negative economic and financial impact of the pandemic.

Thanks to the actions taken to contain costs, the effect of the current crisis on the IRCE S.p.A.'s results has been mitigated, and these actions will be maintained also in the future, given the uncertainty surrounding the duration of the economic crisis and the evolution of the health emergency.

Considering the decrease in revenues and the previously described uncertainties, the Directors concluded that there were indicators of impairment concerning the Parent Company and, therefore, carried out an impairment test as of 31 December 2020 to measure the recoverable amount of the assets of the Cash Generating Units, as described below.

The Group did not find significant impacts from COVID-19 on the other line items and, specifically, the estimates concerning the recoverability of receivables and the measurement of inventories of raw materials and finished products.

With respect to potential liquidity risks, please note that the Parent Company still maintains a solid financial position. Net Financial Debt amounted to € 44.1 million as of 31 December 2020, slightly down from € 44.4 million as of 31 December 2019.

In accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità Imprese"), IRCE S.p.A. obtained a loan backed by Sace for an amount of € 10.00 million and a loan backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million. In addition, thanks to its industry leadership and credit standing, the Company believes it can continue relying on the support of the financial system also in the near future.

Moreover, please note that as of 31 December 2020 IRCE S.p.A. had € 87.83 million in available unused lines of credit.

Considering the above, the Directors believe that IRCE S.p.A.'s current financial conditions do not put its solvency in question, and are instead adequate to help achieve the stated objectives.

### **(ii) Application of IAS 36 "Impairment of Assets"**

To account for the impact of the Coronavirus outbreak and the current economic uncertainty, the Directors have developed a forecasting model based on their best estimate of COVID-19 impact on the future performance of the Parent Company and the main subsidiaries, including under a multi-scenario approach. The forecasts produced by this model were used also in the impairment tests carried out to measure the recoverable amount of IRCE S.p.A.'s tangible and intangible assets as well as the main equity investments.

Based on the results of the impairment tests, details of which are provided in the "Impairment test" note of this report, no impairment losses were recognised for IRCE S.p.A.'s tangible and intangible assets, while some equity investments recognised in the separate financial statements were written down by € 2.4 million overall.

### **(iii) Application of IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures",**

With respect to customers, in the second half of 2020 the Group saw a decline in requests for payment extensions and, therefore, a gradual decrease in average payment terms; the analysis of past due receivables at the end of the year did not highlight particular issues. In addition, considering that the Company's main customers are established, industry-leading firms, there are no particular risks associated with the pandemic that could cause days sales outstanding or credit quality to deteriorate in future periods.

### **(iv) Application of IFRS 16 "Leasing"**

There are no particular changes in the application of IFRS 16 compared to the previous year.

## **DERIVATIVE INSTRUMENTS**

The Company uses the following type of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2020. The Company entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium with reference to the maturity dates of contracts

outstanding at the reporting date. These transactions do not qualify as hedging instruments for the purposes of hedge accounting.

Below is a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 31 December 2020 and 31 December 2019:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	875	1200	879	(307)	572
<b>Total</b>	<b>875</b>	<b>1200</b>	<b>879</b>	<b>(307)</b>	<b>572</b>

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2019		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	1050		361		361
<b>Total</b>	<b>1050</b>		<b>361</b>		<b>361</b>

- Derivative instruments related to USD and GBP forward purchase and sale contracts with maturity after 31 December 2020. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the currency derivative contracts for forward purchases and sales, outstanding as of 31 December 2020 and 31 December 2019:

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

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2019		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
USD	9,211			(113)	(113)
GBP	6,000		11		11
<b>Total</b>			<b>11</b>	<b>(113)</b>	<b>(102)</b>

- Derivative instruments related to electricity purchase obligations with a maturity date after 31 December 2020. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

Below is a summary of the electricity derivative contracts for forward purchases and sales, outstanding as of 31 December 2020 and 31 December 2019:

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2020		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
MWh	4,052		38		38
<b>Total</b>	<b>4,052</b>		<b>38</b>		<b>38</b>

Measurement unit of the notional amount	Net notional amount - MWh		Result with fair value measurement as of 31/12/2019		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
MWh	-		-		-
<b>Total</b>	<b>-</b>		<b>-</b>		<b>-</b>

## SEGMENT REPORTING

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

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

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

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

€/000	Current year			Previous year		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	137,694	45,656	183,350	157,241	45,780	203,021
<i>% of total</i>	<i>75.10%</i>	<i>24.90%</i>	<i>100.00%</i>	<i>77.50%</i>	<i>22.50%</i>	<i>100.00%</i>

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

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

## COMMENT ON THE MAIN ITEMS OF THE SEPARATE STATEMENT OF FINANCIAL POSITION

### 1. INTANGIBLE ASSETS

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

The changes in their net carrying amount are shown below:

	Patents and intellectual property rights	Licenses, trademarks, similar rights and other multi-year charges	Intangible assets - Net carrying amount
€/000			
<b>Opening balance of previous year</b>	<b>4</b>	<b>-</b>	<b>4</b>
<i>Changes in previous year:</i>			
Investments	5	176	181
Amortisation	(6)	(8)	(14)
<b>Net carrying amount of previous year</b>	<b>3</b>	<b>168</b>	<b>171</b>
<i>Changes in current year:</i>			
Investments	6	-	6
Amortisation	(6)	(89)	(95)
<b>Net carrying amount of current year</b>	<b>3</b>	<b>79</b>	<b>82</b>

“Investments in licences, trademarks, similar rights and other multi-year charges” mainly include costs incurred last year for product approval tests run at external laboratories, necessary to obtain technical qualification for the supply of materials to a publicly-owned company.

Please note that, on a recurring basis, the Company incurs R&D expenses that are recognised in the income statement, as they do not meet the conditions for capitalisation pursuant to IAS 38.

## 2. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2020 and 2019.

	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
€/000							
<b>Opening balance of previous year</b>	<b>7,835</b>	<b>3,378</b>	<b>8,873</b>	<b>479</b>	<b>354</b>	<b>2,269</b>	<b>23,187</b>
<i>Changes in previous year:</i>							
Investments	-	51	3,113	358	376	15	3,913
Depreciation	-	(367)	(2,519)	(274)	(177)	-	(3,337)
Reclassifications	-	407	394	139	-	(940)	-
Divestments - Historical cost	-	-	(4,866)	(1)	(272)	(5)	(5,144)
Divestments - Accumulated depreciation	-	-	4,866	1	272	-	5,139
<b>Net carrying amount of previous year</b>	<b>7,835</b>	<b>3,469</b>	<b>9,861</b>	<b>702</b>	<b>553</b>	<b>1,339</b>	<b>23,758</b>
<i>Changes in current year:</i>							
Investments	-	477	307	368	49	430	1,631
Depreciation	-	(400)	(2,798)	(358)	(203)	-	(3,759)
Reclassifications	-	-	824	98	-	(922)	-
Divestments - Historical cost	-	-	(245)	-	(2)	(10)	(257)
Divestments - Accumulated depreciation	-	-	245	-	2	-	247
<b>Net carrying amount of current year</b>	<b>7,835</b>	<b>3,546</b>	<b>8,194</b>	<b>810</b>	<b>399</b>	<b>837</b>	<b>21,621</b>

Changes in Right-of-use assets determined in accordance with IFRS 16, the values of which are already included in the above table, are as follows:

€/000	Land	Buildings	Plant and equipment	Ind. and comm. equipment	Other assets	Assets under constr. and adv.	Total
<b>Net carrying amount as of 31.12.19</b>	<b>0</b>	<b>9</b>			<b>59</b>		<b>68</b>
Investments		49			24		74
Depreciation		(14)			(36)		(50)
<b>Net carrying amount as of 31.12.20</b>	<b>0</b>	<b>44</b>			<b>47</b>		<b>92</b>

IRCE S.p.A.'s investments in 2020, not including right-of-use assets in accordance with IFRS 16, amounted to approximately € 1.6 million and mainly related to "Buildings", "Plant and equipment" and "Industrial and commercial equipment".

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.

Assets under construction mainly include machinery available and not yet installed.

Considering the gradual spread of the Coronavirus pandemic, the current economic uncertainty, and the requirements under warning notice no. 1/21 issued by Consob on 16 February 2021, the Company's Directors tested IRCE S.p.A.'s net invested capital (NIC) and, specifically, intangible and tangible assets for impairment, in accordance with IAS no. 36.

Since IRCE S.p.A. is a holding company, the items "Equity investments in subsidiaries" and "Intra-group financial receivables" were excluded from the calculation of NIC, also because subsidiaries were already tested for impairment or otherwise assessed separately.

Based on the 2021-2025 multi-year plan, an impairment test was therefore carried out on IRCE S.p.A. And approved by the Parent Company's Board of Directors on 16 March 2021.

For more details on how enterprise value is calculated, see the following paragraph "Impairment test". Below is the result of the impairment test carried out, which did not find evidence of impairment for the net invested capital recognised by IRCE S.p.A.

	<b>IRCE S.p.A.</b>
g	1.4%
WACC	5.7%
EV (€/000)	130,496
NIC (€/000)	103,467
Difference (€/000)	27,029

Below are the results of the sensitivity analysis, in which the net invested capital (NIC) was compared with its Enterprise Value calculated on the basis of a discount rate (WACC) and a growth rate (g) half a percentage point lower and higher than the parameters used.

Such analysis revealed that impairment would only occur in the event of a major worsening in the parameters considered.

€/000	g / WACC	<b>IRCE S.p.A.</b>		
		5.2%	5.7%	6.2%
	1.9%	70,640	44,585	24,570
	1.4%	47,439	<b>27,029</b>	10,880
	0.9%	29,548	13,079	(261)

### 3. EQUITY INVESTMENTS

	FY20 December	FY19 December
€/000		
Historical cost of equity investments	86,052	86,042
Provision for impairment of equity investments	(12,882)	(10,862)
<b>Net carrying amount of equity investments</b>	<b>73,170</b>	<b>75,180</b>

The following tables show the changes in the historical cost and the provision for impairment of equity investments for the years ended 31 December 2020 and 2019.

	Opening balance	Increases	Closing balance
Historical cost of equity investments:			
FD SIMS ltd	13,375	-	13,375
Smit Draad Nijmegen BV	7,273	-	7,273
Isomet AG	1,435	-	1,435
IRCE Ltda	58,808	-	58,808
DMG Gmbh	120	-	120
Isodra Gmbh	28	-	28
IRCE SL	150	-	150
Stable Magnet Wire P.Ltd	2,600	-	2,600
Isolveco 2 SRL	10	10	20
Isolveco SRL in liquidazione	195	-	195
Irce Electromagnetic wire Co.Ltd	2,000	-	2,000
Irce SP.ZO.O	48	-	48
<b>Total</b>	<b>86,042</b>	<b>10</b>	<b>86,052</b>

	Opening balance	Allocation to provisions	Closing balance
Provision for impairment of equity investments:			
FD SIMS ltd	(7,337)	(800)	(8,137)
Smit Draad Nijmegen BV	(161)	(1,200)	(1,361)
IRCE Ltda	(343)	-	(343)
Isodra Gmbh	(28)	-	(28)
IRCE SL	(150)	-	(150)
Stable Magnet Wire P.Ltd	(2,600)	-	(2,600)
Isolveco 2 SRL	-	(20)	(20)
Isolveco SRL in liquidazione	(195)	-	(195)
Irce SP.ZO.O	(48)	-	(48)
<b>Total</b>	<b>(10,862)</b>	<b>(2,020)</b>	<b>(12,882)</b>

## Impairment Test

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, approved by the Board of Directors on 16 March 2021, after indicators of impairment were identified. Future cash flows are based on the latest economic-financial plans prepared and approved by the Management of each subsidiary in reference to the operation of the production structures and market context.

In order to determine future cash flows, the data of the 2021 – 2025 multi-year plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2025). In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, insofar as the Company's Management team considers this to be a normalised long-term flow.

The growth rate "g" applied to determine the terminal value has been set as equal to the long-term inflation (2025) of the country in which each subsidiary operates.

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



In order to perform the impairment test and to take into account a possible worsening of the current pandemic consequences on the economy, the cash flow for the various subsidiaries was calculated on the basis of multi-scenarios, which were assigned a different probability of occurrence.

In line with the provisions of IAS 36, the impairment test was carried out by comparing the recoverable amount of the investments (Enterprise value) net of the net financial position ("NFP") as of 31 December 2020 ("Equity Value") with the related carrying amounts for the equity investments as of 31 December 2020.

Below are the results of the impairment tests carried out:

	<b>IRCE Ltda</b>	<b>FD Sims</b>	<b>Smit Draad</b>	<b>Isomet</b>
g	3.3%	2.0%	1.7%	1.0%
WACC	10.4%	7.9%	7.6%	6.2%
Equity value (€/000)	68,813	5,270	5,867	4,644
Equity investment (€/000)	58,466	6,038	7,112	1,435
Difference (€/000)	10,347	(768)	(1,245)	3,209

With reference to the value of equity investments shown in the financial statements, based on the results of impairment tests 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 an impairment of these investments. The other group companies did not show a risk profile, as detailed below.

A sensitivity analysis is shown below, comparing the value of the equity investment in IRCE S.p.A.'s financial statements 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.

<b>€/000</b>	<b>IRCE Ltda</b>		
g / WCC	9.9%	10.4%	10.9%
3.8%	19,302	13,958	9,370
3.3%	15,023	<b>10,347</b>	6,290
2.8%	11,346	7,212	3,592

As the above tables show, the CGU is not exposed to any risks that would require an impairment.

<b>€/000</b>	<b>FD Sims</b>		
g / WCC	7.4%	7.9%	8.4%
2.5%	1,101	(3)	(918)
2.0%	164	<b>(768)</b>	(1,552)
1.5%	(615)	(1,414)	(2,095)

The results of the impairment test showed the need to adjust the value 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. Therefore, also in consideration of the sensitivity analysis, the Directors resolved to proceed with an impairment of the value of FD Sims equity investment by €/000 800.

<b>€/000</b>	<b>Smit Draad</b>		
g / WCC	7.1%	7.6%	8.1%
2.2%	2,021	84	(1,517)
1.7%	387	<b>(1,245)</b>	(2,616)
1.2%	(968)	(2,366)	(3,555)

The results of the impairment test showed the need to adjust the value 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. Therefore, also in consideration of the sensitivity analysis, the Directors resolved to proceed with an impairment of the value of Smit Draad equity investment by €/000 1,200.

€/000	g / WCC	ISOMET		
		5.7%	6.2%	6.7%
	1.5%	4,602	3,783	3,120
	1.0%	3,882	<b>3,209</b>	2,654
	0.5%	3,300	2,736	2,263

As the above tables show, the CGU is not exposed to any risks that would require an impairment.

Finally, as regards the small operating Group Companies, where losses are recorded the Directors provide a substantial alignment with the percentage stake held in the subsidiary's shareholders' equity.

The comparison between the net carrying amount of equity investments in subsidiaries and the relevant shareholders' equity is shown in Attachment 2, an integral part of the Notes to the Financial Statements.

#### 4. OTHER NON-CURRENT FINANCIAL RECEIVABLES

	FY20 December	FY19 December
€/000		
Other non-current financial receivables	120	122
Non-current intercompany loans	19,867	18,660
<b>Other non-current financial receivables</b>	<b>19,986</b>	<b>18,782</b>

"Other financial receivables" mainly include energy savings certificates "ESC".

Below is the breakdown of interest-bearing loans extended to subsidiaries:

	FY20 December	FY19 December
€/000		
FD SIMS ltd	7,024	7,420
Smit Draad Nijmegen BV	6,941	5,322
Isomet AG	602	602
DMG GmbH	1,708	1,707
Isodra GmbH	1,868	1,871
IRCE SL	1,601	1,594
Isolveco 2 SRL	-	10
Irce SP.ZO.O	123	134
<b>Non-current intercompany loans</b>	<b>19,867</b>	<b>18,660</b>

Also as part of the impairment tests carried out on equity investments, commented on in the previous paragraph, management analysed the recoverability of these amounts: the results showed that such receivables can be fully recovered.

## 5. NON-CURRENT TAX RECEIVABLES

As of 31 December 2019, this item referred to the residual tax credit relating to the 2011 IRES (corporate income tax) reimbursement claim, in compliance with Article 2, paragraph 1-quater, of Italian Law Decree No. 201/2011, of the Parent Company IRCE S.p.A.; this credit was entirely collected in the first half of the year.

## 6. DEFERRED TAX ASSETS

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

€/000	31/12/2020	31/12/2019
- Deferred tax assets	1,885	1,804
- Deferred tax liabilities	(538)	(634)
<b>Total</b>	<b>1,347</b>	<b>1,170</b>

The Company recognised deferred tax assets for the following items:

€/000	31/12/2020	31/12/2019
- Allocations to Provisions for risks and charges	60	77
- Allocations to the taxed Bad debt provision	215	223
- Allocations to the provision for inventory obsolescence	892	885
- IFRS 15	551	575
- IFRS 19	38	44
- Other	129	-
<b>Total</b>	<b>1,885</b>	<b>1,804</b>

The table below shows the changes in deferred tax assets during 2019 and 2020:

	<b>Taxed provisions</b>	<b>IFRS 15</b>	<b>Other</b>	<b>Total</b>
<b>balances as of 01/01/2019</b>	1,523	476	15	2,015
impact on income statement	(338)	98	(15)	(255)
impact on shareholders' equity			44	44
<b>balances as of 31/12/2019</b>	1,185	574	44	1,804
impact on income statement	(18)	(25)	128	86
impact on shareholders' equity			(5)	(5)
<b>balances as of 31/12/2020</b>	1,167	549	168	1,885

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	31/12/2020	31/12/2019
- Depreciation	36	36
- IAS capital gains on buildings	413	413
- IAS capital gains on land	88	97
- Exchange gains from adjustment	1	88
<b>Total</b>	<b>538</b>	<b>634</b>

The table below shows the changes in deferred tax liabilities during 2019 and 2020:

	Depreciation	IAS capital gain on land and building	Other	Total
<b>balances as of 01/01/2019</b>	36	510	22	568
impact on income statement			66	66
impact on shareholders' equity				
<b>balances as of 31/12/2019</b>	36	510	88	634
impact on income statement		(9)	(87)	(96)
impact on shareholders' equity				
<b>balances as of 31/12/2020</b>	36	501	1	538

## 7. INVENTORIES

Inventories are broken down as follows:

	FY20 December	FY19 December
€/000		
Raw materials, ancillary and consumables	20,727	20,869
Work in progress and semi-finished goods	8,042	9,692
Finished products and goods	29,249	29,383
Provision for write-down of raw materials	(2,759)	(2,759)
Provision for write-down of finished products	(811)	(782)
<b>Inventories</b>	<b>54,448</b>	<b>56,403</b>

Recognised inventories are not pledged nor used as collateral.

The change in the period is attributable to lower volumes in inventories at the end of the year.

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

As indicated in the Report on Operations, in 2020 the price of copper was highly volatile and irregular due to the uncertainties on the economy caused by the Coronavirus health crisis, with a sharp fall in prices in March

and April followed by a strong recovery in the following months, closing as of 31 December 2020 at Euro 6.31 Euro/kg, with an average price for 2020 (5.39 Euro/Kg) in line with 2019. Moreover, it should be noted that the copper prices available at the time of approval of this Financial Report are well above the prices as of 31 December 2020.

The table below shows the changes in the provision for write-down of inventories during 2020:

	Opening balance	Allocation to provisions	Closing balance
€/000			
Provision for write-down of raw materials	(2,759)	-	(2,759)
Provision for write-down of finished products	(782)	(29)	(811)
<b>Total</b>	<b>(3,541)</b>	<b>(29)</b>	<b>(3,570)</b>

## 8. TRADE RECEIVABLES

	FY20 December	FY19 December
€/000		
Short-term receivables due from customers	50,217	35,743
Intercompany receivables	11,284	11,054
Short-term provision for bad debts from third parties	(626)	(609)
Intercompany bad debt provision	(1,405)	(1,405)
<b>Trade receivables</b>	<b>59,470</b>	<b>44,783</b>

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

The increase in trade receivables is due to both the increase in sales volumes in the last quarter of 2020 compared to the same prior-year period and to the decrease in transfers without recourse made at year-end.

Trade receivables transferred during the year amounted to €/000 3,508 (as of 31 December 2019 €/000 8,289) while at year-end they no transfers were made (as of 31 December 2019 €/000 5,989).

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

€/000	FY20 December	FY19 December
FD SIMS ltd	174	133
Smit Draad Nijmegen BV	-	6
Isomet AG	3,571	4,183
IRCE Ltda	609	172
DMG GmbH	1	7
Isodra GmbH	847	897
IRCE SL	2,345	2,337
Stable Magnet Wire P.Ltd	2,216	1,798
Isolveco 2 SRL	1	-
Isolveco SRL in liquidazione	1,520	1,521
<b>Total intercompany receivables</b>	<b>11,284</b>	<b>11,054</b>
Isolveco SRL in liquidazione	(1,405)	(1,405)
<b>Total intercompany bad debt provision</b>	<b>9,879</b>	<b>9,649</b>

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

	Opening balance	Allocation to provisions	Use of provisions	Closing balance
€/000				
Short-term provision for bad debts from third parties	(609)	(141)	124	(626)
Intercompany bad debt provision	(1,405)	-	-	(1,405)

## 9. TAX RECEIVABLES

Current tax receivables, which had a zero balance as of 31 December 2020, relate to income tax advances paid, fully offset against current tax liabilities.

## 10. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

	FY20 December	FY19 December
€/000		
Other receivables	367	346
VAT receivables	316	-
<b>Receivables due from others</b>	<b>683</b>	<b>346</b>

The increase in "Receivables due from others" was largely attributable to "VAT receivables".

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

"Other receivables" largely included insurance reimbursements.

## 11. CURRENT FINANCIAL ASSETS

	FY20 December	FY19 December
€/000		
Copper Mark-to-Market derivatives	572	372
Guarantee deposits and other current financial assets	1,293	14
MWh Mark-to-Market derivatives	38	-
<b>Current financial assets</b>	<b>1,903</b>	<b>386</b>

The increase in current financial assets is attributable to the item "Guarantee deposits and other current financial assets". This item mainly includes the balance of the escrow account for transactions on the LME and refers to so-called margin calls lodged with the Broker for copper forward transactions on the LME (London Metal Exchange).

The item "Copper Mark-to-Market" refers to the fair value of derivative contracts for the forward purchase and sale of copper on the LME outstanding as of 31/12/2020.

The item "MWh Mark-to-Market" refers to the fair value of "commodity swap" derivative contracts for the purchase of electricity as of 31/12/2020.

## 12. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

	FY20 December	FY19 December
€/000		
Bank deposits	505	750
Cash and cash equivalents	6	8
<b>Cash and Cash Equivalents</b>	<b>511</b>	<b>758</b>

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

## 13. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to Euro 152.5 million as of 31 December 2020 (Euro 152.3 million as of 31 December 2019) and is detailed in the following table:

	FY20 December	FY19 December
€/000		
Share capital	14,627	14,627
Treasury Shares	(805)	(800)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Treasury shares (share premium)	24	33
Legal reserve	2,925	2,925
IAS 19 reserve	(768)	(753)
Extraordinary reserve	45,224	41,620
Other reserves	20,758	20,758
Retained earnings/losses carried forward	6,462	6,462
Result for the period	1,210	3,603
<b>TOTAL GROUP'S SHAREHOLDERS' EQUITY</b>	<b>152,523</b>	<b>151,342</b>

### 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.

No dividend was distributed in 2020.

### Treasury Shares and Treasury Shares (share premium)

This reserve refers to the par value and share premium of treasury shares held by the Company; they are recognised as a deduction from shareholders' equity.

Treasury shares as of 31 December 2020 amounted to 1,548,088 and corresponded to 5.5% of the share capital.

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

Thousands of shares	
<b>Balance as of 31/12/2017</b>	<b>26,716</b>
Share buyback	(104)
<b>Balance as of 31/12/2018</b>	<b>26,612</b>
Share buyback	(23)
<b>Balance as of 31/12/2019</b>	<b>26,590</b>
Share buyback	(10)
<b>Balance as of 31/12/2020</b>	<b>(26,580)</b>

#### 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.

#### Revaluation reserve

The item refers to the revaluation carried out in accordance with law 266/1995, equal to €/000 22,328, prior to the transition to IFRS.

#### 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.

#### Extraordinary reserve

The extraordinary reserve consists mainly of retained earnings.  
No dividend was distributed in 2020.

#### 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:

<b>balance as of 01/01/2019</b>	<b>(615)</b>
Actuarial valuation	(182)
Tax effect on actuarial valuation	44
<b>balance as of 31/12/2018</b>	<b>(753)</b>
Actuarial valuation	(19)
Tax effect on actuarial valuation	5
<b>balance as of 31/12/2019</b>	<b>(768)</b>



Result for the year

The result for the year showed a profit of €/000 1,210 (€/000 3,603 as of 31 December 2019).

Below is the detail of origin, availability and use of equity items:

Nature/Description	Amount	Possibility of use	Quota available	Distributable
<b>Share capital</b>	<b>14,626,560</b>			
<b>Capital's reserves</b>				
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
<b>Total capital's reserve</b>	<b>46,574,489</b>		<b>46,574,489</b>	<b>46,574,489</b>
<b>Earning's reserves</b>				
Legal	2,925,312	B	2,925,312	-
Extraordinary	45,223,774	A,B,C	45,223,774	45,223,774
IAS	5,694,307	A,B	5,694,307	1,597,853
Own shares	- 781,449	-	- 781,449	- 781,449
Cash flow hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585,888
<b>Total earning's reserves</b>	<b>53,647,831</b>		<b>53,647,831</b>	<b>46,626,065</b>
<b>Reserves in tax suspension</b>				
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	
<b>Total reserves in tax suspension</b>	<b>36,464,003</b>		<b>36,464,003</b>	<b>22,528,660</b>
<b>Total reserves</b>	<b>136,686,323</b>		<b>136,686,323</b>	<b>115,729,214</b>
<b>Profit 2020</b>	<b>1,210,478</b>			
<b>Total equity</b>	<b>152,523,361</b>			
<b>Total reserves available</b>			136,686,323	
<b>Not-assignable share for non-amortized start-up and expansion costs.</b>			-	
<b>Quota not available for legal reserves</b>			2,925,312	
<b>Quota not available IAS</b>			4,096,454	
<b>Quota not available fair value land</b>			13,935,343	
<b>Residual quota available</b>			<b>115,729,213</b>	

KEY:

A = increase in capital; B = coverage of losses; C = distributable

It should be noted that the share premium reserve is fully distributable, as the legal reserve has already reached 1/5 of the share capital.

**14. NON-CURRENT FINANCIAL LIABILITIES**

	FY20 December	FY19 December
€/000		
Financial liabilities due to banks	20,605	7,279
IFRS 16 financial liabilities	39	28
<b>Non-current financial liabilities due to third parties</b>	<b>20,644</b>	<b>7,307</b>

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

€/000	Currency	Rate	31/12/2020	31/12/2019	Due date
Banca di Imola	EUR	Floating	5,500	-	2026
Unicredit	EUR	Floating	10,000	-	2025
Mediocredito	EUR	Floating	3,231	4,154	2025
Banco Popolare	EUR	Floating	1,875	3,125	2023
IFRS 16	EUR	Floating	39	28	2023
<b>Total</b>			<b>20,644</b>	<b>7,307</b>	

The table below shows the changes in non-current financial liabilities during 2020:

€/000	31/12/2019	Loans	Repayments	31/12/2020
Banca di Imola	-	5,500	-	5,500
Unicredit	-	10,000	-	10,000
Mediocredito	4,154	-	(923)	3,231
Banco Popolare	3,125	-	(1,250)	1,875
IFRS 16	28	11	-	39
<b>Total</b>	<b>7,307</b>	<b>15,511</b>	<b>(2,173)</b>	<b>20,644</b>

As indicated in the table above, in accordance with the provisions of Italian Legislative Decree no. 23/2020 (the so-called "Decreto Liquidità Imprese"), the company obtained a loan backed by Sace for an amount of € 10.00 million and a loan backed by the Central Guarantee Fund (Fondo Centrale di Garanzia) for an amount of € 5.50 million.

#### *Covenants*

- The medium-long term loan granted on 30 January 2018 by Mediocredito Italiano S.p.A. for a total of €/000 3,231 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.
- The medium-long term loan granted on 30 September 2020 by Unicredit S.p.A. for a total of €/000 10,000 provides for eight six-monthly constant capital repayments of €/000 833 each, expiring on 30 June 2025. The financial covenants under the contract include maintaining a ratio of "net financial debt" to "Equity + Quasi Equity" of less than 1 throughout the loan term with respect to the consolidated financial statements starting from the year ended 31.12.2021, and a ratio of "net financial debt" to "EBITDA" of less than 5 for the consolidated financial statements for the year ended 31.12.2021, of less than 4.5 for the consolidated financial statements for the years ended 31.12.2022 and 31.12.2023, and of less than 4 starting from the financial statements for the year ended 31.12.2024 as well as subsequent years through the term of the loan.

For the year ended as of 31 December 2020, the covenants of the Mediocredito Italiano loan were respected.

## 15. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

	FY20 December	FY19 December
€/000		
Long-term provision for severance payments to agents	139	198
Other long-term provisions	170	201
Provision to cover intercompany losses	6,884	6,479
<b>Provisions for risks and charges</b>	<b>7,193</b>	<b>6,878</b>

The following table shows changes in the provision for risks and charges

	Opening balance	Allocation to provisions	Use of provisions	Closing balance
€/000				
Long-term provision for severance payments to agents	198	-	(59)	139
Other long-term provisions	201	-	(31)	170
Provision to cover intercompany losses	6,479	405	-	6,884
<b>Provisions for risks and charges</b>	<b>6,878</b>	<b>405</b>	<b>(90)</b>	<b>7,193</b>

The item "provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts.

The item "other long-term provisions" refers to various disputes.

The Company has allocated a provision to cover losses in subsidiaries which, due to the losses incurred, have a negative shareholders' equity. Changes in the provision are shown below.

€/000	Opening balance	Allocation to provisions	Closing balance
Isodra GmbH	1,743	111	1,854
IRCE SL	3,729	15	3,744
Stable Magnet Wire P.Ltd	939	258	1,197
Isolveco 2 SRL	-	21	21
Irce SP.ZO.O	68	-	68
<b>Total provision to cover intercompany losses</b>	<b>6,479</b>	<b>405</b>	<b>6,884</b>

## 16. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

€/000	31/12/2020	31/12/2019
Provision for employee benefits as of 01/01	4,009	4,145
Financial charges	13	30
Actuarial (gains)/losses	20	182
Payments	(204)	(348)
Provision for employee benefits as of 31/12	3,838	4,009

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 TFR payments, based on their probability of occurrence, that the company will have to make in the event that the employee leaves the company following dismissal, resignation, disability, death and retirement, as well as in the event of advance payment requests;
- it discounted, at the measurement date, each payment based on the probability of occurrence.

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

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

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

	31/12/2020	31/12/2019
Annual discount rate	-0.02%	0.37%
Annual inflation rate	0.80%	1.20%
Annual rate of increase of employee termination indemnities	2.10%	2.4%

With regard the discount rate, in line with paragraph 83 of IAS 19, 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, as envisaged by art. 2120 of the Italian Civil Code, is equal to 75% of inflation, plus 1.5 percentage points.

Sensitivity analysis of the main measurement parameters:

€/000	DBO 31/12/2020	DBO 31/12/2019
Inflation rate + 0.25%	3,905	4,062
Inflation rate - 0,25%	3,810	3,958
Discount rate + 0.25%	3,781	3,926
Discount rate - 0.25%	3,935	4,096
Turnover rate + 1%	3,826	3,977
Turnover rate -1%	3,890	4,045

Service cost: 0.00

Duration of the plan: 8.5

## 17. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

	FY20 December	FY19 December
€/000		
Payables due to banks	25,749	38,049
Derivative liabilities	73	113
IFRS 16 financial liabilities	48	38
<b>Current financial liabilities due to third parties</b>	<b>25,870</b>	<b>38,200</b>

The decline in current payables due to banks was largely associated with the long-term loans taken out, which allowed reducing the short-term exposure.

The item "Derivative liabilities" refers to the fair value of USD and GBP purchase and sale contracts outstanding as of 31/12/2020.

Below is the Company's **net financial position**, calculated in accordance with Consob Communication 6064293 of 28 July 2006 and the CESR recommendation of 10 February 2005, i.e. excluding intra-group financial receivables classified as non-current:

	FY20 December	FY19 December
€/000		
Cash and Cash Equivalents	511	758
Current financial assets	1,903	386*
<b>Liquid assets</b>	<b>2,414</b>	<b>1,144</b>
Current financial liabilities	(25,870)	(38,200)
<b>Net current financial debt</b>	<b>(23,456)</b>	<b>(37,056)</b>
Non-current financial liabilities	(20,644)	(7,307)
<b>NET FINANCIAL DEBT</b>	<b>(44,100)</b>	<b>(44,363)</b>

(\*) Starting from this year, "Other current financial assets" include also the fair value of commodity derivatives, i.e., copper and electricity, respectively, to make them more consistent with the income statement and the statement of financial position, as the asset and the relevant item recognised in profit or loss are classified as financial items. The comparative information for 2019 was adjusted accordingly.

By securing two loans associated with the Liquidity Decree, as previously detailed, IRCE S.p.A. reduced short-term financial debt while increasing medium/long-term financial debt.

## 18. TRADE PAYABLES

Trade payables are due in the next 12 months.

As of 31/12/2020 trade payables totalled €/000 17,907, compared to €/000 10,302 as of 31/12/2019.

The change in the period is mainly attributable to the increase in procurement of raw materials compared to the previous year in order to meet the increase in customer orders in the last quarter.

	FY20 December	FY19 December
€/000		
Trade payables	17,633	9,946
Trade payables due to Group companies	274	356
<b>Total trade payables</b>	<b>17,907</b>	<b>10,302</b>

Trade payables due to subsidiaries were broken down as follows:

€/000	FY20 December	FY19 December
FD SIMS ltd	3	2
SMIT DRAAD Nijmegen BV	97	6
IRCE Ltda	-	145
DMG GmbH	90	90
IRCE SL	55	66
ISOLVECO 2 SRL	29	47
<b>Total intercompany trade payables</b>	<b>274</b>	<b>356</b>

## 19. TAX PAYABLES

€/000	FY20 December	FY19 December
Tax payables due to Aequafin	156	-
Short-term tax payables	65	-
<b>Tax payables</b>	<b>221</b>	<b>-</b>

The Company participates in the national tax consolidation scheme with the parent Aequafin.

Short-term tax payables include the Irap (regional tax on productive activities) balance.

## 20. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to €/000 1,757, primarily refers to the contributions payable to INPS.

## 21. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

€/000	FY20 December	FY19 December
Payables due to employees	2,199	2,329
Accrued liabilities and deferred income	25	36
Other payables	98	109
VAT payables	471	316
Payables for employee IRPEF withholdings	475	483
<b>Other current liabilities</b>	<b>3,268</b>	<b>3,273</b>

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

### 22. SALES REVENUES

These refer to revenues from the sale of goods, net of returns, rebates and the return of packaging. 2020 turnover, equal to €/000 183,350, reported a decrease of 9.7% compared to the previous year (€/000 203,021).

Revenues broken down by product are shown below:

	Current year			Previous year		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	137,694	45,656	183,350	157,241	45,780	203,021
<i>% of total</i>	<i>75.10%</i>	<i>24.90%</i>	<i>100.00%</i>	<i>77.50%</i>	<i>22.50%</i>	<i>100.00%</i>

Here below is the breakdown of revenues by geographical area of destination of the finished product.

	Current year				Previous year			
	Italy	EU	Non-EU	Total	Italy	EU	Non-EU	Total
Revenues	105,829	64,115	13,407	183,350	112,396	75,205	15,420	203,021
<i>% of total</i>	<i>57.72%</i>	<i>34.97%</i>	<i>7.31%</i>	<i>100.00%</i>	<i>55.40%</i>	<i>37.00%</i>	<i>7.60%</i>	<i>100.00%</i>

For additional details, please refer to the previous paragraph on segment reporting and to the Report on Operations.

### 23. OTHER INCOME

Other income was broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Increases in fixed assets for internal work	107	116	(9)
Capital gains on disposals of assets	-	25	(25)
Insurance reimbursements	80	132	(52)
Contingent assets	72	104	(32)
Other revenues and income	229	206	23
Other intercompany revenues and income	124	105	19
<b>Total other revenues and income</b>	<b>612</b>	<b>688</b>	<b>(76)</b>

"Other revenues and income" largely includes revenues from the sale of energy savings certificates "ESC", revenues from the recognition of the tax credit for sanitisation costs and the purchases of anti-Covid-19 protective equipment as well as hyper- and super-depreciation, training fees, and chargebacks for expenses reimbursed to customers.

## 24. COSTS FOR RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 141,455, 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 (€/000 142).

## 25. COSTS FOR SERVICES

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

	FY20 December	FY19 December	Change
€/000			
External processing	4,584	5,240	(656)
Utility expenses	5,542	6,977	(1,435)
Maintenance	777	831	(54)
Transport expenses	2,517	2,837	(320)
Fees payable	137	228	(91)
Compensation of Statutory Auditors	69	69	-
Other services	2,680	2,897	(217)
Costs for intercompany services	920	923	(3)
<b>Costs for services</b>	<b>17,226</b>	<b>20,002</b>	<b>(2,776)</b>

The decrease in the items "External processing", "Utility expenses", "Transport expenses" and "Maintenance" is due to lower costs incurred by the Company as a result of the drop in production and turnover due to the pandemic.

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

## 26. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

	FY20 December	FY19 December	Change
€/000			
Salaries and wages	10,609	11,525	(916)
Social security charges	3,405	3,645	(240)
Pension costs	898	903	(5)
Other costs	1,914	1,518	396
<b>Personnel costs</b>	<b>16,826</b>	<b>17,591</b>	<b>(765)</b>

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

The decrease in personnel costs is due to the use of holiday leaves and the redundancy fund to face the drop in production due to the pandemic.



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

Employees	2020 Average	31/12/2020	31/12/2019
- Executives	12	14	12
- White collars	94	93	96
- Blue collars	299	308	290
<b>Total</b>	<b>405</b>	<b>415</b>	<b>398</b>

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.

## 27. DEPRECIATION/AMORTISATION

Here is the breakdown of depreciation/amortisation:

	FY20 December	FY19 December	Change
€/000			
Amortisation of intangible assets	95	14	81
Depreciation of tangible assets	3,709	3,287	422
Depreciation of IFRS 16 tangible assets	50	50	-
<b>Depr./amort. and impairment of tangible and intangible assets</b>	<b>3,854</b>	<b>3,351</b>	<b>503</b>

The increase during the period was attributable to the fact that the investments made in the previous year became fully operational.

## 28. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Write-down of receivables and cash and cash equivalents	141	92	49
<b>Provisions and write-downs</b>	<b>141</b>	<b>92</b>	<b>49</b>

## 29. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

	FY20 December	FY19 December	Change
€/000			
Non-income taxes and duties	296	300	(4)
Capital losses and contingent liabilities	44	123	(79)
Other operating costs	352	27	325
<b>Other operating costs</b>	<b>692</b>	<b>450</b>	<b>242</b>

The increase in "Other operating costs" is mainly due to contractual penalties charged by a customer for late delivery of the finished product.

### 30. IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENTS

Impairment for the year is broken down as follows:

€/000	FY20 December	FY19 December	Change
FD SIMS ltd	800	1,088	(288)
SMIT DRAAD Nijmegen	1,200	161	1,039
ISODRA GmbH	112	-	112
IRCE SL	15	75	(60)
STABLE MAGNET WIRE	258	208	50
ISOLVECO 2 SRL	40	-	40
<b>Total impairment of equity investments</b>	<b>2,425</b>	<b>1,532</b>	<b>893</b>
ISODRA GmbH	-	(795)	795
<b>Total reversal of impairment</b>	<b>-</b>	<b>(795)</b>	<b>795</b>
<b>Total</b>	<b>2,425</b>	<b>737</b>	<b>1,688</b>

No reversals of impairment were made during the year.

### 31. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

€/000	FY20 December	FY19 December	Change
Interest income due from banks	-	79	(79)
Interest income due from customers	15	8	7
Income from derivatives	1,404	1,734	(330)
Other financial income	99	57	42
Intercompany financial income	93	94	(1)
Dividends from subsidiaries	1,000	1,000	-
<b>Financial income</b>	<b>2,611</b>	<b>2,972</b>	<b>(361)</b>
Interest expense for short-term financial payables	(20)	(26)	6
Interest expense for medium/long-term financial payables	(92)	(94)	2
Miscellaneous financial interest expense	(14)	(31)	17
Bank fees and expenses	(101)	(81)	(20)
Interest expense on factoring	(17)	(25)	8
Intercompany financial charges	(551)	-	(551)
<b>Financial charges</b>	<b>(795)</b>	<b>(257)</b>	<b>(538)</b>
Positive exchange rate differences	586	441	145
Negative exchange rate differences	(730)	(594)	(136)
<b>Foreign exchange gains/(losses)</b>	<b>(144)</b>	<b>(153)</b>	<b>9</b>
<b>Financial income/(charges)</b>	<b>1,672</b>	<b>2,562</b>	<b>(890)</b>

The item "dividends from subsidiaries" refers to the dividend received from the Brazilian subsidiary IRCE Ltda.

“Income from derivatives” refers to the net impact of the Parent Company’s commodity derivatives on both the liquidations occurred during the year and the Mark-to-Market measurement at the end of the year (€/000 1,366 in the fair value of copper derivatives and €/000 38 in the fair value of electricity derivatives, respectively).

Positive and negative exchange rate differences largely refer to the Parent Company and the Brazilian subsidiary. These items include also the impact of the currency derivatives the Parent Company entered into with respect to both the liquidations occurred during the year and the Mark-to-Market (fair value) measurement at the end of the year.

Intercompany financial charges concern the impact of a copper hedging contract that IRCE S.p.A. and one of the Group’s companies entered into in the first half of the year, as the latter had set the selling price of the metal with a customer through 31 December 2020.

### 32. INCOME TAXES

	FY20 December	FY19 December	Change
€/000			
Current taxes	(166)	(261)	95
Deferred tax assets/liabilities	172	(320)	492
<b>Income Taxes</b>	<b>6</b>	<b>(581)</b>	<b>587</b>

Below is the reconciliation between the theoretical and effective tax expense:

€/000	31/12/2020	31/12/2019
Profit/(Loss) before tax	1,204	4,185
Taxes calculated with applicable IRES rate (24%)	289	1,304
<b>Tax impact of non-deductible IRES costs</b>		
<i>Permanent changes</i>	(287)	(823)
<i>Temporary changes</i>	178	(267)
<i>ACE deduction (Allowance for corporate equity)</i>	(110)	(103)
IRAP rate (effective)	85	149
Taxes related to previous years	11	
<b>Total</b>	<b>166</b>	<b>261</b>

The decrease in “permanent changes” compared to the previous year is mainly due to the increase in impairment of equity investments.

### 33. RELATED PARTY DISCLOSURES

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

	Revenues	Other Income	Cost for purchase	Cost for services	Non - current loans	Trade receivables	Trade payables	Financial income	Dividends	Interest expense
€/000										
FD SIMS ltd	833	33	(19)	(12)	7.024	174	3	31	-	-
Smit Draad Nijmegen	-	30	(16)	-	6.941	-	96	23	-	(551)
Isomet AG	3.962	15	-	-	603	3.571	-	3	-	-
IRCE Ltda	948	41	-	-	-	609	-	-	1.000	-
DMG GmbH	35	-	(3)	(350)	1.708	1	90	8	-	-
Isodra GmbH	205	3	-	-	1.868	847	-	10	-	-
IRCE SL	-	-	-	(373)	1.601	2.345	55	14	-	-
Stable Magnet Wire P.	616	2	-	-	-	2.216	-	-	-	-
Isolveco 2 SRL	1	-	-	(128)	-	1	29	-	-	-
Isolveco SRL in liquidation	-	-	(1)	-	-	116	-	-	-	-
Irce SP.ZO.O	-	-	-	(57)	123	-	-	4	-	-
<b>Total</b>	<b>6.600</b>	<b>124</b>	<b>(39)</b>	<b>(920)</b>	<b>19.867</b>	<b>9.879</b>	<b>274</b>	<b>93</b>	<b>1.000</b>	<b>(551)</b>

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	318	533

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

### 34. MANAGEMENT OF TRADE RECEIVABLES

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

Risk level	2020 Exposure €/000	2019 Exposure €/000
Low	29,044	21,467
Medium	17,223	12,836
Above-average	3,147	592
High	803	848
<b>Total</b>	<b>50,217</b>	<b>35,743</b>

Due date	2020 Amount €/000	2019 Amount €/000
Not yet due	21,671	34,693
< 30 days	27,477	191
61-90	49	16
> 120	1,020	843
<b>Total</b>	<b>50,217</b>	<b>35,743</b>

The fair value of trade receivables due from third parties corresponds to their nominal exposure.

The bad debt provision, equal to €/000 811, 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 2020 and 2019, there are no third party customers generating revenues for the Company that exceed 10% of total revenues.

### 35. 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	FY20 December	FY19 December
Net financial debt (A)	(44,100)	(44,363)
Shareholders' equity (B)	(152,523)	(151,342)
Total capital (A) + (B) = (C)	(196,623)	(195,705)
Gearing ratio (A) / (C)	22.4%	22.7%

### 36. FINANCIAL INSTRUMENTS

#### a) Financial instruments by category

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

As of 31 December 2020 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial assets</b>				
Other non-current financial assets and receivables	19,986			19,986
<b>Current financial assets</b>				
Trade receivables	59,470			59,470
Other current financial assets	1,293	610		1,903
Cash and cash equivalents	511			511

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
<b>Non-current financial assets</b>				
Other non-current financial assets and receivables	18,782			18,782
<b>Current financial assets</b>				
Trade receivables	44,783			44,783
Other current financial assets	14	372		386
Cash and cash equivalents	758			758

As of 31 December 2020 - €/000	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
<b>Non-current financial liabilities</b>				
Financial payables	20,644			20,644
<b>Current financial liabilities</b>				
Trade payables	17,907			17,907
Financial payables	25,797	73		25,870

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
<b>Non-current financial liabilities</b>				
Financial payables	7,307			7,307
<b>Current financial liabilities</b>				
Trade payables	10,302			10,302
Financial payables	38,087	113		38,200

## b) Fair value of 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	
	2020	2019	2020	2019
<b>Financial Assets</b>				
Cash and Cash Equivalents	511	758	511	758
Other financial assets	1,903	386	1,903	386
Trade receivables	59,470	44,783	59,470	44,783
Other non-current financial assets	19,986	18,782	19,986	18,782
<b>Financial liabilities</b>				
Current loans	25,870	38,199	25,870	38,199
Trade payables	17,907	10,302	17,907	10,302
Non-current loans	20,644	7,307	20,644	7,307

### c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (€/000) as of 31/12/2020 and 31/12/2019. 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.

2019	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative Financial Instruments	-	372	-	372
Total assets	-	372	-	372
<b>Liabilities:</b>				
Derivative Financial Instruments	-	(113)	-	(113)
Total liabilities	-	(113)	-	(113)
2020	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative Financial Instruments	-	610	-	610
Total assets	-	610	-	610
<b>Liabilities:</b>				
Derivative Financial Instruments	-	(73)	-	(73)
Total liabilities	-	(73)	-	(73)

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

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

The following statement, drafted in accordance with art. 149-duodecies of the Consob Issuers' Regulations, shows the compensation for 2020 for auditing services and for other services provided by the independent auditor or by entities belonging to its network to IRCE S.p.A.

Type of service	Entity supplying the service	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	68
Other certifications (NFS)	Deloitte & Touche S.p.A.	11

### 38. COMMITMENTS 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.

**39. INFORMATION PURSUANT TO LAW NO. 124/2017**

Grantor	Description	Amount (€/000)
Banca del Mezzogiorno MedioCredito Centrale SpA	COVID-19 - State aid SME Guarantee Fund	196
Municipality of Umbertide	Waste collection tax holiday for the Umbertide facility	2
Italian Institute for Social Security (INPS)	Reduced INPS contributions for the Guglionesi facility	54
Cassa per i servizi energetici ed ambientali (CSEA, Energy and Environmental Services Fund)	Reduced 2020 electricity tariff rate	3,125

**40. EVENTS AFTER THE REPORTING DATE**

As for events occurred after the reporting date, reference should be made to the paragraph "Events after the reporting date" of the Report on Operations for 2020.

**41. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR**

With respect to the proposed allocation of the result for the year 2020 to be submitted to the Shareholders' Meeting, see the "Report on Operations for 2020".

Imola, 16 March 2021

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

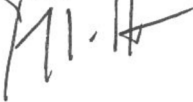
of the administrative and accounting procedures used to prepare the IAS/IFRS separate financial statements.

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, 16 March 2021

Filippo Casadio  
Chairman



Elena Casadio  
Manager responsible for preparing the corporate accounting documents



**Attachment 2**

**List of Equity Investments in Direct Subsidiaries**

The amounts referring to foreign investees have been translated into Euro using historical exchange rates. In the following table, the carrying amount is presented net of the provision for write-down of equity investments, while the provision for future charges was set aside for the subsidiaries whose carrying amount has already been entirely written off.

	Share capital	Participation %	Shareholders equity	Pro-quota of shareholders equity	Result for the year	Pro-quota of result for the year	Net book value	Provision for covering losses in investments	Difference
FD SIMS ltd	181,731,27	100%	4,181,791	4,181,791	(1,491,192)	(1,491,192)	5,238,509	-	(1,056,718)
Smit Draad Nijmegen BV	1,165,760	100%	3,955,325	3,955,325	(1,839,862)	(1,839,862)	5,911,711	-	(1,956,387)
Isomet AG	674.354	100%	2,695,358	2,695,358	(203.944)	(203,944)	1,434,650	-	1,260,707
IRCE Ltda	58,809,209	100%	29,606,581	29,606,581	4,009,773	4,009,773	58,465,925	-	(28,859,344)
DMG GmbH	255.646	100%	1,223,826	1,223,826	(74.133)	(74.133)	119.526	-	(1,104,300)
Isodra GmbH	25.000	100%	(1,855,241)	(1,855,241)	(111.819)	(111.819)	-	1,855,241	-
IRCE SL	150.000	100%	(3,743,705)	(3,743,705)	(14.907)	(14.907)	-	3,743,706	1
Stable Magnet Wire P.Ltd	2,601,531	100%	(1,196,536)	(1,196,536)	(374.306)	(374.306)	-	1,196,556	20
Isolveco 2 SRL	10.000	100%	(20.656)	(20.656)	(30.715)	(30.715)	-	20.656	-
Isolveco SRL in liquidazione	46.440	75%	(1,232,172)	(1,232,172)	143.693	143.693	-	-	(1,232,172)
Irce Electromagnetic wire Co.Ltd	2,000,000	100%	1,528,971	1,528,971	(115.092)	(115.092)	2,000,000	-	(471.029)
Irce SP.ZO.O	48.156	100%	(49.619)	(49.619)	5.544	5.544	-	67.977	18.358
<b>Totale</b>	-		<b>35,093,921</b>	-	-	-	<b>73,170,322</b>	<b>6,884,136</b>	<b>(31,192,264)</b>

Please note that FD Sims Ltd, Smit Draad Nijmegen BV, and Irce Ltda, which show a negative difference between their quota of shareholders' equity and carrying amount, were tested for impairment. Meanwhile, with respect to the negative equity of Isolveco Srl in liquidation, the parent company IRCE S.p.A. set aside a € 1,405 thousand bad debt provision to cover € 1,520 thousand in trade receivables.

In addition, please note that the significant negative difference reported for Irce Ltda, totalling € 28,859 thousand, is entirely attributable to the depreciation of the Brazilian currency.

Finally, the Chinese subsidiary Irce Electromagnetic wire Co.Ltd is still non-operational, and the € 471 thousand negative difference between the carrying amount and quota of shareholders' equity is considered recoverable once the start-up phase is complete.

## INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of  
Irce S.p.A.

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of Irce group (Irce Group" or "Group"), which comprise the statement of financial position as of December 31<sup>st</sup>, 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31<sup>st</sup>, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Irce S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment test on tangible and intangible assets****Description of key audit matter**

As highlighted in the “Covid-19-Impacts of the Pandemic - Updates” section of the explanatory notes to the consolidated financial statements of the Group as of 31 December 2020, the measures adopted by the domestic and international public institutions in order to contain and combat the spread of the Covid-19 virus have resulted in a generalised slowdown in consumption in the sector in which the Group operates, with a consequent reduction in its volume of business.

As stated in the “Impairment Test” section of Note “2. Tangible assets” and in view of the risks associated with the spread of the Covid-19 pandemic and the potential effects of the current uncertain economic conditions on the future performance of the Group, the Directors have developed a forecasting model based on their best estimate of the impact of Covid-19, considering several potential scenarios. The forecasts generated by that model were used *inter alia* in impairment tests carried out to check the recoverability of the tangible and intangible assets of the cash-generating units (CGUs) of the Group, recorded in the financial statements as of 31 December 2020 for Euro 43,509 thousand.

As required by “IAS 36 Impairment of assets” when there is evidence of possible impairment, such as that indicated above with reference to the potential effects deriving from the Covid-19 pandemic, the Group performed an impairment test by comparing the recoverable value of each CGU - determined by applying the value-in-use methodology - with its carrying amount.

The measurement process adopted by Management is complex and includes several assumptions regarding, for example, forecast cash flows, the appropriate discounting rate (WACC) and long-term growth rate (g-rate) and, where applicable, the forecast exchange rates between the functional currencies of foreign CGUs and the Euro.

In view of the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables used in the impairment test model, as well as the multiple, unforeseeable factors that might influence the performance of the markets in which the Group operates, especially considering the current economic situation associated with the spread of Covid-19, we considered the impairment tests to be a key aspect of the audit of the consolidated financial statements of the Group.

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### Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network:

- Identification and understanding of the key controls implemented by the Group over the process of impairment testing;
- Analysis of the reasonableness of the principal assumptions adopted for the forecasting of cash flows;
- Analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;
- Assessment of the methodology used to determine the discount rate (WACC), analysing each element and their consistency with measurement practices in general use, and analysis of the reasonableness of the growth rate (*g rate*);
- Verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- Verification that the carrying amount of the CGUs was determined properly;
- Verification of the sensitivity analyses prepared by Group Management;
- Examination of the adequacy of the disclosures made by the Group about the impairment test and its conformity with the requirements of IAS 36.

### *Inventories: Measurement of the “Copper Component”*

#### Description of key audit matter

As stated in Note “6. Inventories” to the consolidated financial statements of the Group as of 31 December 2020, the carrying amount of inventories is Euro 76,231 thousand.

The principal raw material used by the Group in the production process is copper, whose value represents the most significant component of its inventories.

The selling price of the products sold by the Group is agreed with its customers to comprise two components: i) one relating to the quantity of copper included in the finished product (the “Copper Component”) and ii) one relating to the processing work carried out (the “Processing Component”). The selling price of the Copper Component is agreed with the customer, which can opt for either a fixed price corresponding to that applying on the order signature date, or a variable price based on a mechanism linked to the trend in the price of copper over a specified period of time.

In the consolidated financial statements of the Group, the inventories of raw copper and the Copper Component of finished products and work in process (hereinafter, together, the “Copper Inventories”) are measured separately from the Processing Component and are stated at purchase cost or, if lower, at their estimated realisable value.

The price of copper, listed on the principal ferrous metal exchanges, is subject to sometimes significant fluctuations and, accordingly, a reduction in the market price of copper subsequent to the reporting date might require the carrying amount of Copper Inventories to be reduced to their estimated realisable value.

In order to verify the carrying amount of Copper Inventories, the Directors performed a specific analysis that took account of multiple elements of information, including estimates, such as outstanding sales orders and commitments and expected trend in the copper price in the months subsequent to approval of the financial statements.

We considered the measurement of Copper Inventories to be a key aspect of the audit of the consolidated financial statements of the Group as of 31 December 2020, given: *i)* the significant value of the Copper Inventories recorded in the consolidated financial statements as of 31 December 2020; *ii)* the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trend.

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**Audit procedures performed**

Our audit procedures on the key aspect relating to the measurement of Copper Inventories, performed in part with support from experts within the Deloitte network, included, among others, the following:

- Identifying and understanding the procedures and key controls adopted by the Group for the measurement of Copper Inventories;
- Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories;
- With reference to the realisable value of Copper Inventories:
  - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the Group;
  - Verifying the completeness and accuracy of the database used by the Group for the determination of realisable value;
  - Verifying the sources of the market parameters used by the Group to estimate realisable value;

- Verifying the mathematical accuracy of the calculations made by the Group to determine realisable value;
- Verifying, on a sample basis, the documentation supporting the detailed calculations of realisable value;
- Examining the adequacy and conformity of the disclosures made about Copper Inventories in the explanatory notes, with respect to the requirements of the reference accounting standards.

### **Other Matter**

The consolidated financial statements of Irce Group for the period ended as of December 31, 2019 have been audited by other auditors that on March 30, 2020 expressed an unmodified opinion on those consolidated financial statements.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.



**Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of Irce S.p.A. has appointed us on June 10, 2020 as auditors of the Company for the years from December 31<sup>st</sup>, 2020 to December 31<sup>st</sup>, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Irce S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Irce Group as of December 31<sup>st</sup>, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Irce Group as of December 31<sup>st</sup>, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Irce Group as of December 31<sup>st</sup>, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

**Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254**

The Directors of Irce S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Francesco Masetti**  
Partner

Bologna, Italy  
March 31, 2021

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

**INDEPENDENT AUDITOR'S REPORT  
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010  
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

To the Shareholders of  
Irce S.p.A.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Irce S.p.A. (the "Company"), which comprise the statement of financial position as of December 31<sup>st</sup>, 2020, income statement, the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31<sup>st</sup>, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment test on tangible and intangible assets****Description of key audit matter**

As highlighted in the “Covid-19-Impacts of the Pandemic-Updates” section of the explanatory notes to the financial statements of the Company as of December 31<sup>st</sup>, 2020, the measures adopted by the domestic and international public institutions in order to contain and combat the spread of the Covid-19 virus have resulted in a generalised slowdown in consumption in the sector in which the Company operates, with a consequent reduction in its volume of business and profitability.

As stated in the “Impairment Test” section of Note “2. Tangible assets” and in view of the risks associated with the spread of the Covid-19 pandemic and the potential effects of the current uncertain economic conditions on the future performance of the company, the Directors have developed a forecasting model based on their best estimate of the impact of Covid-19, considering several potential scenarios. The forecasts generated by that model were used inter alia in impairment tests carried out to check the recoverability of the property, plant and equipment and intangible assets booked in the financial statements at December 31<sup>st</sup>, 2020 of the only cash-generating units (CGUs) of the identified by the Directors in the Company as a whole.

In line with “IAS 36 Impairment of assets” when there is evidence of possible impairment indicators, such as that indicated above with reference to the potential effects deriving from the Covid-19 pandemic, the Company performed an impairment test by comparing the recoverable value of the CGU - determined by applying the value-in-use methodology - with its carrying amount.

The valuation process adopted by management is complex and is based on a series of assumptions, such as the forecast cash flows, the appropriate discounting rate (WACC) and the long-term growth rate (g-rate).

In view of the subjective nature of the estimates made to determine the cash flows of the CGU and the key variables used in the impairment test model, as well as the multiple, unforeseeable factors that might influence the performance of the markets in which the Company operates, especially considering the current economic situation associated with the spread of Covid-19, we considered the impairment tests to be a key aspect of the audit of the financial statements of the Company.

**Audit procedures performed**

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network:

- Identification and understanding of the key controls implemented by the Company over the process of impairment testing;

- Analysis of the reasonableness of the principal assumptions adopted for the forecasting of cash flows;
- Analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;
- Assessment of the methodology used to determine the discount rate (WACC), analysing each element and their consistency with measurement practices in general use, and analysis of the reasonableness of the growth rate (*g rate*);
- verification of the mathematical accuracy of the model used to determine the value in use of the CGU;
- verification that the carrying amount of the CGU was determined properly;
- Verification of the sensitivity analyses prepared by Company;
- Examination of the adequacy of the disclosures made by the Company about the impairment test and its conformity with the requirements of IAS 36.

#### *Recoverability of the value of equity investments in subsidiaries*

##### **Description of key audit matter**

As stated in Note "3. Equity investments" to the Company's financial statements as of December 31<sup>st</sup>,2020, the amount of the investments in subsidiaries is Euro 73,170 thousand, net of a Euro 2,000 thousand writedown of the carrying amount of two investments in foreign subsidiaries recorded during the year.

Investments in subsidiaries are valued at cost adjusted for impairment losses. In line with "IAS 36 Impairment of assets", in the presence of impairment indicators, the Company carries out an impairment test by comparing the recoverable amount of the investments - determined according to the value in use method - and their carrying amount. Given the materiality of the difference between the carrying amount of the investment in the Brazilian subsidiary IRCE Ltda and the corresponding portion of equity, mainly attributable to the exchange rate effect and the losses of certain foreign subsidiaries, as well as the present economic uncertainty due to the Covid-19 pandemic, the Company has carried out impairment tests.

The measurement process adopted by Management is complex and includes several assumptions regarding, for example, forecast of expected cash flows, the appropriate discounting rate (WACC) and long-term growth rate (g-rate) and, where applicable, the forecast exchange rates between the functional currencies of foreign CGUs and the Euro.

In consideration of the materiality of the difference between the carrying amount of the investment referred to above and the corresponding portion of equity, the subjectivity of the estimates relating to the determination of cash flows and the key variables of the impairment model, also taking into account the current economic context linked to the spread of Covid-19, we considered the impairment test on investments in subsidiaries a key matter in our audit of the Company's separate financial statements.

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**Audit procedures performed**

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network:

- identification and understanding of the significant controls implemented by the Company over the impairment testing process of subsidiaries;
- Analysis of the reasonableness of the principal assumptions adopted for the forecasting of cash flows;
- Analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;
- Assessment of the methodology used to determine the discount rate (WACC), analysing each element and their consistency with measurement practices in general use, and analysis of the reasonableness of the growth rate (g rate) and, if applicable, of used exchange rates;
- Verification of the mathematical accuracy of the model used to determine the value in use of the equity investments;
- Verification of the correct determination of the carrying amount of the investments and comparison with their value in use;
- Verification of the sensitivity analyses prepared by Company Management;
- Examination of the adequacy of the information provided by the Company about the impairment test and its consistency with the requirements of IAS 36.

**Inventories: Measurement of the "Copper Component"****Description of key audit matter**

As stated in Note "7. Inventories" to the financial statements of the Company as of December 31<sup>st</sup>, 2020, the carrying amount of inventories is Euro 54,448 thousand.

The principal raw material used by the Company in the production process is copper, whose value represents the most significant component of its inventories.

The selling price of the products sold by the Company is agreed with its customers to comprise two components: i) one relating to the quantity of copper included in the finished product (the "Copper Component") and ii) one relating to the processing work carried out (the "Processing Component"). The selling price of the Copper Component is agreed with the customer, which can opt for either a fixed price corresponding to that applying on the order signature date, or a variable price based on a mechanism linked to the change in the price of copper over a specified period of time.

In the financial statements of the Company, the inventories of raw copper and the Copper Component of finished products and work in process (hereinafter, together, the "Copper Inventories") are measured separately from the Processing Component and are stated at purchase cost or, if lower, at their estimated realisable value.

The price of copper, listed on the principal ferrous metal exchanges, is subject to sometimes significant fluctuations and, accordingly, a reduction in the market price of copper subsequent to the reporting date might require the carrying amount of Copper Inventories to be reduced to their estimated realisable value.

In order to verify the carrying amount of Copper Inventories, the Directors performed a specific analysis that took account of multiple elements of information, including estimates, such as outstanding sales orders and commitments and expected trends in the copper price in the months subsequent to approval of the financial statements.

We considered the measurement of Copper Inventories to be a key aspect of the audit of the financial statements of the Company as of December 31<sup>st</sup> 2020, given: i) the significant value of the Copper Inventories recorded in the financial statements as of December 31<sup>st</sup>, 2020 ; ii) the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trends.

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**Audit procedures performed**

Our audit procedures on the key aspect relating to the measurement of Copper Inventories, performed in part with support from experts within the Deloitte network, included:

- Identifying and understanding the procedures and key controls adopted by the Company for the measurement of Copper Inventories;
- Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories;
- With reference to the realisable value of Copper Inventories:
  - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the Company;
  - Verifying the completeness and accuracy of the database used by the Company for the determination of realisable value;
  - Verifying the sources of the market parameters used by the Company to estimate realisable value;
  - Verifying the mathematical accuracy of the calculations made by the Company to determine realisable value;
  - Verifying, on a sample basis, the documentation supporting the detailed calculations of realisable value;
- Examining the adequacy and conformity of the disclosures made about Copper Inventories in the explanatory notes, with respect to the requirements of the reference accounting standards.

**Other Matter**

The financial statements of Irce for the period ended as of December 31<sup>st</sup>, 2019 have been audited by other auditors that on March 30, 2020 expressed an unmodified opinion on this financial statements.

**Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

#### **Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of Irce S.p.A. has appointed us on June 10, 2020 as auditors of the Company for the years from December 31<sup>st</sup>, 2020 to December 31<sup>st</sup>, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Irce S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Irce S.p.A. as of December 31<sup>st</sup>, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Irce S.p.A. as of December 31<sup>st</sup>, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Irce S.p.A. as of December 31<sup>st</sup>, 2020 and are prepared in accordance with the law.

**Deloitte.**

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Francesco Masetti**  
Partner

Bologna, Italy  
March 31, 2021

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

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018**

**To the Board of Directors of  
Irce S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Irce S.p.A. and its subsidiaries (hereinafter "Irce Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 16, 2021 (hereinafter "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established by GRI - *Global Reporting Initiative* (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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

### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Irce Group;
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Irce S.p.A. and with the employees of Irce Ltda and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following companies and sites, Imola (BO) headquarters and production site, Guglionesi (CB) production site and Umbertide (PG) production site for Irce S.p.A. and Joinville headquarters and production site for Irce Ltda , which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Irce Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Francesco Masetti**  
Partner

Bologna, Italy  
March 31, 2021

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

**IRCE S.p.A.**

Registered office Imola (Bologna) Via Lasie 12/B

Share capital € 14,626,560.00 fully paid up

Bologna Companies' Register and Tax Code No. 82001030384 – Economic and  
Administrative Index (REA) No. 266734

**Report of the Board of Statutory Auditors to the  
Shareholders' Meeting of IRCE S.p.A., pursuant to art. 153  
of Italian Legislative Decree no. 58/98 and art. 2429 of the  
Italian Civil Code**

Dear Shareholders,

the separate financial statements for the financial year ended 31 December 2020, which are submitted for approval, show a profit of € 1,210,478.

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 Rules of the markets organised and managed by Borsa Italiana S.p.A., the Company has prepared the annual Report on Corporate Governance and Ownership Structure.

During the financial year ended 31 December 2020, the Board of Statutory Auditors has carried out its supervisory activities in compliance with art. 149 of Italian Legislative Decree no. 58/98, in accordance with the code of ethics of the Board of Statutory Auditors in companies with shares listed in regulated markets drafted by the Consiglio Nazionale dei Dottori

Commercialisti e degli Esperti Contabili (Italian Board of Chartered Accountants and Accounting Consultants), as well as CONSOB recommendations concerning accounting audits and the activities of the Board of Statutory Auditors.

In preparing this report, we have taken into consideration CONSOB communications no. 1025564 of 6 April 2001, no. 321582 of 4 April 2003, and no. 6031329 of 7 April 2006 and the guidelines indicated in the Corporate Governance Code, which concern the content of the reports of the Board of Statutory Auditors to the shareholders' meetings of listed companies.

In particular, the Board of Statutory Auditors has:

- supervised compliance with the law and the Articles of Association as well as the principles of correct management. On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors believes the company's operations conform to the principles of correct management, have been resolved upon and implemented in compliance with the law and the Articles of Association, and are in the interest of the company. Moreover, said operations do not appear to be manifestly imprudent, reckless or uninformed, in that they do not conflict with the resolutions passed by the shareholders' meeting, nor do they appear to compromise the integrity of the company's assets;
- attended meetings of shareholders and of the board of directors and obtained from directors information on the operations and the transactions carried out by the company and its subsidiaries that were most significant in terms of financial performance, financial position and cash flows;
- supervised to ensure the adequacy of the administrative-accounting system, both on the basis of direct checks and through the periodic exchange of information with the independent auditors, from which the Board of Statutory Auditors has not received any reports of errors as defined in art. 155, paragraph 2 of Italian Legislative Decree no. 58/1998. The Board of Statutory Auditors believes that the administrative-accounting system is essentially adequate for ensuring that the company's operations are presented fairly in the separate and consolidated financial statements;



- obtained information from the Manager responsible for preparing the corporate accounting documents, in accordance with the provisions of art. 154-bis of Italian Legislative Decree no. 58/1998, who did not report any particular or significant deficiencies in the operating and control processes such as to question the adequacy and effective implementation of administrative-accounting procedures for the purpose of presenting fairly the company's financial performance, financial position and cash flows in compliance with international accounting standards;
- liaised with members of the Control and Risks Committee established within the Board of Directors, receiving information from the professional entrusted with the internal audit function. As outlined in the Report on Corporate Governance and Ownership Structure, in compliance with the provisions of the Corporate Governance Code, the Board of Directors has assumed responsibility for the Company's internal control. The Board of Statutory Auditors attended the meetings of the Control and Risks Committee that were held during the year;
- gathered information about the activities carried out by the person entrusted with the internal audit function in 2020, 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, did not report any critical situations with reference to the internal control system;
- 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 26 February 2020;
- verified that the report on operations complies with applicable laws and regulations, consistently with the resolutions passed by the Board of

Directors and the representations in the financial statements. The Board of Statutory Auditors had no remarks to make on the consolidated half-yearly report. The half-yearly and quarterly reports have been published according to applicable laws and regulations;

- supervised 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 the Company with the Board of Directors' resolution of 30 November 2010, pursuant to art. 2391-bis of the Italian Civil Code and art. 4 of the Regulation on Related-Party Transactions adopted by CONSOB with resolution no. 17221 of 12 March 2010.

The Board of Statutory Auditors noted that, as recommended in a document dated 3 March 2010 issued jointly by the Bank of Italy/Consob/ISVAP, at the meeting of 16 March 2021 the Board of Directors certified, independently and prior to approving the draft financial statements, the compliance of the impairment testing procedure with IAS 36.

In particular, impairment testing procedures were carried out by the Company on the value of the Net Invested Capital recognised in the financial statements of the IRCE Group and of the companies IRCE SpA, Isomet AG, FD Sims LTD, Irce Ltda and Smit Draad Nijmegen BV, as well as on the values related to the subsidiaries 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 Deloitte & Touche S.p.A. - which was appointed for the period 2020-2028 by the shareholders' meeting of 10 June 2020, and with which the Board held periodic meetings to exchange information about the operations of the

Company and its subsidiaries, also for the purposes of preparing this report, by gathering information on the audit report as per articles 14 and 16 of Italian Legislative Decree no. 39/2010.

The Board of Statutory Auditors examined the Independent Auditors' reports drawn up on 31 March 2021, 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 2020 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 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of art. 123-bis of Italian Legislative Decree no. 58/1998 contained in the Report on Corporate Governance are consistent with the financial statements.

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 Deloitte & Touche S.p.A. on the consolidated non-financial statement of Irce S.p.A. and its subsidiaries, pursuant to art. 3, para. 10, of Italian Legislative Decree no. 254/2016 and art. 5 of CONSOB Regulation no. 20267, released on 31 March 2021, 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 31/12/2020 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 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 in terms of financial performance, financial position and cash flows;
- the report on operations, the information supplied during the Board of Directors' meetings, and that received by the company's management and the Independent Auditors did not reveal any atypical and/or unusual transactions, including intra-group or related party transactions;
- during the year, neither Deloitte & Touche S.p.A. nor any other company belonging to its network, was assigned any other tasks in addition to the auditing of the accounts and the appointment as Auditor in charge of preparing the consolidated Non-Financial Statement. In this regard, it should be noted that the preparation of the consolidated Non-Financial Statement exempts the subsidiaries already included therein from the preparation of the report;
- during the year, the Board of Statutory Auditors submitted a reasoned proposal for the assignment of the audit engagement pursuant to articles 13 and 17 of Italian Legislative Decree no. 39 of 27 January 2010. No further opinions or proposals required by law have been submitted;
- during the financial year, the following meetings were held:
  - 1 Shareholders' Meeting;
  - 10 Meetings of the Board of Directors;
  - 7 Meetings of the Board of Statutory Auditors;
- during 2020 and up to the present date, no claims were made pursuant to art. 2408 of the Italian Civil Code nor did any shareholders and/or third parties submit any complaints;
- the Board of Statutory Auditors acts as the *Internal Control and Audit Committee*, as defined in art. 19 of Italian Legislative Decree no. 39/2010; in this regard, based also on the information received from the Chairman of the Board of Directors, the members of the Control and Risks Committee, the head of Internal Audit and the Independent Auditors, the Board of Statutory Auditors confirms that the internal control system is adequate to the company's size;
- the Board also supervised the adequacy of the orders the company gave

to its subsidiaries in accordance with art. 114, para. 2, of Italian Legislative Decree no. 58/1998, also 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 paragraph two of Italian Legislative Decree no. 58/1998.

In light of the above, the Board of Statutory Auditors gives its favourable opinion to the approval of the Financial Statements as of 31 December 2020 and has no objections to the Board of Directors' proposal concerning the allocation of the profit for the year 2020.

Bologna, 31 March 2021

THE BOARD OF STATUTORY AUDITORS

(Fabio Senese)



(Adalberto Costantini)



(Donatella Vitanza)

