

Financial statements as of 31 December 2023

**Additional version not compliant with the
provision of Delegated Regulation (UE) 2019/815**



SMART SOLUTIONS IN WINDING WIRE
SMART SOLUTIONS IN WINDING WIRE

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CORPORATE BODIES

Board of Directors

Chairman	Dr.	Filippo Casadio
Non-Executive Director	Ing.	Francesco Gandolfi Colleoni
Non-Executive Director	Dr.	Gianfranco Sepriano
Non-Executive Director	Dr.	Francesca Pischedda
Non-Executive Director	Dr.	Orfeo Dallago
Independent Director	Dr.	Gigliola Di Chiara
Independent Director	Dr.	Claudia Peri

Board of Statutory Auditors

Chairman	Dr.	Donatella Vitanza
Standing Statutory Auditor	Dr.	Fabrizio Zappi
Standing Statutory Auditor	Dr.	Giuseppe Di Rocco
Substitute Statutory Auditor	Dr.	Federico Polini
Substitute Statutory Auditor	Dr.	Debora Frezzini

Independent Auditors

Deloitte & Touche S.p.A.

Components	Control and Risks Committee	Remuneration Committee	Related Parties Committee
Ms Gigliola Di Chiara	■	■	■
Mr Gianfranco Sepriano	■	■	
Ms Claudia Peri	■	■	■
Ms Francesca Pischedda			■

Financial Reporting Officer

Ms Elena Casadio

Internal Auditor

Mr Fabrizio Bianchimani

Supervisory Board

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 29th April 2024 at 11,00 am in a first call and on the second call, if necessary, on 6th May 2024 at the same time to discuss and vote the following

AGENDA

- Financial statements as of 31/12/2023 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 31/12/2023;
- 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;
- Report on remuneration - 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 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 1,654,413 of its own shares representing 5.88% 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 by 18 April 2024; 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 by the end of the third trading day prior to the date set for the Shareholders' Meeting on first call 24 April 2024. 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 by 25 April 2024. 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.

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 18 April 2024 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 by 4 April 2024 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 by 14 April 2024.

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 "Il Sole 24 Ore" newspaper.

Report on operations for 2023



Introduction

Given the significant impact of the activities of the Parent Company IRCE S.p.A. (hereinafter also referred to as “IRCE”, the “Company”, the “Parent company”) within the IRCE Group and pursuant to article 40, paragraph 2 bis 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,

Restrictive monetary policies to contain and reduce inflation have led to a global economic slowdown, which has also affected the IRCE Group's activities and results. Inflation has, however, been halted and there are real prospects that it will gradually fall to below 2% in Europe by 2026. Interest rates should start falling reasonably soon, boosting demand and economic activity in general.

However, uncertainties related to the general geopolitical situation remain. The current wars do not seem destined to end in the short term, and the risk of their widening always remains. Electoral results could lead to even more protectionist policies by changing the rules of competitiveness at international level. In short: the international political situation is a reason for great uncertainty.

Some ongoing changes appear to have a possible major impact on the IRCE Group: the energy transition, deglobalisation and industrial policies, with their impact on supply chains.

The IRCE Group produces winding conductors, which are the essential component for generators, motors and transformers that, in turn, are the basis for the production, transport and use of electricity. In these sectors, all economic observers predict exponential growth in demand.

Policies of strategic independence, or more simply protectionism, should bring back to Europe, which is our core market, productions that have been displaced by cost-benefit calculations.

Europe continues and will continue to be our core market. However, we are not forgetting the objective of also geographically diversifying the risk of our business, in order to mitigate its fluctuations; an objective that remains firmly in our strategic design.

In this scenario, for the IRCE Group (hereinafter also referred to as the “Group”), 2023 ended with consolidated net profit of € 8.23 million.

Consolidated Performance for 2023

Consolidated turnover was € 402.78 million, down by 11.4% compared to € 454.70 million in 2022, a fall due above all to the lower volumes sold and, partly, the fall in the price of copper (the average LME price of copper in 2023 was 6.0% below that of 2022). EBITDA and EBIT improved compared to the previous year, thanks to higher margins and greater efficiency. The new photovoltaic plant also contributed to the result.

During the year, we saw weak market demand in both business lines. In the winding wire sector, the fall in volumes continued throughout the year. Instead in the cable sector, where we saw a small fall in volumes compared to the previous year, as from the second half of the year, the quantities sold saw a significant recovery, thanks to the acquisition of some important public contracts in the infrastructure sector.

Consolidated turnover without metal¹ rose by 2.6%; the winding wire sector fell by 1.6%, while the cable sector increased by 15.2%.

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

In detail:

Consolidated turnover without metal (€/million)	31 December 2023		31 December 2022		Change
	Value	%	Value	%	%
Winding wires	71.03	71.6%	72.20	74.7%	(1.6)%
Cables	28.20	28.4%	24.49	25.3%	15.2%
Total	99.23	100.0%	96.69	100%	2.6%

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

Consolidated income statement data (€/million)	31 December 2023	31 December 2022	Change
	Value	Value	Value
Turnover ²	402.78	454.70	(51.92)
EBITDA ³	21.37	19.37	2.00
EBIT	14.42	11.55	2.87
Result before tax	12.47	10.30	2.17
Result for the year	8.23	9.22	(0.99)
Adjusted EBITDA ⁴	21.51	19.93	1.58
Adjusted EBIT ⁴	14.56	12.11	2.45

Consolidated statement of financial position data (€/million)	31 December 2023	31 December 2022	Change
	Value	Value	Value
Net invested capital ⁵	178.98	204.84	(25.86)
Shareholders' equity	153.33	144.79	8.55
Net financial position ⁶	25.65	60.05	(34.40)

As of 31 December 2023, net financial debt amounted to € 25.65 million, sharply down from € 60.05 million as of 31 December 2022 thanks to the significant decrease in working capital and cash from operations.

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 realized (€ +0.14 million in 2023 and € +0.56 million in 2022). These are indicators the Group's Management uses to monitor and assess its own operating performance and are not IFRS measures. Given that the composition of these measures is not regulated by the reference accounting standards, the criterion used by the Group may not be consistent with that adopted by others and is therefore not comparable.

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

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 21 of the Notes to the Consolidated Financial Statements). The means of measuring the net financial position conform to that envisaged by CONSOB Warning notice 5/21 of 29 April 2021, which transposes the ESMA guideline of 4 March 2021.

Investments

The Group's investment in 2023 totalled € 14.23 million and mainly regarded the parent company IRCE S.p.A. and the first part of the investment in the plant in the Czech Republic to be completed in 2024.

The plant will become operational in 2025, has been designed with every measure in mind to maximise its efficiency and environmental friendliness, will be equipped with the most advanced technology machinery and equipment, will carry out production in sectors with higher specialisation and important growth forecasts, particularly in the automotive and energy generation and transport sectors, and is destined to represent an important component in the production structure of the IRCE Group and its strategic development plan.

The 2023 investments also include the final part of the photovoltaic system at plant in Imola - Italy, which besides enabling a saving in electricity consumption, also contributes to reducing the environmental impact.

IRCE Share Price Performance

Below is a summary of the performance of IRCE S.p.A.'s shares, listed on Borsa Italiana's Mercato Telematico Azionario – STAR segment.

Stock market indices		
Stock market price		
Official price as of 30 December 2022	€	1.99
Official price as of 29 December 2023	€	1.97
Market capitalisation		
Capitalisation as of 30 December 2022	K/€	55,975
Capitalisation as of 30 December 2023	K/€	55,412
Ordinary shares		
Total No. of shares	Nr.	28,128,000
No. of outstanding shares	Nr.	26,503,587

Main Risks and Uncertainties

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

Market risk

The Group is strongly focused on the European market; the risk of contractions in demand or of worsening of the competitive scenario may impact the results. To address these risks, the Group's medium to 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 exposed to exchange rate risks mainly in relation to its copper purchases, which it partly carries out in dollars; it may hedge such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, China, and the Czech Republic.

As for the foreign currency translation risk of subsidiaries, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of Brazilian Real, which affects the carrying amount of the investment. At 31 December 2023 the spot exchange

rate for the Brazilian Real against the Euro of 5.36 appreciated by around 5% compared to the previous year, with a positive impact on the translation reserve. At the start of 2024 this exchange rate remained stable.

- *Interest rate risk*

In the past the Group financed itself in the medium/long term mainly by borrowing at a variable interest rate (connected to the Euribor), thus exposing itself to risk from a rise in interest rates. In fact the Group chose not to make hedges given a relatively short average duration for the loans (under 3 years) and low interest rates. For the future the Group will assess whether to make hedges on the basis of the terms and conditions offered by the market and the expectations for the trend in interest rates.

Short-term lines of credit are always at variable rates.

- *Risk related to fluctuation in the price of copper*

The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential impact of changes in the price of copper on margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. However, given falling copper prices, the risk remains of having to measure the final inventories at the expected realisable value, should it be below the average weighted cost for the period, with a negative impact on the result. The average price of copper in 2023 on the London Metal Exchange was 7.84 Euro/Kg, down by around 6 per cent compared to the price in the previous year of 8.34 Euro/Kg, while the price at the end of the year was 7.70 Euro/kg, down by around 2 per cent on 7.86 Euro/Kg at 31 December 2022. In addition, the average copper price in January 2024 was 7.65 Euro/Kg, which rose in February, bringing it back to the year-end prices.

- *Financial risks*

These are risks associated with financial resources.

- *Credit risk*

There are no significant concentrations of credit risk. The Group monitors this risk using adequate assessment and lending procedures with respect to each credit position. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks that could cause days sales outstanding or credit quality to deteriorate, also considering the Russia-Ukraine and Israel-Palestine wars. As from 2023, the Group also selectively implemented insurance hedges to limit the risk of insolvency.

- *Liquidity risk*

The financial situation and the credit lines available, together with the Group's high standing which makes it possible to acquire new loans quickly at competitive prices, are such as to rule out difficulties in fulfilling the obligations associated with the liabilities.

Climate change risks

The Group has assessed the significant elements of climate change risk for its activities and its business. In particular, on one hand, it is expected that the sector it belongs to may be positively impacted by an increase in demand both in specific fields, such as home and industrial automation and automotive, as well as more generally by the need to boost electric grids; on the other, the strong demand for green raw materials (in particular, copper cathodes and electricity) could drive an increase in prices, potentially complicating its prompt and complete transfer to end users.

On the other hand, in relation to the acute physical risks associated with extreme weather events, it is believed that the presence of Recovery Plans, in which the procedures to be put in place to guarantee the continuity of supplies within the contractual timeframe are formalised, together with the stipulation of insurance policies with leading companies should contain the negative impacts of adverse climatic phenomena both in economic and business terms.

Ultimately, at present, 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 represents a greater opportunity for the Group than risks.

For further details, reference should be made to the contents of section 1 of the notes to the consolidated financial statements and separate financial statements.

Risks linked to the Russia-Ukraine and Middle-East conflicts

The IRCE Group does not currently have substantial risks from the conflicts between Russia and Ukraine and in the Middle East since it is not present in these countries and does not have customers or suppliers in them. Likewise, there do not seem to be significant risks either to the supply chain or to sales since transactions which include the transit of containers through the Suez Canal are limited.

Cybersecurity Risks

The spread of technologies allowing to transfer and share sensitive information virtually gives rise to computer vulnerabilities that could affect the business and compromise the business continuity of the Group.

Given the increasing frequency and breadth of cyber-attacks in recent times, IRCE identified potential issues inside and outside the company, and implemented a cybersecurity plan as well as a recovery procedure.

In the current context, given the ongoing Russia-Ukraine and Israel-Palestine conflicts, the Group also intensified monitoring and defensive activities in relation to possible malware attacks, adopting appropriate measures to mitigate risks.

Outlook

In the first months of this year, demand in the winding wire sector in Europe remains weak and we expect a recovery only towards the end of the first half. On the South American market, the situation is better, and sales are in line with those of last year. In the cable sector, the current order book, consisting of long-term public contracts, should make it possible to keep sales at solid levels which improve on last year.

The Group continues to pursue its strategic plan of focussing on sectors with higher growth and with more specialised products, including automotive, and energy generation and transport.

The IRCE Group does not currently have substantial risks from the conflicts between Russia and Ukraine and in the Middle East, on the supply chain or sales, since it is not present in these countries, and it has limited transactions with Asia.

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

The financial statements of the parent company IRCE S.p.A. show turnover of € 257.88 million, down by 15.2% compared to the figure for the previous year of € 304.20 million and a result for the year of € 5.81 million, in line with that of the previous year of € 5.79 million.

For an analysis of IRCE S.p.A.'s performance, reference should be made to the previous section "Consolidated performance for 2023" since the comments on the Group are also appropriate for the Parent Company, taking account of the importance of the economic and financial data of the latter 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.

Consolidated income statement data (€/million)	31 December 2023 Value	31 December 2022 Value	Change Value
Turnover ⁷	257.88	304.20	(46.32)
EBITDA ⁸	18.57	12.95	5.62
EBIT	14.85	8.94	5.91
Result before tax	8.74	5.54	3.20
Result for the year	5.81	5.79	0.02
Adjusted EBITDA ⁹	18.71	13.51	5.20
Adjusted EBIT ⁹	15.00	9.50	5.50

Consolidated statement of financial position data (€/million)	31 December 2023 Value	31 December 2022 Value	Change Value
Net invested capital ¹⁰	191.48	216.52	(25.04)
Shareholders' equity	165.94	161.83	4.11
Net financial position ¹¹	25.54	54.69	(29.15)

Intercompany Transactions and Transactions with Related Parties

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

For more details, please refer to Note 33 of the separate financial statements and to Note 33 of the consolidated financial statements.

With regard to transactions with related parties, including intercompany 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 "Regulation on related-party transactions" adopted by Consob with its Resolution No. 17221 of 12 March 2010, as subsequently supplemented and modified, most recently by Resolution No. 21624 of 10 December 2020, it is stated

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 (€ +0.14 million in 2023 and € +0.56 million in 2022). 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.

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

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 21 of the Notes to the Consolidated Financial Statements). The means of measuring the net financial position conform to that envisaged by CONSOB Warning notice 5/21 of 29 April 2021, which transposes the ESMA guideline of 4 March 2021.

that in 2023 the Company carried out a "transaction of major significance" as part of the investment project in the Czech Republic, approved by the Parent Company's Board of Directors on 21 December 2023; however, it should be noted that IRCE, in relation to the loans to be disbursed to the subsidiary Irce S.r.o as part of this project, is exempt from compliance with the procedural and transparency provisions provided for by this Regulation as there are no significant interests of other parties related to IRCE in the subsidiary Irce S.r.o, with registered office in the Czech Republic.

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 article 123-bis of the Consolidated Financial Act is available on the website www.irce.it – Investor Relations section, in compliance with article 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, IRCE S.p.A. adopted the organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001 and set up the Supervisory Body, which is responsible for monitoring the operation, updating and compliance of the model.

The Organisational Model and the related documents were updated and approved by the Board of Directors on 15 March 2022 with extension of the prevention perimeter also for tax crimes pursuant to article 25-quinquiesdecies of Italian 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 as of 31 December 2023 was 1,624,413, i.e. 5.78% of total shares, equal to a par value of € 845 thousand. As of 31 December 2023, the Company does not own shares in the parent company Aequafin S.p.A., nor did it trade in them during 2023

R&D Activities

Research and development activities in 2023 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.

Pursuant to Article 2428 of the Italian Civil Code, it should be noted that Irce S.p.A. carries out its activities in the following locations:

- Imola (BO), Via Lasie 12/a
- Guglionesi (CB), Contrada Perazzeto
- Umbertide (PG), Pian D'Assino industrial area
- Trezzano sul Naviglio (MI), Via Colombo, 8

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 2023 and today's date.

Dear Shareholders,

We invite you to approve the separate financial statements of IRCE S.p.A. as of 31/12/2023, reporting a profit of € 5,805,871.

We propose to approve the distribution of a € 0.06 dividend per share, to be paid out of the profit of the year, with ex-dividend date on 20 May 2024, record date on 21 May 2024, and payment date on 22 May 2024. 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 2024

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 also “NFS”), for the year ended as of 31 December 2023, confirms IRCE Group’s commitment to report the non-financial impacts of its business, in compliance with the provisions of the aforementioned Decree. IRCE has chosen to include the Statement in its 2023 Report on Operations, as required by article 5 of the Decree.

The process of drawing up the NFS was codified in a procedure approved with resolution of the Board of Directors dated 20 December 2021 and subsequently updated with the resolutions of the Board dated 23 November 2022.

Those involved in the process are:

- In-company staff for the collection, processing and consolidation of the data and information collected, and for the preparation and sharing of the NFS with the other Corporate Bodies;
- The Manager responsible for preparing the corporate accounting documents who participates in the process of materiality analysis, the process of data collection and the drafting of the NFS and handles its publication and dissemination;
- The people who make up the work group consisting of the Chairman, the Managers of the various IRCE S.p.A. plants and the General Managers of the subsidiaries, who are tasked with managing, providing and validating the data and the information collected;
- The Board of Directors of the Parent Company, ultimately responsible for approving the materiality analysis and all the reporting, and for bringing to the attention of the Shareholders’ Meeting the completed NFS report in compliance with the provisions of articles 3 and 4 of the Decree;
- The Control and Risks Committee which assesses the suitability of the non-financial disclosure to correctly represent the business model, the company’s strategies and the performance achieved, as well as the contents of the periodic non-financial disclosure for the purposes of the internal control and risk management system;
- The Board of Statutory Auditors which oversees the obligations relating to the NFS according to the Decree, verifying the correct fulfilment of the obligations for its preparation and publication.

In compliance with article 3, paragraph 10, of the Italian Legislative Decree No. 254/2016 and article 5 of Consob Regulation adopted by Resolution No. 20267 of January 2018, this Non-Financial Statement is subject to a limited assurance engagement by the auditing firm 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.

1.2. Scope of the 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 2023 (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 article 4 of Italian Legislative Decree No. 254/2016, according to which the Statement may exclude companies that, even if included in the accounting scope of consolidation, are not necessary to understand the Group’s business, its performance and the results and impact produced by such business.

1.3. Reference Guidelines and Reporting Process

The qualitative and quantitative information reported in the NFS 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 (article 3, para. 3).

This document has been drawn up by reporting a selection of the “GRI Sustainability Reporting Standards” published by the Global Reporting Initiative (GRI), as indicated in the table “Index of GRI Contents”.

It should be noted that during 2024, following the publication of the new European Directive n. 2022/2464 concerning the corporate sustainability reporting (Corporate Sustainability Reporting Directive - CSRD), IRCE S.p.A. has undertaken a process to align itself with this directive, also making use of a consultancy company.

In order to allow comparing data over time, the Group included a comparison with the data from 2022. The restatement of previously published comparative information is disclosed in the relevant tables. In addition, to ensure that 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.

Here below is a description of the main stages in the non-financial reporting process for 2023, indicating the roles and responsibilities related to them.

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

- Preliminary identification of the most significant impacts for IRCE S.p.A. (current and potential, positive and negative) on the economy, environment and people, including impacts on human rights, on the basis of a preliminary analysis on sustainability and of the reference context in which the Group operates, taking into consideration the corporate strategies;
- Mapping the internal and external stakeholders and the subsequent selection by the Management of IRCE S.p.A. of the stakeholders to whom the questionnaire will be sent for the assessment of the impacts subject to assessment by the Top Management;
- Identification of the material themes which could have a substantial influence on the assessments and decisions of stakeholders and which reflect the Group’s economic, environmental and social impacts;
- 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;
- Assessment and approval by the Board of Directors of the Parent Company of the materiality analysis with resolution of 21 December 2023;
- 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 GRI indicators previously selected based on the outcome of the materiality analysis 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 2024.

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 2023 and is disseminated to the public and sent to Consob and Borsa Italiana S.p.A. via the relevant system for the dissemination of regulated information (SDIR – *Sistemi di Diffusione delle Informazioni Regolamentate*).

1.4. Materiality Analysis

In order to define the material topics subject to reporting herein, IRCE took into account the provisions of article 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. GRI 3 “Material Topics 2021” 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 in order to identify the most significant impacts for both the IRCE Group and its stakeholders, as reported in this Statement. In the first internal assessment phase, these impacts were assessed by the Group’s Top Management, considered as spokesperson for the Group’s expectations, through the distribution of a dedicated questionnaire (compiled for the plant of Imola by the Chairman of the Board of Directors and for the plants of Guglionesi and Umbertide by the Plant Managers and by the Managers of the other Group companies). The impacts were subsequently assessed by Group’s stakeholder categories (employees, suppliers, local administrators, banks, customers) through a specific online questionnaire in accordance with the means described in the following paragraph.

1.4.1. Stakeholder analysis

The Group recognises the importance of ongoing dialogue with and the involvement of stakeholders with a view to innovating services and processes, and improving the economic, environmental and social performance. In developing its organisational arrangements which aim at dialogue with its stakeholders, IRCE S.p.A. has grouped its main stakeholders by similar classes, thus identifying the following categories:

- Employees of the Group’s manufacturing companies;
- Group’s main raw material suppliers;
- Main customers of the Parent Company IRCE S.p.A.;
- Main banks of the Group;
- Local authorities.

In the hope of offering increasingly effective stakeholder engagement, IRCE S.p.A. has also created an analysis matrix, the aim of which is to define the main expectations of each stakeholder and to represent the most important features in terms of their involvement:

Stakeholders	Main expectations and interests of Stakeholders	Reason for involvement by IRCE S.p.A.
Employees of Group's manufacturing companies	<ul style="list-style-type: none"> Professional development; Protection of human rights; Prospects for and protection of work; Fair remuneration for work; Positive work environment; Efficient and effective organisational system; Wellbeing; Strategic development of the company, also on ESG themes. 	The employees are a resource for the company not only from an operational viewpoint but also strategically. Their involvement is essential not only to understand their position on ESG themes, but also to develop the internal organisational system, to improve the corporate environment and to grow the in-house culture.
Group's main raw material suppliers	<ul style="list-style-type: none"> Fair distribution of added value; Economic-financial growth of the company; Respect of sustainability principles by IRCE S.p.A.; Correctness in commercial dealings. 	The Group's main raw material suppliers are those who, together with customers, guarantee IRCE S.p.A. the sustainability of its business and so those who strategically support the development of its value chain. Their involvement is essential in order to improve the ESG impacts caused along the production chain and to consolidate commercial dealings.
Main customers of the Parent Company IRCE S.p.A.	<ul style="list-style-type: none"> Fair distribution of added value; Economic-financial growth of the company; Respect of sustainability principles by IRCE S.p.A.; Correctness in commercial dealings; Quality of products. 	The main customers of the Parent Company IRCE S.p.A. are those who, together with suppliers, guarantee IRCE S.p.A. the sustainability of its business and so those who strategically support the development of its value chain. Their involvement is essential in order to improve the ESG impacts caused along the production chain and the development over time of IRCE S.p.A.
Main banks of the Group	<ul style="list-style-type: none"> Fair distribution of added value; Economic-financial growth of the company; Respect of sustainability principles by IRCE S.p.A.; Updated and constant information in both the economic-financial field and in ESG. 	The main banks of the Group are important financial partners for IRCE S.p.A. and their involvement aims to improve the impacts produced by the Company, its reporting capacity and its attractiveness to external lenders.
Local authorities	<ul style="list-style-type: none"> Respect of sustainability principles by IRCE S.p.A.; Contribution of IRCE S.p.A. to local development; Prospects for and protection of work; Economic-financial growth of the company; Strategic development of the company. 	Local authorities are an important reference point for IRCE S.p.A. since corporate development is also based on the ability to deal with the reference territory, to understand its distinctive features, and its local assets. In this process, dialogue with those who govern the community is essential in order to enhance dialogue and to integrate the whole corporate community into the territory to which it belongs.

1.4.2. Process to determine material topics

The materiality analysis saw the participation of both internal figures and external Stakeholders who received an on-line questionnaire including the Group's actual and potential, positive and negative impacts in the economic, social and environmental sphere and in relation to the protection of human rights.

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

The materiality analysis described above allowed to identify the most significant impacts for the Group and its stakeholders, i.e. those with a score higher than the so-called "defined materiality threshold". Once the most significant impacts had been identified, starting from the assessments made by Top Management compared with the assessments by stakeholders described above, they were matched to the material topics for the Group in priority order.

The most important material themes which emerged from the materiality analysis were: "Customer satisfaction", "Health and safety" and "Economic and financial performance and distribution of value to stakeholders". Compared to 2022, attention increased on respect for human rights, the management of energy consumption, emissions and climate change, the wellbeing of employees and their training.¹² Here below is set out, in order of importance, the list of material topics and the impacts related to them.

¹² Compared to 2022, the topics of "Multiculturalism, diversity and equal opportunity" and "Economic and financial performance" were respectively renamed "Wellbeing, diversity and equal opportunity" and "Economic and financial performance and distribution of value to stakeholders". The "Corporate governance" topic was eliminated and the information in it linked to the impact of "Gender inequality in corporate bodies" is included in the topic of "Wellbeing, diversity and equal opportunity". Finally, the topic "Local communities and territory" in this year's analysis was not material in 2023.

Material topics	Impacts and description	Scope of impact	Group involvement	GRI aspects	Topics pursuant to Italian Legislative Decree No. 254/16
Customer satisfaction	Satisfaction of and prompt response to customer requests: Guarantee of customer satisfaction in terms of expectations, benefits, price-quality ratio, adequate service and prompt responses (POSITIVE ACTUAL)	IRCE Group	Caused by the Group	-	Social
Health and safety ¹³	Workplace accidents: Accidents, other workplace incidents with negative consequences for the health of employees and external staff (NEGATIVE ACTUAL)	Employees and external staff of the Group	Caused by the Group	Occupational health and safety (GRI 403)	Regarding personnel and Human rights
Economic and financial performance and distribution of value to stakeholders	Generation and distribution of economic value to stakeholders: Positive economic impacts generated by the Group through its business activities for workers, local communities, suppliers and other stakeholders (POSITIVE ACTUAL)	IRCE Group	Caused by the Group	Economic performance (GRI 201)	Social
Human rights	Violation of human rights in the supply chain: Violation of human rights (e.g. right to freedom of association and collective bargaining, child labour, forced or compulsory labour) along the supply chain and within the Group with consequent repercussions on human dignity and on the development of the community (NEGATIVE POTENTIAL)	IRCE Group and suppliers	Caused by the Group and to which the Group contributes	Child labour and forced or compulsory labour (GRI 407, 408, 409)	Human rights
Energy consumption, Emissions and Climate Change	Energy consumption: Energy consumption from non-renewable sources, with consequent negative impacts on the environment and reduction of energy stocks (NEGATIVE CURRENT) Generation of direct and indirect GHG emissions (scope 1, scope 2): Contribution to climate change through direct GHG emissions (emissions from the consumption of natural gas or energy from installations owned by the Group, e.g. photovoltaic panels installed within the boundaries of the Group Companies) and indirect emissions (emissions from third-party electricity production in places not owned by the Group, e.g. electricity purchased from external suppliers), linked to the activities undertaken at the Group's plants and sites (NEGATIVE ACTUAL)	IRCE Group and electricity suppliers	Caused by the Group and related to the Group through its commercial dealings	Energy (GRI 302) Emissions into the atmosphere, (GRI 305)	Environment

¹³ Data relating to the Health and Safety of external staff include only the category of temporary workers hired from external agencies and exclude 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.

	<p>Generation of indirect GHG emissions (Scope 3): Generation of climate-altering emissions linked to production and transport activities along the value chain which are not included in Scope 1 and Scope 2 (e.g.: goods-in and goods-out logistics, travel to work by employees, GHG emissions linked to the purchase of raw materials, services along its supply chain, work-related travel, waste treatment) (NEGATIVE ACTUAL)</p> <p>Other emissions: Contribution to climate change through the generation of emissions such as reduction of nitric oxides (NOx), sulphur oxides (SOx) and other significant air emissions (NEGATIVE ACTUAL)</p>				
Wellbeing, diversity and equal opportunity	<p>Satisfaction and wellbeing of employees: Increase in the satisfaction and wellbeing of employees and adequate work conditions by adopting corporate welfare practices, work-life balance and wellbeing (POSITIVE POTENTIAL)</p> <p>Discrimination and non-inclusive practices in the workplace: Negative impacts on employees owing to discrimination (e.g. linked to gender, age, ethnicity, etc.) or other non-inclusive practices (NEGATIVE POTENTIAL)</p>	Employees of the Group	Caused by the Group	<p>Diversity and equal opportunity (GRI 405)</p> <p>Non-discrimination (GRI 406)</p>	Relating to personnel and Human rights
Personnel management and training	<p>Training and development of workers: Improvement in workers' skills through training aimed at enhancing the professional skills required by the role held and fair remuneration of workers (POSITIVE POTENTIAL)</p>	Employees of the Group	Caused by the Group	Training and education (GRI 404)	Relating to personnel
Ethics, integrity and compliance with laws and regulations	<p>Violation of human rights: Violation of human rights (e.g. right to freedom of association and collective bargaining, child labour, forced or compulsory labour) in the Group with consequent social, reputational and economic impacts (NEGATIVE POTENTIAL)</p> <p>Non-ethical conduct of business: Negative impacts on people and on economic systems generated by non-compliance with laws, rules and standards (e.g.: corruption, monopolistic practices or other violations of laws and regulations linked to the conduct of the business) (NEGATIVE POTENTIAL)</p>	IRCE Group	Caused by the Group	<p>Anti-competitive behaviour, Anti-corruption, Compliance with laws and regulations (GRI 205, 206)</p> <p>Child labour and forced or compulsory labour (GRI 407, 408, 409)</p>	Fight against corruption and bribery and Human rights
Recycling and waste management	<p>Generation of process and life-end product waste: Environmental impacts linked to the production of hazardous and non-hazardous waste during production (e.g. waste copper, machining sludges) and during disposal (NEGATIVE ACTUAL)</p>	IRCE Group	Caused by the Group	Waste (GRI 306)	Environment

Innovation, product quality and safety	Negative impacts connected to inadequate product quality and integrity features: Development of products which do not meet quality and safety standards aligned with best practices in the sector, with negative consequences on customer satisfaction (NEGATIVE POTENTIAL)	IRCE Group	Caused by the Group	Customer health and safety (GRI 416)	Environment and Social
	Innovation in products and processes with positive effects on people and on economic systems: Positive impacts on people and on economic systems generated by technological process innovations and product innovations linked to research and development (POSITIVE CURRENT)				
Management of water resources	Water consumption: Use of water (drawing, discharge, consumption) and contamination of soil and groundwater with consequent negative impacts on the environment and its impoverishment (NEGATIVE CURRENT)	IRCE Group	Caused by the Group	Water and effluents (GRI 303)	Environment
Cybersecurity	Violation of customer privacy and loss of their data: Violations of applicable legislation and failure to apply optimal procedures for data management to the detriment of the privacy of stakeholders (NEGATIVE POTENTIAL)	IRCE Group	Caused by the Group	Customer Privacy (GRI 418)	Social and Relating to personnel
Management of materials	Consumption of raw materials (e.g. use of copper) for products and packaging: Environmental impact from the use of products from virgin rather than recycled raw materials (wood, plastic and metals) (NEGATIVE CURRENT)	IRCE Group	Caused by the Group	Materials (GRI 301)	Environment

1.5. Reference to the UN Sustainable Development Goals (SDGs)

IRCE S.p.A.'s business is consistent with some Sustainable Development Goals (SDGs) set in 2015 by the United Nations to guide the conduct of individuals, companies and communities, and to be achieved by 2030.

In this NFS the "Sustainable Development Goals" related to the activities undertaken by the Group are therefore shown as icons.

SUSTAINABLE DEVELOPMENT GOALS



2. GOVERNANCE

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

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	RISK MANAGEMENT METHODS	IMPROVEMENT OBJECTIVES
<ul style="list-style-type: none"> Ethics, integrity and compliance with laws and regulations 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Code of Ethics 231 Model and Supervisory Body Control and Risks Committee Whistleblowing 	<ul style="list-style-type: none"> Encouraging stakeholder engagement and expanding the number of stakeholders involved to guarantee the most realistic and correct representation of relevant topics Strengthening the process of disseminating the Code of Ethics with regards to all the Group companies Update of 231 Model and Code of Ethics

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.

2.1.1. Board of Directors

The Board of Directors is composed of three to twelve members, elected by the Shareholders' Meeting on the basis of lists of candidates presented by shareholders who overall hold a stake no less than that established by the Consob Issuers' Regulation. The Board serves for a period of no more than three years established on its appointment until the date of the Shareholders' Meeting called to approve the financial statements relating to the final year of its engagement.

The current Board of Directors was appointed in 2022 and consists of seven members, of whom three are women, and their engagement is envisaged until approval of the financial statements for 2024.

The following Committees have been set up within the Board of Directors:

- **Control and Risks Committee** which supports the Board of Directors on risk governance and management and the system of internal controls and assesses the suitability of the non-financial statement to correctly represent the business model, the company's strategy and the performance achieved, as well as the contents of the periodic non-financial statement which is relevant for the purposes of the internal control and risk management system;
- **Remuneration Committee**, in charge of assisting the Board of Directors in drawing up the remuneration policy and monitoring its concrete application; it also deals with presenting proposals or expressing opinions on the remuneration of executive directors as well as defining the performance targets related to the variable component of remuneration;
- **Related Parties Committee**, which approves in advance transactions with related parties in compliance with article 4 of the Regulation on related party transactions adopted by Consob with its Resolution No.17221 of 12 March 2010, as subsequently integrated and modified with Resolution No. 21624 of 10 December 2020.

The current Board of Directors is as follows:

Members of the Board of Directors at 31 December 2023 – Parent company IRCE S.p.A.				
Board of Directors		Control and Risks Committee	Remuneration Committee	Transactions with Related Parties Committee
Filippo Casadio	Executive Director (C)			
Francesco Gandolfi Colleoni	Executive Director			
Gianfranco Sepriano	Non-Executive Director	M	M	
Orfeo Dallago	Non-Executive Director			
Francesca Pischedda	Non-Executive Director			C
Gigliola Di Chiara	Independent Director	C	C	M
Claudia Peri	Independent Director	M	M	M

C: Chairman; M: Member

Directors' Remuneration is arranged so as to align the interests of directors and executives to achieving the company's strategic targets, pursuing the primary goal of creating value for shareholders in the medium to long term.

Overall Remuneration consists of:

- a fix remuneration;
- a short-term variable remuneration based on the achievement of predefined objectives, measured based on an economic and financial index on an annual basis;
- a medium-term variable remuneration tied to the achievement of objectives, measured based on an economic and financial index over a three-year period (equal to the Board's term of office).

On 28 April 2023 the Shareholders' Meeting approved a change in the means relating to the establishment of the variable remuneration for executive directors and strategic executives for the period 2022-2024. A further medium-term variable bonus was introduced linked to the Group's performance on emissions. In particular, this bonus is based on reducing the CO₂ per ton of product sold in the period under consideration, to be calculated as the ratio between the tons of Market-Based Scope 1 and Scope 2 CO₂ during the year and the tons of product sold in the same period, i.e. the quantity, in tons, of winding wires and electrical cables sold by the Group. In particular, this emissions indicator will be calculated on the final year of the mandate of the Board of Directors (2024) and will be compared with the same Indicator calculated on the last year of the previous mandate (2021). The improvement in this indicator will be the correction coefficient for the medium-term bonus calculated on the basis of the ROCE (a calculation method set out in the Report under article 123-ter of the Consolidated Law on Finance for 2022 approved by the IRCE Board of Directors on 15 March 2023).

For detailed information on remuneration policies, reference should be made to the Report on Remuneration Policy and on the Paid Compensation published on www.irce.it.

In order to strengthen and standardise the know-how of the members of the Board of Directors on sustainable development issues, in 2024 IRCE S.p.A. has arranged a specific training plan drawing on the support of a specialist consulting company in implementing sustainable themes in the company.

2.1.2. Board of Statutory Auditors

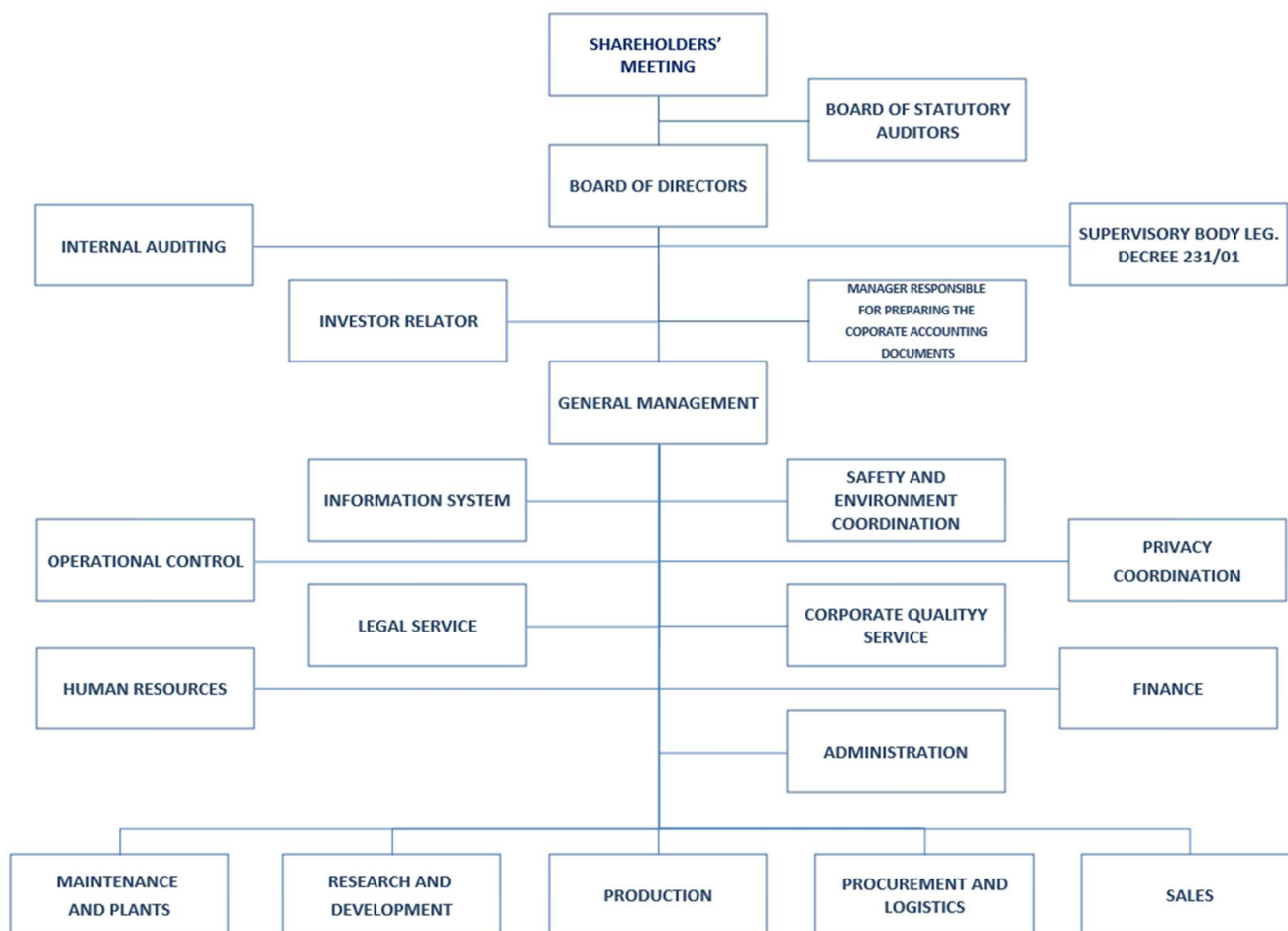
The Board of Statutory Auditors consists of three Standing Statutory Auditors and two Substitute Statutory Auditors. Minority Shareholders are entitled to elect a Standing Statutory Auditor and a Substitute Statutory Auditor. Like Directors, they shall remain in office for a period of no more than three 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 financial year of office.

The current Board of Statutory Auditors was appointed in 2023 up to approval of the financial statements for 2025.

The current Board of Statutory Auditors is as follows:

Members of the Board of Statutory Auditors at 31 December 2023 – Parent company IRCE S.p.A.	
Board of Statutory Auditors	Office
Donatella Vitanza	Chairwoman
Fabrizio Zappi	Standing Statutory Auditor
Giuseppe di Rocco	Standing Statutory Auditor
Federico Polini	Substitute Statutory Auditor
Debora Freezing	Substitute Statutory Auditor

Here below is the organisational chart for the parent company IRCE S.p.A.:



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.

The following tables set out the corporate bodies divided by gender and age at 31 December.

Governance members by gender at 31 December – Parent Company IRCE S.p.A.						
Number of individuals	2023			2022		
	Men	Women	Total	Men	Women	Total
Board of Directors	4	3	7	4	3	7
Board of Statutory Auditors	2	1	3	2	1	3
Total	6	4	10	6	4	10

Governance members by age bracket at 31 December in percentage terms – Parent Company IRCE S.p.A.

Number of individuals	2023			2022		
	Men	Women	Total	Men	Women	Total
Board of Directors						
< 30 years	-	-	-	-	-	-
30 – 50 years	-	29%	29%	-	29%	29%
> 50 years	57%	14%	71%	57%	14%	71%
Total for the Board of Directors	57%	43%	100%	57%	43%	100%
Board of Statutory Auditors						
< 30 years	-	-	-	-	-	-
30 – 50 years	67%	-	67%	-	-	-
> 50 years	0%	33%	33%	67%	33%	100%
Total for the Board of Statutory Auditors	67%	33%	100%	67%	33%	100%
Corporate bodies						
< 30 years	-	-	-	-	-	-
30 – 50 years	20%	20%	40%	-	20%	20%
> 50 years	40%	20%	60%	60%	20%	80%
Total for the corporate bodies	60%	40%	100%	60%	40%	100%

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.

2.2.1. Risk Management

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

- Governance, strategy and internal control system (Corporate Governance, Internal Control System as per Italian Law 262 and Strategic Plan);
- Offences under Italian Legislative Decree No. 231/2001 (Model 231 and the Code of Ethics);
- Management risks (as shown in the Report on Operations), broken down 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;*
 - *Financial risks:*
 - *Credit risk;*
 - *Liquidity risk;*
 - *Climate change risks;*
 - *Risks linked to the Russia-Ukraine and Middle-East conflicts;*
 - *Cybersecurity 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.

IRCE complies with the standards of the following certifications:

- ISO 9001– Quality management systems
- IATF 16949 – Automotive Quality Management System¹⁴
- ISO 14001 – Environmental management systems¹⁵
- ISO 45001 – Occupational health and safety management systems¹⁶

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 by Italian Legislative Decree No. 105 of 26 June 2015).

2.2.2. 231 Model and Supervisory Body

In order to ensure integrity and transparency in carrying out corporate activities, to protect its position and its image, the expectations of its shareholders and the work of its employees, in March 2008 the Group adopted the Organisation and Management Model envisaged by Italian Legislative Decree 231/2001 (hereafter also called the “Model”).

This choice, in keeping with the issue of the Code of Ethics, was made in the belief that the adoption of this Model can be a valid tool to raise awareness among all those who operate in the name and on behalf of IRCE, so that, in carrying out their activities, they adopt correct conduct such as to prevent the risk of committing the crimes contemplated in the Decree.

This activity is aimed at identifying areas of at-risk activities, i.e. in which crimes may potentially be committed and then identifying a collection of preventative measures (known as protocols) which, duly applied in the organisation as components of an internal control system, can enable a reduction in the risks recorded and greater protection for efficient and effective corporate governance.

IRCE S.p.A. referred to the “Guidelines for the creation of organisation, management and control models” pursuant to Italian Legislative Decree No. 231 of 8 June 2001, issued by Confindustria (the general confederation of Italian industry). This document provides guidelines on interpreting and analysing the legal and organisational implications deriving from the introduction of Italian Legislative Decree 231/2001. In its current version approved by the Board of Directors on 15 March 2022, the Organisational Model intends to specifically prevent the following types of predicate-offences, as referred to in the corresponding article of the Decree indicated within parentheses: Crimes against the Public Administration (articles 24 and 25), Corporate crimes (article 25-ter), Market abuse offences (article 25-sexies), Manslaughter and serious and very serious injuries caused in breach of laws on health and safety protection at the workplace (article 25-septies), Crimes of receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as self-money laundering (article 25-octies), Computer crimes and unlawful data processing (article 24-bis), Crimes against public trust (article 25-bis), Crimes against industry and trade (article 25-bis), Crimes against industry and commerce (article 25-bis.1), Environmental crimes (article 25-undecies), Crimes committed by employing illegally staying third-country nationals (article 25-duodecies), Transnational crimes (Law 146/2006, article 3 and article 10), Tax crimes (article 25-quinquiesdecies).

In order to guarantee compliance with and interpretation of the Organisational Model, a Supervisory Body has been set up with independent powers of initiative and control, which is entrusted with overseeing the operation of and compliance with the Model, and handling its related updating. The current Supervisory Body was appointed by the Board of Directors on 28 April 2022 and will serve for a three-year period up to 30 April 2024.

The role of the Supervisory Body is to oversee:

- compliance with the rules of the Model by its recipients;
- the real effectiveness and actual ability of the Model, in regard to the corporate structure, to prevent the crimes as set out in the Decree being committed;
- the case for updating the Model, where the needs for its update can be seen in relation to changed corporate conditions.

¹⁴ For the Companies IRCE S.p.A., FD Sims Ltd and Irce Ltda.

¹⁵ For the Companies IRCE S.p.A. and FD Sims Ltd.

¹⁶ For the Company FD Sims Ltd.

In 2023, there were no cases of non-compliance with social or environmental regulations (notified to the Supervisory Body) leading to significant penalties, and no cases of corruption and discrimination subject to penalties by relevant authorities.

For detailed analysis regarding the 231 Model, reference should be made to www.irce.it, the “Ethics & Compliance” section.

In acknowledging the importance of the involvement of employees in applying the management models proposed by the Model and the founding values of the Code of Ethics, in 2024 IRCE S.p.A. organised for its employees specific training courses on the contents, structure and systems to implement these documents.

2.2.3. Ethics, integrity and compliance with laws and regulations

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. 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.

The contents of the Code were recently updated on 15 March 2022.

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

The Code states that, when carrying out their activities and exercising their responsibilities, all people 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.

The Code of Ethics consists of three main parts:

- general principles on dealings with stakeholders, which theoretically define the reference values in IRCE’s activities;
- conduct criteria towards each class of stakeholders, which specifically provide the guidelines and rules which IRCE Staff is required to follow in compliance with the general principles and to prevent the risk of unethical conduct;
- implementation methods, which describe the reference structures for the application and revision of the Code of Ethics, the control system aimed at observance of the Code of Ethics and its improvement.

All staff members 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 staff member who becomes aware of non-compliant conduct is required to report information to his/her supervisors, and/or the Head of Human Resources of the Company, or the Supervisory Body.

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 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 Italian Legislative Decree 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.

For the dissemination and information of the Code of Ethics and the Organisation Model, the Company has published, on the corporate website www.irce.it in the “Ethics & Compliance” section, the aforementioned documents in the full and updated version.

References are communicated to suppliers and customers to access the dedicated section of the website and to download the files.

2.2.4. Protection of transparency in commercial transactions (anti-money laundering)

In reference to the principle of utmost transparency in commercial transactions, IRCE arranges suitable instruments to combat money laundering and receiving stolen goods.

The Company guarantees respect of the principles of correctness, transparency and good faith in dealings with all contractual counterparties, also if they are part of the same Group:

- verifying in advance the information available on commercial counterparties, suppliers, partners and consultants, in order to determine their respectability and the legitimacy of their business before starting these business relations;
- operating in such a way as to avoid any implication in operations which can, also potentially, facilitate the laundering of money from illegal or criminal activities, acting in full compliance with anti-money laundering law and internal control procedures.

2.2.5. Internal Audit

The Parent Company's Board of Directors established an independent Internal Audit function. Its main activities during the financial year were: assessment of the effectiveness and adequacy of the internal control and accounting systems, check of compliance with accounting and administrative procedures, as well as any updating thereof, periodic reports on the status of the internal control system and report on any critical issues. The Internal Audit activities were defined on the basis of the Audit plan approved by the Board of Directors on 15 March 2023, subject to sharing the same with the Board of Statutory Auditors. In relation to the subsidiaries, a mandate was given to the Internal Auditor to carry out specific control procedures which, for 2023, were carried out on the investee company set up under Brazilian law, Irce Ltda.

2.2.6. Whistleblowing

On 9 March 2023 Italian Government definitively approved Italian Legislative Decree No. 24/2023, which transposes EU directive 2019/1937 on Whistleblowing and establishes a single regulatory framework to regulate reports of violations of national or EU laws which harm the public interest or the integrity of the public administration or of a private body, which people have become aware of in a public or private work context, also regulating the protection of the people making the report. Protecting whistleblowers is a fundamental right which is recognised internationally and is an extension of the right to the freedom of expression.

In a spirit of extreme caution and in order to protect the rights of its workers and stakeholders, the Company has set up an internal reporting channel with the following means:

- A digital cloud platform active 7 days a week and accessible from any device without any time restrictions, with which it is possible to present written reports, also anonymously; access to the WB Platform can be done directly through the following website: <https://whistleblowing.irce.it/#/>;
- Communication by means of a registered letter to be sent to the operator of the reporting channel.

Management of the in-house channel has been entrusted to an in-house body on a collegiate basis with three members appointed by the Board of Directors. This can guarantee professionalism, autonomy and independence in the handling of reports.

The above has been set out in a specific Organisational model to receive and manage reports.

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

Table – Material topics

MATERIAL TOPICS	RELATED RISKS	METHODS FOR MANAGING RISK	IMPROVEMENT OBJECTIVES
<ul style="list-style-type: none"> Wellbeing, diversity and equal opportunity Human rights Health and safety Personnel management and training Cybersecurity 	<ul style="list-style-type: none"> Damage and/or injuries due to incompetence and negligence Risk of discrimination and unequal treatment Increase in the number of injuries Loss of reputation Risk of attack by hackers 	<ul style="list-style-type: none"> Code of Ethics 231 Model and Supervisory Body Occupational safety systems Internal union representation GDPR Protection of IT system Whistleblowing 	<ul style="list-style-type: none"> Introduction of new training themes applied to companies. Development of new means of engagement in regard to Local Communities. Formalisation of procedures related to managing human resources.

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.

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

The directors 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.

3.2. Characteristics and breakdown (Wellbeing, diversity and equal opportunity)

The IRCE Group's workforce as of 31 December 2023 consisted of a total of 673 individuals, of which 616 employees and 57 external staff; 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.

Group's workforce by gender as of 31 December

	2023			2022		
	Men	Women	Total	Men	Women	Total
Employees	546	70	616	553	63	616
Temporary workers hired from external agencies	55	2	57	37	3	40
Total	601	72	673	590	66	656

The increase in the workforce in 2023 was due mainly to the use by the parent company of a higher number of temporary workers to cover vacant positions.

Total number of employees broken down by geographical area and gender, as of 31 December

Geographic area	2023			2022		
	Men	Women	Total	Men	Women	Total
Italy	297	39	336	305	33	338
EU + UK + Switzerland	123	22	145	119	22	141
South America	109	8	117	109	8	117
Asia	17	1	18	20	0	20
Total	546	70	616	553	63	616

The distribution of staff deployed by geographic area is as follows: 55% in Italy, 19% in Brazil, 12% in the Netherlands, 4% in the United Kingdom, 3% in Germany, 3% in India, 3% in Switzerland and 1% in Spain.

Total number of employees broken down by type of contract (permanent or fixed-term employment) and gender, as of 31 December

Type of contract	2023			2022		
	Men	Women	Total	Men	Women	Total
Permanent	534	66	600	542	59	601
Fixed-term	12	4	16	11	4	15
Total	546	70	616	553	63	616

As far as 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.

Total number of employees broken down by type of employment (full-time and part-time) and gender, as of 31 December

Type of employment	2023			2022		
	Men	Women	Total	Men	Women	Total
Full-time	542	54	596	550	47	597
Part-time	4	16	20	3	16	19
Total	546	70	616	553	63	616

Total number of employees broken down by job category and gender, as of 31 December

Job category	2023			2022		
	Men	Women	Total	Men	Women	Total
Function managers ¹⁷	32	3	35	32	2	34
White collars	60	50	110	59	45	104
Blue collars	454	17	471	462	16	478
Total	546	70	616	553	63	616

Number of employees broken down by job category, gender and age, as of 31 December

Number of individuals	2023			2022		
	Men	Women	Total	Men	Women	Total
Function managers						
< 30 years	3	-	3	-	-	-
30 – 50 years	9	1	10	11	-	11
> 50 years	20	2	22	21	2	23
Total function managers	32	3	35	32	2	34
White collars						
< 30 years	5	6	11	2	4	6
30 – 50 years	28	26	54	32	23	55
> 50 years	27	18	45	25	18	43
Total white collars	60	50	110	59	45	104
Blue collars						
< 30 years	27	3	30	25	2	27
30 – 50 years	228	7	235	238	7	245
> 50 years	199	7	206	199	7	206
Total blue collars	454	17	471	462	16	478
Total						
< 30 years	35	9	44	27	6	33
30 – 50 years	265	34	299	281	30	311
> 50 years	246	27	273	245	27	272
Total employees	546	70	616	553	63	616

By observing the data from the viewpoint of gender equality, it is possible to state that blue-collar workers are mainly men, while for white-collar workers there is greater gender balance. Compared to 2022, it is possible to see an increase in the number of women for all levels, with a prevalence among white-collar workers.

¹⁷ 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	2023	2022
Total number of employees	616	616
Total number of employees covered by collective bargaining agreements	567	566
Percentage	92.05%	91.88%

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

Here below is set out the percentage of new recruits and the calculation of turnover across all employees; there are no substantial differences compared to the previous year, confirming a period of stable recruitment where new staff mainly took the place of people leaving the company.

New recruits						
New recruits	2023			2022		
	Men	Women	Total	Men	Women	Total
Italy	13	8	21	16	6	22
EU + UK + Switzerland	28	3	31	7	5	12
South America	32	-	32	40	1	41
Asia	-	1	1	2	-	2
Total	73	12	85	65	12	77
Rate of new recruits						
Italy	4.4%	20.5%	6.3%	5.2%	18.2%	6.5%
EU + UK + Switzerland	22.8%	13.6%	21.4%	5.9%	22.7%	8.5%
Switzerland	29.4%	0.0%	27.4%	36.7%	12.5%	35.0%
Asia	0.0%	100.0%	5.6%	10.0%		10.0%
Total	13.4%	17.1%	13.8%	11.8%	19.0%	12.5%

Turnover						
Employees leaving	2023			2022		
	Men	Women	Total	Men	Women	Total
Italy	21	2	23	20	6	26
EU + UK + Switzerland	24	3	27	16	3	19
South America	32	-	32	37	2	39
Asia	3	-	3	3	-	3
Total	80	5	85	76	11	87
Turnover rate	2023			2022		
	Men	Women	Total	Men	Women	Total
Italy	7.1%	5.1%	6.8%	6.6%	18.2%	7.7%
EU + UK + Switzerland	19.5%	13.6%	18.6%	13.4%	13.6%	13.5%
South America	29.4%	0.0%	27.4%	33.9%	25.0%	33.3%
Asia	17.6%	0.0%	16.7%	15.0%	-	15.0%
Total	14.7%	7.1%	13.8%	13.7%	17.46%	14.1%

3.3. Human rights

The protection of human rights is an important topic for IRCE and this is highlighted 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.

The Group's commitment to sustainable development which respects the environment and human rights takes concrete form in the realisation not only of its own Code of Ethics, but also recently in the specific "Code of business conduct", the purpose of which is to define the key principles on social, environmental and governance issues in order to also provide its suppliers with a course of conduct to follow in their operations.

In compliance with this Code, suppliers are requested to:

- respect and guarantee that working conditions, including work hours, overtime, and workers' pay, are in line with the principles defined by the International Labour Organization;
- guarantee that there is no use of child labour or forced or compulsory labour;
- avoid any form of discrimination;
- respect, without any discrimination, the right of workers to the freedom of meeting and association, organisation and collective bargaining, and establishment of trade unions;
- protect natural resources and affirm sustainable models of production and consumption;
- conduct their business in accordance with the principles of legality and transparency, in line with international, EU, national, regional and local laws and regulations.

The Code of business conduct is inspired by the main international standards on the environment and on work, including the United Nations Global Compact and the ILO's international labour standards. It is applied together with all the laws in force in the countries where the Company operates and supplements all the principles set out in the Code of Ethics and in the corporate procedures in force.

The Code of business conduct can be found in the "Ethics & Compliance" section on the corporate website www.irce.it.

3.3.1. Employees' health and safety

Occupational health and safety, 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.

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, for the Imola (Bologna) plant only, 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 in this plant. The plant is considered a "lower-tier establishment".

The Safety Management System implemented by IRCE S.P.A. makes it possible to:

- Identify functions, defining uniquely and explicitly the roles, duties, responsibilities, authority and availability of resources inside the organisation.
- Identify and assess the significant dangers in terms of likelihood and seriousness.
- Establish operating controls.
- Implement and activate procedures to guarantee correct planning and managing of existing plants and design of new plants.
- Plan and manage emergencies in relation to the possibility of a significant accident occurring, also by planning specific training and simulations.
- Establish controls over performance, through the analysis of any accidents and near misses in order to assess their causes and implement any necessary corrective actions.
- Periodically and systematically assess the policy to prevent significant accidents as well as the state of implementation of the system and the necessary improvements.

Activities with a significant accident risk are identified according to Seveso III Directive (Directive 2012/18/EU of 4 July 2012, implemented by Italian 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.

In addition, the IRCE Group undertakes, where possible, to guarantee the participation of workers and their consultation, as part of the assessment, improvement and implementation of the occupational health and safety management system. As for reports of any work-related dangers and/or accidents, IRCE gives its employees the chance to send specific reports, through dedicated channels, to their managers. The managers are charged with drawing up internal procedures that conform to local laws, updating them periodically and ensuring their prompt dissemination to employees and to other categories of non-employee workers involved.

The main activities, which contribute to identifying and minimising health and safety risks, are:

- periodic visits and inspections in workplaces by specific professional figures, such as for example the company doctor or the health and safety manager/workers' health and safety representative;
- carrying out of monthly controls with the help of specific dedicated functions;
- carrying out of external audits;
- use of dedicated prevention service teams;
- training of employees.

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.

Recognising the importance of making each worker more aware of workplace risks and better prepared to face them, and reducing the chances of accidents and incidents at work, each year IRCE S.p.A. implements the "Plan for staff training, information-giving and preparation". This Plan defines the training plans for staff, developing specific training programs for the various types of workers on the basis of the role, duty, level of responsibility and work context.

The Plan is realised in compliance with Italian Legislative Decree No. 81/2008 (Consolidated Occupational Health and Safety Act) and Italian Legislative Decree No. 105/2015 (Seveso III Directive), and in line with the State-Regions Agreements on staff training.

Specifically, the courses held in 2023 regarded:

- General safety training and specific low-risk and high-risk training;

- Training and preparation of fire-prevention and emergency officers;
- Training and preparation of first-aid officers;
- Training for fork lift and other equipment operators;
- Training for the Workers' health and safety representative (*Rappresentante dei lavoratori per la sicurezza*);
- Training and preparation for users of platforms;
- Training and preparation for people working at height;
- Training and preparation for users of breathing apparatus;
- Training and preparation for supervisors.

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 – employees¹⁸	2023	2022
Frequency		
a) Number of work-related injuries	20	25
b) Total number of hours worked ¹⁹	1,085,862	1,102,537
Work-related injury rate (a/b x 1,000,000)	18.42	22.67
Seriousness		
a) Number of high-consequence injuries ²⁰	2	0
b) Total number of hours worked	1,052,862	1,102,537
High-consequence work-related injury rate (a/b x 1,000,000)	1.84	0.00
Injury rates – external workers²¹	2023	2022
Frequency		
a) Number of work-related injuries	1	5
b) Total number of hours worked	73,066	91,046
Work-related injury rate (a/b x 1,000,000)	13.69	54.92
Seriousness		
a) Number of high-consequence injuries	0	0
b) Total number of hours worked	73,066	91,046
High-consequence work-related injury rate (a/b x 1,000,000)	0.00	0.00

¹⁸ 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.

¹⁹ It should be noted that, with reference to the hours worked by F.D. Sims Ltd, and the commercial offices in Poland and China, the data is the result of an estimate based on day actually worked by the employees. For the future reports, the Group will try to provide data without resorting to estimates and assumptions.

²⁰ 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.

²¹ Data relating to the Health and Safety of external staff include only the category of temporary workers hired from external agencies and exclude 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 it is noted that:

- The injury rate improved for both employees and for external workers; the main injuries were trauma from crushing, sprain and contusions;
- In relation to the injury rate by seriousness, two events should be noted which led to absences of over six months from work; both related to fractures due to accidental falls, at the parent company IRCE S.p.A. and at the Dutch subsidiary Smit Draad Nijmegen BV.

3.3.2. Personnel management and training

As also set out in the Code of Ethics, IRCE avoids any form of discrimination in regard to its staff. As part of the processes to manage and develop its staff, as also in the recruitment stage, decisions taken are based on the matching of profiles sought and the profiles held and on the basis of considerations on merit; the access to roles and positions is established in consideration of know-how and skills.

The parent company IRCE S.p.A. has implemented management of work positions relating to the production (*job description*) in the company IT system, by coding the individual items of know-how/knowledge and the minimum level expected for each individual position, in order to be able to subsequently implement an effective assessment system aimed at drawing up the annual training plan. The gap between the skills held and those requested is the basis for identifying the training and/or preparation needs. The "training program" is approved by General Management and is shared with Trade Unions and internal trade unions (*Rappresentanza Sindacale Unitaria*). The efficacy of the training is then verified through tests, interviews and inspections, the evidence from which is reported directly on training registers, indicating the outcome of the assessment.

On establishing the employment relationship, each worker receives precise information relating to:

- characteristics of the function and duties to be undertaken;
- regulatory and pay elements, as regulated by the national collective labour contract in force;
- rules and procedures to be adopted in order to avoid possible risks for health and the environment associated with the work;
- the Code of Ethics.

This information is presented to the worker so that acceptance of the position is based on a real understanding of this information.

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

Here below are set out the average annual training hours per person²², by gender and by job category.

Hours of annual training for employees and external workers broken down by gender						
	2023			2022		
	Men	Women	Total	Men	Women	Total
Total hours of training provided to internal and external workers	3,677	427	4,104	3,624	510	4,134
Total number of employees and external workers	601	72	673	590	66	656
Average hours of training per worker	6.12	5.93	6.10	6.14	7.73	6.30

²² With reference to the data concerning the training of F.D. Sims Ltd, it should be noted that the total does not include the training hours carried out for the months January-June 2023. The Group undertakes to include this data starting from the next financial year.

Hours of annual training for employees and external workers broken down by job category

	2023				2022			
	Function managers	White collars	Blue collars	Total	Function managers	White collars	Blue collars	Total
Total hours of training provided to internal and external workers	79	707	3,318	4,104	147	416	3,571	4,134
Total number of employees and external workers	35	111	527	673	34	105	517	656
Average hours of training per worker²³	2.26	6.37	6.30	6.10	4.32	3.96	6.91	6.30

Every manager is required to enhance the work time of their staff, requesting performance in line with the undertaking of their duties and with the work organisation plans. It is abuse of a position of authority to ask, as something due to the superior standing in the hierarchy, for services, personal favours or any form of conduct which is a violation of the Code of Ethics.

3.3.3. Supplementary contract

In IRCE S.p.A. there are three supplementary contracts in force, one for each plant, which envisage a variable bonus agreed with Trade Unions and internal trade unions. This bonus is calculated on the basis of performance indicators of productivity, profitability, process quality and absenteeism, so as to positively assess the commitment of people besides the economic and financial results.

The subsidiaries Irce Ltda, Isomet Ag and Stable Magnet Wire P.Ltd have also envisaged a variable economic bonus for employees linked to the annual results.

3.4. 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.

Representatives of the local communities are involved in drawing up the questionnaire for the materiality analysis in order to identify their needs too.

The IRCE Group strengthens its ties with local and regional communities by adhering to the Confindustria business association system, so as to facilitate the recognition of the Group as a driver for economic, social and civil growth. In particular IRCE S.p.A. is registered with:

- Federazione ANIE – National Association for Electronic and Electrical Engineering Companies, the national federation which represents high- and mid-to-high technology companies operating in the Italian sectors of electronic and electrical engineering.
- Confindustria Emilia Area Centro, main regional organisation representing industrial companies in Emilia-Romagna.
- Confindustria Molise, main local association on a regional basis present in Molise.

²³ Data relating to the training of external staff include only the category of temporary workers hired from external agencies and exclude 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.

3.5. 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). In 2023 there were no cases of theft or removal of data from the company information system.

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
<ul style="list-style-type: none"> ■ Energy consumption, emissions and climate change ■ Management of water resources ■ Recycling and waste management ■ Management of materials 	<ul style="list-style-type: none"> ■ Air, soil and water pollution 	<ul style="list-style-type: none"> ■ Code of Ethics ■ 231 Model and Supervisory Body ■ Environmental management systems compliant with local laws and based on the ISO 14001 model ■ Code of business conduct for suppliers 	<ul style="list-style-type: none"> ■ Reduction in emissions ■ Raising energy efficiency of the Group's production sites ■ Investments in machinery with enhanced energy efficiency ■ 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.

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. Climate Change

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

- Opportunities:
 - o Regulations: the regulation recently approved by the European Parliament, which imposes as from 2035 the stop on the sale of cars fitted with internal combustion engines, is an important opportunity for the Group, since electric cars require greater quantities of winding wires compared to combustion engines. Following this assessment, in order to deal with the expected growth in the electric vehicle market demand, on 21 December 2023 the Board of Directors approved the

Investment Project by the subsidiary IRCE S.r.o., regarding (i) the realisation of the new Factory in Mosnov (Ostrava), in the Czech Republic, which is envisaged to be completed by 31 December 2024; and (ii) the purchase of systems and machinery for the production work, spread over time, to be done up to 2028. For more information reference should be made to the Information Document prepared pursuant to Article 71 of the Regulation adopted by CONSOB with Resolution No. 11971 of 14 May 1999 published on 30 December 2023;

- o Market: 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:

- o Procurement: 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;
- o Income: 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;
- o Regulations: any regulatory interventions to require companies to reduce CO₂ emissions could entail higher operating costs for the Group;
- o Technological nature: technological risks are present in the automotive sector since the technical standards requested are higher as are customers' personalisation needs;
- o Physical nature: 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 Plans which enable business continuity.

For a more detailed analysis, reference should be made to paragraph 1 "Climate change – Impacts on financial statements" of the Notes to the Group's consolidated financial statements.

IRCE has obtained the following sustainability ratings:

- Silver rating from Ecovadis, a platform to monitor companies' sustainability performance;
- "C" from CDP, an internationally recognised NGO for the assessment of information on climate change.

4.3. Energy transition

The Group sets itself the goal of improving the analysis of the impacts linked to climate change, constantly monitoring the risks, and taking up future opportunities.

For the Imola plant, the Group's largest plant, projects for energy saving in manufacturing are underway, i.e.:

- Project for compressed air, which involves making the compressed air production room more efficient by installing two compressors and two dryers at the plant in Imola (Bologna); the project was launched in October 2018 and was completed in October 2023; in the period October 2018-October 2022, two hundred and twenty energy efficiency certificates (TEE) were obtained which correspond to an annual average saving of 302,819 kWh. The overall result in terms of the number of TEEs and the annual average saving, taking into consideration to period up to October 2023, is being processed.
- In July 2023, the photovoltaic implant came into operation at the Imola (BO) plant. The aforementioned implant is positioned on the ground and has a nominal peak power of 5,886 kWp with an estimated annual production of almost 9,000 MWh, and an estimated annual self-consumption of 8,200 MWh (the difference between production and self-consumption is determined by the input into the electricity network, the surplus of which is mainly due to the closing of the Imola (BO) productive plant in the months of August and December). The consumption actually recorded by the Company during the months of operation of the plant in 2023 is equal to 6,852 MWh, which leads to savings in term of consumption of purchased electrical energy and consequently reduction of Scope 2 Co₂ emission of approximately 2,100 tCO₂ per year (Location-Based method) and approximately 3,100 Tco₂ per year (Market-Based method) with an estimated economic benefit of 10-15% per year in relation to the production trend.
- As envisaged by the new Standards ESRS prepared by EFRAG and adopted by the European Commission on 31 July 2023, in particular by ESRS 1 Appendix C, which the Group will have to adopt as from 2024, it will be arranged to extend the calculation

of GHG emissions to those relating to Scope 3 as from 2025. In addition, the project is being defined and will be launched in 2024 to calculate the carbon footprint for the main product families.

- Investments continue in new machinery and more energy efficient plants; during 2023 investments totalled € 3,268,000.

4.4. Energy consumption

In the Group's various plants, systems were set up for the constant control of gas and electricity. Here below is the Group's energy consumption attributed to the use of fuel and electricity, subsequently converted into giga joules (GJ).

Energy Consumption ²⁴					
	Unit	2023		2022	
		Total	Total GJ	Total	Total GJ
Non-renewable fuel					
Natural gas	m ³	1,541,878	61,820	1,622,207	64,180
Diesel fuel	l	71,898	2,719	131,150	5,009
LPG	tonnes	13	631	18	893
Propane ²⁵	Kg	75	4		
Petrol ²⁶	l	1,660	57		
Electricity					
Electricity purchased ²⁷	kWh	95,520,029	343,872	112,604,810	405,377
Self-generated electricity <i>from renewable sources</i> ²⁸	kWh	7,759,438	27,934	-	-
<i>of which consumed</i>	<i>kWh</i>	6,851,925	24,667	-	-
<i>of which sold to the grid</i>	<i>kWh</i>	907,513	3,267		
Total energy consumption	GJ		433,770		475,458
Renewable energy	%		6.69%		-

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 2023 compared to the previous year was due mainly to the reduction in the quantities produced owing to the fall in market demand. In particular, the lower quantity of electricity is also linked to the production of renewable energy from the photovoltaic plant at the plant in Imola (Bologna) – Italy.

²⁴ For the purposes of calculating the energy contribution in GJ of fuel in 2023, the conversion factors used are indicated in the document "UK Government GHG Conversion Factors for Company Reporting", source: DEFRA 2023, while 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.

²⁵ It should be noted that the data relating to propane have been included in the Group's consumption starting from 2023; the data relating to the previously financial year is not available.

²⁶ It should be noted that the data relating to petrol have been included in the Group's consumption starting from 2023, and refer to the Dutch subsidiary Smit Draad Nijmegen BV; the data relating to previously financial year is not available.

²⁷ The Group does not acquire electricity which is certified with a guarantee of origin, therefore the electricity purchased comes from non-renewable sources.

²⁸ Production from the photovoltaic system at the plant in Imola (Bologna) – Italy.

4.5. Water Withdrawal²⁹

Resource	Water Withdrawal (ML)		of which area with water stress		
	Unit	2023	2022	2023	2022
Surface water	ML	13.1	13.9		
Groundwater	ML	9.8	9.4	9.8	9.4
Third-party water resources	ML	53.6	64.5	40.4	54.2
Total	ML	76.4	87.8	50.1	63.6

The decrease in water consumption is due to the reduction in 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).

4.6. Recycling and waste management

The IRCE Group aims to reduce and responsibly manage the waste it produces. Also in 2023, 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 4,766 tonnes and the majority went to recycling (81%) and recovery (10%), with only 1% going to landfill.

Waste generated (tonnes)						
	2023			2022		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Total	318	4,448	4,766	315	4,306	4,621

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 6.7% and refers essentially to substances from the production process (for example emulsions, filtering materials, machining sludges).

The increase in waste in 2023 compared to 2022 was due mainly to copper scrap produced both during the set-up of new machines installed and to greater waste linked to testing of new products.

²⁹ 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. Based on 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>).

4.7. Emissions to air

CO₂ emissions are generated by the energy carriers used by the Group.

The IRCE Group calculates its "carbon footprint" in terms of CO₂ emissions, reporting on:

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

Direct GHG emissions (Scope 1) ³⁰					
Source	Unit	2023		2022	
		Total	tCO ₂ e	Total	tCO ₂ e
Natural gas	m ³	1,541,878	3,143	1,622,207	3,270
Diesel fuel	l	71,898	181	131,150	335
LPG	tonnes	13	38	18	53
Propane	Kg	75	0		
Petrol	l	1,660	3		
Total			3,365		3,658
Indirect GHG emissions (Scope 2) ³¹ – Location-Based Method ³²					
Source	Unit	2023		2022	
		Total	tCO ₂ e	Total	tCO ₂ e
Electricity purchased	kWh	95,520,029	26,064	112,604,810	31,592
Indirect GHG emissions (Scope 2) – Market-Based Method ³³					
Source	Unit	2023		2022	
		Total	tCO ₂ e	Total	tCO ₂ e
Electricity purchased	kWh	95,520,029	35,140	112,604,810	43,072
Total emissions Scope 1 + Scope 2			29,429		35,250
– Location Based					
Total emissions Scope 1 + Scope 2			38,505		46,730
– Market Based					

³⁰ For the purposes of calculating Scope 1 direct emissions for 2023, the emission factors used are indicated in the document "UK Government GHG Conversion Factors for Company Reporting", source: DEFRA 2023, while for the purposes of calculating Scope 1 direct emissions for 2022, the emission factors used are indicated in the document "UK Government GHG Conversion Factors for Company Reporting", source: DEFRA 2022.

³¹ Scope 2 electricity indirect emissions are reported in tonnes of CO₂, however the percentage of methane and nitrous oxide has a negligible impact on total greenhouse gas emissions (CO₂ equivalent), as the relevant technical literature shows.

³² 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 Comparison".

³³ 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 2022 and AIB 2023), for Brazil the emission factors indicated in the document "2019 International Comparison" (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).

The fall in CO₂ emissions in 2023 compared to the previous year was due mainly to the reduction in the quantities produced owing to the fall in market demand, but also to the production of renewable energy from the photovoltaic system at the plant in Imola (Bologna) – Italy.

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 2023.

As per the authorisations in place for air 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.

4.8. 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.

The Group's commitment to sustainable development, that respects the environment and human rights, takes concrete form in the realisation of the specific "Code of business conduct", the purpose of which is to define the key principles on social, environmental and governance issues in order to also provide its suppliers with a course of conduct to be followed in their operations.

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
<ul style="list-style-type: none"> ■ Innovation, product quality and safety ■ Customer satisfaction 	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ ISO 9001 quality management system ■ IATF 16949 	<ul style="list-style-type: none"> ■ Improve complaints management ■ Improvement in production processes ■ Increased resources dedicated to research and development

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. 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 2023, no market withdrawals were reported in relation to problems concerning the safety and quality of the products and services offered by the Companies belonging to the IRCE Group.

5.3. 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 product quality 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	2023	2022 ³⁴
Total economic value generated by the Group	382,077	474,975
Total economic value distributed by the Group	368,604	459,845
Of which operating costs	327,625	422,809
Of which remuneration of personnel	30,486	30,009
Of which remuneration of lenders	4,524	4,035
Of which remuneration of shareholders ³⁵	1,588	1,592
Of which remuneration of the Public Administration ³⁶	4,355	1,400
Economic value retained by the Group	13,473	15,130

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.
4. Sustainability:
 - a. improvement in the company's ability to have a positive impact on the environment and thus mitigate the effects in terms of climate change and emissions;
 - b. sustainable management of Human Resources and development of internal wellbeing.

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
















7. IMPROVEMENT OBJECTIVES

With a view to gradually improving the positive impacts which the company can generate for its stakeholders, in 2024 the Group undertakes to draw up a sustainability plan with medium/long-term time horizons which will develop the following aspects:

³⁴ 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 2022 non-financial statement, available on the <https://www.irce.it> website in the Investor relations section.

³⁵ The amount attributed to shareholders corresponds to the net profit for 2023 distributed as dividends that, on 15 March, the Board of Directors resolved to propose to the Shareholders' Meeting.

³⁶ The amount attributed to the Public Administration includes only income taxes.

Reference sector	Area of focus	Possible action	Related SDGs
GOVERNANCE	Development of internal culture with a view to sustainability	Dissemination of the Code of Ethics, extending it to all the Group companies	 
	Development of internal compliance	Update of 231 Model and Code of Ethics	 
	Stakeholder engagement: expanding the number of stakeholders involved to guarantee the most realistic and correct representation of material topics	Study of stakeholders and improvement in dialogue	 
SOCIAL	Diversification of training subjects and increase in average training hours	Development of training plans	
	Development of staff management procedures and practices to protect gender parity and work inclusion	Study and introduction of new procedures	
	Development of new means of engagement in regard to local communities	Study and implementation of new projects to support the territory	
ENVIRONMENT	Emission reduction	Calculation of the carbon footprint of the biggest product families	 
	Energy transition	Increase in energy from renewable sources through the realisation of a further photovoltaic plant and investments in more energy efficient machinery and production sites	 
	Promotion of sustainable environmental aspects with suppliers	Dissemination and control of the Code of Conduct of suppliers	 

PRODUCT RESPONSIBILITY	Improvement in the management of customer complaints	Revision of procedures and related management systems	
	Improvement in production processes	Inclusion of new specialist professional figures	
	Increased resources dedicated to research and development	Update of budget for investments in research and development	

8. 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. This Regulation was followed by the Delegated Regulations (EU Regulations 2021/2139 and 2021/2178), as subsequently amended and supplemented (EU Regulations 2023/2485 and 2023/2486).

The aforementioned Regulations are aimed at establishing that an economic activity is considered environmentally 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. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

Pursuant to Article 8 of the Regulation on Taxonomy, for 2023, 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 environmentally sustainable economic activities, in other words which are potentially eligible as opposed to 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 relation to the activities regarding the other objectives (points 3,4,5 and 6 above), as well as for the activities introduced by the Delegated Regulation (EU) 2023/2486 of 27 June 2023 (which introduces further economic activities to be considered, by virtue of their potential contribution to mitigating and adapting to climate change), the assessment for 2023 is linked only to admissibility and not to alignment.

In order to classify an activity as “environmentally sustainable” 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;
- complying with 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 safeguards.

On the basis of the interpretation reached 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 environmental goals above and, consequently, no percentage of turnover can be considered as aligned or eligible at the date of drawing up this document. In

particular, the prudential approach already set out in the previous year was confirmed, considering the Group's main economic activities linked to the production not so much of finished products but of components (winding wires and electrical cables), since it does not consider the activities as eligible in relation to the environmental objectives described above.

The Group also carried out the analysis of capital expenditure and operational expenditure relating to the 2023 financial year. For the calculation of the KPI on capital expenditure (CapEx) the residual investments for the completion of the photovoltaic implant located in Imola, which had already begun during the previous financial year, have been considered eligible. The remaining part of increases of tangible and intangible assets and right of use for the year were considered ineligible. As for the KPI on operative expenditure, at the date of publication of this NFS, no share associated with economic activities considered eligible or aligned in relation to the Taxonomy objectives has been identified. For the purpose of the calculation of the KPI on operational expenditure (OpEx), in particular non capitalized research and development costs, maintenance costs and costs for use of a third party asset (non IFRS16) were considered.

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 its interpretation and application, and the strategic decisions taken by the IRCE Group.

ANNEX II – Proportion of turnover arising from products or services associated with Taxonomy-aligned economic activities — Disclosure for 2023⁴⁰

Financial year 2023	2023			Substantial contribution criteria							DNSH (Does Not Significantly Harm) criteria										
Economic activities	Code	Turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned (A.1) or eligible (A.2) proportion of turnover, year 2023	Category (enabling activity)	Category (transition aligned)		
		In thousands of Euro	%	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	%	E	T		
A. TAXONOMY ELEGIBLE ACTIVITIES																					
A.1 Enviromentally-sustainable activities (Taxonomy-aligned)																					
Turnover of enviromentally-sustainable activities (Taxonomy-eligible)	N/A	0	0%	N	N	N	N	N	N	N	N	N	N	N	N	N	%				
Turnover of enviromentally-sustainable activities (Taxonomy-aligned) (A.1)		0	%	0	0	0	0	0	0	N	N	N	N	N	N	N	%				
of which enabling		0	%							N	N	N	N	N	N	N	%				
of which transitional		0	%							N	N	N	N	N	N	N	%				
A.2 Taxonomy eligible but not enviromentally-sustainable activities (not Taxonomy-aligned)																					
Turnover of Taxonomy-eligible but not enviromentally-sustainable activities (not Taxonomy-aligned activities)	N/A	0	%	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;								%				
Proportion of Taxonomy-eligible but not enviromentally-sustainable activities (not Taxonomy-aligned activities) (A.2)			%														%				
A. Proportion of Taxonomy-eligible turnover (A.1+A.2)		0	%																		
B. TAXONOMY NOT-ELEGIBLE ACTIVITIES																					
Proportion of Taxonomy not-eligible turnover		402.780	%																		
TOTAL (A+B)		402.780	100%																		

⁴⁰ As established by the Regulation, the share of turnover which is “aligned” means the portion of net revenue from services or products, including intangible revenue, which originate from economic activities aligned to taxonomy for total net revenue.

ANNEX II – Percentage of capital expenditure arising from products or services associated with Taxonomy-aligned economic activities — Disclosure for 2023⁴¹

Financial year 2023	2023			Substantial contribution criteria						DNSH (Does Not Significantly Harm) criteria									
Economic activities	Code	Cap Ex in absolute value	Proportions of Cap Ex	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned (A.1) or eligible (A.2) proportion of Cap Ex, year 2023	Category (enabling activity)	Category (transition aligned)
		In thousands of Euro	%	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	%	E	T
A. TAXONOMY ELEGIBLE ACTIVITIES																			
A.1 Environmentally-sustainable activities (Taxonomy-aligned)																			
Cap Ex of enviromentally-sustainable activities (Taxonomy-eligible)	N/A	0	0%	N	N	N	N	N	N	N	N	N	N	N	N	N	%		
Cap Ex of enviromentally-sustainable activities (Taxonomy-aligned) (A.1)		0	%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		
of which enabling		0	%							N	N	N	N	N	N	N	%		
of which transitional		0	%							N	N	N	N	N	N	N	%		
A.2 Taxonomy eligible but not enviromentally-sustainable activities (not Taxonomy-aligned)																			
				Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;										
Installation, maintainance and repair of renewable energy technologies	7.6 (Annex I)		%														%		
Proportion of Taxonomy-eligible but not enviromentally-sustainable Cap Ex (not Taxonomy-aligned activities) (A.2)		1.219	10%	%	%	%	%	%	%								%		
A. Proportion of Taxonomy-eligible Cap Ex (A.1+A.2)		1.219	10%	%	%	%	%	%	%										
B. TAXONOMY NOT-ELEGIBLE ACTIVITIES																			
Proportion of Taxonomy not-eligible Cap Ex		11.015	90%																
TOTAL (A+B)		12.234	100%																

⁴¹ The calculation of the CapEx KPI is done by dividing the value which includes the "Aligned" capital expenditure by the denominator which is the total capital expenditure. This denominator includes the total capital expenditure and the increases in use rights, before amortisation and depreciation, in any revaluation and excluding the changes due to fair value.

ANNEX II – Percentage of operating expenditure arising from products or services associated with Taxonomy-aligned economic activities — Disclosure for 2023⁴²

Financial year 2023	2023			Substantial contribution criteria						DNSH (Does Not Significantly Harm) criteria									
Economic activities	Code	Op Ex in absolute value	Proportions of Op Ex	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned (A.1) or eligible (A.2) proportion of Op Ex, year 2023	Category (enabling activity)	Category (transition aligned)
		In thousands of Euro	%	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	%	E	T
A. TAXONOMY ELEGIBLE ACTIVITIES																			
A.1 Environmentally-sustainable activities (Taxonomy-aligned)																			
Op Ex of environmentally-sustainable activities (Taxonomy-eligible)	N/A	0	0%	N	N	N	N	N	N	N	N	N	N	N	N	N	%		
Op Ex of environmentally-sustainable activities (Taxonomy-aligned) (A.1)		0	%	0	0	0	0	0	0	N	N	N	N	N	N	N	%		
of which enabling		0	%							N	N	N	N	N	N	N	%		
of which transitional		0	%							N	N	N	N	N	N	N	%		
A.2 Taxonomy eligible but not environmentally-sustainable activities (not Taxonomy-aligned)																			
				Y; N;	Y; N;	Y; N;	Y; N;	Y; N;	Y; N;										
Op Ex of Taxonomy eligible but not environmentally-sustainable activities (not Taxonomy aligned)	N/A	0	%														%		
Proportion of Taxonomy-eligible but not environmentally-sustainable		0	%														%		
A. Proportion of Taxonomy-eligible Op Ex (A.1+A.2)		0	%																
B. TAXONOMY NOT-ELEGIBLE ACTIVITIES																			
Proportion of Taxonomy not-eligible Op Ex		3.294	100%																
TOTAL (A+B)		3.294	100%																

⁴² The calculation of the OpEx KPI is done by dividing the value which includes the portion of “aligned” operating expenditure by the denominator which is total operating expenditure.

GRI CONTENT INDEX

Statement of use	The IRCE Group prepared the information included in this GRI Content Index for the period 1 January – 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable sector standards	Currently, there are no GRI Sector Standards applicable to IRCE Group's operations.

GRI STANDARDS	DISCLOSURE	NOTES AND LOCATION
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	16-17, 25
	2-2 Entities included in the organization's sustainability reporting	16-17
	2-3 Reporting period, frequency and contact point	17-18
	2-4 Restatements of information	During the reporting period no restatements of information occurred.
	2-5 External assurance	16, 168
	2-6 Activities, value chain and other business relationships	47
	2-7 Employees	33
	2-8 Workers who are not employees	33
	2-9 Governance structure and composition	25-28
	2-10 Nomination and selection of the highest governance body	25
	2-11 Chair of the highest governance body	For further information on the Group's governance structure and composition, reference should be made to the Corporate Governance Report published on the website www.irce.it
	2-12 Role of the highest governance body in overseeing the management of impacts	
	2-13 Delegation of responsibility for managing impacts	
	2-14 Role of the highest governance body in sustainability reporting	17-18
	2-15 Conflicts of interest	For further information on the Group's governance structure and composition, reference should be made to the Corporate Governance Report published on the website www.irce.it .
	2-16 Communication of critical concerns	30-31
	2-17 Collective knowledge of the highest governance body	26
	2-18 Evaluation of the performance of the highest governance body	Such disclosure is included in the Corporate Governance Report published on the IRCE Group's website www.irce.it
	2-19 Remuneration policies	Currently, remuneration policies as per a.ii, a.iv and a.v are not envisaged by the Group. 25-26
	2-20 Process to determine remuneration	25-26
	2-23 Policy commitments	This disclosure is in compliance with the requirements of the reference standard with the exception of letters a.ii; a.iii, a.iv. 29-31, 36-37

	2-24 Embedding policy commitments	Further information is available in the 231 Model published on the website www.irce.it .	
	2-25 Processes to remediate negative impacts	Further information is available in the Whistleblowing document published on the website www.irce.it	
	2-26 Mechanisms for seeking advice and raising concerns		
	2-27 Compliance with laws and regulations	In 2023 there were no significant instances of non-compliance with laws and regulations.	
	2-28 Membership associations		40
	2-29 Approach to stakeholder engagement		18-19
	2-30 Collective bargaining agreements		35
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics		20
	3-2 List of material topics		21-23
	3-3 Management of material topics		24, 32, 41-43, 46, 48-50
Economic Performance			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed		47-48
	201-2 Financial implications and other risks and opportunities due to climate change		41-43
Anti-corruption			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		31
	205-3 Confirmed incidents of corruption and action taken	In 2023 there were no incidents of corruption confirmed.	
Anti-competitive Behaviour			
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	In 2023 no actions were taken against the Group with reference to anti-competitive behaviour and/or violations of anti-trust and monopoly legislation.	
Energy			
GRI 302: Energy 2016	302-1 Energy consumption within the organization		43
Water and Effluents			
GRI 303: Water and Effluents 2018	303-3 Water withdrawal		44
Emissions			
305-1	305-1 Direct (Scope 1) GHG emissions		45
	305-2 Energy indirect (Scope 2) GHG emissions		45
Waste			
GRI 306: Waste 2020	306-3 Waste generated		44
Employment			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	This disclosure is in compliance with the requirements of the reference standard with the exception of age range	35-36
Occupational Health and Safety			
	403-1 Occupational health and		37-38

GRI 403: Occupational Health and Safety 2018	safety management system		
	403-5 Worker training on occupational health and safety		37-38
	403-9 Work-related injuries		38-39
Training and Education			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	This disclosure is in compliance with the requirements of the reference standard with the exception of the employee category.	39-40
Diversity and Equal Opportunity			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	This disclosure is in compliance with the requirements of the reference standard with the exception of the display of data as percentage.	27-28
Non-discrimination			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There were no incidents of discrimination during the reporting period.	
Child Labour			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk of child labour incidents at the Group's main suppliers.	
Forced or Compulsory Labour			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Based on the procedures in place for the selection and control of suppliers, it is believed that there is no significant risk for incidents of forced or compulsory labour at the Group's main suppliers.	
Customer Health and Safety			
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no incidents of non-compliance with regulations and/or self-regulation codes concerning the health and safety impacts of products resulting in a fine, penalty or warning from Control Bodies.	
Customer Privacy			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		41

**Consolidated Financial Statements
of the IRCE Group
as of 31 December 2023**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand of Euro)	Notes	2023 31 December	2022 31 December
ASSETS			
Non-current assets			
Goodwill and other intangible assets	4	136	49
Property, plant and machinery	5	43,933	37,961
Equipment and other tangible assets	5	1,852	1,374
Assets under constructions and advances	5	13,385	12,278
Non-current financial assets	6	5	5
Deferred tax assets	7	2,495	2,357
Other non-current assets non financial	8	1,196	2,813
NON-CURRENT ASSETS		63,002	56,837
Current assets			
Inventories	9	94,495	117,988
Trade receivables	10	67,157	61,498
Tax receivables	11	22	2,676
(of which related parties)		-	2,175
Other current assets	12	4,575	5,659
Current financial assets	13	373	490
Cash and cash equivalent	14	14,167	5,608
CURRENT ASSETS		180,789	193,919
TOTAL ASSETS		243,791	250,756

(Thousand of Euro)	Notes	2023 31 December	2022 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		13,782	13,802
Reserves		131,641	122,084
Profit (loss) for the period		8,226	9,224
Shareholders' equity attributable to shareholders of Parent company		153,649	145,110
Shareholders equity attributable to Minority interests		(322)	(325)
TOTAL SHAREHOLDERS' EQUITY	15	153,327	144,785
Non-current liabilities			
Non-current financial liabilities	16	13,664	19,777
Deferred tax liabilities	7	286	338
Non-current provisions for risks and charges	17	846	280
Non-current provisions for post employment obligation	18	3,673	3,449
NON-CURRENT LIABILITIES		18,469	23,844
Current liabilities			
Current financial liabilities	16	26,524	46,366
Trade payables	19	33,207	27,240
Current tax payables	11	1,496	555
<i>(of which related parties)</i>		1,169	-
Social security contributions	20	2,022	2,001
Other current liabilities	21	8,507	5,708
Current provisions for risks and charges	17	239	257
CURRENT LIABILITIES		71,995	82,127
SHAREHOLDERS' EQUITY AND LIABILITIES		243,791	250,756

CONSOLIDATED INCOME STATEMENT

(Thousand of Euro)	Notes	2023 31 December	2022 31 December
Sales revenues	22	402,780	454,695
Other revenues and income	23	1,753	4,864
TOTAL REVENUES AND INCOME		404,533	459,559
Raw materials and consumables	24	(306,550)	(361,748)
Change in inventories of work in progress and finished goods		(7,995)	(86)
Cost for services	25	(37,001)	(46,615)
Personnel costs	26	(30,486)	(30,009)
Amortization /depreciation/write off tangible and intangible assets	27	(6,927)	(7,234)
Provision and write downs	28	(21)	(589)
Other operating costs	29	(1,129)	(1,730)
EBIT		14,424	11,548
Financial income / (charges)	30	(1,956)	(1,250)
RESULT BEFORE TAX		12,468	10,298
Income taxes	31	(4,239)	(1,094)
NET RESULT FOR THE PERIOD		8,229	9,204
Net result attributable to non-controlling interests		3	(20)
NET RESULT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		8,226	9,224

NET EPS	Notes	2023 31 December	2022 31 December
Basic EPS for the period attributable to the shareholders of the parent company	32	0.310	0.348
Diluted EPS for the period attributable to the shareholders of the parent company	32	0.310	0.348

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand of Euro)	Notes	2023 31 December	2022 31 December
Net result for the period		8,229	9,204
Translation difference on financial statements of foreign companies	15	2,293	4,184
Total items that will be reclassified to net result		2,293	4,184
Actuarial gain / (losses) IAS 19	18	(385)	969
Tax effect	7	79	(209)
Total IAS 19 reserve variance	15	(306)	760
Total items that will not be reclassified to net result		(306)	760
Total comprehensive income for the period		10,216	14,148
Attributable to shareholders of Parent company		10,213	14,168
Attributable to Minority interest		3	(20)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand of Euro)	Share capital	Other reserves		Retained earnings					Equity attributable to shareholders of parent	Equity attributable to minority interest	Total shareholders' equity
		Share premium	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Translation reserve	Result for the period			
Opening balance of previous year	13,802	40,474	45,923	2,925	(1,183)	54,617	(33,667)	9,376	132,267	(305)	131,962
Profit allocation	-	-	-	-	-	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)	14,147
Closing balance previous year	13,802	40,471	45,923	2,925	(424)	62,672	(29,483)	9,224	145,110	(325)	144,785
Result for previous period	-	-	-	-	-	9,224	-	(9,224)	-	-	-
Dividends	-	-	-	-	-	(1,592)	-	-	(1,592)	-	(1,592)
Sell / purchase own shares	(20)	(62)	-	-	-	-	-	-	(82)	-	(82)
Other comprehensive income for the period	-	-	-	-	(306)	-	2,293	-	1,987	-	1,987
Result for the period	-	-	-	-	-	-	-	8,226	8,226	3	8,229
Total comprehensive income for the period	-	-	-	-	(306)	-	2,293	8,226	10,213	3	10,216
Closing balance current year	13,782	40,409	45,923	2,925	(730)	70,304	(27,190)	8,226	153,649	(322)	153,327

CONSOLIDATED STATEMENT OF CASH FLOW

(Thousand of Euro)	Notes	2023 31 December	2022 31 December
OPERATING ACTIVITIES			
Result of the period (Group and Minorities)		8,229	9,204
<i>Adjustments for:</i>			
Depreciation / Amortization	27	6,927	7,234
Net change in deferred tax (assets) / liabilities		(116)	(305)
Capital (gains) / losses from disposal of fixed assets		(202)	(703)
Losses / (gains) on unrealised exchange rate differences		57	(144)
Provisions for risks	28	(17)	150
Income taxes	31	4,355	1,399
Financial (income) / expenses	30	1,934	276
Operating result before changes in working capital		21,167	17,111
Income taxes paid		2	(6,922)
Financial charges paid	30	(3,591)	(4,035)
Financial income collected	30	2,590	3,759
Decrease / (Increase) in inventories		25,024	(11,792)
Change in trade receivables		(4,166)	31,646
Change in trade payables		5,790	(3,226)
Net changes in current other assets and liabilities		1,886	(1,145)
Net changes in current other assets and liabilities - related parties		756	(4,337)
Net changes in non-current other assets and liabilities		1,534	(3,400)
CASH FLOW FROM OPERATING ACTIVITIES		50,993	17,659
INVESTING ACTIVITIES			
Investments in intangible assets	4	(228)	(30)
Investments in tangible assets	5	(14,006)	(13,609)
Investments in subsidiaries, associates, other entities		-	113
Disposals of tangible and intangible assets		221	743
CASH FLOW FROM INVESTING ACTIVITIES		(14,013)	(12,783)
FINANCING ACTIVITIES			
Repayments of loans	16	(6,170)	(10,176)
Obtainment of loans	16	-	12,000
Net changes of current financial liabilities		(20,731)	(11,961)
Net changes of current financial assets		60	579
Other effects on shareholders' equity	15	-	6
Dividends paid to shareholders	15	(1,592)	(1,327)
Sell/(purchase) of own shares	15	(82)	(3)
CASH FLOW FROM FINANCING ACTIVITIES		(28,515)	(10,882)
NET CASH FLOW FROM THE PERIOD		8,465	(6,006)
CASH BALANCE AT THE BEGINNING OF THE PERIOD	14	5,608	10,678
Exchange rate differences		94	936
NET CASH FLOW FROM THE PERIOD		8,465	(6,006)
CASH BALANCE AT THE END OF THE PERIOD	14	14,167	5,608

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

GENERAL INFORMATION

These annual consolidated financial statements as of 31 December 2023 were approved by the Board of Directors of IRCE S.p.A. (hereinafter also referred to as the “Company”) on 15 March 2024.

IRCE S.p.A. (hereafter also the “Company”) is a company established in Italy, with its tax domicile, registered office and head office in Via Lasie 12/a, Imola (Bologna), Economic and Administrative Register No. 266734 BO 001785.

At 31 December 2023, the Issuer’s share capital was held for 5.78% by the Issuer itself, for 50.045% by AequaFin S.p.A., a company set up and based in Italy in Via dei Poeti 1/2; the remaining 44.175% was free float capital on the Mercato Telematico Azionario of Borsa Italiana S.p.A. – STAR segment.

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

Italian plants are located in the towns of Imola (Bologna), Guglionesi (Campobasso), 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), the headquarters of Fine Wire P. Ltd.

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

The following companies were recently set up: Irce Electromagnetic Wire (Jiangsu) Co. Ltd based in Haian (China) and Irce S.r.o. based in Ostrava (Czech Republic), which are currently not operational.

BASIS OF PREPARATION

The annual financial statements for the year 2023 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 year into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

To better represent in the financial statements the items “Financial accrued liabilities and deferred income” and “Advances from customers”, which were shown at 31 December 2022 under “Other current liabilities”, they were reclassified respectively under “Current payables due to banks” and “Trade receivables”.

Items reclassified in the comparative balances 2022	€/000	Previous classifications	Actual classification
Financial accrued liabilities and deferred income	142	Other current liabilities	Current payables due to banks.
Advances from customers	90	Other current liabilities	Trade receivables

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company IRCE S.p.A. and those of the subsidiaries, prepared as of 31 December 2023. 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; it has the right to take part in or is exposed to the variable (positive and negative) results of the investee company; it 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 year.
- The carrying amount of equity investments was eliminated against the relevant assets acquired and liabilities assumed.
- All intercompany 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 2023:

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 in liquidation	75%	Italy	EUR	46,440	line by line
DMG GmbH	100%	Germany	EUR	255,646	line by line
Irce SL	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	335,516,340	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	16,684,085	line by line
Irce s.r.o	100%	Czech Republic	CZK	5,700,000	line by line
Fine Wire P. Ltd	100%	India	INR	820,410	line by line

It should be noted that the Indian company Fine Wire P. Ltd is indirectly controlled by IRCE through Stable Magnet Wire P.Ltd.

EXCHANGE RATE

The main rates used for the translation of financial and income items are as follows:

Currency	Current year		Previous year	
	Average	Spot	Average	Spot
GBP	0.8699	0.8689	0.8525	0.8872
CHF	0.9717	0.9257	1.0051	0.9854
BRL	5.4019	5.3625	5.4498	5.6362
INR	89.3289	91.9631	82.7205	88.3048
CNY	7.6586	7.8454	7.0805	7.3650
PLN	4.5423	4.3386	4.6849	4.6843
CZK	24.0043	24.7240	24.5603	24.1160

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

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

Going Concern

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

Foreign Currency Translation of Financial Statement Items

The consolidated financial statements are presented in Euro, which is the presentation currency adopted by the Group. Each entity of the Group determines its functional currency, which is used to measure the items in the individual financial statements. Foreign currency transactions are initially recognised at the spot exchange rate (referring to the functional currency) at the date of the transaction. Monetary assets and liabilities, denominated in foreign currency, are translated into the functional currency at the spot exchange rate at the reporting date. All exchange rate differences are recognised in the income statement as financial income/(charges). 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 accumulated depreciation and any 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 residual 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:

Category	Rates
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 accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, with the exception of development costs, are not capitalised and are recognised in profit or loss as incurred. The Group capitalises development costs only when it is likely that they will be recovered. The useful life of intangible assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Group obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.

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

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

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

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

Leased Assets

Following the coming into force of IFRS 16, starting 1 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 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 a lease extension or termination option.

As of the start date of each contract in which the Group is the lessee of an item, it has to record the right-of-use asset, 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 any 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 acquired subsidiary, the difference is directly recognised in profit or loss.

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

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

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

To that end, both internal and external information sources are considered. In regard to the first category (internal sources) the following information is considered: obsolescence or physical damage to the asset; any significant changes in the use of the asset; and the economic performance of the asset as compared to expectations. In regard to external sources, the following information is considered: market price trends for the asset; any changes in technology, markets or laws; the trend in market interest rates or the cost of capital used for evaluating investments; and market capitalisation below the carrying amount of the entity's net assets.

In this case, the net carrying amount of these assets is compared with the estimated recoverable amount and, if the former is higher, they are written down.

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows 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. Impairment for a CGU is first attributed to reducing the carrying amount of any goodwill attributed to the asset, and subsequently to reducing other assets. This must be done in proportion to their carrying amount and the limits of the asset's associated recoverable value.

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

Financial Assets

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

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

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all the risks and rewards associated with said assets. On the other hand, whenever a significant part of the risks and rewards belonging to the financial asset being transferred has 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 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 Group’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 Group may not be able to identify one individual event, and so the impairment of financial assets may be due to the combined effect of several events):

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

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

Inventories

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

The costs incurred are recognised as follows:

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

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

Cash and Cash Equivalents

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

Financial Liabilities and Trade Payables

Financial liabilities and trade payables are recognised when the Group becomes party to the relevant contractual clauses. They are initially measured at fair value, adjusted for directly attributable transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method.

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

Financial liabilities

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

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

Provisions for Risks and Charges

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

Employee Benefits

Employee benefits substantially include provisions for employee termination indemnities of the Group's Italian companies 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 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 raw materials 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 for the year.

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 is rather recognised directly as a change in Shareholders' Equity.

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 contractual performance obligations;
- 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.

In reference to the previous and current year, there are no situations for which the recognition of the revenue has occurred over time.

In relation to sales of packaging the Group recognises, in particular circumstances, the right of return provided that the customer exercises it within 12 months of delivery. In line with the provisions of IFRS 15, the accounting of the repurchase commitment is done by recording:

- to reduce revenues, the amount of the cost expected for the return, reducing trade receivables by the same amount;
- to increase final stocks, the cost of the packaging held in stock, before its sale to the customer, offset by 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 changes 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 year, 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 years 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 or 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, and the carry forward of unused tax credits and 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 or loss;
- 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 and 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. Receivables due from customers are adjusted using the relevant bad debt provision to take into account their recoverable amount. To determine impairment losses, Directors are required to make subjective measurements based on the documentation and information available, including the creditworthiness of the client as well as past experience and historical trends.

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

Offsetting of Financial Assets and Liabilities

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

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

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from 1 January 2023:

- On 18 May 2017, the IASB issued the IFRS 17 – Insurance Contracts to replace IFRS 4 – Insurance Contracts. The standard has been applied as from 1 January 2023. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues.
The adoption of this standard did not have any impact on the Group consolidated financial statements.
- On 7 May 2021, the IASB published “Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. The document clarifies how deferred taxes must be accounted for on some transactions which can generate assets and liabilities for a similar amount on the initial recognition date, such as leasing and disposal obligations. The changes have been applied as from 1 January 2023.
The adoption of this standard did not have any impact on the Group consolidated financial statements.
- On 12 February 2021, the IASB published “Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates – Amendments to IAS 8”. The changes regarding IAS 1 require an entity to indicate relevant information on the accounting standards applied by the Group. The changes aim to improve the disclosure on the accounting standards applied by the Group so as to provide more useful information to investors and to other primary users of the financial statements, as well as to help companies distinguish the changes in accounting estimates from changes in accounting policy. The changes have been applied as from 1 January 2023.
The adoption of these amendments did not have any significant impact on the Group consolidated financial statements.
- On 23 May 2023, the IASB published “Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules”. The document introduces a temporary exception to the obligations to recognise and disclose assets and liabilities for deferred taxes relating to the Model Rules of Pillar Two (the law on which was in force in Italy at 31 December 2023, but applicable from 1 January 2024) and envisages specific disclosure obligations for entities involved in the related International Tax Reform. The document envisages the immediate application of the temporary exception, while the disclosure obligations are applicable only to annual financial statements dated as from 1 January 2023 (or subsequently) but not to interim financial statements with an end date prior to 31 December 2023.
The adoption of this amendment did not have any impact on the Group consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AS OF 31 DECEMBER 2023, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2023

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and were not adopted in advance by the Group at 31 December 2023:

- On 23 January 2020, the IASB published “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and on 31 October 2022 it published “Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”. Such amendments aim to clarify how to classify payables and other short or long-term liabilities. In addition, the changes also improve the information which an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to complying with particular parameters (i.e. covenants). The amendments will come into force on 1 January 2024; earlier application is however permitted.
The Directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendment.

- On 22 September 2022, the IASB published "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the lease liability from a sale and leaseback transaction so as not to recognise income or a loss which refers to the withheld right of use. The amendments will come into force on 1 January 2024 but earlier application is however permitted.
The Directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendment.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AS OF 31 DECEMBER 2023

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

- On 25 May 2023, the IASB published "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". The document requires an entity to provide additional information on reverse factoring agreements to enable users of the financial statements to assess how financial agreements with suppliers may influence the liabilities and financial flows of the entity and to understand the effect of these agreements on the entity's exposure to liquidity risk. The amendments will apply starting from 1 January 2024 but earlier application is however permitted.
The Directors are currently assessing the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 15 August 2023, the IASB published "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to adopt a methodology to be coherently applied in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes. The amendments will apply starting from 1 January 2025 but earlier application is however permitted.
The Directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendment.
- On 30 January 2014, the IASB published "IFRS 14 – Regulatory Deferral Accounts" which allows only first-time adopters of the IFRS to continue to recognise the amounts relating to Rate Regulation Activities, in accordance with the previous accounting standards adopted.
Since the Group is not a first-time adopter, this standard is not applicable.

1. CLIMATE CHANGE – FINANCIAL STATEMENT IMPACTS

In line with ESMA recommendations, the internal assessments on the impacts which climate change could have on the business and on the activities of the Parent Company are summarised below. Hereafter therefore are summarised the analyses undertaken on the main issues subject to assessment on the basis of which the management of the Parent Company concluded that in the medium/long term the opportunities are greater than the risks.

- Regulatory risks:** in reference to the current legislative framework, no significant risks have been identified in the sectors to which the Parent Company belongs or which can be connected to the end markets. Instead in relation to the opportunities from climate change, it is believed that some sectors in which the Parent Company operates, such as home and industrial automation and automotive, should see significant increases in demand. The regulation recently approved by the Parliament of the European Union which imposes as from 2035 the end of sales of cars with combustion engines is an important opportunity for the Parent Company, since electric vehicles require greater quantities of winding wires compared to combustion engines. Following this assessment, in order to be able to handle the expected growth in demand for the electric vehicle market, on 21 December 2023 the Board of Directors of the Parent Company approved the Investment Plan by the subsidiary Irce S.r.o., regarding (i) the realisation of a new plant in Mosnov (Ostrava), in the Czech Republic which is expected to be completed by 31 December 2024; and (ii) the purchase of plant and machinery for the business diluted over time to be completed by 2028. For more information reference should be made to the Information Document drawn up pursuant to Article 71 of the Regulation adopted by Consob with its Resolution No. 11971 of 14 May 1999 and published on 30 December 2023. However, it is noted that, should in the future regulatory interventions be made aimed at reducing CO2 emissions to within set limits and with tight timeframes, the Group would inevitably have to face higher operating costs.
- Risks linked to technologies:** the need to have to comply with new technical specifications requested by customers while maintaining a high product quality level is, generally speaking, an averagely limited risk for the Group, taking account of the experience accumulated over the years by the R&D department. Greater technological risks are instead present in the automotive sector since the technical standards required are certainly higher as are the customers' needs for personalisation. During the year investments continued in new machinery and plant aimed at energy saving and efficiency in production, while in July 2023 there came into operation at the Imola plant the photovoltaic system for self-consumption, which is positioned on the ground and with annual estimated production at full capacity of 9,000 MW, with a forecast for internal consumption of around 8,200 MWh.
- Market risks:** from the analysis undertaken, no problems emerged which can be associated with the possible technological obsolescence of production plant and machinery owing to the phase-out of ranges of items since the high level of flexibility in production in any case allows their use for alternative forms of production. Instead in reference to the risks associated with the likely increase in the demand for some green raw materials (in particular, copper cathodes and electricity), it is considered that this trend could drive an increase in prices, making it potentially complex to source these materials at sustainable prices. The impact on profits, however, should be considered as relatively limited given the expected possibility for the Parent Company to quickly transfer the increases on to sale prices.
- Reputational risks:** taking account of the sector in which the Parent Company operates and the "green" path undertaken, the risk that IRCE S.p.A. results may be impacted now or in the future by a negative perception of the company's image by stakeholders is considered low.
- Physical risks:** in relation to the acute physical risks connected to extreme weather events, it is believed that the presence of a Recovery Plan, in which the procedures to be put in place to ensure continuity in supplies to the customer within contractual timeframes, together with the signing of insurance policies with leading companies, should contain the negative impacts of adverse weather phenomena in both economic and business terms. No risk has instead been identified in relation to the foreseeable increase in average temperatures since the materials used in the production process are not impacted by changes of a few degrees in the climate.

As regards the above, in relation to climate change, no particular problems have been identified associated with the possibility of recovering financial statement assets, or in terms of impairment indicators, or in reducing the useful life of fixed assets, or in collecting trade receivables; in the same way, the analyses undertaken did not reveal potential liabilities attributable to contracts which have become onerous, to the need for restructuring to achieve climate-related targets, to possible penalties for failure to achieve the climate-related targets or failure to achieve the environmental requirements.

To conclude, although climate change may lead to an acceleration in investments as well as to an increase in operating costs, it is believed that the expected growth in volumes represents overall an important opportunity for the Parent Company.

2. DERIVATIVE INSTRUMENTS

The Group uses the following types of derivative instruments:

- Derivative instruments related to metal forward purchase and sale transactions with maturity after 31 December 2023. These transactions do not qualify as hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts related to metals outstanding at 31 December 2023 is shown below:

	Notional amount		Fair value al 31/12/2023		
	Assets (Ton)	Liabilities (Ton)	Current assets (€/000)	Current liabilities (€/000)	Net carrying amount (€/000)
Copper commodity contracts for forward sales and purchases	1.540	875	175	(88)	87

- Derivative instruments related to currency forward purchase and sale contracts with maturity after 31 December 2023. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

A summary of derivative contracts on currencies outstanding at 31 December 2023 is shown below:

	Notional amount		Fair value al 31/12/2023		
	Assets (/000)	Liabilities (/000)	Current assets (€/000)	Current liabilities (€/000)	Net carrying amount (€/000)
Spot sales on GBP	7.800		6		6

3. SEGMENT REPORTING

IFRS 8 defines an operating segment as 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 decisionmaker to make decisions about resources to be allocated to the segment and assess its performance;
- c) for which separate financial statement information is available.

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 Nijmegen BV, DMG GmbH, Irce S.L., Isodra GmbH and Irce SP. ZO.O., Irce S.r.o.
- Non-EU: FD Sims Ltd, Irce Ltda, Isomet AG, Stable Magnet Wire P. Ltd, Irce Electromagnetic Wire (Jiangsu) Co. Ltd, Fine Wire P. Ltd
-

The following tables show key consolidated financial figures by operating segment for the years 2022 and 2023.

(Thousand of Euro)	Italy	UE	Extra UE	Consolidation entries	IRCE Group
Current period					
Sales revenues	257,947	42,020	121,366	(18,553)	402,780
Ebitda	18,478	1,161	1,594	139	21,372
Ebit	14,758	174	(647)	139	14,424
Financial income/(charge)	-	-	-	-	(1,956)
Income taxes	-	-	-	-	(4,239)
Net result for the period	-	-	-	-	8,229
Intangible assets	121	-	15	-	136
Tangible assets	32,559	11,741	14,870	-	59,170
Previous 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/(charge)	-	-	-	-	(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

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

4. 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 2023.

(Thousand of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance - previous period	32	28	60
Changes previous period::			
Purchase	30	-	30
Depreciation	(31)	(11)	(42)
Reclass	-	-	-
Exchange rate differences	-	1	1
Closing balance - previous period	31	18	49
Changes - current period			
Purchase	209	19	228
Depreciation	(128)	(13)	(141)
Closing balance - current period	112	24	136

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

5. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2022 and 2023.

(Thousand of Euro)	Lands	Buildings	Plant and machinery	Equipment	Other tangible assets	Assets under construction s and advances	Total
Opening balance - previous period	14,311	11,480	11,477	1,069	376	5,475	44,188
Changes - previous period							
Purchase	122	69	603	307	162	12,501	13,764
Depreciation	(31)	(1,148)	(5,357)	(468)	(188)	-	(7,192)
Reclass	-	25	5,575	73	43	(5,716)	-
Disposals	-	(45)	(13,704)	(888)	(238)	-	(14,875)
Disposals - Depreciation fund	-	20	13,698	879	237	-	14,834
Exchange rate differences	191	136	540	2	7	18	894
Closing balance - previous period	14,593	10,537	12,832	974	399	12,278	51,613
Changes - current period							
Purchase	-	113	1,573	504	77	11,823	14,090
Depreciation	(29)	(1,143)	(4,843)	(570)	(200)	-	(6,785)
Reclass	-	2,038	7,785	434	237	(10,494)	-
Disposals	(5)	(56)	(7,526)	(80)	(292)	-	(7,959)
Disposals - Depreciation fund	5	56	7,516	70	292	-	7,939
Exchange rate differences	134	197	156	4	3	(222)	272
Closing balance- current period	14,698	11,742	17,493	1,336	516	13,385	59,170

The balance of tangible assets at 31 December 2023 of € 59.1 million includes “Use rights” for € 1.5 million. In particular, the item “Land” includes for € 1.3 million the investment made some years ago by the Chinese subsidiary to buy the 50-year concession for the land on which the factory will be built.

The item “Investment” of € 14.1 million includes all the additions in 2023, both those directly attributed, on purchase, to the relevant category and those classified under “Assets under construction and advances”. These investments essentially involved the categories of “Buildings”, “Plant and machinery” as well as “Assets under construction and advances”.

The item “Reclassification” refers to investments for a total amount of € 10.4 million completed during 2023 and realised both in previous years and in the current year, which were initially recorded in the category “Assets under construction and advances” and subsequently allocated, once terminated, to the specific relevant categories.

The balance of the item “Assets under construction and advances” mainly refers to the purchase of machinery as well as the investment in the factory in the Czech Republic and will mostly come into operation next year.

Disposals refer mainly to the scrapping of machinery and equipment which is no longer used and has been almost totally depreciated.

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

Impairment Test

As envisaged by IAS 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 carried out only where there is an indication of possible impairment; instead, for assets with an indefinite useful life, the impairment test is carried out at least once a year (IAS 36.11).

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

- on the CGUs of FD Sims and Smit Draad Nijmegen, as a first-level test, taking account of the negative results achieved in the period together with the failure to achieve the budget targets;
- on the IRCE Group, as a second-level test, given consolidated Shareholders' Equity higher than the Stock Exchange capitalisation of IRCE shares, as recommended by the Bank of Italy/Consob/ISVAP document No. 4 of 3 March 2010, and given the worsening of market rates.

On the basis of the 2024-2028 Business Plans of the aforementioned CGUs and of the IRCE Group, specific impairment tests were therefore undertaken as approved by the Board of the Parent Company on 15 March 2024.

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

The recoverable amount (Enterprise value) was 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 CGU as well as the value expected from its disposal at the end of its useful life. This process entailed the use of estimates and assumptions to determine both the amount of future cash flows and the relevant discounting rates. In particular, in order to determine future cash flows, the data of the 2024 – 2028 Multi-year Plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2028). In order to determine the perpetual operating flow, the normalised cash flow of the last year of the plan was used, since the Group's Management considers this to be a normalised 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 by February 2024.

The “g” growth rate applied to determine the Terminal Value has been estimated as equal to the long-term inflation (2028) of the country in which each CGU operates.

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, in the calculation for the Group's main subsidiaries, a Small Size Premium of 1% and an execution risk between 1.0% and 3.5% were applied in order to reflect in the rate the risks connected to the degree of achievability of the plan results.

Here below we set out the WACC and “g” parameters used and the results of the impairment tests undertaken:

	FD Sims	Smit Draad	IRCE Group
g	2.00%	2.00%	2.17%
Wacc	12.58%	10.94%	10.25%
EV (€/000)	7,406	9,747	219,192
NIC (€/000)	6,347	9,506	178,975
Difference (€/000)	1,060	241	40,217

The impairment testing procedure, carried out in accordance with the provisions of IAS 36 and in applying criteria agreed with the Board of Directors, did not reveal any impairment in net invested capital recognised in relation to each CGU and the 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 sensitivity analysis on the impairment test results compared with the changes in the basic assumptions that affect the value in use of the CGU was prepared.

Here below are set out the results of the sensitivity analysis which highlights, alternatively, what the “discount rate (WACC)” and the change in “EBITDA” should be to make the value in use equal to its NIC, in percentage terms compared to the values included in the 2024-2028 Plan.

	FD Sims	Smit Draad	IRCE Group
Wacc	13.55%	11,19%	11,32%
Ebitda	(10.17%)	(2,45%)	(15,38%)

Following the aforementioned analyses, the Directors believe that the impairment tests undertaken do not present risks which make it necessary to apply a write-down. The Directors highlight that, in consideration of the analyses undertaken on the recoverable value of the individual elements that make up the asset of the CGUs FD Sims and Smit Draad and of the IRCE Group, mainly consisting of industrial sites, plant and machinery, copper inventories and trade receivables, they do not find problems regarding the recoverability of the related values recognised in the financial statements.

In addition, the Directors believe that the Stock Exchange capitalisation of IRCE shares is not representative of the Group’s actual value taking account of the share’s limited liquidity.

6. OTHER NON-CURRENT FINANCIAL RECEIVABLES

(Thousand of Euro)	2023 31 December	2022 31 December
Non-current financial assets	5	5
Total other non-current financial assets	5	5

The total refers to a guarantee deposit of the Spanish subsidiary.

7. DEFERRED TAX ASSETS AND LIABILITIES

In the table below are set out the financial statement items “Deferred tax assets” and “Deferred tax liabilities”.

(Thousand of Euro)	2023 31 December	2022 31 December
Deferred tax assets	2,495	2,357
Deferred tax liabilities	(286)	(338)
Total net deferred tax assets	2,209	2,019

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

Here below are set out the balances of the deferred tax assets and liabilities at 31 December 2023, divided by Group company, before offsetting in the same fiscal jurisdiction.

(Thousand of Euro)	Irce SpA	Irce Ltda	Isomet	Isolveco 2	Consolidation amounts	Total
Deferred tax assets	2,790	169	146	37	81	3,223
Deferred tax liabilities	(549)	(33)	(432)	-	-	(1,014)
Total net deferred tax assets	2,241	136	(286)	37	81	2,209

The table above shows that net deferred tax assets refer to all the companies indicated above, with the exception of Isomet, which instead shows net deferred tax assets of Euro 286 thousand.

Here below is set out the breakdown of the deferred tax assets and liabilities before offsetting in the same fiscal jurisdiction:

(Thousand of Euro)	2023 31 December	2022 31 December
Provisions for risks and charges	79	36
Provision for bad debts (taxed)	322	326
Inventories / Inventory obsolescence fund	1,822	1,554
Application of IFRS 15	668	589
Application of IAS 19	166	95
Tax losses carried forward	37	12
Other	129	408
Total deferred tax assets	3,223	3,020

(Thousand of Euro)	2023 31 December	2022 31 December
Depreciation	29	44
Exchange rate difference	43	3
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	64	72
Inventories	432	392
Others	33	77
Total deferred tax liabilities	1,014	1,001

"Deferred tax assets" and "Deferred tax liabilities" saw the following changes in the period:

(Thousand of Euro)	Opening balance	Increase	Decrease	Net equity effect	Exchange rate differences	Closing balance
Deferred tax assets	2,357	635	(516)	6	13	2,495
Deferred tax liabilities	(338)	(3)	-	73	(18)	(286)
Total	2,019	632	(516)	79	(5)	2,209

The effects on shareholders' equity refer to changes in the actuarial reserve as per IAS 19.

8. OTHER NON-FINANCIAL NON-CURRENT ASSETS

(Thousands of Euro)	2023 31 December	2022 31 December
Other non-current assets	1,196	2,813
Total other non-current assets	1,196	2,813

The balance refers to the Brazilian subsidiary and regards either the residual non-current portion of one-off tax income recognised in 2022 and the tax receivables for ICMS, PIS and Cofins.

9. INVENTORIES

Closing inventories are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
Raw materials, ancillary and consumables	34,757	50,565
Work in progress and semi-finished goods	16,667	16,642
Finished products and goods	49,937	56,697
Provision for write down of raw material	(4,162)	(3,388)
Provision for write down of work in progress and semi-finished goods	-	(1)
Provision for write down of finished products and goods	(2,704)	(2,527)
Total inventories	94,495	117,988

Inventories are not pledged nor used as collateral.

The fall in inventories is mainly due to the reduction in quantities of stock attributable to better management of stock and, to a lesser extent, the price effect. In particular, the average price of copper in 2023 on the London Metal Exchange was 7.84 Euro/Kg, down by around 6 per cent compared to the price in the previous year of 8.34 Euro/Kg, while the price at the end of the year was 7.70 Euro/kg, down by around 2 per cent on 7.86 Euro/Kg at 31 December 2022.

On the basis of the above and taking account of the trends in the price of copper and the expectations around the realisation time for the stocks, the Group, as envisaged by its own policy and in line with the IFRS, arranged to write down the copper in stock to its likely sale value since this is below the weighted average cost for 2023.

The table below shows the changes in the provision for write-down of inventories during 2023:

(Thousand of Euro)	Opening balance	Provision	Utilization	Exchange rate differences	Closing balance
Provision for write down of raw material	(3,388)	(967)	199	(6)	(4,162)
Provision for write down of work in progress	(1)	(2)	3	-	-
Provision for write down of finished products	(2,527)	(311)	149	(15)	(2,704)
Total	(5,916)	(1,280)	351	(21)	(6,866)

The provision for write-down of raw materials refers to the amount deemed necessary to cover the risks of obsolescence, mainly of packaging and maintenance material, whilst the provision for write-down of finished products and goods is set aside against slow-moving or non-moving finished products as well as products that are not eligible for sale.

10. TRADE RECEIVABLES

Here below is set out the breakdown of trade receivables:

(Thousand of Euro)	2023 31 December	2022 31 December
Current trade receivables - third parties	68,499	63,464
Current bad debt provision - third parties	(1,342)	(1,966)
Total trade receivables	67,157	61,498

The change in trade receivables was due to the reduced sales without recourse undertaken by the Group, partly offset by the fall in turnover in the final quarter of 2023 compared to the prior-year period.

Trade receivables which were sold without recourse during the year totalled € 64.0 million (at 31 December 2022 € 95.1 million) of which € 21.0 million relating to invoices sold but not yet overdue at 31 December 2023 (at 31 December 2021 € 36.1 million).

The table below shows the changes in the bad debt provision during 2023:

(Thousand of Euro)	Opening balance	Provision	Utilization	Exchange rate differences	Closing balance
Current bad debt provision - third parties	(1,966)	(19)	645	(2)	(1,342)

The balance of the item "Utilization" includes a reversal of € 600 thousand linked to the restatement of the expected losses on the receivables recorded at 31 December 2023 by the Parent Company following the signing of an insurance policy as from 1 January 2023 to hedge the credit risk.

11. TAX RECEIVABLES AND PAYABLES

The following tables set out the breakdown of tax receivables and tax payables.

(Thousand of Euro)	2023 31 December	2022 31 December
Tax receivables	22	501
Tax receivables – Aequafin	-	2,175
Total tax receivables	22	2,676

(Thousand of Euro)	2023 31 December	2022 31 December
Tax payables due to Aequafin	1,169	-
Tax payables-current	327	555
Total tax payables	1,496	555

"Tax receivables" and "Tax payables – current" show the net balance of the Italian regional manufacturing tax (IRAP) of the Parent Company and the direct taxes of the subsidiaries.

"Tax receivables – Aequafin" and "Tax payables due to Aequafin" show the net balance for Italian corporation tax (IRES) of the Parent Company in regard to its own parent with which there is a tax consolidation agreement.

12. RECEIVABLES DUE FROM OTHERS

(Thousand of Euro)	2023 31 December	2022 31 December
Accrued income and prepaid expenses	259	126
Social securities receivables	-	58
Other current assets	2,937	1,154
VAT receivables	1,379	4,321
Total other current assets	4,575	5,659

The item "Other receivables" mainly includes the tax credit under Industria 4.0 accrued by the Parent Company following investments in capital goods also made in previous years and interconnected during this year. In 2022 this item contained the tax credit of the Parent Company allocated in accordance with the Sostegni-ter Decree to energy-intensive companies in proportion to the electricity bought but not used at year-end.

The change in "VAT receivables" was due mainly to the Brazilian subsidiary and to the Parent Company. Please note that VAT receivables were offset by tax jurisdiction if, and only if, the entity has the right to offset the recognised amounts and intends to settle on a net basis.

13. CURRENT FINANCIAL ASSETS

Here below is set out the breakdown of current financial assets:

(Thousand of Euro)	2023 31 December	2022 31 December
Mark to market gains derivatives on metal	87	117
Guarantees deposits	17	15
Mark to market financial assets	263	260
Mark to market gains derivatives exchange rate	6	25
Other current financial assets	-	73
Total current financial assets	373	490

The items "Mark to market gains derivatives on copper" and "Mark to market gains derivatives exchange rate" refer to the fair value of forward contracts on copper and on currencies open at year-end of the parent Company IRCE S.p.A. For more detail see section 2.

The item "Mark to market financial assets" includes energy efficiency certificates (TEEs) measured at fair value.

14. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

(Thousand of Euro)	2023 31 December	2022 31 December
Bank and postal deposits	14,159	5,599
Cash and cash equivalents	8	9
Total cash and cash equivalent	14,167	5,608

Bank deposits are remunerated at a variable rate and are not subject to liens or restrictions.

For further details regarding financial management, reference should be made to the contents at point 16 "Current and non-current financial liabilities".

15. SHAREHOLDERS' EQUITY

Consolidated shareholders' equity amounted to € 153.3 million as of 31 December 2023 (€ 144.8 million as of 31 December 2022) and is detailed in the following table.

(Thousand of Euro)	2023 31 December	2022 31 December
Share capital	14,627	14,627
Own share capital	(845)	(825)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Own share premium	(130)	(68)
Legal reserve	2,925	2,925
IAS 19 Reserve	(730)	(424)
Extraordinary reserve	53,496	49,300
Other reserve	23,595	23,595
Profit (losses) of previous years	16,808	13,372
Translation Reserve	(27,190)	(29,483)
Profit (loss) for the period	8,226	9,224
Total shareholders' equity attributable to Parent company	153,649	145,110
Shareholders' equity attributable to Minority interests	(322)	(325)
Total shareholders' equity	153,327	144,785

Share capital

The following table shows the breakdown of share capital.

(Thousand of Euro)	2023 31 December	2022 31 December
Subscribed share capital	14,627	14,627
Treasury share capital	(845)	(825)
Total share capital	13,782	13,802

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.

The Treasury Shares Reserve refers to the nominal value of treasury shares held by the Company; as required by the IFRS, they are deducted from equity. Treasury shares as of 31 December 2023 amounted to 1,624,413 and corresponded to 5.78% of the share capital. There are 26,503,587 outstanding shares.

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

Treasury share	(Thousand of shares)
Balance as of 31/12/2021	26,543
Share buy back	(1)
Balance as of 31/12/2022	25,542
Share buy back	(38)
Balance as of 31/12/2023	26,504

Share premium reserve

This item includes 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 Italian 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 surrogate for cost with respect to the assets being revalued.

Legal reserve

The item shows the earnings retained in previous years by IRCE, in accordance with the provisions of article 2430 of the Italian Civil Code, and is no longer topped up having reached a 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, in thousands of Euro, is as follows:

IAS 19 reserve	(Thousand of Euro)
Balance as of 31/12/2021	(1.183)
Actuarial valuation	969
Tax effect on actuarial valuation	(209)
Balance as of 31/12/2022	(424)
Actuarial valuation	(385)
Tax effect on actuarial valuation	79
Balance as of 31/12/2023	(730)

Extraordinary reserve

The extraordinary reserve largely consists of the Parent Company's retained earnings, net of dividends paid, and in 2023 stood at € 1,592 thousand.

Other reserves

This item, equal to € 23,595 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 € 16,773 thousand.

Retained earnings/losses carried forward

This item essentially includes the results for the year of the subsidiaries carried forward.

Foreign currency translation reserve

This reserve represents the value accounting differences which result from the translation of the foreign subsidiaries' financial statements expressed in local currency other than the Euro by using the official exchange rate as of 31 December 2023. The positive change in the translation reserve of € 2,293 thousand is mainly linked to the appreciation of the Brazilian Real against the Euro.

16. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Here below is the breakdown of current and non-current financial liabilities:

(Thousand of Euro)	2023 31 December	2022 31 December
Current Financial liabilities due to banks	20,397	40,973
Current Financial liabilities - IFRS 16	63	121
Long term loans- current portion	6,064	5,272
Total current financial liabilities	26,524	46,366

"Current financial liabilities due to banks" largely include short-term lines of credit and self-liquidating lines.

(Thousand of Euro)	2023 31 December	2022 31 December
Non-current Financial liabilities due to banks	13,498	19,601
Non-current Financial liabilities - IFRS 16	166	174
Other non-current financial liabilities	-	2
Total non-current financial liabilities	13,664	19,777

The table below shows the changes in non-current financial liabilities during 2023:

(Thousand of Euro)	Opening	Reclass	Funding	Repayment	Exchange rate differences	Closing
Non-current Financial liabilities due to banks	19,601	(6,170)	-	-	68	13,498
Non-current Financial liabilities - IFRS 16	174	(46)	88	(48)	(2)	166
Other non-current financial liabilities	2	-	-	(2)	-	-
Total	19,777	(6,216)	88	(50)	66	13,664

The item "Reclassification" mainly sets out the amounts of non-current financial liabilities to be repaid within 12 months, thus reclassified under current financial liabilities.

The table below shows the breakdown of "Non-current financial liabilities due to banks" outstanding at year-end, highlighting, in particular, the type of rate and due date.

(Thousand of Euro)	Currency	Rate	Company	31/12/2023	31/12/2022	Due date
Banca di Imola	EUR	Floating	IRCE SpA	2,163	3,473	2026
Mediocredito	EUR	Floating	IRCE SpA	461	1,385	2025
Banco Popolare	EUR	Fixed	IRCE SpA	1,136	1,886	2026
Deutsche Bank	EUR	Floating	IRCE SpA	4,375	6,125	2027
BPER	EUR	Floating	IRCE SpA	4,445	5,000	2032
Credit Suisse	EUR	Fixed	Isomet AG	270	296	2027
Banco Popolare	EUR	Fixed	Isomet AG	648	1,436	2025
Total				13,498	19,601	

At 31 December 2023 all the financial restrictions relating to outstanding loans, where envisaged, were fully complied with.

The overall net financial position of the IRCE Group, determined on the basis of the new model envisaged by Consob Warning Notice No. 5/21 of 29 April 2021, which transposes the ESMA guideline published on 4 March 2021, is shown below.

(Thousand of Euro)	2023 31 December	2022 31 December
Cash and cash equivalents	14,167	5,608
Current financial assets	373	490
Cash and cash equivalents	14,540	6,098
Other current financial liabilities	(20,460)	(41,094)
Long term loans - current portion	(6,064)	(5,272)
Current net financial position	(11,984)	(40,268)
Non-current financial liabilities third parties	(13,664)	(19,777)
Net financial position	(25,648)	(60,045)

At 31 December 2023 the net financial position totalled € 25.6 million and was down compared to € 60.0 million at 31 December 2022 thanks to the significant reduction in working capital, mainly attributable to the fall in warehouse inventories, and to the cash generated from operations.

The net financial position includes in total € 340 thousand in financial payables relating to leases accounted for in accordance with IFRS 16.

At 31 December 2023 the IRCE Group also had contractual commitments for around € 315 million relating both to the realisation of a new factory in the Czech Republic and to the purchase of plant and machinery and metal. In relation to the latter commitment, since the purchase price of copper will be determined during 2024 on the basis of the LME price at the time of delivery, the valuation of the commitment was done by using the LME price at the end of 2023.

In addition, it should also be noted that the Group is proceeding in the development of a project to enter the Asian market.

17. PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

The provision for current and non-current risks and charges is broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
Provision for severance payments to agents - non-current	112	130
Other provision for risks and charges - non-current	734	150
Total non-current provisions for risk and charges	846	280

(Thousand of Euro)	2023 31 December	2022 31 December
Other provision for risks and charges - current	239	257
Total current provisions for risk and charges	239	257

Here below is set out the change in the provision for non-current and current risks and charges at 31 December 2023:

(Thousand of Euro)	Opening	Provision	Utilization	Closing
Provision for severance payments to agents	130	5	(23)	112
Other provision for risks and charges	150	733	(149)	734
Total non-current provision for risk and charges	280	738	(172)	846

(Thousand of Euro)	Opening	Provision	Utilization	Closing
Other provision for risks and charges - current	257	11	(29)	239
Total current provision for risk and charges	257	11	(29)	239

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

"Other provisions" refer to the Parent Company and to the subsidiaries Smit Draad Nijmegen and FD Sims. The increase was due mainly to the provision made by the Parent Company for a total of € 330 thousand against legal costs for the management of outstanding disputes as well as for the risk of the enforcement of a guarantee by a customer, and the provision made by the aforementioned subsidiaries for a total of € 403 thousand against alleged non-compliant supplies.

18. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

The Provision for employee defined benefits is part of the defined benefits plans, and includes also the liability relating to employee termination indemnities (*Trattamento di Fine Rapporto*, TFR).

This Provision refers for € 2,874 thousand to the Parent Company, for € 676 thousand to Isomet, for € 47 thousand to Magnet Wire, for € 65 thousand to Isolveco in liquidation and for € 50 thousand to Isolveco 2, and in 2023 saw the following changes:

(Thousand of Euro)	Opening	Provision	Net equity effect	Utilization	Exchange rate differences	Closing
Provision for employee defined benefit - non-current	3,449	82	385	(278)	34	3,673
Total	3,449	82	385	(278)	34	3,673

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

Below are the demographic and technical-economic 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:

I. Parent Company IRCE S.p.A.

Demographic assumptions	2023 31 December	2023 31 December
Death	RG48 mortality tables issued by the State General Accounting Department	RG48 mortality tables issued by the State General Accounting Department
Disability	INPS tables based on age and gender	INPS tables based on age and gender
Retirement	100% on reaching the AGO requirements	100% on reaching the AGO requirements
Technical-economic assumptions	2023 31 December	2022 31 December
Annual discount rate	2.95%	3.63%
Annual inflation rate	2.00%	2.30%
Annual rate of increase of employee termination indemnities	3.00%	3.225%

The “annual discount rate”, in line with paragraph 83 of IAS 19, derived from the Iboxx Corporate AA Index with a 5-7-year duration as of the measurement date.

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

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

(Thousand of Euro)	Sensitivity	DBO 2022 31 December	DBO 2022 31 December
Turnover rate	+1,00%	2,839	2,989
Turnover rate	- 1,00%	2,830	2,968
Inflation rate	+0,25%	2,861	3,008
Inflation rate	-0,25%	2,808	2,950
Discount rate	+0,25%	2,792	2,934
Discount rate	-0,25%	2,877	3,025
Service cost		0.00	0,00
Duration of Plan (anni)		6.7	7.0

II. Isomet

The Provision for employee benefits of Isomet can be broken down as follows:

	2023 31 December	2022 31 December
Provision for employee defined benefits Isomet		
Defined Benefit Obligation	5,483	3,999
Fair Value of Plan assets	(4,807)	(3,718)
Total provision for employee defined benefits Isomet	676	281

Here below are summarised the main valuation parameters:

Demographic and technical-economic assumptions	2023 31 December	2023 31 December
Discount rate	1.50%	2.30%
Interest rate on invested capital	1.50%	2.30%
Salary increase rate	1.00%	1.00%
Inflation rate	1.00%	1.00%
Mortality tables	BVG2020 GT	BVG2020 GT

Sensitivity analysis of the main valuation parameters of the "Defined Benefit Obligation" (in thousands of Euro):

(Thousand of Euro)	Sensitivity	DBO 2023 31 December	DBO 2022 31 December
Discount rate	-0.25%	5,663	4,123
Discount rate	+0.25%	5,314	3,882
Interest rate on invested capital	-0.25%	5,453	3,997
Interest rate on invested capital	+0.25%	5,503	4,012
Salary increase rate	-0.25%	5,465	3,988
Salary increase rate	+0.25%	5,497	4,001
Life expectancy	+ 1 year	5,593	4,068
Life expectancy	- 1 year	5,372	3,928

19. TRADE PAYABLES

(Thousand of Euro)	2023 31 December	2022 31 December
Trade payables	33,207	27,240
Total trade payables	33,207	27,240

The change in the period was mainly due to the subsidiaries Irce S.r.o. and FD Sims, against ongoing investments for the purchase of machinery as well as for the construction of a factory, as well to the Brazilian subsidiary attributable to the greater quantities of copper in transit at year-end.

20. SOCIAL SECURITY CONTRIBUTIONS

The item standing at € 2.0 million at 31 December 2023, refers to the payable for Group contributions to be paid, mainly relating to the Parent Company and to Smit Draad Nijmegen.

21. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousand of Euro)	2023	2022
	31 December	31 December
Payables due to employees	3,281	3,120
Accrued liabilities and deferred income	2,230	615
Other payables	853	903
VAT payables	1,577	548
Income taxes withheld on income from employees	566	522
Total other current liabilities	8,507	5,708

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

The change in “Accrued liabilities and deferred income” is largely attributable to the Parent Company and was due, in particular, to the contributions for plant and equipment relating to the Industria 4.0 tax credit, accrued in 2023 following the interconnection of the capital goods acquired in previous years, and which will be released in coming years to the income statement in line with the repayment plan for capital goods to which reference is made.

The significant increase in the item “VAT payables” is related both to the subsidiaries Smit Draad Nijmegen, FD Sims and Isomet and to the Parent Company.

“Other payables” mainly include payables due to the tax authorities for withholding taxes, advances from customers, should it not be possible to offset them with credit entries, and other miscellaneous liabilities.

COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

22. SALES REVENUES

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Sales revenues	402,780	454,695	(51,915)

Consolidated turnover in 2023 fell by 11.4% compared to the previous year. The change was mainly due to a reduction in the quantities sold and the average sale prices of metal, partly offset by an increase in processing sales.

For further details, please refer to the section “Consolidated performance for 2023” in the Report on Operations.

Revenues broken down by product are shown below:

(Thousand of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	324,108	98,672	402,780	366,745	87,950	454,695
% of total	80%	20%	100%	81%	19%	100%

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

(Thousand of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	144,046	124,503	134,231	402,780	179,823	139,654	135,218	454,695
% of total	36%	31%	33%	100%	40%	30%	30%	100%

23. OTHER REVENUES AND INCOME

Other income was broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Increase in internally generated fixed assets	84	452	(368)
Capital gains on assets disposals	201	708	(507)
Insurance reimbursements	94	317	(223)
Contingent assets	307	153	154
Other revenues	1,067	3,234	(2,167)
Total other revenues and income	1,753	4,864	(3,111)

The item “Increase in internally generated fixed assets” refers mainly to processing undertaken internally on plant and machinery mostly recorded under item “Assets under construction”.

In relation to the item “Capital gains on assets disposals”, at 31 December 2022 the balance included the sale of the company branch “Miradolo” for € 665 thousand.

The change in “Insurance reimbursements” is related to the presence at 31 December 2022 of two thefts of copper which occurred during its transport by lorry for which there was an insurance policy to cover the event.

The item “Contingent assets” refers mainly to provisions which exceed the liability and credit notes made in previous years.

The significant reduction in “Other revenues and income” was due to the recognition at 31 December 2022 by the Brazilian subsidiary of tax income for € 2.9 million, only partly offset in this year by the recognition by IRCE S.p.A. for 2023 of the contributions for plant and equipment relating to the Industria 4.0 tax credits.

24. COSTS FOR RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Raw materials and consumables	(280,150)	(366,216)	86,066
Change in inventory of raw materials and consumables	(17,029)	12,717	(29,746)
Purchasing finished goods	(9,371)	(8,249)	(1,122)
Total raw materials and consumables	(306,550)	(361,748)	55,198

The item “Costs for raw materials and consumables” mainly includes the costs incurred for the purchase of copper and aluminium, insulating materials, and packaging and maintenance materials. Its fall compared to the previous year is due both to a reduction in the volumes purchased and a fall in the average copper price.

25. COSTS FOR SERVICES

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
External processing	(8,352)	(6,041)	(2,311)
Utility expenses	(12,787)	(25,706)	12,919
Maintenance	(2,808)	(2,394)	(414)
Transport of sales and purchase	(6,145)	(6,084)	(61)
Payable fees	(129)	(185)	56
Statutory auditors compensation	(73)	(70)	(3)
Other services	(6,391)	(5,865)	(526)
Operating leasing	(316)	(270)	(46)
Total cost for services	(37,001)	(46,615)	9,614

The change in “External processing” is mainly due to the significant increase in the cost of transforming cathode and rod compared to the previous year.

The significant change in “Utility expenses” compared to the same period of the previous year was due both to a reduction in the MWh of electricity consumed following the fall in production and the significant decrease in the cost per MWh unit on the market and the coming into operation in July 2023 of the photovoltaic system at the Imola plant used for self-consumption.

The change in the cost of “Maintenance” compared to the previous year was due in part to the Parent Company, following the use of external maintenance staff in place of staff no longer employed at the company, and in part to Smit Draad Nijmegen, owing to more works to repair and restore machinery.

The item “Other services” includes primarily technical, legal and tax consulting fees as well as R&D, insurance and business expenses.

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

26. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Salaries and wages	(20,848)	(20,733)	(115)
Social security charges	(4,891)	(4,828)	(63)
Pension costs	(1,852)	(1,705)	(147)
Other personnel costs	(2,895)	(2,743)	(152)
Total personnel costs	(30,486)	(30,009)	(477)

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

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

(Number of employees)	2022 31 December Closing	2023 31 December Closing	2023 31 December Average
Executives	23	27	27
White collars	135	115	114
Blue collars	446	472	473
Total Employees	604	614	614
Executives (temporary)	1	-	-
White collars (temporary)	4	2	2
Blue collars (temporary)	39	55	46
Total Temporary workers	44	57	48
Total headcount	648	671	662

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.

Albeit given a final number of employees and temporary workers at 31 December 2022 lower than that at 31 December 2023, the average number in the previous year of 679 was higher than that in 2023, which was 662; this is because the Parent Company reduced its workforce at 30 June 2022 by around 40 units due to the sale of the plant at Miradolo Terme (Pavia).

Personnel costs rose by around 1.6% compared to 2022 despite the average number of employees falling, due to the increases caused by the renewal of the corporate agreement of IRCE S.p.A. and, generally, the higher average pay per employee due to recent recruitment.

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

Here is the breakdown of depreciation/amortisation:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Amortization of intangible assets	(142)	(42)	(100)
Depreciation of tangible assets	(6,613)	(7,031)	418
Depreciation of tangible assets - IFRS 16	(172)	(161)	(11)
Total amortization/depreciation and write-down	(6,927)	(7,234)	307

The fall in the depreciation of tangible assets is largely due to the Brazilian subsidiary which completed the depreciation in 2022 for a significant part of its assets, only partly offset by the increase in depreciation for the Parent Company following the coming into operation in 2023 of a significant value of investments relating in particular to the item "Plant and machinery".

28. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Bad debt provision	580	(346)	926
Receivables losses	(18)	(93)	75
Provision for risks	(583)	(150)	(433)
Total provisions and write-downs	(21)	(589)	568

In relation to the change in the items "Bad debt provision" and "Provision for risks", reference should be made respectively to sections 10 – Trade receivables and 17 –Provision for risks and charges.

29. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Non-income taxes and duties	(754)	(1,273)	519
Capital losses and contingent liabilities	(23)	(54)	31
Other operating costs	(352)	(403)	51
Total other operating costs	(1,129)	(1,730)	601

The item "non-income taxes and duties" mainly includes the ICMS tax of the Brazilian subsidiary Irce Ltda. The change compared to the previous year is due to the increase in purchases of untaxed copper cathodes, in place of those with a subsidised ICMS rate.

30. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Financial income	2,590	3,759	(1,169)
Financial charges	(4,524)	(4,035)	(489)
Foreign exchanges	(22)	(974)	952
Total financial income and charges	(1,956)	(1,250)	(706)

The fall in "Financial income" is mainly due for € 0.6 million to the decrease in interest income owing to deferred payments granted to its customers by the Brazilian subsidiary and for € 0.4 million to reduced income in 2023 on copper derivative contracts.

The increase in "Financial charges" is essentially due to the increase for € 1.9 million in interest expenses on short- and long-term debt caused by the increase in market rates, partly offset for € 1.5 million by the reduction in charges relating to the non-recourse discount in the trade receivables of the Brazilian subsidiary.

The change in "Foreign exchanges" is largely due to a reduced negative impact from translation differences.

31. INCOME TAXES

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Current taxes	(4,101)	(1,418)	(2,683)
Previous years' taxes	(254)	19	(273)
Deferred tax assets / liabilities	116	305	(189)
Total income tax	(4,239)	(1,094)	(3,145)

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

The significant increase in current taxes compared to the previous year is largely due to the Parent Company, in particular to the reduced impact from permanent changes reducing income compared to the pre-tax result. Above all there was a reduction compared to the previous year in contributions received on electricity and recognised to energy-intensive companies as a tax credit.

32. EARNINGS PER SHARE

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

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

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

	2023 31 December	2023 31 December
Net result for the period (Thousand of Euro)	8,226	9,224
Average weighted number of ordinary shares outstanding	26,524,372	26,541,612
Basic earnings/(loss) per share	0.310	0.348
Diluted earnings/(loss) per share	0.310	0.348

33. 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:

(Thousand of Euro)	Compensation for the office held	Compensation for other tasks	Total
Directors	258	279	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.

34. GUARANTEES

Seven guarantees were released for a total of € 2.3 million in favour of a public company to guarantee the supply of electric cables.

35. FINANCIAL RISK MANAGEMENT

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

Market risk

The Group is strongly focused on the European market; the risk of major contractions in demand or of worsening of the competitive scenario may significantly impact the results. To address these risks, the Group's medium to 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 exposed to exchange rate risks mainly in relation to its copper purchases, which it partly carries out in dollars; it may hedge such transactions using forward contracts. It is also exposed to foreign currency translation risks for its investments in Brazil, the UK, India, Switzerland, Poland, China, and Czech Republic.

As for the foreign currency translation risk of subsidiaries, the Group believes this risk mainly concerns the investment in Brazil due to the high volatility of Brazilian Real, which affects the carrying amount of the investment. At 31 December 2023 the spot exchange rate for the Brazilian Real against the Euro of 5.36 appreciated by around 5% compared to the previous year, with a positive impact on the translation reserve. At the start of 2024 this exchange rate remained stable.

Here below is a sensitivity analysis that shows the hypothetical accounting effects on the Group's Statement of Financial Position, simulating a +5% (depreciation of the Real) -5% (appreciation of the Real) change in the EUR/BRL exchange rate compared to 31 December 2023 (5.3625 EUR/BRL):

Consolidation statement of financial position (Thousands of Euro)	2023 31 December	Change in EUR/BRL exchange rate	
		+5%	-5%
Non-current assets	63,002	(340)	376
Current assets	180,789	(2,109)	2,331
TOTAL ASSETS	243,791	(2,449)	2,707
Total shareholder' Equity	153,327	(1,952)	2,157
Non-current liabilities	18,469	-	-
Current liabilities	71,995	(498)	550
TOTAL LIABILITIES	243,791	(2,449)	2,707

The above simulation shows that a 5% depreciation in the Real compared to 31 December 2023 would negatively impact the Group's foreign currency translation reserve, and therefore the other comprehensive income by € 2.0 million, while a 5% appreciation in the Brazilian currency would result in a € 2.2 million positive impact.

▪ *Interest rate risk*

In the past the Group financed itself in the medium/long term mainly by borrowing at a variable interest rate (connected to the Euribor), thus exposing itself to risk from a rise in interest rates. In fact, the Group chose not to make hedges given a relatively short average duration for the loans (under 3 years) and low interest rates. For the future the Group will assess whether to make hedges on the basis of the terms and conditions offered by the market and the expectations for the trend in interest rates. Short-term lines of credit are always at variable rates.

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

Consolidation income statement (Thousands of Euro)	2023 31 December	Change in interest rate	
		+25pb	+25pb
Revenues	402,780		
EBIT	14,424		
Net result	8,229	(100)	(100)

▪ *Risks related to fluctuations in the prices of raw materials*

The main raw material used by the Group is copper. The changes in its price can affect margins as well as financial requirements. In order to mitigate the potential impact of changes in the price of copper on margins, the Group implements a hedging policy using forward contracts on the positions generated by operating activities. However, given falling copper prices, the risk remains of having to measure the final inventories at their expected realisable value, should it be below the average weighted cost for the period, with a negative impact on the result.

The average price of copper in 2023 on the London Metal Exchange was 7.84 Euro/Kg, down by around 6 per cent compared to the price in the previous year of 8.34 Euro/Kg, while the price at the end of the year was 7.70 Euro/kg, down by around 2 per cent on 7.86 Euro/Kg at 31 December 2022. In addition, the average copper price in January 2024 was 7.65 Euro/Kg, which rose slightly in February, bringing it back to the year-end prices.

Here below is a sensitivity analysis setting out the effects on the Group's revenues and EBIT by simulating a change in the copper price of +/- 5% compared to the average sale price of copper in 2023 and without considering the economic impacts connected to the change in inventories or the impact of the forward purchase or sale on copper.

Consolidation income statement (Thousands of Euro)	2023 31 December	Change in copper price	
		+5%	-5%
Revenues	402,780	14,826	(14,826)
EBIT	14,424	297	(297)

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 assessment and lending procedures with respect to each credit position. In addition, considering that the Group's main customers are established, industry-leading firms, there are no particular risks that could cause days sales outstanding or credit quality to deteriorate, also considering the Russia-Ukraine and Israel-Palestine wars. As from 2023 the Group has also selectively activated insurance hedges in order to limit the risk of insolvency.

▪ *Liquidity risk*

The financial situation and the credit lines available together with the Group's high standing which makes it possible to acquire new loans quickly at competitive prices, are such as to rule out difficulties in fulfilling the obligations associated with the liabilities.

Below are the amounts of credit lines and uses as of 31 December 2023.

Consolidated financial data (Thousand of Euro)	Cash	Self-liquidating credit lines	Short-term credit lines	Total
Credit lines	14,167	77,015	55,616	146,799
Uses	0	(19,436)		(19,436)
Available credit lines	14,167	57,579	55,616	127,362

The table below shows the breakdown and due date of debt items as of 31 December 2023.

Consolidated financial data (Thousand of Euro)	<1 year	>1 <5 years	> 5 years	Total
Non-current financial liabilities		12,410	2,472	14,882
Deferred tax liabilities		286		286
Provision for risk and charges		846		846
Provision for employee benefit	548	2,193	932	3,673
Total non-current liabilities	548	15,735	3,404	19,687
Current financial liabilities	27,257			27,257
Trade payables	33,207			33,207
Tax payables	1,496			1,496
Social security contributions	2,022			2,022
Other current liabilities	8,507			8,507
Provision for current risks and charges	239			239
Total current liabilities	72,728	-	-	72,728
Commitments	24,724			24,724
Total debt by expire date	98,000	15,735	3,404	117,139

It should be noted that current and non-current financial liabilities include, in addition to the principal portion, also the estimate of the financial charges to be paid until the debt is extinguished.

The item "Commitments" includes the outstanding contracts for the realisation of a new factory in the Czech Republic and for the purchase of plant and machinery. Copper purchase commitments were not included, as this is a commodity quoted on the LME market and easily disposed of.

As of 31 December 2023, the IRCE Group reported € 14.2 million in cash, € 0.3 million in current financial assets, € 67.1 million in trade receivables, € 94.5 million in inventories, and € 127.4 million in unused credit lines.

36. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of the receivables divided by the level of risk on the basis of the internal rating and by expiry.

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Risk level			
Minimum	54,207	47,072	7,135
Medium	11,178	13,217	(2,039)
Above average	1,922	2,143	(221)
High	1,191	1,032	159
Total trade receivables	68,499	63,464	5,034

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Due dates			
Not yet due	44,780	40,912	3,868
0 - 30 days	21,359	19,189	2,170
30 - 60 days	604	989	(385)
60 - 90 days	279	639	(360)
90 - 120 days	78	384	(306)
> 120 days	1,398	1,351	47
Total trade receivables	68,499	63,464	5,034

The bad debt provision of € 1.3 million refers for € 0.5 million to the ranges for expiry of “> 120 days” and for “High” risk, while for the remaining € 0.8 million it is for the ranges for expiry of under 120 days and for “Minimum”, “Medium” and “Above average” risk.

In accordance with the provisions of IFRS 8, Paragraph 34, it is noted that for the year ended at 31 December 2023 a third-party customer generated revenue for the IRCE Group of around 11% of Total revenue.

37. CAPITAL RISK MANAGEMENT

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

(Thousand of Euro)	2023 31 December	2022 31 December
Net financial position (A)	(25,648)	(59,903)
Shareholders' equity (B)	(153,327)	(144,785)
Total (A) + (B) = (C)	(178,975)	(204,688)
Gearing ratio (A) / (C)	14.3%	29.3%

As is shown by the further improvement in the gearing ratio, a low level of financial risk and the high solidity of the IRCE Group are confirmed also for 31 December 2023.

38. FINANCIAL INSTRUMENTS

a) Financial instruments by category

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

(Thousand of Euro)	Current period			Previous period				
	Amortis ed cost	Fair value vs PL	FV vs OCI	Total	Amortis ed cost	Fair value vs PL	FV vs OCI	Total
Non-current financial assets								
Non-current financial assets	5	-		5	5	-		5
Current financial assets								
Trade receivables	67,157	-		67,157	61,586	-		61,586
Current financial assets	17	357		373	89	401		490
Cash and cash equivalent	14,167	-		14,167	5,608	-		5,608
Non-current financial liabilities								
Non-current financial liabilities	13,664	-		13,664	19,777	-		19,777
Current financial liabilities								
Trade payables	33,207	-		33,207	27,240	-		27,240
Current financial liabilities	26,524	-		26,524	46,366	-		46,366

b) Fair value of financial instruments

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

(Thousand of Euro)	2023 31 December	2022 31 December	2023 31 December	2022 31 December
	Carrying amount		Fair value	
Financial assets				
Cash and cash equivalent	14,167	5,608	14,167	5,608
Current financial assets	373	490	373	490
Trade receivables	67,157	61,498	67,157	61,498
Non-current financial assets and non-current receivables	5	5	5	5
Financial liabilities				
Current financial liabilities	26,524	46,366	26,524	46,366
Trade payables	33,207	27,240	33,207	27,240
Non-current financial liabilities	13,664	19,777	13,664	19,777

c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (in thousands of Euro).

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.

31 December 2022 (Thousand of Euro)	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments		93		93
Current financial assets	264			264
Total assets	264	93		357
Derivative Financial Instruments				
Total liabilities				

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

39. DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with article 149-duodecies of Consob Issuers' Regulations, shows the compensation for 2023 for auditing services and for other services, including expenses, provided by the independent auditor or by entities belonging to its network, to Group's companies.

Type of service	Entity supplying the service	Recipient	Compensation (€/000)
Auditing services	Deloitte & Touche S.p.A.	IRCE S.p.A.	98
Other certifications (NFS)	Deloitte & Touche S.p.A.	IRCE S.p.A.	4
Auditing services	Deloitte & Touche	Foreign subsidiaries	67

40. INFORMATION PURSUANT TO ITALIAN LAW NO. 124/2017

In line with the provisions of Italian Decree Law 135/2018 and in place of the disclosure obligation envisaged by Italian Law 124/2017, it is stated that IRCE S.p.A. has received in this financial year State aid that is subject to publication in the Italian State Aid Register.

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

In accordance with Consob Communication dated 28 July 2006, here below is the reconciliation between the result for the year and shareholders' equity of the Group as of 31 December 2023 and 2022 with the corresponding amounts in the Parent Company separate financial statements:

(Thousand of Euro)	31 December 2023		31 December 2023	
	Shareholders' equity	Result	Shareholders' equity	Result
Shareholders' equity and result for the period as per the Parent Company's separate financial statements	165,942	5,806	161,831	5,789
a) Difference between carrying amount and pro-rata value of shareholders' equity	10,151		5,961	
b) Investees' pro-rata results	(2,360)	(2,360)	93	93
c) Reversal of impairment of equity investments in subsidiaries	5,944	5,944	5,529	5,529
d) Reversal of dividends distributed by subsidiaries		(1,147)		(2,150)
e) Reversal of provision for bad debts due from subsidiaries	1,405		1,405	
f) Foreign currency translation of financial statements	(27,190)		(29,483)	
g) Reversal of capital gains from disposal of intra-group assets	-	-	-	-
h) Reversal of unrealized intra-group margin	(243)	(17)	(226)	(36)
Group shareholders' equity and result for the period	153,649	8,226	145,110	9,224
Shareholders' equity and result for the period attributable to non-controlling interests	(322)	3	(325)	(20)
Consolidated shareholders' equity and net result (Group and third parties)	153,327	8,229	144,785	9,204

42. EVENTS AFTER THE REPORTING DATE

Reference should be made to the description in the note "Events after the Reporting Date" of the "Report on operations for 2023".

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 at the beginning of the year	No. of shares acquired	No. of shares sold	No. Of shares owned at the end of the year
Casadio Filippo	IRCE S.p.A.	560,571			560,571
Gandolfi Colleoni Francesco	IRCE S.p.A.	559,371 ⁴³			559,371
		30,000			30,000
Sepriano Gianfranco	IRCE S.p.A.	3,500			3,500
Pischedda Francesca		0			0
Dallago Orfeo	IRCE S.p.A.	587,267			587,267
Di Chiara Gigliola		0			0
Peri Claudia		0			0
Vitanza Donatella		0			0
Zappi Fabrizio		0			0
Di Rocco Giuseppe		0			0

⁴³ Shares owned by his wife, Carla Casadio

Attachment 2**Certification of the annual consolidated financial statements pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998**

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

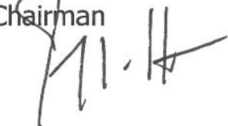
- the adequacy in relation to the company's characteristics, and
- adoption of the administrative and accounting procedures used to prepare the consolidated financial statements.

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

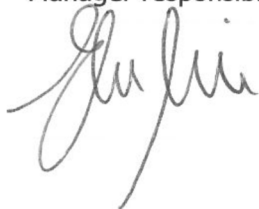
- a) are consistent with accounting books and records;
- b) are prepared in accordance with international accounting standards and give a true and fair view of the financial position, financial performance and cash flows of the issuer as well as of the group of companies included within the scope of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

Imola, 15 March 2024

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 2023**

STATEMENT OF FINANCIAL POSITION

(Unit of Euro)	Notes	2023 31 December	2022 31 December
ASSETS			
Non-current assets			
Goodwill and other intangible assets	4	121,242	21,749
Property, plant and machinery	5	25,496,097	19,201,657
Equipment and other tangible assets	5	1,262,203	1,075,722
Assets under constructions and advances	5	5,692,788	10,225,232
Investments	6	63,028,882	64,068,433
Non-current financial assets	7	28,174,906	23,204,196
<i>(of which related parties)</i>		28,174,906	23,204,196
Deferred tax assets	8	2,241,294	2,001,431
NON-CURRENT ASSETS		126,017,412	119,798,420
Current assets			
Inventories	9	60,258,467	78,720,000
Trade receivables	10	43,215,556	49,871,218
<i>(of which related parties)</i>		9,115,289	9,553,809
Tax receivables	11	-	2,658,048
<i>(of which related parties)</i>		-	2,175,190
Other current assets	12	2,600,620	2,003,988
Current financial assets	13	373,248	416,187
Cash and cash equivalent	14	4,858,069	1,431,639
CURRENT ASSETS		111,305,960	135,101,080
TOTAL ASSETS		237,323,372	254,899,500

(Unit of Euro)	Notes	2023 31 December	2022 31 December
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		13,781,874	13,801,647
Reserves		146,354,189	142,240,118
Profit (loss) for the period		5,805,871	5,788,946
SHAREHOLDERS' EQUITY	15	165,941,934	161,830,711
Non-current liabilities			
Non-current financial liabilities	16	12,647,671	17,909,339
Non-current provisions for risks and charges	17	10,680,510	7,828,306
Non-current provisions for post employment obligation	18	2,834,404	2,978,993
NON-CURRENT LIABILITIES		26,162,585	28,716,638
Current liabilities			
Current financial liabilities	16	18,127,256	38,627,287
Trade payables	19	18,637,705	20,859,765
<i>(of which related parties)</i>		193,209	173,249
Current tax payables	11	1,298,245	-
<i>(of which related parties)</i>		1,168,535	-
Social security contributions	20	1,663,296	1,647,060
Other current liabilities	21	5,492,351	3,218,039
CURRENT LIABILITIES		45,218,853	64,352,151
SHAREHOLDERS' EQUITY AND LIABILITIES		237,323,372	254,899,500

INCOME STATEMENT

(Unit of Euro)	Notes	2023	2022
		31 December	31 December
Sales revenues	22	257,875,883	304,200,697
<i>(of which related parties)</i>		14,082,645	13,166,115
Other revenues and income	23	1,587,247	1,941,474
<i>(of which related parties)</i>		173,071	144,220
TOTAL REVENUES AND INCOME		259,463,130	306,142,171
Raw materials and consumables	24	(193,719,009)	(238,173,392)
<i>(of which related parties)</i>		(2,747,725)	(1,476,689)
Change in inventories of work in progress and finished goods		(3,148,181)	(1,897,390)
Cost for services	25	(26,312,242)	(35,265,243)
<i>(of which related parties)</i>		(1,141,403)	(1,094,640)
Personnel costs	26	(17,236,565)	(17,284,106)
<i>(of which related parties)</i>		(3,988)	(8,614)
Amortization /depreciation/write off tangible and intangible assets	27	(4,137,545)	(3,602,896)
Provision and write downs	28	420,000	(407,289)
Other operating costs	29	(474,728)	(571,705)
EBIT		14,854,860	8,940,150
Impairment of equity investments	30	(5,944,000)	(5,529,000)
Financial income / (charges)	31	(170,699)	2,126,855
<i>(of which related parties)</i>		2,481,857	2,249,529
RESULT BEFORE TAX		8,740,161	5,538,005
Income taxes	32	(2,934,290)	250,941
NET RESULT FOR THE PERIOD		5,805,871	5,788,946

STATEMENT OF COMPREHENSIVE INCOME

(Unit of Euro)	Notes	2023	2022
		31 December	31 December
Net result for the period		5,805,871	5,788,946
Actuarial gain / (losses) IAS 19	18	(26,895)	379,952
Tax effect	8	6.455	(91,752)
Total IAS 19 reserve variance	15	(20,440)	288,200
Total items that will not be reclassified to net result		(20,440)	288,200
Total comprehensive income for the period		5,785,431	6,077,146

STATEMENT OF CHANGES IN EQUITY

(Unit of Euro)	Share capital	Other reserves		Retained earnings				Total shareholders' equity
		Share premium	Other reserves	Legal reserve	IAS 19 reserve	Retained earnings	Result for the period	
Opening 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
Profit allocation	-	-	-	-	-	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 previous year	13,801,647	40,470,928	43,085,647	2,925,312	(565,024)	56,323,255	5,788,946	161,830,711
Result for previous period	-	-	-	-	-	5,788,946	(5,788,946)	-
Dividends	-	-	-	-	-	(1,592,497)	-	(1,592,497)
Sell / purchase own shares	(19,773)	(61,938)	-	-	-	-	-	(81,711)
Other comprehensive income for the period	-	-	-	-	(20,440)	-	-	(20,440)
Result for the period	-	-	-	-	-	-	5,805,871	5,805,871
Total comprehensive income for the period	-	-	-	-	(20,440)	-	5,805,871	5,785,431
Closing balance current year	13,781,874	40,408,989	43,085,647	2,925,312	(585,464)	60,519,705	5,805,871	165,941,934

STATEMENT OF CASH FLOW

(Unit of Euro)	Notes	2023 31 December	2022 31 December
OPERATING ACTIVITIES			
Result of the period		5,805,871	5,788,946
<i>Adjustments for:</i>			
Depreciation / Amortization	27	4,137,545	3,602,896
Net change in deferred tax (assets) / liabilities	32	(233,411)	(340,839)
Capital (gains) / losses from disposal of fixed assets		(197,546)	(703,075)
Losses / (gains) on unrealised exchange rate differences		(162,591)	(263,857)
Expenses / (Income) from investments		4,796,891	3,379,000
Provisions for risks	28	(420,000)	150,000
Income taxes	32	3,167,701	89,897
Financial (income) / expenses		1,314,699	(203,400)
Operating result before changes in working capital		18,209,159	11,499,568
Income taxes paid		-	(5,244,972)
Financial charges paid	31	(2,048,233)	(801,905)
Financial income collected		303,925	1,005,305
Decrease / (Increase) in inventories	9	18,461,533	(2,062,620)
Change in trade receivables	10	6,816,752	28,067,589
Change in trade payables	19	(2,242,020)	(5,584,638)
Net changes in current other assets and liabilities		1,889,853	170,152
Net changes in current other assets and liabilities - related parties		1,214,336	(5,033,837)
Net changes in non-current other assets and liabilities		(189,158)	(427,289)
Net changes in non-current other assets and liabilities - related parties		(3,608,390)	(1,120,238)
CASH FLOW FROM OPERATING ACTIVITIES		38,807,757	20,467,115
INVESTING ACTIVITIES			
Investments in intangible assets	4	(227,826)	(25,548)
Investments in tangible assets	5	(5,893,243)	(10,984,271)
Investments in subsidiaries, associates, other entities	6	(2,214,570)	-
Dividends received from investments	31	1,147,109	2,150,000
Disposals of tangible and intangible assets		217,626	718,031
CASH FLOW FROM INVESTING ACTIVITIES		(6,970,904)	(8,141,788)
FINANCING ACTIVITIES			
Repayments of loans	16	(5,289,149)	(9,514,824)
Obtainment of loans	16	-	12,000,000
Net changes of current financial liabilities		(21,490,006)	(12,766,405)
Net changes of current financial assets	15	42,939	256,932
Dividends paid to shareholders	15	(1,592,497)	(1,327,081)
Sell/(purchase) of own shares	15	(81,710)	(3,285)
CASH FLOW FROM FINANCING ACTIVITIES		(28,410,423)	(11,354,663)
NET CASH FLOW FROM THE PERIOD		3,426,430	970,664
CASH BALANCE AT THE BEGINNING OF THE PERIOD	14	1,431,639	460,975
NET CASH FLOW FROM THE PERIOD		3,426,430	970,664
CASH BALANCE AT THE END OF THE PERIOD		4,858,069	1,431,639

ACCOUNTING STANDARDS AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

GENERAL INFORMATION

These annual financial statements as of 31 December 2023 were authorised for publication by the Board of Directors of IRCE S.p.A. (henceforth also referred to as the "Company") on 15 March 2023.

IRCE S.p.A. (hereafter also the "Company") is a company established in Italy, with its tax domicile, registered office and head office in Via Lasie 12/a, Imola (Bologna), Economic and Administrative Register No. 266734 BO 001785.

At 31 December 2023, the Issuer's share capital was held for 5.78% by the Issuer itself, for 50.045% by Aequafin S.p.A., a company set up and based in Italy in Via dei Poeti 1/2; the remaining 44.175% was free float capital on the Mercato Telematico Azionario of Borsa Italiana S.p.A. – STAR segment.

Treasury shares as of 31 December 2023 amounted to 1,624,413 and corresponded to 5.78% of the share capital. There were therefore 26,503,587 shares in circulation.

At 31 December 2023, IRCE S.p.A., which owns three manufacturing plants, 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).

BASIS OF PREPARATION

The annual financial statements for the year 2023 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 separate 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 year into operating, investing and financing activities. Cash flows from operating activities were presented using the indirect method.

To better represent in the financial statements the items "Financial accrued liabilities and deferred income" and "Advances from customers", shown at 31 December 2022 under "Other current liabilities", they were reclassified respectively under "Current payables due to banks" and "Trade receivables".

Items reclassified in the comparative balances 2022	€/000	Previous classification	Actual classification
Financial accrued liabilities and deferred income	142	Other current liabilities	Current payables due to banks
Advances from customers	90	Other current liabilities	Trade receivables

ASSESSMENT CRITERIA AND ACCOUNTING STANDARDS APPLIED

Below is a 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 accumulated depreciation and any 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 residual 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 by the Company, on an annual basis, are included in the following ranges:

Category	Rates
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 accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, with the exception of development costs, are not capitalised and are recognised in profit or loss as incurred. The Company capitalises development costs only when it is likely that they will be recovered. The useful life of intangible assets is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is an indication of a potential impairment loss. The amortisation period and the amortisation method applied are reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected useful life, or in the manner the Company obtains the future economic benefits associated with the intangible asset, are recognised by modifying the amortisation period or the amortisation method, and treated as changes in accounting estimates. The amortisation charges for intangible assets with finite useful lives are recognised in profit or loss within the cost category that is consistent with the function of the intangible asset.

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

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

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

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

Leased Assets

Following the coming into force of IFRS 16, starting 1 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 a lease extension or termination option.

As of the start date of each contract in which the Company is the lessee of an item, it has to record the right-of-use asset, 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 any 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 profit or loss.

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

Equity Investments

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

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

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

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

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

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

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

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

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

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

An asset's recoverable amount is shown as whichever is the higher of an asset's fair value (net of associated disposal costs) and its value in use (meaning present value of estimated future cash flows 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. Impairment for a CGU is first attributed to reducing the carrying amount of any goodwill attributed to the asset, and subsequently to reducing other assets. This must be done in proportion to their carrying amount and the limits of the asset's associated recoverable value. If the reasons for a previous impairment no longer apply, the carrying amount of the asset is reinstated with an entry in the separate income statement, up to the net carrying amount that the asset would have had if it were not impaired and the related amortisation had been applied.

Financial Assets

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

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

Financial assets are subsequently derecognised only if the transfer of ownership has also transferred substantially all the risks and rewards associated with said assets. On the other hand, whenever a significant part of the risks and rewards belonging to the financial asset being transferred has 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 cost represents the best estimate of fair value among such a range.

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

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

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

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

Impairment of Financial Assets

In accordance with the arrangements of IFRS 9, the Company uses a simplified approach for estimating full lifetime expected credit losses for financial instruments. This approach takes into consideration the company's historical experience with credit losses, and is adjusted on the basis of specific outlook factors depending on the nature of the Company's receivables and the economic context. Financial assets are credit-impaired when one or more events have occurred which will have a negative impact on future estimated cash flows for the financial asset. Evidence that the financial asset has been credit-impaired includes observable data in relation to one or more of the following events (it is possible that the Company may not be able to identify one individual event, and so the impairment of financial assets may be due to the combined effect of several events):

- 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. Costs incurred are recognised as follows:

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

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

Cash and Cash Equivalents

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

Financial Liabilities and Trade Payables

Financial liabilities and trade payables are recognised when the Company becomes party to the relevant contractual clauses. They are initially measured at fair value, adjusted for costs which are directly attributable to the transaction.

They are subsequently measured at amortised cost, using the effective interest rate method.

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

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

Financial liabilities

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

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

Provisions for Risks and Charges

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

Employee Benefits

Employee benefits substantially include employee termination indemnities (*Trattamento di Fine Rapporto*, TFR).

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

Following the occupational pension reform, the provisions for employee termination indemnities – for the amounts accruing from 1 January 2007 – should be considered essentially comparable to a "defined contribution plan". More specifically, these changes gave employees the opportunity to choose how to allocate their accruing employee termination indemnities: in companies with more than 50 employees, employees can decide to transfer the accruing employee termination indemnities into pre-defined pension schemes or keep them with the company, which will transfer them to INPS (Italy's social security institute).

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

Derivative Financial Instruments

The Company used derivative financial instruments, such as forward contracts, for the purchase and sale of raw materials 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 for the year.

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.

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 contractual performance obligations;
- 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.

In reference to the previous and current year, there are no situations for which the recognition of the revenue has occurred over time.

In relation to sales of packaging the Group recognises, in particular circumstances, the right of return provided that the customer exercises it within 12 months of delivery. In line with the provisions of IFRS 15, the accounting of the repurchase commitment is done by recording:

- to reduce revenues, the amount of the cost expected for the return, reducing trade receivables by the same amount;
- to increase final stocks, the cost of the packaging held in stock, before its sale to the customer, offset by 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 changes 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 year, 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 years 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 or 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, and the carry forward of unused tax credits and 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 or loss;
- 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 and 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:

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

Offsetting of Financial Assets and Liabilities

The Company 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.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from 1 January 2023:

- On 18 May 2017, the IASB issued the IFRS 17 – Insurance Contracts to replace IFRS 4 – Insurance Contracts. The standard has been applied as from 1 January 2023. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues.
The adoption of this standard did not have any impact on the Parent Company separate financial statements.
- On 7 May 2021, the IASB published “Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. The document clarifies how deferred taxes must be accounted for on some transactions which can generate assets and liabilities for a similar amount on the initial recognition date, such as leasing and disposal obligations. The changes have been applied as from 1 January 2023.
The adoption of this amendment did not have any impact on the Parent Company separate financial statements.
- On 12 February 2021 the IASB published “Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates – Amendments to IAS 8”. The changes regarding IAS 1 require an entity to indicate relevant information on the accounting standards applied by the Group. The changes aim to improve the disclosure on the accounting standards applied by the Group so as to provide more useful information to investors and to other primary users of the financial statements, as well as to help companies distinguish the changes in accounting estimates from changes in accounting policy. The changes have been applied as from 1 January 2023.
The adoption of these amendments did not have any impact on the Parent Company separate financial statements.
- On 23 May 2023, the IASB published “Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules”. The document introduces a temporary exception to the obligations to recognise and disclose assets and liabilities for deferred taxes relating to the Model Rules of Pillar Two (the law on which was in force in Italy at 31 December 2023, but applicable from 1 January 2024) and envisages specific disclosure obligations for entities involved in the related International Tax Reform. The document envisages the immediate application of the temporary exception, while the disclosure obligations are applicable only to annual financial statements dated as from 1 January 2023 (or subsequently) but not to interim financial statements with an end date prior to 31 December 2023.
The adoption of this amendment did not have any impact on the Parent Company separate financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AS OF 31 DECEMBER 2023, NOT YET MANDATORY AND NOT ADOPTED BY THE GROUP IN ADVANCE AS OF 31 DECEMBER 2023

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and were not adopted in advance by the Group at 31 December 2023:

- On 23 January 2020, the IASB published “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and on 31 October 2022 it published “Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”. Such amendments aim to clarify how to classify payables and other short or long-term liabilities. In addition, the changes also improve the information which an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to complying with particular parameters (i.e. covenants). The amendments will come into force on 1 January 2024; earlier application is however permitted.
The Directors do not expect a significant impact on the Parent Company's separate financial statements from the adoption of said amendment.
- On 22 September 2022, the IASB published “Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”. The document requires the seller-lessee to assess the lease liability from a sale and leaseback transaction so as not to recognise income or a loss which refers to the withheld right of use. The amendments will apply starting from 1 January 2024 but earlier application is however permitted.

The Directors do not expect a significant impact on the Parent Company's separate financial statements from the adoption of said amendment.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AS OF 31 DECEMBER 2023

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

- On 25 May 2023, the IASB published "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". The document requires an entity to provide additional information on reverse factoring agreements to enable users of the financial statements to assess how financial agreements with suppliers may influence the liabilities and financial flows of the entity and to understand the effect of these agreements on the entity's exposure to liquidity risk. The amendments will apply starting from 1 January 2024 but earlier application is however permitted. The Directors are currently assessing the possible effects of the introduction of this amendment on the Parent company's separate financial statements.
- On 15 August 2023, the IASB published "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to adopt a methodology to be coherently applied in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes. The amendments will apply starting from 1 January 2025 but earlier application is however permitted. The Directors do not expect a significant impact on the Parent Company's separate financial statements from the adoption of said amendment.
- On 30 January 2014 the IASB published IFRS 14 – Regulatory Deferral Accounts which allows only first-time adopters of the IFRS to continue to recognise the amounts relating to Rate Regulation Activities, in accordance with the previous accounting standards adopted. Since the Parent Company is not a first-time adopter, this standard is not applicable.

1. CLIMATE CHANGE – FINANCIAL STATEMENT IMPACTS

In line with ESMA recommendations, the internal assessments on the impacts which climate change could have on the business and on the activities of the IRCE Group are summarised below. Hereafter therefore are summarised the analyses undertaken on the main issues subject to assessment on the basis of which the management of the Parent Company concluded that in the medium/long term the opportunities are greater than the risks.

- Regulatory risks: in reference to the current legislative framework, no significant risks have been identified in the sectors to which the Group belongs or which can be connected to the end markets.

Instead in relation to the opportunities from climate change, it is believed that some sectors in which the Group operates, such as home and industrial automation and automotive, should see significant increases in demand. The regulation recently approved by the Parliament of the European Union, which imposes as from 2035 the end of sales of cars with combustion engines, is an important opportunity for the Group, since electric vehicles require greater quantities of winding wires compared to combustion engines. Following this assessment, in order to be able to handle the expected growth in demand for the electric vehicle market, on 21 December 2023 the Board of Directors approved the Investment Plan by the subsidiary Irce S.r.o., regarding (i) the realisation of a new plant in Mosnov (Ostrava), in the Czech Republic which is expected to be completed by 31 December 2024; and (ii) the purchase of plant and machinery for the business diluted over time to be completed by 2028. For more information reference should be made to the Information Document drawn up pursuant to Article 71 of the Regulation adopted by Consob with its Resolution No. 11971 of 14 May 1999 and published on 30 December 2023.

However, it is noted that, should in the future regulatory interventions be made aimed at reducing CO2 emissions to within set limits and with tight timeframes, the Group would inevitably have to face higher operating costs.

- Risks linked to technologies: the need to have to comply with new technical specifications requested by customers while maintaining a high product quality level is, generally speaking, an averagely limited risk for the Group taking account of the experience accumulated over the years by the R&D department. Greater technological risks are instead present in the automotive sector since the technical standards required are certainly higher as are the customers' need for personalisation.

During the year investments continued in new machinery and plant aimed at energy saving and efficiency in production while in July 2023 there came into operation at the Imola plant the photovoltaic system for self-consumption, which is positioned on the ground and with annual estimated production at full capacity of 9,000 MW, with a forecast for internal consumption of around 8,200 MWh.

- Market risks: from the analysis undertaken no problems emerged which can be associated with the possible technological obsolescence of production plant and machinery owing to the phase-out of ranges of items since the high level of flexibility in production in any case allows their use for alternative forms of production. Instead in reference to the risks associated with the likely increase in the demand for some green raw materials (in particular, copper cathodes and electricity), it is considered that this trend could drive an increase in prices, making it potentially complex to source these materials at sustainable prices. The impact on profits, however, should be considered as relatively limited given the expected possibility for the Group to quickly transfer the increases on to sale prices.

- Reputational risks: taking account of the sector in which the IRCE Group operates and the "green" path undertaken, the risk that the Group results may be impacted now or in the future by a negative perception of the company's image by stakeholders is considered low.

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

As regards the above, in relation to climate change no particular problems have been identified associated with the possibility of recovering financial statement assets, or in terms of impairment indicators, or in reducing the useful life of fixed assets, or in collecting trade receivables; in the same way, the analyses undertaken did not reveal potential liabilities attributable to contracts which have become onerous, to the need for restructuring to achieve climate-related targets, to possible penalties for failure to achieve the climate-related targets or failure to achieve the environmental requirements.

To conclude, although climate change may lead to an acceleration in investments as well as to an increase in operating costs, it is believed that the expected growth in volumes represents overall an important opportunity for the Group.

2. DERIVATIVE INSTRUMENTS

The Company uses the following types of derivative instruments:

- Derivative instruments related to metal forward purchase and sale transactions with maturity after 31 December 2023. These transactions do not qualify as hedging instruments for the purposes of hedge accounting.

A summary of derivative contracts related to metals outstanding at 31 December 2023 is shown below:

	Notional amount		Fair value al 31/12/2023		
	Assets (Ton)	Liabilities (Ton)	Current assets (€/000)	Current liabilities (€/000)	Net carrying amount (€/000)
Copper commodity contracts for forward sales and purchases	1,540	875	175	(88)	87

- Derivative instruments related to currency forward purchase and sale contracts with maturity after 31 December 2023. These transactions do not qualify as hedging instruments for the purposes of cash flow hedge accounting.

A summary of derivative contracts on currencies outstanding at 31 December 2023 is shown below:

	Notional amount		Fair value al 31/12/2023		
	Assets (/000)	Liabilities (/000)	Current assets (€/000)	Current liabilities (€/000)	Net carrying amount (€/000)
Spot sales on GBP	7,800		6		6

3. SEGMENT REPORTING

IFRS 8 defines an operating segment as 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 decisionmaker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) for which discrete financial information is available.

Here below is the breakdown of revenues by area of destination of the finished product.

(Thousand of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	142,117	89,760	25,999	257,876	180,581	102,995	20,625	304,201
% of total	55,1%	34,8%	10,1%	100,0%	59,4%	33,9%	6,8%	100,0%

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

4. INTANGIBLE ASSETS

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

The following table shows the breakdown and changes in intangible assets for the years ended 31 December 2022 and 2023.

(Thousand of Euro)	Patents and intellectual property rights	Licenses, trademarks, similar rights and multi-year charges	Total
Opening balance - previous period	8	17	25
Changes – previous period			
Purchase	26	0	26
Depreciation	(21)	(8)	(29)
Reclass	-	0	0
Closing balance - previous period	13	9	22
Changes - current period			
Purchase	209	19	228
Depreciation	(117)	(11)	(128)
Closing balance - current period	104	17	121

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.

5. TANGIBLE ASSETS

The following table shows the breakdown and changes in tangible assets for the years ended 31 December 2022 and 2023.

(Thousand of Euro)	Lands	Buildings	Plant and machinery	Equipment	Other tangible assets	Assets under construction s and advances	Total
Opening balance - previous period	7,835	3,163	5,665	847	302	5,263	23,075
Changes - previous period							
Purchase	-	-	3	294	68	10,677	11,042
Depreciation	-	(358)	(2,675)	(414)	(127)	-	(3,574)
Reclass	-	-	5,600	116	-	(5,716)	-
Disposals	-	(20)	(13,729)	(888)	(237)	-	(14,874)
Disposals - Depreciation fund	-	20	13,698	879	237	-	14,834
Closing balance - previous period	7,835	2,805	8,562	834	243	10,224	30,503
Changes - current period							
Purchase	-	56	51	217	38	5,615	5,978
Depreciation	-	(341)	(3,074)	(460)	(134)	-	(4,009)
Reclass	-	1,995	7,617	325	210	(10,148)	-
Disposals	-	(22)	(7,357)	(80)	(291)	-	(7,751)
Disposals - Depreciation fund	-	22	7,347	70	291	-	7,731
Closing balance- current period	7,835	4,514	13,146	905	357	5,691	32,451

The balance of tangible assets at 31 December 2023 of € 32.5 million includes Use rights for € 106 thousand.

The item "Investment" includes all the additions in 2023, both those directly attributed to the relevant category and those that have transferred from "Assets under construction and advances".

The item "Reclassification" refers to investments completed during 2023 (i.e. € 10,268 thousand) realised both in previous years (i.e. € 10,225 thousand) and in the current year (i.e. € 5,735 thousand), which were initially recorded under item "Assets under construction and advances" and subsequently allocated, once terminated, to the specific relevant categories.

The investments by IRCE S.p.A in 2023 totalled around € 6.0 million and essentially involved the categories "Buildings", "Plant and machinery" and "Assets under construction and advances".

Disposals refer mainly to the scrapping of machinery and equipment which is no longer used and has been almost totally depreciated.

The balance of the item "Assets under construction and advances" of € 5.7 million mainly refers to investments in machinery which will mostly come into operation in the next year.

6. EQUITY INVESTMENTS

Here below is the breakdown of the item "Equity investments".

(Thousand of Euro)	2023 31 December	2022 31 December
Equity investments in subsidiaries	88,433	86,218
Provision for write down of equity investments	(25,404)	(22,150)
Total investments	63,029	64,068

The following tables show the changes in the historical cost and the provision for write-down of equity investments for the year ended 31 December 2023.

(Thousand of Euro)	Opening balance	Increase	Decrease	Closing balance
FD SIMS ltd	13,376	-		13,376
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	1,914		4,514
Isolveco 2 SRL	55	-		55
Isolveco SRL in liquidation	195	-		195
Irce Electromagnetic wire Co.Ltd	2,000	200		2,200
Irce SP.ZO.O	48	-		48
Irce S.R.O. Cechia	130	101		230
Total investments in subsidiaries - gross value	86,218	2,215		88,433

The increase in the investment in the Indian subsidiary of Euro 1,914 thousand is mainly aimed at financing the investments of the Stable Magnet Wire P.Ltd, and its subsidiary Fine Wire.

(Thousand of Euro)	Opening balance	Provision	Utilization	Closing balance
FD SIMS ltd	(11,235)	(2,141)		(13,376)
Smit Draad Nijmegen BV	(6,866)	(407)		(7,273)
IRCE Ltda	(343)	-		(343)
Isodra GmbH	(28)	-		(28)
IRCE SL	(150)	-		(150)
Stable Magnet Wire P.Ltd	(2,600)	(389)		(2,989)
Isolveco 2 SRL	(27)	(28)		(55)
Isolveco SRL in liquidation	(195)	-		(195)
Irce Electromagnetic wire Co.Ltd	(658)	(289)		(947)
Irce SP.ZO.O	(48)	-		(48)
Total provision for write-down of equity investments	(22,150)	(3,254)		(25,404)

In relation to the write-downs of the investments in FD Sims and Smit Draad, amounting to € 2.1 million and € 0.4 million respectively, please refer for further details to the following paragraph "Impairment test", paragraph 17 – "Provisions for risks and charges" and Annex 2.

It should also be noted that the Company has allocated a provision to cover losses whether, as a result of the negative results achieved by the subsidiaries, shareholders' equity is negative

Impairment Test

The book value of the investments must be subjected to impairment testing given indicators of any loss in value.

In particular, Directors considered it necessary to undertake the impairment test having identified the following indicators of any loss in value:

- on the investments FD Sims Ltd and Smit Draad Nijmegen B.V. taking account of the negative results recorded in the period together with results under budget;
- on the investment Irce Ltda taking account of the significant depreciation of the Brazilian currency compared to the initial investment, as well as the context of worsening market rates.

Based on the 2024-2028 Business Plans of the aforementioned equity investments, impairment tests were performed and approved by the Parent Company's Board of Directors on 15 March 2024.

The aforementioned Plans were reviewed by the management of the Parent Company and approved by the Directors of the subsidiaries by February 2024.

In line with the provisions of IAS 36, the impairment test was carried out by comparing the recoverable amount of the investments (Enterprise value) net of the net financial position ("NFP") as of 31 December 2023 ("Equity Value") with the related carrying amounts for the equity investments as of 31 December 2023.

In order to determine future cash flows, the data of the 2024-2028 Multi-year Plans were taken into account; furthermore, a terminal value represented by a perpetual return was determined at the end of the explicit period (2028). 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 considers this to be a normalised long-term flow.

The "g" growth rate applied to determine the Terminal Value has been set as equal to the long-term inflation (2028) of the country in which each investee company operates.

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, in the calculation, for these subsidiaries, a "Small Size Premium" of 1% and an execution risk between 1.0% and 3.5% were applied, in order to reflect in the rate the risks connected to the degree of achievability of the plan results.

Here below we set out the WACC and “g” parameters used and the results of the impairment tests undertaken:

	Irce Ltda	FD Sims	Smit Draad
g	3.01%	2.00%	2.00%
Wacc	13.87%	12.58%	10.94%
Equity Value (€/000)	60,624	(1,634)	(785)
Equity investment value (€/000)	58,466	2,142	407
Difference (€/000)	2,158	(3,776)	(1,192)

With reference to the value of equity investments shown in the financial statements, based on the results of impairment tests both for the company FD Sims Ltd and Smit Draad Nijmegen B.V., an impairment of € 3.8 million and € 1.2 million was respectively recognised, while Irce Ltda did not show a risk profile. See also section 17 – “Provision for risks and charges”.

In reference to the investment in Irce Ltda which was not written down, here below is a sensitivity analysis which shows, in order to make the Equity Value equal to the value of the investment, what the “discount rate (WACC)” in absolute terms and the reduction in “EBITDA” in percentage terms should alternatively be compared to the values included in the 2024-2028 Plan.

Sensitivity	Irce Ltda
Wacc	14.39%
Ebitda	(4.49%)

On the basis of the analyses set out above, and taking account of the positive results achieved in recent years by the Brazilian subsidiary, Directors believe that the investment in Irce Ltda does not present risks which make it necessary to apply an impairment.

Finally, as regards the small operating Group companies, where unexpected losses are recorded, Directors of the Parent company recognise an impairment in order to align them with the percentage stake held in the subsidiary’s shareholders’ equity. The comparison between the net carrying amount of equity investments in subsidiaries and the relevant shareholders’ equity is shown in Attachment 2, an integral part of the Notes to the Financial Statements.

7. OTHER NON-CURRENT FINANCIAL RECEIVABLES

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

(Thousand of Euro)	2023 31 December	2022 31 December
Non-current financial assets	28,175	23,204
Total investments and non-current financial assets	28,175	23,204

Below is the breakdown of interest-bearing loans extended to subsidiaries:

(Thousand of Euro)	2023 31 December	2022 31 December
FD SIMS ltd	9,451	7,582
Smit Draad Nijmegen BV	9,294	8,955
DMG GmbH	1,677	1,602
Isodra GmbH	1,927	1,840
Irce SL	1,695	1,624
Irce SP.ZO.O	134	118
Irce S.R.O. Cechia	3,997	1,483
Total non-current intercompany loans	28,175	23,204

Also as part of the impairment tests carried out on equity investments, commented on in the previous paragraph, management analysed the recoverability of these amounts: the results showed that such receivables can be fully recovered.

8. DEFERRED TAX ASSETS/LIABILITIES

The item "deferred tax assets" is the net balance of deferred tax assets less deferred tax liabilities relating to the same tax jurisdiction:

(Thousand of Euro)	2023 31 December	2022 31 December
Deferred tax assets	2,241	2,001
Total net deferred tax assets	2,241	2,001

Here below is set out the breakdown of deferred tax assets and deferred tax liabilities, before offsetting:

(Thousand of Euro)	2023 31 December	2022 31 December
Provisions for risks and charges	79	36
Provision for bad debts (taxed)	321	321
Inventories / Inventory obsolescence fund	1,624	1,374
Application of IFRS 15	668	589
Application of IAS 19	(20)	(27)
Others	118	241
Total deferred tax assets	2,790	2,534

(Thousand of Euro)	2023 31 December	2022 31 December
Depreciations	29	36
Exchange rate difference	43	3
Lands revaluation - Ias transition	413	413
Buildings revaluation - Ias transition	64	72
Others	0	9
Total deferred tax liabilities	549	533

The "net" deferred tax assets in the period saw the following changes:

(Thousand of Euro)	Opening balance	Increase	Decrease	Reclass	Net equity effect	Closing balance
Deferred tax assets	2,001	340	(106)	-	6	2,241
Total	2,001	340	(106)	-	6	2,241

The item "Effect on shareholders' equity" refers to changes in the actuarial reserve as per IAS 19.

9. INVENTORIES

Inventories are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
Raw materials, ancillary and consumables	19,740	34,212
Work in progress and semi-finished goods	13,810	10,923
Finished products and goods	33,137	38,972
Provision for write down of raw material	(4,039)	(3,197)
Provision for write down of finished products and goods	(2,390)	(2,190)
Total inventories	60,258	78,720

Recognised inventories are not pledged nor used as collateral.

The fall in inventories is mainly due to the reduction in quantities of stock attributable to better management of stock and, to a lesser extent, the price effect. In particular, the average price of copper in 2023 on the London Metal Exchange was 7.84 Euro/Kg, down by around 6 per cent compared to the price in the previous year of 8.34 Euro/Kg, while the price at the end of the year was 7.70 Euro/kg, down by around 2 per cent on 7.86 Euro/Kg at 31 December 2022.

On the basis of the above and taking account of the trends in the price of copper and the expectations around the realisation time for the stocks, the Company, as envisaged by its own policy and in line with the IFRS, arranged to write down the copper in stock to the likely sale value since this is below the weighted average cost for 2023.

Here below are the changes in the Provision for inventory obsolescence in the period:

(Thousand of Euro)	Opening balance	Provision	Closing balance
Provision for write down of raw material	(3,197)	(842)	(4,039)
Provision for write down of finished products and goods	(2,190)	(200)	(2,390)
Total	(5,387)	(1,042)	(6,429)

The provision for write-down of raw materials refers to the amount deemed necessary to cover the risks of obsolescence, mainly of packaging and maintenance material, whilst the provision for write-down of finished products and goods is set aside against slow-moving or non-moving finished products, as well as products that are not eligible for sale.

10. TRADE RECEIVABLES

Here below is the breakdown of trade receivables:

(Thousand of Euro)	2023 31 December	2022 31 December
Current trade receivables - third parties	35,029	41,880
Trade receivables – intercompany	10,520	10,959
Current bad debt provision - third parties	(928)	(1,563)
Bad debt provision – intercompany	(1,405)	(1,405)
Total trade receivables	43,216	49,871

The change in trade receivables was largely due to the reduction in turnover which occurred in the final quarter compared to the same period of the previous year, partially offset for € 0.7 million by the lower non-recourse sales outstanding at 31 December 2023.

The trade receivables subject to non-recourse sale during the year totalled € 31.4 million (€ 33.1 million during 2022) of which € 15.9 million relating to invoices sold but not yet overdue at 31 December 2023 (at 31 December 2022 € 16.6 million).

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

(Thousand of Euro)	2023 31 December	2022 31 December
FD SIMS ltd	1,519	529
Smit Draad Nijmegen BV	22	9
Isomet AG	1,558	2,073
Irce Ltda	251	476
DMG GmbH	18	15
Isodra GmbH	610	688
Irce SL	2,490	2,388
Stable Magnet Wire P.Ltd	2,442	3,178
Isolveco 2 SRL	9	2
Isolveco SRL in liquidation	1,521	1,521
Irce Electromagnetic wire Co.Ltd	80	80
Total intercompany trade receivables (nominal value)	10,520	10,959
Isolveco SRL in liquidation	(1,405)	(1,405)
Total intercompany trade receivables (net value)	9,115	9,554

The table below shows the changes in the bad debt provision during 2023:

(Thousand of Euro)	Opening balance	Reversal	Utilization	Closing balance
Current bad debt provision - third parties	(1,563)	600	35	(928)
Bad debt provision – intercompany	(1,405)	-	-	(1,405)

The item "Reversal" is essentially connected to the restatement of expected losses on the receivables recorded at 31 December 2023 following the signing of an insurance policy as from 1 January 2023 which covers the credit risk of most of the Company's customers.

11. TAX RECEIVABLES AND PAYABLES

The tables below show the breakdown of tax receivables and tax payables.

(Thousand of Euro)	2023 31 December	2022 31 December
Tax receivables	-	483
Tax receivables – AequaFin	-	2,175
Total	-	2,658

(Thousand of Euro)	2023 31 December	2022 31 December
Tax payables due to AequaFin	1,169	-
Tax payables-current	129	-
Total tax payables	1,298	-

“Tax receivables” and “Tax payables – current” show the net balance at year end of the Italian regional manufacturing tax (IRAP), while “Tax receivables – Aequafin” and “Tax payables due to Aequafin” show the net balance for Italian corporation tax (IRES) in regard to the parent company with which there is a tax consolidation agreement in place.

12. RECEIVABLES DUE FROM OTHERS

The item is broken down as follows:

	2023	2022
(Thousand of Euro)	31 December	31 December
Social securities receivables	-	58
Other current assets	2,601	829
VAT receivables	-	1,117
Total other current assets	2,601	2,004

The item “Other receivables” mainly includes the tax credit under Industria 4.0 accrued following investments in capital goods also made in previous years. In 2022 this item contained the tax credit allocated in accordance with the Sostegni-ter Decree to energy-intensive companies in proportion to the electricity bought but not used at year-end.

In relation to “VAT receivables”, it was arranged to offset this item with VAT payables, since the prerequisites envisaged by IAS 12 exist.

13. CURRENT FINANCIAL ASSETS

The item is broken down as follows:

	2023	2022
(Thousand of Euro)	31 December	31 December
Mark to market gains derivatives on metal	87	117
Guarantees deposits	17	15
Mark to market financial assets	263	260
Mark to market gains derivatives exchange rate	6	24
Total current financial assets	373	416

The items “Mark to market gains derivatives on metal” and “Mark to market gains derivatives exchange rate” refer to the fair value of forward contracts on copper and on currencies open at year-end.

The item “Mark to market financial assets” mainly includes energy efficiency certificates (TEEs).

14. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash and cash equivalents.

	2023	2022
(Thousand of Euro)	31 December	31 December
Bank and postal deposits	4,851	1,425
Cash and cash equivalents	7	7
Total cash and cash equivalent	4,858	1,432

Bank deposits are remunerated at a variable rate and are not subject to liens or restrictions.

15. SHAREHOLDERS' EQUITY

Shareholders' equity amounted to € 165.9 million as of 31 December 2023 (€ 161.8 million as of 31 December 2022) and is detailed in the following table:

(Thousand of Euro)	2023 31 December	2022 31 December
Share capital	14,627	14,627
Own share capital	(845)	(825)
Share premium reserve	40,539	40,539
Revaluation reserve	22,328	22,328
Own share premium	(130)	(68)
Legal reserve	2,925	2,925
IAS 19 Reserve	(585)	(565)
Extraordinary reserve	54,058	49,861
Other reserve	20,758	20,758
Profit (losses) of previous years	6,462	6,462
Profit (loss) for the period	5,806	5,789
Total shareholders' equity	165,942	161,831

Share capital

The following table shows the breakdown of share capital.

(Thousand of Euro)	2023 31 December	2022 31 December
Subscribed share capital	14,627	14,627
Treasury share capital	(845)	(825)
Total share capital	13,782	13,802

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.

The Treasury Shares Reserve refers to the nominal value of treasury shares held by the Company; as required by the IFRS, they are deducted from equity.

Treasury shares as of 31 December 2023 amounted to 1,624,413 and corresponded to 5.78% of the share capital. There are therefore 26,503,587 outstanding shares.

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

Treasury share	(Thousand of shares)
Balance as of 31/12/2021	26,543
Share buy back	(1)
Balance as of 31/12/2022	25,542
Share buy back	(38)
Balance as of 31/12/2023	26,504

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

Legal reserve

The item shows the earnings retained in previous years by IRCE, in accordance with the provisions of article 2430 of the Italian Civil Code, and is no longer topped up having reached a 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, in thousands of Euro, is as follows:

Changes in IAS 19 reserve	Thousands of Euro
Balance as of 31.12.21	(853)
Actuarial valuation	380
Tax effect on actuarial valuation	(92)
Balance as of 31.12.22	(565)
Actuarial valuation	(26)
Tax effect on actuarial valuation	6
Balance as of 31.12.23	(585)

Extraordinary reserve

The extraordinary reserve increased due to the gains (losses) of the previous year which in 2022 were € 5,789 thousand and fell due to the distribution of dividends for € 1,592 thousand in 2023.

Other reserves

This item, equal to € 20,758 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 € 13,936 thousand.

Below is the detail of origin, availability and possibility of distribution of equity items:

Description	Amount	Possibility of use	Quota available	Quota distributable
Share capital	14,626,560			
Share premium reserve	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
Legal	2,925,312	B	2,925,312	-
Extraordinary	54,057,682	A,B,C	54,057,682	54,057,682
IAS	5,876,558	A,B	5,876,558	1,597,853
Own shares	(974,428)	-	(974,428)	(974,428)
Cash Flow Hedge	-	A,B	-	-
Other reserves	585,888	A,B,C	585,888	585,888
Total earning's reserve	62,471,012		62,471,012	55,266,995
The South income	201,160	A,B,C	201,160	201,160
Extraordinary revaluation	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 reserve in tax suspension	36,464,003		36,464,003	22,528,660
Total reserves	145,509,505		145,509,505	124,370,144
Result of the period	5,805,871			
TOTAL NET EQUITY	165,941,934			

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.

16. FINANCIAL LIABILITIES

Here below is the breakdown of current and non-current financial liabilities:

(Thousand of Euro)	2023 31 December	2022 31 December
Current Financial liabilities due to banks	12,756	34,078
Current Financial liabilities - IFRS 16	38	26
Long term loans- current portion	5,333	4,523
Total current financial liabilities	18,127	38,627
(Thousand of Euro)	2023 31 December	2022 31 December
Non-current Financial liabilities due to banks	12,580	17,869
Non-current Financial liabilities - IFRS 16	68	40
Total non-current financial liabilities	12,648	17,909

The table below shows the changes in non-current financial liabilities during 2023:

(Thousand of Euro)	Opening	Reclass	Funding	Closing
Non-current Financial liabilities due to banks	17,869	(5,289)	-	12,580
Non-current Financial liabilities - IFRS 16	40	(57)	85	68
Total	17,909	(5,346)	85	12,648

The item "Reclassification" sets out the total of long-term financial liabilities at year-end among short-term financial liabilities. No new bank loans were opened in the period.

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

(Thousand of Euro)	Currency	Rate	Company	31/12/2023	31/12/2022	Due date
Banca di Imola	EUR	Floating	IRCE	2,163	3,473	2026
Mediocredito	EUR	Floating	IRCE	461	1,385	2025
Banco Popolare	EUR	Fixed	IRCE	1,136	1,886	2026
Deutsche Bank	EUR	Floating	IRCE	4,375	6,125	2027
BPER	EUR	Floating	IRCE	4,445	5,000	2032
Total				12,580	17,869	

At 31 December 2023 all the financial restrictions relating to the outstanding loans, where envisaged, were complied with in full.

The **Net Financial Position** determined on the basis of the new model envisaged by Consob Warning Notice No. 5/21 of 29 April 2021, which transposes the ESMA guideline published on 4 March 2021, is shown below.

(Thousand of Euro)	2023 31 December	2022 31 December
Cash and cash equivalents	4,858	1,432
Current financial assets	373	416
Cash and cash equivalents	5,231	1,848
Other current financial liabilities	(12,793)	(34,105)
Long term loans - current portion	(5,334)	(4,523)
Current net financial position	(12,896)	(36,780)
Non-current financial liabilities third parties	(12,648)	(17,909)
Net financial position	(25,544)	(54,689)

Intercompany financial receivables were excluded from the calculation of the net financial position since they are "non-current".

The net financial position at 31 December 2023 totalled € 25.5 million and fell compared to € 54.7 million at 31 December 2022 thanks to the significant reduction in working capital and the cash generated by operations.

The net financial position includes in total € 106 thousand of current and non-current financial payables relating to leases accounted for in accordance with IFRS 16.

In addition, at 31 December 2023 the Company had outstanding contractual commitments for around € 201 million relating largely to the purchase of copper. Since the purchase price of copper will be determined during 2024 on the basis of the LME price at the time of delivery, the valuation of the commitment was made by using the LME price at the end of 2023.

17. PROVISIONS FOR RISKS AND CHARGES

Non-current provisions for risks and charges are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
Provision for severance payments to agents - non-current	112	130
Other provision for risks and charges - non-current	330	150
Coverage losses fund intercompany	10,238	7,548
Total non-current provisions for risk and charges	10,680	7,828

Changes in the provision for risks and charges are provided below:

(Thousand of Euro)	Opening	Provision	Utilization	Closing
Provision for severance payments to agents - non-current	130	5	(23)	112
Other provision for risks and charges - non-current	150	330	(150)	330
Coverage losses fund intercompany	7,548	2,690	-	10,238
Total non-current provision for risk and charge	7,828	3,025	(173)	10,680

The item "Provision for severance payments to agents" refers to allocations made for severance payments relating to outstanding agency contracts.

The accrual for the period of the item "Other long-term provisions" refers to an estimate of the legal expenses for the management of outstanding disputes and to the risk of the enforcement of a guarantee for € 230 thousand by a customer.

The Company has allocated a provision to cover losses in subsidiaries which, due to the losses incurred, have a negative shareholders' equity. For more information reference should be made to the comment on the Impairment Test included in section 6 "Equity investments" and on Appendix 2 "List of Equity Investments in direct Subsidiaries".

Here below is set out the change in the provision for the coverage of losses of subsidiaries.

(Thousand of Euro)	Opening balance	Provision	Use	Closing balance
FD SIMS ltd	-	1,658	-	1,658
Smit Draad Nijmegen BV	-	793	-	793
Isodra GmbH	1,855	-	-	1,855
Irce SL	3,792	180	-	3,972
Stable Magnet Wire P.Ltd	1,813	-	-	1,813
Isolveco 2 SRL	21	58	-	79
Irce SP.ZO.O	68	-	-	68
Total write-down provision for equity investments	7,548	2,690	-	10,238

18. PROVISIONS FOR EMPLOYEE DEFINED BENEFITS

This provision includes the liability relating to employee termination indemnities (*Trattamento di Fine Rapporto*, TFR) and is part of the defined benefit plans.

In 2023 the Provision experienced the following changes:

(Thousand of Euro)	Opening	Provision	Net equity effect	Utilization	Closing
Provision for employee defined benefits	2,979	103	27	(275)	2,834
Total	2,979	103	27	(275)	2,834

The actuarial valuation of employee termination indemnities was undertaken on the basis of the “accrued benefits” methodology through the “Projected Unit Credit” (PUC) criterion as envisaged in paragraphs 67-69 of IAS 19 and is broken down into the following stages:

- it projected, up to the alleged payment date, the employee termination indemnities accrued by each employee as of 31 December 2006 and reassessed as of the date of the financial statements;
- it calculated employee termination indemnity 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 and technical-economic assumptions used by the actuary in measuring the provision for employee benefits:

Demographic assumptions	2023 31 December	2023 31 December
Death	RG48 mortality tables issued by the State General Accounting Department	RG48 mortality tables issued by the State General Accounting Department
Disability	INPS tables based on age and gender	INPS tables based on age and gender
Retirement	100% on reaching the AGO requirements	100% on reaching the AGO requirements
Technical-economic assumptions	2023 31 December	2022 31 December
Annual discount rate	2.95%	3.63%
Annual inflation rate	2.00%	2.30%
Annual rate of increase of employee termination indemnities	3.00%	3.225%

The “annual discount rate”, in line with paragraph 83 of IAS 19, derived from the Iboxx Corporate AA Index with a 5-7-year duration as of the measurement date.

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

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

(Thousand of Euro)	Sensitivity	DBO 2022 31 December	DBO 2022 31 December
Turnover rate	+1,00%	2,839	2,989
Turnover rate	- 1,00%	2,830	2,968
Inflation rate	+0,25%	2,861	3,008
Inflation rate	-0,25%	2,808	2,950
Discount rate	+0,25%	2,792	2,934
Discount rate	-0,25%	2,877	3,025
Service cost		0.00	0,00
Duration of Plan (anni)		6.7	7.0

19. TRADE PAYABLES

Trade payables, shown net of advances received from suppliers, are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
Trade payables	18,445	20,687
Trade payables due to Group	193	173
Total trade payables	18,638	20,860

The change in the period is mainly due to the reduced supplies of copper compared to the previous year; last year there were quantities of metal purchased and not yet paid for to a greater extent than at 31 December 2023.

Trade payables due to subsidiaries were broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
FD SIMS ltd	2	15
Isomet AG	-	2
DMG GmbH	86	95
Irce SL	53	51
Isolveco 2 SRL	8	10
Irce SP.ZO.O	44	-
Total intercompany trade payables	193	173

20. SOCIAL SECURITY CONTRIBUTIONS

The item of € 1,663 thousand refers to the year-end payable due to welfare and social security institutes and includes both the cost met by the company and any amounts withheld from employees.

21. OTHER CURRENT LIABILITIES

Other payables are broken down as follows:

(Thousand of Euro)	2023	2022
	31 December	31 December
Payables due to employees	2,284	2,175
Accrued liabilities and deferred income	1,811	76
Other payables	153	169
VAT payables	689	286
Income taxes withheld on income from employees	555	512
Total other current liabilities	5,492	3,218

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

The increase in the item “Accrued liabilities and deferred income” is due to the capital contributions relating to the Industria 4.0 tax credit and will be released to the income statement in line with the repayment plan for the capital goods to which they refer.

The “VAT payable” includes both the liability associated with Italian parent company and with the permanent establishments in Germany, Spain and Poland. The change compared to the previous year is due to the fact that there was a debit VAT balance for the Italian parent company in 2023.

“Other payables” mainly include payables due to the tax authorities for withholding taxes, advances from customers when they cannot be offset with the related credit entries, and other miscellaneous liabilities.

COMMENT ON THE MAIN ITEMS OF THE SEPARATE INCOME STATEMENT

22. SALES REVENUES

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Sales revenues	257,876	304,201	(46,325)

Turnover in 2023 fell by 15.2% compared to 31 December 2022. The change was mainly due to a reduction in the quantities sold and the average sale prices of the metal, partly offset by an increase in processing turnover.

The following tables provide the breakdown of revenues by product and geographical area of destination of the finished product.

(Thousand of Euro)	Current period			Previous period		
	Winding wires	Cables	Total	Winding wires	Cables	Total
Revenues	192,356	65,520	257,876	227,881	76,320	304,201
% of total	75%	25%	100%	75%	25%	100%

(Thousand of Euro)	Current period				Previous period			
	Italy	UE	Extra UE	Total	Italy	UE	Extra UE	Total
Revenues	142,117	89,760	25,999	257,876	180,581	102,995	20,625	304,201
% of total	55%	35%	10%	100%	59%	34%	7%	100%

For additional details, see the Report on operations.

23. OTHER REVENUES AND INCOME

Other income was broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Increase in internally generated fixed assets	84	452	(368)
Capital gains on assets disposals	198	708	(510)
Insurance reimbursements	82	269	(187)
Contingent assets	307	153	154
Other revenues	743	215	528
Other income intercompany	173	144	29
Total other revenues and income	1,587	1,941	(354)

The change in the item "Increase in internally generated fixed assets" refers mainly to processing undertaken internally on plant and machinery which was partly recorded under item "Assets under construction".

The reduction in the item "Capital gains on assets disposals" is due to the fact that the balance of last year included the sale of the company branch "Miradolo" for € 665 thousand.

The item "Contingent assets" refers mainly to liability provisions and credit notes made in previous years.

The detailed item "Other revenues and income" mainly includes revenues for the sale of energy efficiency certificates (TEEs), the contributions for training courses as well as the recharging for the repayment of expenses made to customers.

The increase in the period was due largely to the contributions relating to the Industria 4.0 tax credit accrued in 2023 and which were still not present in the previous year.

24. COSTS FOR RAW MATERIALS AND CONSUMABLES

"Costs for raw materials and consumables" mainly includes the costs incurred for the purchase of copper, insulating materials and packaging and maintenance materials and are detailed below:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Raw materials and consumables	(175,658)	(241,494)	65,836
Change in inventory of raw materials and consumables	(15,313)	4,798	(20,111)
Raw materials and consumables – intercompany	(2,748)	(1,477)	(1,271)
Total raw materials and consumables	(193,719)	(238,173)	44,454

The change of € 65,837 thousand in the item "Costs for raw materials and consumables" is attributable both to a reduction in the year of the volumes purchased and a reduction in the average prices of raw materials compared to the previous year.

The item "Change in inventory of raw materials and consumables" shows the difference between the opening and closing value of the Inventory of raw materials and consumables on the Statement of financial position.

25. COSTS FOR SERVICES

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
External processing	(8,350)	(6,020)	(2,330)
Utility expenses	(8,064)	(19,701)	11,637
Maintenance	(1,225)	(1,098)	(127)
Transport of sales and purchase	(3,433)	(3,323)	(110)
Payable fees	(116)	(171)	55
Statutory auditors compensation	(73)	(70)	(3)
Other services	(3,878)	(3,752)	(126)
Operating leasing	(32)	(35)	3
Other service intercompany	(1,141)	(1,095)	(46)
Total cost for services	(26,312)	(35,265)	8,953

The change in "External processing" is mainly due to the significant increase in the cost of transforming cathode and rod.

The significant change in "Utility expenses" compared to the same period of the previous year was due both to a reduction in the MWh of electricity consumed following the fall in production and the significant decrease in the cost per MWh unit on the market and the coming into operation in July 2023 of the photovoltaic system at the Imola plant used for self-consumption.

The change in the cost of "Maintenance" is due to greater use of external maintenance staff in place of internal staff.

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

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

26. PERSONNEL COSTS

Here below is the breakdown of personnel costs:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Salaries and wages	(11,098)	(11,100)	2
Social security charges	(3,349)	(3,312)	(37)
Pension costs	(965)	(880)	(85)
Other personnel costs	(1,821)	(1,983)	162
Personnel intercompany costs	(4)	(9)	5
Total personnel costs	(17,237)	(17,284)	47

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

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

(Number of employees)	2022 31 December Closing	2023 31 December Closing	2023 31 December Average
Executives	14	13	13
White collars	82	64	62
Blue collars	237	253	255
Total Employees	333	330	330
Executives (temporary)	-	-	-
White collars (temporary)	2	2	2
Blue collars (temporary)	21	36	28
Total Temporary workers	23	38	30
Total headcount	356	368	360

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.

Albeit given a final number of employees and temporary workers at 31 December 2022 lower than that at 31 December 2023, the average number in the previous year of 382 was higher than that in 2023 which was 360; this is because the Parent Company reduced its workforce at 30 June 2022 by around 40 units due to the sale of the plant at Miradolo Terme (Pavia).

Personnel costs were largely in line with 2022 despite the average number of employees falling, due to the increases caused by the renewal of the corporate agreement and, generally, the higher average pay per employee due to recent recruitment.

27. DEPRECIATION/AMORTISATION

Here is the breakdown of depreciation/amortisation:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Amortization of intangible assets	(128)	(29)	(99)
Depreciation of tangible assets	(3,965)	(3,536)	(429)
Depreciation of tangible assets - IFRS 16	(45)	(38)	(7)
Total amortization/depreciation and write-down	(4,138)	(3,603)	(535)

The change in the depreciation of tangible assets is due to the coming into operation in 2023 of a significant value of investments belonging in particular to the item “plant and machinery”.

28. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Bad debt provision	600	(257)	857
Provision for risks	(180)	(150)	(30)
Total provisions and write-downs	420	(407)	827

In relation to the change in the items “Bad debt provision” and “Provision for risks”, reference should be made respectively to sections “10 – Trade receivables” and “17 – Provision of risks and charges”.

29. OTHER OPERATING COSTS

Other operating costs are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Other taxes and indirect taxes	(305)	(297)	(8)
Capital losses and contingent liabilities	(23)	(53)	30
Other costs	(147)	(222)	75
Total other operating costs	(475)	(572)	97

The change in “Other operating costs” is mainly due to contractual penalties charged by a customer in 2022.

30. IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENTS

Impairment for the year is broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December
FD SIMS ltd	(3,800)	(2,100)
Smit Draad Nijmegen BV	(1,200)	(2,300)
Irce SL	(180)	(48)
Stable Magnet Wire P.Ltd	(389)	(416)
Isolveco 2 SRL	(86)	(7)
Irce Electromagnetic wire Co.Ltd	(289)	(658)
Total	(5,944)	(5,529)
Total impairments / (write-backs)	(5,944)	(5,529)

For more details reference should be made to section 6 – Equity investments and section 17 – Provision for risks and charges.

31. FINANCIAL INCOME AND CHARGES

Financial income and charges are broken down as follows:

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Financial income	2,813	3,155	(342)
Financial charges	(2,981)	(802)	(2,179)
Foreign exchanges	(3)	(226)	223
Total financial income and charges	(171)	2,127	(2,298)

The item "Financial income" mainly includes for € 1.1 million the dividends paid by the Brazilian subsidiary (€ 2.2 million at 31 December 2022), for € 0.1 million interest income owing to deferred payments granted to customers (€ 0.2 million at 31 December 2022), for € 1.4 million the income on intercompany loans (€ 0.2 million at 31 December 2022) and for € 0.1 million the net effect of metal derivatives, both those already paid during the year and those evaluated at the end of the period (€ 0.5 million at 31 December 2022).

The item "Financial charges" mainly includes for € 2.1 million interest expense on short- and long-term debt (€ 0.4 million at 31 December 2022) and for € 0.7 million charges relating to the non-recourse discount of trade receivables (€ 0.2 million at 31 December 2022). The change in the period was due to the significant increase in market interest rates compared to the previous year.

The item "Foreign exchanges" essentially shows the net effect of realised and unrealised translation differences.

32. INCOME TAXES

Here below is the detail of income taxes

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Current taxes	(2,914)	(81)	(2,833)
Income taxes related to previous years	(253)	(9)	(244)
Deferred tax liabilities (PL)	233	341	(108)
Total income tax	(2,934)	251	(3,185)

The item "Current taxes" consist of € 2,334 thousand for Italian corporation tax (IRES) and € 579 thousand for Italian regional manufacturing tax (IRAP).

It should be noted that the item deferred tax assets/(liabilities) includes for € 118 thousand a negative adjustment on the previous years.

"Permanent changes" on result before tax mainly include, as upwards tax adjustments, the write-downs of equity investments and, as downwards tax adjustments, the contributions received on electricity and recognised to energy-intensive companies in the form of a tax credit, the dividends paid by the Brazilian subsidiary, the income for the Industria 4.0. tax credits as well as the changes associated with hyper/super-amortisation.

The increase in the tax rate at 31 December 2023 compared to the comparative period is attributable to the reduced impact on the pre-tax result of the permanent downward changes to income. In particular, there was a significant decrease in the contributions received on electricity and recognised to energy-intensive companies in the form of a tax credit.

Below is the reconciliation between the theoretical and effective tax expense in relation to IRES and IRAP:

(Thousand of Euro)	2023 31 December	2022 31 December
Result before tax	8,740	5,538
Taxes calculated with applicable IRES rate (24%)	2,098	1,329
Permanent changes (ACE inclusive)	(102)	(1,706)
Temporary changes	338	343
Effective IRES tax	2,334	(34)
Value of production	31,751	26,740
Taxes calculated with applicable average IRAP rate media (4,1%)	1,306	1,103
Permanent changes	(739)	(987)
Temporary changes	13	(3)
Effective IRAP tax	579	114
Total current taxes	2,914	81

33. RELATED PARTY DISCLOSURES

IRCE S.p.A. engages in commercial and financial transactions with its subsidiaries, 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 payables due to Aequafin	Financial income - intercompany	Dividends from subsidiaries	Financial charges intercompany
FD SIMS ltd	1,477	27	(2,667)	(14)	-	9,451	1,519	2	-	417	-	-
Smit Draad Nij	-	54	-	-	-	9,294	22	0	-	439	-	(40)
Isomet AG	9,541	20	-	-	-	0	1,558	0	-	-	-	-
Irce Ltda	1,416	63	-	-	-	-	252	0	-	-	1,147	-
DMG GmbH	81	-	(6)	(368)	-	1,677	18	86	-	77	-	-
Isodra GmbH	426	2	-	-	-	1,927	611	0	-	98	-	-
Irce SL	3	1	(74)	(525)	(4)	1,695	2,490	53	-	184	-	-
Stable Magnet	1,137	-	-	-	-	-	2,442	-	-	-	-	-
Isolveco 2 SRL	1	6	-	(138)	-	0	9	8	-	-	-	-
Isolveco SRL in	-	-	-	-	-	-	116	-	-	-	-	-
Irce Electromag	-	-	-	-	-	-	80	-	-	-	-	-
Irce SP.ZO.O	-	0	-	(97)	-	134	0	44	-	10	-	-
Irce S.R.O. Cec	-	-	-	-	-	3,997	-	-	-	149	-	-
Aequafin	-	-	-	-	-	-	-	-	1,169	-	-	-
Total related p	14,083	173	(2,748)	(1,141)	(4)	28,175	9,115	193	1,169	1,374	1,147	(40)

In addition, IRCE S.p.A. has a tax payable for IRES due to the parent company Aequafin S.p.A. of € 1,169 thousand deriving from the application of the national tax consolidation.

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

(Thousand of Euro)	Compensation for the office held	Compensation for other tasks	Total
Directors	258	279	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.

34. GUARANTEES

Seven guarantees were released for a total of € 2.3 million in favour of a public company to guarantee the supply of electric cables.

35. MANAGEMENT OF TRADE RECEIVABLES

Here below is the breakdown of trade receivables due from third parties, by internal rating and due date.

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

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Risk level			
Minimum	21,718	26,746	(5,028)
Medium	10,962	12,844	(1,882)
Above average	1,874	2,136	(262)
High	475	154	321
Total trade receivables	35,029	41,880	(6,851)

(Thousand of Euro)	2023 31 December	2022 31 December	Change
Due dates			
Not yet due	14,214	21,506	(7,292)
0 - 30 days	19,747	18,546	1,201
30 - 60 days	262	384	(122)
60 - 90 days	239	623	(384)
90 - 120 days	86	361	(275)
> 120 days	481	460	21
Total trade receivables	35,029	41,880	(6,851)

The bad debt provision of € 0.9 million refers for € 0.1 million to the ranges for expiry of "> 120 days" and for "High" risk, while for € 0.8 million it is for the ranges for expiry of under 120 days and for "Minimum", "Medium" and "Above average" risk.

In accordance with the provisions of IFRS 8, para. 34, please note that, for the year ended on 31 December 2023, there are no third-party customers generating revenues for the Company that exceed 10% of total revenues.

36. CAPITAL RISK MANAGEMENT

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

(Thousand of Euro)	2023 31 December	2022 31 December
Net financial position (A)	(25,544)	(54,547)
Shareholders' equity (B)	(165,942)	(161,831)
Total (A) + (B) = (C)	(191,486)	(216,378)
Gearing ratio (A) / (C)	13.3%	25.2%

As is shown by the further improvement in the gearing ratio, a low level of financial risk and the high solidity of the Parent company are confirmed also for 31 December 2023.

37. FINANCIAL INSTRUMENTS

a) Financial instruments by category

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

(Thousand of Euro)	Current period				Previous period			
	Amortised cost	FV vs P&L	FV vs OCI	Total	Amortised cost	FV vs P&L	FV vs OCI	Total
Non-current financial assets								
Non-current financial assets	28,175	-		28,175	23,204	-		23,204
Current financial assets								
Trade receivables	43,216	-		43,216	49,871	-		49,871
Current financial assets	17	357		373	14	402		416
Cash and cash equivalent	4,858	-		4,858	1,432	-		1,432
Non-current financial assets								
Non-current financial liabilities	12,648	-		12,648	17,909	-		17,909
Current financial assets								
Trade payables	18,444	-		18,444	20,687	-		20,687
Trade payables due to Group	193	-		193	173	-		173
Current financial liabilities	18,127	-		18,127	38,627	-		38,627

b) Fair value of financial instruments

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

	2023 31 December	2022 31 December	2023 31 December	2022 31 December
(Thousand of Euro)	Carrying amount		Fair value	
Financial assets				
Cash and cash equivalent	4,858	1,432	4,858	1,432
Current financial assets	373	416	373	416
Trade receivables	43,216	49,871	43,216	49,871
Non-current financial assets and non-current receivables	91,204	87,273	91,204	87,273
Financial liabilities				
Current financial liabilities	18,127	38,627	18,127	38,627
Trade payables	18,444	20,687	18,444	20,687
Non-current financial liabilities	12,648	17,909	12,648	17,909

c) Fair value hierarchy

The following table shows the levels of the fair value hierarchy (in thousands of Euro).

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.

31 December 2023 (Thousand of Euro)	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments		93		93
Current financial assets	264			264
Total assets	264	93		357
Derivative Financial Instruments				
Total liabilities				

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

38. DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following statement, drafted in accordance with article 149-duodecies of the Consob Issuers' Regulations, shows the compensation for 2023 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.	98
Other certifications (NFS)	Deloitte & Touche S.p.A.	4

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

In line with the provisions of Italian Decree Law 135/2018 and in place of the disclosure obligation envisaged by Italian Law 124/2017, it is stated that IRCE S.p.A. has received in this financial year State aid that is subject to publication in the Italian State Aid Register.

40. EVENTS AFTER THE REPORTING DATE

Refer to the note "Events after the Reporting Date" of the "Report on operations for 2023".

41. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

With respect to the proposed allocation of the result for the year 2023 to be submitted to the Shareholders' Meeting, see the "Report on Operations for 2023".

Imola, 15 March 2024

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 Article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998

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

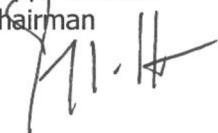
- the adequacy in relation to the company's characteristics, and adoption
- of the administrative and accounting procedures used to prepare the IAS/IFRS separate financial statements.

In addition, it is hereby certified that the IAS/IFRS separate financial statements:

- a) are consistent with accounting books and records;
- b) are prepared in compliance with IAS/IFRS and give a true and fair view of the financial position, financial performance and cash flows of the Company;
- c) that the Report on Operations contains a reliable analysis of the information pursuant to para. 4, article 154-ter of Italian Legislative Decree No. 58 of 24 February 1998.

Imola, 15 March 2024

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 "Book value" is shown net of the provision for write-down of equity investments, while the "Provision for future costs" was set aside for the subsidiaries, the book value of which has already been completely written down and therefore, in short, is a write-down in intercompany financial receivables and/or trade receivables.

(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%	(2,654)	(2,654)	(3,869)	(3,869)	-	1,658	(995)
Smit Draad Nijmegen BV	1,166	100%	(1,278)	(1,278)	(1,231)	(1,231)	-	793	(485)
Isomet AG	674	100%	6,309	6,309	775	775	1,435	-	4,874
IRCE Ltda	58,809	100%	40,988	40,988	2,466	2,466	58,466	-	(17,478)
DMG GmbH	256	100%	1,021	1,021	(186)	(186)	120	-	902
Isodra GmbH	25	100%	(886)	(886)	768	768	-	1,855	969
IRCE SL	150	100%	(3,972)	(3,972)	(180)	(180)	-	3,972	-
Stable Magnet Wire P.Ltd	4,515	100%	(288)	(288)	(416)	(416)	1,525	1,813	1
Isolveco 2 SRL	10	100%	(79)	(79)	(86)	(86)	-	79	-
Isolveco Srl in liquidation	46	75%	(1,289)	(967)	12	9	-	-	(967)
Irce Electromagnetic wire Co.Ltd	2,200	100%	1,253	1,253	(199)	(199)	1,253	-	-
Irce SP.ZO.O	48	100%	(56)	(56)	9	9	-	68	12
Irce S.R.O. Cechia	231	100%	(53)	(53)	(219)	(219)	231	-	(284)
Total	-		39,915	-	-	-	63,029	10,238	(13,775)

FD Sims Ltd, Smit Draad Nijmegen BV and Irce Ltda were subjected to impairment testing. Reference should be made to section "6 – Equity investments" and "17 –Provisions for risks and charges" to see the results. The significant negative difference of Irce Ltda, € 17.5 million, was totally due to the write-down of the Brazilian currency compared to the exchange rate at the time of setting up the equity investment.

In relation to the negative difference between the "Pro-quota of shareholders' equity" and "Book value" of Isolveco Srl which is in liquidation, of € 1.0 million, in place of the appropriation to the "Provision for the coverage of losses", a bad debt provision has been recorded of € 1.4 million (see section 10 –Trade receivables) to cover the trade receivable of € 1.5 million.

In reference to the positive difference of € 1.0 million of Isodra GmbH, the Directors will assess in coming years the possible release of the "Provision for future costs" on the basis of the consolidation in the recent positive results.

In reference to the positive difference of € 1.0 million of Isodra GmbH, the Directors will assess in coming years the possible release of the "Provision for future costs" whether the recent positive results would be consolidated.

Finally, the subsidiary "Irce S.R.O. Cechia", which is building a factory, is currently inactive and the negative difference between the Book value and the Pro-quota of shareholders' equity, of € 0.3 million, is considered recoverable once the start-up stage has finished. As for the abovementioned site, on 21 December 2023 Irce S.p.A.'s Board of Directors approved the investment project by the subsidiary IRCE S.r.o., regarding (i) the realisation of the new factory in Mosnov (Ostrava), in the Czech Republic, of around 20,000 sq.m., which is envisaged to be completed by 31 December 2024; and (ii) the purchase of systems and machinery for operations development, spread over time, to be done up to 2028.

**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, paragraph 1, letter g) 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, 2023 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 15, 2024 (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"), with reference to the selection of 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 *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) 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.

During the year covered by this assurance engagement, our auditing firm applied *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintained 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, with reference to the selection of GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Irce Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;

- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Irce S.p.A. and with the employees of Smit Draad Nijmegen BV and FD Sims Ltd, 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) and Guglionesi (CB) headquarters and production site for Irce S.p.A., Nijmegen (The Netherlands) production site for Smit Draad Nijmegen BV, Blackburn (United Kingdom) production site for FD Sims Ltd, 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, 2023 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards, with reference to the selection of 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 27, 2024

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

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Irce S.p.A.**

REPORT ON THE AUDIT OF THE 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, 2023, 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 material accounting policy information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Irce S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories: Measurement of the “Copper Component”

Description of the key audit matter

As stated in Note “9. *Inventories*” to the consolidated financial statements of the Group as of December 31, 2023, the carrying amount of inventories is Euro 94,495 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, 2023, given: i) the significant value of the Copper Inventories recorded in the consolidated financial statements as of December 31, 2023; 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, 2023, 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, 2023, 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, 2023, 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, 2023 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, 2023 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 27, 2024

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.

**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, 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the value of equity investments in subsidiaries

Description of key audit matter

As stated in Note "6. Investments" to the Company's financial statements as of December 31, 2023, the amount of the investments in subsidiaries is Euro 63,029 thousand, net of an overall write-down of Euro 25,404 thousand, of which Euro 3,254 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), the negative results recorded by some foreign subsidiaries 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 “9. *Inventories*” to the Company's financial statements as of December 31, 2023, the carrying amount of inventories is Euro 60,258 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 matter of the financial statements of the Company as of December 31, 2023, given: *i)* the significant value of the Copper Inventories recorded in the financial statements as of December 31, 2023; *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 matter 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, 2023, 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, 2023, 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, 2023, 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, 2023 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, 2023 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 27, 2024

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.

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 2, of the Civil Code.

Dear Shareholders,

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 28/04/2023 by legal and by-law provisions. It will end its term with the shareholders' meeting for the approval of the financial statements as of 31/12/2025. The members of the Board have complied with the limit on the accumulation of positions provided by art. 144-terdecies of the Issuers' Regulation, and the composition of the Board is by the provisions on gender diversity set out in articles 147-ter and 148 of Legislative Decree no. 58/98 (TUF).

The separate financial statements for the year ended 31 December 2023 which is being proposed for approval close with a profit of €5,805,871.

The financial statements, which the Board of Directors sent to the Board of Statutory Auditors within the terms of the law, were drawn up based on 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 summarizes the main risks and uncertainties and accounts for the foreseeable management evolution.

Under 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. 2018/815 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 in the Regulation of the Organized Markets managed by Borsa Italiana S.p.A.

During the year ended 31 December 2023, the Board of Statutory Auditors carried out the supervisory activity under art. 149 of Legislative Decree 58/1998, by 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.

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 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 most significant 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 14 December 2023. The Report on Corporate Governance and the Structure Proprietors drawn up under article 123-bis of the TUF, was approved by the Board of Directors on 15 March 2024 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 16 September 2022, is available on the Company's website;
- verified the adequacy of the procedural indications adopted by the Remuneration Committee for defining and implementing the remuneration policies of executive directors or directors vested with particular offices. The characteristics of the short- and long-term remuneration policies are illustrated in the Remuneration Report, which is drawn up under art. 123-ter of the T.U.F. approved by the Board of Directors on 15 March 2024 available on the Company's website, which will be submitted to the examination and binding vote of the Shareholders' Meeting of 29 April 2024;
- supervised the adequacy of the administrative accounting system, both based on 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 yet to receive reports of reprehensible facts under 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 a correct economic, patrimonial and financial representation of management facts by 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 under Legislative Decree No. 231/2001;
- received information from the professional entrusted with the internal audit function on the activity in 2023. 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 following 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;
- During the exercise, it received information regarding the activities carried out by the Supervisory Body. As also reported in the annual report issued on February 23, 2024, the Body did not become aware of events such as to believe that censurable acts or violations of the Organizational Model adopted by the Company were committed, nor did it become

aware of acts or behaviors that constitute a violation of the provisions contained in Legislative Decree 231/2001 and subsequent amendments. About the model of organization, management, and control (Legislative Decree 231/2001), it is noted that it has not been subject to updates during 2023 and therefore needs, in the opinion of the Board of Statutory Auditors, a revision that also considers the new regulations that have affected it. The Company has adopted a Whistleblowing organizational model by Legislative Decree no. 24 of 03.10.2023;

- 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 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 under Legislative Decree no. 254/2016, verifying the correct fulfillment of the obligations for the preparation and publication of the consolidated non-financial statement by the Parent Company. On 20/12/2023, the Company received a request from CONSOB pursuant to Article 9, paragraph 3, of Legislative Decree no. 254/2016 and Article 115, paragraph 1, of Legislative Decree no. 58/98 TUF, as well as a warning regarding the content of the Consolidated Non-Financial Statement, to which it responded on 15/01/2024. The Board of Statutory Auditors, in its supervisory role, has verified that IRCE S.p.A. has taken steps to comply with the requests and, in order to further expand the content of the Non-Financial Statement, has granted a specific professional mandate to a specialized consulting firm, in addition to planning specific training programs.

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 an economic social and environmental nature considered relevant for the Group.

Throughout 2024, the Group has committed to developing a long-term

sustainability plan.

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, under 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;
- after being appointed and lately on 11 March 2024 has completed the periodic self-assessment process, the results of which were examined by the Board of Directors and highlighted in the Corporate Governance Report;
- on 15 March 2024 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 2024, 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 ltd, FD Sims LTD 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 Middle Eastern and their

assessments regarding the potential direct and indirect effects of the conflict on the activity carried out.

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 27 March 2024, 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 identically for 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 of 31 December 2023, 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 2023 to today's date, no situations that have compromised his independence under 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 about 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 of Deloitte & Touche S.p.A. on the consolidated non-financial statement of Irce S.p.A. and its subsidiaries, under art. 3, c. 10, Legislative Decree n. 254/2016 and of the art. 5 of Consob regulation no. 20267/2018, issued on 27 March 2024, acknowledging that, in its opinion, there are no elements that suggest that the NFS of the Irce Group relating to the financial year ended 31/12/2023 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.

The limited examination of the consolidated non-financial statement does not extend to the information contained in the NFD taxonomy chapter, required

by Article 8 of the European Regulation 2020/852.

As far as it is responsible, the Board of Statutory Auditors implements 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;
- the consolidated non-financial statement 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 the Independent Auditors, it did not detect the existence of atypical and/or unusual transactions, also regarding transactions intragroup or with related parties;
- in 2023, the Company undertook a “major operation” within the framework of the investment project in the Czech Republic to be carried out through its subsidiary, Irce S.r.o., as approved by the Board of Directors of the Parent Company on 21 December 2023. It is specified that this operation, which is exempt from the procedural and transparency provisions set by the Related Party Transactions Regulation, as in the subsidiary Irce S.r.o., located in the Czech Republic, there are no significant interests of other related parties to IRCE;
- regarding this project, the Company has made available to the public, within the terms set by Article 71 of the Issuers' Regulation and in accordance with Article 65-bis of the same regulation, an Information Document considering that the Project consists of multiple operations to be executed as part of a unified plan that, when aggregated, exceed the significance threshold indicated in Annex 3B of the Issuers' Regulation, consisting of the ratio between the value of the investments and the market capitalization;

- throughout the fiscal year 2023, the Company also carried out further transactions with related parties that qualify as ordinary transactions of lesser significance, concluded at market conditions according to the procedure with Related Party Transactions;
- during the fiscal year, Deloitte & Touche S.p.A. was assigned, in addition to the auditing task and the task of the designated Auditor for the consolidated non-financial statement, two other tasks. Specifically, a first task concerning the auditing services of the statement as of December 31, 2022, of Irce S.p.A., prepared for the decree of the Minister of Economic Development December 21, 2017, referred to in Article 19, paragraph 2, of law 167/17 according to the Determination of the Director of the Directorate for Energy Infrastructure and Unbundling of the Regulatory Authority for Energy Networks and Environment ("ARERA"), 17/2020 of September 24, 2020, "Provisions concerning the collection of financial data relevant for the calculation of the VAL for companies with high electricity consumption", for the fiscal year 2022. A second task concerning the provision of the GRI Standards Certified Training Course. The Board of Auditors has formally and specifically approved additional 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. 7
 - Meetings of the Board of Statutory Auditors: no. 10;
- during the year 2023 and up to today's date, no complaints have been received under 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 based on 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 under 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 by the Board of Statutory Auditors, no reprehensible acts, 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 for the Shareholders' Meeting under art. 153-second paragraph of Legislative Decree 58/1998.

Considering the foregoing, the Board of Statutory Auditors expresses a favorable opinion on approving the Financial Statements as of 31 December 2023. It has no objections to formulating the proposal of the Board of Directors regarding the allocation of the profit for the 2023 financial year.

Bologna, 27 March 2024

THE BOARD OF STATUTORY AUDITORS