FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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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
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

MS GIGLIOLA DI CHIARA
MR GIANFRANCO SEPRIANO
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

NOTICE OF GENERAL MEETING

Our shareholders are called to participate to an Ordinary Shareholder's Meeting to be held at the Registered Office on 28th April 2023 at 11,00 am in a first call and on the second call, if necessary, on 5th May 2023 at the same time to discuss and vote the following

AGENDA

- Financial statements as of 31/12/2022 and relative reports of the Board of Directors and Board of Auditors; related and resulting resolutions;
- Presentation of the consolidated Group financial statements as of 31/12/2022;
- Election of the Board of Auditors and its President for the year 2023-2024-2025 and determination of relative annual fee;
- Proposal of authorization to the purchase and hold of own shares, how to purchase and to sale;
- Report on remuneration:
    - examination of Section I (i.e. remuneration policy) resolution pursuant to Article 123-ter, paragraph 3 bis, of Legislative Decree 24/02/98 no. 58
    - examination of Section II (i.e. remuneration paid in the year) resolution pursuant to Article 123-ter, paragraph 6, of Legislative Decree 24/02/98 no. 58

SHARE CAPITAL AND VOTING RIGHTS

The company's share capital stands at 14,626,560 euros and is divided into 28,128,000 ordinary shares. Each ordinary share represents one vote in the General and Extraordinary Shareholders' Meetings. At today's date the Company holds 1.586.388 of its own shares representing 5,64% of the total share capital, whose voting rights are suspended pursuant to article 2357 ter of the Italian civil code.

PARTICIPATION IN THE SHAREHOLDERS' MEETING AND VOTING RIGHTS

Pursuant to article 83-*sexies* of Legislative Decree 58/1998 the right to participate in the Meeting and to exercise voting rights is conditional upon the Company receiving notice of the subject's right to vote by an intermediary. This must be in conformity with the intermediary's accounting records and balances recorded at the end of the seventh trading day prior to the date established for the first call of the Meeting; credit or debit recordings made to the account after the said term do not influence the right to exercise a vote in the Meeting. Those who become shareholders in the Company after this date will not have the right to participate and to vote in the Meeting. The company must receive the above-mentioned notice sent by the intermediary at least two working days prior to the first call of the Meeting. The right to participate and vote stands if notice is received by the Company after the aforesaid term, provided that it arrives by the time the Meeting begins on first call.
Each Shareholder may appoint a representative, according to the applicable laws, by undersigning the proxy form, released on request by those who have the right through enabled intermediaries, or it can be downloaded from the website www.irce.it. The proxy may also be sent to the Registered office by registered letter with return receipt or sent by certified e-mail to the following address: ircespa-pec@legalmail.it. A copy of a currently valid identification card of the shareholder must be attached.

DESIGNATED REPRESENTATIVE AND DELEGATION PROCEDURE

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

ELECTION OF THE BOARD OF EXTERNAL AUDITORS

The Shareholders, who, even together, represent at least 2.5% of the share capital, are entitled to present lists to elect the External Auditors. The lists must be delivered directly to the Registered office or sent by registered mail with return receipt or by certified e-mail addressed to ircespa-pec@legalmail.it, along with a currently valid identification document of the shareholder delegating the proxy, at least 25 days prior to the date of the first call for the Meeting. The lists must include information on the identity of the Shareholders presenting them, with the indication of the overall percentage of share capital held; a declaration of the shareholders other than those who hold, even jointly, a controlling or relative-majority equity interest, certifying the absence of relations of connection as defined by article 144-quinquies of the Issuer's Regulations with such shareholders; a complete report on the personal and professional characteristics of the candidates; a declaration of such candidates, certifying the possession of the requisites prescribed by the applicable laws; and their acceptance of the nominations.

QUESTIONS ON THE SUBJECTS ON THE AGENDA

Shareholders entitled to attend the Shareholders' Meeting may submit questions on the items on the agenda even before the Shareholders' Meeting sending by the seventh trading day before the Shareholders' Meeting by registered mail with return receipt at the registered office of the Company or sent by certified e-mail to the following address ircespa-pec@legalmail.it. They will be answered at the latest by the third trading day before the date of the Shareholders' Meeting by publication on the www.irce.it website.

INTEGRATION OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

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

DOCUMENTATION

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

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

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

REPORT ON OPERATIONS FOR 2022

Introduction

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

Macroeconomic Scenario

Dear Shareholders,

after a robust growth in the third quarter of 2022, the global cyclical picture deteriorated again in the fourth quarter. In China, the sudden revoke of the zero-Covid strategy is likely to weigh on economic activity in the short term. Globally, persistent inflationary pressures erode available income.
Bottlenecks along global supply chains continued to normalise, although disruptions to economic activity in China could trigger new pressures, with global impacts. Price pressures remain high globally, even though they may have peaked as headline inflation for the OECD as a whole further moderated in November.

Economic growth in the Euro area has slowed since the second half of 2022. After 0.3 percent in the third quarter, the increase in the fourth quarter was limited to 0.1 percent. Subdued global activity and high geopolitical uncertainty, mainly due to Russia's unjustified aggression against Ukraine, continue to weigh negatively on

Euro area growth. This unfavourable development, together with high inflation (9.2 percent in December on an annual basis) and tighter financing conditions, is holding back spending and production, particularly in the manufacturing sector. However, bottlenecks on the supply side are gradually fading, gas supplies have become safer, businesses are still disposing of numerous backlogs and confidence is improving.

The projections of the Italian economy estimated by the Bank of Italy assume that tensions associated with the war will remain high in the first months of 2023 and gradually reduce along the forecast horizon. After an increase of almost 4 percent in 2022, GDP would slow in 2023 to 0.6 percent. Growth would strengthen again in the following two years, thanks to the acceleration of both exports and domestic demand. Inflation, which rose on average to almost 9 percent last year, would fall to 6.5 percent in 2023 and more markedly thereafter to 2.0 percent in 2025.

In this context, the 2022 financial year of the IRCE Group (hereinafter also the "Group") recorded a consolidation net profit of € 9.20 million.

Consolidated Performance for 2022

Consolidated turnover was € 454.70 million, down 0.5% compared to € 457.14 million in 2021, due to lower volumes, not entirely offset by the increase in prices, both for processing and copper (LME 2022 average price + 5.8% compared to 2021).

The result of the year was adversely affected by the growing costs of raw material, especially those of electricity, which reached their high in the third quarter and then reversed their trend since October. This was accompanied by a slowdown in demand; in the winding wire sector it started in the first quarter and accelerated in the fourth, while in the cable sector, the decline began in the third quarter and intensified in the fourth.

To limit the negative effects of the increasing costs, the Group adopted appropriate pricing policies.

Consolidated turnover without metal [1] grew by 4.7%; the winding conductors sector increased by 6.5% while the cables sector recorded a decrease of 0.3%.

In detail:

Consolidated turnover without metal (€/million) [1]	Year 2022		Year 2021		Change
	Value	%	Value	%	%
Winding wires	72.20	*74.7%*	67.80	*73.4%*	*6.5%*
Cables	24.49	*25.3%*	24.57	*26.6%*	*(0.3%)*
Total	96.69	*100.0%*	92.37	*100.0%*	*4.7%*

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

Consolidated income statement data (€/million)	Year 2022	Year 2021	Change
Turnover[2]	454.70	457.14	(2.44)
EBITDA[3]	19.37	23.20	(3.83)
EBIT	11.55	14.36	(2.81)
Result before tax	10.30	14.16	(3.86)
Result for the year	9.20	9.38	(0.18)
Adjusted EBITDA[4]	19.93	22.96	(3.03)
Adjusted EBIT[4]	12.11	14.12	(2.01)

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

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

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

[4] Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ + 0,56 million in 2022 and € - 0.24 million in 2021). 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.

Consolidated statement of financial position data (€/million)	As of 31.12.2022	As of 31.12.2021	Change
Net invested capital [5]	204.69	196.25	8.44
Shareholders' equity	144.79	131.96	12.83
Net financial position [6]	59.90	64.29	(4.39)

The net financial position at December 31, 2022 amounted to € 59.90 million, down from € 64.29 million at December 31, 2021, given cash flow generated by operating activities of € 17.11 million and investments for the period of € 13.64 million.

Shareholders' equity increased by € 12.83 million, thanks to € 4.18 million positive change in the translation reserve, which benefitted, in particular, from the revaluation of the Brazilian Real that strengthened over the Euro by about 12% since the beginning of the year.

Investments

The Group's investments in 2022 amounted to € 13.64 million, which mainly concerned the installation of a photovoltaic system and low energy consumption machinery of IRCE S.p.A..

IRCE Share Price Performance

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

Stock market indices		
Stock market price		
Official price as of 03 January 2022	Euro	3.13
Official price as of 30 December 2022	Euro	1.99
Market capitalisation		
Capitalisation as of 03 January 2022	Euro	88,040,640
Capitalisation as of 30 December 2022	Euro	55,974,720
Ordinary shares		
Total no. of shares	no.	28,128,000
No. of outstanding shares	no.	26,541,612

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.

[5] Net invested capital is the sum of net working capital, fixed assets, other receivables net of other payables, provision for risks and charges and provision for employee benefits respectively.

[6] Net financial position is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets (see note n.21 of consolidated financial statements). It should be noted that the method for measuring net financial position comply with the one defined by the Consob's notice no. 5/21 attention recall of 29 April 2021, which takes over the ESMA guideline of 4 March 2021.

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 mainly 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, 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 31 December 2022, the exchange rate of the Brazilian currency against the Euro compared to the previous year appreciated by around 12%, leading to an important positive effect on the translation reserve.

- *Interest rate risk*

In the past, the Group obtained medium-long term bank mainly at floating interest rates (linked to Euribor), thus exposing itself to the risk deriving from the rise in rates. In fact, the Group chose not to hedge given a relatively short average duration of loans (less than 3 years) and low interest rates.
For the future, the Group will evaluate whether to put in place hedges when obtaining new loans based on the economic conditions of the market and the expectations of interest rate trends.
Short-term credit lines are always at floating rate.

- *Risk related to fluctuation in copper price*

The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial needs. 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.
However, if copper prices fall, there is still a risk to write-down the final inventories at the expected realisable value, if lower than the weighted average cost for the period, with a negative impact on the result.
The average price of copper in 2022 on the London Metal Exchange was 8.34 Euro/Kg, up some 5.84% compared to the same figure of the previous year, equal to 7.88 Euro/Kg while the price at the end of the year was 7.86 €/kg, down some 6.88% than 8.45 Euro/Kg of 31-12-2021.
It should also be noted that the average price of copper at the beginning of 2023 was higher than the price at the end of 2022.

- *Risks associated with the procurement of raw materials at sustainable prices*

Uncertainty on the trend of cost of many raw materials, in particular plastics, insulation materials, electricity and gas, as well as the extent of the increases could make their absorption or their timely transfer to sales prices more complex.

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 awarding 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 credit quality to deteriorate, including those related to 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.

Climate Change Risks

The Group assessed the climate change risks relevant to its activities and business. 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 both in specific fields such as home automation, industrial automation and automotive and, more generally, for the need to strengthen electricity networks, on the other hand, the strong demand for "green" raw materials (in particular, copper cathode and electricity) could lead to an 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 foresees in climate change greater opportunities than risks.
For further details, please refer to paragraph 2 of the notes to the consolidated financial statements.

Risk associated with the Russian-Ukrainian conflict

The continuation of the conflict in Ukraine entails significant downside risks to the Group's volumes and margins. The significant changes in the cost of electricity, the price of which is currently closely linked to the one of natural gas, make uncertainties about the Group's ability to transfer its costs completely and promptly to the market; furthermore, possible temporary or permanent stops of natural gas supplies from Russia entail the risk of electricity quotas and, consequently, the need for the Group to decrease production volumes.
For further details, please refer to paragraph 1 of the notes to the consolidated 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 spread of cyber-attacks in recent times, IRCE identified the potential issues inside and outside the company, and then implemented a Cyber Security plan as well as a recovery procedure. In the current context, given the ongoing Russian-Ukrainian conflict, the Group has also intensified monitoring and defensive activities in relation to possible malware attacks, adopting appropriate measures to mitigate risks.

Outlook

Sales volumes at the beginning of the year were weak in both business lines; a recovery in demand is expected in the coming months and the pressure of raw materials and energy costs on margin should ease. The Group continues its strategy of focusing on sectors and products with high specialization and with significant growth forecasts.

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

The financial statements of the parent company IRCE S.p.A. show a turnover of € 304.20 million, down by 2,4% compared to the figure of the previous year, equal to € 311.59 million while the result for the year amounted to € 5.79 million, up compared to the one of the previous financial year of € 5.55 million.
For the analysis of the performance of IRCE S.p.A., please refer to the previous paragraph "Consolidated performance for 2022" as the comments on the Group are also appropriate for the Parent Company taking into account the significance of the latter's economic and financial data in the context of the consolidated financial statements.

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 2022	Year 2021	Change
Turnover [7]	304.20	311.59	(7.39)
EBITDA [8]	12.95	15.82	(2.87)
EBIT	8.94	11.07	(2.13)
Result before tax	5.54	8.03	(2.49)
Result for the year	5.79	5.55	0.24
Adjusted EBITDA [9]	13.51	15.58	(2.07)
Adjusted EBIT [9]	9.50	10.83	(1.33)

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

[8] 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.

[9] Adjusted EBITDA and EBIT are calculated as the sum of EBITDA and EBIT and the gains/losses on copper and electricity derivatives transactions (€ + 0,56 million in 2022 and € - 0,24 million in 2021). 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.

IRCE S.p.A.'s statement of financial position data (€/million)	As of 31.12.2022	As of 31.12.2021	Change
Net invested capital [10]	216.38	222.59	(6.21)
Shareholders' equity	161.83	157.08	4.75
Net financial position [11]	54.55	65.51	(10.96)

Intra-Group Transactions and Transactions with Related Parties

The transactions between the Parent Company and the subsidiaries are of commercial and financial nature. For more details, please refer to Note 37 of the separate financial statements and to Note 37 of the consolidated financial statements.
With regard to transactions with related parties, including intra-group transactions, it should be noted that they can be classified neither as atypical nor unusual, as they are part of the normal course of business of the Group's companies and have been carried out at arm's length.

Pursuant to paragraph 8 of Article 5 of the "Related Party Transactions Regulation" adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently integrated and last amended by resolution no. 21624 of 10 December 2020, it should be noted that during the 2022 financial year the Company has not carried out "major transactions".

Corporate Governance

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

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

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

The Organizational Model and related documents have been updated and approved by the Board of Directors on 15/03/2022 with the extension of the prevention perimeter also to tax crimes pursuant to art. 25-quinquiesdecies of Legislative Decree no. 231/2001.

The current Supervisory Body was appointed by the Board of Directors on 28 April 2022.

Treasury Shares and Shares of the Parent Company

The number of treasury shares at 31/12/2022 is 1,586,388, corresponding to 5.64% of the total shares, equal to a nominal value of € 825 thousand. As of 31.12.2022 the Company does not own shares of the parent company Aequafin S.p.A. nor has traded it during the 2022 financial year.

[10] Net invested capital is the sum of net working capital, fixed assets, other receivables net of other payables, provision for risks and charges and provision for employee benefits respectively.

[11] Net financial position is measured as the sum of short-term and long-term financial liabilities minus cash and current financial assets (see note n.21 of consolidated financial statements). It should be noted that the method for measuring net financial position comply with the one defined by the Consob's notice no. 5/21 attention recall of 29 April 2021, which takes over the ESMA guideline of 4 March 2021.

R&D Activities

Research and development activities in 2022 focused on projects to improve production processes and products.

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

Other Information

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

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

Events after the Reporting Date

No significant events occurred between the end of 2022 and today’s date.

Dear Shareholders,

we invite you to approve the separate financial statements of IRCE S.p.A. as of 31/12/2022, reporting a profit of € 5,788,946.

We propose to approve the distribution of a € 0.06 dividend per share, to be paid out of the profit of the year, with an ex-dividend date on 22 May 2023, a record date on 23 May 2023, and payment date on 24 May 2022. In addition, we propose to allocate the remaining net profit, after the payment of the dividends, to the Extraordinary Reserve.

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

Imola, 15 March 2023

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 (Here below is the “NFS” or “Statement”), for the year ended as of 31 December 2022, 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 2022 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 all the Group Companies and corresponds to the scope of this IRCE Group’s consolidated financial statements as of 31 December 2022 (please refer to the section accounting standards and explanatory notes):

- ”*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 / Fine Wire P.Ltd - India;
  - Isodra GmbH – Germany.
- *”Trading or small companies”:*
  - Isomet AG – Switzerland;
  - DMG GmbH – Germany;
  - Isolveco Srl – Italy (in liquidation);
  - Isolveco 2 Srl – Italy;
  - Irce Electromagnetic wire (Jiangsu) Co. Ltd – China;
  - Irce S.L. – Spain;
  - Irce SP ZO.O. – Poland;
  - Irce sro – Czech Republic.

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

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

On 30 June 2022, in reference to the parent company IRCE S.p.A., it was completed the sale of the company branch for the production of power cables located in the factory in Miradolo Terme (province of Pavia). The sale was undertaken since the accessory business of making power cables was no longer of strategic interest for the Group.

The data for the Miradolo Terme factory are reported up to the date of sale on 30 June 2022.

1.3. Reference Guidelines and Reporting Process

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

To allow comparing data over time, the Group included a comparison with the data from 2021. 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 Group has a procedure which defines the process of preparing the non-financial statement and was approved by the Board of Directors on 20 December 2021. It was updated by the Company in order to take account of the involvement of external Stakeholders.

Here below is a description of the main stages in the non-financial reporting process for 2022, indicating the roles and responsibilities related to them.

Stage 1 – Definition of the material topics and the contents of the NFS

- Preliminary identification of the potentially relevant topics to be included in the questionnaire on the basis of internal and external sources, for example corporate strategies, outcomes of benchmarking, outcomes of the analysis of developments in sustainability and the relevant national and European regulation on sustainable finance; this activity is undertaken by the Manager responsible for preparing the NFS;
- Mapping and selection by IRCE S.p.A. management of the external stakeholders to whom the questionnaire will be sent in order to identify the Group’s most significant impacts on the economy, the environment and people, including impacts on human rights and the consequent creation of a list of material topics;
- Completion of the questionnaire aimed at identifying the material topics by the management of the Parent Company, subsidiaries and external stakeholders;
- Revision and approval of the materiality analysis by the Chairman of the Board of Directors of the Parent Company;
- Sharing of the Materiality analysis with the Control and Risks Committee, the Board of Statutory Auditors and the Manager responsible for preparing the corporate accounting documents, and transposition of any remarks;
- Examination and approval by the Board of Directors of the Parent Company of the materiality analysis with resolution of 23 December 2022;
- Definition of the NFS content, indicators and scope with respect to material topics.

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

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

Stage 3 – Approval of the NFS

- Revision and approval of the NFS by the Chairman of the Board of Directors of the Parent Company;
- Sharing of the NFS with the Control and Risks Committee, the Board of Statutory Auditors and the Manager responsible for preparing the corporate accounting documents, and transposition of any remarks;
- Approval of the NFS by the Board of Directors, jointly with the Report on Operations and the Consolidated Financial Statements with resolution of 15 March 2023.

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 2022 and is disseminated to the public and sent to the Consob and to Borsa Italiana via the NIS (Network Information System).

1.4. Materiality Analysis

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

In October 2021 the Global Reporting Initiative (GRI) published the update to the “Global Reporting Initiative Sustainability Reporting Standards” which, in particular, entailed significant changes to Universal Standard GRI 3. In the 2021 version, GRI 3: Material Topics examines the **process to define the material topics** which is broken down into the following stages: identification of the actual and potential, positive and negative impacts; assessment of the relevance of the impacts; prioritisation of the most significant impacts and consequent definition of the list of material topics.

In this context, IRCE defined a process – described below aimed at identifying those topics that could substantially influence stakeholders’ assessments and decisions and that reflect the Group's economic, environmental and social impacts, including impacts on human rights.

Benchmarking activities were carried out with competitors and new topics were assessed which are of interest to public opinion in order to highlight the topics considered most significant for both the Irce Group and its stakeholders, as reported in this Statement.

The materiality analysis saw the participation of both internal figures and external Stakeholders who received a questionnaire containing the Group’s actual and potential, positive and negative impacts in the economic, social and environmental sphere. This year in fact the company decided to directly involve some external stakeholders and, in this sense, the choice was made to involve representatives of the local administrations where the IRCE Group operates.

For the Group the participants were the General Managers or CFOs of the subsidiaries, while for the parent company, for the Imola plant it was the Chairman of the Board of Directors and for the Guglionesi and Umbertide plants, the Plant managers.

The internal figures all returned completed questionnaires, while for the external stakeholders responses were received from local representatives of the administrations in Imola (Italy), Guglionesi (Italy), Nijmegen (The Netherlands) and Cochin (India).

The questionnaire asked to give an assessment of the topics and the related associated impacts on a scale from 1 to 5, where 1 is the lowest evaluation and indicates a topic that is not relevant for the Group and 5 is the highest and indicates a topic which is of utmost relevance for the Group.

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

The Materiality Analysis was approved by the Board of Directors on 23 December 2022 upon the proposal of the Chairman after sharing with the Control and Risks Committee, the Board of Statutory Auditors and to the Manager responsible for preparing the corporate accounting documents.

The topics which emerged as being material, as shown in the following table, define the focus areas for reporting. The table also sets out for each topic the related impacts. Compared to the materiality analysis in 2021, the following topics were relevant:

- Management of materials;
- Local communities and territory;
- Cybersecurity.

Scope and impact of material topics

Material topics	Impacts	Description of impact	GRI aspects	Scope of impact	Group involvement
Health and safety	Injuries in the workplace and work-related illnesses	Injuries, other accidents in the workplace and work-related illnesses with negative consequences for the health of direct workers and external collaborators.	Health and safety at work	Group employees and external collaborators*	Caused by the Group
Customer satisfaction	Satisfaction and prompt response to customer requests	Guarantee customer satisfaction in terms of expectations, benefits, price-quality ratio, adequate service and prompt responses, also in order to minimise complaints.	-	Irce Group	Caused by the Group
Economic-financial performance	Creation and distribution of economic value to stakeholders (e.g. employees, suppliers)	Positive economic impacts generated by the Group through its business activities including the redistribution of value among stakeholders. Creation of value in the short, medium and long term, also thanks to the efficient management of tangible and intangible assets.	Economic performance	Irce Group	Caused by the Group
Product innovation, quality and safety	Product reliability, quality and sustainability Continuous product and process innovation	Use of raw materials and manufacturing processes which guarantee a high level of product quality, durability, safety and sustainability, in line with market expectations. Positive impacts on people and economic systems generated by technological process innovations and product innovations linked to research and development.	Customer health and safety	Irce Group	Caused by the Group
Ethics, integrity and compliance with laws and regulations	Anti-competitive conduct, anti-trust and monopolistic practices Episodes of corruption Non-compliance with applicable laws, regulations, internal and external standards	Anti-competitive conduct and monopolistic practices with negative impacts on the economy and on markets. Negative impacts on people and on economic systems generated by non-ethical conduct by the business (e.g. corruption). Non-compliance with applicable laws, regulations, internal and external standards with indirect economic impacts on employees, customers and suppliers.	Anti-competitive conduct Anti-corruption Compliance with laws and regulations	Irce Group	Caused by the Group
Human rights	Violation of human rights along the value chain (e.g. right to the freedom of association and collective bargaining, child labour, forced or obligatory labour also linked to conflict minerals) with repercussions on human dignity and on the development of the community	Violation of human rights (e.g. right to the freedom of association and collective bargaining, child labour, forced or obligatory labour) along the supply chain and in the Group with consequent social, reputational and economic impacts.	Child labour Forced or obligatory labour	Irce Group and suppliers	Caused by the Group and to which the Group contributes
Management of materials	Exploitation of raw materials (e.g. use of copper)	Indirect environmental impact linked to the production and processing of raw materials along the supply chain.	Materials	Irce Group	Caused by the Group

Material topics	Impacts	Description of impact	GRI aspects	Scope of impact	Group involvement
Recycling and waste management	Generation of plastic waste (e.g. PVC) Production of hazardous and non-hazardous waste	Environmental impacts linked to the production of hazardous and non-hazardous waste, including plastic waste, both during production and along the value chain.	Effluents and waste	Irce Group	Caused by the Group
Energy consumption, Emissions and Climate change	Direct/indirect greenhouse gas emissions	Contribution to climate change through direct and indirect GHG emissions linked to the Group's daily business activities.	Energy	Irce Group and Electricity suppliers	Caused by the Group and linked to the Group through its
	Production of nitric oxides (NOx), sulphur oxides (SOx) and other significant emissions into the air		Atmospheric emissions		commercial dealings
Multiculturality, diversity and equal opportunities	Incidents of discrimination	Negative impacts on the satisfaction and motivation of employees owing to discrimination (e.g. linked to gender, age, ethnicity, etc.) or other non-inclusive practices.	Diversity and equal opportunities Non-discrimination	Group employees	Caused by the Group
Corporate governance	Gender inequality in governance bodies	Negative impacts linked to gender inequality in governance bodies.	-	Parent company Irce S.p.A	Caused by the Group
Management of water resources	High intensity use of water Contamination of soil and groundwater	Use of water (draw-off, discharge, consumption) and contamination of the soil and groundwater with consequent negative impacts on the environment and its impoverishment.	Water and effluents	Irce Group	Caused by the Group
Local communities and territory	Odorous pollution (from the bad smell of paints) Direct and indirect economic impacts generated on local communities (e.g. creation of jobs, sponsorships and/or donations) Traffic due to road transport which creates congestion and problems locally	Direct and indirect impacts generated on local communities of an economic type (e.g. creation of jobs), social and environmental (e.g. development of the territory through initiatives to support local communities, donations and/or sponsorships, odorous pollution and traffic due to logistics).	Local communities	Irce Group	Caused by the Group
Staff management and training	Improvement in workers' skills through training Competitive remuneration of workers	Training programs to provide the professional standing required by the role covered. Remuneration that aims to pay the worker fairly and on the basis of market conditions-	Training and education	Irce Group	Caused by the Group
Cybersecurity	Violations of security regarding customer privacy and the loss of corporate data	Violation of customer security regarding privacy and the loss of their data.	Customer privacy	Irce Group	Caused by the Group

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

2. GOVERNANCE

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

Table – Material topics

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

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 7 members, 3 of which are women (1 chairman and executive director, 1 executive director, 3 non-executive directors and 2 independent directors);

- **Control and Risks Committee** (within the Board of Directors);
- **Remuneration Committee** (within the Board of Directors);
- **Related parties Committee** (within the Board of Directors).

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

Governance members by gender - Parent Company IRCE S.p.A.						
Number of individuals	2022 (*)			2021		
	Men	Women	Total	Men	Women	Total
Board of Directors	4	3	**7**	4	2	**6**
Board of Statutory Auditors	2	1	**3**	2	1	**3**
Total	**6**	**4**	**10**	**6**	**3**	**9**

(*) The BoD is broken down as follows: 57% men and 43% women; the board of statutory auditors is broken down as follows: 67% men and 33% women

Governance members by age bracket - Parent Company IRCE S.p.A.						
	2022			2021		
Number of individuals	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Board of Directors						
< 30 years			**-**			**-**
30–50 years		2	**2**		1	**1**
> 50 years	4	1	**5**	4	1	**5**
Board of Statutory Auditors						
< 30 years			**-**			**-**
30–50 years			**-**			**-**
> 50 years	2	1	**3**	2	1	**3**
Total	**6**	**4**	**10**	**6**	**3**	**9**

In 2022 the IRCE S.p.A. Board was renewed and all the outgoing directors were reconfirmed and a new independent female director joined the Board.

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 three plants in Italy and five located abroad. The Group also includes five trading companies, four of which are foreign, and two newly established and currently non-operating companies in China and the Czech Republic. IRCE stands out thanks to its cutting-edge technology, advanced production and self-monitoring processes that guarantee the highest levels of quality and productivity.

IRCE complies with the standards of the following certifications:

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

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

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

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

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

IRCE has adopted and implemented a Code of Ethics, an integral part of the Organisation, Management and Control Model 231, which contains the values as well as the moral and professional standards to be observed during the performance of all business activities. The Code of Ethics is available together with the Organisation, Management and Control Model on the Company's website in the Ethics and Compliance section (www.irce.it "Ethics and Compliance" section).

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

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

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

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

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

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

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

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

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

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

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

On 15/03/2022 IRCE adopted the update of its Code of Ethics and Organisation, Management and Control Model to the new types of predicate offences introduced by lawmakers (Tax crimes).

In 2022, there were no cases of non-compliance with social or environmental regulations leading to significant penalties, no cases of corruption and no cases of discrimination.

- <u>*Risk Management*</u>

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

- Governance, strategy and internal control system (Corporate Governance, Internal Control System as per Law 262 and Strategic Plan);
- Offences under Legislative Decree no. 231/2001 (Model 231 and the Code of Ethics);
- Management risks (as shown in the Report on Operations), subdivided as follows:
  - *Market risk;*
  - *Risks associated with changes in financial and economic variables:*
    - *Exchange rate risk;*
    - *Interest rate risk;*
    - *Risk related to fluctuation in the price of copper;*
    - *Risk related to sourcing raw materials at sustainable prices.*

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

3. HUMAN RESOURCES AND RESPECT FOR HUMAN RIGHTS AND LOCAL COMMUNITIES

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	METHODS FOR MANAGING RISK	IMPROVEMENT OBJECTIVES
▪ Multiculturality, diversity and equal opportunity ▪ Human rights ▪ Health and safety ▪ Personnel management and training ▪ Local communities and territory ▪ Cybersecurity	▪ Damage and/or injuries due to incompetence and negligence ▪ Risk of discrimination and unequal treatment ▪ Increase in the number of injuries ▪ Increase in work-related stress ▪ Loss of reputation ▪ Risk of attack by hackers	▪ Code of Ethics ▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 ▪ Supervisory Body ▪ Occupational safety systems ▪ IRCE S.p.A., internal trade union representatives ▪ GDPR ▪ Protection of IT system	▪ Development by the Parent Company of coordination and supervision of training activities, in order to identify the training needs of each employee category and raise awareness about training ▪ Development and scaling up of initiatives concerning prevention, awareness and employees' health protection ▪ Increasing contacts with representatives of local communities to identify their needs

3.1. Policy and Management Model

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

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

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

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

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

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

3.2. Non-Financial Results and Indicators

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

The IRCE Group's workforce as of 31 December 2022 consisted of 656 individuals, of which 616 employees and 40 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 98%) are on permanent contracts, confirming the Group's commitment to fostering stable and long-lasting relationships with its employees.

Group's workforce by gender as of 31 December						
	2022			2021		
	Men	Women	Total	Men	Women	Total
Employees	553	63	**616**	584	73	**657**
Temporary workers hired from external agencies	37	3	**40**	44	28	**72**
Total	**590**	**66**	**656**	**628**	**101**	**729**

The reduction in the workforce is mainly due to the sale of the Miradolo Terme plant (province of Pavia) which, with its employees and temporary staff, employed around 40 people. A further reduction in the workforce in the last quarter was due to the fall in output which necessitated reduced use of temporary staff also at the other Italian plants.

The country distribution of the Group's employees sees 55% of personnel employed in Italy, 19% in Brazil, 12% in the Netherlands, 4% in the UK, 3% in India, 3% in Germany, 3% in Switzerland and the remaining 1% in various countries.

Total number of employees broken down by country and gender as of 31 December						
Country	2022			2021		
	Men	Women	Total	Men	Women	Total
Italy	305	33	**338**	317	45	**362**
Brazil	109	8	**117**	108	7	**115**
Netherlands	68	6	**74**	76	6	**82**
UK	21	3	**24**	24	2	**26**
Germany	13	6	**19**	13	5	**18**
India	19	0	**19**	28	1	**29**
Switzerland	13	5	**18**	13	5	**18**
Spain	3	1	**4**	3	1	**4**
Poland	1	1	**2**	1	1	**2**
China	1	0	**1**	1	0	**1**
Total	**553**	**63**	**616**	**584**	**73**	**657**

Total number of employees broken down by type of contract (permanent or fixed-term employment) and gender, as of 31 December						
Type of contract	2022			2021		
	Men	Women	Total	Men	Women	Total
Permanent	542	59	**601**	562	72	**634**
Fixed-term	11	4	**15**	22	1	**23**
Total	**553**	**63**	**616**	**584**	**73**	**657**

Total number of employees broken down by type of contract (full-time and part-time) and gender, as of 31 December						
Type of employment	2022			2021		
	Men	Women	Total	Men	Women	Total
Full-time	550	47	**597**	579	46	**625**
Part-time	3	16	**19**	5	27	**32**
Total	**553**	**63**	**616**	**584**	**73**	**657**

Total number of employees broken down by job category and gender, as of 31 December						
Job category	2022			2021		
	Men	Women	Total	Men	Women	Total
Function managers (*)	32	2	**34**	32	2	**34**
White collars	59	45	**104**	62	46	**108**
Blue collars	462	16	**478**	490	25	**515**
Total	**553**	**63**	**616**	**584**	**73**	**657**

(*) The category of Function managers includes the General Managers of the various Group companies, Function heads and Plant managers of the parent company IRCE S.p.A.

Number and percentage of employees covered by collective bargaining agreements, as of 31 December		
Number of employees	2022	2021
Total number of employees	616	657
Total number of employees covered by collective bargaining agreements	566	600
Percentage	**91.88%**	**91.32%**

For Italian plants, the most representative contract is the Collective Bargaining Agreement (CCNL) for rubber and plastic industry

- **Human rights**

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

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

- **Employees' health and safety**

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

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

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

Injury rates– employees (*)	**2022**	**2021**
Frequency		
a) Number of work-related injuries	*25*	*30*
b) Total number of hours worked	*1,102,537*	*1,142,964*
Work-related injury rate (a/b x 1,000,000)	**22.67**	**26.25**
Seriousness		
a) Number of high-consequence injuries (**)	*0*	*0*
b) Total number of hours worked	*1,102,537*	*1,142,964*
High-consequence work-related injury rate (a/b x 1,000,000)	**0.00**	**0.00**

Injury rates - external workers (***)	**2022**	**2021**
Frequency		
a) Number of work-related injuries	*5*	*4*
b) Total number of hours worked	*91,046*	*126,755*
Work-related injury rate (a/b x 1,000,000)	**54.92**	**31.56**
Seriousness		
a) Number of high-consequence injuries	*0*	*0*
b) Total number of hours worked	*91,046*	*126,755*
High-consequence work-related injury rate (a/b x 1,000,000)	**0.00**	**0.00**

(*) The injury rate was calculated as the ratio between the total number of injuries and the total hours worked, using a multiplier of 1,000,000. The figure includes injuries in the home/work journey only where the transport was managed by the organisation.
(**) A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
(***) Data relating to the Health and Safety of external collaborators include only the category of temporary workers hired from external agencies and not other types of non-employee workers working at the Group's sites and/or under the Group's control, given their significance and the availability of such data over which the Group does not exercise direct control.

Compared to the previous year there was a reduction in the injury rate for employees, while there was an increase for external workers, but given the causes and their duration, they were mostly minor and did not raise particular concerns. The main injuries were traumas from crushing fingers, sprains and bruises. In addition, it should be noted that there were no high-consequence injuries.

As for the healthcare emergency caused by the coronavirus pandemic, there were no critical situations which compromised people's health and the ordinary course of business, except for a higher rate of abstentionism owing to absences due to quarantining and illness.

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

- **Personnel management and training**

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

Hours of annual training for employees and external workers		
	2022	**2021 (**)**
Total hours of training provided to internal and external workers	4,134	4,094
Average hours of training per worker (*)	**6.30**	**5.62**

(*) 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.
(**) Following a process to improve the reporting system, the data relating to the training hours in 2021 was restated compared to that published in the previous NFS, excluding from the total "on the job" training hours on the Joinville website of Irce LTDA (Brazil). For previously published data, please refer to the 2021 non-financial statement, available on the website www.irce.it in the Investor relation section.

- **Local communities and territory**

The Group's plants are important elements for local communities and have an economic impact on the local industrial environment and on employment in the local area. In particular in 2022 the parent company sponsored a public initiative called "*Città ad impatto positivo*" ("City with a positive impact") with the patronage of the Municipality of Imola (province of Bologna), where the company has its main premises, for the realisation of projects to improve the social and environmental conditions of the local community.
As from this year the preparation of the questionnaire saw the involvement of representatives of local communities to identify their needs too. In particular, local administrators took part from Imola (Italy), Guglionesi (Italy), Nijmegen (The Netherlands) and Cochin (India).

- **Cybersecurity**

The Group pays particular attention to IT security and to the protection and integrity of data and has adopted procedures for cybersecurity and data recovery. Periodically an analysis is undertaken of risks for the IT structure to identify any critical points.
In addition, all the measures to protect personal data are adopted in compliance with EU Regulation 2016/679, known as the GDPR (General Data Protection Regulation).

4. ENVIRONMENTAL ASPECTS

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

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

Table – Material topics

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

4.1. Policy and Management Model

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

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

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

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

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

4.2. Non-Financial Results and Indicators

- **Energy consumption**

Here below is the Group's energy consumption attributed to the use of fuel and electricity, subsequently converted into giga joules (GJ).

Energy Consumption					
	Unit	2022		2021	
		Total	Total GJ	Total	Total GJ
Non-renewable fuel					
Natural gas	**m^3**	1,622,207	**64,180**	1,739,336	**69,077**
Diesel fuel	**l**	131,150	**5,009**	676,640	**25,838**
LPG	**tonnes**	18	**893**	20	**990**
Electricity purchased (*)	**kWh**	112,604,810	**405,377**	125,832,817	**452,998**
Of which from renewable sources	**kWh**	-	**-**	-	**-**
Total energy consumption	**GJ**	**475,458**		**548,903**	
Renewable electricity	**GJ**	**-**		**-**	
Renewable electricity	**GJ**	**405,377**		**452,998**	
Renewable electricity	**%**	**-**		**-**	

(*) The Group does not acquire electricity which is certified with a guarantee of origin, therefore all electricity is non-renewable.
(**) For the purposes of calculating the energy contribution in GJ of fuel in 2022, the conversion factors used are indicated in the document "UK Government GHG Conversion Factors for Company Reporting", source: DEFRA 2022, while for the purposes of calculating the energy contribution in GJ of fuel in 2021, the conversion factors used are indicated in the document "UK Government GHG Conversion Factors for Company Reporting", source: DEFRA 2021.

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

The lower energy consumption recorded in 2022 compared to the previous year was mainly due to the reduction in production at Group level following the fall in sales.

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

In addition, at the Imola plant in September 2022 construction started of a photovoltaic plant which will come into operation by the end of the first half of 2023, with important benefits on both the economic and environmental sides.

- **Water Withdrawal (*)**

Water Withdrawal (ML)				of which area with water stress	
Resource	**Unit**	**2022**	**2021**	**2022**	**2021**
Surface water	ML	13.9	13.2	-	-
Groundwater		9.4	9.9	9.4	9.9
Third-party water resources		64.5	70.9	54.2	60.0
Total		**87.8**	**94.0**	**63.6**	**69.9**

(*) In reference to water withdrawal in areas subject to water stress, the IRCE Group uses the Aqueduct Tool developed by the World Resources Institute to identify areas potentially at risk. Pursuant to this analysis, only water withdrawals relating to the plants at Imola, Guglionesi and Umbertide regarded areas with high water stress (https://www.wri.org/aqueduct).

The decrease in water consumption is due to the reduction of the use of industrial water in the production process to cool machinery, as a consequence of lower production and increased monitoring of consumption.

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

- **Recycling and waste management**

The IRCE Group aims to reduce and responsibly manage the waste it produces. Also in 2022, 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 choice of the suppliers who provide environmental services (waste disposal).

Total waste amounted to 4,621 tonnes and the majority went to recycling (82%) and recovery (9%), with only 1% going to landfill.

WASTE generated (tonnes)						
	2022			**2021**		
	Hazardous	**Non-hazardous**	**Total**	**Hazardous**	**Non-hazardous**	**Total**
Total	**315**	**4,306**	**4,621**	**310**	**4,382**	**4,692**

The main type of waste is copper scrap from the production process. This is recycled and reprocessed by specialist companies to be recovered almost in full and reintroduced in our process as new copper rod.

Hazardous waste is just 7% and refers essentially to substances from the production process (for example emulsions, filtering materials, machining sludges).

- **Emissions to air (*)**

CO_2 emissions resulting from the energy carriers used by the Group are shown in the previous section.
The IRCE Group calculates its "carbon footprint" in terms of CO_2 emissions, reporting on:

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

Direct GHG emissions (Scope 1) (*)					
Source	**Unit**	**2022**		**2021**	
		Total	**tCO_2e**	**Total**	**tCO_2e**
Natural gas	**m^3**	1,622,207	**3,270**	1,739,336	**3,516**
Diesel fuel	**l**	131,150	**335**	676,640	**1,700**
LPG	**tonnes**	18	**53**	20	**59**
Total			**3,658**		**5,275**
Indirect GHG emissions (Scope 2) (**) – Location-Based Method (***)					
Source	**Unit**	**2022**		**2021**	
		Total	**tCO_2e**	**Total**	**tCO_2e**
Electricity	**kWh**	112,604,810	**31,592**	125,832,817	**35,778**
Indirect GHG emissions (Scope 2) (**) – Market-Based Method (****)					
Source	**Unit**	**2022**		**2021**	
		Total	**tCO_2e**	**Total**	**tCO_2e**
Electricity	**kWh**	112,604,810	**43,072**	125,832,817	**48,977**
Total emissions Scope 1 + Scope 2 – *Location Based*			**35,250**		**41,053**
Total emissions Scope 1 + Scope 2 – *Market Based*			**46,730**		**54,252**

(*) To calculate Scope 1 emissions for 2022, the Group used the conversion factors from the UK Government GHG Conversion Factors for Company Reporting (source DEFRA 2022), while to calculate Scope 1 direct emissions for 2022, the Group used the conversion factors from the UK Government GHG Conversion Factors for Company Reporting (source DEFRA 2021).
(**) Scope 2 electricity indirect emissions are reported in tonnes of CO_2, however the percentage of methane and nitrous oxide has a negligible impact on total greenhouse gas emissions (CO_2 equivalent), as the relevant technical literature shows.
(***) Indirect emissions Scope 2 – Location Based are calculated according to the methodology defined by the GHG Protocol which envisages the use of average emission factors for the specific national energy mix for the production of electricity. To calculate Scope 2 emissions, the Group used the emission factors set out in TERNA's document, 2019 International Comparisons.
(****) Indirect emissions Scope 2 – Market Based are calculated according to the methodology defined by the GHG Protocol which envisages the use of emission factors defined on a contractual basis by energy suppliers. For the purposes of the calculation, emission factors were used for countries in the European area as indicated in the document "European Residual Mixes " (source AIB 2021 and AIB 2022), for Brazil the emission factors indicated in the document "International Comparisons 2019" (source: TERNA), and for India the emission factors indicated in the "CO2 Baseline Database for the Indian Power Sector - Ministry of Power, Government of India (Version 18.0)" (source: Government of India).

As set out previously, also for CO_2 emissions, the fall in 2022 compared to the previous year was mainly due to the reduction in the quantities produced owing to the fall in market demand.

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 2022. As per the authorisations in place for atmospheric emissions, the main Group companies undertake monitoring campaigns on the following emissions:

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

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

- **Climate Change**

To complete what has already been described in the previous analysis of "Risks from Climate Change" and what is set out in the notes in the section *"*Climate Change – Financial Statement Impacts*"*, the following activities undertaken during the year are noted:

- The "organisation carbon footprint" project was completed for the Imola-BO plant (the Group's largest) with the aim of calculating CO_2 emissions (scope 1, scope 2 and scope 3 upstream). This project will then be used as a reference model for the other plants, making it possible to calculate the Group's emissions.
- In September 2022 construction started at the Imola plant of a photovoltaic plant that will come into operation by the end of the first half of 2023, with important benefits on both the economic and environmental sides, with a reduction in the CO2 emitted.
- Investments continue in new machinery and plant aimed at energy saving and efficiency in order to obtain Energy Savings Certificates (ESC).

The Group undertook an internal analysis to identify the opportunities and risks linked to climate change; the main results are set out below:

- **Opportunities:**
  - In Europe the zero emissions obligation for new cars and new vans as from 2035 will lead to a high demand for winding wires for electric engines and the related components;
  - a change in the choices made by the end user could lead to an increase in demand in sectors where the Group is already present: components for smart homes, automation and lastly the automotive sector where the manufacture of electric engines will be a driving force.
- **Risks:**
  - the increase in the demand for green raw materials could lead to a significant increase in costs and in the problem of sourcing raw materials, especially copper;
  - increase in electricity costs could lead to higher costs and reduced margins, IRCE is investing in its own electricity production through a photovoltaic system and more efficient machinery;
  - any regulatory interventions to require companies to reduce CO_2 emissions could entail higher operating costs for the Group;
  - the increase in extreme weather events could lead to damage and an interruption to production, a risk mitigated by the presence of a specific Recovery Plan which enables business continuity.

The Group sets itself the goal of improving the analysis of the impacts linked to climate change, constantly monitoring the risks, taking up future opportunities and investing in a long-term project to reduce CO_2 emissions.

IRCE has obtained the Silver rating from Ecovadis, a platform to monitor companies' sustainability performance.

- **Management of materials**

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, preferring the use of recycled or recovered materials.

5. PRODUCT RESPONSIBILITY

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

Table – Material topics

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

5.1. Policy and Management Model

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

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

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

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

5.2. Non-Financial Results and Indicators:

- **Innovation, 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;
- study and installation of machinery and plant with a lower environmental impact;
- developing innovative and sustainable products and technologies;
- developing products made upon customer's technical specification.

In 2022, no market withdrawals were reported in relation to problem of 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 quality of the products and the service of the IRCE Group are recognised on the market as being of top level, assessments by customers show no problems and no situations are reported that may put at risk IRCE's position as a key supplier.

6. ECONOMIC AND FINANCIAL PERFORMANCE

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

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

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

Economic value generated and distributed		
Amounts in €/000	**2022**	**2021 (***)**
Total economic value generated by the Group	**474,975**	**488,805**
Total economic value distributed by the Group	**459,845**	**472,628**
Of which operating costs	422,809	432,083
Of which remuneration of personnel	30,009	30,466
Of which remuneration of lenders	4,035	3,259
Of which remuneration of shareholders (*)	1,592	1,327
Of which remuneration of the Public Administration (**)	1,400	5,493
Economic value retained by the Group	**15,130**	**16,177**

(*) The amount attributed to shareholders corresponds to the net profit for 2022 distributed as dividends that, on 15 March, the Board of Directors resolved to propose to the Shareholders' Meeting.
(**) The amount attributed to the Public Administration includes only income taxes.
(***) In order to improve the data relating to the economic value generated and distributed and to guarantee the comparability of the data, the deferred tax assets and liabilities have been removed from income taxes and included in the economic value retained. For previously published data, please refer to the 2021 non-financial statement, available on the https://www.irce.it website in the Investor relations section

6.2. Business strategy

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

1. Cost leadership, continuous modernisation of production equipment, control processes and logistics system;
2. Growth:
    a. increase in market shares in product sectors and segments with higher margins;
    b. direct presence with production sites in East Europe and China;
3. Innovation:
    a. Continuous improvement in the quality level of products and services through constantly updated software to control the production process and the status of production;
    b. continuous improvement of the company and group integrated management system
    c. investments in high-efficiency machinery and plants and lower energy consumption for a reduced environmental impact.

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

7. TAXONOMY

Regulation EU 2020/852 (hereafter the “Regulation”), which came into force on 1 January 2022, introduced the European Taxonomy (hereafter also the 'Taxonomy'), a classification system which makes it possible to translate the European Union’s climate and environmental goals into objective criteria”, connecting them to specific economic activities.

The aforementioned Regulation establishes that an economic activity is considered eco-sustainable if it makes a substantial contribution to achieving one or more of the six environmental goals defined by the Taxonomy:

1. Climate change mitigation;
2. Adaptation to climate change;
3. Sustainable use and protection of water and marine resources;
4. Transition towards a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

During 2021 the delegated Regulation on climate was published with the annexes relating to the first two goals (1) climate change mitigation and (2) climate change adaptation, containing the technical screening criteria to establish whether an activity can be considered eligible and aligned pursuant to the Taxonomy. In addition, on 1 January 2023 the Complementary Delegated Act came into force which was published in the Official Gazette on 15 July 2022.

Pursuant to Art. 8 of the Regulation on Taxonomy, for 2022, IRCE, since it is subject to the obligation to publish the NFS, is required to communicate the amount and proportion of its revenues, capital expenditure (CapEx) and operating expenditure (OpEx) associated with eco-sustainable economic activities from the environmental viewpoint, in other words which are potentially eligible and aligned to the technical screening criteria defined by the delegated Regulation on the climate for the aforementioned goal of climate change mitigation and adaptation.

In order to classify an activity as “sustainable from the environmental viewpoint” pursuant to the Taxonomy, it is necessary therefore first to identify the eligible economic activities and then to assess their alignment by verifying compliance with the technical criteria envisaged by the law for the specific activity, i.e.:

- making a substantial contribution to achieving one or more of the environmental goals;

- conforming to the technical screening criteria set by the European Commission;
- not doing significant harm to any of the environmental goals (DNSH);
- being done in compliance with the minimum safeguarding guarantees.

On the basis of the interpretation that has developed and the requirements that are now applicable, the Group has confirmed its assessment regarding the fact that its main activities are not included among those currently identified by the relevant law for the two environmental goals above and, consequently, no percentage of turnover can be considered as aligned or eligible at the date of drawing up this document. This assessment is focused on the Group's main economic activities linked to the manufacture of winding wires and electric cables.

The Group also analysed the capital and operating expenditure in reference to 2022. In regard to the KPI on operating expenditure, at the publication date of this NFS, no percentage has been identified associated with economic activities that are considered aligned or eligible in relation to the goals of Mitigation of climate change and Adaptation to climate change. To calculate the KPI on capital expenditure (CapEx) the investments made to install a photovoltaic plant at the Imola site were instead considered eligible. Consequently, the remaining increases in tangible and intangible assets and use rights for the year were considered as not eligible. For the purposes of calculating the KPI on operating expenditure (OpEx) uncapitalised research and development costs were considered in particular, as well as maintenance costs and costs for the use of third-party assets (non-IFRS16).

In reference to the above activities that were "eligible", it was held that they cannot be considered as "aligned" activities in accordance with the provisions of the Regulation on Taxonomy. Over coming months further analyses will be undertaken, both following the gradual evolution of the Regulation and interpretation and application, and the strategic decisions taken by the IRCE Group .

ANNEX II – Percentage of turnover arising from products or services associated with economic activities aligned to the taxonomy — Disclosure for 2022

				Criteria for substantial contribution						Criteria for "not doing significant harm"										
Economic activities	Code	Absolute turnover	Percentage of turnover	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguarding guarantees	Percentage of turnover aligned with the taxonomy, 2022	Percentage of turnover aligned with the taxonomy, 2021	Category (enabling activity)	Category (transitional activity)
		IN THOUSANDS OF EURO	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	%	A	T
A. ACTIVITIES ELIGIBLE TO THE TAXONOMY																				
A.1. Eco-sustainable activities (aligned to the taxonomy)																				
Turnover of eco-sustainable activities (aligned to the taxonomy)	n/a	0	0%														0%	n/a	n/a	n/a
A.2 Activities eligible to the taxonomy but not eco-sustainable (activities not aligned to the taxonomy)																				
Turnover of the activities eligible to the taxonomy but not eco-sustainable (activities not aligned to the taxonomy) (A.2)	n/a	0	0%																	
Total (A.1 + A.2)		0	0%																	
B. ACTIVITIES NOT ELIGIBLE TO THE TAXONOMY																				
Turnover of the activities not eligible to the taxonomy (B)		454,695	100%																	
Total (A + B)		454,695	100%																	

ANNEX II – Percentage of capital expenditure arising from products or services associated with economic activities aligned to the taxonomy — Disclosure for 2022

				Criteria for substantial contribution						Criteria for " not doing significant harm"										
Economic activities	Code	Capital expenditure in absolute terms	Percentage of capital expenditure	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguarding guarantees	Percentage of capital expenditure aligned to the taxonomy 2022	Percentage of capital expenditure aligned to the taxonomy 2021	Category (enabling activity)	Category (transitional activity)
		IN THOUSANDS OF EURO	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	%	A	T
A. ACTIVITIES ELIGIBLE TO THE TAXONOMY (Taxonomy-Eligible)																				
A.1. Eco-sustainable activities (aligned to the taxonomy)																				
Capital expenditure of eco-sustainable activities (aligned to the taxonomy)	n/a	0	0%														0%	n/a	n/a	n/a
A.2 Activities eligible to the taxonomy but not eco-sustainable (activities not aligned to the taxonomy)																				
Installation, maintenance and repair of technologies for renewable energy	7.6 (Annex I)	4,083	30%																	
Total (A.1 + A.2)		4,083	30%																	

B. ACTIVITIES NOT ELIGIBLE TO THE TAXONOMY (Taxonomy Non-Eligible)

Capital expenditure of activities not eligible to the taxonomy (B)		9,556	70%
Total (A + B)		13,639	100%

ANNEX II – Percentage of operating expenses arising from products or services associated with economic activities aligned to the taxonomy — Disclosure for 2022

				Criteria for substantial contribution						Criteria for "not doing significant harm"										
Economic activities	**Code**	**Absolute operating expenditure**	**Percentage of operating expenditure**	**Mitigation of climate change**	**Adaptation to climate change**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Mitigation of climate change**	**Adaptation to climate change**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguarding guarantees**	**Percentage of operating expenditure aligned to the taxonomy, 2022**	**Percentage of operating expenditure aligned to the taxonomy, 2021**	**Category (enabling activity)**	**Category (transitional activity)**
		IN THOUSANDS OF EURO	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	%	A	T
A. ACTIVITIES ELIGIBLE TO THE TAXONOMY																				
A.1. Eco-sustainable activities (aligned to the taxonomy)																				
Operating expenditure of eco-sustainable activities (aligned to the taxonomy) (A.1)	n/a	0	0%														0%	n/a		
A.2 Activities eligible to the taxonomy but not eco-sustainable (activities not aligned to the taxonomy)																				
taxonomy but not eco-sustainable (activities not aligned to the taxonomy) (A.2)	n/a	0	0%																	
Total (A.1 + A.2)		0	0%																	
B. ACTIVITIES NOT ELIGIBLE TO THE TAXONOMY																				
Operating expenditure of activities not eligible to the taxonomy (B)		2,941	100%																	
Total (A + B)		2,941	100%																	

GRI CONTENTS INDEX

Declaration of use	IRCE Group prepared the information included in this GRI Contents Index for the period 1 January – 31 December 2022 in reference to the GRI Standards.	
Used GRI 1	GRI 1: Foundation 2021	
GRI Standards	**Disclosure**	**Pages/notes**
GRI 2: General Disclosures 2021		
2-1	Organizational details	17
2-2	Entities included in the organization's sustainability reporting	17
2-3	Reporting period, frequency and contact point	17
2-4	Restatements of information	31,38
2-5	External assurance	176
2-6	Activities, value chain and other business relationships	37,38
2-7	Employees	28,29 The indicator is in compliance with requirements a, b.i, b.ii b.iv, b.v, c, d, e of the reference standard, except for the division by geographical region as set out at point b.
2-8	External workers	28
2-9	Governance structure and composition governance	23,24 The indicator is in compliance with requirements a, c.i, c.ii, c.iii. c.iv, c.v of the reference standard.
2-23	Policy commitments	24-26 The indicator is in compliance with requirements c, d, e, f of the reference standard.
2-27	Compliance with laws and regulations	In 2022 there were no significant cases of non-compliance with the laws and regulations.
2-29	Approach to stakeholder engagement	18-20
2-30	Collective bargaining agreements	29
3-1	Process to determine material topics	18-20
3-2	List of material topics	21,22
3-3	Management of material topics	23,27,32,37 The indicator is in compliance with requirement a, b ,c of the reference standard.
201-1	Direct economic value generated and distributed	38

205-3	Confirmed incidents of corruption and actions taken	In 2022 there were no recorded incidents of corruption.
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	In 2022 there was no legal action versus the Group regarding anti-competitive behaviour, anti-trust, and monopoly practices.
302-1	Energy consumption within the organisation	33
303-3	Water withdrawal	34 The indicator is in compliance with requirements a, b, d of the reference standard.
305-1	Direct (Scope 1) GHG emissions	35
305-2	Energy indirect (Scope 2) GHG emissions	35
306-3	Waste generated	34 The Group is in compliance with requirements of the reference standard, except for the division of the waste by typology.
403-9	Work-related injuries	30
404-1	Average hours of training per year per employee	31 The indicator is in compliance with the requirements of the reference standard, except for the breakdown by gender and category of employees.
405-1	Diversity of governance bodies and employees	24 The indicator is in compliance with requirements a, e, b.i of the reference standard, except for the percentage
406-1	Incidents of discrimination and corrective actions taken	26
408-1	Operations and suppliers at significant risk for incidents of child labour	Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk relating to the use of child labour at the Group's main suppliers.
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour obbligatorio	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.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance with regulations and/or codes of conduct concerning the health and safety impacts of products that resulted in a sanction, fine or warning from control bodies were identified.

CONSOLIDATED FINANCIAL STATEMENTS OF THE IRCE GROUP AS OF 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand of Euro)	Notes	2022 31 December	2021 31 December
ASSETS			
Non current assets			
Goodwill and Other intangible assets	6	49	60
Property, plant and machinery	7	37,961	37,267
Equipments and other tangible assets	7	1,374	1,445
Assets under constructions and advances	7	12,278	5,475
Investments	8	-	111
Non current financial assets	8	5	5
Deferred tax assets	9	2,357	2,002
Other non current assets	10	2,813	-
NON CURRENT ASSETS		**56,837**	**46,365**
Current assets			
Inventories	11	117,988	104,985
Trade receivables	12	61,586	91,924
Tax receivables	13	2,676	18
(of which related parties)		*2,175*	-
Other current assets	14	5,659	1,680
Current financial assets	15	490	673
Cash and cash equivalent	16	5,608	10,678
CURRENT ASSETS		**194,007**	**209,958**
TOTAL ASSETS		**250,844**	**256,323**

(Thousand of Euro)	Notes	2022 31 December	2021 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		13,802	13,802
Reserves		122,084	109,089
Profit (loss) for the period		9,224	9,376
Shareholders' equity attributable to shareholders of Parent company		**145,110**	**132,267**
Shareholders equity attributable to Minority interests		(325)	(305)
TOTAL SHAREHOLDERS' EQUITY	**17**	**144,785**	**131,962**
Non current liabilities			
Non current financial liabilities	18	19,777	17,846
Deferred tax liabilities	9	338	87
Non current provisions for risks and charges	19	280	167
Non current provisions for post employment obligation	20	3,449	4,842
NON CURRENT LIABILITIES		**23,844**	**22,942**
Current liabilities			
Current financial liabilities	21	46,224	57,790
Trade payables	22	27,240	30,402
Current tax payables	23	555	2,986
(of which related parties)		-	*2,163*
Social security contributions	24	2,000	1,897
Other current liabilities	25	5,939	8,045
Current provisions for risks and charges	19	257	299
CURRENT LIABILITIES		**82,215**	**101,419**
SHAREHOLDERS' EQUITY AND LIABILITIES		**250,844**	**256,323**

CONSOLIDATED INCOME STATEMENT

(Thousand of Euro)	Notes	2022 31 December	2021 31 December
Sales revenues	26	454,695	457,140
Other revenues and income	27	4,864	575
TOTAL REVENUES AND INCOME		**459,559**	**457,715**
Raw materials and consumables	28	(361,748)	(384,214)
Change in inventories of work in progress and finished goods		(86)	17,896
Cost for services	29	(46,615)	(36,449)
Personnel costs	30	(30,009)	(30,466)
Amortization /depreciation/write off tangible and intangible assets	31	(7,234)	(7,597)
Provision and write downs	32	(589)	(1,243)
Other operating costs	33	(1,730)	(1,286)
EBIT		**11,548**	**14,356**
Financial income / (charges)	34	(1,250)	(199)
RESULT BEFORE TAX		**10,298**	**14,157**
Income taxes	35	(1,094)	(4,778)
NET RESULT FOR THE PERIOD		**9,204**	**9,379**
Net result for the period attributable to non-controlling interests		(20)	3
Net result for the period attributable to the parent company		**9,224**	**9,376**

Earnings / losses per shares			
- basic EPS for the period attributable to shareholders of the parent company	36	0.348	0.353
- diluted EPS for the period attributable to shareholders of the parent company	36	0.348	0.353

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand of Euro)	Notes	2022 31 December	2021 31 December
Net result for the period		**9,204**	**9,379**
Translation difference on financial statements of foreign companies	17	4,184	835
Total items that will be reclassified to net result		**4,184**	**835**
Actuarial gain / (losses) IAS 19	20	969	30
Tax effect	9	(209)	(1)
Total IAS 19 reserve variance	17	760	29
Total items that will not be reclassified to net result		**760**	**29**
Total comprehensive income for the period		**14,148**	**10,243**
Attributable to shareholders of Parent company		14,168	10,240
Attributable to Minority interest		(20)	3

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand of Euro)	Share capital	Other reserves		Retained earnings					Equity attributable to shareholders of parent company	Equity attributable to minority interest	Total shareholders' equity
		Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Translation reserve	Result for the period			
Opening balance previous year	**13,822**	**40,562**	**45,923**	**2,925**	**(1,212)**	**55,415**	**(34,502)**	**-**	**122,932**	**(308)**	**122,624**
Dividends	-	-	-	-	-	(797)	-	-	(797)	-	(797)
Sell / purchase own shares	(19)	(89)	-	-	-	-	-	-	(108)	-	(108)
Profit allocation	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	29	-	835	-	864	-	864
Result for the period	-	-	-	-	-	-	-	9,376	9,376	3	9,379
Total comprehensive income for the period	**-**	**-**	**-**	**0**	**29**	**-**	**835**	**9,376**	**10,240**	**3**	**10,243**
Closing balance previous year	**13,802**	**40,474**	**45,923**	**2,925**	**(1,183)**	**54,617**	**(33,667)**	**9,376**	**132,267**	**(305)**	**131,962**
Result for previous period	-	-	-	-	-	9,376	-	(9,376)	-	-	-
Other movements	-	-	-	-	-	6	-	-	6	-	6
Dividends	-	-	-	-	-	(1,327)	-	-	(1,327)	-	(1,327)
Sell / purchase own shares	-	(3)	-	-	-	-	-	-	(3)	-	(3)
Other comprehensive income for the period	-	-	-	-	760	-	4,184	-	4,943	-	4,943
Result for the period	-	-	-	-	-	-	-	9,224	9,224	(20)	9,204
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**760**	**-**	**4,184**	**9,224**	**14,168**	**(20)**	**14,148**
Closing balance current year	**13,802**	**40,471**	**45,923**	**2,925**	**(424)**	**62,672**	**(29,483)**	**9,224**	**145,110**	**(325)**	**144,785**

CONSOLIDATED STATEMENT OF CASH FLOW

(Thousand of Euro)	Notes	2022 31 December	2021 31 December
OPERATING ACTIVITIES			
Result of the period (Group and Minorities)		9,204	9,379
Adjustments for:			
Deprecitation / Amortization	31	7,234	7,597
Net change in deferred tax (assets) / liabilities	35	(305)	(713)
Capital (gains) / losses from disposal of fixed assets		(703)	(57)
Losses / (gains) on unrealised exchange rate differences		(144)	(725)
Provisions for risks	32	150	100
Income taxes	35	1,399	5,490
Financial (income) / expenses	34	276	588
Operating result before changes in working capital		**17,111**	**21,659**
Income taxes paid		(6,922)	(3,759)
Financial charges paid	34	(4,035)	(3,259)
Financial income collected	34	3,759	2,672
Decrease / (Increase) in inventories		(11,792)	(28,029)
Change in trade receivables		31,646	(17,730)
Change in trade payables		(3,226)	9,134
Net changes in current other assets and liabilities		(1,145)	1,982
Net changes in current other assets and liabilities - related parties		(4,337)	2,007
Net changes in non current other assets and liabilities		(3,400)	(405)
CASH FLOW FROM OPERATING ACTIVITIES		**17,659**	**(15,729)**
INVESTING ACTIVITIES			
Investments in intangible assets	6	(30)	(26)
Investments in tangible assets	7	(13,609)	(7,673)
Investments in subsidiaries, associates, other entities	8	113	(2)
Disposals of tangible and intangible assets		743	62
CASH FLOW FROM INVESTING ACTIVITIES		**(12,783)**	**(7,639)**
FINANCING ACTIVITIES			
Repayments of loans	18	(10,176)	(8,887)
Obtainment of loans	18	12,000	5,395
Net changes of current financial liabilities (include IFRS16)		(11,961)	27,044
Net changes of current financial assets		579	882
Other effetcs on shareholders' equity	17	6	-
Dividends paid to shareholders	17	(1,327)	(797)
Sell/(purchase) of own shares		(3)	(108)
CASH LOW FROM FINANCING ACTIVITIES		**(10,882)**	**23,529**
NET CASH FLOW FROM THE PERIOD		**(6,006)**	**161**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	16	10,678	10,260
Exchange rate differences		936	257
NET CASH FLOW FROM THE PERIOD		(6,006)	161
CASH BALANCE AT THE END OF THE PERIOD	**16**	**5,608**	**10,678**

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2022 were approved by the Board of Directors of IRCE S.p.A. (hereinafter also referred to as the "Company") on 15 March 2023.

IRCE S.p.A. (hereinafter also the "Company") is a company incorporated in Italy, with tax domicile, registered and administrative office in via Lasie 12/a, Imola (BO), R.E.A. n. 266734 BO 001785.

As of 31 December 2022, 5.64% of the Issuer's share capital was held by the Issuer itself, 50.045% by Aequafin SpA – a company incorporated and domiciled in Italy in Via dei Poeti no. 1/2, and the remaining 44.315% was floating on the "Mercato Telematico market of Borsa Italiana S.p.A." – STAR segment.

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) and Umbertide (Perugia) 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 Group also owns a non-operational plant in Kochi (Kerala – India), headquarter of Fine Wire P. Ltd.
As of June 30, 2022, the manufacturing plant in Miradolo Terme (PV) was sold.

The distribution network consists of agents and the following trading subsidiaries: Isomet AG in Switzerland, DMG GmbH in Germany, Isolveco S.R.L. and Isolveco 2 S.R.L. in Italy, Irce S.L. in Spain, and Irce SP.ZO.O in Poland.
The companies Irce Electromagnetic Wire (Jiangsu) Co. Ltd based in Haian (China) and Irce s.r.o. based in Ostrawa (Czech Republic), currently not operational, have recently been established.

BASIS OF PREPARATION

The annual financial statements for the year 2022 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, as well as with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. The term IFRS also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The formats used for the consolidated financial statements of the IRCE Group have been prepared in accordance with the provisions of IAS 1. In particular:
- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items by nature;
- the statement of cash flows was drafted, in accordance with IAS 7, by classifying cash flows during the period into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

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 2022. 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 2022:

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	25,646	line by line
Irce S.L.	100%	Spain	EUR	150,000	line by line
Irce Ltda	100%	Brazil	BRL	157,894,223	line by line
ISODRA GmbH	100%	Germany	EUR	25,000	line by line
Stable Magnet Wire P.Ltd.	100%	India	INR	165,189,860	line by line
Irce SP.ZO.O	100%	Poland	PLN	200,000	line by line
Isolveco 2 Srl	100%	Italy	EUR	10,000	line by line
Irce Electromagnetic Wire (Jiangsu) Co. Ltd	100%	China	CNY	15,209,587	line by line
Irce s.r.o	100%	Czech Republic	CZK	3,300,000	line by line
Fine Wire P. Ltd	100%	India	INR	820,410	line by line

As of 31 December 2022, Fine Wire P. Ltd, a non-operating Indian company 100% owned by Stable Magnet Wire P. Ltd, was fully consolidated.

The main rates used for the translation are as follows:

Currency	Current period Average	Current period Spot	Previous period Average	Previous period Spot
GBP	0.8525	0.8872	0.8599	0.8401
CHF	1.0051	0.9854	1.0815	1.0329
BRL	5.4498	5.6362	6.3820	6.3107
INR	82.7205	88.3048	87.4656	84.1569
CNY	7.0805	7.3650	7.6332	7.1939
PLN	4.6849	4.6843	4.5643	4.5962
CZK	24.5603	24.1160	25.3960	24.8580

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

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

Going Concern

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

Foreign Currency Translation of Financial Statement Items

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

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

Tangible Assets

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

Value in use is measured by discounting the cash flows expected from the use of the asset and, if these are material and can reasonably be determined, from its disposal at the end of its useful life. Cash flows are

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

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

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

Intangible Assets

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

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

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

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

Leased Assets

Following the coming into force of the IFRS 16, since the 1st of January 2019, lease contracts are recognised on the basis of a single accounting model similar to that previously regulated by IAS 17 on accounting for finance leases.
When each contract is stipulated, the Group:
• determines whether the contract is or contains a lease, which is the case when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is repeated in the event of subsequent changes to the terms and conditions of the contract.
• separates the components of the contract, splitting the contract price up between each lease or non-lease component.
• determines the term of the lease as the period during which the lease cannot be cancelled, in addition to any periods covered by an extension or lease termination option.

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

Financial Assets

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

Inventories

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

The costs incurred are recognised as follows:

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

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

Cash and Cash Equivalents

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

Financial Liabilities and Trade Payables

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

Financial liabilities

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

Provisions for Risks and Charges

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

Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian and the pension funds of some foreign companies.
Italian Law no. 296 of 27 December 2006 ("2007 Budget Law") introduced significant changes to the allocation of quotas of the employee termination indemnities. Up until 31 December 2006, employee termination indemnities were part of post-employment benefit plans of the "defined benefit plans" type, and were measured, in accordance with IAS 19, by independent actuaries using the projected unit credit method. This calculation consists in estimating the amount of the benefit that an employee will receive on the estimated date of termination of the work relationship by using demographical and financial assumptions. The amount determined in this manner is discounted and recalculated on the basis of the accrued service as a proportion of the total length of service and represents a reasonable estimate of the benefits each employee has already earned for past service.

Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's social security institute).
In summary, following the occupational pension reform and with regard to the employee termination indemnities accrued before 2007, the Group actuarially measured them without including the component referring to future salary increases. The benefits subsequently accrued were instead recognised in accordance with the methods for defined contribution plans.

Derivative Financial Instruments

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

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

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

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

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 it is rather recognised directly as a change in shareholders' equity.

Recognition of Revenues

Recognition of Revenues

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

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

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

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

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

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

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

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

Dividends

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

Costs

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

Financial Income and Charges

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

Earnings per Share

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

Income Taxes

Current taxes

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

Deferred tax assets and liabilities

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

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

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

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

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

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

Use of Estimates

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

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

Offsetting of Financial Assets and Liabilities

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2022

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Group from 1st January 2022:

- On 14 May 2020, the IASB published the following amendments called:
  - Amendments to IFRS 3 Business Combinations: the amendments have the purpose to update the reference in IFRS 3 to the revised Conceptual Framework without affecting the provisions of the Standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments have the purpose to not allow the deduction from the cost of material assets of the amount received from the sale of goods produced in the testing phase of the activity itself. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating whether the contract is onerous. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the company cannot avoid because it has entered into the contract (such as, for example, the depreciation rate of the machinery used for the performance of the contract).
  - Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not affect the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2022

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which have the purpose to replace IFRS 4 – Insurance Contracts.

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

  The main features of the General Model are:

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

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

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

The standard applies from 1 January 2023, even though early application is allowed, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this standard.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". This amendment is a transition option related to comparative information on financial assets submitted at the initial date of application of IFRS 17. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for balance sheet readers.

  The amendments will apply from 1 January 2023, together with the application of IFRS 17. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The changes aim to improving disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policy.

  The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, are to be accounted for.

  The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

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

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

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment called denominato "*Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants*". The documents aim to clarify how to classify debts and other liabilities in the short or long term.

  The amendments enter into force on 1 January 2024; however, an early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 22 September 2022, the IASB published an amendment entitled "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to value the liability for the lease arising from a sale & leaseback transaction so as not to recognize a profit or loss related to the retained right of use.

  The changes will apply from 1 January 2024, but early application is allowed. The directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of this amendment.

- On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts which allows only the IFRS first time adopters to continue to recognise amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") in accordance with previous accounting standards adopted.

  Since the Group is not a first-time adopter, this principle does not apply.

1. RUSSIAN- UKRAINAN CONFLICT

In February 2022, the Russian-Ukrainian conflict suddenly accelerated following the invasion of Ukraine by Russia, one of the main suppliers of oil and natural gas, causing in the following months a further rise in the prices of raw materials and electricity and generalized price increases.

In this context, IRCE Group, although not present in these countries and not having significant customers and suppliers in them, had to face a slowdown in demand that in the winding conductor sector began in the first quarter, while in the cable sector, it occurred from the third quarter.

In order to limit the impact on margins, the Group managed the negative effects associated with the significant increase in the prices of electricity and many materials and aluminium implementing sales policies such as to contain the impact of cost increases while those associated with significant fluctuations in copper prices by carrying out forward hedging contracts on positions generated by operating activities, in line with its hedging policy.

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

In light of the above, thanks to the extraordinary contributions paid by the Italian Government to energy-intensive companies, the Group was able to contain the negative economic effects on the balance sheet related to the Russian-Ukrainian conflict.

Finally, with reference to potential liquidity risks, it should be noted that the Parent Company continues to present a solid financial position; the net financial position of the Group is equal to € 59.9 million at 31 December 2022 (€ 64.3 million at 31 December 2021) while available and unused credit lines amounted to approximately € 94.6 million at the same date.

2. CLIMATE CHANGE – FINANCIAL STATEMENTS IMPACTS

In line with ESMA's recommendations, the IRCE Group has recently updated its internal assessments on the impacts that climate change could have on its business and activities, concluding that in the medium-long term the opportunities are greater than risks.

The main topics analysed are summarised below.

- Regulatory risks: with reference to the current legislative framework, no risks present in the sectors to which the Group belongs or attributable to the target markets have been identified. On the other hand, it is believed that there are important opportunities in some sectors in which the Group operates, such as home automation, industrial automation, automotive, taking into account that the changes in consumer orientations should lead to significant increases in demand. The regulation recently approved by the European Parliament that requires individual EU states from 2035 to stop the sale of cars equipped with endothermic engines represents an important opportunity for the Group, as electric cars require higher quantities of conductors per winding than combustion engines. It should be noted, however, that if regulatory measures are implemented in the future to reduce CO2 emissions within certain limits and with strict deadlines, the Group would inevitably have to face higher operating costs.
  The Group has also undertaken a process of determining its "carbon foot print" in order to reducing CO2 emissions. In particular, during the year the Group continued to invest in new machinery and plants aimed at saving and improving energy efficiency, while in July 2022 the construction of a photovoltaic plant for self-consumption began at the Imola plant that should come into operation in the first semester of 2023.

- Risks related to technologies: the need to comply with new technical specifications required by customers represents an average low risk for the Group taking into account the experience accumulated over the years by the R&D department and the historical ability to respond to complex requests.

- Market risks: the analysis carried out did not highlight any critical issues associated with the possible technological obsolescence of production plants or machinery due to the phase out of ranges of articles as the high flexibility in production still allows their use for alternative productions. With reference to the risks connected with the foreseeable increase in demand for some "green" raw materials (in particular, copper cathode and electricity), it is believed that this dynamic could entail an increase in prices, potentially making it difficult to find these materials at sustainable prices. The impact on margins, however, should be considered relatively limited given the Group's expected ability to transfer increases in sales prices in a short time.

- Physical risks: in relation to acute physical risks related to extreme weather events, it is believed that the presence in each plant of a Recovery Plan, in which the procedures to be put in place to ensure the continuity of supplies to the customer within the contractual times are formalized, together with entering in insurance policies should contain the negative impacts of adverse climatic phenomena both in economic and business terms. No risk has been identified in relation to the foreseeable increase in average temperatures as the materials used in the production process are not impacted by variations of a few degrees in climate.

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

In conclusion, although climate change may lead to an acceleration of investments as well as an increase in operating costs, it is believed that the expected growth in volumes together with the ability to transfer increases in sales prices represents an important opportunity for the Group overall.

3. SALE OF BUSINESS UNIT LOCATED IN MIRADOLO

On June 30, 2022, IRCE S.p.A. 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 S.p.A. 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**

4. SEGMENT REPORTING

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

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

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

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

- Italy: IRCE S.p.A., Isolveco 2 Srl and Isolveco Srl in liquidation;
- EU: Smit Draad Nijemegen BV, DMG Gmbh, Irce S.L., Isodra Gmbh Irce sp.zo.o., Irce s.r.o.
- Non-EU: FD Sims Ltd, Irce Ltda, Isomet AG, Stable Magnet Wire P.Ltd., Irce Electromagnetic Wire (Jiangsu) Co. Ltd, Fine Wire P. Ltd

The following tables show the consolidated revenues by operating segment for the years 2022 and 2021.

(Thousands of Euro)	Italy	UE	Extra UE	Consolidation entries	IRCE Group
Current period					
Sales revenues	304,333	42,107	124,448	(16,193)	454,695
Ebitda	12,957	(400)	6,741	73	19,371
Ebit	8,853	(1,108)	3,731	73	11,548
Financial income / (charges)	-	-	-	-	(1,249)
Income taxes	-	-	-	-	(1,095)
Net result for the period	-	-	-	-	9,204
Intangible assets	22	-	27	-	49
Tangible assets	30,612	6,452	14,549	-	51,613
Previous period					
Sales revenues	311,900	39,020	123,152	(16,932)	**457,140**
Ebitda	15,847	(1,511)	8,886	(26)	**23,196**
Ebit	11,083	(2,620)	5,919	(26)	**14,356**
Financial income / (charges)	-	-	-	-	**199**
Income taxes	-	-	-	-	**(4,778)**
Net result for the period	-	-	-	-	**9,379**
Intangible assets	26	-	35	-	**60**
Tangible assets	23,190	5,380	15,617	-	**44,187**

5. DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2022. The Group entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not qualify as hedging instruments for the purposes of hedge accounting.

The tables below show a summary of copper commodity derivative contracts for forward sales and purchases outstanding as of 31 December 2022:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2022		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	825	300	185	(68)	117
Total	**825**	**300**	**185**	**(68)**	**117**

- Derivative instruments related to forward purchase and sale contracts with maturity after 31 December 2022. These transactions, lacking a specific hedging documentation, do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

The tables below show a summary of the currency derivative contracts for forward purchases and sales outstanding as of 31 December 2022:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2022		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
GBP	6,000	-	25	-	25
Total	**6,000**	**-**	**25**	**-**	**25**

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

6. 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 2022 and 2021.

(Thousand of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance previous period	**41**	**92**	**133**
Purchases	18	8	26
Depreciation	(28)	(72)	(100)
Exchange rate differences	1	-	1
Net value previous period	**32**	**28**	**60**
Changes - current period			
Purchases	30	-	30
Depreciation	(31)	(11)	(42)
Exchange rate differences	-	1	1
Net value current period	**31**	**18**	**49**

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.

7. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2022 and 2021.

(Thousand of Euro)	Lands	Buildings	Plant and machinery	Equipments	Other tangible assets	Assets under constructions and advances	Total
Opening previous period	**12,820**	**12,340**	**15,702**	**1,071**	**472**	**971**	**43,377**
Changes - previous period							
Purchases	1,228	35	1,152	408	150	4,725	7,698
Depreciation	(29)	(1,135)	(5,445)	(471)	(255)	-	(7,335)
Reclass	-	-	1	145	(75)	(71)	-
Write off	-	-	-	-	-	(162)	(162)
Disposals	-	-	(60)	(10)	(109)	-	(179)
Disposals - Depreciation fund	-	-	59	10	105	-	174
Exchange rate differences	286	243	70	3	1	12	615
Net value previous period	**14,305**	**11,483**	**11,479**	**1,156**	**289**	**5,475**	**44,187**
Changes - current period							
Purchases	122	69	603	307	162	12,501	13,764
Depreciation	(31)	(1,148)	(5,357)	(468)	(188)	-	(7,192)
Reclass	-	-	5,600	73	43	(5,716)	-
Disposals	-	(20)	(13,729)	(888)	(238)	-	(14,875)
Disposals - Depreciation fund	-	20	13,698	879	237	-	14,834
Exchange rate differences	191	136	540	3	7	18	895
Net value current period	**14,587**	**10,540**	**12,834**	**1,062**	**312**	**12,278**	**51,613**

The balance of tangible assets as of 31 December 2022, equal to € 51.6 million, includes Rights of use for € 1.6 million. In particular, the land item includes for € 1.3 million the investment made a few years ago by the Chinese subsidiary to acquire the fifty-year concession of the land on which the production plant will be built.

The item "Reclass" refers to investments being completed in previous years or in the current year, initially recorded in the category "Assets under constructions and advances" and finally allocated, once completed, to the specific categories to which they belong.

The Group's investments as of 31 December 2022 amounted to € 13.8 million and mainly concerned investments in the categories “Plant and machinery” and “Assets under constructions and advances” of the Parent Company.

The balance of the item " Assets under constructions and advances" refers mainly to investments in a photovoltaic plant for self-cosumption and for the renewal of the plant and machinery park and will come into operation for the most part in the next year.

The disposals mainly refer to the sale of the "Miradolo" business unit and residual to machinery and equipment no longer in use and almost totally depreciated.

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

Impairment Test

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

In absence of assets with an indefinite useful life, the Directors considered necessary to carry out the impairment test having identified the following indicators of any loss in value:

- on the FD Sims and Smit Draad Nijmegen GCU, as a first level test, taking into account the negative results in the period together with the failure to achieve budget targets as well as the context of worsening market rates;
- on the IRCE Group, as a second-level test, in the presence of a value of consolidated shareholders' equity higher than the market capitalization value of Irce stock, as recommended by Bank of Italy / Consob / Isvap document no. 4 of 3 March 2010, as well as a worsening of market rates.

On the basis of the 2023-2027 Business Plans of the aforementioned GCU and the IRCE Group, specific impairment tests approved by the Board of the Parent Company on 15 March 2023 were therefore carried out.

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

The recoverable amount (Enterprise value) is calculated in compliance with the criteria set out in IAS 36 and determined as value in use by discounting the cash flows expected from the use of the asset or CGU as well as the value expected from its disposal at the end of its useful life. This process involved estimations and assumptions to determine both the amount of future cash flows and the corresponding discount rates. In particular, in order to determine future cash flows, the data of the 2023 – 2027 Business Plans were taken into account; furthermore, the terminal value represented by a perpetual return was determined at the end of the explicit period (2027). Normalized cash flow from the last year of the plan was used to determine the perpetual operating flow, as Group Management believes it can represent a normalized long-term flow.

The aforementioned multi-year plans were reviewed by the management of the Parent Company and approved by the Directors of the subsidiaries in February 2023.

The growth rate "g" applied to determine the Terminal Value has been estimated as equal to the risk free of the country in which each subsidiary operates instead of, as happened last year, to the long-term inflation (2027).

The rates (WACC) used reflect market information, the current assessment of the time value of money for the period considered and the specific risks of the individual Group companies. In particular, the calculation applied, for the main subsidiaries of the group, a "Small Size Premium" equal to 1% and an execution risk between 1.0% and 3.5%, in order to reflect in the rate the risks associated with the degree of achievability of the plan results.

Below are the WACC and "g" parameters used and the results of the impairmet tests carried out:

	FD Sims	Smit Draad	IRCE Group
g	2.00%	2.00%	2.15%
WACC	11.24%	9.45%	9.47%
EV (€/000)	9,125	13,590	209,703
NIC (€/000)	8,162	13,062	204,688
Difference (€/000)	963	528	5.015

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

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

The table below shows the results of the sensitivity analysis that highlights what should be to make the value in use equal to its CIN, alternatively, the "discount rate (WACC)" and the change in "EBITDA" in percentage compared to the values included in the 2023-2027 Plan.

	FD Sims	**Smit Draad**	**IRCE Group**
WACC	12.26%	9.76%	9,62%
EBITDA	(13.69%)	(4.93%)	(1,70%)

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

The Directors also point out that, Considering the analyses carried out on the recovery value of the individual assets of the FD Sims and Smit Draad GCUs and of the IRCE Group, mainly composed of industrial plants, plants and machinery, copper inventories and trade receivables, they do not see any critical issues regarding the recoverability of the relative values recorded in the financial statements.

The Directors also believe that the market capitalisation value of Irce shares is not representative of the actual value of the Group, taking into account the low liquidity of the share.

8. EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL RECEIVABLES

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

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

The change in "Other investments" is attributable to the first consolidation of Fine Wire P. Ltd, a company currently not operating and wholly owned by the Indian subsidiary Stable Magnet Wire P.Ltd.

9. DEFERRED TAX ASSETS AND LIABILITIES

The table below shows the financial statements items "Deferred taxes" and "Deferred taxes".

(Thousand of Euro)	2022 31 December	2021 31 December
Deferred tax assets	2,357	2,002
Deferred tax liabilities	(338)	(87)
Total deferred tax	**2,019**	**1,915**

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

(Thousands of Euro)	Opening balance	Increases	Decreases	Net equity effect	Exchange rate differences	Closing balance
Deferred tax assets	2,002	760	(331)	(92)	18	2,357
Deferred tax liabilities	(87)	(125)	-	(117)	(9)	(338)
Total	**1,915**	**635**	**(331)**	**(209)**	**9**	**2,019**

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

It should be noted that deferred tax assets are offset against related deferred tax liabilities within the same tax jurisdiction.
The Deferred tax assets and Deferred tax liabilities as at 31 December 2022, broken down by Group companies, before offsetting within the same tax jurisdiction, are therefore shown below.

(Thousands of Euro)	Italy	Irce Brasil	Isomet	Isolveco 2	Consolidated entries	Total
Deferred tax assets	2,533	338	62	12	75	3,020
Deferred tax liabilities	(533)	(68)	(400)	-	-	(1,001)
Total	**2,000**	**270**	**(338)**	**12**	**75**	**2,019**

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

(Thousands of Euro)	2022 31 December	2021 31 December
Provisions for risks and charges	36	10
Provision for bad debts (taxed)	326	321
Inventories / Inventory obsolescence fund	1,554	1,535
Application of IFRS 15	589	615
Application of IAS 19	95	327
Tax losses carried forward	12	12
Other	408	250
Total Deferred tax labilities	**3,020**	**2,970**

(Thousands of Euro)	2022 31 December	2021 31 December
Depreciation	44	103
Exchange rate difference	3	119
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	72	80
Inventories	392	207
Others	77	134
Total Deferred tax	**1,001**	**1,056**

10. OTHER NON CURRENT ASSETS

(Thousand of Euro)	2022 31 December	2021 31 December
Other non current assets	2.813	-
Total Other non current assets	**2.813**	**-**

The balance refers to the Brazilian subsidiary and relates for € 1.0 million to the non-current portion of the extraordinary tax income and for € 1.8 to the significant growth in ICMS, PIS and Cofins tax receivables closely related to the increase in copper inventories.

The extraordinary tax income was entered following the ruling issued by the Brazilian Supreme Court of Justice (Receipta Federal do Brasil -RFB) on May 2021 with which it was irrevocably defined that the ICMS regional tax on sales invoices issued from March 2017 should be excluded from the basis of calculation of the PIS and Cofins federal taxes. Therefore, following the recent administrative proceeding and in line with the opinion of the lawyer in charge, the Directors considered it reasonably certain to recover the higher taxes paid to the Treasury on the invoices issued starting from October 2017 for the amount of € 2.9 million, of which € 2.6 million principal and € 0.3 million interest.

11. INVENTORIES

Inventories are broken down as follows:

(Thousand of Euro)	2022 31 December	2021 31 December
Raw materials, ancillary and consumables	50,565	38,126
Work in progress and semi-finished goods	16,642	17,897
Finished products and goods	56,697	54,700
Provision for write down of raw material	(3,388)	(3,340)
Provision for write down of work in progress and semi-finished products	(1)	-
Provision for write down of finished goods	(2,527)	(2,398)
Total inventories	**117,988**	**104,985**

Inventories are not pledged nor used as collateral.

The change in the period is mainly attributable to the higher volumes of copper in stock in the Brazilian subsidiary compared to 31 December 2021.

The average price of copper in 2022 on the London Metal Exchange was 8.34 Euro/Kg, up some 5.84% compared to the same figure of the previous year, equal to 7.88 Euro/Kg while the price at the end of the year was 7.86 €/kg, down some 6.88% than 8.45 Euro/Kg of 31-12-2021.

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

(Thousands of Euro)	Opening balance	Provisions	Utilization	Exchange rate differences	Closing balance
Provision for write down of raw material	(3,340)	42	(80)	(10)	(3,388)
Provision for write down of work in progress and semi-finished products	-	55	(56)	-	(1)
Provision for write down of finished goods	(2,398)	243	(347)	(25)	(2,527)
Total	**(5,738)**	**340**	**(483)**	**(35)**	**(5,916)**

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.

12. TRADE RECEIVABLES

The breakdown of trade receivables is shown below:

(Thousands of Euro)	2022 31 December	2021 31 December
Current trade receivables - third parties	63,552	93,690
Current bad debt provision - third parties	(1,966)	(1,766)
Total trade receivables	**61,586**	**91,924**

The change in trade receivables is essentially due to the reduction in turnover in the last quarter compared to the same period of the previous year attributable either to reduction of quantity sold and to the decrease in the price of copper.

Trade receivables sold during the year amounted to € 95.1 million (€ 63.9 million at 31 December 2021) of which € 36.1 million related to invoices sold but not yet due at 31 December 2022 (at 31 December 2021 € 36.7 million).

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

(Thousands of Euro)	Opening balance	Provisions	Utilization	Exchange rate differences	Closing balance
Current bad debt provision	(1,766)	(346)	138	8	(1,966)

13. CURRENT TAX RECEIVABLES

(Thousand of Euro)	2022 31 December	2021 31 December
Tax receivables	501	18
Tax receivables - Aequafin	2,175	-
Total tax receivables	**2,676**	**18**

The item "Tax receivables" refers mainly to IRAP advances paid by the Parent Company.

The item "Tax receivables - Aequafin" exposes the tax credit for IRES following the advances paid to the parent company with which a tax consolidation contract is in place. The credit balance compared to the previous year is due to the higher advances paid to the parent company Aequafin for the fiscal year 2022 compared to the final taxable income. Details on current taxes can be found in paragraph 35.

14. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousand of Euro)	2022 31 December	2021 31 December
Accrued income and prepaid expenses	126	87
Social securities receivables	58	-
Other current assets	1,154	650
VAT receivables	4,321	943
Total receivables due from others	**5,659**	**1,680**

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

The increase in "Other receivables" is mainly due to the Parent Company, in particular to the part of the tax credit attributed in accordance with the Sostegni-ter decree to energy-intensive companies in proportion to the electricity purchased and not yet used at the end of the year.

Please note that VAT receivables are 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.

The change of “VAT receivables” compared to the previous year is mainly attributable to the Parent Company for € 1.1 million and to the Brazilian subsidiary for € 2.1 million.
In particular, the increase in the latter is due for € 1.8 million both to the recognition of the current part of the extraordinary tax income (see par. 10) and to the significant growth in ICMS, PIS and Cofins tax receivables due to the increase in copper inventories.

15. CURRENT FINANCIAL ASSETS

(Thousand of Euro)	2022 31 December	2021 31 December
Mark to market derivatives on metal	117	420
Guarantees deposits	15	7
Mark to market derivatives on currency	25	3
Mark to market derivatives on MWh	-	107
Other current financial assets	333	136
Total other current financial assets	**490**	**673**

The items "Mark to market derivatives on metal", "Mark to market derivatives on currency" and "Mark to market on MWh" refer to the fair value of forward contracts on copper, foreign exchange and electricity open at the end of the year of the Parent company IRCE S.p.A..

The item "Other current financial assets" mainly includes the energy efficiency certificates TEE

16. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

(Thousands of Euro)	2022 31 December	2021 31 December
Bank deposits	5,599	10,669
Cash and cash equivalents	9	9
Total cash and cash equivalent	**5,608**	**10,678**

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

17. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to € 144.9 million as of 31 December 2022 (€ 132.0 million as of 31 December 2021) and is detailed in the following table.

(Thousands of Euro)	2022 31 December	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	(424)	(1,183)
Extraordinary reserve	49,300	45,075
Other reserve	23,595	23,595
Profit (losses) of previous years	13,372	9,542
Translation Reserve	(29,483)	(33,667)
Profit (loss) for the period	9,224	9,376
Total group's shareholders' equity	**145,110**	**132,267**
Shareholders' equity attributable to Minority interests	(325)	(305)
Total shareholders' equity	**144,785**	**131,962**

<u>Share capital</u>

The following table shows the breakdown of the share capital.

(Thousands of Euro)	2022 31 December	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 composed of 28,128,000 ordinary shares worth € 14,626,560. The shares are fully subscribed and paid up and bear no rights, privileges or restrictions as far as dividend distribution and capital distribution, if any, are concerned.

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

Treasury shares as of 31 December 2022 amounted to 1,586,388, corresponding to 5.64% of the share capital. The shares outstanding are therefore 26,541,612.

Below is highlighted, in thousand, the movements of the shares outstanding at the beginning and at the end of the last two financial years:

Thousands of shares	
Balance as of 31/12/2020	**26,580**
Share buyback	(37)
Balance as of 31/12/2021	**26,543**
Share buyback	(1)
Balance as of 31/12/2022	**26,542**

Share premium reserve

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

Revaluation reserve

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

Legal reserve

The item shows the profits set aside in past years by IRCE, in accordance with the provisions of Article 2430 of the Civil Code, no longer allocated having reached one fifth of the share capital.

IAS 19 reserve

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

Balance as of 31/12/2020	**(1,212)**
Actuarial valuation	30
Tax effect on actuarial valuation	(1)
Balance as of 31/12/2021	**(1,183)**
Actuarial valuation	969
Tax effect on actuarial valuation	(209)
Balance as of 31/12/2022	**(424)**

Extraordinary reserve

The extraordinary reserve is mainly composed of the retained earnings of the Parent Company net of dividends distributed, equal to € 1,327 thousand in 2022.

Other reserves

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

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

Retained earnings/losses

This item essentially includes the results of the subsidiaries carried forward.
At 31 December 2022, this reserve also increased by € 6 thousand following the first consolidation of the Indian subsidiary Fine Wire P. Ltd.

Foreign currency translation reserve

The reserve represents the accounting differences in value with respect to the historical exchange rate resulting from the conversion of the financial statements of the foreign subsidiaries, with a local currency other than the Euro, at the official exchange rate of 31 December 2022.
The positive change in the translation reserve, equal to € 4,184 thousand, is mainly linked to the revaluation of the Brazilian Real against the Euro.

18. NON-CURRENT FINANCIAL LIABILITIES

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

(Thousands of Euro)	2022 31 December	2021 31 December
Non-current Financial liabilities due to banks	19,601	17,680
Non-current Financial liabilities - IFRS 16	174	166
Other non current financial liabilities	2	-
Total non current financial liabilities	**19,777**	**17,846**

The movement of non-current financial liabilities in 2022 is as follows:

(Thousands of Euro)	Opening balance	Reclass.	Loan received	Loan reimbursed	Exchange rate differences	Closing balance
Non current Financial liabilities due to banks	17,680	(5,176)	12,000	(5,000)	97	19,601
Non current Financial liabilities - IFRS 16	166	(47)	106	(48)	(3)	174
Other non current financial liabiltiies	-	-	2	-	-	2
Total	**17,846**	**(5,223)**	**12,108**	**(5,048)**	**94**	**19,777**

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

€/000	Currency	Rate	Company	31/12/2022	31/12/2021	Due date
Banca di Imola	EUR	Floating	IRCE SpA	3,473	4,821	2026
Unicredit	EUR	Floating	IRCE SpA	-	5,000	2025
Mediocredito	EUR	Floating	IRCE SpA	1,385	2,307	2025
Banco Popolare	EUR	Floating	IRCE SpA	-	625	2023
Banco Popolare	EUR	Fixed	IRCE SpA	1,886	2,630	2026
Deutsche Bank	EUR	Fixed	IRCE SpA	6,125	-	2027
BPER	EUR	Floating	IRCE SpA	5,000	-	2032
Credit Suisse	EUR	Zero	Isomet AG	296	404	2025
Banco Popolare	EUR	Fixed	Isomet AG	1,436	1,893	2026
Total				**19,601**	**17,680**	

Covenants

- The medium/long-term loan granted by Mediocredito Italiano S.p.A., which at 31.12.2022 amounts to residual € 2,307 thousand (of which € 923 thousand classified in short-term loans), provides for thirteen six-monthly constant capital repayments equal to € 461.5 thousand each, expiring on 30 January 2025. The contract envisages compliance with 2 financial covenants, to be tested on an annual basis.
- The medium-long term loan granted by Deutsche Bank, which at 31.12.2022 amounts to residual € 7,000 thousand (of which € 876 thousand classified in short term loans), provides for sixteen six-monthly constant capital repayments equal to € 438 thousand each, expiring on 24 June 2027. The contract envisages compliance with 2 financial covenants, to be tested on an annual basis.

For the year ended as of 31 December 2022, the above covenants were respected.

19. PROVISIONS FOR RISKS AND CHARGES

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

(Thousands of Euro)	2022 31 December	2021 31 December
Provision for severance payments to agents	130	145
Other provision for risks and charges	150	22
Total provisions for risk and charges non current	**280**	**167**

(Thousands of Euro)	2022 31 December	2021 31 December
Provision for severance payments to agents current	-	4
Other provision for risks and charges current	257	295
Total provisions for risk and charges current	**257**	**299**

The table below shows the changes in the provision for risk and charges, current and non-current, as of 31 December 2022

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing balance
Provision for severance payments to agents	145	15	(30)	130
Other provision for risks and charges	22	150	(22)	150
Total provision for risk and charges non current	**167**	**165**	**(52)**	**280**

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing balance
Provision for severance payments to agents	4	-	(4)	-
Other provision for risks and charges	295	-	(38)	257
Total provision for risk and charges current	**299**	**-**	**(42)**	**257**

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

The item "Provisions for risks and charges" mainly refers to the Parent Company and Smit Draad Nijmegen BV. The increase in the period is mainly due to the provision made by the Parent Company following a possible dispute with a supplier still at a preliminary stage.

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 technical 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 2022.

The subsidiary Smit Draad has a dispute with a customer for alleged non-compliance of its products. Although the other party has already made an estimate of damages for some time, no technical documentation has ever been submitted to corroborate the claim. The Directors, having also assessed with the support of their lawyers that at present the risk of loss is only remote / possible and considering that the claim should be covered by insurance, considered appropriate not to allocate any fund in the financial statements at 31 December 2022.

20. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

(Thousands of Euro)	Opening balance	Provisions	Net equity effect	Utilization	Exchange rate differences	Closing balance
Provision for employee defined benefit	4,842	(2)	(969)	(451)	29	3,449
Total	**4,842**	**(2)**	**(969)**	**(451)**	**29**	**3,449**

The Fund, which is part of the defined benefit plans, refers for € 2,979 thousand to the Parent Company, for € 312 thousand to Isomet, for € 49 thousand to Magnet Wire, for € 65 thousand to Isolveco in liquidation, for € 43 thousand to Isolveco 2 as well as for € 2 thousand to DMG.

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

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

A) Parent Company IRCE S.p.A.

Demographic assumptions:

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

Technical-economic assumptions:

	31/12/2022	31/12/2021
Annual discount rate	3.63%	0.44%
Annual inflation rate	2.30%	1.75%
Annual rate of increase of employee termination indemnities	3,225%	2.81%

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

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

Sensitivity analysis of the main measurement parameters of IRCE S.p.A. (in thousands of Euro):

Parameter	Change	31/12/2022	31/12/2021
Turnover rate	+1,00%	2,989	3,721
Turnover rate	- 1,00%	2,968	3,782
Inflation rate	+0,25%	3,008	3,794
Inflation rate	- 0,25%	2,950	3,706
Discount rate	+0,25%	2,934	3,680
Discount rate	- 0,25%	3,025	3,822

B) ISOMET

Demographic and technical-economic assumptions:

Parameter	31/12/2022	31/12/2021
Discount rate	2.30%	0.35%
Interest rate on capital	2.30%	0.50%
Salary increase rate	1.00%	1.00%
Inflation rate	1.00%	1.00%
Mortality tables	BVG2020 GT	BVG2015 GT

Sensitivity analysis of ISOMET AG’s main measurement parameters:

Parameter	Change	31/12/2022	31/12/2021
Discount rate	-0,25%	4.123	4.747
Discount rate	+0,25%	3.882	4.396
Interest rate on capital	-0,25%	3.997	4.523
Interest rate on capital	+025%	4.012	4.609
Salary increase rate	-0,25%	3.988	4.549
Salary increase rate	+0,25%	4.001	4.581
Life expectancy	+ 1 anno	4,068	4,675
Life expectancy	- 1 anno	3,928	4,456

21. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

(Thousand of Euro)	2022 31 December	2021 31 December
Payables due to banks	40,831	53,446
Current Financial liabilities - IFRS 16	121	101
Mark to market losses derivatives exchange rate	-	21
Long term loans current portion	5,272	4,222
Total current financial liabilities	**46,224**	**57,790**

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

The item “Mark to market losses derivatives exchange rate” refers to the Mark-to-Market value on currency outstanding at year end by the Parent Company.

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

(Thousands of Euro)	2022 31 December	2021 31 December
Cash and cash equivalents	5,608	10,678
Current financial assets	490	673
Liquid assets	**6,098**	**11,351**
Other current financial liabilities	(40,952)	(53,568)
Long term loans- current portion	(5,272)	(4,222)
Net current financial position	**(40,126)**	**(46,439)**
Non-current financial liabilities third parties	(19,777)	(17,846)
NET FINANCIAL POSITION	**(59,903)**	**(64,285)**

The improvement in the net financial position is attributable to the “Cash flow from operating activities” net of investments for the period.

Net financial position includes a total of € 295 thousand of financial payables relating to leases accounted for in accordance with IFRS16.

22. TRADE PAYABLES

(Thousand of Euro)	2022 31 December	2021 31 December
Trade payables	27,240	30,402
Total trade payables	**27,240**	**30,402**

The change in the period is mainly attributable to the dynamics of copper supply. Last year, in fact, there were quantities of metal purchased and not yet paid for to a greater extent than on December 31, 2022.

23. TAX PAYABLES

(Thousands of Euro)	2022 31 December	2021 31 December
Tax payables due to Aequafin	-	2,163
Tax payables current	555	823
Total tax payables	**555**	**2,986**

The item "Tax payables due to Aequafin" shows the liability of IRCE S.p.A. for IRES due to its parent company with which a national tax consolidation contract is in place. As at 31 December 2022, the Parent Company is a tax credit as described in paragraph 13.

"Short-term tax payables" include the debt of the Parent Company for IRAP as well as the debt of the other Group companies for income taxes, net of the related advances.

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

24. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to € 2.0 as of 31/12/2022, mainly refers to IRCE S.p.A.' payables for social security contributions due to INPS.

25. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Payables due to employees	3,120	3,513
Accrued liabilities and deferred income	757	332
Other payables	992	1,038
VAT payables	548	2,682
Payables for employee IRPEF withholdings	522	480
Total other current liabilities	**5,939**	**8,045**

The item "Payables due to employees" includes the liabilities for the thirteenth month's salary, for holiday accrued and not taken and for production premiums. The change is essentially attributable to the Parent Company and in particular to the sale of the Miradolo business unit.

The change in "Accruals and deferred income" is mainly attributable to the Parent Company and FD Sims.

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

The significant reduction in the item "VAT payables" is essentially due to the Parent Company.

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

26. SALES REVENUES

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

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Sales revenues	454,695	457,140	(2,445)

The consolidated turnover of 2022 recorded a reduction of 0.5% compared to last year. The change is due to a reduction in volumes sold partially offset by the increase in sales prices of both metal and processing.
For further details, please refer to the section "*Consolidated performance for 2022*" in the Report on Operations.

Revenues broken down by product are shown below:

(in thousands of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	366,745	87,950	454,695	366,844	90,296	457,140
% of total	*81%*	*19%*	*100%*	*80%*	*20%*	*100%*

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

(in thousands of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	179,823	139,654	135,218	454,695	184,756	139,452	132,932	457,140
% of total	*40%*	*30%*	*30%*	*100%*	*40%*	*31%*	*29%*	*100%*

27. OTHER REVENUES AND INCOME

Other income was broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Increase in internally generated fixed assets	452	55	397
Capital gains on assets disposals	708	57	651
Insurance reimbursements	317	16	301
Contingent assets	153	129	24
Other revenues	3,234	318	2,916
Total other revenues and income	**4,864**	**575**	**4,289**

The change in the item "Increase in internally generated fixed assets" mainly refers to work carried out internally on plant and machinery, most of which are still registered in the category "Assets under constructions and advances".

The "Capital gain on assets disposals" concerns the sale of the "Miradolo" business unit for € 665 thousand.

The increase in the item "Insurance reimbursements" refers to two thefts of copper during transport by truck for which there was insurance coverage to cover the event that occurred.

The item "Other revenues" mainly includes the tax income recorded by the Brazilian subsidiary for € 2.9 million. See paragraph 10 for more details.

28. COSTS FOR RAW MATERIALS AND CONSUMABLES

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Raw materials and consumables	(366,216)	(386,276)	20,060
Change in inventory of raw materials and consumables	12,717	10,134	2,583
Purchasing finished goods	(8,249)	(8,072)	(177)
Total raw materials and consumables	**(361,748)**	**(384,214)**	**22,466**

The item "Raw materials and consumables" mainly includes costs incurred for the purchase of copper, insulation materials and packaging and maintenance materials.

The change in the period is attributable to a reduction in volumes purchased, only partially offset by the increase in raw material prices.

29. 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:

(Thousand of Euro)	2022 31 December	2021 31 December	Change
External processing	(6,041)	(5,382)	(659)
Utility expenses	(25,706)	(17,849)	(7,857)
Maintenance	(2,394)	(2,152)	(242)
Transport of sales and purchase	(6,084)	(5,277)	(807)
Payable fees	(185)	(150)	(35)
Statutory auditors compensation	(70)	(69)	(1)
Other services	(5,865)	(5,354)	(511)
Operating leasing	(270)	(216)	(54)
Total cost for services	**(46,615)**	**(36,449)**	**(10,166)**

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 paid to energy-intensive companies in the form of a tax credit, in accordance with the Sostegni-ter decree, accounted for by nature to reduce the related cost

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

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

30. PERSONNEL COSTS

The table below shows the breakdown of personnel costs:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Salary and wages	(20,733)	(20,628)	(105)
Social security charges	(4,828)	(5,095)	267
Pension costs	(1,705)	(1,492)	(213)
Other personnel costs	(2,743)	(3,251)	508
Total personnel costs	**(30,009)**	**(30,466)**	**457**

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

The reduction in personnel costs is attributable to the Parent Company, in particular to the sale of the Miradolo business unit, partly offset by the increase in the Brazilian subsidiary mainly attributable to the exchange rate effect.

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

(Number of employees)	Closing December 2021	Closing December 2022	Average December 2022
Executives	29	24	25
White collars	142	139	144
Blue collars	546	485	510
Total	**717**	**648**	**679**

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.

The reduction in the workforce is mainly due to the sale of Miradolo Terme (PV) plant, which employed about 40 people and temporary workers. A further reduction is due to the decline in the last quarter in production activity, which required less recourse to temporary workers in the Italian plants.

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

Here is the breakdown of depreciation/amortisation:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Amortization of intangible assets	(42)	(100)	58
Depreciation of tangible assets	(7,031)	(7,171)	140
Depreciation of tangible assets - IFRS 16	(161)	(164)	3
Write off tangible assets	-	(162)	162
Total amortization/depreciation and write-down	**(7,234)**	**(7,597)**	**363**

32. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Bad debt provision	(346)	(896)	550
Receivables losses	(93)	(247)	154
Provision for risks	(150)	(100)	(50)
Total provisions and write-downs	**(589)**	**(1,243)**	**654**

The change in the period of the item "Bad debt provision" is attributable to the "extraordinary" provision made in 2021 following the redetermination of "expected losses" due to the non-renewal of the insurance policy on trade receivables. The provision for the year reflects the analysis carried out to align receivables with their estimated realisable value.

33. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Non-income taxes and duties	(1,273)	(1,053)	(220)
Capital losses and contingent liabilities	(54)	(47)	(7)
Other operating costs	(403)	(186)	(217)
Total other operating costs	**(1,730)**	**(1,286)**	**(444)**

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

The changes in “Other operating costs” are mainly due to contractual penalties charged to the Parent Company by a customer.

34. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Financial income	3,759	2,672	1,087
Financial charges	(4,035)	(3,260)	(775)
Foreign exchanges	(974)	389	(1,363)
Total financial income and charges	**(1,250)**	**(199)**	**(1,051)**

"Financial income" includes for € 2.9 million the interest income on payment extensions granted to customers mainly by the Brazilian subsidiary (€ 2.3 million at 31 December 2021), for € 0.5 million (at 31 December 2021 € 0.6 million negative) the positive net effect of forward transactions on copper both already settled during the year and from evaluation at the end of the period (see paragraph 5 for further details) and for € 0.3 million interest recorded by the Brazilian subsidiary on financial income (see paragraph 10 for more details).

The item "Financial charges" includes mainly interest expense on short-term and long-term debt for € 0.6 million (€ 0.3 million at 31 December 2021) and charges relating to the non-recourse discount of trade receivables by the Brazilian subsidiary for € 3.3 million (€ 2.4 million at 31 December 2021).
The change in interest expense is mainly attributable to higher market interest rates.

The negative balance of foreign exchange gains and losses essentially includes the net effect of realised and unrealised exchange differences.

35. INCOME TAXES

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Current taxes	(1,418)	(5,493)	4,075
Previous years' taxes	19	2	17
Deferred tax assets / liabilities	305	713	(408)
Total income tax	**(1,094)**	**(4,778)**	**3,684**

Current taxes mainly refer to the Brazilian subsidiary.
The significant reduction in current taxes compared to the previous year is essentially attributable to the Parent Company, in particular to the non-taxability of contributions received on electricity in the form of a tax credit.

36. EARNINGS PER SHARE

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

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

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

	2022 31 December	2021 31 December
Net profit/(loss) for the period (Thousand of Euro)	9,224	9,376
Average weighted number of ordinary shares outstanding	26,541,612	26,542,912
Basic earnings/(loss) per share	0.348	0.353
Diluted earnings/(loss) per share	0.348	0.353

37. 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	250	287	537

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.

38. COMMITMENTS AND GUARANTEES

The Group has no significant commitments at the balance sheet date.
In relation to the guarantees provided, the parent company IRCE S.p.A. issued six sureties for a total of € 1,523 thousand in favour of a publicly owned company to guarantee the supply of electrical cables.

39. 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 contractions in demand or of worsening of the competitive scenario may impact the results. To address these risks, the Group's medium-long term strategy provides for a geographic diversification in non-EU countries.

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 mainly 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 31 December 31 2022, the exchange rate of the Brazilian currency against the Euro compared to the previous year appreciated by around 12%, leading to an important positive effect on the translation reserve.

The following is a sensitivity analysis, which shows the hypothetical accounting effects on the Group's balance sheet, simulating a change in the Eur/BRL exchange rate of + 5% (Real depreciation) - 5% (appreciation of the Real), compared to the exchange rate at 31 December 2022 (5.6362 Eur/BRL):

	31.12.2022	Change in EUR/BRL exchange rate	
		+5%	-5%
Consolidated statement of financial position data	€/million	Change	Change
Non-current assets	56.84	(0.33)	0.36
Current assets	194.01	(1.79)	1.97
TOTAL ASSETS	**250.85**	**(2.11)**	**2.33**
Total Shareholders' Equity	144.79	(1.80)	1.98
Non-current liabilities	23.84	0.00	0.00
Current liabilities	82.22	(0.31)	0.35
TOTAL LIABILITIES	**250.85**	**(2.11)**	**2.33**

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 € 1.80 million, while an appreciation in the Brazilian currency would result in a € 1.98 million positive impact.

- *Interest rate risk*

  In the past, the Group obtained medium-long term bank mainly at floating interest rates (linked to Euribor), thus exposing itself to the risk deriving from the rise in rates. In fact, the Group chose not to hedge given a relatively short average duration of loans (less than 3 years) and low interest rates.
  For the future, the Group will evaluate whether to put in place hedges when obtaining new loans based on the economic conditions of the market and the expectations of interest rate trends.
  Short-term credit lines are always at floating rate.

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

	31/12/2022	Change in interest rates	
		+25 bps	-25 bps
Consolidated income statement data	€/million	Change	Change
Revenues	454.70	-	-
EBITDA	19.37	-	-
EBIT	11.55	-	-
Result	9.20	(0.13)	0.13

- *Risks related to fluctuations in cooper price*

  The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial needs. 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.
  However, if copper prices fall, there is still a risk to write-down the final inventories at the expected realisable value, if lower than the weighted average cost for the period, with a negative impact on the result.
  The average price of copper in 2022 on the London Metal Exchange was 8.34 Euro/Kg, up some 5.84% compared to the same figure of the previous year, equal to 7.88 Euro/Kg while the price at the end of the year was 7.86 €/kg, down some 6.88% than 8.45 Euro/Kg of 31-12-2021.
  It should also be noted that the average price of copper at the beginning of 2023 was higher than the price at the end of 2022.

  Below is a sensitivity analysis showing the effects on the Group's turnover and operating result by simulating a change in the price of copper +/- 5% compared to the average value of the LME 2022 quotations and without considering the economic impacts associated with the change in inventories or the impact of buying or selling forward copper on copper.

	31/12/2022	Change in the price of copper	
		+5%	-5%
Consolidated income statement data	€/million	Change	Change
Turnover	454.70	20.16	(20.16)
EBITDA	19.37	0.40	(0.40)
EBIT	11.55	0.40	(0.40)

<u>*Financial risks*</u>
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 awarding 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 credit quality to deteriorate, including those related to the Russian-Ukrainian conflict.

- *Liquidity risk*

The financial situation and the available credit lines together with the high standing of the Group which allows the acquire new loans at competitive prices in a short time are such as to exclude difficulties in fulfilling the obligations associated with the liabilities.
The table below shows the amounts of credit lines and uses as of 31 December 2022. The Group can rely on € 94,6 million in available credit lines.

Consolidated financial data €/thousand	Cash	Self-liquidating credit lines	Short-term credit lines	Total
Credit lines	5,608	77,055	53,000	135,663
Uses	-	(29,156)	(11,873)	(41,029)
Available credit lines	**5,608**	**47,899**	**41,127**	**94,634**

The table below shows the breakdown and due date of debt items as of 31 December 2022.

Consolidated financial data €/million	Within 1 year	From 1 to 5 years	Over 5 years	Total
Non-current liabilities				
Non-current financial liabilities	-	16,999	2,778	19,777
Deferred tax liabilities	-	338	-	338
Provision for risks and charges	-	280	-	280
Provision for employee benefits	493	2,464	493	3,449
Total non-current liabilities	**493**	**20,081**	**3,270**	**23,844**
Current liabilities				
Current financial liabilities	46,224	-	-	46,224
Trade payables	27,240	-	-	27,240
Tax payables	555	-	-	555
Social security contributions	2,000	-	-	2,000
Other current liabilities	5,940	-	-	5,940
Provisions for current risks and charges	257	-	-	257
Total non-current liabilities	**82,216**			**82,216**
Commitments	-	-	-	-
Total debt by expiry date	**82,709**	**20,081**	**3,270**	**106,060**

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

As of 31 December 2022 IRCE Group reported € 5.6 million in cash, € 0.5 million in current financial assets, € 61.6 million in trade receivables, € 118.0 million in inventories, and € 94.6 million in available credit lines, compared to current payables and commitments totalling € 106.1 million.

40. MANAGEMENT OF TRADE RECEIVABLES

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

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

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Risk level			
Minimum	47,159	59,780	(12,621)
Medium	13,217	24,411	(11,194)
Above average	2,143	8,416	(6,273)
High	1,033	1,083	(50)
Total trade receivables	**63,552**	**93,690**	**(30,138)**

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Due dates			
Not yet due	41,000	53,390	(12,390)
< 30 days	19,189	37,630	(18,441)
30 - 60 days	989	1,162	(173)
60 - 120 days	1,023	688	335
> 120 days	1,351	820	531
Total trade receivables	**63,552**	**93,690**	**(30,138)**

It should be noted that the provision for bad debts of € 2.0 million refers for € 1.1 million to the maturity bands "61-120 days" and "> 120 days" and, at the risk level, to the categories "Above average" and "High" while for the remaining € 0.9 million to the maturity bands lower than 60 days and at the risk level to the "Minimum" and "Medium" categories.

In accordance with the provisions of IFRS 8, Paragraph 34, it should be noted that for the years ended 31 December 2022 there is only one third-party customer who generates revenues for the IRCE Group exceeding 10% of total revenues.

41. 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.

(Thousands of Euro)	2022 31 December	2021 31 December
Net financial position (A)	(59,903)	(64,285)
Shareholders' equity (B)	(144,785)	(131,962)
Total capital (A) + (B) = (C)	(204,688)	(196,247)
Gearing ratio (A) / (C)	**29.3%**	**32.8%**

42. FINANCIAL INSTRUMENTS

a) Financial instruments by category

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

(Thousands of Euro)	Current period			
	Amortised cost	FV with opposite entry in income statement	FV with opposite entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	5	-	-	5
Current financial assets				
Trade receivables	61,586	-	-	61,586
Current financial assets	89	401	-	490
Cash and cash equivalent	5,608	-	-	5,608
Non-current financial liabilities				
Financial payables	19,777	-	-	19,777
Current financial liabilities				
Trade payables	27,240	-	-	27,240
Financial payables	46,224	-	-	46,224

(Thousands of Euro)	Previous period			
	Amortised cost	FV with opposite entry in income statement	FV with opposite entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	5	-	-	5
Current financial assets				
Trade receivables	91,924	-	-	91,924
Current financial assets	8	666	-	673
Cash and cash equivalent	10,678	-	-	10,678
Non-current financial liabilities				
Financial payables	17,846	-	-	17,846
Current financial liabilities				
Trade payables	30,402	-	-	30,402
Financial payables	57,769	21	-	57,790

b) Fair value of financial instruments

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

(Thousands of Euro)	2022 31 December	2021 31 December	2022 31 December	2021 31 December
	Carrying amount		Fair value	
Financial assets				
Cash and cash equivalent	5,608	10,678	5,608	10,678
Current financial assets	490	673	490	673
Trade receivables	61,586	91,924	61,586	91,924
Non-current financial assets and non-current receivables	5	116	5	116
Financial liabilities				
Current financial liabilities	46,224	57,790	46,224	57,790
Trade payables	27,240	30,402	27,240	30,402
Non-current financial liabilities	19,777	17,846	19,777	17,846

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.

2022	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	142	-	142
Total assets	**-**	**142**	**-**	**142**
Liabilities:				
Derivative Financial Instruments	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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

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

43. 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 2022 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 SpA	112
Other certifications (NFS)	Deloitte & Touche S.p.A.	IRCE SpA	4
Auditing services	Deloitte & Touche	Foreign subsidiaries	57

44. INFORMATION PURSUANT TO LAW NO. 124/2017

In line with the provisions of Legislative Decree 135/2018 and in place of the disclosure obligation pursuant to Law 124/2017, it is declared that IRCE S.p.A. has received State aid in the current financial year subject to publication obligation within the "Registro nazionale degli aiuti di Stato".

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

In accordance with Consob Communication dated 28 July 2006, the table below shows the reconciliation between the result for the financial year and shareholders' equity of the Group as of 31 December 2022 and 2021 with the corresponding amounts in the Parent Company separate financial statements:

	31 December 2022		31 December 2021	
(Thousands of Euro)	**Shareholders' equity**	**Result**	**Shareholders' equity**	**Result**
Shareholders' equity and result for the period as per the Parent Company's separate financial statements	**161,831**	**5,789**	**157,084**	**5,551**
a) difference between carrying amount and pro-rata value of shareholders' equity	5,961	-	2,231	-
b) investees' pro-rata results	93	93	1,002	1,002
c) Reversal of impairment of equity investments in subsidiaries	5,529	5,529	4,402	4,402
d) Derecognition of dividends distributed by subsidiaries	-	(2,150)	-	(1,500)
e) Reversal of provision for bad debts due from subsidiaries	1,405	-	1,405	-
f) Foreign currency translation of financial statements	(29,483)	-	(33,667)	-
g) Reversal of capital gains from disposal of intra-group assets	-	-	-	-
h) Write-off of unrealized intra-group margin	(226)	(36)	(190)	(80)
Group shareholders' equity and result for the period	**145,110**	**9,225**	**132,267**	**9,375**
Shareholders' equity and result for the period attributable to non-controlling interests	(325)	(20)	(305)	3
Consolidated shareholders' equity and net result (Group and third parties)	**144,785**	**9,205**	**131,962**	**9,378**

46. 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 2022.

Attachment 1

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

SURNAME AND NAME	INVESTEE COMPANY	No. OF SHARES OWNED AS OF 31/12/2021	No. OF SHARES ACQUIRED	No. OF SHARES SOLD	No. OF SHARES OWNED AS OF 31/12/2022
Casadio Filippo	IRCE S.p.A.	560,571			560,571
Gandolfi Colleoni Francesco	IRCE S.p.A.	559,371 (*) 30,000			559,371 (*) 30,000
Sepriano Gianfranco	IRCE S.p.A.	3,500			3,500
Pischedda Francesca	IRCE S.p.A.	0			0
Dallago Orfeo	IRCE S.p.A.	587,267			587,267
Gigliola Di Chiara	IRCE S.p.A.	0			0
Fabio Senese	IRCE S.p.A.	0			0
Donatella Vitanza	IRCE S.p.A.	0			0
Adalberto Costantini	IRCE S.p.A.	0			0

(*) Shares owned by his wife, Carla Casadio

Attachment 2

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

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

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

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

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

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

Imola, 15 March 2023

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 2022

STATEMENT OF FINANCIAL POSITION

(Unit of Euro)	Notes	2022 31 December	2021 31 December
ASSETS			
Non current assets			
Goodwill and Other intangible assets	6	21,749	25,135
Property, plant and machinery	7	19,201,657	16,662,501
Equipments and other tangible assets	7	1,075,722	1,149,518
Assets under constructions and advances	7	10,225,232	5,263,429
Investments	8	64,068,433	69,133,433
Non current financial assets	9	23,204,196	22,083,958
(of which related parties)		*23,204,196*	*22,083,958*
Deferred tax assets	10	2,001,431	1,752,343
NON CURRENT ASSETS		**119,798,420**	**116,070,317**
Current assets			
Inventories	11	78,720,000	76,657,379
Trade receivables	12	49,960,828	77,328,737
(of which related parties)		*9,553,809*	*8,854,129*
Tax receivables	13	2,658,048	-
(of which related parties)		*2,175,190*	-
Other current assets	14	2,003,988	220,481
Current financial assets	15	416,187	673,118
Cash and cash equivalent	16	1,431,639	460,975
CURRENT ASSETS		**135,190,690**	**155,340,690**
TOTAL ASSETS		**254,989,110**	**271,411,007**

(Unit of Euro)	Notes	2022 31 December	2021 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		13,801,647	13,802,323
Reserves		142,240,118	137,730,148
Profit (loss) for the period		5,788,946	5,551,458
SHAREHOLDERS' EQUITY	**17**	**161,830,711**	**157,083,929**
Non current liabilities			
Non current financial liabilities	18	17,909,339	15,422,321
Non current provisions for risks and charges	19	7,828,306	7,250,938
Non current provisions for post employment obligation	20	2,978,993	3,749,602
NON CURRENT LIABILITIES		**28,716,638**	**26,422,861**
Current liabilities			
Current financial liabilities	21	38,485,507	51,221,944
Trade payables	22	20,859,765	26,440,858
(of which related parties)		*173,249*	*169,704*
Current tax payables	23	-	2,586,924
(of which related parties)		-	*2,162,510*
Social security contributions	24	1,647,060	1,691,635
Other current liabilities	25	3,449,429	5,962,856
CURRENT LIABILITIES		**64,441,761**	**87,904,217**
SHAREHOLDERS' EQUITY AND LIABILITIES		**254,989,110**	**271,411,007**

INCOME STATEMENT

(Unit of Euro)	Notes	2022 31 December	2021 31 December
Sales revenues	26	304,200,697	311,586,436
(of which related parties)		*13,166,115*	*12,950,325*
Other revenues and income	27	1,941,474	513,211
(of which related parties)		*144,220*	*148,147*
TOTAL REVENUES		**306,142,171**	**312,099,647**
Raw materials and consumables	28	(238,173,392)	(263,109,725)
(of which related parties)		(1,476,689)	(2,829,164)
Change in inventories of work in progress and finished goods		(1,897,390)	13,502,515
Cost for services	29	(35,265,243)	(28,038,379)
(of which related parties)		*(1,094,640)*	*(1,060,742)*
Personnel costs	30	(17,284,106)	(18,343,411)
(of which related parties)		*(8,614)*	-
Amortization /depreciation/write off tangible and intangible assets	31	(3,602,896)	(3,863,751)
Provision and write downs	32	(407,289)	(892,783)
Other operating costs	33	(571,705)	(286,571)
EBIT		**8,940,150**	**11,067,542**
Impairment of equity investments	34	(5,529,000)	(4,402,000)
Financial income / (charges)	35	2,126,855	1,361,357
(of which related parties)		*2,249,529*	*1,611,851*
RESULT BEFORE TAX		**5,538,005**	**8,026,899**
Income taxes	36	250,941	(2,475,441)
NET RESULT FOR THE PERIOD		**5,788,946**	**5,551,458**

STATEMENT OF COMPREHENSIVE INCOME

(Unit of Euro)	Notes	2022 31 December	2021 31 December
Net result for the period		**5,788,946**	**5,551,458**
Actuarial gain / (losses) IAS 19	20	379,952	(112,510)
Tax effect	10	(91,752)	27,002
Total IAS 19 reserve variance	17	288,200	(85,508)
Total items that will not be reclassified to net result		**288,200**	**(85,508)**
Total comprehensive income for the period		**6,077,146**	**5,465,950**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unit of Euro)	Share capital	Other reserves		Retained earnings				Total shareholders' equity
		Share premium reserve	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Result for the period	
Opening balance previous year	**13,821,563**	**40,562,279**	**43,085,647**	**2,925,312**	**(767,716)**	**52,896,275**	**-**	**152,523,361**
Dividends	-	-	-	-	-	(797,397)	-	(797,397)
Sell / purchase own shares	(19,240)	(88,744)	-	-	-	-	-	(107,984)
Profit allocation	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(85,508)	-	-	(85,508)
Result for the period	-	-	-	-	-	-	5,551,458	5,551,458
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(85,508)**	**-**	**5,551,458**	**5,465,950**
Closing balance previous year	**13,802,323**	**40,473,536**	**43,085,647**	**2,925,312**	**(853,224)**	**52,098,878**	**5,551,458**	**157,083,929**
Result for previous period	-	-	-	-	-	5,551,458	(5,551,458)	-
Dividends	-	-	-	-	-	(1,327,081)	-	(1,327,081)
Sell / purchase own shares	(676)	(2,608)	-	-	-	-	-	(3,285)
Other comprehensive income for the period	-	-	-	-	288,200	-	-	288,200
Result for the period	-	-	-	-	-	-	5,788,946	5,788,946
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**288,200**	**-**	**5,788,946**	**6,077,146**
Closing balance current year	**13,801,647**	**40,470,928**	**43,085,647**	**2,925,312**	**(565,024)**	**56,323,255**	**5,788,946**	**161,830,711**

CASH FLOW STATEMENT

(Unit of Euro)	Notes	2022 31 December	2021 31 December
OPERATING ACTIVITIES			
Result of the period		5,788,946	5,551,458
Adjustments for:			
Deprecitation / Amortization	31	3,602,896	3,863,751
Net change in deferred tax (assets) / liabilities	36	(340,839)	(378,523)
Capital (gains) / losses from disposal of fixed assets		(703,075)	(7,800)
Losses / (gains) on unrealised exchange rate differences		(263,857)	(633,181)
Expenses / (Income) from investments		3,379,000	2,902,000
Provisions for risks	32	150,000	0
Income taxes	36	89,897	2,853,965
Financial (income) / expenses	35	(203,400)	208,851
Operating result before changes in working capital		**11,499,568**	**14,360,521**
Income taxes paid		(5,244,972)	(487,486)
Financial charges paid	35	(801,905)	(796,676)
Financial income collected	35	1,005,305	587,824
Decrease / (Increase) in inventories	11	(2,062,620)	(22,209,189)
Change in trade receivables		28,067,589	(18,883,061)
Change in trade payables		(5,584,638)	8,637,800
Net changes in current other assets and liabilities		170,152	1,717,775
Net changes in current other assets and liabilities - related parties		(5,033,837)	2,927,345
Net changes in non current other assets and liabilities		(427,289)	(343,153)
Net changes in non current other assets and liabilities - related parties		(1,120,238)	(2,217,233)
CASH FLOW FROM OPERATING ACTIVITIES		**20,467,115**	**(16,705,533)**
INVESTING ACTIVITIES			
Investments in intangible assets	6	(25,548)	(23,752)
Investments in tangible assets	7	(10,984,271)	(5,213,471)
Investments in subsidiaries, associates, other entities		0	(165,112)
Dividends received from investments	35	2,150,000	1,500,000
Disposals of tangible and intangible assets		718,031	7,800
CASH FLOW FROM INVESTING ACTIVITIES		**(8,141,788)**	**(3,894,535)**
FINANCING ACTIVITIES			
Repayments of loans	18	(9,514,824)	(8,221,968)
Obtainment of loans	18	12,000,000	3,000,000
Net changes of current financial liabilities		(12,766,405)	25,327,695
Net changes of current financial assets		256,932	1,349,607
Dividends paid to shareholders	17	(1,327,081)	(797,397)
Sell/(purchase) of own shares		(3,285)	(107,984)
CASH FLOW FROM FINANCING ACTIVITIES		**(11,354,663)**	**20,549,953**
NET CASH FLOW FROM THE PERIOD		**970,664**	**(50,115)**
CASH BALANCE AT THE BEGINNING OF THE PERIOD	**16**	**460,975**	**511,090**
NET CASH FLOW FROM THE PERIOD		970,664	(50,115)
CASH BALANCE AT THE END OF THE PERIOD	**16**	**1,431,639**	**460,975**

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

GENERAL INFORMATION

These annual financial statements as of 31 December 2022 were authorised for publication by the Board of Directors on 15 March 2023.

IRCE S.p.A. (hereinafter also the "Company") is a company incorporated in Italy and has its tax domicile, registered office and administrative office in via Lasie 12/a, Imola (BO), R.E.A. n. 266734 BO 001785.

As of 31 December 2022, 5.64% of the Issuer's share capital was held by the Issuer itself, 50.045% by Aequafin SpA – a company incorporated and domiciled in Italy in Via dei Poeti no. 1/2, and the remaining 44.315% was floating on the “Mercato Telematico market of Borsa Italiana S.p.A.” – STAR segment.

IRCE S.p.A. owns as at 31 December 2022 three 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) and Umbertide (Perugia).
It should be noted that as of 30 June 2022 the Miradolo Terme (PV) plant was sold.

CRITERIA FOR PREPARATION

The annual financial statements for the year 2022 were prepared in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. The term IFRS also refers to all revised International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The formats used for the financial statements have been prepared in accordance with the provisions of IAS 1; in particular:
- the statement of financial position was drafted by presenting current and non-current assets, and current and non-current liabilities, as separate classifications;
- the income statement was drafted by classifying the items by nature;
- the statement of cash flows was drafted, in accordance with IAS 7, by classifying cash flows during the period into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

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

Going Concern

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

Foreign Currency Translation of Financial Statement Items

The functional and presentation currency adopted by IRCE S.p.A. is the Euro. The following criteria were used:
- monetary items, consisting of money held and assets or liabilities to be received or paid, were translated using the spot exchange rate at the reporting date, and the relevant exchange gains and losses were recognised in the income statement;

- non-monetary items measured at their historical cost in a foreign currency were translated using the spot exchange rate at the date on which the transaction occurred.

Tangible Assets

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

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

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

Intangible Assets

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

recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.
Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the fixed asset is disposed of.

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

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

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

Leased Assets
Following the coming into force of IFRS 16, since 1st of January 2019, lease contracts are recognised on the basis of a single accounting model similar to that previously regulated by IAS 17 on accounting for finance leases.
When each contract is stipulated, the Company:
- determines if the contract is or contains a lease, which is the case when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is repeated in the event of subsequent changes to the terms and conditions of the contract.
- separates the components of the contract, splitting the contract price up between each lease or non-lease component.
- determines the term of the lease as the period during which the lease cannot be cancelled, in addition to any periods covered by an extension or lease termination option.

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

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

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

Business Combinations and Goodwill

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

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

Equity Investments

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

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

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

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows generated by the asset). In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money (relating to the period of investment) and risks specific to the asset.
In order to test for impairment, intangible and tangible assets are grouped at the level of the smallest separately identifiable cash-generating unit. Impairments of CGUs are recognised first as a reduction in the carrying amount

of any goodwill allocated to the CGU and then as a reduction in other assets, in proportion to their carrying amount and up to their recoverable amount.
If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it was not impaired and the related amortisation had been applied.

Financial Assets

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

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

Inventories

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

The costs incurred are recognised as follows:

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

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

Cash and Cash Equivalents

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

Financial Liabilities and Trade Payables

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

Financial liabilities

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

Provisions for Risks and Charges

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

Employee Benefits

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

Derivative Financial Instruments

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

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

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

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

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

Treasury Shares

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

Recognition of Revenues

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.

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

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

Dividends

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

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

Costs

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

Financial Income and Charges

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

Earnings per Share

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

Income Taxes

Current taxes

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

Deferred tax assets and liabilities

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

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

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

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

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

Use of Estimates

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

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

Offsetting of Financial Assets and Liabilities

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1st JANUARY 2022

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Parent Company from 1st January 2022:

- On 14 May 2020, the IASB published the following amendments called:
  - Amendments to IFRS 3 Business Combinations: the amendments have the purpose to update the reference in IFRS 3 to the revised Conceptual Framework without affecting the provisions of the Standard.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments have the purpose to not allow the deduction from the cost of material assets of the amount received from the sale of goods produced in the testing phase of the activity itself. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating whether the contract is onerous. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the company cannot avoid because it has entered into the contract (such as, for example, the depreciation rate of the machinery used for the performance of the contract).
  - Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not affect the Parent Company's financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2022

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which have the purpose to replace IFRS 4 – Insurance Contracts.

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

  The main features of the General Model are:

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

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

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

The standard applies from 1 January 2023 but early application is allowed, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors do not expect a significant effect in the separate financial statements of the Parent Company from the adoption of this standard.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". This amendment is a transition option related to comparative information on financial assets submitted at the initial date of application of IFRS 17. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for balance sheet readers.

  The amendments will apply from 1 January 2023, together with the application of IFRS 17. The directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

  - On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The changes aim to improving disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policy.

    The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, are to be accounted for.

  The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

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

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

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment called denominato “*Amendments to IAS 1 Presentation of Financial*

Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debts and other liabilities in the short or long term.

The amendments enter into force on 1 January 2024; however, an early application is allowed. The directors do not expect a significant effect on the Parent Company's financial statements from the adoption of this amendment.

- On 22 September 2022, the IASB published an amendment entitled "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to value the liability for the lease arising from a sale & leaseback transaction so as not to recognize a profit or loss related to the retained right of use.

  The changes will apply from 1 January 2024, but early application is allowed. The directors do not expect a significant effect in the Parent Company's financial statements from the adoption of this amendment.

  - On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts which allows only the IFRS first time adopters to continue to recognise amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") in accordance with previous accounting standards adopted.

    Since the Parent Company is not a first-time adopter, this principle does not apply.

1. RUSSIAN- UKRAINAN CONFLICT

In February 2022, the Russian-Ukrainian conflict suddenly accelerated following the invasion of Ukraine by Russia, one of the main suppliers of oil and natural gas, causing in the following months a further rise in the prices of raw materials and electricity and generalized price increases.

In this context, the Parent Company, although not present in these countries and not having significant customers and suppliers in them, had to face a slowdown in demand that in the winding conductor sector began in the first quarter, while in the cable sector, it occurred from the third quarter.

In order to limit the impact on margins, the Parent Company managed the negative effects associated with the significant increase in the prices of electricity and many materials and aluminium implementing sales policies such as to contain the impact of cost increases while those associated with significant fluctuations in copper prices by carrying out forward hedging contracts on positions generated by operating activities, in line with its hedging policy.

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

In light of the above, thanks to the extraordinary contributions paid by the Italian Government to energy-intensive companies, the Parent Company was able to contain the negative economic effects on the balance sheet related to the Russian-Ukrainian conflict.

Finally, with reference to potential liquidity risks, it should be noted that the Parent Company continues to present a solid financial position; the net financial position of IRCE SpA is equal to € 54.5 million at 31 December 2022 (€ 65.5 million at 31 December 2021) while available and unused credit lines amounted to approximately € 89.3 million at the same date.

2. CLIMATE CHANGE – FINANCIAL STATEMENTS IMPACTS

In line with ESMA's recommendations, IRCE S.p.A. has recently carried out an internal assessment on the impacts that climate change could have on its business and activities, concluding that in the long term the opportunities are greater than risks.

The main topics analysed are summarised below.

- Regulatory risks: with reference to the current legislative framework, no risks present in the sectors to which the Group belongs or attributable to the target markets have been identified. On the other hand, it is believed that there are important opportunities in some sectors in which IRCE S.p.A. operates, such as home automation, industrial automation, automotive, taking into account that the changes in consumer orientations should lead to significant increases in demand. The regulation recently approved by the European Parliament that requires individual EU states from 2035 to stop the sale of cars equipped with endothermic engines represents an important opportunity for the Parent Company, as electric cars require higher quantities of conductors per winding than combustion engines. It should be noted, however, that if regulatory measures are implemented in the future to reduce CO_2 emissions within certain limits and with strict deadlines, the Parent Company would inevitably have to face higher operating costs.
  IRCE S.p.A. has also undertaken a process of determining its "carbon foot print" in order to reducing CO_2 emissions. In particular, during the year the Parent Company continued to invest in new machinery and plants aimed at saving and improving energy efficiency, while in July 2022 the construction of a photovoltaic plant for self-consumption began at the Imola plant that should come into operation in the first semester of 2023.

- Risks related to technologies: the need to comply with new technical specifications required by customers represents an average low risk for the Parent Company taking into account the experience accumulated over the years by the R&D department and the historical ability to respond to complex requests.

- Market risks: the analysis carried out did not highlight any critical issues associated with the possible technological obsolescence of production plants or machinery due to the phase out of ranges of articles as the high flexibility in production still allows their use for alternative productions. With reference to the risks connected with the foreseeable increase in demand for some "green" raw materials (in particular, copper cathode and electricity), it is believed that this dynamic could entail an increase in prices, potentially making it difficult to find these materials at sustainable prices. The impact on margins, however, should be considered relatively limited given the Group's ability to transfer increases in sales prices in a short time.

- Physical risks: in relation to acute physical risks related to extreme weather events, it is believed that the presence in each plant of a Recovery Plan, in which the procedures to be put in place to ensure the continuity of supplies to the customer within the contractual times are formalized, together with entering in insurance policies should contain the negative impacts of adverse climatic phenomena both in economic and business terms. No risk has been identified in relation to the foreseeable increase in average temperatures as the materials used in the production process are not impacted by variations of a few degrees in climate.

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

In conclusion, although climate change may lead to an acceleration of investments in the short to medium term as well as an increase in operating costs, it is believed that the expected growth in volumes together with the ability to transfer increases in sales prices represents an important opportunity for the Parent Company overall.

3. SALE OF BUSINESS UNIT LOCATED IN MIRADOLO

On June 30, 2022, IRCE S.p.A. 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 S.p.A. 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**

4. SEGMENT REPORTING

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

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

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

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

The 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).

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

	Current period				Previous period			
(Thousands of Euro)	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	180,581	102,995	20,625	304,201	183,679	104,536	23,371	311,586
% of total	*60%*	*33%*	*7%*	*100%*	*58%*	*35%*	*7%*	*100%*

5. DERIVATIVE INSTRUMENTS

The Company uses the following type of derivative instruments:

- Derivative instruments related to copper forward transactions with maturity after 31 December 2022. The Company entered into sale contracts to hedge against price decreases relating to the availability of raw materials, and purchase contracts to prevent price increases relating to sale commitments with fixed copper values. The fair value of forward contracts outstanding at the reporting date is determined on the basis of forward prices of copper and aluminium with reference to the maturity dates of contracts outstanding at the reporting date. These transactions do not qualify as hedging instruments for the purposes of hedge accounting.

The table below shows a summary of copper commodity derivative contracts for forward sales and purchases, outstanding as of 31 December 2022:

Measurement unit of the notional amount	Net notional amount - tonnes		Result with fair value measurement as of 31/12/2022		
	Assets	Liabilities	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
Tonnes	825	300	185	(68)	117
Total	**825**	**300**	**185**	**(68)**	**117**

- Derivative instruments related to forward purchase and sale contracts with maturity after 31 December 2022. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

The table below shows a summary of the currency derivative contracts for forward purchases and sales, outstanding as of 31 December 2022:

Measurement unit of the notional amount	Net notional amount - currency		Result with fair value measurement as of 31/12/2022		
	Assets (000)	Liabilities (000)	Assets - €/000	Liabilities - €/000	Net carrying amount - €/000
Current assets and liabilities					
GBP	6.000	-	25	-	25
Total	**6.000**	**-**	**25**	**-**	**25**

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

6. 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 2022 and 2021.

(Thousands of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance previous period	**3**	**79**	**82**
Changes - previous period			
Purchases	16	7	23
Amortization	(11)	(69)	(80)
Net value previous period	**8**	**17**	**25**
Changes - current period			
Purchases	26	-	26
Amortization	(21)	(8)	(29)
Closing balance - current period	**13**	**9**	**22**

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.

7. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2022 and 2021.

(Thousands of Euro)	Lands	Buildings	Plant and machinery	Equipments	Other tangible assets	Assets under constructions and advances	Total
Opening previous period	**7,835**	**3,546**	**8,194**	**810**	**399**	**837**	**21,621**
Changes - previous period							
Purchases	-	5	193	401	87	4,551	5,237
Depreciation	-	(388)	(2,724)	(390)	(184)	-	(3,686)
Reclass	-	-	2	26	-	(28)	-
Write off	-	-	-	-	-	(97)	(97)
Disposals - Historical cost	-	-	(3)	(10)	(36)	-	(49)
Disposals - Depreciation fund	-	-	3	10	36	-	49
Net value previous period	**7,835**	**3,163**	**5,665**	**847**	**302**	**5,263**	**23,075**
Changes - current period							
Purchases	-	-	3	294	68	10,677	11,042
Depreciation	-	(358)	(2,675)	(414)	(127)	-	(3,574)
Reclass	-	-	5,600	116	-	(5,716)	-
Disposals - Historical cost	-	(20)	(13,729)	(888)	(237)	-	(14,874)
Disposals - Depreciation fund	-	20	13,698	879	237	-	14,834
Net value current period	**7,835**	**2,805**	**8,562**	**834**	**243**	**10,224**	**30,503**

The balance of tangible assets at 31 December 2022, equal to € 30.5 million, includes Rights of use for € 66 thousand.

The item "Reclass" refers to investments being completed in previous years or in the current year, initially recorded in the category "Assets under constructions and advances" and finally allocated, once completed, to the specific categories to which they belong.

IRCE's investments at 31 December 2022 amounted to € 11.0 million and essentially concerned investments under the categories “Plant and Machinery” and “Assets under construction”.

The disposals mainly refer to the sale of the "Miradolo" business unit and residually to machinery and equipment no longer in use and almost totally depreciated.

The balance of the item " Assets under constructions and advances" refers mainly to investments in a photovoltaic plant for self-consumption and for the renewal of the plant and machinery park and will come into operation for the most part in the next year.

8. INVESTMENTS

The table blow shows the breakdown of Equity investments:

(Thousands of Euro)	2022 31 December	2021 31 December
Equity investments in subsidiaries	86,218	86,218
Provision for write down of equity investments	(22,150)	(17,085)
Total investments	**64,068**	**69,133**

The following tables show the changes in the historical cost and the provision for write-off of equity investments for the years ended 31 December 2022.

(Thousands of Euro)	Opening balance	Closing balance
FD SIMS ltd	13,375	13,375
Smit Draad Nijmegen BV	7,273	7,273
Isomet AG	1,435	1,435
Irce Ltda	58,809	58,809
DMG Gmbh	120	120
Isodra Gmbh	28	28
Irce SL	150	150
Stable Magnet Wire P.Ltd	2,600	2,600
Isolveco 2 SRL	55	55
Isolveco SRL in liquidazione	195	195
Irce Electromagnetic wire Co.Ltd	2,000	2,000
Irce SP.ZO.O	48	48
Irce S.R.O. Cechia	130	130
Total investments in subsidiaries	**86,218**	**86,218**

(Thousand of Euro)	Opening balance	Provisions	Closing balance
FD SIMS ltd	(9,135)	(2,100)	(11,235)
Smit Draad Nijmegen BV	(4,566)	(2,300)	(6,866)
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)	(7)	(27)
Isolveco SRL in liquidazione	(195)	-	(195)
Irce Electromagnetic wire Co.Ltd	-	(658)	(658)
Irce SP.ZO.O	(48)	-	(48)
Total provision for write-down of equity investments	**(17,085)**	**(5,065)**	**(22,150)**

With reference to the provision for write-off of FD Sims and Smit Draad, equal respectively to € 2.1 million and € 2.3 million, see the following paragraph “Impairment test” and the Attachment 2.

Impairment Test

The carrying value of the investments must be subjected to the impairment test in the presence of indicators of any impairment losses.

The carrying amount of the equity investments should be tested for impairment if impairment indicators of impairment losses are identified.

In particular, the Directors considered necessary to carry out the impairment test respectively:
- on the investments FD Sims Ltd and Smit Draad Nijmegen B.V. taking into account the negative results recorded in the period together with the under budget results as well as the context of worsening market rates;
- on the investment Irce Ltda, taking into account the significant devaluation of the Brazilian currency compared to the initial investment as well as the the context of worsening market rates.

On the basis of the 2023-2027 Business Plans of the aforementioned investments were carry out the impairment tests approved by the Board of Directors of the Parent Company on 15 March 2023.

The aforementioned Plans were reviewed by the management of the Parent Company and approved by the Directors of the subsidiaries in February 2023.

In compliance with the criteria set out in IAS 36, impairment test has been carried on by comparing the recoverable amount of the investments (Enterprise value), net of the net financial position (“NFP”) as of 31 December 2022 (“Equity Value”) with the related carrying amounts for the equity investment as of 31 December 2022.

In order to determine future cash flows, the data of the 2022 – 2027 plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2027).
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 estimated to be equal to the long-term inflation (2027) of the country in which each investee 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 these subsidiaries, in order to reflect in the rate the risks associated with the degree of achievability of the plan results.

Below are the WACC and "g" parameters used and the results of the impairment tests carried out:

	Irce Ltda	FD Sims	Smit Draad
g	3%	2%	2%
WACC	13.35%	11.24%	9.45%
Equity value (€/000)	61,098	2,157	410
Equity investment (€/000)	58,466	4,242	2,707
Difference (€/000)	2,632	(2,085)	(2,297)

With reference to the values of the investments recorded in the financial statements, the results of the impairment tests highlighted that both FD Sims Ltd and Smit Draad Nijmegen B.V. needed an impairment of € 2.1 million and € 2.3 million respectively, while for Irce Ltda there were no critical issues.

With reference to the investment of Irce Ltda that has not been subject to write-down, a sensitivity analysis is reported that highlights which should be alternatively, for making the Equity Value equal to the value of the investment, the "discount rate (WACC)" and the reduction of the "EBITDA" in percentage terms compared to the values included in the 2023-2027 Plan.

	Irce Ltda
WACC	13.93%
EBITDA	(7.73%)

Based on the above analysis, the Directors concluded that Irce Ltda investment does not highlight risk profiles that lead to the need of an impairment.

Finally, in relation to the smaller Group companies, the Directors provide, in case of unforeseen losses, a write-down in order to align their value with the percentage of interest in the net equity of the subsidiary. The comparison between the net book value of investments in subsidiaries and the relevant shareholders' equity is shown in Annex 2, an integral part of the Notes to the Financial Statements.

9. OTHER NON-CURRENT FINANCIAL RECEIVABLES

The “Other non-current financial receivables” are detailed as follows:

(in thousands of Euro)	2022 31 December	2021 31 December
Non-current intercompany financial assets	23,204	22,084
Total other non-current financial receivables	**23,204**	**22,084**

The table below shows the breakdown of interest-bearing loans granted to the subsidiaries:

(Thousands of Euro)	2022 31 December	2021 31 December
FD SIMS ltd	7,582	7,879
Smit Draad Nijmegen BV	8,955	8,913
Isomet AG	1,602	1,708
DMG Gmbh	1,840	1,855
Isodra Gmbh	1,624	1,608
Irce SL	118	121
Irce SP.ZO.O	1,483	-
Total non current intercompany loans	**23,204**	**22,084**

As part of the impairment tests carried out on equity investments commented in the previous paragraph, the management carried out an analysis of the recoverability of these amounts. The results of it showed that such non current financial receivables can be fully recovered.

10. DEFERRED TAX ASSETS

The item "deferred taxes" shows the net balance between deferred tax assets and deferred tax liabilities relating to the same tax jurisdiction, as detailed below:

(Thousands of Euro)	2022 31 December	2021 31 December
Deferred tax assets	2,534	2,400
Deferred tax liabilities	(533)	(648)
Total Deferred tax (net)	**2,001**	**1,752**

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

(Thousands of Euro)	Opening balance	Increases	Decreases	Net equity effect	Closing balance
Deferred tax assets	1,752	392	(51)	(92)	2,001
Total	**1,752**	**392**	**(51)**	**(92)**	**2,001**

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

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

(Thousands of Euro)	2022 31 December	2021 31 December
Provisions for risks and charges	36	5
Provision for bad debts (taxed)	321	321
Inventories / Inventory obsolescence fund	1,374	1,374
Application of IFRS 15	589	614
Application of IAS 19	(27)	65
Other	241	21
Total Deferred tax labilities	**2,534**	**2,400**

(Thousands of Euro)	2022 31 December	2021 31 December
Depreciation	36	36
Exchange rate difference	3	119
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	72	80
Altro	9	-
Total Deferred tax	**533**	**648**

11. INVENTORIES

Inventories are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Raw materials, ancillary and consumables	34,212	30,064
Work in progress and semi-finished goods	10,923	13,698
Finished products and goods	38,972	38,282
Provision for write down of raw material	(3,197)	(3,197)
Provision for write down of finished goods	(2,190)	(2,190)
Total inventory	**78,720**	**76,657**

Inventories are not pledged nor used as collateral.

The average price of copper in 2022 on the London Metal Exchange was 8.34 Euro/Kg, up some 5.84% compared to the same figure of the previous year, equal to 7.88 Euro/Kg while the price at the end of the year was 7.86 €/kg, down some 6.88% than 8.45 Euro/Kg of 31-12-2021.

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.

During 2022, there were no movements in the Funds for the impairment of raw materials and finished products as they were considered adequate.

12. TRADE RECEIVABLES

The table below shows the breakdown of trade receivables

(Thousands of Euro)	2022 31 December	2021 31 December
Current trade receivables - third parties	41,970	69,801
Trade receivables - intercompany	10,959	10,260
Current bad debt provision - third parties	(1,563)	(1,327)
Bad debt provision - intercompany	(1,405)	(1,405)
Total trade receivables	**49,961**	**77,329**

The significant change in trade receivables is due both to the reduction in turnover in the last quarter compared to the same period of the previous year and to the higher non-recourse disposals made at year end compared to the previous year.

In particular, trade receivables sold during the year amounted to € 33.1 million (€ 6.5 million during 2021) of which € 16.6 million relating to invoices sold but not yet due at 31 December 2022 (at 31 December 2021 € 5.6 million).

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

(Thousands of Euro)	2022 31 December	2021 31 December
FD SIMS ltd	529	223
Smit Draad Nijmegen BV	9	-
Isomet AG	2,073	2,373
Irce Ltda	476	391
DMG Gmbh	15	13
Isodra Gmbh	688	776
Irce SL	2,388	2,361
Stable Magnet Wire P.Ltd	3,178	2,522
Isolveco 2 SRL	2	-
Isolveco SRL in liquidation	1,521	1,521
Irce Electromagnetic wire Co.Ltd	80	80
Total intercompany trade receivables	**10,959**	**10,260**
Isolveco SRL in liquidation	(1,405)	(1,405)
Total intercompany trade receivables	**9,554**	**8,855**

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

(Thousands of Euro)	Opening balance	Provisions	Utilization	Closing Balance
Current bad debt provision - third parties	(1,327)	(257)	21	(1,563)
Bad debt provision - intercompany	(1,405)	-	-	(1,405)

13. TAX RECEIVABLES

(in thousand of Euro)	2022 31 December	2021 31 December
Tax receivables	483	-
Tax receivables - Aequafin	2,175	-
Total tax receivables	**2,658**	**-**

The item "Tax receivables" refers mainly to IRAP advances paid by the Parent Company.

The item "Tax receivables - Aequafin" highlights the tax credit for IRES following the advances paid to the parent company with which a tax consolidation contract is in place.
The credit balance compared to the previous year is due to the higher advances paid to the parent company Aequafin for the fiscal year 2022 compared to the final taxable income. Details on current taxes can be found in paragraph 36.

14. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

(Thousand of Euro)	2022 31 December	2021 31 December
Social securities receivables	58	-
Other current assets	829	220
VAT receivables	1,117	-
Total receivables due from others	**2,004**	**220**

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

The increase in "Other receivables" is mainly due to the part of the tax credit attributed in accordance with the Sostegni-ter decree to energy-intensive companies in proportion to the electricity purchased and not yet used at the end of the year.

Please note that the Company offset VAT payables with VAT receivables, as the requirements in IAS 12 were met.

15. CURRENT FINANCIAL ASSETS

(Thousand of Euro)	2022 31 December	2021 31 December
Mark to market gains derivatives on metal	117	420
Guarantees deposits	15	7
Mark to market gains derivatives on currency	25	3
Mark to market gains derivatives on MWh	-	107
Other current financial assets	260	136
Total other current financial assets	**416**	**673**

The items "Mark to market gains derivatives on metal", "Mark to market gains derivatives on currency" and "Mark to market gains derivatives on MWh " refer to the fair value of forward contracts on copper, foreign exchange and electricity open at the end of the year.

The item "Other current financial assets" mainly includes the energy efficiency certificates TEE.

16. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

(Thousands of Euro)	2022 31 December	2021 31 December
Bank deposits	1,425	453
Cash and cash equivalents	7	8
Total cash and cash equivalent	**1,432**	**461**

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

17. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to Euro 161.8 million as of 31 December 2022 (Euro 157.1 million as of 31 December 2021) and is detailed in the following table:

(Thousands of Euro)	2022 31 December	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	(565)	(853)
Extraordinary reserve	49,861	45,637
Other reserve	20,758	20,758
Profit (losses) of previous years	6,462	6,462
Profit (loss) for the period	5,789	5,551
Total shareholders' equity	**161,831**	**157,084**

Share capital

The following table shows the breakdown of the share capital

(Thousands of Euro)	2022 31 December	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 composed of 28,128,000 ordinary shares worth € 14,626,560. The shares are fully subscribed and paid up and bear no rights, privileges or restrictions as far as dividend distribution and capital distribution, if any, are concerned.

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

Treasury shares as of 31 December 2021 amounted to 1,586,388, corresponding to 5.64% of the share capital. The shares outstanding are therefore 26,541,612.

Below is highlighted, in thousand, the movements of the shares outstanding at the beginning and at the end of the last two years:

Thousands of shares	
Balance as of 31/12/2020	**26,580**
Share buyback	(37)
Balance as of 31/12/2021	**26,543**
Share buyback	(1)
Balance as of 31/12/2022	**26,542**

Share premium reserve

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

Revaluation reserve

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

Legal reserve

The item shows the profits set aside in past years by IRCE, in accordance with the provisions of Article 2430 of the Civil Code, no longer allocated having reached one fifth of the share capital.

IAS 19 reserve

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

Balance as of 31/12/2020	**(768)**
Actuarial valuation	(112)
Tax effect on actuarial valuation	27
Balance as of 31/12/2021	**(853)**
Actuarial valuation	380
Tax effect on actuarial valuation	(92)
Balance as of 31/12/2022	**(565)**

Extraordinary reserve

The extraordinary reserve is increased annually by the retained earnings and decreased by dividends distributed during the year, equal in 2022 to € 1,327 thousand.

Other reserves

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

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

The table below shows the detail of origin, availability and use of equity items:

Description	Amount	Possibility of use	Quota avalaible	Distributable
Share capital	**14,626,560**			
Capital's reserves				
Share premium reserve (Note 1)	40,538,732	A,B,C	40,538,732	40,538,732
Other capital reserves	6,035,757	A,B,C	6,035,757	6,035,757
Total capital's reserve	**46,574,489**		**46,574,489**	**46,574,489**
Earning's reserves				
Legal	2,925,312	B	2,925,312	-
Extraordinary	49,861,233	A,B,C	49,861,233	49,861,233
IAS	5,896,998	A,B	5,896,998	1,597,853
Own shares	-892,718	-	- 892,718	- 892,718
Cash flow hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585,888
Total earning's reserves	**58,376,713**		**58,376,713**	**51,152,256**
Reserves in tax suspension				
The South incomes	201,160	A,B,C	201,160	201,160
Extraordinary revaluation in the financial statements	22,327,500	A,B,C	22,327,500	22,327,500
Revaluation n.266/2005	13,935,343	A,B	13,935,343	
Total reserves in tax suspension	**36,464,003**		**36,464,003**	**22,528,660**
Total reserves	**141,415,206**		**141,415,206**	**120,255,405**
Profit 2022	**5,788,946**			
Total equity	**161,830,712**			
Total reserves available			141,416,206	
Not-assignable share for non-amortized start-up and expansion cost			-	
Quota not available for legal reserves			2,925,312	
Quota not available IAS			4,299,145	
Quota not available fair value land			13,935,343	
Residual quota available			**120,255,405**	

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.

18. NON-CURRENT FINANCIAL LIABILITIES

Here below is the breakdown of non-current financial liabilities

(Thousands of Euro)	2022 31 December	2021 31 December
Non-current Financial liabilities due to banks	17,869	15,383
Non-current Financial liabilities - IFRS 16	40	39
Total non current financial liabilities	**17,909**	**15,422**

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

€/000	Currency	Rate	31/12/2022	31/12/2021	Due date
Banca di Imola	EUR	Floating	3,473	4,821	2026
Unicredit	EUR	Floating	-	5,000	2025
Mediocredito	EUR	Floating	1,385	2,307	2025
Banco Popolare	EUR	Floating	-	625	2023
Banco Popolare	EUR	Fixed	1,886	2,630	2026
Deutsche Bank	EUR	Fixed	6,125	-	2027
BPER	EUR	Floating	5,000	-	2032
Total			**17,869**	**15,383**	

The table below shows the changes in non-current financial liabilities during 2022:

(Thousands of Euro)	31.12.2021	Reclass.	Accensions	Refunds	31.12.2022
Banca di Imola	4,821	(1,348)	-	-	3,473
Unicredit	5,000	-	-	(5,000)	-
Mediocredito	2,307	(922)	-	-	1,385
Banco Popolare	625	(625)	-	-	-
Banco Popolare	2,630	(744)	-	-	1,886
Deutsche Bank	-	(875)	7,000	-	6,125
BPER	-	-	5,000	-	5,000
Total	**15,383**	**(4,514)**	**12,000**	**(5,000)**	**17,869**

Covenants

- The medium/long-term loan granted by Mediocredito Italiano S.p.A., which at 31.12.2022 amounts to residual € 2,307 thousand (of which € 923 thousand classified in short-term loans), provides for thirteen six-monthly constant capital repayments equal to € 461.5 thousand each, expiring on 30 January 2025. The contract envisages compliance with 2 financial covenants, to be tested on an annual basis.
- The medium-long term loan granted by Deutsche Bank, which at 31.12.2022 amounts to residual € 7,000 thousand (of which € 876 thousand classified in short term loans), provides for sixteen six-monthly constant capital repayments equal to € 438 thousand each, expiring on 24 June 2027. The contract envisages compliance with 2 financial covenants, to be tested on an annual basis.

For the year ended as of 31 December 2022, the above covenants were respected.

19. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Provision for severance payments to agents	130	145
Other provision for risks and charges	150	22
Coverage losses fund Intercompany	7,548	7,084
Total provision for risk and charges	**7,828**	**7,251**

The following table shows changes in the provision for risks and charges:

(Thousands of Euro)	Opening balance	Reclass	Provisions	Utilization	Closing Balance
Provision for severance payments to agents	145	-	15	(30)	130
Other provision for risks and charges	22	-	150	(22)	150
Coverage losses fund Intercompany	7,084	84	380	-	7,548
Total	**7,251**	**84**	**545**	**(52)**	**7,828**

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 increase in the period refers to the possible dispute with supplier still at preliminary stage.

The Company has allocated a provision to cover losses in subsidiaries which, due to the losses incurred, have a negative shareholders' equity. For more details see Attachment 2 "List of Equity investments in Direct Subsidiaries".

The changes pf the write-down provision of the subsidiaries are shown below.

(Thousands of Euro)	Opening balance	Provisions	Closing balance
Isodra Gmbh	1,855	-	1,855
Irce SL	3,744	48	3,792
Stable Magnet Wire P.Ltd	1,397	416	1,813
Isolveco 2 SRL	21	-	21
Irce SP.ZO.O	68	-	68
Total write-down provision for equity investments	**7,084**	**464**	**7,548**

Following the negative final results in 2022 by Irce SL and Magnet Wire, the Directors considered the losses for the period to be durable and consequently the provision was increased in order to align it with negative shareholders' equity.

20. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

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

(Thousands of Euro)	Opening balance	Provisions	Net equity effect	Utilization	Closing balance
Provision for employee defined benefit	3,750	49	(380)	(440)	2,979
Total provision for employee defined benefits	**3,750**	**49**	**(380)**	**(440)**	**2,979**

This provision, which is part of defined benefit plans, includes the liability for "Trattamento di Fine Rapporto" (TFR).

The actuarial valuation of the TFR was conducted on the basis of the "accrued benefits" methodology using the "Projected Unit Credit" (PUC) criterion as provided for in paragraphs 67 to 69 of IAS 19 and consists in the following:

- it projected up to the estimated future payment date the employee termination indemnity (TFR) accrued at 31 December 2006 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:

	31/12/2022	31/12/2021
Annual discount rate	3.63%	0.44%
Annual inflation rate	2.30%	1.75%
Annual rate of increase of employee termination indemnities	3.23%	2.81%

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

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

Sensitivity analysis of the main measurement parameters:

Parameter	Change	31/12/2022	31/12/2021
Turnover rate	+1,00%	2,989	3,721
Turnover rate	- 1,00%	2,968	3,782
Inflation rate	+0,25%	3,008	3,794
Inflation rate	- 0,25%	2,950	3,706
Discount rate	+0,25%	2,934	3,680
Discount rate	- 0,25%	3,025	3,822

Service cost: 0.00
Duration of the plan: 7.0

21. CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Payables due to banks	33,937	46,955
Mark to market losses derivatives on currency	-	21
IFRS 16 financial liabilities	26	24
Long term loans - current portion	4,523	4,222
Total current financial liabilities	**38,486**	**51,222**

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

The item “Mark to market losses derivatives on currency” refers to the Fair Value of forward purchase and sale contracts outstanding as of 31/12/2022.

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

(Thousands of Euro)	2022 31 December	2021 31 December
Cash and cash equivalents	1,432	461
Current financial assets	416	673
Liquid assets	**1,848**	**1,134**
Other current financial liabilities	(33,963)	(47,000)
Long term loans- current portion	(4,523)	(4,222)
Current net financial position	**(36,638)**	**(50,088)**
Non-current financial liabilities third parties	(17,909)	(15,422)
Net financial position	**(54,547)**	**(65,510)**

Please note that intercompany financial receivables have been excluded from the calculation of the net financial position since “non-current”.

The improvement in the net financial position is attributable to the “Cash flow from operating activities” net of the investments for the period.

Net financial position includes a total of € 66 thousand of financial payables relating to leases accounted for in accordance with IFRS16.

22. TRADE PAYABLES

Trade payables are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Trade payables	20,687	26,271
Trade payables due to Group	173	170
Total trade payables	**20,860**	**26,441**

The change in the period is mainly attributable to the dynamics of copper supply. Last year, in fact, there were quantities of metal purchased and not yet paid for to a greater extent than on December 31, 2022.

Trade payables due to subsidiaries were broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
FD SIMS ltd	15	2
Smit Draad Nijmegen BV	-	11
Isomet AG	2	4
DMG Gmbh	95	109
Irce SL	51	33
Isolveco 2 SRL	10	11
Total intercompany trade payables	**173**	**170**

23. TAX PAYABLES

(Thousands of Euro)	2022 31 December	2021 31 December
Tax payables due to Aequafin	-	2,163
Tax payables-current	-	424
Total tax payables	**-**	**2,587**

The item "Tax payables due to Aequafin" shows the liability for IRES due to the Parent Company with which a national tax consolidation contract is in place.

The "Tax payables-current" includes the liability for Irap (regional tax on productive activities).

At 31 December, the balance of tax payables, net of the related advance payments, is tax credit

24. SOCIAL SECURITY CONTRIBUTIONS

This item, equal to € 1,647 thousand, primarily refers to the contributions payable to INPS.

25. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
Payables due to employees	2,175	2,490
Accrued liabilities and deferred income	217	23
Other payables	259	752
VAT payables	286	2,218
Income taxes withheld on income from employee	512	480
Total other current liabilities	**3,449**	**5,963**

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

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

The "VAT payables" as at 31 December 2022 refer to the permanent establishments Germany, Spain and Poland. The reduction is attributable to the fact that the VAT balance at the end of the year was tax credit.

COMMENT ON THE MAIN ITEMS OF THE SEPARATE INCOME STATEMENT

26. SALES REVENUES

Sales revenue refer to sale of goods net of returns, rebates and return of packaging.

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Sales revenues	304,201	311,586	(7,386)

Turnover for the year decreased by 2.4% compared to 31 December 2021. The change is due to a combined effect of decreasing quantities sold and increasing selling prices of both metal and processing.

In the tables below it is shown the breakdown of revenues by product and by geographical area of destination of the finished product.

(Thousands of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	227,881	76,320	304,201	231,020	80,567	311,586
% of total	*75%*	*25%*	*100%*	*74%*	*26%*	*100%*

(Thousands of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	180,581	102,995	20,625	304,201	183,679	104,536	23,371	311,586
% of total	*60%*	*33%*	*7%*	*100%*	*58%*	*35%*	*7%*	*100%*

For additional details please refer to the previous paragraph "Segment reporting" and to the Report on Operations.

27. OTHER REVENUES AND INCOME

Other income was broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Increase in internally generated fixed assets	452	55	397
Capital gains on assets disposals	708	8	700
Insurance reimbursements	269	11	258
Contingent assets	153	129	24
Other revenues	215	162	53
Other income intercompany	144	148	(4)
Total other revenues and income	**1,941**	**513**	**1,428**

The change in the item "Increase in internally generated fixed assets" mainly refers to internal processing carried out on plant and machinery, most of which are still registered in the category "Assets under constructions and advances".

The "Capital gain on assets disposals" concerns the sale of the "Miradolo" business unit for € 665 thousand.

The increase in the item "Insurance reimbursements" refers to two thefts of copper during transport by truck for which there was insurance coverage to cover the event occurred.

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

28. COSTS FOR RAW MATERIALS AND CONSUMABLES

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Raw materials and consumables	(241.495)	(268.965)	27.470
Change in inventory of raw materials and consumables	4.798	8.707	(3.909)
Purchasing finished goods	-	(22)	22
Raw materials and consumables - intercompany	(1.477)	(2.829)	1.352
Total raw materials and consumables	**(238.173)**	**(263.110)**	**24.936**

The item "Raw materials and consumables" mainly includes costs incurred for the purchase of copper, insulation materials and packaging and maintenance materials.

The change in the period is attributable to a reduction in volumes purchased, partially offset by the increase in raw material prices.

29. COSTS FOR SERVICES

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

(Thousands of Euro)	2022 31 December	2021 31 December	Change
External processing	(6,020)	(5,382)	(638)
Utility expenses	(19,701)	(13,782)	(5,919)
Maintenance	(1,098)	(854)	(244)
Transport expenses	(3,323)	(3,243)	(80)
Fees payable	(171)	(141)	(30)
Compensation of Statutory Auditors	(70)	(69)	(1)
Other services	(3,752)	(3,496)	(256)
Costs for the use of third-party assets	(35)	(10)	(25)
Other service intercompany	(1,095)	(1,061)	(34)
Total cost for services	**(35,265)**	**(28,038)**	**(7,227)**

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 paid to energy-intensive companies in the form of a tax credit, in accordance with the Sostegni-ter decree, accounted for by nature to reduce the related cost

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

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

30. PERSONNEL COSTS

The table below shows the breakdown of personnel costs:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Salaries and wages	(11,100)	(11,579)	479
Social security charges	(3,312)	(3,487)	175
Pension costs	(880)	(933)	53
Other personnel costs	(1,983)	(2,344)	361
Personnel costs - Intercomapany	(9)	-	(9)
Total personnel costs	**(17,284)**	**(18,343)**	**1,059**

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

The reduction in the workforce is mainly due to the sale of the Miradolo Terme (PV) business unit, which employed about 40 people between employees and temporary workers. A further reduction in the workforce is due to the decline in production activity in the last quarter, which required less recourse to temporary workers.

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

(Number of employees)	Average 31/12/2022	Closing 31/12/2022	Closing 31/12/2021
Executives	14	14	14
White collars	89	84	90
Blue collars	279	258	305
Total	**382**	**356**	**409**

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.

31. DEPRECIATION/AMORTISATION

The table below shows the breakdown of depreciation/amortisation:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Amortization of intangible assets	(29)	(80)	51
Depreciation of tangible assets	(3,536)	(3,641)	105
Depreciation of tangible assets - IFRS 16	(38)	(45)	7
Write off tangible assets	-	(97)	97
Total amortization/depreciation and write-off	**(3,603)**	**(3,863)**	**260**

32. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousand of Euro)	2022 31 December	2021 31 December	Change
Bad debt provision	(257)	(893)	636
Provision for risks	(150)	-	(150)
Total provisions and write-downs	**(407)**	**(893)**	**486**

The change in the period of the item "Bad debt provision" is attributable to the "extraordinary" provision made in 2021 following the redetermination of "expected losses" due to the non-renewal of the insurance policy on trade receivables. The provision for the year reflects the analysis carried out to align receivables with their estimated realisable value.

33. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Non-income taxes and duties	(297)	(215)	(82)
Capital losses and contingent liabilities	(53)	(47)	(6)
Other operating costs	(222)	(25)	(197)
Total other operating costs	**(572)**	**(287)**	**(285)**

The change in “Other operating costs” is mainly due to contractual penalties charged by a customer.

34. IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENTS

Impairment for the year is broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December
FD SIMS ltd	(2,100)	(997)
Smit Draad Nijmegen BV	(2,300)	(3,205)
Irce SL	(48)	-
Stable Magnet Wire P.Ltd	(416)	(200)
Isolveco 2 SRL	(7)	-
Irce Electromagnetic Wire Co. Ltd	(658)	-
Total impairments / (write-backs)	**(5,529)**	**(4,402)**

With reference to the write-off of FD Sims, Smit Draad Nijmegen, Isolveco 2 and Irce Electromagnetic Wire, please refer to the paragraph 8. Investments, while for the write-off of Irce SL and Stable Magnet Wire see paragraph 19. Provision for risks and charges

35. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Financial income	3,155	2,088	1,067
Financial charges	(802)	(797)	(5)
Foreign exchanges	(226)	70	(296)
Total financial income and charges	**2,127**	**1,361**	**766**

The item "Financial income" mainly includes for € 2.1 million the dividends paid by the Brasilian subsidiary (€ 1.5 million as of 31 December 2021), for € 0.2 million interest income on payment extensions granted to customers (€ 0.1 million at 31 December 2021), for € 0.5 million (at 31 December 2021 € 0.6 million negative) the positive net effect of forward transactions on copper both already settled during the year and from evaluation at the end of the period (see paragraph 5 for further details) as well as for € 0.2 million interest on intercompany loans (€ 0.1 million at 31 December 2021).

The item "Financial charges" includes mainly for € 0.4 million interest expense on short-term and long-term debt (€ 0.2 million at 31 December 2021) and for € 0.2 million charges relating to the non-recourse discount of trade receivables.
The change in interest expense is mainly attributable to higher market interest rates.

In the item "Foreign exchanges" is shown essentially the negative balance of foreign exchange gains and losses realised and unrealised.

36. INCOME TAXES

(Thousands of Euro)	2022 31 December	20201 31 December	Change
Current taxes	(90)	(2,854)	2,764
Deferred tax liabilities	341	379	(38)
Total tax income	**251**	**(2,475)**	**2,726**

The table below shows the reconciliation between the theoretical and effective tax expense:

€/000	2022 31 December	2021 31 December
Profit/(Loss) before tax	5,538	8,027
Taxes calculated with applicable IRES rate (24%)	1,329	1,926
Tax impact of non-deductible IRES costs		
Permanent changes	(1,583)	55
Temporary changes	343	379
ACE deduction (Allowance for corporate equity)	(123)	(120)
IRAP rate (effective)	114	588
Taxes related to previous years	9	26
Total	89	2,854

The item "Permanent changes" mainly includes as increasing tax adjustments the write-downs recognised on equity investments and as decreasing tax adjustments the contributions received on electricity and paid to energy-intensive companies in the form of tax credits, dividends distributed by the Brazilian subsidiary and changes associated with hyper/super-depreciation.

The significant reduction in current taxes compared to the previous year is essentially attributable to the non-taxability of the contributions received on electricity in the form of a tax credit.

37. RELATED PARTY DISCLOSURES

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

(Thousand of Euro)	Sales revenues intercompany	Other intercompany income	Raw materials and consumables - intercompany	Other service intercompany	Personnel intercompany costs	Non current intercompany financial assets	Trade receivables-intercompany	Trade payables due to Group	Tax receivables - Aequafin	Financial income - intercompany	Dividends from subsidiaries	Financial charges intercompany
FD SIMS ltd	1,693	31	(1,293)	(8)	-	7,582	529	15	-	76	-	-
Smit Draad Nijmegen	-	46	-	-	-	8,956	9	-	-	88	-	(143)
Isomet AG	7,827	12	-	(2)	-	-	2,073	2	-	-	-	-
Irce Ltda	1,848	48	(71)	(2)	-	-	475	-	-	-	2,150	-
DMG Gmbh	99	-	(20)	(398)	-	1,602	16	95	-	2	-	-
Isodra Gmbh	480	3	-	-	-	1,839	689	-	-	4	-	-
Irce SL	2	1	(93)	(433)	(9)	1,624	2,387	51	-	38	-	-
Stable Magnet Wire P.	1,217	-	-	-	-	-	3,178	-	-	-	-	-
Isolveco 2 SRL	-	3	-	(198)	-	-	2	10	-	-	-	-
Isolveco SRL in liquidazione	-	-	-	-	-	-	116	-	-	-	-	-
Irce Electromagnetic	-	-	-	-	-	-	80	-	-	-	-	-
Irce SP.ZO.O	-	-	-	(54)	-	118	-	-	-	2	-	-
Irce S.R.O. Cechia	-	-	-	-	-	1,483	-	-	-	32	-	-
Aequafin	-	-	-	-	-	-	-	-	2,175	-	-	-
Total related party	**13,166**	**144**	**(1,477)**	**(1,095)**	**(9)**	**23,204**	**9,554**	**173**	**2,175**	**242**	**2,150**	**(143)**

In addition, it should be noted that IRCE S.p.A. has a tax credit for IRES to the Parent Company Aequafin SpA of € 2,175 thousand following the application of the national tax consolidation.

In compliance with the requirements of IAS 24, the annual compensation received by the members of the Board of Directors is shown below:

€/000	Compensation for the office held	Compensation for other tasks	Total
Directors	250	287	537

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.

38. COMMITMENTS AND GUARANTEES

The Group has no significant commitments at the balance sheet date. In relation to the guarantees provided, IRCE issued six sureties for a total of € 1,523 thousand in favour of a publicly owned company to guarantee the supply of electrical cables.

39. MANAGEMENT OF TRADE RECEIVABLES

Below is a breakdown of trade receivables from third parties, divided both by internal rating and maturity.

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

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Risk level			
Minimum	26,837	36,663	(9,826)
Medium	12,844	24,247	(11,403)
Above average	2,136	8,244	(6,108)
High	154	647	(493)
Total trade receivables	**41,970**	**69,801**	**(27,831)**

(Thousands of Euro)	2022 31 December	2021 31 December	Change
Due dates			
Not yet due	21,595	32,297	(10,702)
< 30 days	18,546	36,502	(17,956)
30 - 60 days	385	642	(257)
60 - 120 days	984	41	943
> 120 days	460	319	141
Total trade receivables	**41,970**	**69,801**	**(27,831)**

It should be noted that the provision for bad debts from third parties, equal to € 1.6 million, refers for € 0.7 thousand to the maturity bands "61-120 days" and "> 120 days" and, at the risk level, to the categories "Above average" and "High" while for the remaining € 0.9 million to the maturity bands of less than 60 days and at risk level to the "Minimum" and "Medium" categories.

In accordance with the provisions of IFRS 8, para. 34, please note that for the years ended on 31 December 2022 and 2021, there are no third-party customers generating revenues for the Group that exceed 10% of total revenues.

40. CAPITAL RISK MANAGEMENT

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

(Thousands of Euro)	2022 31 December	2021 31 December
Net financial position (A)	(54,547)	(65,510)
Shareholders' equity (B)	(161,831)	(157,084)
Total capital (A) + (B) = (C)	(216,378)	(222,594)
Gearing ratio (A) / (C)	25,2%	29.4%

41. FINANCIAL INSTRUMENTS

a) Financial instruments by category

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

	Current period			
(in thousands of Euro)	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	23,204	-	-	23,204
Current financial assets				
Trade receivables	49,961	-	-	49,961
Current financial assets	15	401	-	416
Cash and cash equivalent	1,432	-	-	1,432
Non-current financial liabilities				
Financial payables	17,909	-	-	17,909
Current financial liabilities				
Trade payables	20,860	-	-	20,860
Financial payables	38,486	-	-	38,486

	Previous period			
(Thousands of Euro)	Amortised cost	FV with a balancing entry in the income statement	FV with a balancing entry in equity	Total
Non-current financial assets				
Non-current financial assets and receivables	22,084	-	-	22,084
Current financial assets				
Trade receivables	77,329	-	-	77,329
Current financial assets	8	666	-	674
Cash and cash equivalent	461	-	-	461
Non-current financial liabilities				
Financial payables	15,422	-	-	15,422
Current financial liabilities				
Trade payables	26,441	-	-	26,441
Financial payables	51,201	21	-	51,222

b) Fair value of financial instruments

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

(Thousands of Euro)	2022 31 December	2021 31 December	2022 31 December	2021 31 December
	Carrying amount		Fair value	
Financial assets				
Cash and cash equivalent	1,432	461	1,432	461
Current financial assets	416	673	416	673
Trade receivables	49,961	77,329	49,961	77,329
Non-current financial assets and non-current receivables	23,204	22,084	23,204	22,084
Financial liabilities				
Current financial liabilities	38,486	51,222	38,486	51,222
Trade payables	20,860	26,441	20,860	26,441
Non-current financial liabilities	17,909	15,422	17,909	15,422

c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (Thousand of 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.

2022	Level 1	Level 2	Level 3	Total
Assets:				
Derivative Financial Instruments	-	142	-	142
Total assets	**-**	**142**	**-**	**142**
Liabilities:				
Derivative Financial Instruments	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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

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

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

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

Type of service	Entity supplying the service	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	112
Other certifications (NFS)	Deloitte & Touche S.p.A.	4

43. INFORMATION PURSUANT TO LAW NO. 124/2017

In line with the provisions of Legislative Decree 135/2018 and in place of the disclosure obligation pursuant to Law 124/2017, it is declared that IRCE S.p.A. has received State aid in the current financial year subject to publication obligation within the “Registro nazionale degli aiuti di Stato”.

44. 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 2022.

45. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

With respect to the proposed allocation of the result for the year 2022 to be submitted to the Shareholders’ Meeting, see the “Report on Operations for 2022”.

Imola, 15 March 2023

On behalf of the Board of Directors

The Chairman

Mr Filippo Casadio

Attachment 1

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

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

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

of the administrative and accounting procedures used to prepare the IAS/IFRS separate financial statements.

In addition, it is hereby certified that the IAS/IFRS separate financial statements:

d) are consistent with accounting books and records;
e) are prepared in compliance with IAS/IFRS standards and give a true and fair view of the financial position, financial performance and cash flows of the Company;
f) that the Report on Operations contains a reliable analysis of the information pursuant to para. 4, art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

Imola, 15 March 2023

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 shown net of the provision for write-down of equity investments, while the provision for covering losses in equity investments is set aside for the subsidiaries whose carrying amount has already been entirely written off.

(Unit of Euro)	Share capital	Equity investment %	Shareholders' equity	Pro-quota of shareholders' equity	Result for the period	Pro-quota of result for the period	Net book value	Provision for covering losses in equity investments	Difference
FD SIMS ltd	18,173	100%	1,194	1,194	(1,923)	(1,923)	2,142	-	(947)
Smit Draad Nijmegen BV	1,166	100%	(47)	(47)	(1,251)	(1,251)	407	-	(454)
Isomet AG	674	100%	5,448	5,448	1,228	1,228	1,435	-	4,014
Irce Ltda	58,809	100%	37,701	37,701	2,780	2,780	58,466	-	(20,765)
DMG Gmbh	256	100%	1,207	1,207	(29)	(29)	120	-	1,088
Isodra Gmbh	25	100%	(1,654)	(1,654)	174	174	0	1,855	201
Irce SL	150	100%	(3,792)	(3,792)	(48)	(48)	0	3,792	0
Stable Magnet Wire P.Ltd	2,602	100%	(1,812)	(1,812)	(524)	(524)	0	1,813	0
Isolveco 2 SRL	10	100%	7	7	(8)	(8)	28	21	0
Isolveco SRL in liquidazione	46	75%	(1,301)	(976)	(82)	(62)	0	-	(976)
Irce Electromagnetic Wire	2,000	100%	1,342	1,342	(164)	(164)	1,342	-	0
Irce SP.ZO.O	48	100%	(60)	(60)	(16)	(16)	0	68	8
Irce S.R.O. Cechia	130	100%	64	64	(65)	(65)	130	-	(66)
Total	**84,089**		**38,297**	**38,622**	**72**	**92**	**64,070**	**7,549**	**(17,897)**

Please note that FD Sims Ltd, Smit Draad Nijmegen BV, and Irce Ltda . Please refer to the paragraph 3. Investments for evidence of the results.
It should also be noted that the significant negative difference of Irce Ltda, equal to € 20.7 million, is totally attributable to the devaluation of the Brazilian currency.

In relation to the negative difference between the “Pro-quota of Shareholders' Equity” and the carrying value of Isolveco Srl in liquidation, equal to € 1.0 million, a provision for bad debts of € 1.4 million was recorded instead of the allocation to the loss coverage fund (see section 7. Trade receivables) to cover trade receivables of € 1.5 million.

Finally, it should be noted that the subsidiary "Irce S.R.O. Cechia" is currently inactive and the negative difference between carrying value and the “Pro-quota of Shareholders' Equity”, equal to € 66 thousand, is considered recoverable once the start-up phase has been completed.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Irce S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Irce S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, 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.

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Inventories: Measurement of the "Copper Component"	
Description of the key audit matter	As stated in Note "11. *Inventories*" to the consolidated financial statements of the Group as of December 31, 2022, the carrying amount of inventories is Euro 117,988 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 audit matters of the audit of the consolidated financial statements of the Group as of December 31, 2022, given: *i)* the significant value of the Copper Inventories recorded in the consolidated financial statements as of December 31, 2022; *ii)* the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trend iii) as well as the volatility of the trends in the prices of copper.

Audit procedures performed	Our audit procedures on the key audit matters relating to the measurement of Copper Inventories, included, among others, the following: • Identifying and understanding the procedures and key controls adopted by the Group for the measurement of Copper Inventories. • Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories. • With reference to the realisable value of Copper Inventories: - Understanding of the calculation method adopted by the Group for determining the realizable value of Copper Inventories; - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the Group; - Verifying the completeness and accuracy of the database used by the Group for the determination of realisable value; - Verifying the sources of the market parameters used by the Group to estimate realisable value; - Verifying the mathematical accuracy of the calculations made by the Group to determine realisable value; - Verifying, on a sample basis, the documentation supporting the detailed calculations of realisable value; Examining the adequacy and conformity of the disclosures made about Copper Inventories in the explanatory notes, with respect to the requirements of the reference accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Irce S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as of December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as of December 31, 2022, have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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, 2022, 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, 2022 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, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Irce S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2023

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of Irce S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Irce S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Irce S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2022, income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2022, 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.

Deloitte.

Recoverability of the value of equity investments in subsidiaries	
Description of key audit matter	As stated in Note “8. Investments” to the Company's financial statements as of December 31, 2022, the amount of the investments in subsidiaries is Euro 64,068 thousand, net of an overall write-down of Euro 22,150 thousand, of which Euro 4,400 thousand recorded during the year with reference to two investments in foreign subsidiaries. Investments in subsidiaries are valued at cost adjusted for impairment losses. In line with "IAS 36 Impairment of assets", in the presence of impairment indicators, the Company carries out an impairment test by comparing the recoverable amount of the investments - determined according to the value in use method - and their carrying amount. Given the materiality of the difference between the carrying amount of the investment in the Brazilian subsidiary IRCE Ltda and the corresponding portion of equity, mainly attributable to the exchange rate effect and the losses of certain foreign subsidiaries, the Company has carried out impairment tests. The measurement process adopted by Management is complex and includes several assumptions regarding, for example, forecast of expected cash flows, the appropriate discounting rate (WACC) and long-term growth rate (g-rate). In consideration of the materiality of the difference between the carrying amount of the investment in the Brazilian subsidiary referred to above and the corresponding portion of equity (mainly due to foreign exchange effects) and the subjectivity of the estimates relating to the determination of cash flows and the key variables of the impairment model, we considered the impairment test on investments in subsidiaries a key audit matter in our audit of the Company's separate financial statements.
Audit procedures performed	In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network: • Identification and understanding of the significant controls implemented by the Company over the impairment testing process of subsidiaries; • Understanding of the Company's calculation method for preparing the impairment test used; • Analysis of the reasonableness of the principal assumptions adopted for the forecasting of cash flows;

- Analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;

- 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) used;

- Verification of the mathematical accuracy of the model used to determine the value in use of the equity investments;

- Verification of the correct determination of the carrying amount of the investments and comparison with their value in use;

- Verification of the sensitivity analyses prepared by Company Management;

- Examination of the adequacy of the information provided by the Company about the impairment test and its consistency with the requirements of IAS 36.

Inventories: Measurement of the "Copper Component"	
Description of the key audit matter	As stated in Note "11. *Inventories"* to the Company's financial statements as of December 31, 2022, the carrying amount of inventories is Euro 78,720 thousand. The main raw material used by the Company in the production process is copper, whose value represents the most significant component of its inventories. The selling price of the products sold by the Company is agreed with its customers to comprise two components: i) one relating to the quantity of copper included in the finished product (the "Copper Component") and ii) one relating to the processing work carried out (the "Processing Component"). The selling price of the Copper Component is agreed with the customer, which can opt for either a fixed price corresponding to that applying on the order signature date, or a variable price based on a mechanism linked to the trend in the price of copper over a specified period of time.

In the financial statements of the Company, the inventories of raw copper and the Copper Component of finished products and work in process (hereinafter, together, the “Copper Inventories”) are measured separately from the Processing Component and are stated at purchase cost or, if lower, at their estimated realisable value.

The price of copper, listed on the principal ferrous metal exchanges, is subject to sometimes significant fluctuations and, accordingly, a reduction in the market price of copper subsequent to the reporting date might require the carrying amount of Copper Inventories to be reduced to their estimated realisable value.

In order to verify the carrying amount of Copper Inventories, the Directors performed a specific analysis that took account of multiple elements of information, including estimates, such as outstanding sales orders and commitments and expected trend in the copper price in the months subsequent to approval of the financial statements.

We considered the measurement of Copper Inventories to be a key audit metter of the financial statements of the Company as of December 31, 2022, given: *i)* the significant value of the Copper Inventories recorded in the financial statements as of December 31, 2022; *ii)* the methodology used to determine recoverable value, based on a complex process used by the Directors to estimate the future copper price trend iii) as well as the volatility of the trends in the prices of copper.

Audit procedures performed

Our audit procedures on the key audit metter relating to the measurement of Copper Inventories included, among others, the following:

- Identifying and understanding the procedures and key controls adopted by the Company for the measurement of Copper Inventories.

- Verifying, on a sample basis, the accuracy of the weighted-average cost calculation used for the measurement of Copper Inventories.

- With reference to the realisable value of Copper Inventories:

  - Understanding of the calculation method adopted by the Company for determining the realizable value of Copper Inventories;

  - Obtaining details of the realisable value calculation and analysing the reasonableness of the principal assumptions made by the 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.

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, actions taken to eliminate threats or safeguards applied.

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, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Irce S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements as of December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as of December 31, 2022, have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Irce S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Irce S.p.A. as of December 31, 2022, 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, 2022 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, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2023

As disclosed by the Directors on page 1 the accompanying financial statements of Irce S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018 OF JANUARY 2018

To the Board of Directors of
Irce S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Irce S.p.A. and its subsidiaries (hereinafter "Irce Group" or "Group") as of December 31, 2022 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 15, 2023 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Taxonomy".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (*ISQC Italia 1*) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;

2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;

3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Irce Group;

4. understanding of the following matters:

   - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

   Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

   In particular, we carried out interviews and discussions with the management of Irce S.p.A. and with the employees of 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 for Irce S.p.A. and Joinville (Brazil) 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 site visits or remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Irce Group as of December 31, 2022 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

Our conclusion on the NFS of the Irce Group does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph “Taxonomy”.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Fruci
Partner

Bologna, Italy
March 28, 2023

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

IRCE SpA

Registered office Imola (BO) Via Lasie n. 12/B
Share capital €. 14,626,560.00 iv .
Registration in the Bologna Company Register and Fiscal Code 82001030384 –
REA 266734

Report of the Board of Statutory Auditors to the Shareholders' Meeting of IRCE SpA, pursuant to art. 153 of Legislative Decree 58/98 and of the art. 2429, paragraph 3, of the Civil Code.

Dear Shareholders,

the separate financial statements for the year ended 31 December 2022 which is being proposed for approval close with a profit of €5,788,946.

The financial statements, which were sent by the Board of Directors to the Board of Statutory Auditors within the terms of the law, were drawn up on the basis of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. It consists of the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in equity, the cash flow statement and the explanatory notes. The financial statements are accompanied by the Directors' Report on management performance, which also summarizes the main risks and uncertainties and provides an account of the foreseeable management evolution, taking into account the guidelines issued by ESMA (Public Statement *ESMA32-63 -1320 " European common enforcement priorities for 2022 annual financial reports"*).

Pursuant to art. 40, paragraph 2 bis of Legislative Decree n. 127/1991, the directors' report was drawn up in unitary form for the separate financial statements of IRCE S.p.A. and the consolidated financial statements of the IRCE Group.

The Annual Financial Report has been prepared in compliance with the delegated regulation (EU) n. 2019/815 of 17 December 2018 (G.U.U.E. L. 143 of 29 May 2019), which, by integrating directive no. 2004/109/EC, has established regulatory technical standards relating to the specification of the single electronic format for communication of the annual financial reports; therefore, the same was prepared according to the single electronic communication format ESEF - *European Single Electronic Format* -.

The Company has drawn up the annual Report on Corporate Governance and Ownership Structures in compliance with article 123-bis of the TUF and with the instructions contained in the Regulation of the Organized Markets managed by Borsa Italiana S.p.A..

During the year ended 31 December 2022, the Board of Statutory Auditors carried out the supervisory activity pursuant to art. 149 of Legislative Decree 58/1998, in accordance with the rules of conduct of the Board of Statutory Auditors in joint stock companies with shares listed on regulated markets, drawn up by the National Council of Chartered Accountants and Accounting Experts and the recommendations of CONSOB on matters of accounting controls and activities of the Board of Statutory Auditors.

In preparing this report, account was taken of CONSOB communications no. 1025564 of 6 April 2001, no. 321582 of 4 April 2003 and no. 6031329 of 7 April 2006 as well as the indications contained in the Code of Conduct, concerning the content of the reports of the Boards of Statutory Auditors of companies with shares listed on the Stock Exchange to the shareholders' meetings.

In particular, the Board of Statutory Auditors:

- supervised compliance with the Law, the Articles of Association and the Corporate Governance Code. On the basis of the information acquired through its supervisory activity, the Board of Statutory Auditors believes that the corporate operations have been based on compliance with the principles of correct administration, that they have been approved and implemented in compliance with the law and the Articles of Association and that they meet the interest of the Company. Furthermore, the same are not manifestly imprudent, risky or lacking in the necessary information, or in contrast with the resolutions passed by the shareholders' meeting, nor do they appear such as to compromise the integrity of the corporate assets;

- participated in the meetings of the shareholders' meeting and of the board of directors and obtained from the directors information on the activity carried out and on the operations of greatest economic, financial and equity significance carried out by the Company and its subsidiaries;

- supervised the process of drawing up the report on corporate governance and the ownership structure and was informed on the procedures for implementing the recommendations of the Chairman of the Corporate Governance Committee of Borsa Italiana formulated in a communication dated 25 January 2023. The Report on Corporate Governance and the Structure Proprietors drawn up pursuant to article 123-bis of the TUF, was approved by the Board of Directors on 15 March 2023 and is available on the Company's website;

- ascertained that the Company has adopted the policy for managing dialogue with the majority of shareholders which, approved by the Board of Directors on 22 September 2022, is available on the Company's website;

- verified the adequacy of the procedural indications adopted by the Remuneration Committee for the definition and implementation of the remuneration policies of executive directors or directors vested with particular offices.

  It should be noted that on 15 February 2023 the Board of Directors, upon proposal of the Remuneration Committee, approved the amendment of the document "Rules *for the definition of the variable remuneration portion for directors and executives with strategic positions for the three-year period 2022-2024* " introducing an indicator that must take into account "ESG" objectives in the calculation of the medium-term variable premium.

  The characteristics of the short and long-term remuneration policies are illustrated in the Remuneration Report drawn up pursuant to art. 123-ter of the TUF available on the Company's website, which will be submitted to the examination and binding vote of the Shareholders' Meeting of 28 April 2023;

- supervised the adequacy of the administrative-accounting system, both on the basis of direct assessments and through the periodic exchange of information with the company appointed to audit the accounts, from which the Board of Statutory Auditors has not received reports of reprehensible facts pursuant to art. 155, paragraph 2 of Legislative Decree 58/1998. The Board of Statutory Auditors believes the administrative-accounting system is substantially suitable for ensuring the correct representation of operating events in the separate financial statements and in the consolidated financial statements;

- obtained information from the Manager responsible for preparing the corporate accounting documents, a function that complies with the provisions of art. 154-bis of Legislative Decree 58/1998, which did not report particular deficiencies in the operating and control processes which, due to their relevance, could invalidate the judgment of adequacy and effective application of the administrative-accounting procedures for the purpose of a correct economic, patrimonial and financial representation of management facts in accordance with international accounting principles;

- maintained relations with the members of the Control and Risk Committee, the Remuneration Committee and the Related Party Transactions Committee set up within the Board of Directors, also participating in the related meetings;

- supervised the adequacy of the organizational structure and the internal control system, acknowledging the assessments expressed by the Control and Risk Committee and the Internal Audit Manager, as well as what was highlighted in the annual report of the Supervisory Body pursuant to Legislative Decree No. 231/2001;

- received information from the professional who was entrusted with the internal audit function on the activity carried out during the year 2022. As shown in the Report on corporate governance and the ownership structure, the Board of Directors, in compliance with the provisions of the Code of Self-discipline, assumed responsibility for the Company's internal control;

- supervised - since the Board of Statutory Auditors is not responsible for the analytical control of the content of the financial statements - on the general approach given to the financial statements, drawn up in accordance with the IAS/IFRS accounting standards, on compliance with the law as regards its formation and structure and, in this regard, has no particular observations to report;

- received information during the year on the activity carried out by the Supervisory Body of the organisation, management and control model (Legislative Decree 231/2001) as also reported in the annual report issued on 27 February 2023;

- verified the compliance of the management report with the law and regulations in force, in line with the resolutions adopted by the Board of Directors and with the representations of the financial statements. The consolidated half-year report did not require observations from the Board of Statutory Auditors. The half-yearly report and the quarterly reports have been disclosed as required by law and current regulations;

- supervised, to the extent of its competence, the obligations relating to information of a non-financial nature pursuant to Legislative Decree no. 254/2016, verifying, in particular, the correct fulfillment of the obligations for the preparation and publication of the consolidated non-financial statement by the Parent Company.

  The Board of Statutory Auditors obtained, also by participating in the meetings of the Control and Risk Committee, periodic updates on the performance of the preparatory activities for the preparation of the NFD and received information from the Head of the drafting process of the NFD on the materiality analysis carried out by the company for define the non-financial information areas of a social/environmental nature considered relevant for the Group, which during 2022 saw the involvement of some external stakeholders.

  The information required by Regulation (EU) 2020/8525 (so-called Taxonomy Regulation) was provided in the Irce Group's NFD;

- supervised the effective implementation and concrete functioning by the Board of Directors, pursuant to art. 2391 bis of the civil code and art. 4 of the Regulation on transactions with related parties adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments and additions, of the procedure for the management and approval of transactions with related parties adopted by the Company, most recently adopted with a resolution of the Board of Directors on 30 June 2021;

- on 14 October 2022 it completed the periodic self-assessment process, the results of which were examined by the Board of Directors in the meeting of 14 November 2022 and highlighted in the Corporate Governance Report;

- on 15 March 2023 it proceeded to verify the correct application of the assessment criteria and procedures adopted by the Board of directors to assess the independence of its members.

The Board of Statutory Auditors reports that the Board of Directors in the meeting of 15 March 2023, as suggested by the joint document of the Bank of Italy/Consob/ISVAP of 3 March 2010, approved, independently and prior to the moment of approval of the project financial statements by the Board of Directors, the compliance of the *impairment test procedure* with the provisions of the international accounting standard IAS 36.

In particular, the *impairment test procedures* were conducted by the Company on the value of the Net Invested Capital in the financial statements of the IRCE Group and of the companies IRCE S.p.A., FD Sims LTD, Irce Ltda and Smit Draad Nijmegen. The explanatory notes to the financial statements contain information and results of the evaluation process carried out.

In the notes to the financial statements and the consolidated financial statements, the Directors have provided information on the risk of climate change and the presence of the Company and the Group in the countries involved in the Russian-Ukrainian conflict and their assessments regarding the potential direct and indirect effects of the conflict on the activity carried out.

On 19 January 2023, the Board received communication from CONSOB pursuant to articles 9, paragraph 3, of Legislative Decree no. 254/2016 and of the art. 115, paragraph 1, of Legislative Decree no. 58/1998, with which some clarifications were requested regarding the initiatives undertaken by the Company and the supervisory activity carried out by the Board of Statutory Auditors in relation to a series of issues envisaged by Legislative Decree no. 254/2016 already discussed with CONSOB during the meeting held on 7 December 2021.

The Board of Statutory Auditors responded to this communication on 30 January 2023, providing the requested information.

During the supervisory activity, as described above, no further significant facts emerged such as to require mention in this report.

The accounting audit was carried out by the auditing company Deloitte & Touche SpA - to which the shareholders' meeting on 10 June 2020 conferred a mandate for the period 2020-2028 - and with which the Board of Statutory Auditors has held periodic meetings aimed at the mutual exchange of information on the management of the Company and its subsidiaries, also in view of the preparation of this report, obtaining information on the audit report pursuant to articles 14 and 16 of Legislative Decree 39/2010.

The Board of Statutory Auditors has read the audit reports drawn up by the aforementioned Independent Auditors on 28 March 2023, issued pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) no. 537/2014, acknowledging that, in its opinion, the financial statements of the Company and the consolidated financial statements of the group as at 31 December 2022 comply with the International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005 and represent in a truthful and correct way the equity and financial situation, the economic result and the cash flows for the year ended on that date, setting out in the same reports the key aspects of the accounting audit in its opinion most significant in the scope of work performed.

Furthermore, the Independent Auditors judged the financial statements - prepared in XHTML format - compliant with the provisions of Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the single electronic communication format (ESEF - European Single Electronic Format), highlighting that "some information contained in the explanatory notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations, may not be reproduced in an identical manner with respect to the corresponding information viewable in the consolidated financial statements in XHTML format".

Finally, in the opinion of the Independent Auditors, the Management Report and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of art. 123 bis of Legislative Decree 58/1998 presented in the Corporate Governance Report are consistent with the separate financial statements.

The Independent Auditors sent the Board of Statutory Auditors the additional report pursuant to art. 11 of Regulation (EU) 537/2014 relating to the separate and consolidated financial statements as at 31 December 2022, in which, inter alia:

- highlighted the key aspects of the audit;
- confirmed pursuant to art. 6 paragraph 2) lett. a) of European Regulation 537/2014 and as required by paragraph 17 lett. a) of the ISA Italia 260 Auditing Standard, which, on the basis of the information obtained and the checks carried out, taking into account the regulatory and professional principles governing the auditing activity, in the period from 1 January 2022 to today's date, no situations that have compromised his independence pursuant to articles 10 and 17 of Legislative Decree 39/2010 and of the articles 4 and 5 of the European Regulation;
- it confirmed the independence of the other subjects it used to carry out the statutory audit;
- did not highlight any deficiencies in the internal control system in relation to the financial reporting process;
- has not highlighted any cases of non-compliance, actual or presumed, with laws and regulations or statutory provisions;
- highlighted that it has not encountered limitations on the process of obtaining sufficient appropriate audit evidence on which to base its opinion;
- presented the significant issues that emerged from the statutory audit.

The Board of Statutory Auditors has read the opinion drawn up by Deloitte & Touche S.p.A. on the consolidated non-financial statement of Irce S.p.A.

and its subsidiaries, pursuant to art. 3, c. 10, Legislative Decree n. 254/2016 and of the art. 5 of Consob regulation no. 20267, issued on 28 March 2023, acknowledging that, in its opinion, there are no elements that suggest that the NFS of the Irce Group relating to the financial year ended 31/12/2022 has not been drawn up, in all significant aspects, in compliance with the requirements of articles 3 and 4 of Legislative Decree no. 254/2016 and by the GRI Standards, with reference to the selection of GRI Standards.

As far as it is responsible, the Board of Statutory Auditors, in implementation of the provisions of art. 153 of the aforementioned Legislative Decree 58/1998, and in compliance with the provisions of Consob with resolution DEM 1025564 of 6/4/2001, further specifies that:

- received from the Directors, both during the board meetings and during the meetings held with the foreseen frequency, detailed and punctual information on the activity carried out by the company with particular regard to the transactions of greater economic, financial and equity importance;

- from the management report, from the information provided during the meetings of the Board of Directors and from those received from the company management and from the Independent Auditors, it did not detect the existence of atypical and/or unusual transactions, also with reference to transactions intragroup or with related parties;

- during the year the company Deloitte & Touche S.p.A. was conferred, in addition to the audit assignment and the role of Auditor appointed to the report of the Consolidated Non-Financial Disclosure, additional assignment concerning audit services of the prospectus as at 31 December 2021 of Irce SpA, prepared for the purposes of the Decree of the Minister of Economic Development of 21 December 2017, referred to in article 19, paragraph 2, of law 167/17 on the basis to the Determination of the Director of the Energy Infrastructure and Unbundling Department of the Regulatory Authority for Energy, Networks and the Environment ("ARERA"), 17/2020 of 24 September 2020, "Provisions on the collection of financial statement data relevant for the purpose of calculating the VAL for companies with high electricity consumption", for the relevant year 2023. The Board of Statutory Auditors has expressed specific formal approval for the provision of the additional aforementioned services;

- during the year, the Board of Statutory Auditors did not express any opinions or proposals required by law, as there were no situations that required them;

- the following meetings of the corporate bodies were held during the year:
  - Shareholders' meetings: no. 1
  - Boards of Directors: no. 8
  - Meetings of the Board of Statutory Auditors: no. 7;

- during the year 2022 and up to today's date, no complaints have been received pursuant to art. 2408 of the Civil Code nor does it appear that complaints have been presented by shareholders and/or third parties;

- the " *Internal control and auditing committee* ", as required by art. 19 of Legislative Decree n. 39/2010, identifies with the Board of Statutory Auditors; in this regard, also on the basis of the information provided by the Chairman of the Board of Directors, by the members of the Control and Risk Committee, by the Head of the *internal audit function* , as well as by the Company responsible for the statutory audit, the Board of Statutory Auditors can confirm that the internal control is adequate for the size of the company;

- the Board has extended the supervisory activity on the adequacy of the instructions issued by the Company to the subsidiaries pursuant to art. 114, paragraph 2, of Legislative Decree 58/19-98, obtaining information from the company's directors. The relationships with the subsidiaries were found to be substantially adequate.

Following the supervisory activity carried out by the Board of Statutory Auditors, no reprehensible facts, omissions or irregularities emerged to be reported in this Report.

The Board of Statutory Auditors does not deem it necessary to exercise the right to formulate proposals to the Shareholders' Meeting pursuant to art. 153 second paragraph of Legislative Decree 58/1998.

Taking into account all of the foregoing, the Board of Statutory Auditors expresses a favorable opinion on the approval of the Financial Statements as at 31 December 2022 and has no objections to formulate regarding the proposal of the Board of Directors regarding the allocation of the profit for the 2022 financial year.

With the approval of the financial statements as at 31.12.2022, the mandate conferred on the Board of Statutory Auditors comes to an end. Thanking you for the trust placed in us, we invite the Shareholders to appoint the Board of Statutory Auditors for the next three years.

Bologna, 28 March 2023

THE BOARD OF STATUTORY AUDITORS

(Dr. Fabio Senese) ____________________ __________

(Dr. Adalberto Costantini) ______________________ ________

(Dr. Donatella Vitanza) ______________________ ________