



**HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2022**

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Certification pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree no. 58 of 24 February 1998

Report of the independent auditors

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
NON-EXECUTIVE DIRECTOR	MS	FRANCESCA PISCHEDDA
INDEPENDENT DIRECTOR	MS	GIGLIOLA DI CHIARA
INDEPENDENT DIRECTOR	MS	CLAUDIA PERI

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

DELOITTE & TOUCHE SPA

CONTROL AND RISKS COMMITTEE

MS GIGLIOLA DI CHIARA
 MR GIANFRANCO SEPRIANO
 MS CLAUDIA PERI

REMUNERATION COMMITTEE

MR GIANFRANCO SEPRIANO
 MS GIGLIOLA DI CHIARA
 MS CLAUDIA PERI

RELATED PARTIES COMMITTEE

MS FRANCESCA PISCHEDDA
 MS GIGLIOLA DI CHIARA
 MS CLAUDIA PERI

FINANCIAL REPORTING OFFICER

MS ELENA CASADIO

INTERNAL AUDITOR

MR FABRIZIO BIANCHIMANI

SUPERVISORY BODY

MR FRANCESCO BASSI
 MR GABRIELE FANTI
 MR GIANLUCA PIFFANELLI

INTERIM REPORT ON OPERATIONS AS OF 30 JUNE 2022

The consolidated financial statements of IRCE Group (hereinafter also the "Group") for the first half year of 2022 closed with a profit of € 4.19 million.

Consolidated turnover was € 261.00 million, up 14.5% compared to € 228.04 million in the first half year 2021, as a result of the increase in the copper price (in the first half year of 2022, LME average copper price in euro was 18.3% higher than in the same period of 2021).

The result of this first half year was negatively affected by the strong growth in the costs of raw materials and especially of electric energy. However, the transfer of the cost increase to the market continues with the aim of limiting the negative impact on margins as much as possible.

In addition to the increase in production costs, in the business area of winding wires from the beginning of the year there was a slowdown in demand with a consequent reduction in volumes, which was higher in the second quarter. As regards cables, volumes remained at the same levels as in the first half year 2021.

In this context, turnover without metal¹ increased by 10.8%; the winding wires sector raised by 9.5% and the cables sector recorded a growth by 14.5%.

Consolidated turnover without metal (€/million)	2022		2021		Change
	1 st half year		1 st half year		
	Value	%	Value	%	%
Winding wires	37.87	73.0%	34.57	73.9%	9.5%
Cables	13.99	27.0%	12.22	26.1%	14.5%
Total	51.86	100.0%	46.79	100.0%	10.8%

The following table shows the changes in results compared to the first half of 2021, including adjusted EBITDA and EBIT.

Consolidated income statement data (€/million)	1 st half year 2022	1 st half year 2021	Change
Turnover ²	261.00	228.04	32.96
EBITDA ³	8.50	16.97	(8.47)
EBIT	4.78	11.41	(6.63)
Profit/(Loss) before tax	4.52	10.06	(5.54)
Result for the period	4.19	6.65	(2.46)
Adjusted EBITDA ⁴	8.93	15.71	(6.78)
Adjusted EBIT ⁴	5.21	10.15	(4.94)

¹ Turnover without metal corresponds to overall turnover after deducting the metal component.

² The item "Turnover" consists in the "Revenues" as recognised in the income statement.

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

⁴ Adjusted EBITDA and EBIT are respectively calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ +0.43 million in the first half year of 2022 and € -1.26 million in the first half year 2021). These are indicators the Group's Management uses to monitor and assess operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and therefore not comparable.

As at June 30, 2022 net financial debt was € 85.29 million, up from € 64.29 million as at December 31, 2021, mainly due to the increase in working capital.

Consolidated statement of financial position data (€/million)	30/06/2022	31/12/2021	Change
Net invested capital	226.64	196.25	30.39
Shareholders' equity	141.35	131.96	9.39
Net financial debt ⁵	85.29	64.29	21.00

Shareholders' equity increased by € 9.39 million, thanks to the positive change in the translation reserve (€ 5.9 million) generated by the revaluation of the Brazilian real, which, since the beginning of the year strengthened by almost 17% over the Euro.

Investments

The Group's investments, in the first half of 2022, were € 5.13 million and mainly concerned IRCE SpA.

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 contractions in demand or of worsening of the competitive scenario may impact the results. To deal with these risks, the Group's medium-long term strategy is to diversify geographically towards non-European countries.

Risk associated with the Russian-Ukrainian conflict

The protracted war in Ukraine entails a source of significant downside risks for the Group's volumes and margins.

The exceptional and continuous increase in the price of electricity, whose price is closely linked currently to the price of natural gas, brings out uncertainties about the Group's ability to fully and promptly transfer its costs to the market; moreover, possible temporary or permanent interruptions of natural gas supplies from Russia entails the risk of electricity quotas and, consequently, the need for the Group to reduce production volumes.

Risk associated with changes in financial and economic variables

- **Exchange rate risk**

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

As for the foreign currency translation risk on the subsidiaries, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of the Real, which affects the carrying amount of the investment.

As of June 30, 2022, the exchange rate of the Brazilian currency against the Euro revalued, resulting in an important positive effect on the translation reserve.

- **Interest rate risk**

In the past the Group financed itself in the medium to long term by borrowing mainly at floating interest rate (linked to Euribor) thus exposing itself to the risk deriving from the rise in rates. The Group didn't hedge under a relatively short average loan term (less than 3 years) and low interest rates. For the future, the Group will consider whether to implement hedges at the time of the

⁵ Net financial debt is measured as the sum of short-term and long-term financial liabilities minus cash and financial assets (see note 16). It should be noted that the methods for measuring net financial debt comply with the methods for measuring the net financial position as defined by Consob's Notice no. 5/21 of 29 April 2021, which incorporates the ESMA Guideline published on 4 March 2021.

conclusion of new financing on the basis of the economic conditions offered by the market and the expectations of interest rate developments. The use of short-term credit lines is carried out at floating rates.

- *Risks related to fluctuation in copper price*

The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the effects on margins of changes in the price of copper, a hedging policy is implemented, with forward contracts on the positions generated by the operating activity.

A downward trend in copper prices would lead to the valorisation at the end of the year of metal in stock at a lower value (i.e. presumed realisable value) compared to the weighted average cost of purchase, with a negative impact on the result.

- *Credit risk*

There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks that could cause days sales outstanding or a deterioration in credit quality, also taking into account the Russian-Ukrainian conflict.

- *Liquidity risk*

The financial position and the available credit lines together with the high standing of the Group, which allows the acquisition of new loans at competitive prices in a short time, are such as to exclude difficulties in fulfilling the obligations associated with the liabilities as well as the investment plan envisaged in the Business Plan

Cyber Security risks

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

Presently, given the ongoing Russian-Ukrainian conflict, the Group is also intensifying monitoring and defence activities in relation to possible malware activities, adopting the appropriate measures to mitigate risks.

Climate Change Risks

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

At present, these scenarios are constantly monitored by the Group, which currently sees greater opportunities in climate change than the elements of risk.

Intra-Group Transactions and Transactions with Related Parties

The transactions between the Parent Company and the subsidiaries are of a commercial and financial nature.

With regard to transactions with related parties, including intra-group transactions, it should be noted that they can be classified neither as atypical nor unusual, as they are part of the normal course of business of the Group's companies and have been carried out at arm's length.

Pursuant to paragraph 8 of Article 5 of the "Related Party Transactions Regulation" adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently integrated and last amended by resolution no. 21624 of 10 December 2020, the requested information is set out below.

Date	Subsidiary	Object	Currency	Amount
15.03.2022	FD SIMS	Financial loan	GBP	700.000
28.03.2022	IRCE SRO	Financial loan	CZH	35.000.000

Outlook

Since July, following the intensification of geo-political tensions due to the Russian-Ukrainian conflict, we have recorded in Europe a new sharp increase in the costs of energy and, consequently, of many raw materials that have reached exorbitant levels.

In this context, waiting to know the further measures will be adopted by the EU and European governments to reduce the impact of these increases, it is very difficult to make reliable forecasts for the rest of the year. To date, based on the information available, compared to the first half year of 2022, a reduction in demand and margins is expected.

However, the foreseeable implementation in Europe of incisive measures in order to contain the costs of natural gas and energy, the presence of the Group in non-European countries that have only minimally affected by energy problem and, ultimately, the positive effects of the transfer of cost increases to the market, should allow the Group to contain the reduction in margins and therefore close year 2022 with a positive result, although down compared to 2021.

Furthermore, taking into account that the fundamentals of the Group's business have not been impacted by the current market situation, no important economic and financial effects are expected on the positive outlook of the Group in the medium and long term.

Imola, 16 September 2022

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand of Euro)	Notes	2022 30 June	2021 31 December
ASSETS			
Non current assets			
Goodwill and Other intangible assets	4	59	60
Property, plant and machinery	5	35,519	37,267
Equipments and other tangible assets	5	1,243	1,445
Assets under constructions and advances	5	10,262	5,475
Investments	6	165	111
Non current financial assets	6	5	5
Deferred tax assets	7	2,135	2,002
NON CURRENT ASSETS		49,388	46,365
Current assets			
Inventories	8	116,802	104,985
Trade receivables	9	118,523	91,924
Tax receivables		25	18
Other current assets	10	2,070	1,680
Current financial assets	11	370	673
Cash and cash equivalent		6,891	10,678
CURRENT ASSETS		244,681	209,958
TOTAL ASSETS		294,069	256,323

(Thousand of Euro)	Notes	2022 30 June	2021 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		13,802	13,802
Reserves		123,682	109,089
Profit (loss) for the period		4,192	9,376
Shareholders' equity attributable to shareholders of Parent company		141,676	132,267
Shareholders equity attributable to Minority interests		(325)	(305)
TOTAL SHAREHOLDERS' EQUITY	12	141,351	131,962
Non current liabilities			
Non current financial liabilities	13	17,416	17,846
Deferred tax liabilities	7	157	87
Non current provisions for risks and charges	14	145	167
Non current provisions for post employment obligation	15	3,684	4,842
NON CURRENT LIABILITIES		21,402	22,942
Current liabilities			
Current financial liabilities	16	75,138	57,790
Trade payables	17	43,735	30,402
Current tax payables	18	2,379	2,986
<i>(of which related parties)</i>		1,937	2,163
Social security contributions		2,017	1,897
Other current liabilities	19	7,777	8,045
Current provisions for risks and charges	14	270	299
CURRENT LIABILITIES		131,316	101,419
SHAREHOLDERS' EQUITY AND LIABILITIES		294,069	256,323

CONSOLIDATED INCOME STATEMENT

(Thousand of Euro)	Notes	2022 30 June	2021 30 June
Sales revenues	20	261,000	228,038
Other revenues and income (of which non recurrent)	21 1	1,572 665	328
TOTAL REVENUES		262,572	228,366
Raw materials and consumables	22	(225,112)	(193,388)
Change in inventories of work in progress and finished goods		12,648	14,286
Cost for services	23	(24,900)	(15,764)
Personnel costs	24	(15,930)	(15,810)
Amortization /depreciation/write off tangible and intangible assets	25	(3,620)	(4,114)
Provision and write downs	26	(95)	(1,444)
Other operating costs		(778)	(725)
EBIT		4,785	11,407
Financial income / (charges)	27	(266)	(1,350)
RESULT BEFORE TAX		4,519	10,057
Income taxes	28	(347)	(3,406)
NET RESULT FOR THE PERIOD		4,172	6,651
Net result for the period attributable to non-controlling interests		(20)	4
Net result for the period attributable to the parent company		4,192	6,647

Earnings / losses per shares

- basic EPS for the period attributable to shareholders of the parent company	29	0.1579	0.2501
- diluted EPS for the period attributable to shareholders of the parent company	29	0.1579	0.2501

The effects of related party transactions on the consolidated income statement are reported in Note 30 "Related party disclosures".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand of Euro)	Notes	2022 30 June	2021 30 June
Net result for the period		4,172	6,651
Translation difference on financial statements of foreign companies	12	5,885	2,960
Total items that will be reclassified to net result		5,885	2,960
Actuarial gain / (losses) IAS 19	15	849	201
Tax effect	7	(187)	(41)
Total IAS 19 reserve variance	9	662	160
Total items that will not be reclassified to net result		662	160
Total comprehensive income for the period		10,719	9,770
Attributable to shareholders of Parent company		10,739	9,767
Attributable to Minority interest		(20)	4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousand of Euro	Share capital	Other reserves		Retained earnings					Equity attributable to parent company shareholders'	Equity attributable to minority interest	Total shareholders' equity
		Share premium reserve	Other reserves	Legal reserve	las 19 reserve	Retained earnings	Translation reserve	Result for the period			
Opening balance previous year	13,822	40,562	45,923	2,925	(1,212)	52,689	(34,502)	2,726	122,932	(308)	122,624
Dividends	-	-	-	-	-	(797)	-	-	(797)	-	(797)
Allocation of previous year net result	-	-	-	-	-	2,726	-	(2,726)	-	-	-
Other comprehensive income for the period	-	-	-	-	160	-	2,960	-	3,120	-	3,120
Net result for the period	-	-	-	-	-	-	-	6,647	6,647	4	6,651
Total comprehensive income for the period	-	-	-	-	160	-	2,960	6,647	9,767	4	9,771
Closing balance previous period	13,822	40,562	45,923	2,925	(1,053)	54,617	(31,542)	6,647	131,902	(304)	131,598
Opening balance current year	13,802	40,474	45,923	2,925	(1,183)	54,617	(33,667)	9,376	132,267	(305)	131,962
Dividends	-	-	-	-	-	(1,327)	-	-	(1,327)	-	(1,327)
Sell / (purchase) own shares	(0)	(3)	-	-	-	-	-	-	(3)	-	(3)
Allocation of previous year net result	-	-	-	-	-	9,376	-	(9,376)	-	-	-
Other comprehensive income for the period	-	-	-	-	662	-	5,885	-	6,547	-	6,547
Net result for the period	-	-	-	-	-	-	-	4,192	4,192	(20)	4,172
Total comprehensive income for the period	-	-	-	-	662	-	5,886	4,192	10,739	(20)	10,719
Closing balance current period	13,802	40,471	45,923	2,925	(521)	62,666	(27,782)	4,192	141,676	(325)	141,351

CONSOLIDATED STATEMENT OF CASH FLOW

(Thousand of Euro)	Notes	2022 30 June	2021 30 June
OPERATING ACTIVITIES			
Result of the period (Group and Minorities)		4,172	6,651
<i>Adjustments for:</i>			
Depreciation / Amortization	25	3,620	4,114
Net change in deferred tax (assets) / liabilities	28	(228)	(920)
Capital (gains) / losses from disposal of fixed assets		(686)	(6)
Losses / (gains) on unrealised exchange rate differences		(328)	142
Provisions for risks		-	500
Income taxes	28	575	4,326
Financial (income) / expenses	27	(320)	1,306
Operating result before changes in working capital		6,805	16,112
Income taxes paid		(1,897)	(983)
Financial charges paid	27	(1,669)	(2,317)
Financial income collected	27	1,989	1,011
Decrease / (Increase) in inventories		(9,663)	(25,933)
Change in trade receivables		(24,391)	(31,859)
Change in trade payables		13,119	12,631
Net changes in current other assets and liabilities		447	(704)
Net changes in current other assets and liabilities - related parties		(226)	1,992
Net changes in non current other assets and liabilities		(349)	(145)
CASH FLOW FROM OPERATING ACTIVITIES		(15,835)	(30,194)
INVESTING ACTIVITIES			
Investments in intangible assets	4	(13)	(10)
Investments in tangible assets	5	(5,039)	(2,106)
Investments in subsidiaries, associates, other entities		(50)	(1)
Disposals of tangible and intangible assets		701	11
CASH FLOW FROM INVESTING ACTIVITIES		(4,401)	(2,107)
FINANCING ACTIVITIES			
Repayments of loans		(7,497)	(5,087)
Obtainment of loans	13	7,000	7,000
Net changes of current financial liabilities		16,918	25,979
Net changes of current financial assets		478	1,159
Other effects on shareholders' equity		-	-
Dividends paid to shareholders	12	(1,327)	(797)
Sell/(purchase) of own shares	12	(3)	-
CASH LOW FROM FINANCING ACTIVITIES		15,569	28,254
NET CASH FLOW FROM THE PERIOD		(4,667)	(4,047)
CASH BALANCE AT THE BEGINNING OF THE PERIOD	16	10,678	10,260
Exchange rate differences		880	340
NET CASH FLOW FROM THE PERIOD		(4,667)	(4,047)
CASH BALANCE AT THE END OF THE PERIOD	16	6,891	6,553

NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

GENERAL INFORMATION

The Half-Yearly Financial Report of IRCE S.p.A and its subsidiaries (hereafter referred to as “IRCE Group” or “Group”) as of 30 June 2022 was approved by the Board of Directors of IRCE SpA (hereafter also referred to as the “Company” or the “Parent Company”) on 16 September 2022.

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

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

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

Finally, have been recently established Irce Electromagnetic Wire (Jiangsu) Co. Ltd, with the headquarter in Haian (China) and Irce S.r.o. with the headquarter in Ostrawa (Rep. Ceca), and they are not currently operating.

GENERAL DRAFTING CRITERIA

The Half-Yearly Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting", pursuant to the provisions for the condensed interim financial statements, and based on Article 154 ter of the Consolidated Financial Act. The Half-Yearly Financial Report does not therefore include all the information required for preparing the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

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.

In order to make the economic and financial reporting more effective and consistent, the Group adopted “Thousands of Euros” as the reporting unit for all the schemes of the Half-Yearly Financial Report, unlike in previous period when for “Consolidated Statement of Financial Position” and “Consolidated Income Statement” the unit used was Euros.

The Directors have assessed the applicability of the going concern assumption in the preparation of the Half-Yearly Financial Report, concluding that this assumption is appropriate as there is no doubt about the company’s ability to continue as a going concern.

ACCOUNTING PRINCIPLES

The accounting principles and criteria adopted for the preparation of the Half-Yearly Financial Report as at 30 June 2022 are consistent with those used for the preparation of the financial statements as at 31 December 2021 to which reference should be made for further information, with the exception of the new standards which have come into force, which have been endorsed and became effective from 1 January 2022, subsequently summarized.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2022

Accounting standard, Amendment, Interpretation	Entry into force	Effective date	Endorsement date
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets;	14/05/2020	01/01/2022	28/06/2021
Annual Improvements 2018-2020 to IFRS 1, IFRS 9, IAS 41, IFRS 16	14/05/2020	01/01/2022	28/06/2021

The adoption of these amendments 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 30 JUNE 2022

Accounting standard, Amendment, Interpretation	Entry into force	Effective date	Endorsement date
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	18/05/2017	01/01/2023	23/11/2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current	12/02/2021	01/01/2023	02/03/2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12/02/2021	01/01/2023	02/03/2022

The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said Accounting standards, Amendments and Interpretations.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AS OF 30 JUNE 2022

Accounting standard / Amendment / IFRS Interpretation	Entry into force	Effective date	Endorsement date
Amendments to IAS 12 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	23/01/2020	01/01/2023	Undetermined
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	07/05/2021	01/01/2023	Undetermined
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	09/12/2021	01/01/2023	Undetermined

The Directors do not expect a significant impact on the Group's consolidated annual financial statements from the adoption of said Accounting standards, Amendments and Interpretations.

USE OF ESTIMATES

The drafting of the condensed consolidated half-yearly financial statements pursuant to IFRSs requires to make estimates and assumptions which affect the amounts of the assets and liabilities recognised in the financial statements as well as the disclosure related to contingent assets and liabilities at the reporting date. The final results could differ from these estimates. Estimates are mainly used to recognise the provisions for bad debt, realisable value, inventory obsolescence, depreciation and amortisation, impairment of assets, employee benefits, and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the income statement.

SCOPE OF CONSOLIDATION

The following table shows the list of companies included in the scope of consolidation as of 30 June 2022:

Company	% of investment	Registered office	Share capital	Consolidation
Isomet AG	100%	Switzerland	CHF 1,000,000	line by line
Smit Draad Nijmegen BV	100%	Netherlands	€ 1,165,761	line by line
FD Sims Ltd	100%	UK	£ 15,000,000	line by line
Isolveco Srl in liquidation	75%	Italy	€ 46,440	line by line
DMG GmbH	100%	Germany	€ 255,646	line by line
IRCE S.L.	100%	Spain	€ 150,000	line by line
IRCE Ltda	100%	Brazil	BRL 157,894,223	line by line
ISODRA GmbH	100%	Germany	€ 25,000	line by line
Stable Magnet Wire P.Ltd.	100%	India	INR 165,189,860	line by line
IRCE SP.ZO.O	100%	Poland	PLN 200,000	line by line
Isolveco 2 S.R.L.	100%	Italy	€ 10,000	line by line
Irce Electromagnetic Wire (Jiangsu) Co. Ltd	100%	China	CNY 15,209.587	line by line
Irce S.r.o.	100%	Czech Republic	CZK 3.300.000	line by line

EXCHANGE RATE

The exchange rates used to translate in Euro the figures of the subsidiaries as at 30 June 2022 as well as comparative periods were as follows:

Currency	30 June 2022		31 December 2021		30 June 2021	
	Average	Spot	Average	Spot	Average	Spot
GBP	0.8421	0.8581	0.8599	0.8401	0.8683	0.8578
CHF	1.0320	0.9951	1.0815	1.0329	1.0943	1.0976
BRL	5.5711	5.3833	6.3820	6.3107	6.4935	5.8928
INR	83.3112	82.1088	87.4656	84.1569	88.3949	88.4115
CNY	7.0837	6.9657	7.6332	7.1939	7.7969	7.6805
PLN	4.6329	4.6869	4.5643	4.5962	4.5369	4.5181
CZK	24.6364	24.7390	25.3960	24.8580	25.3960	25.4880

RISKS ASSOCIATED TO PANDEMIC, ENERGY PRICE INCREASES, RUSSIAN UKRAINIAN CONFLICT

Starting from the first quarter of 2022, the economic situation weakened in the main advanced countries initially as a result of the temporary worsening of the epidemiological situation due to the Omicron variant and subsequently due to the consequences of the invasion of Ukraine by Russia, one of the main suppliers of oil and natural gas, which led to the exacerbation of supply-side bottlenecks and a marked rise in the prices of raw materials and electricity and high level of inflation.

In this context, the Irce Group, although not directly impacted by the Russian-Ukrainian conflict, not being present in these countries and not having significant customers and suppliers in them, had to face a slowdown in demand that turned out to be higher, in terms of sales volumes, than estimated in the 2022 budget.

The impacts on the margins of the product, on the other hand, were more limited, since the transfer to the market of the increase in production costs caused by the continuous increase in the prices of electricity and the main raw materials continued and the Group benefited, in the period under review, from copper sales prices higher than the average costs of the metal in stock.

With regard to trade receivables, the analyses carried out did not highlight any critical issue.

With reference to potential liquidity risks, it should be noted that the Group still has a solid financial situation; net financial debt, although increasing compared to 31 December 2021 due to the dynamics of working capital, stood at € 85.6 million at 30 June 2022, while the available and unused credit lines amounted to approximately € 67.0 million at the same date.

Despite the difficulty in making reliable forecasts for the performance of the second half due to the Russian-Ukrainian conflict and the consequent increases in energy prices, it is expected to close the year 2022 with a positive result, even if in reduction compared to 2021, in consideration of both the foreseeable adoption in Europe of incisive measures in order to contain the costs of natural gas and electricity, and the Group's presence in non-European countries that have been affected only minimally by the energy problem and, finally, the positive effects of the transfer to the market of the higher electricity costs.

In light of the above, the Directors consider the outlook for the Group in the medium to long term to be substantially confirmed, as reflected in the 2022-2026 plan approved by the Board of Directors on 15 March 2022, having assessed that the fundamentals of the Group's business are not impacted by the current market environment.

1. SALE OF BUSINESS UNIT LOCATED IN MIRADOLO

On June 30, 2022, Irce SpA completed the sale of its business unit relating to the production of power cables located in the Miradolo Terme (PV) plant.

The Company considers that the production of power cord, which has always been a secondary activity, will not be in the future of strategic interest for the Group.

The business unit sold, consisting of tangible fixed assets, inventories and deferred payables to employees (Tfr, holidays, 13th month), recorded a turnover in 2021 of € 5.3 million and in the first half of 2022 of € 2.8 million.

As can be seen from the attached summary prospectus, Irce SpA collected € 1.2 million following the sale, of which € 0.9 million within 30 June and the remaining amount in July 2022.

Taking into account that the book value of the business unit sold is equal to € 0.5 million, the accounting capital gain was approximately € 0.7 million mainly attributable to the item "Tangible fixed assets".

Business Unit sold	Thousand of Euro
Inventories	838
Tangible fixed assets	9
Deferred payables to employees	(308)
Total Net Book Value	539
Sale price	1,204
Capital gain	665

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

Below is the income statement broken down by operating segments of the Irce Group, compared with the period 30 June 2021, as well as the balance sheet balances of intangible and tangible fixed assets, compared with 31 December 2021:

(Thousand of Euro)	Italy	UE	Extra UE	Consolidation entries	Irce Group
Current period					
Sales revenues	179,240	20,992	68,548	(7,780)	261,000
Ebitda	4,495	(115)	4,269	(150)	8,498
Ebit	2,653	(483)	2,764	(150)	4,784
Financial income / (charges)	128	70	(420)	(44)	(266)
Income taxes	370	-	(766)	49	(347)
Net result for the period	3,152	(413)	1,578	(146)	4,171
Intangible assets	24	-	35	-	59
Tangible assets	25,177	6,142	15,704	-	47,024
Previous period					
Sales revenues	154,547	19,680	61,818	(8,008)	228,038
Ebitda	11,273	(503)	6,222	(28)	16,965
Ebit	7,764	(901)	4,571	(28)	11,407
Financial income / (charges)	(1,122)	(87)	(107)	(35)	(1,350)
Income taxes	(1,735)	-	(1,699)	28	(3,406)
Net result for the period	4,908	(988)	2,765	(34)	6,651
Intangible assets	26	-	35	-	60
Tangible assets	23,189	5,380	15,617	-	44,186

3. DERIVATE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward purchase and sale transactions with maturity after 30 June 2022. The Group entered into purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of copper forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not qualify as hedging instruments for the purposes of hedge accounting and, therefore, they affected the result for the period.

Below is a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 30 June 2022:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 30/06/2022		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Non-current assets and liabilities					
Tonnes	575	700	546	(533)	13
Total			546	(533)	13

- Derivative instruments related to GBP forward sale transactions with maturity after 30 June 2022. 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 sales outstanding as of 30 June 2022:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 30/06/2022		
	Assets/000	Liabilities/000	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current financial assets and liabilities					
GBP	6,000		104		104
Total			104		104

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

4. INTANGIBLE ASSETS

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

The following table shows the changes in their net carrying amount for the first half of 2022:

(Thousand of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance - current period	32	28	60
Changes - current period			
Purchases	12	1	13
Depreciation	(11)	(5)	(16)
Exchange rate differences	1	1	2
Closing balance - current period	34	25	59

It should be noted that 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.

5. TANGIBLE ASSETS

(Thousand of Euro)	Lands	Buildings	Plant and machinery	Equipments	Other tangible assets	Assets under constructions and advances	Total tangible assets
Opening balance - current period	14,311	11,480	11,477	1,069	376	5,475	44,186
Changes - current period							
Purchases	7	66	169	40	57	4,789	5,129
Depreciation	(16)	(590)	(2,694)	(214)	(90)	-	(3,604)
Reclass	-	-	-	(43)	43	-	-
Disposals	-	-	(9,092)	(888)	(238)	-	(10,218)
Disposals - Depreciation fund	-	-	9,086	879	237	-	10,203
Exchange rate differences	364	276	675	2	13	(2)	1,328
Closing balance- current period	14,666	11,232	9,621	845	398	10,262	47,024

Investments of the Group in the first half of 2022 have been equal to € 5.129 thousand of which € 90 thousand related to Right-of-use assets and mainly concerned the investments in machinery of IRCE Spa

The disposals refer, substantially, to the sale of the "Miradolo" business unit.

The "Exchange rate differences" mainly refer to the Brazilian subsidiary following the revaluation of the Real against the Euro.

Assets under constructions and advances, amounting to Euro 10.3 million, mainly refer to investments for the renewal of the plant stock, which will be partly come to operation during this year.

The Directors, despite the uncertainties deriving from the Russian-Ukrainian conflict, the consequent tensions on natural gas and electricity prices and the changed trend in the price of copper compared to the peak of April/May, consider the outlook for the Group in the medium-long term to be substantially confirmed, as reflected in the 2022-2026 plan approved by the Board of Directors on 15 March 2022 used for the preparation of the impairment test at 31 December 2021.

Therefore, also taking into account the positive results achieved by the Group as at 30 June 2022 and the expected trend for the second half of the year, they consider that there are no indicators of loss in value compared to the values recorded in the financial statements with reference to tangible and intangible assets and, consequently, have not considered necessary to update the impairment test as at 30 June 2022.

6. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

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

(Thousand of Euro)	2022 30 June	2021 31 December
Investments in other entities	165	111
Non current financial assets	5	5
Total investments and non current financial assets	170	116

The change in "Investments in other entities" is mainly due the investment wholly held by the Indian subsidiary Stable Magnet Wire P. Ltd.

7. DEFERRED TAX ASSETS AND LIABILITIES

A breakdown of deferred tax assets and liabilities is shown below:

(Thousand of Euro)	2022 30 June	2021 31 December
Deferred tax assets	2,135	2,002
Deferred tax liabilities	(157)	(87)
Total deferred tax	1,978	1,915

Here below is the changes of the period of Deferred tax assets and Deferred tax liabilities.

(Thousand of Euro)	Opening balance	Increases	Decreases	Net Equity effects	Exchange rate differences	Closing balance
Deferred tax assets	2,002	366	(163)	(98)	28	2,135
Deferred tax liabilities	(87)	(6)	32	(89)	(7)	(157)
Total	1,915	360	(131)	(187)	22	1,978

The changes of deferred tax assets and liabilities is mainly due to the provision for write down inventory provision for employee benefits.

8. INVENTORIES

Inventories are broken down as follows:

(Thousand of Euro)	2022 30 June	2021 31 December
Raw materials, ancillary and consumables	36,405	38,126
Work in progress and semi-finished goods	19,530	17,897
Finished products and goods	67,112	54,700
Provision for write down of raw material	(3,560)	(3,340)
Provision for write down of work in progress	(56)	-
Provision for write down of finished products	(2,629)	(2,398)
Total inventories	116,802	104,985

Inventories are not pledged nor used as collateral.

The significant increase in the period is attributable to both the quantity effect and the price effect (both processing and raw materials) offset by € 838 thousand following the sale of the "Miradolo" business unit.

It should be noted that the copper in stock not priced was adjusted to it to the estimated realisable value while for the copper in stock priced, i.e. with sales orders at a fixed price, it was not necessary to make write-downs.

The price of copper, compared to the spot of 31 December 2021 equal to 8.56 €/kg, increased until April 2022 where it reached a peak of 9.41 €/kg, while starting from the May a downward trend began, reaching 7.93 €/kg at the end of June and continuing the decline also in July.

The table below shows the changes in the provision for write-down of inventories in the first half of 2022:

(Thousand of Euro)	Opening balance	Provisions	Utilizations	Exchange rate differences	Closing balance
Provision for write down of raw material	(3,340)	(243)	40	(17)	(3,560)
Provision for write down of work in progress	-	(54)	-	(2)	(56)
Provision for write down of finished products	(2,398)	(345)	154	(40)	(2,629)
Total	(5,738)	(642)	194	(59)	(6,245)

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

The increase in "Provision for write of raw materials write-down fund" is essentially due to the higher packaging in stock, while the change in "Provision for write down of finished products" is mainly attributable the Brazilian subsidiary and in particular to the alignment of copper to the estimated realisable.

9. TRADE RECEIVABLES

The breakdown of trade receivables is shown below:

(Thousand of Euro)	2022 30 June	2021 31 December
Current trade receivables	120,168	93,690
Current bad debt provision	(1,645)	(1,766)
Total trade receivables	118,523	91,924

Trade receivables sold without recourse during the period amounted to € 39.5 million (€ 63.9 million at 31 December 2021) of which € 29.0 million relating to invoices sold but not yet due as at 30 June 2022 (€ 36.7 million at December 31, 2021).

The change of trade receivables is substantially attributable to the raise of Group's turnover in the second quarter 2022 compared to the last quarter of 2021 as well as the decrease of trade receivables sold without recourse not yet due as at 30 June 2022 compared to 31 December 2021.

The table below shows the changes in the bad debt provision during the first half of 2022:

(Thousand of Euro)	Opening balance	Provisions	Utilization	Exchange rate differences	Closing balance
Current bad debt provision	(1,766)	(2)	123	-	(1,645)

10. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousand of Euro)	2022 30 June	2021 31 December
Accrued income and prepaid expenses	192	87
Other current assets	1,146	650
VAT receivables	732	943
Total receivables due from others	2,070	1,680

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

The change in the "Other current assets" is mainly related to the tax credit registered by the Parent Company following the expenses incurred on the energy component purchased and actually used in the first half of 2022, in accordance with the provisions of the Sostegni-ter decree.

The decrease in "VAT receivables" is mainly attributable to Irce Ltda and Isomet AG.

11. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousands of Euro)	2022 30 June	2021 31 December
Copper mark-to-market derivatives	13	420
Guarantee deposits and other current financial assets	253	143
Mark to market gains derivatives exchange rate	104	3
MWh mark-to-market derivatives	-	107
Total other current financial assets	370	673

The items "Mark to market gains derivatives on metal", "Mark to market gain derivatives exchange rate and "Mark to market gains derivatives Electricity" refer to the fair value of forward contracts on copper, foreign exchange open at 30 June 2022 by the Parent Company.

The item "Other current financial assets" principally encloses the energy efficiency certificates "TEE".

12. SHAREHOLDERS' EQUITY

The item "Shareholders' equity" amounts to € 141.4 million as of 30 June 2022 (€ 132 million as of 31 December 2021) and is detailed in the following table.

(Thousand of Euro)	2022 30 June	2021 31 December
Share capital	14,627	14,627
Own share capital	(825)	(824)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Own share premium	(68)	(65)
Legal reserve	2,925	2,925
IAS 19 Reserve	(521)	(1,183)
Extraordinary reserve	49,300	45,075
Other reserve	23,595	23,595
Profit (losses) of previous years	13,367	9,542
Translation Reserve	(27,781)	(33,667)
Profit (loss) for the period	4,192	9,376
Total shareholders' equity attributable to Parent company	141,677	132,267
Shareholders' equity attributable to Minority interests	(325)	(305)
Total shareholders' equity	141,351	131,962

Share capital

The following table shows the breakdown of the share capital.

(Thousands of Euro)	2022 30 June	2021 31 December
Subscribed share capital	14,627	14,627
Treasury share capital	(825)	(824)
Total share capital	13,802	13,803

The share capital is made up of 28,128,000 ordinary shares worth € 14,626,560 without par value. The shares are fully subscribed and paid up and bear no rights, privileges or restrictions as far as dividend distribution and capital distribution, if any, are concerned.

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

Treasury shares as of 30 June 2022 amounted to 1,586,388, corresponding to 5.64% of the share capital. The total number of outstanding shares is then 26,541,612.

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

Thousands of shares	
Balance as of 31/12/2021	26,543
Share buyback	(1)
Balance as of 30/06/2022	26,542

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, in thousand, is as follows:

Balance as of 31/12/2021	(1,183)
Actuarial valuation	849
Tax effect on actuarial valuation	(187)
Balance as of 30/06/2022	(521)

Extraordinary reserve

The extraordinary reserve is increased annually by the retained earnings of the Parent Company and decreased by the dividends distributed, in the first half of 2022 equal to € 1,3 million.

Translation reserve

The positive change in the translation reserve, equal to € 5,9 million, is mainly due to the revaluation of the Brazilian real against the Euro.

13. NON-CURRENT FINANCIAL LIABILITIES

The item is broken down as follows:

(Thousand of Euro)	2022 30 June	2021 31 December
Non current Financial liabilities due to banks	17,256	17,680
Non current Financial liabilities - IFRS 16	160	166
Total non current financial liabilities	17,416	17,846

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

Thousand of Euro	Currency	Rate	Company	30.06.2022	31.12.2021	Due date
Banca di Imola	EUR	Floating	IRCE SPA	4,138	4,821	2026
Unicredit	EUR	Floating	IRCE SPA	-	5,000	2025
Mediocredito	EUR	Floating	IRCE SPA	1,846	2,307	2025
Banco Popolare	EUR	Floating	IRCE SPA	-	625	2023
Banco Popolare	EUR	Fixed	IRCE SPA	2,259	2,630	2026
Deutsche Bank	EUR	Fixed	IRCE SPA	7,000	-	2027
NAB	EUR	Zero	Isomet AG	377	404	2025
Banco Popolare	EUR	Fixed	Isomet AG	1,636	1,893	2026
Total				17,256	17,680	

It should be noted that as at 31 December 2021 all the financial constraints relating to existing loans, where envisaged, were fully satisfied. At 30 June 2022, however, the compliance with financial constraints is not envisaged as the "testing date" is contractually at the end of the year.

14. PROVISIONS FOR RISKS AND CHARGES

The movements of the provisions for risks and charges – current and non current – as at 30 June 2022 are shown below:

(Thousand of Euro)	Opening	Provisions	Utilizations	Closing
--------------------	---------	------------	--------------	---------

	balance			balance
Provision for severance payments to agents	4	1	-	5
Other provision for risks and charges	295	-	(30)	265
Total current provision for risk and charges	299	1	(30)	270

(Thousand of Euro)	Opening balance	Provisions	Utilizations	Closing balance
Provision for severance payments to agents	145		-	145
Other provision for risks and charges	22		(22)	-
Total non current provision for risk and charges	167		(22)	145

The items "Provision for severance payments to agents" and "Other provision for risk and charges" refer to the Parent Company and the Dutch subsidiary.

In May 2021, the Brazilian Supreme Court of Justice (Recepta Federal do Brasil - RFB) issued a ruling irrevocably defining that the ICMS regional tax should be excluded from the federal tax base PIS and Cofins. The Brazilian subsidiary therefore started a legal action in order to obtain the refund of the higher PIS and Cofins taxes paid to the Brazilian tax authorities in relation to the sales invoices issued since March 2017. The Directors assessed that there were no conditions in these financial statements to record the tax income because, accordingly with the opinion of the lawyer in charge, although it is probable to obtain a positive judgment, the requirement of reasonable certainty required by IAS 37 for its accounting is currently missing. On the basis of a preliminary estimate, the potential maximum effect on the income statement as of 31 December 2021 deriving from the recording of this tax income would be, net of the tax effect, equal to 10.7 million of Reais (€ 1.9 million), excluding interest.

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

15. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

(Thousand of Euro)	Opening balance	Provisions	Net equity effects	Utilization	Exchange rate differences	Closing balance
Provision for employee defined benefit	4,842	(18)	(849)	(310)	19	3,684
Total	4,842	(18)	(849)	(310)	19	3,684

The Provision, which is part of the defined benefit plans, includes € 3,053 thousand related to the Parent Company, € 476 thousand related to Isomet, € 53 thousand related to Magnet Wire, € 65 thousand related to Isolveco in liquidation, € 34 related to Isolveco 2 as well as € 4 thousand related to Dmg.

Taking into consideration the number of employees involved and the value of the defined benefit plans and, the actuarial valuation was prepared for the Parent Company, Isomet and Magnet Wire.

The actuarial valuation of the defined benefit plans was carried out on the basis of the "accrued benefits" method using the "Projected Unit Credit" (PUC) criterion as envisaged in paragraphs 67-69 of IAS 19.

The item "Utilization" includes € 179 thousand for the Provision for defined benefit relating to employees of the "Miradolo" business unit, which has been sold.

The significant decrease of "Net equity effects" is mainly attributable to the increase in the annual discount rate of the Plans which has consistently resulted in a reduction in liabilities.

16. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are broken down as follows:

(Thousand of Euro)	2022 30 June	2021 31 December
Payables due to banks	70,036	53,446
Mark to market losses derivatives exchange rate	-	21
IFRS 16 financial liabilities	103	101
Long term loans- current portion	4,999	4,222
Total current financial liabilities	75,138	57,790

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

(Thousand of Euro)	2022 30 June	2021 31 December
Cash and cash equivalents	6,891	10,678
Current financial assets	370	673
Liquid assets	7,261	11,351
Other current financial liabilities	(70,139)	(53,568)
Long term loans- current portion	(4,999)	(4,222)
Current net financial position	(67,877)	(46,439)
Non current financial liabilities third parties	(17,416)	(17,846)
Net financial position	(85,293)	(64,285)

The Net financial position amounting to € 85.3 million at 30 June 2022, has changed compared to € 64.3 million at 31 December 2021 mainly due to the change in working capital, following the increase in the price of copper.

17. TRADE PAYABLES

Trade payables are all due in the following 12 months.

The increase in trade payables is mainly due to the Parent Company and in particular to the supply of copper in June, whose payments were postponed to the beginning of July, as well as to the higher payables for electricity, following the significant increase in the unit cost for MWh.

18. TAX PAYABLES

The item, equal to € 2,4, refers to income tax payables, of which € 1,9 represent the liability vs the Parent Company Aequafin with which a National Tax Consolidation contract is in place.

19. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

	2022	2021

(Thousand of Euro)	30 June	31 December
Payables due to employees	4,037	3,513
Accrued liabilities and deferred income	532	332
Other payables	713	1,038
VAT payables	2,066	2,682
Income taxes withheld on income from employee	429	480
Total other current liabilities	7,777	8,045

The increase of "Payables due to employees" compared to 31 December 2021 is mainly due to holidays and the 13th month.

The change of VAT payables is essentially due to the Parent Company.

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

20. REVENUES

The item refers to revenues from the sale of goods, net of returns, rebates and the return of packaging.

The consolidated turnover in the first six months of 2022, equal to € 261,0 million, increased by 14.5% compared to the same period of the prior year (€ 228,0).

The following tables highlight revenues broken down by product and by geographical area of destination of finished products.

(Thousand of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	206,198	54,802	261,000	185,280	42,758	228,038
% of total	79%	21%	100%	81%	19%	100%

(Thousand of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	108,666	79,074	73,260	261,000	89,165	71,047	67,825	228,038
% of total	42%	30%	28%	100%	39%	31%	30%	100%

For further details please refer to paragraph 2 “Segment reporting” and to “Report on Operations.”

21. OTHER REVENUES AND INCOME

Other revenues and income are broken down as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Increase in internally generated fixed assets	214	3	211
Capital gains on assets disposals	691	6	685
Insurance reimbursements	2	13	(11)
Contingent assets	47	98	(51)
Other revenues	618	207	411
Total other revenues and income	1,572	328	1,245

“Capital gains on asset disposals” includes for € 665 thousand the capital gain related to the sale of the business unit “Miradolo”.

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

The change in the period is mainly due to the charge to the service provider of the damages suffered for the theft of a wire rod truck.

22. COSTS FOR RAW MATERIALS AND CONSUMABLES

Costs for raw material and consumables are detailed as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Raw materials and consumables	(218,666)	(201,047)	(17,619)
Change in inventory of raw materials and consumables	(2,147)	11,647	(13,794)
Purchasing finished goods	(4,299)	(3,987)	(312)
Total raw materials and consumables	(225,112)	(193,388)	(31,724)

This item "Raw material and consumables", equal to € 218.7 million, includes the cost of purchasing of raw materials, the most significant of which are copper, aluminium, insulating materials, materials for packaging and maintenance. The change in the period is due to the increase in the average price of copper compared to the comparative period.

23. COSTS FOR SERVICES

"Costs for services" are detailed as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
External processing	(3,662)	(3,039)	(623)
Utility expenses	(13,744)	(6,366)	(7,378)
Maintenance	(1,068)	(936)	(132)
Transport of sales and purchase	(3,200)	(2,613)	(587)
Payable fees	(86)	(70)	(16)
Statutory auditors compensation	(34)	(37)	3
Other services	(3,004)	(2,600)	(404)
Operating leasing	(102)	(103)	1
Total cost for services	(24,900)	(15,764)	(9,136)

The change in "Utility expenses" is essentially attributable to the significant increase in the unit cost per MWh of electricity, only partially offset by the contribution recognized to energy-intensive companies as a tax credit in accordance with the Sostegni-ter decree.

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

The item "Operating leasing" include lease payments to which IFRS 16 does not apply because the underlying asset has a low value (less than € 5 thousand) or the lease term is 12 months or less.

24. PERSONNEL COSTS

Personnel costs are detailed as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Salaries and wages	(10,974)	(10,720)	(254)
Social security charges	(2,544)	(2,674)	130
Pension costs	(879)	(729)	(150)
Other personnel costs	(1,533)	(1,686)	153
Total personnel costs	(15,930)	(15,810)	(120)

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

The Group's average number of personnel for the period and the current number at the reporting date is shown below:

(Number of employees)	2021 31 December Closing	2022 30 June Closing	2022 30 June Average
Executives	29	28	28
Whitecollars	142	146	146
Bluecollars	546	545	541
Total	717	719	715

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

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

Here is the breakdown of depreciation/amortisation:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Amortization of intangible assets	(16)	(43)	27
Depreciation of tangible assets	(3,504)	(3,839)	335
Depreciation of tangible assets - IFRS 16	(100)	(83)	(17)
Write off tangible assets	-	(149)	149
Total amortization/depreciation and write-down	(3,620)	(4,114)	494

26. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Bad debt provision	(2)	(916)	914
Receivables losses	(93)	(28)	(65)
Provision for risks	-	(500)	500
Total provisions and write-downs	(95)	(1,444)	1,349

The change in the period of the item "Bad debt provision" is due to the "extraordinary" provision made in 2021 following the redetermination of the "expected losses" following the non-renewal of the insurance policy on trade receivables.

27. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Financial income	1,989	1,011	978
Financial charges	(1,669)	(2,317)	648
Foreign exchanges	(586)	(44)	(542)
Total financial income and charges	(266)	(1,350)	1,084

The item "Financial income" includes € 1.5 million of interest income on payment extension granted to customers mainly by the Brazilian subsidiary and € 0.4 million of net effect of derivatives on copper, both already settled and form valuation.

The item "Financial charges" includes mainly € 1.5 million of charges related to the discount without recourse of trade receivables mainly by the Brazilian subsidiary.

The negative balance of the item "Foreign exchange" includes for € 0.7 million the net effect of realized and unrealised exchange differences, partly offset by the net positive effect of exchange differences on derivatives.

28. INCOME TAXES

Below is the detail of income taxes:

(Thousand of Euro)	2022 30 June	2021 30 June	Change
Current taxes	(574)	(4,326)	3,752
Deferred tax assets / (liabilities)	227	921	(694)
Total income tax	(347)	(3,405)	3,058

The Parent Company's tax base includes significant permanent tax adjustments, related to both "hyper/super depreciation" and contributions to the electricity tax credit granted to energy-intensive companies, the latter not present in the comparative period.

29. EARNINGS PER SHARE

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

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

number of own shares held during the period from the overall number of shares composing the share capital. Basic and diluted earnings per share were equal, as there are no ordinary shares that could have a dilutive effect and no shares or warrants that could have a dilutive effect will be exercised.

	30/06/2022	30/06/2021
Result for the period (Thousand of Euro)	4,192	6,647
Average weighted number of ordinary shares outstanding	26,541,612	26,579,912

Basic earnings/(loss) per Share	0.1579	0.2501
Diluted earnings/(loss) per Share	0.1579	0.2501

30. RELATED PARTY DISCLOSURES

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

(Thousand of Euro)	Compensation for the office held	Compensation for other tasks	Total
Directors	108	157	265

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

In addition, it should be noted that Irce SpA has a tax payable vs the consolidating company Aequafin SpA of € 1,9 million deriving from the National Tax Consolidation Agreement.

31. COMMITMENTS AND GUARANTEES

There are no particularly important commitments made by the Group as of the reporting date; it should be noted that the Parent company issued three guarantees respectively of € 670 thousand, € 79 thousand and € 230 thousand in favour of a publicly owned company to guarantee a supply of electrical cables.

32. MANAGEMENT OF TRADE RECEIVABLES

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

Risk level (Thousand of Euro)	2022 30 June	2021 31 December	Change
Minimum	81,740	59,780	21,960
Medium	25,679	24,411	1,268
Above average	11,532	8,416	3,116
High	1,217	1,083	134
Total trade receivables	120,168	93,690	26,478

Due dates (Thousand of Euro)	2022 30 June	2021 31 December	Change
Not yet due	66,067	53,390	12,677
< 30 days	50,937	37,630	13,307
30-60 days	2,241	1,162	1,079
61-120 days	658	688	(30)
> 120 days	265	820	(555)
Total trade receivables	120,168	93,690	26,478

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

The bad debt provision, equal to € 1.6 million refers for € 1.1 million to the ranges "Not yet due" and "< 30 days" while for the residual € 0.5 million to the following due dates.

Please note that there are no clients generating revenue for the Group that exceeds 10% of total revenue.

33. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events occurred between the reporting date of first half of 2022 and the date of preparation of these financial statements.

It should be noted, however, that since July, following the intensification of geo-political tensions caused by the Russian-Ukrainian conflict, we are witnessing a new surge in electricity costs in Europe. To date, however, we are still waiting to know what measures will be taken by the EU and European governments to reduce the impact of these price increases having reached levels that are no longer sustainable by the market.

Certification of the condensed consolidated half-yearly financial statements pursuant to Article 154-bis, paragraph 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 Article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998:

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

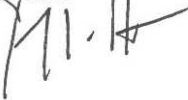
of the administrative and accounting procedures used to prepare the IAS/IFRS half-yearly financial statements.

In addition, it is hereby certified that the IAS/IFRS half-yearly financial statements:

- a) are consistent with accounting books and records;
- b) are prepared in accordance with IAS/IFRSs 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 interim report on operations contains a reliable analysis of the information pursuant to Article 154-ter, paragraph 4 of Italian Legislative Decree no. 58 of 24 February 1998.

Imola, 16 September 2022

Filippo Casadio
Chairman



Elena Casadio
Manager responsible for preparing the corporate accounting documents



REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Irce S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Irce S.p.A. and subsidiaries (the “Irce Group”), which comprise the consolidated statement of financial position as of June 30, 2022 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (“Consob”) for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Irce Group as at June 30, 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
September 16, 2022

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

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