FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2010

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COMPANY STRUCTURE

BOARD OF DIRECTORS

CHAIRMAN	DOTT.	FILIPPO CASADIO
EXECUTIVE DIRECTOR	ING.	FRANCESCO GANDOLFI COLLEONI
NON-EXECUTIVE DIRECTOR	DOTT.	GIANFRANCO SEPRIANO
INDEPENDENT DIRECTOR	DOTT.	FABIO SENESE
INDEPENDENT DIRECTOR	DOTT.	ORFEO DALLAGO

BOARD OF AUDITORS

CHAIRMAN	RAG.	LEONELLO VENCESLAI
REGULAR AUDITOR	DOTT.	FRANCO STUPAZZINI
REGULAR AUDITOR	RAG.	GIANFRANCO ZAPPI
ALTERNATE AUDITOR	DOTT.	MASSIMO GARUTI
ALTERNATE AUDITOR	DOTT.	GALLI DAVIDE

EXTERNAL AUDITORS

RECONTA ERNST & YOUNG SPA

NOTICE OF ORDINARY MEETING

The shareholders are hereby called to attend the Ordinary Meeting at the first call at 9.30 a.m. on 29th April 2011 at the company's registered office, and at the second call, if necessary, on 2nd May 2011 (same time and place), in order to discuss and pass resolutions upon the following

AGENDA

1. Financial Statements for the year ended 31st December 2010 and relative reports of the Board of Directors and the Board of Auditors; consequent resolutions
2. Submission of the consolidated financial statements for the year ended 31.12.2010;
3. Appointment of the Board of Auditors and of its Chairman, according to art. 23 of the Articles of association, for the years 2011-2012-2013 and fixing of the yearly consideration;
4. Assignment of legal auditing for the period 2011-2019;
5. Any other business.

SHARE CAPITAL AND RIGHTS OF VOTE - The share capital amounts to 14,626,000 and consists of 28,128,000 ordinary shares. Each ordinary share entitles to one vote in the Company ordinary and extraordinary meetings. On today's date, the Company has 1,654,173 own shares representing 5.88% of the share capital, whose vote is suspended according to art. 2357 ter of the Italian Civil Code.
LEGITIMATION TO ATTEND - The legitimation to attend the meeting and to exert the right of vote is certified by a communication of the Company, carried out by the intermediary according to the accounting records, in favour of the individual entitled to the right of vote, on the basis of the relevant acknowledgment at the end of the accounting day of the seventh open market day before the date set for the meeting in first call; crediting and debiting records made on the accounts after such date are not significant as for the legitimation to exert the right of vote at the meeting. Those turning to own Company shares only after such date shall not be legitimated to attend and vote during the meeting. The above communication by the intermediary shall reach the Company at least two working days before the meeting in first call. The legitimation to attend and to vote if the communications are received by the Company later than the above date, but within the start of the meeting works for the single call, still applies.
PROXY VOTING - Each shareholder can be represented, according to the law, by written proxy, signing the proxy form released upon request of the person entitled by the authorised intermediaries or found on the Web site www.irce.it. The proxy can also be sent by registered letter with return receipt to the Company legal seat or e-mailed with certification to the address ircespa-pec@legalmail.it, attaching copy of a valid ID document of the person entitled.
The Company has appointed lawyer Carmela Cappello as representative authorised according to art.135-undecies of Italian Law Decree 58/1998 (TUF) and she can be given proxy, with voting instruction, provided the proxy is received by the above mentioned, by sending a registered letter with return receipt to Studio legale Carmela Cappello, via Garibaldi no. 68, Imola, Italy, or e-mailing with certification to the address carmelacappello@ordineavvocatibo.postecert.it by the end of the second open market day before the meeting in first call. The proxy given in this way is valid only for proposals for which voting instructions are given; the proxy and the voting instructions can be revoked within the same term as above. A proxy form can be found on the Web site www.irce.it.

APPOINTMENT OF THE BOARD OF AUDITORS - Shareholders holding as whole a shareholding of min. 2.5% are entitled to submit their lists for the appointment of the Board of Auditors. Lists must be filed at the Company seat, even by registered letter with return receipt to the Company legal seat or e-mailed with certification to the address ircespa-pec@legalmail.it, attaching copy of a valid ID document of the person entitled, at least twenty-five days before the date of the meeting first call, together with complete information on the identity of the shareholders submitting the list, with the indication of the shareholding percentage they globally own, with a declaration by other shareholders holding a controlling or majority, even jointly, proving there is no link as specified by art. 144-quinquies with the latter, with exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration by the same proving they accept the charge and comply with all relevant legal requirements.

QUESTIONS ON THE AGENDA - The shareholders may ask questions on the agenda also before the meeting by registered letter with return receipt to the Company legal seat or by e-mail with certification to the address ircespa-pec@legalmail.it . Questions must be received by the Company in useful time to be answered during the meeting.

INTEGRATION OF THE AGENDA - Shareholders that jointly represent at least 2.5% of the share capital are entitled to ask, in writing, the integration of the list of topics to be discussed, indicating the further recommended points in the request, within 10 days from the publication of this notice and in compliance with art.126-bis of Italian Law Decree 58/1998 (TUF). Such request in the application must be sent by registered letter with return receipt to the Company legal seat or by e-mail with certification to the address ircespa-pec@legalmail.it. A report on the topics recommended for discussion must be delivered by the same term and methods to the Company Board of Directors. Further, according to art. 126-bis (3) of TUF, the integration in the agenda by the shareholders of topics on which the meeting has to resolve upon proposal of the directors or on the basis of a project prepared by the directors is not allowed.

DOCUMENTATION – The documentation on the meeting, according to the norms in force, shall be at the disposal of the public at the Company legal seat, at Borsa Italiana SpA and in the Web sitewww.irce.it. Shareholders are entitled to get a copy of the filed documentation.

This notice is also published on the Company Web site and on Il Giornale newspaper.

Imola, 15th March 2011

REPORT ON OPERATIONS
OF YEAR 2010

Consolidated performance for the financial year 2010

Shareholders,

During 2010, the Irce Group has recorded an increase in the consolidated turnover by 65.3% reaching € 388.2 million and a significant improvement in profitability leading to a gross operating spread of € 33.3 million and a net operating income of € 10.8 million.

The growth in the market of winding wires has been steady for the whole operating year, while the recovery in the sector of cables was detected in the last quarter only, thus not allowing for a yearly-based increase.

The non-metal sales total[1], which is not influenced by the copper price, has globally increased by 21.2%, with an increase of 30.6% in the sector of winding wires, with a decrease instead by 3.5% in the sector of cables.

In detail:

Consolidated non-metal sales (€/million)	Year 2010		Year 2009		Changes
	Value	%	Value	%	%
Winding wires	67.8	*77.9%*	51.9	*72.3%*	*30.6%*
Cables	19.2	*22.1%*	19.9	*27.7%*	*-3.5%*
Total	87.0	*100.0%*	71.8	*100.0%*	*21.2%*

EBITDA and EBIT values and their adjusted values show a clear improvement as indicated below together with the main financial statement items:

Consolidated financial data (€/million)	Year 2010	Year 2009
Sales[2]	388.2	234.8
EBITDA	33.3	12.7
EBIT	22.1	3.2
Net result	10.8	(15.2)

Adjusted consolidated financial data (€/million)	Year 2010	Year 2009
Adjusted EBITDA[3]	18.4	3.3
Adjusted EBIT[3]	7.2	(6.2)

[1] The non-metal sales total corresponds to the global sales total subtracting the metal component.

[2] The item "Sales" represents the "Income" as explained in Income Statement.

[3] The adjusted EBITDA and EBIT have been respectively measured as the sum of EBITDA and EBIT and the income and charges from operations on derivatives, according to Note 28. These indicators are taken net of the effect by copper price increases on the stock values according to Note 5. Such indicators are used by the Group management to monitor and evaluate the operating trend and are not identified as accounting measurement within IFRS. As the composition of such measurements is not ruled by reference accounting principles, the determination principles applied by the Group could be not homogeneous with others and therefore could not be compared.

Net financial indebtedness at 2010 end was € 97.6 million, higher than € 43.9 million at 2009 end. Such growth is mainly due to the increase in current assets as a consequence of the growth in volumes and copper price.

Net financial indebtedness[4] (€/million)	As at 31st December 2010	As at 31st December 2009
	97.6	43.9

Investments

The Group investments were € 13.4 million and mainly related expanding the production lines of the Brazilian company IRCE Ltda; other investments related IRCE S.p.A., Smit Draad Nijmegen BV and the building of a new warehouse in Germany.

Mains risks and uncertainties

The main risks and uncertainties faced by the Group are described here below, as well as their targets and management policies.

Market risk
The main markets for the Group products are automotive, electrical household appliances, electro-mechanics and building. The demand by the first three sectors recorded a significant increase positively influencing the sales of winding wires; the recovery in the building sector is still weak, even if an important rise in the demand for photovoltaic cables was noted, probably bound to last if the current incentive system continues.

Risks connected with fluctuating raw materials
The main material used by the Group is copper, whose price changes can influence margins and the needs for working capital. To lessen the possible impact of copper price changes on the margins a hedging policy is being carried out with forward contracts on the positions generated by the operating activity, where the financial instruments are mostly used by the company.

Credit risk
The crediting position does not show particular concentrations. The risk is steadily monitored by suitable assessment and credit granting procedures.

Cash risk
The financial situation and the availability of credit facilities exclude difficulties in fulfilling obligations associated with financial liabilities. An increase in the use of credit lines linked with the growing price of raw materials must be noted. The situation is not worrying as the Group has suitable tolerance margins.

Currency exchange risk
The Group mainly uses Euro as reference currency for its transactions, thus it is subject to limited exchange risks in its operating activity. It is subject to translation risks for investments in Brazil, England and India.

Business outlook

The recovery experienced in the sector of winding wires seems to be consolidated already and we deem it will continue in the next quarters. Prospects of the cable sector, apparently influenced by the demand from PV investments, are instead more uncertain. As a whole we expect a good result for 2011.

Performance of IRCE S.p.A.

[4] Net financial indebtedness is measured as the sum of the short and long term financing sources less cash on hand, note no. 17. Please note that the methods for measuring the net financial indebtedness comply with the measurement method of the Net Financial Position as defined by the Consob Deliberation no. 6064293 dtd. 28.07.2006 and by the CESR guidelines dtd. 10.02.2005.

The financial statements of the parent company IRCE S.p.A show a sales total of € 291.8 million compared to € 160.6 million of the previous year. The improved market situations, above all for the sector of winding wires, led to an operating result with a profit of € 7.5 million compared to a loss of € 14.0 million in 2009.

Inter-group transactions

Relations between the parent company and its subsidiaries are mainly of a commercial nature, with the exception of five financial loans granted by IRCE S.p.A to IRCE S.L of € 0.2 million, to FD Sims Ltd of € 10 million, to IRCE Ltda of € 1.2 million, to DMG of € 2.2 million and to Isodra Gmbh of € 0.8 million.

Company €/000	Income	Expenses	Loans	Trade receivables	Trade payables
Isolveco S.r.l	2,882	190	-	40	78
Isomet AG	5,500	-	-	998	-
Smit Draad Nijmegen BV	3	140	-	-	14
FD Sims LTD	3,241	6,237	10,086	549	-
DMG Gmbh	428	234	2,206	125	198
IRCE S.L	2,459	59	221	1,875	29
Irce Ltda	5,400	5,495	1,222	427	2,174
Isodra Gmbh	13	31	820	22	31
Stable Magnet Wire P. Ltd	715	1	-	714	1

Business relations with the Group companies were relative solely to the exchange of products and machinery, agency commissions and packaging returns.
Interrelated parties transactions, including inter-group transactions, cannot be described as atypical or unusual and pertaining to the Group's normal course of business.

Corporate governance

The corporate governance model adopted by IRCE SpA is based on the self-governance code issued by Borsa Italiana SpA.
The property arrangements and corporate governance report as required by art. 123-bis of TUF can be found on the website www.irce.it, incompliance with art. 89-bis of Consob Regulation no. 11971/1999. The purpose of this report is to provide the market and the shareholders with full details of the governance model chosen by the company and its compliance with the provisions of the Code during the financial year 2010.
On 28/03/08, IRCE SPA adopted the organisational, management and control model pursuant to Italian legislative decree 231/2001 and formed the Supervisory Board, responsible for supervising the functioning of the model, its updating and compliance.
During 2010, according to the evolution of the norm referring to the application of the Italian Law Decree 231, the organisational model and the relevant code of conduct have been spread to all receivers together with the new documents.

Company's own shares

The number of own shares as at 31.12.2010 was 1,654,173, equivalent to a nominal value of €/000 860. The Company does not own shares in the parent company Aequanfin S.p.A.

Research and development

During 2010 the Group has continued the research and development activities aimed at improving processes and products, with particular regard to winding wire production and control machines.

Programmatic Document on Data Security

The company provides information on the existence and update of the DPS (Programmatic Document on Data Security) in compliance with the provisions of the Italian Civil Code concerning data protection and technical regulations concerning minimum security procedures.

Other information

The Company can confirm that it has adapted to comply with the "Admission criteria for companies that control non-EU foreign companies" set out in articles 36 and 39 of the Markets Regulation (Consob Deliberation 16191/2007).

These consolidated and separate annual financial statements have been audited by Reconta Ernst & Young SpA.

No significant events occurred after financial year-end.

Reconciliation between shareholders' equity and consolidated operating results

In accordance with the Consob Communication of 28.07.2006, the following reconciliation statement compares the Group's operating results for the year and shareholders' equity with the same values for the parent company.

€/000	**Equity net at 31.12.2010**	**Operating result as at 31.12.2010**
Shareholders' equity and operating results as indicated in the financial statements of the parent company	123,423	7,482
Removal of the consolidated shareholding book value:		
Difference between the book value and the pro-quota value of shareholders' equity	8,928	
- Results (pro-quota) obtained by the subsidiaries		2,096
- Differences resulting from consolidation	2,031	
- Advance depreciation for ISOMET AG	2,140	67
- Other adjustments for converting financial statements values into foreign currencies	5,923	(278)
- Inventory adjustments for ISOMET AG	1,407	
- Write-downs in equity investments in subsidiaries	0	2,111
- Inventory adjustments for IRCE Ltda	(202)	0
- Profits from disposal of fixed assets	(332)	(299)
- Inter-group margin	(528)	(379)
Group shareholders' equity and operating results	**142,790**	**10,800**
Shareholders' equity and operating results of minority shareholders	210	(2)
Shareholders' equity and operating results as indicated on the consolidated financial statements	**143,000**	**10,798**

Shareholders,

You are kindly asked to approve the financial statements of IRCE SPA as at 31.12.2010. The year ends with a profit amounting to € 7,481,923.

We propose that a dividend of € 0.06 per share be paid out. Dividends will be paid from 12.05.2011.

The Board of Directors would like to thank the shareholders for the confidence placed in the company, the staff for the work done during the financial year and the Board of Auditors for their invaluable suggestions.

Chairman
Filippo Casadio

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	31.12.2010	31.12.2009
NON-CURRENT ASSETS			
Goodwill, other intangible assets	1	2,370,285	2,338,807
Property, plant and machinery	2	72,649,442	60,155,187
Equipment and other tangible fixed assets	2	1,770,729	1,859,112
Fixed assets under construction and on account	2	3,052,030	9,371,345
Other financial assets and non-current receivables	3	95,795	85,576
Advanced taxes	4	6,267,090	9,861,917
TOTAL NON-CURRENT ASSETS		**86,205,371**	**83,671,944**
CURRENT ASSETS			
Inventories	5	100,348,944	61,465,053
Trade receivables	6	111,076,838	66,026,923
Receivables from parent company	7	566,436	1,360,013
Tax credits	8	6,556,273	2,873,412
Other receivables	9	3,509,529	1,970,356
Other current financial assets	10	1,589,749	5,361,123
Cash and cash equivalents	11	5,160,738	3,606,456
TOTAL CURRENT ASSETS		**228,808,507**	**142,663,336**
TOTAL ASSETS		**315,013,878**	**226,335,280**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2010	31.12.2009
SHAREHOLDERS' EQUITY			
COMPANY CAPITAL	12	14,626,560	14,626,561
RESERVES	12	117,362,920	129,979,829
PROFIT (LOSS) FOR THE PERIOD	12	10,800,118	(15,167,855)
TOTAL GROUP SHAREHOLDERS' EQUITY		**142,789,598**	**129,438,535**
MINORITY INTEREST		**210,074**	**307,523**
TOTAL SHAREHOLDERS' EQUITY		**142,999,672**	**129,746,058**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	11,490,302	22,186,668
Deferred taxes	14	3,174,797	2,221,628
Provisions for risks and charges	15	1,066,116	919,837
Provisions for employee benefits	16	5,044,454	5,474,623
TOTAL NON-CURRENT LIABILITIES		**20,775,669**	**30,802,756**
CURRENT LIABILITIES			
Current financial liabilities	17	92,830,511	30,651,172
Trade payables	18	40,892,810	21,951,010
Tax payables	19	5,600,056	3,037,044
Amounts due to social security	20	3,253,387	2,619,476
Other current liabilities	21	8,661,773	7,527,764
TOTAL CURRENT LIABILITIES		**151,238,538**	**65,786,466**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**315,013,878**	**226,335,280**

CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2010	31.12.2009
Revenues	22	388,178,752	234,750,987
Other revenues and proceeds		1,863,857	1,308,186
TOTAL REVENUES		**390,042,609**	**236,059,173**
Costs borne for raw materials and consumable items	23	(316,560,776)	(162,992,298)
Changes to finished product inventories and products under development		25,150,552	(5,581,482)
Costs for services	24	(34,901,444)	(27,154,297)
Personnel cost	25	(28,795,164)	(26,271,912)
Depreciation	26	(9,171,046)	(9,144,508)
Provisions and write-downs	27	(2,070,510)	(329,154)
Other operating costs		(1,641,104)	(1,396,196)
OPERATING PROFIT		**22,053,117**	**3,189,326**
Financial income and expenses	28	(5,017,201)	(21,842,842)
PROFIT (LOSS) BEFORE TAXES		**17,035,916**	**(18,653,516)**
Income taxes	29	(6,238,140)	3,461,077
PROFIT (LOSS) BEFORE MINORITY INTERESTS		**10,797,776**	**(15,192,439)**
Minority interests		2,342	24,584
NET PROFIT (LOSS) FOR THE PERIOD		**10,800,118**	**(15,167,855)**

Profit (loss) per share			
- basic, from profit (loss) attributable to ordinary parent company shareholders	30	0.4080	(0.5729)
- diluted, from profit (loss) attributable to ordinary parent company shareholders	30	0.4080	(0.5729)

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT	31/12/2010	31/12/2009
€/000		
PROFIT (LOSS) BEFORE MINORITY INTERESTS	10,798	(15,192)
Foreign financial statement conversion difference	1,280	4,538
Income taxes	-	-
	1,280	4,538
(Loss) / profit net of Cash Flow Hedge	1,513	3,326
Income taxes	(827)	(848)
	686	2,478
Total profit (loss) of comprehensive income statement net of taxes	1,966	7,016
Total comprehensive profit (loss) net of taxes	12,764	(8,176)
Attributable to:		
Parent company shareholders	12,766	(8,175)
Minority shareholders	(2)	(1)
	12,764	(8,176)

CHART SHOWING CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

€/000	Share capital	Legal reserve	Extraordinary reserve	Share-premium reserve	Consolidation-related reserve	Fair value reserve	Retained profits	Trans. res. IAS-IFRS	Capital surplus reserve	Conversion reserve	Profits to be re-invested in Southern Italy	Other reserves	Company's own shares	Operating result for the period	Total	Minority interests	Total net assets
€/000																	
Operating result														(15,168)	**(15,168)**	**(25)**	**(15,193)**
Other comprehensive profits (losses)						2,478						4,539			7,017	(1)	7.016
Total profit (loss) of comprehensive income statement															**(8.151)**	**(26)**	**(8,176)**
Allocation of the result of the previous year																	
Variation in consolidation area			5,169		83									(5,252)			
					(370)										(370)		(370)
Other variations																	
Dividends			(1,324)												(1,324)		(1,324)
Company's own shares			(44)										(24)		(68)		(68)
Hedging of cash flows						4,073									4,073		4,073
Conversion differences												(878)			(878)		(878)
Balance at 31.12.2009	**14,627**	**2,925**	**45,534**	**40,539**	**10,381**	**18,069**	**4,687**	**2,009**	**6,622**	**(301)**	**201**	**6,694**	**(860)**	**(15,168)**	**129,439**	**307**	**129,746**
€/000																	
Operating result														10,800	**10,800**	**(98)**	**10,702**
Other comprehensive profits (losses)						733						1,280			2,013		2,013
Total profit (loss) of comprehensive income statement															**12,813**	**(2)**	**12,811**
Allocation of the result of the previous year																	
Variation in consolidation area			(14.037)				(1,131)							15,168			
Other variations																	
Dividends					-4		124								120		120
Company's own shares			(529)												(529)		(529)
Hedging of cash flows						(2,545)									(2,545)		(2,545)
Conversion differences												3,492			3.492		3.492
Balance at 31.12.2010	**14,627**	**2,925**	**30,968**	**40,539**	**10,377**	**16,257**	**3,680**	**2,009**	**6,622**	**(301)**	**201**	**11,466**	**(860)**	**10,800**	**142,790**	**210**	**143,000**

FINANCIAL STATEMENT FOR THE PERIOD CLOSING AT	31/12/2010	31/12/2009
€/000		
CASH FLOW RESULTING FROM COMPANY OPERATIONS:		
Earnings for the period	**10,800**	**(15,168)**
Adjustments required to reconcile earnings with cash flow generated (absorbed) by company operations:		
Depreciation	9,171	9,145
Net change in assets/liabilities for deferred (prepaid) taxes	4,548	(4,441)
Capital (Gains)/Losses from disposal of fixed assets	(9)	(69)
Decrease (increase) in inventories	(38,884)	9,458
Net change in current assets and liabilities	(22,239)	(6,513)
Net change in the current assets and liabilities versus related parties	794	3114
Net change in non-current assets and liabilities	(295)	(359)
Net change in the non-current assets and liabilities versus related parties	0	0
CASH FLOW GENERATED BY COMPANY OPERATIONS (a)	**(36,114)**	**(4,833)**
Investments in intangible fixed assets*	(176)	(126)
Investments in tangible fixed assets*	(15,113)	(9.547)
Investments in business combinations by subsidiaries net of the acquired cash	0	0
Amount cashed from the sale of tangible and intangible assets	9	14
CASH FLOW USED FOR INVESTMENTS (b)	**(15,280)**	**(9,659)**
Change in current indebtedness	62,179	23,511
Change in non-current financial indebtedness	(10,696)	(8,170)
Change in current financial assets	3,771	(154)
Changes relating to minority interests	(98)	(25)
Dividends paid to minority shareholders (including reserve allocation)	(529)	(1,324)
Changes effecting the shareholders' equity	(1,678)	0
Management of company's own shares (purchases - sales)	0	(69)
CASH FLOW GENERATED BY FINANCING (c)	**52,949**	**13,769**
NET CASH FLOW FOR THE PERIOD	**1,555**	**(723)**
CASH AND CASH EQUIVALENTS BALANCE AT YEAR START	3,606	4,329
TOTAL NET CASH FLOW FOR THE PERIOD	1,555	(723)
CASH AND CASH EQUIVALENTS BALANCE AT YEAR END	5,161	3,606

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2010

COMPANY INFORMATION

These consolidated annual financial statements for the year ended 31.12.2010 were authorised for publication by the Board of Directors of IRCE SpA on 15.03.2011.
The Irce Group owns 9 manufacturing plants and is one of Europe leading manufacturers of electric winding wire. In Italy, the Irce Group is a leading manufacturer of electric cables.
Irce's Italian manufacturing plants are located in Imola (BO), Guglionesi (CB), Umbertide (PG) and Miradolo Terme (PV).The foreign plants are located in Nijmegen (NL), the head office of Smit Draad Nijmegen BV, Blackburn (UK), the head office of FD Sims Ltd, Joinville (Brazil), the headquarters of Irce Ltd and in Kochi (India), the head office of Stable Magnet Wire P.Ltd and Kierspe (D), the head office of Isodra Gmbh.
Distribution takes place through agents and the following commercial subsidiaries: Isomet AG (Switzerland), DMG GmbH (Germany), Isolveco Srl (Italy) and Irce S.L. (Spain).

FINANCIAL REPORTING PRINCIPLES

The 2010 annual financial statements have been drawn up in compliance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and subsequently approved by the European Union. "IFRS" refers to all revised international accounting standards ("IAS") based on the IFRC interpretations, which include those previously issued by the SIC (Standing Interpretation Committee).

The consolidated financial statements have been presented in Euro and all the values stated in the explanatory notes have rounded to thousands of Euro unless otherwise indicated.

The formats used for compiling the consolidated financial statements of the IRCE Group have been prepared in compliance with IAS 1, in particular;

- the assets and liabilities statement makes a distinction between current and non-current assets and liabilities;
- items on the profit and loss account are classified "by type";
- in compliance with IAS 7, the financial statement was prepared by showing the financial flows occurring during the year by classifying them as operating assets, investment or financial assets; the financial flows deriving from operations have been entered using the "indirect method".

Basis of Consolidation

The consolidated financial statements include the financial statements of the parent company IRCE S.p.A and of its subsidiaries, prepared as at 31.12.2010. The financial statements of the subsidiaries have been prepared by adopting the same principles as for the parent company, for each accounting period. The key consolidation criteria used to draw up the consolidated financial statements are the following:

- The subsidiaries are consolidated with effect from the date on which the control was effectively transferred to the Group, and cease to be consolidated from the date on which the control was transferred outside of the Group. This control exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to obtain benefits from its activities.
- The subsidiaries are consolidated according to the linear integration method. This technique consists of including the global amount of all items of the financial statements, regardless of the percentage of the Group's shareholding. Any share belonging to minority shareholders will only be determined when the shareholders' equity and annual profit is determined, and entered on the relevant line of the financial statements and of the income statement.
- The book value of the investments is eliminated due to the undertaking of the assets and liabilities of the investments themselves.

- All the balances and the inter-group transactions, including any unrealised profits deriving from relations among Group companies, are completely eliminated.
- Conversion of the company's financial statements having functional currency other than the one in which the consolidated financial statements are presented.
- The capital and financial balances of every company in the Group, expressed in a functional currency other than the one in which the consolidated financial statements are presented, are converted as follows:
  - the assets and liabilities of each financial statements are converted at the exchange rates in force on the date of reporting;
  - the income and expenses of each income statement are converted at the average rates for the period;
  - all the exchange rate differences are recognised in a specific shareholders' equity item (translation reserve).

The exchange rate differences deriving from a currency which is part of a net investment in a foreign branch of the Group are recognised on the income statement of the individual financial statements of the foreign branch. On the Group's consolidated financial statements, these exchange rate differences are recognised in a separate shareholders' equity item and are entered on the income statement upon disposal of the net investment.

The minority interests are the part of profits or losses and the net assets not held by the Group and appear in separate items of the income statement and under the shareholders' equity items on the financial statements, separately from the shareholders' equity of the Group. The acquisition of minority interests is recorded by using "the parent entity extension method" whereby the difference between the price paid and the book value of the share of the net assets acquired is considered as goodwill.

The table below lists the companies included in the consolidation area as at 31st December 2010:

Company	% shareholding	Registered office	Company capital		Consolidation
Isomet AG	100%	Switzerland	Fsv.	1,000,000	integral
Smit Draad Nijmegen BV	100%	The Netherlands	€	1,165,761	integral
FD Sims Ltd	100%	United Kingdom	£	15,000,000	integral
Isolveco Srl	75.0%	Italy	€	46,440	integral
DMG GmbH	100%	Germany	€	255,646	integral
IRCE S.L	100%	Spain	€	150,000	integral
IRCE Ltda	100%	Brazil	Real	83,753,810	integral
ISODRA Gmbh	100%	Germany	€	25,000	integral
Stable Magnet Wire P.Ltd.	97.12%	India	INRs	165,189,860	integral

In October 2010 100% of the company ISODRA Gmbh, with head office in Kierspe (Germany) has been acquired.

ACCOUNTING CRITERIA

The accounting criteria are consistent with those used for drawing the Group annual financial statements for the year closing at 31.12.2009, except for the adoption of *new Principles and Interpretations* applicable from 01.01.2010 and listed here below:

IFRS 3 (2008) – Business combinations

On 10.01.2008 IASB has issued an updated version of IFRS 3 – Business combinations, and has amended IAS 27 – Consolidated and separate financial statements. The main changes to IFRS 3 concern the elimination of the obligation to assess the single assets and liabilities of the subsidiary at fair value in each following acquisition, in case of acquisition by steps of subsidiaries. The goodwill is determined only in the acquisition step and is equal to the difference among the value of the shares immediately before the

acquisition, the transaction cost and the value of the acquired net assets. Further, if the company does not purchase the shareholding 100%, the quota attributable to minority interests can be evaluated at fair value or using the methods already described before by IFRS 3.
In case of control acquisition by steps of a subsidiary, the minority shareholding previously owned, recorded till then according to IAS 39 – Financial instruments: recognition and valuation, or according to IAS 28 – Investments in sharedholdings or according to IAS 31 – Shareholdings in joint ventures, must be considered as sold and re-purchased at the date when the control is acquired. Such shareholding must therefore be valued at its fair value at the transfer date, and the profits and losses deriving from such valuing must be entered on the income statement. Further, each value previously entered in the net equity as Other total profits and losses, that should be charged to the profit and loss account following to the transfer of the activity it refers to, must be reclassified in the income statement. The goodwill or revenue (in case of badwill) deriving from the closed deal with the following acquisition must be determined as sum of the price paid for getting the control, the value of the quota attributable to minority interests (valued according to one of the methods specified by the principle), the fair value of the previously owned minority shareholding, net of the fair value of the identifiable acquired net assets. According to the previous version of the principle, the control acquisition by steps was entered transaction by transaction, as a set of separate acquisition generating as a whole a goodwill determined as sum of the goodwill generated by the single transactions. Moreover, the revised principle version includes the allocation to the income statement of all costs linked with the company combination and the detection of liabilities for conditioned payments at the acquisition date. In the amendment of IAS 27, instead, IASB has defined that changes in the interests that are not a loss of control must be considered as equity transaction and therefore must have a contra-entry in the shareholder's equity. It is further defined that when a parent company grants the control in a own subsidiary but anyway still holds interests in the company it must assess the still owned shareholding in the financial statements at fair value and enter possible profits or losses deriving from the loss of control in the income statement. IFRS 3 (2008) specifies that the conditioned amounts are considered part of the transfer price of the acquired net assets and that they are valued at the fair value at the acquisition date. In the same way, if the combination contract includes the right to return a few components of the price if certain conditions occur, such right is classified as assets of the purchaser. Possible further variations of such fair value must be entered as adjustment of the original accounting treatment only if they are determined by larger or better information about such fair value and if they occur within 12 months from the acquisition date; all other variations must be entered in the income statement.
The previous version of the principle specified that the conditioned amounts were entered at the acquisition date only if their payment was deemed probable and their amount could be determined in a reliable way. Each following variation in the value of such amounts was further always entered as goodwill adjustment.
According to the transition rules, the Group has adopted IFRS 3 (revised in 2008) – Business combinations, prospectively, for the business combinations occurred starting from 01.01.2010.

IAS 27 (2008) - Consolidated and separate financial statements
Changes to IAS 27 mainly concern the accounting treatment of transactions or events modifying the interests in subsidiaries and the allocation of losses of the subsidiary to quota attributable to minority interests. IAS 27 (2008) defines, that once the control of a company has been obtained, the transactions by which the parent company acquires or transfers further minority shares without changing the control on the subsidiary are transactions with shareholders and therefore must be entered as shareholders' equity. Therefore, the book value of the control shareholding and of the quota attributable to minority interests must be adjusted to reflect the variation of the interests in the subsidiary and each difference between the value of the adjustment made to the quota attributable to minority interests and the fair value of the price paid or received because of such transaction is directly entered in the shareholders' equity and is attributed to the shareholders of the parent company. No adjustment will be made to the goodwill value and profits or losses of the income statement.

<u>Accounting principles, amendments and interpretations applicable from 01.01.2010 and not relevant for the Group</u>

The following amendments, improvements and interpretations applicable from 01.01.2010 regulate cases and examples not present in the Group at the date of the present Consolidated Financial Statement but could have accounting effects on future agreements or transactions:

- *Improvement to IFRS 5 – Non-current assets for sale and discontinued operating assets*. It explains that the integrative information required for non-current assets or disposed groups classified as owned for the sale or relating to discontinued operating assets are only those required by IFRS 5. Such improvement has been adopted prospectively and has not involved any property and financial effect or effect on the Group performance.

- Amendments to *IAS 28 – Investments in shareholdings* and to *IAS 31 – Shareholdings in joint ventures*, following to changes made to IAS 27.
- Amendment to *IFRS 2 – Share-based payments*: Group share-based transactions settled in cash. IASB has issued an amendment to IFRS 2 that explains the recognition of Group share-based payment transactions. Such amendment prevails on IFRIC 8 and IFRIC 11. Adopting this amendment has had no impact on the Group's financial position or performance.
- *IFRIC 12 - Service Concession Arrangements.* The interpretation explains the methods to apply the rules of the International Reporting Financial Standards (IFRS) to service concession arrangements. In particular, IFRIC 12 shows how to detect the taken obligations and received rights from an operator of a concession service distinguishing among intangible model, financial model and mixed model depending on the degree of uncertainty to which the dealer is exposed as for cash flows deriving from the concession arrangement, as the obligations taken regarding the use of the infrastructure used for providing the service. Such interpretation has not involved any property and financial effect or effect on the Group performance.
- *IFRIC 15 – Agreements for the construction of real estate.* On 03.07.2008 the International Financial Reporting Interpretations Committee (IFRIC) has published the interpretation IFRIC 15 Agreements for the construction of real estate (here below "IFRIC 15"). IFRIC 15 gives explanations and directions on when the earnings from the construction of real estate must be recorded and relating to the application of IAS 11 Construction contracts or IAS 18 Revenues for rendering services. Such interpretation has not involved any property and financial effect or effect on the Group performance.
- *IFRIC 16 - Hedging of a net investment in a foreign operation* On 03.07.2008 the International Financial Reporting Interpretations Committee (IFRIC) has published the interpretation IFRIC 16 Hedging of a net investment in a foreign operation. IFRIC 16 is an interpretation explaining the methods for applying the requirements of the international accounting principles IAS 21 and IAS 39 if an entity covers the currency exchange risk deriving from own net investments in foreign branches. Such interpretation has not involved any property and financial effect or effect on the Group performance.
- *IFRIC 17 – Distribution of non-cash assets to owners*. The interpretation gives a guide for accounting operations by which the company distributes non-cash assets to shareholders as distribution of dividends and of reserves. Such interpretation has not involved any property and financial effect or effect on the Group performance.
- *IFRIC 18 – Transfer of assets from customers*. This interpretation particularly applies to companies operating in the sector of utilities and explains the requirements to be met if agreements are closed according to which an entity receives from a customer an asset that the entity must use either to connect the customer to a network, or to provide the customer with ongoing access to a supply of goods and services (such as the supply of electricity, water or gas). There is no impact on the Group financial statement following the interpretation application.
- Amendment to *IAS 39 – Financial instruments: recognition and valuation* – Elements that can qualify for the hedging. The amendment covers the definition of one-sided risk in an element subject to hedge and definition of inflation as covered risk or as portion of the risk in particular situations. Adopting this amendment has had no impact on the Group's financial position or performance.

<u>Accounting principles, amendments and interpretations not applicable yet and not adopted in advance by the Group:</u>

On 08.10.2009, IASB has issued an amendment to IAS 32 –*Financial instruments: Presentation: Classification of titles issued* to discipline the recognition for issuing titles (titles, options or *warrants*) in a currency other than the issuer's functional one. Previously, such titles were recognised as liabilities from derivative financial instruments; the amendment instead requires that, under certain conditions, such titles are classified as shareholders' equity independently of the currency in which the exercising price is expressed. This amendment can be applied retrospectively since 01.01.2011.

On 04.11.2009, IASB has issued a revised version of IAS 24 –*Information on financial statements on the related parties,* simplifying the type of information required in case of transactions with State-controlled related parties and explains better the definition of related parties. The principle can be applied from 01.01.2011.

On 12.11.2009, IASB has published the principle IFRS 9 – *Financial instruments* on the classification and evaluation of financial assets applicable from 01.01.2013. This publication is the first step of a process that will completely replace IAS 39. The new principle uses a single approach based on the management methods of the financial instruments and on the characteristics of the contract cash flows of the financial assets to determine the evaluation principle replacing the various rules included in IAS 39. Further, the new principle includes a single method for determining the value losses for financial assets. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the new principle.

On 26.11.2009, IASB has issued a minor amendment to IFRIC 14 – *Advanced payments because of a min. due contribution clause*, allowing the companies paying in advance a min. contribution to recognise it as an asset. The amendment can be applied from 01.01.2011.

On 26.11.2009, IFRIC has issued the interpretation IFRIC 19 – *Cancellation of a liability by issuing capital instruments*, giving guidelines on the recognition of the cancellation of a financial liability by issuing capital instruments. The interpretation defines that if a company re-negotiates the conditions for cancelling a financial liability and its creditor accepts to cancel it by issuing company shares, then the shares issued by the company become part of the price paid for cancelling the financial liability and must be evaluated as *fair value*; the difference between the accounting value of the cancelled financial liability and the initial value of the issued capital instruments must be charged to the profit and loss account of the period. The amendment can be applied from 01.01.2011.

On 06.05.2010 IASB has issued several modifications to IFRS ("*improvements*") that will be applied from 01.01.2011; the main ones are mentioned hereafter, while those involving only terminology or editing changes with minor accounting effects, or those having effects on principles or interpretations not applicable by the IGD Group are here neglected:

- IFRS 7 – *Financial instruments: integrative information:* the modification points out the interaction between integrative information of qualitative and quantitative type required by the principle about the nature and extent of the risks relating to financial instruments. This should aid the users of the financial statements in connecting the presented information and in structuring a general description about the nature and extent of the risks relating to financial instruments. Further, the request of information about financial assets that are expired but that have been re-negotiated or depreciated and the one about the *fair value* of *collaterals* has been eliminated.
- IAS 1 – *Presentation of financial statement*: the modification requires the reconciliation of the changes of each equity item is presented in the notes or in the financial statement formats.
- IAS 34 –*Interim financial reporting:* explanations were added through a few examples about the additional information that should be presented in the Interim financial reporting.

At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the just described *improvements*.

On 07.10.2010 IASB has published a few amendments to the principle IFRS 7 – *Financial Instruments: Additional information,* applicable for accounting periods starting on or later than 01.07.2010. These amendments have been issued with the aim of improving the understanding of the transactions for transferring the financial assets, including the understanding of the possible effects from any risk still held by the company transferring such assets. Amendments further need more information if a too large amount of such transactions is performed at the end of an accounting period. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the amendments.

On 20.12.2010 IASB has issued a minor amendment to IFRS 1 – *First adoption of the International Financial Reporting Standards (IFRS)* to eliminate the reference to the date of 01.01.2004 contained there and set as transition date to IFRS and to supply a guide on the presentation of the financial statement according to the IFRS after a hyper-inflation period. Such amendments will be applicable from 01.07.2011. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the amendments.

Converting items expressed in foreign currencies

The consolidated financial statements are expressed in Euro, which is the internal currency the Irce Group normally uses. Each corporate body of the Irce Group indicates its internal currency, which is used to evaluate the financial statements items. Transactions in foreign currencies are initially recorded on the basis of the respective exchange rates (referring to the internal currency) in effect on the date the transactions took place. Monetary assets and liabilities in foreign currencies are converted into the internal currency at the exchange rate in effect on the closing date of the financial statements. All differences in exchange rate are posted to the income statement. Non-monetary foreign currency items valued at their "historical cost" are converted using the exchange rates in effect on the date the transaction was recorded for the first time. Non-monetary foreign currency items entered at their fair value are converted using the exchange rate effective on the date the respective value was determined.
The subsidiaries that use internal currencies other than Euro are listed below:

Isomet AG	Swiss Franc
FD Sims LTD	English Pound
IRCE LTDA	Brazilian Real
Stable Magnet Wire Private Limited	Indian Rupees

At the closing date of the financial statements, the assets and liabilities of these subsidiaries are converted into Euro at the exchange rate effective at that time, and their income statements are converted at the average rate for the year. The differences in exchange rates are entered separately in a special reserve under shareholders' equity.

Tangible fixed assets

Tangible fixed assets are entered at their purchase cost, excluding any allowances and discounts received, or at the cost of construction, inclusive of direct expenses less the relevant depreciation fund and any accumulated losses in value.
In adopting the IFRS standards, certain items related to buildings, machinery and industrial equipment have been estimated at their fair value in effect on the date of transition to the IFRS standards. This value was thus used as a substitute for the cost allocated on the date of transition.
The book value of tangible assets is checked in order to detect any loss in value, if events or changes in situation show that the book value cannot be recovered. If there are indications of this type and if the book value exceeds the recoverable value, the assets will be depreciated to reflect the lower value. The recoverable value of the tangible assets is either the net sale price or the use value, whichever is the greater.

Depreciation, in accordance with the IFRS standards, is worked out using a "straight-line method" on the basis of depreciation rates that match the estimated useful life of the respective assets.
The costs incurred after acquisition are capitalised only if they create an increase in the inherent future benefits expected. If they do not, these costs are entered over the financial year in which they were incurred.
When the assets are sold or are unlikely to bring future benefits, they are removed from the financial statements and any profit or loss (calculated as the difference between the sale value and the book value) is entered on the income statement in the year in which the elimination takes place.
Land, including land adjacent to industrial buildings, is not subject to depreciation.
The assets under construction and payments in advance for the acquisition of tangible fixed assets are valued at cost. Depreciation begins when the assets are "ready for use", as scheduled by company management. On the scheduled date, the assets will be assigned to their specific categories.

Intangible fixed assets

Intangible fixed assets are entered on the asset side in compliance with IAS 38 (Intangible assets) when the use of such assets is likely to bring future benefits and the costs borne can be accurately determined.
The intangible fixed assets purchased separately are initially capitalised at cost, while the assets acquired through company combinations or merger are capitalised at their fair value in effect at the date of acquisition. After the initial recognition, intangible fixed assets are entered at cost, net of depreciation funds and any accrued losses in value. Intangible fixed assets produced internally, with the exception of

development costs, are not capitalised and are recognised on the income statement in the year in which they were incurred. The useful life of intangible fixed assets can be definite or indefinite. Definite-life assets are depreciated throughout their useful life and have to pass an impairment test whenever a potential loss in value is possible. The period of time and depreciation method are examined at the end of each financial year or even more frequently, if necessary. Changes in the expected useful life or the way in which the future economic benefits linked with the intangible fixed assets are gained, are indicated by changing the depreciation method and related period of time so that the items can be treated as changes to the accounting estimates. The amortisation rates of intangible assets are entered on the income statement in the cost category that reflects their function.
The Irce Group has not entered any indefinite life assets on the financial statements.
The income or expenses deriving from the sales of intangible fixed assets are recorded as the difference between the net income from the divestment and the book value of the intangible fixed asset and are entered on the income statement when the asset is sold.

Business combinations and goodwill

Business combinations are recognised by using the "purchase method". This requires the identifiable assets of the acquired company to be recorded at fair value (including intangible fixed assets not previously recognised) and also the identifiable liabilities (including potential liabilities and excluding future refurbishments).
The goodwill acquired as part of a business combination is initially entered at cost and represents the surplus in purchase cost compared to the purchaser's share of the net fair value relative to the identifiable values of the assets, as well as the liabilities and potential liabilities of the acquired company. Any negative balance (negative goodwill) is recorded on the income statement at the time of the acquisition.

For the purposes of the impairment test, the goodwill from the business combination is allocated, on the date of acquisition, to the single cash-generating units (CGUs) in the Group, which should benefit from the Group synergies regardless of other Group assets or liabilities being assigned to this unit or group of units. Each unit or group of units to which the goodwill will be allocated:

- represents the lowest level, within the Group, at which goodwill is monitored for internal management purposes;
- is no broader than the segments identified on the basis of a primary or secondary scheme for presenting the information of the Group, determined according to the provisions of IAS 14 Segment reporting;
- when the goodwill constitutes part of a cash-generating unit (a group of cash-generating units) and part of the internal assets are sold to that unit, the goodwill associated to the asset sold is included in the book value of the asset to determine the profit or loss deriving from the sale. The goodwill transferred in such circumstances is estimated on the basis of values relative to the business sold and the portion of the unit maintained in the original state.

When the sale concerns a subsidiary, the difference between the sale price and the net assets, plus the accrued conversion differences and goodwill not depreciated is entered on the income statement.

After the initial value has been entered, the goodwill is reduced by any accrued losses in value, as determined in the ways described below.

The goodwill is subject to an impairment test at yearly intervals, or even more frequently if events or changed circumstances may result in losses in value. Any loss in value is identified by means of valuations which refer to the capacity of each unit to produce income to recover the part of goodwill allocated to it, in the ways described in the section on tangible fixed assets. If the amount which can be recovered by the cash-generating unit is less than the allocated book value, a loss in value is recorded. The reduction in the value of goodwill cannot be reinstated in future years. The Group checks the loss of goodwill value on 31st December each year.

When first adopting the IFRS, the Group chose not to apply IFRS 3 – Business combinations – with retroactive effect to acquisitions made prior to 1st January 2004. Consequently, the goodwill generated on acquisitions preceding the IFRS transition date was kept at the previous value, determined in accordance with Italian accounting standards, after any losses in value had been checked and recorded.

Financial assets

Equity investments

Investments in businesses other than subsidiaries or affiliates (in which interests of significantly less than 20% are held) are classified at the time of purchase among financial assets "available for sale" or among "other financial assets", valued at their fair value on the income statement, as part of current or non-current assets.
The above interests are valued at their fair value or at cost. For non-quoted investments or investments whose fair value is not reliable or cannot be determined, their value is adjusted to reflect the losses in value. Changes in the value of investments, classified as assets valued at fair value on the income statement, are entered directly on the income statement. Changes in the value of investments classified as available for sale are entered in a shareholders' equity reserve which is entered on the income statement at the time of sale. The Group holds no financial assets classified as “available for sale”.

Inventories

Inventories are estimated at cost or at the net break-up value, whichever is the lower. The costs borne have been entered as detailed below:

1. Raw materials: at weighted average purchase cost
2. Finished and semi-finished products: direct cost of materials and labour + part of the indirect cost and overheads defined according to standard production capacity.

"Break-up value" means the normal sale price excluding the estimated cost for finishing and selling the products.

Trade receivables and other receivables

Receivables are entered at their fair value identified by their nominal value and then reduced by any losses in value. With reference to trade receivables, a provision is made for losses in value when there is an indication (such as probable insolvency or significant difficulties of the debtor) that the Group will not be able to recover the amounts due in accordance with the terms agreed as specified in the invoice. The book value is therefore reduced by making recourse to a specific provision. Any receivables subject to loss in value are written off when there is no possibility of recovery.

Cash and cash equivalents

This item includes cash on hand, sight and short-term bank deposits at their nominal value. In the latter case, the expected or agreed deposit time does not exceed three months.

Payables & financial liabilities

Accounts payable are recorded at their nominal value if due by the next financial year. Those falling due after more than 12 months are valued at their amortised cost.
The financial liabilities made up of financial loans are initially entered at their market value (fair value) increased by the transaction costs. They are then estimated at their amortised cost i.e. the initial value less the reimbursement of the capital already paid, adjusted (increased or reduced) on the basis of amortisation (using the effective interest method) of any differences between the initial value and value on due date.

Cancellation 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 assets) is removed from the financial statements when:
- the right to receive cash flow from the asset ceases to exist;

- the Group still has the right to receive cash flow from the asset, but is obliged to pay it immediately and entirely to a third party;
- the Group has transferred the right to receive cash flow from the asset and (a) has transferred all the risks and benefits of ownership of the asset or (b) has not transferred or maintained all the risks and benefits deriving from the asset but has transferred control of it.

If the Group has transferred the rights to receive all the financial flows from an asset and has not transferred or maintained all the risks and benefits or still has control over the asset, the asset is entered in the financial statements of the Group to the extent of its residual involvement. Residual involvement in the form of a guarantee over the asset is valued at the lower of the initial book value of the asset and the maximum amount that the Group may be obliged to pay.

In the cases where the residual involvement takes the form of an option issued and/or purchased on the asset transferred (including the options paid in cash or in similar ways), the extent of the Group's involvement corresponds to the value of the transferred asset which the Group can re-purchase. However, in case of a put option issued on an asset estimated at its fair value (including the options settled in cash or in a similar way) the extent of the Group's involvement is limited to the lower of the fair value of the asset transferred and the price in the year of the option.

Financial liabilities

A financial liability is removed from the financial statements whenever the underlying liability ceases to exist or is cancelled or fulfilled.

If a financial liability is replaced by another liability granted by the same person under completely different terms, or if the terms of an existing liability are basically changed, this change is treated as a cancellation of the original liability and the recognition of a new one. Any differences in the book values will be entered on the income statement.

Provisions for risks and charges

The provision for risks and charges includes the sums appropriated for fulfilling current obligations (legal or implicit) that arose in the past and for which the company may have to allocate resources. Changes in estimates are reflected in the income statement relative to the period to which they refer. If the effect of the cash discounting is significant, the provisions are discounted using a "pre-tax discount rate" that reflects (where appropriate) the risks liabilities have. When the discounting takes place, the increase in the provision due to the passage of time is recorded as a financial expense.

Employee benefits

The Provisions for employees severance indemnity (TFR), mandatory for Italian companies under law 297/1982, are considered as a defined-benefit scheme based on the working life of the employees and the wages or salaries earned over a certain period of time. The Group makes no provision for share-based benefits as the employees do not work in return for shares or share options, nor are there any bonus plans in the form of capital instruments.

The amount payable on account of TFR (employees' severance indemnity) is calculated using the "Unit Value Method". In adopting the IFRS accounting standards and for normal financial years, the Group has decided to enter all the accumulated actuarial profits and losses. The profits and losses deriving from the actuarial calculations are entered on the income statement as costs of labour or financial income, depending on the situation. All the actuarial profits and losses, including those that (in percentage terms) fall within a certain time interval, known as "corridor", are also recorded.
The costs relative to the increase in current value of the TFR provision, deriving from the approach of the time when the benefits are due to be paid, are included in the personnel costs, as required by IAS 19.

Derivative financial instruments

The Group has used derivative financial instruments such as forward contracts for the purchase and sale of copper to face its exposure to the risk of raw material price variation, and an interest rate SWAP contract to face its exposure to the risk of interest rate variation as for a medium-long term financing.

Any profits or losses deriving from changes in the fair value of the derivative still open as at the date of the current financial statements and not suitable for "hedge accounting" are recorded directly in the income statement for the financial year.

The fair value of the forward contracts for the sale and purchase of copper, existing at the financial statements date, is determined according to the forward prices of copper with reference to the maturity dates of any contracts still in existence at the accounts closing date.
For hedge accounting purposes, the coverage has been classified as follows:

- hedging of fair value, if the hedge is to protect against any changes in the fair value of the relevant asset or liability; or an irrevocable commitment (except for currency risks); or
- hedging of cash flow, if to protect against exposure to changes in cash flow attributable to a particular risk associated to the asset or liability recognised, or to a programmed transaction which is highly likely.
- hedging of a net investment in a foreign company (net investment hedge).

Prior to a hedging transaction, the Group formally designs and documents the coverage to which the hedge accounting is to be applied, its risk management objectives and strategy. The documentation includes details of the hedging instrument, the transaction covered, the nature of the risk and the ways in which the company intends to evaluate the efficiency of the hedge in compensating for any changes in the fair value of the risk covered, or in the cash flows relative to the covered risks.

These types of hedge are expected to be extremely efficient in compensating for the covered risk being exposed to fair value or cash flows variations. The effectiveness of these transactions is constantly monitored during the years in question.

Company's own shares

The company's own shares held are deducted from the shareholders' equity. In particular, they are recorded at their nominal value in the "own shares" reserve, and any surplus value compared to the nominal value is deducted from the item Other reserves. The purchase, sale, issue or cancellation of participative instruments do not lead to the recognition of any profit or loss.

Revenue recognition

According to IAS 18, revenue is recognised to the extent that the IRCE Group can reap the inherent economic benefits and the amount can be reliably determined. The criteria below must always be observed when revenue is recognised on the income statement:

Sale of goods

The revenue is recognised when the company has transferred all the significant risks and related benefits, normally on the date goods are dispatched.
Services rendered

The revenue deriving from services (technical support, repairs and other services) are recognised according to the state of completion, measured as a percentage of the actual working hours compared to the estimated hours for each service rendered.

Interest

Interest is posted as financial income after the relevant interest income has been assessed (using the effective interest method, the rate which accurately discounts future expected cash flows on the basis of the expected life of the financial instrument, at the net book value of the financial asset).

Dividends

Dividends are posted as they become due to the shareholders.

Expenses

Expenses are posted according to the competence principle. Research, advertising and promotion expenses are allocated to the income statement in the year in which they were incurred.

Financial income and expenses

Financial income and expenses are entered on the income statement when they are incurred.

Earnings per share

As required under IAS 33, basic and diluted earnings per share attributable to the holders of ordinary shares in the parent company's capital are entered on the income statement. Information is provided on consolidated data only, in accordance with the above IAS standard.

Basic earnings per share are worked out by dividing the total net operating income attributable to ordinary shareholders in the parent company's capital by the weighted number of ordinary shares in circulation during the financial year, excluding the company's own shares. The weighted share average is applied to previous financial years with retroactive effect.

Income taxes

Current taxes

Payable or receivable taxes for the current and previous financial years are valued at the amount expected to be recovered or paid to the tax authorities. Tax rates and regulations used to work out the amount are those in force or issued at the closing date of the financial statements.
Current taxes relative to elements entered directly under shareholders' equity are recognised under equity, not in the income statement.

Deferred taxes

Deferred taxes are calculated by using the "liability method" on the temporary differences recorded at the financial statements date, derived from fiscal values taken as a reference for assets, liabilities and financial statements values.

Deferred taxes payable are recorded in respect of all the taxable temporary differences, except:

- when the deferred taxes payable result from the initial recording of the goodwill or assets or liabilities in a transaction which is not a business combination and at the time of the transaction, there are no effects on the profit for the year calculated for financial statements purposes nor on profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, in the event that the reversal of the temporary differences can be calculated and it is probable that this will not take place in the foreseeable future.

The deferred taxes receivable are recorded in respect of all the deductible temporary differences as well as the tax assets and liabilities carried forward, to the extent that there are probable future taxable profits which will render applicable the use of temporary deductible differences and tax assets and liabilities carried forward, except where:

- deferred taxes connected to the deductible temporary differences derive from the initial recording of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, has no impact either on the profits calculated for financial statements purposes nor on the profit or loss calculated for tax purposes;
- with reference to the taxable temporary differences associated to shareholdings in subsidiaries, affiliates and joint ventures, deferred taxes receivable are recorded to the extent that it is likely that the deductible temporary differences will be reversed in the immediate future and that there are adequate profits in respect of which the temporary differences can be used.

The value of deferred taxes to be entered on the financial statements are reviewed at each closing date and reduced to the extent that it is no longer probable that sufficient profits will be available in the future to allow all or part of this credit to be used. The deferred taxes not recognised are reviewed at yearly intervals at the financial statements closing date and are recorded to the extent that it is likely that profits will be sufficient to allow recovery of these deferred taxes receivable.

Estimates

In compiling the financial statements and explanatory notes (in accordance with IFRS), Management provides reliable estimates for assets and liabilities, and information about potential assets and liabilities available when the financial statements are issued. The actual results may differ from the estimates given. The estimates are used to forecast the provisions for bad debts, depreciation, taxes and other provisions and funds. The estimates and assumptions are reviewed from time to time, and the effects of any changes are immediately recorded on the income statement.

DERIVATIVES

The Group currently has the following types of derivatives:

- Derivatives relative to obligations for forward sales of copper, with a maturity date after 31st December 2010. The sale contracts were entered into in order to counter price reductions relative to the availability of raw materials. The fair value of the forward contracts for the sale of copper, existing at the financial statements date, is determined according to the forward prices of copper with reference to the maturity dates of any contracts still in existence at the accounts closing date. These transactions do not meet the requirements for recognition as hedge accounting instruments.
- Derivatives relative to obligations for forward purchases of copper, with a maturity date after 31st December 2010. The purchase contracts were entered into in order to prevent price increases relative to sales commitments with copper at fixed values. The fair value of forward contracts for the sale of copper, open on the financial statements date, is determined according to forward prices of copper with reference to the maturity dates of any existing contracts on the financial statements closing date. These transactions meet the requirements for recognition as instruments for cash flow hedge accounting.
- A derivative instrument relating to an interest rate SWAP contract to face its exposure to the risk of interest rate variation as for a medium-long term financing. According to such contract the parties engage to pay or collect at fixed dates amounts determined on the basis of the difference among the various exchange rates.

The following is a summary of the commodity (copper) derivatives for forward sales and purchases, open as at 31st December 2010:

Unit of measurement of notional value	Notional value with maturity within one year, tonnes	Notional value with maturity after one year	Result with valuation at fair value, 31.12.2010 €/000
Tonnes/Sales	950	0	(733)
Tonnes/Purchases	610	0	1,581

The fair value of forward contracts for the sale and purchase of copper, open on 31st December 2010, is determined according to forward prices of copper with reference to the maturity dates of any contracts still existing on the financial statements closing date.

The following is a summary of interest rate SWAP derivative contracts, open as at 31st December 2010 (amounts in Euro/000):

Nominal amount	Raising date	Maturing date	IRS period year	bank rate	customer rate
9,108	15/03/2010	31/12/2014	half-yearly	EURIBOR 6M ACT/360	2.20%

BUSINESS COMBINATIONS

Acquisition of ISODRA Isolierte Feinstdrahte Gmbh

On 13.10.2010 100% of the shares of the company ISODRA Isolierte Feinstdrahte Gmbh were purchased from a third party.
The acquisition has had a total cost of € 25,000 and has been financed with cash on hand. The comparison between fair value and book value (expressed according to the IAS/IFRS accounting principles of the assets and liabilities of ISODRA Gmbh at the acquisition date) is shown in the table below:

ISODRA Gmbh	BOOK VALUE €/000	FAIR VALUE €/000
NON-CURRENT ASSETS		
TOTAL NON-CURRENT ASSETS	***0***	***0***
CURRENT ASSETS		
Available funds	28	28
TOTAL CURRENT ASSETS	***28***	***28***
TOTAL ASSETS	**28**	**28**
CURRENT LIABILITIES		
TOTAL CURRENT LIABILITIES	***0***	***0***
TOTAL NON-CURRENT LIABILITIES	***0***	***0***
TOTAL LIABILITIES	**0**	**0**
NET ASSETS	**28**	**28**
GOODWILL		
ACQUISITION COST	**28**	**28**

Please note that the profit and loss account of the subsidiary included in the consolidated income statement of the Group at the acquisition date shows a loss of €/000 39.
After the acquisition of the company a financing for €/000 820 has been granted by the parent company for the investments in machinery needed to start the company operations.

BUSINESS INFORMATION

The Irce Group primary structure is based on specific business areas, given that the Group's risks and profitability are particularly affected by the differences between products and services on offer.
The operations of the Irce Group are structured and managed separately according to the nature of the products and services provided. Each segment is an independent business unit which offers a variety of products and services to different markets.
The "Winding Wire" company division serves the manufacturers of electric motors, power generators, transformers, relays and solenoid valves.
The "Electric Cables" division serves the construction industry, the civil works and industrial-grade plant engineering market (electrical wiring) and also the long-term electrical equipment market.
Business information according to geographical areas is also given; the Group revenues are divided according to the geographical position of the served customers, while operations and investments are divided according to their localisation.

31.12.2010	BUSINESS UNITS			
€/000				
	Winding wires	Cables	Unallocated inventory	Total
Income Statement				
Revenues	292,525	91,604	4,049	388,179
Other revenues and proceeds			1,864	1,864
Changes in leftover stock	18,736	6,415		25,151
Production value				415,193
Sector result	19,976	2,664		22,640
Unallocated expenses			(6,500)	(6,500)
Operating result	19,976	2,664	(587)	22,053
Financial income/expenses				(5,017)
Taxes				(6,238)
Third party interests				2
NET EARNINGS				10,800
Assets & Liabilities				
Trade receivables	84,137	26,940		111,077
Inventories	74,891	25,458		100,349
Unallocated assets				
Assets	159,028	52,398		211,426
Trade payables	29,595	11,298		40,893
Unallocated expenses				
Liabilities	29,595	11,298		40,893
Other business information				
Net tangible fixed assets	67,300	10,172		77,472
Working capital	129,433	41,100		170,533

31st December 2009 €/000	BUSINESS UNITS			
	Winding wires	Cables	Unallocated inventory	Total
Income Statement				
Revenues	168,828	65,922		234,751
Other revenues and proceeds			1,308	1,308
Changes in leftover stock	(3,871)	(1,711)		(5,582)
Production value				230,477
Sector result	3,721	(548)		3,173
Unallocated expenses			(1,292)	(1,292)
Operating result	3,721	(548)	16	3,189
Financial income and expenses				(21,843)
Taxes				3,461
Third party interests				25
NET EARNINGS				(15,168)
Assets & Liabilities				
Trade receivables	46,336	19,691		66,027
Inventories	41,871	19,594		61,465
Unallocated assets				
Assets	88,206	39,286		127,492
Trade payables	14,154	7,797		21,951
Unallocated expenses				
Liabilities	14,154	7,797		21,951
Other business information				
Net tangible fixed assets	57,899	13,487		71,386
Working capital	74,052	31,489		105,541

In 2010 the two strategic business units show the following situations:

- the sector of winding wires shows volumes and results significantly higher when compared to those in the same period of the previous year;
- in the sector of cables the result by sector is improving compared to the first 2010 six-month period thanks to the good results achieved in the last 2010 quarter thanks to the PV incentives.

As for the balance sheet analysis, the two strategic business units show situations aligned with the respective economic trend.
The following table shows the geographical distribution of revenues:

As at 31st December 2010 €/000	EC	Non-EC	Total
Income from Sales and Services	329,133	59,046	388,179
Total value of assets based on their location	49,595	30,248	79,843
Expenses incurred for the purchase of tangible and intangible assets to be used for more than one year	10,438	3,130	13,568

On 31st December 2009 €/000	EC	Non-EC	Total
Income from Sales and Services	206,645	28,106	234,751
Total value of assets based on their location	51,236	22,488	73,724
Expenses incurred for the purchase of tangible and intangible assets to be used for more than one year	4,930	2,978	7,908

NOTES ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2010

1. GOODWILL AND OTHER INTANGIBLE ASSETS

This financial statements item concerns the intangible assets from which economic benefits are expected in the future. The following table shows the changes to net book value:

€/ 000	Patent rights and intellectual property	Licences, trademarks, similar rights and other multi-annual charges	Goodwill	Total
Net value as at 31.12.2009	248	60	2,031	2,339
Changes during the year				
. Increases	135	15	-	150
. Other changes	23	3	-	26
. Reclassification	(11)	11	-	0
. Depreciation	(130)	(15)	-	(145)
Total	17	14	0	31
Net value as at 31.12.2010	265	74	2.031	2.370

The following table contains a description of definite useful life intangible assets and the method of amortisation used:

Asset	Useful life	Depreciation method	Internally developed or purchased	Impairment tests for assessing losses in value
Patent rights and intellectual property	Definite	50%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value
Permits and licenses	Definite	20%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value
Trademarks and similar rights	Definite	5.56%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value
Goodwill Smit Draad Nijmegen BV	Indefinite	n/a	Purchased	Subject to impairment test

The goodwill entered on the Irce Group balance sheet has been estimated at its use value and refers to the higher residual value paid when the Draad Nijmegen holding was acquired, compared to the corresponding shareholders' equity book value. This value was subject to an impairment test. The CGU (cash-generating units) expected to benefit from the synergies created by the acquisition have thus been identified. In the case of Draad, the result was a single CGU comprising the assets relative to the production and marketing of winding wire.

The impairment test was conducted by projecting the cash flows from the most recent business plan approved by Management. The business plan was prepared on the basis of five periods of time and reflects past experience, excluding any flows generated by restructuring, optimisation or improvements to assets. The terminal value of the CGU was calculated on the basis of constant cash flow (equal to the flow of the 5th period) over a 20-year period. The total WACC used in the test was 7.92%; the discount rate used (WACC – weighted average cost of invested capital) was 8.71%; the risk premium relative to the cost of equity was 5.75% and is common to all companies in the sector, while the borrowing rate used was the average interest rate paid by the company to obtain finance.. The projection considered a growth rate (g) of 0%. The impairment test did not show any need to adjust the values given in the financial statements. The rates used were determined by taking into account the market rates on the basis of the current economic situation.
Referring to the residual goodwill value, the performed sensitivity tests have not shown situations with possible significant impairment.

The depreciation rates of the other intangible fixed assets are calculated in accordance with the specific residual possibility of use, and are reviewed at the end of the financial year.

The increases for the period are relative to the IRCE S.p.A. parent company and to the IRCE Ltda subsidiary in Brazil and refer to the implementation of management software.

2. TANGIBLE ASSETS

€/000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and on account	Total
Net value as at 31.12.2008	12,848	17,484	27,673	1,831	563	10,465	70,864
Changes during the year							
. Investments	3	709	4,925	332	211	1,611	7,791
. Other changes	225	476	2,254	22	25	1,454	4,457
. Reclassification	-	2,673	(1,036)	(57)	(33)	(3,013)	(1,466)
. Divestments	-	-	(112)	(54)	(233)	(1,146)	(1,545)
. Depreciation related to removal or sales of asset	-	-	92	23	211	-	326
. Depreciation in the course of financial year	-	(1,150)	(6,909)	(780)	(202)	-	(9,041)
Total	228	2,708	(786)	(514)	(21)	(1,094)	522
Net value as at 31.12.2009	13,076	20,192	26,887	1,317	542	9,371	71,386

€/000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and on account	Total
Net value as at 31.12.2009	13,076	20,192	26,887	1,317	542	9,371	71,386
Changes during the year							
. Investments	1	1,068	11,103	494	231	521	13,418
. Other changes	353	897	1,302	8	21	(439)	2,142
. Reclassification	75	(75)	5,959	39	-	(6,296)	(298)
. Divestments	-	-	(3,738)	(88)	(164)	(105)	(4,095)
. Depreciation related to removal or sales of asset	-	-	3,697	87	161	-	3,945
. Depreciation in the course of financial year	-	(1,293)	(6,856)	(665)	(212)	-	(9,026)
Total	429	597	11,467	(125)	37	(6,319)	6,086
Net value as at 31.12.2010	13,505	20,789	38,354	1,192	579	3,052	77,472

The Group investments were € 13.4 million and mainly related expanding the production lines of the Brazilian company IRCE Ltda; other investments related IRCE S.p.A., Smit Draad Nijmegen BV and the building of a new warehouse in Germany.
Depreciation was calculated on the basis of rates considered representative of the estimated useful life of the related assets. The annual rates applied are detailed below:

Buildings	3.0% - 10,0%
Plant and machinery	7.5% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

3. OTHER FINANCIAL ASSETS AND NON-CURRENT RECEIVABLES

The Other Financial Assets and Non-current Receivables are made up as follows**:**

€/000	31/12/2010	31/12/2009
Other receivables		
- Shareholdings in other companies	79	71
- Other receivables	17	15
Total	96	86

4. ADVANCED FEES

Advanced taxes are detailed below**:**

€/000	31/12/2010	31/12/2009
- Non-deductible depreciation	454	873
- Appropriations to provision for risks and charges	300	180
- Amounts allocated to taxed bad debts provision	634	1,148
- Losses carried forward	4,740	7,679
- Loss on currency exchange adjustment	41	5
- Association fees	2	2
- Inter-group margin	96	(25)
Total	6,267	9,862

The deferred taxes receivable are recorded in respect of all the deductible temporary differences as well as the tax assets and liabilities carried forward, to the extent that there are probable future taxable profits which will render applicable the use of temporary deductible differences and tax assets and liabilities carried forward. The value on the accounts closing date has been reviewed considering the probability of sufficient future taxable profits to enable this credit to be used totally or partially.

5. INVENTORIES

Inventories are detailed below:

€/000	31/12/2010	31/12/2009
- Raw and complementary materials, consumables	28,677	16,018
- Semi-finished products and work in progress	18,490	8,567
- Finished products and goods	53,182	36,880
Total	100,349	61,465

In the course of the financial year, inventories have not been depreciated and no previous inventory write-downs have been reversed.
The leftover stocks recorded are not mortgaged or given as securities on liabilities.
The increase compared to 31.12.2009 is proportional to the growth in volume and prices.
The stock value at 31.12.2010 is influenced for about €/000 11,700 by the effect of the price revaluation of the copper raw material on the quantities stocked at start of year.

6. TRADE RECEIVABLES

€/000	31/12/2010	31/12/2009
- Customers/Bills & notes receivable	114,485	70,806
- Bad debts provision	(3,408)	(4,779)
Total	111,077	66,027

The balance of trade receivables is made up entirely of receivables due within the next 12 months.
The increase compared to 31.12.2010 is proportional to the sales growth.

The movements in the bad debts provision during 2010 are shown below:

€/000	31/12/2009	Provision	Uses	31/12/2010
Bad debts provision	4,779	1,640	(3,011)	3,408

7. RECEIVABLES FROM PARENT COMPANY

The item of €/000 566 refers to receivables from the parent company Aequafin Spa relating to an IRES tax credit due to application of the system of national consolidation taxes.

8. TAX RECEIVABLES

The item, of €/000 566, refers for €/000 4,047 to credits for advance taxes paid, for €/000 556 to VAT credits and for €/000 1,953 to tax credits of the subsidiary IRCE Ltda for the building of the new plant.

9. OTHER RECEIVABLES

The following is a breakdown of this item:

€/000	31/12/2010	31/12/2009
- Credits receivable	1,658	657
- Prepayments to Suppliers	140	113
- Accrued income & deferred charges	197	180
- Receivables from social security institutes for weather events	361	312
- Receivables from INPS for CIG advances	167	243
- Other receivables	987	465
Total	3,510	1,970

10. OTHER CURRENT FINANCIAL ASSETS

€/000	31/12/2010	31/12/2009
- Forward operations for copper Mark to Market	1,581	3,326
- Forward operations for GBP Mark to Market	-	20
- Fixed account for LME operations	8	2,015
Total	1,590	5,361

The item "Forward operations for copper Mark to Market" refers to the Mark to Market (Fair Value) evaluation of copper purchase forward contracts open on 31.12.2010, of the Dutch subsidiary Smit Draad Nijmegen BV; the above contracts cover 610 tonnes.

The item "Fixed account for LME operations" refers to the *margin calls* ("hedge requests") deposited at the Brokers for copper forward operation on LME.

11. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash in hand and liquid deposits.

€/000	31/12/2010	31/12/2009
- Bank deposits and giro accounts	4,869	3,269
- Cash on hand and liquid deposits	292	337
Total	5,161	3,606

Short-term bank deposits yield variable interest. The bank and postal deposits are not subject to liens or restrictions.

12. SHAREHOLDERS' EQUITY

The share capital consists of 28,128,000 nominal ordinary shares for an equivalent of € 14,626,560. The share capital is entirely subscribed and paid up. The shares are free of any restrictions that could affect profit sharing and repayment of capital.
The company's own shares totalled 1,654,173 on 31st December 2010.

The reserves are detailed below:

€/000	31/12/2010	31/12/2009
- Share premium reserve	40,539	40,539
- Legal reserve	2,925	2,925
- Company's own shares	(860)	(860)
- Profits to be re-invested in Southern Italy	201	201
- Reserve for translation difference	4,643	(127)
- Consolidation-related reserve	10,377	10,381
- Extraordinary reserve	30,968	45,534
- Company surplus reserve	6,622	6,622
- IAS/IFRS transition reserve	2,009	2,009
- Retained profits	3,680	4,687
- Fair value reserve	16,258	18,070
Total	117,363	129,980

Share premium reserve

This item refers to the higher number of shares issued, compared to the par value of shares issued by IRCE in 1996 to increase the share capital when the company shares were listed on the stock exchange.

Company's own shares

This reserve is relative to the nominal value of the own shares acquired by the Company and that are deducted from the shareholders' equity.

Other reserves

The reserves are given in full detail in the balance sheet, and include the following items:

- the translation reserve represents the differences in value resulting from conversion of the foreign holdings Isomet AG, FD Sims Ltd, IRCE Ltda and Stable Magnet Wire P. Ltd, at the official exchange

rate on 31st December 2010. As required under IAS 21 (Effects of changes in foreign exchange rates – net investment in a foreign operation), the translation reserve also includes the exchange differences resulting from the adjustment as at 31.12.2010 of the amounts owed to the parent company IRCE SPA by the foreign subsidiary FD Sims Ltda for an amount of €/000 184 and IRCE Ltda for an amount of €/000 94. The year increase follows the trend in the exchange rate of the currencies involved in the above holdings;
- the Capital Surplus Reserve created in 2001 when Irce Italcavi SPA and Isolcable Srl merged into Irce SPA;
- the IAS/IFRS Transition Reserve is a contra-entry relative to the conversion of the statutory financial statements to the one required under the IAS/IFRS International Accounting Standards as at January 1st 2004, the year of the transition;
- the Fair Value Reserve is a contra-entry relative to the valuation of certain items of land, buildings, machinery and industrial equipment at the time of transition to IFRS. The valuation took into account the re-determined value (equal to the fair value) as at the date of transition to the IFRS. This value was thus used as a substitute for the cost allocated on the date of transition. In addition, the reserve also includes the effect of the "mark-to-market" estimates of the hedging contracts open on December 31st 2010 according to the "cash flow hedging" criterion. The reserve includes unrealised profits and losses (net of taxes) deriving from the valuation of a financial instrument designated as a cash flow hedge. The decrease of the year refers to the adjustment of fair value on the financial statements closing date of the financial instruments designed for hedging, above all as for forward purchases of copper and the fair value of IRS, as described in the previous note on the derivatives;
- retained earnings, a contra-entry to the IAS/IFRS items carried forward from previous years.

Reserves and net earnings from subsidiaries will not be distributed.

Net earnings

Group earnings, excluding minority interest, amount to €/000 10,800 (€/000 15,168 as at 31st December 2009).

MINORITY SHAREHOLDERS' EQUITY

Minority Shareholders' Capital & Reserves

The amount relates to the portion of minority interests in companies consolidated with the "Integral Minority Shareholder Method".

Minority shareholders' earnings

This entry is the part of net earnings/losses in holdings consolidated following the Integral Minority Shareholder Method.

13. NON-CURRENT FINANCIAL LIABILITIES

€/000		Rate	Company	31/12/2010	31/12/2009	Due date
Unicredit	Euro	Variable	IRCE SPA	-	4,165	2011
Carisbo	Euro	Variable	IRCE SPA	2,000	6,000	2012
Banca Intesa	Euro	Variable	IRCE SPA	6,296	10,000	2014
NAB	CHF	Fixed	Isomet AG	3,194	1,348	2011
Carisbo	CHF	Fixed	Isomet AG	-	674	2010
Total				11,490	22,187	

14. DEFERRED TAXES

The liabilities resulting from deferred taxes are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Advance depreciation	121	125	
- Capital gains by instalments	-	14	
- Foreign exchange gains	9	7	
- Differences resulting from IAS 17 application	108	109	
- Differences resulting from land depreciation reversal	465	465	
- Effects of TFR differences (IAS 19)	198	146	
- Effect of amortisation difference – Isomet AG building	715	693	
- Effect of fiscal inventory difference Isomet AG	469	445	
- Effect of fiscal fund difference Isomet AG	-	24	
- Deferred tax provision Smit Draad Nijmegen BV	1,123	290	
- Effects of deferred taxes on Mark to Market derivatives	(33)	(96)	
Total	3,175	2,222	

The liabilities resulting from deferred taxes include the fiscal effect of the IAS accounting method, and taxes calculated on advance depreciation determined at the time of submitting the tax return. The changes during the year were caused by the above effects.

15. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are detailed below:

€/000	31/12/2009	Provision	Uses	31/12/2010
Pension fund	361	20	(9)	372
Provision for future costs	559	431	(296)	694
Total	920	451	(305)	1,066

The pension fund is used for the severance indemnity related to agency contracts.
The provision for future costs refers to provisions made for various disputes.

16. PROVISIONS FOR EMPLOYEE BENEFITS

The provision for employee benefits only includes the provision for severance indemnity relative to the employees of companies based in Italy. The following changes occurred in the severance indemnity provision:

€/000	31/12/2010	31/12/2009
TFR balance as at January 1st	5,475	5,729
Current cost of service	-	(15)
Financial charges	213	249
Actuarial profits/losses	(250)	(45)
Amounts paid	(394)	(443)
TFR balance for the period	5,044	5,475

The severance indemnity provision is part of the defined-benefit scheme.
A method known as "Projected Unit Credit Cost" was used to work out the liabilities as follows:

- the future benefits to be paid to employees, who have joined the benefit scheme (covering pension, death, disability, dismissal) have been projected on the basis of certain hypotheses (increase in the cost of living, increase in wages/salaries, etc.).The estimate of future benefits allows for any increases corresponding to length of service as well as a hypothetical rise in wages/salaries earned at the time of the estimate.

- the current average value of future benefits has been worked out at the date of estimate on the basis of an annual interest rate and the likelihood that such benefits will have to be paid;
- the company liabilities have been defined by indicating the actual average amounts of future benefits that refer to the amount of time the employee has been in service on the date of the estimate;
- the reserve that complies with the IAS standards was identified on the basis of the liabilities indicated above, and the reserve entered on the financial statements as provided for by Italian law.

The hypotheses taken into account are detailed below:

Demographic forecasts	Managers & Executives	Non-managerial staff
Likelihood of death	Mortality rates for the Italian population as indicated in the IPS55 tables	Mortality rates for the Italian population as indicated in the IPS55 tables
Likelihood of disability	INPS -2000 tables	INPS -2000 tables
Likelihood of resignation	3% every year	3% every year
Likelihood of retirement	Primary retirement pension requirements as provided for by Social Security regulations	Primary retirement pension requirements as provided for by Social Security regulations
Probability of:		
- receiving a 70% advance on accrued TFR at start of year	2.0% every year	2.0% every year

Financial forecasts	Managers & Executives	Non-managerial staff
Rise in cost of living	1.50% p.a.	1.50% p.a.
Discount rate	4.0% p.a.	4.0% p.a.
Overall increase in wages/salaries	3.0% p.a.	3.0% p.a.
Increase in Severance Indemnity Fund	3.0% p.a.	3.0% p.a.

17. CURRENT FINANCIAL LIABILITIES

The financial liabilities are detailed below:

€/000	31/12/2010	31/12/2009
- Due to banks	92,030	27,095
- Amounts payable for derivatives	801	3,556
Total	92,831	30,651

The increase in short-term payables to banks is mainly due to the increase in the value of the copper raw material and to the following increase in current assets.
€/000 634 of the item "payables for derivatives" refer to the Mark to Market (*Fair Value*) valuation of the sales forward contracts for copper, open as at 31.12.2010, of the parent company IRCE SPA, €/000 99 refer to the Mark to Market (fair value) valuation of the sales forward contracts for copper, open as at 31.12.2010, of the English subsidiary FD Sims Ltd and €/000 68 refer to the Mark to Market (fair value) valuation of the interest rate Swap contract, stipulated on 31.12.2010, of the parent company IRCE SPA.
With reference to the financial liabilities, the **Group's net financial position**, drawn up in accordance with the Consob Communication 6064293 dated 28th July 2006 and the CESR guidelines dated 10th February 2005, is as follows:

€/000	31/12/2010	31/12/2009
Available funds	5,161	3,606
Other current financial assets	1,590	5,361
Cash and Cash equivalents	6,751	8,967
Current bank loans	(92,831)	(30,651)
Current net financial indebtedness	**(86,080)**	**(21,684)**
Non-current bank loans	(11,490)	(22,187)
Non-current financial liabilities	**(11,490)**	**(22,187)**
Net financial indebtedness	**(97,570)**	**(43,871)**

18. TRADE PAYABLES

Most trade payables fall due over the next twelve months.
As at 31.12.2010, they amounted to €/000 40,893 compared to €/000 21,951 as at 31.12.2009.

19. TAX PAYABLES

€/000 1,778 refer to amounts payable for income taxes, stated inclusive of the advances paid during the year. €/000 208 refer to other amounts payable to the Treasury, €/000 3,112 represent VAT payables and €/000 502 payables for IRPEF on employees.

20. AMOUNTS DUE TO SOCIAL SECURITY

This item, equal to €/000 3,254, relates to the debt to Social Security Institutes, in respect of amounts falling due in December 2010.

21. OTHER CURRENT LIABILITIES

The other liabilities are as follows:

€/000	31/12/2010	31/12/2009
- Due to employees	1,985	1,629
- Deposits received from customers	2,201	1,687
- Accrued expenses and deferred income	946	846
- Other	3,530	3,366
Total	8,662	7,528

NOTES TO THE PRINCIPAL ITEMS ON THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2010

22. INCOME AND OTHER REVENUES

This refers to income from the sale of assets, net of returns, allowances and packaging returns. The 2010 consolidated turnover of €/000 388,179 represents an increase of 65% compared to the past year (€/000 234,751).

23. COSTS OF RAW MATERIALS AND CONSUMABLES

This item, equal to €/000 316,561, includes the costs borne for purchasing raw materials - such as copper, insulating materials, packaging materials and consumable items (for maintenance work), net of changes to inventories.

24. COSTS OF SERVICES

These include service costs needed to process the copper, the utilities, transportation and all other commercial and administrative services as well as the costs of leased equipment.

€/000	31/12/2010	31/12/2009
- Outsourced work	6,684	4,623
- Utilities	13,089	9,494
- Maintenance work	1,211	759
- Transport costs	5,268	4,256
- Commissions paid	506	761
- Fees paid to directors	216	216
- Fees paid to auditors	86	61
- Other	7,797	6,972
- Expenses for leased equipment	44	12
Total	34,901	27,154

25. COST OF PERSONNEL

The costs for personnel are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Wages and salaries	20,624	18,913	1,711
- Social security contributions	7,204	6,289	915
- Severance indemnity	104	286	(182)
- Other costs	863	784	79
Total	28,795	26,272	2,523

The average number of employees in the companies consolidated with the "integral method" over the periods of time taken into consideration is detailed below:

Staff	Average 2010	31/12/2010	31/12/2009
- Managers & Executives	18	18	17
- Clerical staff	182	189	199
- Workers	545	584	538
Total	745	791	754

The average staff number is calculated with the Full-Time-Equivalent method.

The total number of employees as at 31st December 2010 was 791.

26. DEPRECIATION

Depreciation is detailed as follows:

€/000	31/12/2010	31/12/2009	Changes
- Intangible fixed asset depreciation	145	104	41
- Tangible fixed asset depreciation	9,026	9,041	(15)
Total depreciation	9,171	9,145	26

27. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Write-down of receivables	1,640	94	1,546
- Provisions for risks	431	235	196
Total provisions and write-downs	2,071	329	1,742

28. FINANCIAL INCOME AND EXPENSES

The financial income and expenses are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Other financial income	379	205	174
- Interest payable and other financial charges	(5,076)	(24,168)	19,092
- Profits (losses) – Currency exchange	(320)	2,120	(2,440)
Total	(5,017)	(21,843)	16,826

- Other financial incomes

€/000	31/12/2010	31/12/2009
- Interest receivables, Bank	118	44
- Interest receivables, Customers	200	137
- Financial assets on currency operations	-	20
- Other	61	4
Total	379	205

- Interests and other financial charges

€/000	31/12/2010	31/12/2009
- Short-term debt interest payables	1,357	392
- Long/medium-term interest payables	368	658
- Sundry interest payables	69	94
- Bank commissions and charges	70	89
- Charges on derivatives	3,212	22,935
Total	5,076	24,168

The item "Charges on derivatives" refers to the result of the sales forward contracts for copper for €/000 2,036 of the parent company IRCE SPA and for €/000 443 of the subsidiary FD Sims Ltd.
This item also refers to the Mark to Market (*Fair Value* valuation of the sales forward contracts for copper, open at the date of this financial statement, of the parent company IRCE SPA for €/000 634 relating to 950 tonnes, and of the English subsidiary FD Sims Ltd for €/000 99 relating to 260 tonnes; this amount is to be considered for the calculation of the adjusted EBITDA and EBIT.

29. INCOME TAX

€/000	31/12/2010	31/12/2009
- Current taxes	(2,162)	(919)
- Advanced/deferred taxes	(4,076)	4,380
Total	(6,238)	3,461

30. EARNINGS PER SHARE

As required by IAS 33, the information regarding the data used to work out the earnings per share and diluted earnings is provided below.
The net earnings for the period (excluding the minority shareholder dividends) have been used to calculate the basic earnings per share. In addition, there are no preferential dividends, converted preference shares or equivalents that could affect the net earnings assigned to ordinary shareholders. The weighted average of the ordinary shares in circulation was used as the denominator, calculated by deducting the average number of own shares owned during the period from the total number of shares forming the share capital.
The diluted earnings per share are equivalent to the earnings per share, as there are no ordinary shares that could have "diluting" effects and no options or warrants, which may have the same effect, are likely to be exercised.

	31/12/2010	31/12/2009
Net Profit (loss) for parent company shareholders	10,800,118	(15,167,855)
Weighted average number of shares for determining basic earnings per share	26,473,827	26,473,827
Basic profit (loss) per share	0.4080	(0.5729)
Diluted profit (loss) per share	0.4080	(0.5729)

31. INFORMATION ON RELATED PARTIES

As at 31st December 2010, IRCE SpA has a credit of €/000 566 due from the parent company Aequafin Spa, because of the application of the national consolidated tax scheme.

32. OBLIGATIONS

At year-end, the following obligations were borne by the Group:

Real estate mortgages
The ISOMET AG building has been mortgaged as security for the loan of €/000 3,194 issued by the NAB Bank.

33. TRADE RECEIVABLES MANAGEMENT

The following table gives details of the internal credit risk categories:

Risk level	Exposure €/000
Minimal	26,677
Medium	59,587
Above average	23,009
High	5,212

As at 31st December 2010, the breakdown of trade receivables by due date is as follows:

Due date	Amount €/000
Not yet due – regular	95,411
< 30 days	7,664
31-60	4,231
61-90	1,472
91-120	620
> 120	5,087

34. CAPITAL MANAGEMENT

The primary goal of the Group's share capital management is to ensure that a firm credit rating is maintained, with adequate levels of capital indicators to support the business and maximise the shareholder value.

€/000	31/12/2010	31/12/2009
Loans	113,606	52,838
Trade payables and other debts	49,555	29,479
Cash and cash equivalents	(5,161)	(3,606)
Net debt	158,000	78,711
Share capital	143,000	129,692
Retained net earnings	-	(3,845)
Total share capital	143,000	125,847
Capital and net debt	301,000	204,558
Debt/capital ratio	53%	38%

35. FINANCIAL INSTRUMENTS

A comparison between the book value and the fair value of the financial instruments of the Group is indicated below:

€/000	Book value		Fair value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Financial assets				
Cash and cash equivalents	5,161	3,606	5,161	3,606
Other financial assets	1,590	5,361	1,590	5,361
Financial liabilities				
Current loans	92,831	92,831	86,021	27,095
Non-current loans	11,490	11,490	17,499	22,187
Other financial liabilities	801	3,556	801	3,556

36. EVENTS OCCURRING AFTER YEAR-END

No events occurred between year-end and the date on which these accounts were approved which could affect the accuracy of the information they contain.

37. INFORMATION REQUIRED BY ART. 149-DUODIECIES OF THE CONSOB ISSUERS' REGULATIONS

The following prospectus, drafted in accordance with art. 149-duodecies of the Consob Issuers' Regulations, highlights the amounts pertaining to the financial year 2010 for auditing services and other services rendered by the auditing firm or its associates.

€/000	Service provider	Recipient		Fee for 2010
Auditing of accounts	Reconta Ernst & Young Spa	IRCE S.p.A	Euro	69
Auditing of accounts	Ernst & Young	Smit Draad	Euro	30
Auditing of accounts	Ernst & Young	Fd Sims	GBP	23
Auditing of accounts	Ernst & Young	ISOMET AG	CHF	38

38. INFORMATION REQUIRED BY ART. 36 TITLE VI OF THE CONSOB ISSUERS' REGULATION NO. 16191/2007

In accordance with the provisions of art. 36 – Title VI of Consob Regulation no. 16191 dated 29.10.2007, the following is the accounting situation of the subsidiaries governed by the laws of non-EU states with significance within the meaning of Consob Decision no. 11971/1999, prepared for the purposes of drafting the consolidated financial statements:

ISOMET AG	2010	2009
NON-CURRENT ASSETS		
Intangible assets	31,910	30,332
Property, plant and machinery	6,440,498	5,921,243
Equipment and other tangible fixed assets	55,422	34,713
Credits for advanced fees	116,163	-
TOTAL NON-CURRENT ASSETS	**6,643,993**	**5,986,288**
CURRENT ASSETS		
Inventories	6,252,399	4,604,341
Trade receivables	1,371,298	1,019,881
Tax credits	64,438	-
Other receivables	104,699	39,352
Cash and cash equivalents	344,922	68,712
TOTAL CURRENT ASSETS	**8,137,756**	**5,732,286**
TOTAL ASSETS	**14,781,749**	**11,718,574**
SHAREHOLDERS' EQUITY		
Company capital	674,354	674,354
Reserves	4,484,592	4,414,167
Conversion reserve	494,806	15,451
Profit (loss) brought forward	977,427	767,432
Profit (loss) for the period	698,938	209,995
TOTAL SHAREHOLDERS' EQUITY	**7,330,117**	**6,081,399**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,193,747	2,022,108
Deferred taxes	1,184,240	1,162,664
Provisions for risks and charges	27,297	30,924
TOTAL NON-CURRENT LIABILITIES	**4,405,284**	**3,215,696**
CURRENT LIABILITIES		
Current financial liabilities	-	1,291,008
Trade payables	1,116,820	539,797
Payables to parent company	997,725	357,962
Tax payables	254,319	9,328
Amounts due to social security	464,651	-
Other current liabilities	212,833	223,384
TOTAL CURRENT LIABILITIES	**3,046,348**	**2,421,479**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**14,781,749**	**11,718,574**

ISOMET AG	2010	2009
Revenues	17,838,603	12,695,947
Other income	-	107,456
TOTAL REVENUES	**17,838,603**	**12,803,403**
Costs of raw materials	(14,978,197)	(9,016,208)
Changes in finished product inventories and work in progress	931,780	(658,984)
Costs for services	(803,118)	(643,167)
Personnel cost	(2,250,832)	(1,771,655)
Depreciation	(114,681)	(102,870)
Provisions and write-downs	-	(827)
Other operating costs	(477,229)	(170,606)
OPERATING PROFIT	**146,326**	**439,086**
Financial income and expenses	469,727	(181,409)
EARNINGS BEFORE TAXES	**616,053**	**257,677**
Taxes	82,886	(47,682)
NET PROFIT FOR THE PERIOD	**698,938**	**209,995**

IRCE LTDA	2010	2009
NON-CURRENT ASSETS		
Intangible assets	132,743	98,177
Property, plant and machinery	22,962,725	11,660,050
Equipment and other tangible fixed assets	141,026	134,690
Assets under construction and advances	310,683	3,904,118
Advanced taxes	1,289,065	1,139,717
TOTAL NON-CURRENT ASSETS	**24,836,242**	**16,936,752**
CURRENT ASSETS		
Inventories	3,428,612	357,265
Trade receivables	2,827,675	424,447
Receivables from parent company	2,173,984	771,553
Tax credits	5,027,690	2,284,420
Other receivables	358,444	1,393
Cash and cash equivalents	1,065,033	741,003
TOTAL CURRENT ASSETS	**14,881,438**	**4,580,081**
TOTAL ASSETS	**39,717,680**	**21,516,833**
SHAREHOLDERS' EQUITY		
Company capital	34,062,724	20,692,982
Reserves	(204,083)	-
Conversion reserve	3,949,856	420,110
Profit (loss) brought forward	(2,465,816)	(3,868,072)
Profit (loss) for the period	(108,626)	1,402,256
TOTAL SHAREHOLDERS' EQUITY	**35,234,055**	**18,647,276**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	-	-
Deferred taxes	-	-
Provisions for risks and charges	-	-
TOTAL NON-CURRENT LIABILITIES	**-**	**-**
CURRENT LIABILITIES		
Current financial liabilities	-	-
Trade payables	2,693,568	83,671
Payables to parent company	1,649,269	2,696,201
Tax payables	40,100	5,437
Amounts due to social security	94,261	65,362
Other current liabilities	6,427	18,886
TOTAL CURRENT LIABILITIES	**4,483,625**	**2,869,557**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**39,717,680**	**21,516,833**

IRCE LTDA	2010	2009
Revenues	22,757,593	4,257,272
Other income		
TOTAL REVENUES	**22,757,593**	**4,257,272**
Costs of raw materials	(20,344,320)	(3,405,716)
Changes in finished product inventories and work in progress	1,483,518	(602,304)
Costs for services	(1,680,810)	(887,505)
Personnel cost	(700,521)	(381,105)
Depreciation	(1,226,691)	(818,683)
Provisions and write-downs	-	-
Other operating costs	-	-
OPERATING PROFIT	**288,769**	**(1,838,041)**
Financial income and expenses	(380,927)	4,131,291
EARNINGS BEFORE TAXES	**(92,158)**	**2,293,250**
Taxes	(16,468)	(890,994)
NET PROFIT FOR THE PERIOD	**(108,626)**	**1,402,256**

STABLE MAGNET WIRE P.Ltd	2010	2009
NON-CURRENT ASSETS		
Intangible assets	94,797	91,789
Property, plant and machinery	505,960	469,090
Equipment and other tangible fixed assets	52,274	67,726
Assets under construction and advances	150,776	368,172
Other financial assets and non-current receivables	79,079	70,489
Advanced taxes	328,386	237,707
TOTAL NON-CURRENT ASSETS	**1,211,272**	**1,304,973**
CURRENT ASSETS		
Inventories	558,108	269,926
Trade receivables	115,683	128,483
Receivables from parent company	704	-
Tax credits	4,774	2,545
Other receivables	66,117	75,535
Cash and cash equivalents	751,235	587,525
TOTAL CURRENT ASSETS	**1,496,621**	**1,064,014**
TOTAL ASSETS	**2,707,893**	**2,368,987**
SHAREHOLDERS' EQUITY		
Company capital	2,601,531	2,601,531
Reserves	-	89,066
Conversion reserve	141,607	(104,631)
Profit (loss) brought forward	(599,546)	(455,394)
Profit (loss) for the period	(208,199)	(144,152)
TOTAL SHAREHOLDERS' EQUITY	**1,935,393**	**1,986,420**
NON-CURRENT LIABILITIES	-	-
Non-current financial liabilities	**-**	**-**
Deferred taxes	**-**	**-**
Provisions for risks and charges	**-**	**-**
TOTAL NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		
Current financial liabilities	**-**	**-**
Trade payables	5,817	11,973
Payables to parent company	715,455	330,471
Tax payables	1,908	28,048
Amounts due to social security	1,108	899
Other current liabilities	48,212	11,176
TOTAL CURRENT LIABILITIES	**772,500**	**382,567**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,707,893**	**2,368,987**

STABLE MAGNET WIRE P.Ltd	2010	2009
Revenues	730,770	452,096
Other income	80,582	48,880
TOTAL REVENUES	**811,352**	**500,976**
Costs of raw materials	(645,005)	(411,409)
Changes in finished product inventories and work in progress	28,951	73,744
Costs for services	(146,136)	(138,579)
Personnel cost	(105,720)	(76,326)
Depreciation	(158,662)	(91,573)
Provisions and write-downs	(7,280)	(231)
Other operating costs	(129,045)	(46,794)
OPERATING PROFIT	**(351,545)**	**(190,192)**
Financial income and expenses	82,172	24,020
EARNINGS BEFORE TAXES	**(269,373)**	**(166,172)**
Taxes	61,174	22,020
NET PROFIT FOR THE PERIOD	**(208,199)**	**(144,152)**

Appendix 1

List of shareholdings held by the directors, auditors, their spouses and children

SURNAME & NAME	SHAREHOLDING	SHARES OWNED AT 31/12/2009	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31.12.2010
Casadio Filippo	IRCE spa	561,371			561,371
Gandolfi Colleoni Francesco	IRCE spa	559,371 (*)			559,371 (*)
	IRCE spa	30,000			30,000
Sepriano Gianfranco	IRCE spa	3,500			3,500
Senese Fabio	IRCE spa	0			0
Dallago Orfeo	IRCE spa	587,267			587,267
Venceslai Leonello	IRCE spa	0			0
Stupazzini Franco	IRCE spa	0			0
Zappi Gianfranco	IRCE spa	0			0

(*) Shares owned by wife Carla Casadio

Appendix 2

Certification of the annual consolidated accounts pursuant to art. 154-bis(5) of legislative decree no. 58/24.02.1998:

The undersigned Mr. Filippo Casadio, Chairman, and Elena Casadio (executive manager assigned to draw up the company financial statements of IRCE SpA) certify that, in accordance with the provisions of Article 154-bis(5) of legislative decree no. 58/24.02.1998:

- the documents are adequate in relation to the characteristics of the company and
- the administrative and accounting

procedures required for the preparation of the consolidated financial statements have been duly applied

In addition, we certify that the consolidated financial statements:

a) correspond to the accounting ledgers and records;
b) were drawn up in compliance with IAS principles and provide a true and accurate picture of the capital, financial and asset position of the Group and the companies included in the consolidation area;
c) that the report on operations contains a reliable analysis of the information required under art. 154-ter(4) of legislative decree no. 58/24.02.1998.

Filippo Casadio | Elena Casadio
Chairman | Executive Manager

SEPARATE FINANCIAL STATEMENTS OF IRCE SPA FOR THE YEAR ENDED 31st DECEMBER 2010

SEPARATE BALANCE SHEET

ASSETS	Notes	31.12.2010	31.12.2009
NON-CURRENT ASSETS			
Intangible assets	1	69,714	71,550
Property, plant and machinery	2	25,462,939	25,246,553
Equipment and other tangible fixed assets	2	863,469	1,001,261
Fixed assets under construction and on account	2	329,471	4,167,504
Other financial assets and non-current receivables	3	14,555,468	8,950,842
Equity investments	3	52,474,545	41,188,109
Advanced taxes	4	4,006,793	8,332,118
TOTAL NON-CURRENT ASSETS		**97,762,399**	**88,957,937**
CURRENT ASSETS			
Inventories	5	78,301,172	47,620,925
Trade receivables	6	90,840,491	51,290,457
Receivables from subsidiaries	7	4,749,934	4,724,998
Receivables from parent company	8	566,436	1,360,013
Tax credits	9	523,037	520,622
Other receivables	10	2,551,290	1,369,969
Other current financial assets	11	8,331	2,035,124
Cash and cash equivalents	12	519,726	129,075
TOTAL CURRENT ASSETS		**178,060,417**	**109,051,183**
TOTAL ASSETS		**275,822,816**	**198,009,120**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2010	31.12.2009
SHAREHOLDERS' EQUITY			
COMPANY CAPITAL	13	14,626,560	14,626,560
RESERVES	13	101,314,805	115,949,239
PROFIT (LOSS) FOR THE PERIOD	13	7,481,923	(14,037,363)
TOTAL SHAREHOLDERS' EQUITY		**123,423,288**	**116,538,436**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	14	8,296,555	20,164,560
Deferred taxes	15	900,052	864,744
Provisions for risks and charges	16	1,033,639	835,988
Provisions for employee benefits	17	4,954,191	5,366,391
TOTAL NON-CURRENT LIABILITIES		**15,184,437**	**27,231,683**
CURRENT LIABILITIES			
Current financial liabilities	18	91,731,357	26,860,513
Trade payables	19	31,803,298	18,211,389
Payables to subsidiaries	20	2,524,556	1,163,397
Tax payables	21	4,028,889	2,041,508
Amounts due to social security	22	2,652,148	2,510,522
Other current liabilities	23	4,474,843	3,451,672
TOTAL CURRENT LIABILITIES		**137,215,091**	**54,239,001**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**275,822,816**	**198,009,120**

SEPARATE INCOME STATEMENT

	Notes	31.12.2010	31.12.2009
Revenues	24	291,765,725	160,639,138
Other revenues and proceeds	25	1,408,437	1,061,429
TOTAL REVENUES		**293,174,162**	**161,700,567**
Costs borne for raw materials and consumable items	26	(242,455,701)	(112,616,196)
Changes to finished product inventories and products under development		20,147,895	(3,376,786)
Costs for services	27	(26,306,294)	(19,654,245)
Personnel cost	28	(16,762,236)	(15,815,572)
Depreciation	29	(5,383,676)	(5,964,972)
Provisions and write-downs	30	(4,146,806)	(317,475)
Other operating costs	31	(636,147)	(468,745)
OPERATING PROFIT		**17,631,197**	**3,486,576**
Financial income and expenses	32	(4,487,845)	(21,955,343)
PROFIT (LOSS) BEFORE TAXES		**13,143,352**	**(18,468,767)**
Income taxes	33	(5,661,429)	4,431,404
NET PROFIT (LOSS) FOR THE PERIOD		**7,481,923**	**(14,037,363)**

Profit (loss) per share			
- basic, from profit (loss) attributable to ordinary parent company shareholders	34	**0.2826**	(0.5302)
- diluted, from profit (loss) attributable to ordinary parent company shareholders	34	**0.2826**	(0.5302)

SEPARATE COMPREHENSIVE INCOME STATEMENT	31/12/2010	31/12/2009
€/000		
PROFIT (LOSS) FOR THE PERIOD	7,482	(14,037)
(Loss) / profit net of Cash Flow Hedge	(68)	0
Income taxes	21	0
CHANGES DURING THE YEAR	(47)	0
Total profit (loss) of comprehensive income statement net of taxes	(47)	0
Total comprehensive profit (loss) net of taxes	7,435	(14,037)

CHART SHOWING CHANGES IN SHAREHOLDERS' EQUITY

€/000	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Fair value reserve	Retained profits	Trans. res. IAS-IFRS	Other reserves	Company's own shares	Operating result for the period	Total
€/000											
Operating result										(14,037)	(14,037)
Other comprehensive profits (losses)											
Total profit (loss) of comprehensive income statement											(14,037)
Allocation of the result of the previous year			3,845							(3,845)	
Dividends										(1,324)	(1,324)
Company's own shares			(45)						(24)		(69)
Hedging of cash flows					17						17
Re-classifications											
Balance at 31.12.2009	**14,627**	**2,925**	**46,095**	**40,539**	**14,182**	**6,492**	**(247)**	**6,823**	**(860)**	**(14,037)**	**116,538**
€/000											
Operating result										7,482	7,482
Other comprehensive profits (losses)					(47)						(47)
Total profit (loss) of comprehensive income statement											7,435
Allocation of the result of the previous year			(14,037)							14,037	
Dividends			(529)								(529)
Company's own shares											
Hedging of cash flows					(20)						(20)
Re-classifications											
Balance at 31.12.2010	**14,627**	**2,925**	**31,529**	**40,539**	**14,115**	**6,492**	**(247)**	**6,823**	**(860)**	**7,482**	**123,423**

FINANCIAL STATEMENT FOR THE PERIOD CLOSING AT	31/12/2010	31/12/2009
€/000		
CASH FLOW RESULTING FROM COMPANY OPERATIONS:		
Earnings for the period	**7,482**	**(14,037)**
Adjustments required to reconcile earnings with cash flow generated (absorbed) by company operations:		
Depreciation	5,384	5,965
Net change in assets/liabilities for deferred (prepaid) taxes	4,360	(4,859)
Capital (Gains)/Losses from disposal of fixed assets	(257)	(30)
Decrease (increase) in inventories	(30,680)	8,820
Net change in current assets and liabilities	(23,197)	(5,669)
Net change in the current assets and liabilities versus related parties	1,336	5,684
Net change in non-current assets and liabilities	(214)	(197)
Net change in the non-current assets and liabilities versus related parties	(5,605)	11.789
CASH FLOW RESULTING GENERATED BY COMPANY OPERATIONS (a)	**(41,391)**	**7,466**
Investments in intangible fixed assets	(82)	(81)
Investments in tangible fixed assets	(6,203)	(2,916)
Investments in shareholdings (in consolidated subsidiaries)	(11,286)	(21,128)
Amount cashed from the sale of tangible and intangible assets	4,919	1,242
CASH FLOW USED FOR INVESTMENTS (b)	**(12,652)**	**(22,883)**
Dividends paid to minority shareholders (including reserve allocation)	(529)	(1,324)
Change in current indebtedness	64,871	21,060
Change in non-current financial indebtedness	(11,868)	(3,999)
Change in current financial assets	2,027	(421)
Changes effecting the shareholders' equity	(67)	0
Management of company's own shares (purchases - sales)	0	(69)
CASH FLOW GENERATED BY FINANCING (c)	**54,434**	**15,247**
NET CASH FLOW FOR THE PERIOD	**391**	**(170)**
CASH AND CASH EQUIVALENTS BALANCE AT YEAR START	129	299
TOTAL NET CASH FLOW FOR THE PERIOD	391	(170)
CASH AND CASH EQUIVALENTS BALANCE AT YEAR END	520	129

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2010

COMPANY INFORMATION

On 15th March 2011 the financial statements for the year ended at 31st December 2010 were approved for publication by the Board of Directors.
Irce SpA is a company governed by the laws of Italy. Its registered office is located in Via Lasie 12/a, Imola.
Irce SpA currently owns 4 manufacturing plants. It is one of Europe leading manufacturers of winding wires, and one of Italy's largest producers of low voltage electric cables.
Its plants are based in Imola (BO), Guglionesi (CB), Umbertide (PG) and Miradolo Terme (PV).

FINANCIAL REPORTING PRINCIPLES

The 2010 annual financial statements have been drawn up in compliance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and subsequently approved by the European Union. "IFRS" refers to all revised international accounting standards ("IAS") based on the IFRC interpretations, which include those previously issued by the SIC (Standing Interpretation Committee).

The formats used have been prepared in compliance with IAS 1, in particular:
- the assets and liabilities statement makes a distinction between current and non-current assets and liabilities;
- items on the profit and loss account are classified "by type";
- in compliance with IAS 7, the financial statement was prepared by showing the financial flows occurring during the year by classifying them as operating assets, investment or financial assets; the financial flows deriving from operations have been entered using the "indirect method".

ACCOUNTING CRITERIA

The accounting criteria used for drawing the financial statements are consistent with those used for drawing the annual financial statements for the year closing at 31.12.2009, except for the adoption of *new Principles and Interpretations* applicable from 01.01.2010 and listed here below:

IFRS 3 (2008) – Business combinations
On 10.01.2008 IASB has issued an updated version of IFRS 3 – Business combinations, and has amended IAS 27 – Consolidated and separate financial statements. The main changes to IFRS 3 concern the elimination of the obligation to assess the single assets and liabilities of the subsidiary at fair value in each following acquisition, in case of acquisition by steps of subsidiaries. The goodwill is determined only in the acquisition step and is equal to the difference among the value of the shares immediately before the acquisition, the transaction cost and the value of the acquired net assets. Further, if the company does not purchase the shareholding 100%, the quota attributable to minority interests can be evaluated at fair value or using the methods already described before by IFRS 3.
In case of control acquisition by steps of a subsidiary, the minority shareholding previously owned, recorded till then according to IAS 39 – Financial instruments: recognition and valuation, or according to IAS 28 – Investments in sharedholdings or according to IAS 31 – Shareholdings in joint ventures, must be considered has been sold and re-purchased at the date when the control is acquired. Such shareholding must therefore be valued at its fair value at the transfer date, and the profits and losses deriving from such valuing must be entered on the income statement. Further, each value previously entered in the net equity as Other total profits and losses, that should be charged to the profit and loss account following to the transfer of the activity it refers to, must be reclassified in the income statement. The goodwill or revenue (in case of badwill) deriving from the closed deal with the following acquisition must be determined as sum between the price paid for getting the control, the value of the quota attributable to minority interests (valued according to one of the methods specified by the principle), the fair value of the previously owned minority

shareholding, net of the fair value of the identifiable acquired net assets. According to the previous version of the principle, the control acquisition by steps was entered transaction by transaction, as a set of separate acquisition generating as a whole a goodwill determined as sum of the goodwill generated by the single transactions. Moreover, the revised principle version includes the allocation to the income statement of all costs linked with the company combination and the detection of liabilities for conditioned payments at the acquisition date. In the amendment of IAS 27, instead, IASB has defined that changes in the interests that are not a loss of control must be considered as equity transaction and therefore must have a contra-entry in the shareholder's equity. It is further defined that when a parent company grants the control in a own subsidiary but anyway still holds interests in the company it must assess the still owned shareholding in the financial statements at fair value and enter possible profits or losses deriving from the loss of control in the income statement. IFRS 3 (2008) specifies that the conditioned amounts are considered part of the transfer price of the acquired net assets and that they are valued at the fair value at the acquisition date. In the same way, if the combination contract includes the right to return a few components of the price if certain conditions occur, such right is classified as assets of the purchaser. Possible further variations of such fair value must be entered as adjustment of the original accounting treatment only if they are determined by larger or better information about such fair value and if they occur within 12 months from the acquisition date; all other variations must be entered in the income statement.
The previous version of the principle specified that the conditioned amounts were entered at the acquisition date only if their payment was deemed probable and their amount could be determined in a reliable way. Each following variation in the value of such amounts was further always entered as goodwill adjustment.
According to the transition rules, the company has adopted IFRS 3 (revised in 2008) – Business combinations, prospectively, for the business combinations occurred starting from 01.01.2010.

IAS 27 (2008) - Consolidated and separate financial statements
Changes to IAS 27 mainly concern the accounting treatment of transactions or events modifying the interests in subsidiaries and the allocation of losses of the subsidiary to quota attributable to minority interests. IAS 27 (2008) defines, that once the control of a company has been obtained, the transactions by which the parent company acquires or transfers further minority shares without changing the control on the subsidiary are transactions with shareholders and therefore must be entered as shareholder's equity. Therefore, the book value of the control shareholding and of the quota attributable to minority interests must be adjusted to reflect the variation of the interests in the subsidiary and each difference between the value of the adjustment made to the quota attributable to minority interests and the fair value of the price paid or received because of such transaction is directly entered in the shareholders' equity and is attributed to the shareholders of the parent company. No adjustment will be made to the goodwill value and profits or losses of the income statement.

<u>Accounting principles, amendments and interpretations applicable from 01.01.2010 and not relevant for the company</u>

The following amendments, improvements and interpretations applicable from 01.01.2010 regulate cases and examples not present in the Group at the date of the present Consolidated Financial Statement but could have accounting effects on future agreements or transactions:

- *Improvement to IFRS 5 – Non-current assets for sale and discontinued operating assets*. It explains that the integrative information required for non-current assets or disposed groups classified as owned for the sale or relating to discontinued operating assets are only those required by IFRS 5. Such improvement has been adopted prospectively and has not involved any property and financial effect or effect on the Group performance.
- Amendments to *IAS 28 – Investments in shareholdings* and to *IAS 31 – Shareholdings in joint ventures*, following to changes made to IAS 27.
- Amendment to *IFRS 2 – Share-based payments*: Group share-based transactions settled in cash. IASB has issued an amendment to IFRS 2 that explains the recognition of Group share-based payment transactions. Such amendment prevails on IFRIC 8 and IFRIC 11. Adopting this amendment has had no impact on the Group’s financial position or performance.
- *IFRIC 12 - Service Concession Arrangements.* The interpretation explains the methods to apply the rules of the International Reporting Financial Standards (IFRS) to service concession arrangements. In particular, IFRIC 12 shows how to detect the taken obligations and received rights from an operator of a concession service distinguishing between intangible model, financial model and mixed model depending on the degree of uncertainty to which the dealer is exposed as for cash flows

deriving from the concession arrangement, as the obligations taken regarding the use of the infrastructure used for providing the service. Such interpretation has not involved any property and financial effect or effect on the Group performance.

- *IFRIC 15 – Agreements for the construction of real estate.* On 03.07.2008 the International Financial Reporting Interpretations Committee (IFRIC) has published the interpretation IFRIC 15 Agreements for the construction of real estate (here below "IFRIC 15"). IFRIC 15 gives explanations and directions on when the earnings from the construction of real estate must be recorded and relating to the application of IAS 11 Construction contracts or IAS 18 Revenues for rendering services. Such interpretation has not involved any property and financial effect or effect on the Group performance.

IFRIC 16 - Hedging of a net investment in a foreign operation On 03.07.2008 the International Financial Reporting Interpretations Committee (IFRIC) has published the interpretation IFRIC 16 Hedging of a net investment in a foreign operation. IFRIC 16 is an interpretation explaining the methods for applying the requirements of the international accounting principles IAS 21 and IAS 39 if an entity covers the currency exchange risk deriving from own net investments in foreign branches. Such interpretation has not involved any property and financial effect or effect on the Group performance.

- *IFRIC 17 – Distribution of non-cash assets to owners*. The interpretation gives a guide for accounting operations by which the company distributes non-cash assets to shareholders as distribution of dividends and of reserves. Such interpretation has not involved any property and financial effect or effect on the Group performance.
- *IFRIC 18 – Transfer of assets from customers*. This interpretation particularly applies to companies operating in the sector of utilities and explains the requirements to be met if agreements are closed according to which an entity receives from a customer an asset that the entity must use either to connect the customer to a network, or to provide the customer with ongoing access to a supply of goods and services (such as the supply of electricity, water or gas). There is no impact on the Group financial statement following the interpretation application.
- Amendment to *IAS 39 – Financial instruments: recognition and valuation* – Elements that can qualify for the hedging. The amendment covers the definition of one-sided risk in an element subject to hedge and definition of inflation as covered risk or as portion of the risk in particular situations. Adopting this amendment has had no impact on the Group's financial position or performance.

<u>Accounting principles, amendments and interpretations not applicable yet and not adopted in advance by the company:</u>

On 08.10.2009, IASB has issued an amendment to IAS 32 – *Financial instruments: Presentation: Classification of titles issued* to discipline the recognition for issuing titles (titles, options or *warrants*) in a currency other than the issuer's functional one. Previously, such titles were recognised as liabilities from derivative financial instruments; the amendment instead requires that, under certain conditions, such titles are classified as shareholders' equity independently of the currency in which the exercising price is expressed. This amendment can be applied retrospectively since 01.01.2011.

On 04.11.2009, IASB has issued a revised version of IAS 24 – *Information on financial statements on the related parties,* simplifying the type of information required in case of transaction with State-controlled related parties and explains better the definition of related parties. The principle can be applied from 01.01.2011.

On 12.11.2009, IASB has published the principle IFRS 9 – *Financial instruments* on the classification and evaluation of financial assets applicable from 01.01.2013. This publication is the first step of a process that will completely replace IAS 39. The new principle uses a single approach based on the management methods of the financial instruments and on the characteristics of the contract cash flows of the financial assets to determine the evaluation principle replacing the various rules included in IAS 39. Further, the new principle includes a single method for determining the value losses for financial assets. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the new principle.

On 26.11.2009, IASB has issued a minor amendment to IFRIC 14 – *Advanced payments because of a min. due contribution clause*, allowing the companies paying in advance a min. contribution to recognise it as an asset. The amendment can be applied from 01.01.2011.

On 26.11.2009, IFRIC has issued the interpretation IFRIC 19 – *Cancellation of a liability by issuing capital instruments*, giving guidelines on the recognition of the cancellation of a financial liability by issuing capital instruments. The interpretation defines that if a company re-negotiates the conditions for cancelling a financial liability and its creditor accepts to cancel it by issuing company shares, then the shares issued by the company become part of the price paid for cancelling the financial liability and must be evaluated as *fair value*; the difference between the accounting value of the cancelled financial liability and the initial value of the issued capital instruments must be charged to the profit and loss account of the period. The amendment can be applied from 01.01.2011.

On 06.05.2010 IASB has issued several modifications to IFRS ("*improvements*") that will be applied from 01.01.2011; the main ones are mentioned hereafter, while those involving only terminology or editing changes with minor accounting effects, or those having effects on principles or interpretations not applicable by the IGD Group are here neglected:

- IFRS 7 – *Financial instruments: integrative information:* the modification points out the interaction between integrative information of qualitative and quantitative type required by the principle about the nature and extent of the risks relating to financial instruments. This should aid the users of the financial statements in connecting the presented information and in structuring a general description about the nature and extent of the risks relating to financial instruments. Further, the request of information about financial assets that are expired but that have been re-negotiated or depreciated and the one about the *fair value* of *collaterals* has been eliminated.
- IAS 1 – *Presentation of financial statement*: the modification requires the reconciliation of the changes of each equity item is presented in the notes or in the financial statement formats.
- IAS 34 – *Interim financial reporting:* explanations were added through a few examples about the additional information that should be presented in the Interim financial reporting.

At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the just described *improvements*.

On 07.10.2010 IASB has published a few amendments to the principle IFRS 7 – *Financial Instruments: Additional information,* applicable for accounting periods starting on or later than 01.07.2011. These amendments have been issued with the aim of improving the understanding of the transactions for transferring the financial assets, including the understanding of the possible effects from any risk still held by the company transferring such assets. Amendments further need more information if a too large amount of such transactions is performed at the end of an accounting period. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the amendments.

On 20.12.2010 IASB has issued a minor amendment to IFRS 1 – *First adoption of the International Financial Reporting Standards (IFRS)* to eliminate the reference to the date of 01.01.2004 contained there and set as transition date to IFRS and to supply a guide on the presentation of the financial statement according to the IFRS after a hyper-inflation period. Such amendments will be applicable from 01.07.2010. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the amendments.

On 20.12.2010 IASB has issued a minor amendment to IAS 12 – *Income taxes* requiring the company to evaluate deferred tax payables deriving from operations according to how the book value of such operation is recovered (through continuing use or through sale). Following to this amendment, SIC-21 – *Income taxes - Recovery of Revalued Non-Depreciable Assets* must not be applied anymore. Such amendment will be applicable from 01.01.2012. At the date of this consolidated financial statement, the competent bodies of the European Union have not yet completed the approval process needed for the application of the above amendment.

Converting items expressed in foreign currencies

The Euro is the currency IRCE SpA currently uses. The criteria adopted by the company are detailed below. They comply fully with the IAS 21 standard and the Italian company law reforms:

- the monetary items - which consist of liquid assets and cash on hand - as well as the amounts payable and receivable have been converted using the exchange rate in force at year-end, while the related gains and losses have been entered on the Profit & Loss Account.
- the non-monetary items estimated at their historical cost in foreign currencies have been converted referring to the exchange rate in force on the transaction date;
- fixed assets such as foreign currency loans have been entered at the exchange rate in force at the time of acquisition and converted into Euro at the exchange rate in force at year-end. However, the differences resulting from such financing have not been charged to the profit and loss account, but are entered directly on the profit and loss account until the investment is entered.

Tangible fixed assets

Tangible fixed assets are entered at their purchase cost, excluding any allowances and discounts received, or at the cost of construction, inclusive of direct expenses less the relevant depreciation fund and any accumulated losses in value.
In adopting the IFRS standards, certain items related to buildings, machinery and industrial equipment have been estimated at their fair value in effect on the date of transition to the IFRS standards. This value was thus used as a substitute for the cost allocated on the date of transition.
The book value of tangible assets is checked in order to detect any loss in value, if events or changes in situation show that the book value cannot be recovered. If there are indications of this type and if the book value exceeds the recoverable value, the assets will be depreciated to reflect the lower value. The recoverable value of the tangible assets is either the net sale price or the use value, whichever is the greater.

Depreciation, in accordance with the IFRS standards, is worked out using a "straight-line method" on the basis of depreciation rates that match the estimated useful life of the respective assets.
The costs incurred after acquisition are capitalised only if they create an increase in the inherent future benefits expected. If they do not, these costs are entered over the financial year in which they were incurred.
When the assets are sold or are unlikely to bring future benefits, they are removed from the financial statements and any profit or loss (calculated as the difference between the sale value and the book value) is entered on the income statement in the year in which the elimination takes place.

Land, including land adjacent to industrial buildings, is not subject to depreciation.

The assets under construction and payments in advance for the acquisition of tangible fixed assets are valued at cost. Depreciation begins when the assets are "ready for use", as scheduled by company management. On the scheduled date, the assets will be assigned to their specific categories.

Intangible fixed assets

Intangible fixed assets are entered on the asset side in compliance with IAS 38 (Intangible assets) when the use of such assets is likely to bring future benefits and the costs borne can be accurately determined.
The intangible assets purchased separately are initially capitalised at cost, while the assets acquired through company combinations are capitalised at their fair value on the date of acquisition. After the initial recognition, intangible fixed assets are entered at cost, net of depreciation funds and any accrued losses in value. Intangible fixed assets produced internally, with the exception of development costs, are not capitalised and are recognised on the income statement in the year in which they were incurred. The useful life of intangible fixed assets can be definite or indefinite. Definite-life assets are depreciated throughout their useful life and have to pass an impairment test whenever a potential loss in value is possible. The period of time and depreciation method are examined at the end of each financial year or even more frequently, if necessary. Variations in the expected service life, or in the way in which the future economic benefits linked with the intangible assets are gained, are indicated by changing the amortisation method and related period of time so that the items can be dealt with as changes to the accounting estimates. The

amortisation rates of intangible assets are entered on the income statement in the cost category that reflects their function.
IRCE has not entered any indefinite-life assets on the balance sheet.
The income or expenses deriving from the sales of intangible fixed assets are recorded as the difference between the net income from the divestment and the book value of the intangible fixed asset and are entered on the income statement when the asset is sold.

Financial assets

Equity investments

Investments in subsidiaries and affiliates are entered at cost, adjusted to reflect any losses in value. The positive difference at the time of purchase between the cost of acquiring the investment in the subsidiary and the current value of the part of shareholders' equity pertaining to the Company is therefore included in the investment's book value.
If the amount of losses pertaining to the Company exceeds the investment's book value, the value of the investment is cancelled out and the amount of any further losses is entered on the liabilities side, if the Company is obliged to pay for them.
The equity investments in companies other than subsidiaries and associated companies (with profit sharing less than 20%, when they are acquired) are classified as financial assets known as "ready for sale" or under other current or non-current assets valued at fair value on the profit and loss account.
The above interests are valued at their fair value or at cost. For non-quoted investments or investments whose fair value is not reliable or cannot be determined, their value is adjusted to reflect the losses in value. Changes in the value of investments, classified as assets valued at fair value on the income statement, are entered directly on the income statement. Changes in the value of investments classified as available for sale are entered in a shareholders' equity reserve which is entered on the income statement at the time of sale. At present, the Irce company has no financial assets classified as "ready for sale".

Receivables and other non-current assets

Receivables and other non-current assets consist of receivables from controlled companies, prepaid taxes and other items.
The receivables and other financial assets to be maintained until the due date are entered at their cost represented by the fair value of the initial amount exchanged, plus the transaction costs. The initial value recorded is adjusted in order to take into account the repayment of the capital share and any depreciation.

Inventories

Inventories are estimated at cost or at the net break-up value, whichever is the lower. The costs borne have been entered as detailed below:

- Raw materials: at weighted average purchase cost
- Finished and semi-finished products: direct cost of materials and labour + part of the indirect cost and overheads defined according to standard production capacity.

"Break-up value" means the normal sale price excluding the estimated cost for finishing and selling the products.

Trade receivables and other receivables

Receivables are entered at their fair value identified by their nominal value and then reduced by any losses in value. With reference to trade receivables, a provision is made for losses in value when there is an indication (such as probable insolvency or significant difficulties of the debtor) that the Company will not be able to recover the amounts due in accordance with the terms agreed as specified in the invoice. The book value is therefore reduced by making recourse to a specific provision. Any receivables subject to loss in value are written off when there is no possibility of recovery.

Cash and cash equivalents

This item includes cash on hand, sight and short-term bank deposits at their nominal value. In the latter case, the expected or agreed deposit time does not exceed three months.

Payables & financial liabilities

Accounts payable are recorded at their nominal value if due by the next financial year. Those falling due after more than 12 months are valued at their amortised cost.
The financial liabilities made up of financial loans are initially entered at their market value (fair value) increased by the transaction costs. They are then estimated at their amortised cost i.e. the initial value less the reimbursement of the capital already paid, adjusted (increased or reduced) on the basis of amortisation (using the effective interest method) of any differences between the initial value and value on due date.

Cancellation 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 assets) is removed from the financial statements when:

- the right to receive cash flow from the asset ceases to exist;
- the company has still the right to receive financial flow from the asset, but has to transfer them immediately to a third party;
- the company has transferred the right to receive the financial flows from the asset and (a) has transferred all the risks and benefits from the asset (b) has not transferred or maintained all the risks and benefits deriving from the asset but has gained control over it.

If the Company has transferred the rights to receive all the financial flows from an asset and has not transferred or maintained all the risks and benefits or still has control over it, the asset will be entered on the balance sheet to the extent of the Company's residual involvement. If this involvement takes the form of a guarantee on the transferred asset, it is valued at either the initial book value or the asset or the maximum amount which the Company may be obliged to pay, whichever is the lower.

If the residual involvement is in the form of an option issued and/or acquired over the transferred asset (including options paid in hand cash or in similar ways), the extent of the Company's involvement corresponds to the amount of the transferred asset which the company can re-purchase. However, in the case of options issued on an asset estimated at its fair value (including options settled in cash or in a similar way) the extent of the involvement is limited to the lower of the fair value of the transferred asset and the price of exercising the option.

Financial liabilities

A financial liability is removed from the financial statements whenever the underlying liability ceases to exist or is cancelled or fulfilled.

If a financial liability is replaced by another liability granted by the same person under completely different terms, or if the terms of an existing liability are basically changed, this change is treated as a cancellation of the original liability and the recognition of a new one. Any differences in the book values will be entered on the income statement.

Provisions for risks and charges

The provision for risks and charges includes the sums appropriated for fulfilling current obligations (legal or implicit) that arose in the past and for which the company may have to allocate resources. Changes in estimates are reflected in the income statement relative to the period to which they refer. If the effect of the cash discounting is significant, the provisions are discounted using a "pre-tax discount rate" that reflects (where appropriate) the risks liabilities have. When the discounting takes place, the increase in the provision due to the passage of time is recorded as a financial expense.

Employee benefits

The Provisions for employees severance indemnity (TFR), mandatory for Italian companies under law 297/1982, are considered as a defined-benefit scheme based on the working life of the employees and the wages or salaries earned over a certain period of time. The company has not provided for remunerations or indemnities based on shares as the employees do not work in return for shares or share options, nor incentive plans in the form of capital contributions.

The amount payable on account of TFR (employees' severance indemnity) is calculated using the "Unit Value Method". In adopting the IFRS accounting standards and for normal financial years, the Company has decided to enter all the accumulated actuarial gains and losses. The profits and losses deriving from the actuarial calculations are entered on the income statement as costs of labour or financial income, depending on the situation. All the actuarial profits and losses, including those that (in percentage terms) fall within a certain time interval, known as "corridor", are also recorded.
The costs relative to the increase in current value of the TFR provision, deriving from the approach of the time when the benefits are due to be paid, are included in the personnel costs, as required by IAS 19.

Derivative financial instruments

The company has used derivative financial instruments such as forward contracts for the purchase and sale of copper to face its exposure to the risk of raw material price variation, and an interest rate SWAP contract to face its exposure to the risk of interest rate variation as for a medium-long term financing.

Any gains or losses deriving from changes in the fair value of the derivative still open as at the date of these accounts and not suitable for "hedge accounting" are recorded directly in the profit and loss account for the financial year in question.

The fair value of the forward contracts for the sale and purchase of copper, existing at the financial statements date, is determined according to the forward prices of copper with reference to the maturity dates of any contracts still in existence at the accounts closing date.
For hedge accounting purposes, the coverage has been classified as follows:

- hedging of fair value, if the hedge is to protect against any changes in the fair value of the relevant asset or liability; or an irrevocable commitment (except for currency risks); or
- hedging of cash flow, if to protect against exposure to changes in cash flow attributable to a particular risk associated to the asset or liability recognised, or to a programmed transaction which is highly likely.
- hedging of a net investment in a foreign company (net investment hedge).

Prior to a hedging transaction, the Company formally designates and substantiates the coverage to which the hedge accounting is to be applied, its risk management objectives and strategy. The documentation includes details of the hedging instrument, the transaction covered, the nature of the risk and the ways in which the company intends to evaluate the efficiency of the hedge in compensating for any changes in the fair value of the risk covered, or in the cash flows relative to the covered risks.

These types of hedge are expected to be extremely efficient in compensating for the covered risk being exposed to fair value or cash flows variations. The effectiveness of these transactions is constantly monitored during the years in question.

Company's own shares

The company's own shares held are deducted from the shareholders' equity. In particular, they are recorded at their nominal value in the "own shares" reserve, and any surplus value compared to the nominal value is deducted from the item Other reserves. The purchase, sale, issue or cancellation of participative instruments do not lead to the recognition of any profit or loss.

Revenue recognition

According to IAS 18, income is recognised to the extent that IRCE can reap the inherent economic benefits and the amount can be reliably determined. The criteria below must always be observed when revenue is recognised on the income statement:

Sale of goods

The revenue is recognised when the company has transferred all the significant risks and related benefits, normally on the date goods are dispatched.

Services rendered

The revenue deriving from services (technical support, repairs and other services) are recognised according to the state of completion, measured as a percentage of the actual working hours compared to the estimated hours for each service rendered.

Interest

Interest is posted as financial income after the relevant interest income has been assessed (using the effective interest method, the rate which accurately discounts future expected cash flows on the basis of the expected life of the financial instrument, at the net book value of the financial asset).

Dividends
Dividends are posted as they become due to the shareholders.

Expenses

Expenses are posted according to the competence principle. Research, advertising and promotion expenses are allocated to the income statement in the year in which they were incurred.

Financial income and expenses

Financial income and expenses are entered on the income statement when they are incurred.

Earnings per share

As required under IAS 33, basic and diluted earnings per share attributable to the holders of ordinary shares in the parent company's capital are entered on the income statement. Information is provided on consolidated data only, in accordance with the above IAS standard.

Basic earnings per share are worked out by dividing the total net operating income attributable to ordinary shareholders in the parent company's capital by the weighted number of ordinary shares in circulation during the financial year, excluding the company's own shares. The weighted share average is applied to previous financial years with retroactive effect.

Income taxes

Current taxes

Payable or receivable taxes for the current and previous financial years are valued at the amount expected to be recovered or paid to the tax authorities. Tax rates and regulations used to work out the amount are those in force or issued at the closing date of the financial statements.
Current taxes relative to elements entered directly under shareholders' equity are recognised under equity, not in the income statement.

Deferred taxes

Deferred taxes are calculated by using the "liability method" on the temporary differences recorded at the financial statements date, derived from fiscal values taken as a reference for assets, liabilities and financial statements values.

Deferred taxes payable are recorded in respect of all the taxable temporary differences, except:

- when the deferred taxes payable result from the initial recording of the goodwill or assets or liabilities in a transaction which is not a business combination and, at the time of the transaction, there are no effects on the profit for the year calculated for financial statements purposes nor on profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, in the event that the reversal of the temporary differences can be calculated and it is probable that this will not take place in the foreseeable future.

The deferred taxes receivable are recorded in respect of all the deductible temporary differences as well as the tax assets and liabilities carried forward, to the extent that there are probable future taxable profits which will render applicable the use of temporary deductible differences and tax assets and liabilities carried forward, except where:

- deferred taxes connected to the deductible temporary differences derive from the initial recording of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, has no impact either on the profits calculated for financial statements purposes nor on the profit or loss calculated for tax purposes;
- with reference to the taxable temporary differences associated to shareholdings in subsidiaries, affiliates and joint ventures, deferred taxes receivable are recorded to the extent that it is likely that the deductible temporary differences will be reversed in the immediate future and that there are adequate profits in respect of which the temporary differences can be used.

The value of deferred taxes to be entered on the financial statements are reviewed at each closing date and reduced to the extent that it is no longer probable that sufficient profits will be available in the future to allow all or part of this credit to be used. The deferred taxes not recognised are reviewed at yearly intervals at the financial statements closing date and are recorded to the extent that it is likely that profits will be sufficient to allow recovery of these deferred taxes receivable.

Estimates

In compiling the financial statements and explanatory notes (in accordance with IFRS), Management provides reliable estimates for assets and liabilities, and information about potential assets and liabilities available when the financial statements are issued. The actual results may differ from the estimates given. The estimates are used to forecast the provisions for bad debts, depreciation, taxes and other provisions and funds. The estimates and assumptions are reviewed from time to time, and the effects of any changes are immediately recorded on the income statement.

DERIVATIVES

The Company currently has the following types of derivatives:

- derivatives relative to obligations for forward sales of copper, with a maturity date after 31st December 2010. The sale contracts were entered into in order to counter price reductions relative to the availability of raw materials. The fair value of the forward contracts for the sale of copper, existing at this financial statements date, is determined according to the forward prices of copper with reference to the maturity dates of any contracts still in existence at the accounts closing date. These transactions do not meet the requirements for recognition as hedge accounting instruments.
- A derivative instrument relating to an interest rate SWAP contract to face its exposure to the risk of interest rate variation as for a medium-long term financing. According to such contract the parties engage to pay or collect at fixed dates amounts determined on the basis of the difference among the various exchange rates.

The following is a summary of the commodity (copper) for forward sales contracts, open as at 31st December 2010:

Unit of measurement of notional value	Notional value with maturity within one year, tonnes	Notional value with maturity after one year	Result with valuation at fair value, 31.12.2010 €/000
Tonnes	950	0	(634)

The following is a summary of interest rate SWAP derivative contracts, open as at 31st December 2010 (amounts in Euro/000):

Nominal amount	Raising date	Maturing date	IRS period year	bank rate	customer rate
9,108	15/03/2010	31/12/2014	half-yearly	EURIBOR 6M ACT/360	2.20%

BUSINESS INFORMATION

The IRCE S.p.A. sectorial structure is based on specific business areas given that risks and profitability of IRCE S.p.A. are particularly affected by the differences between the products and services on offer.
The operating assets of the IRCE S.p.A. are organised and managed separately according to the nature of the products and the services provided. Each sector represents a strategic business unit that provides different products and services in different market areas.
The "Winding Wire" company division serves the manufacturers of electric motors, power generators, transformers, relays and solenoid valves.
The "Electric Cables" division serves the construction industry, the civil works and industrial-grade plant engineering market (electrical wiring) and also the long-term electrical equipment market.
Business information according to geographical areas is also given; the revenues of IRCE S.p.A. are divided according to the geographical position of the served customers.

31st December 2010 €/000	OPERATING ASSETS			
	Winding wires	Cables	Unallocated inventory	Total
Income Statement				
Revenues	208,599	79,117	4,049	291,766
Other revenues and proceeds			1,408	1,408
Changes in leftover stock	14,386	5,762		20,148
Production value				313,322
Sector result	17,633	2,624		20,257
Unallocated expenses			(5,972)	(5,972)
Operating result	17,633	2,624	(515)	19,742
Financial income and expenses				(4,487)
Write-downs in equity investments				(2,111)
Taxes				(5,662)
NET EARNINGS				7,482
Assets & Liabilities				
Trade receivables	69,610	25,980		95,590
Inventories	55,907	22,394		78,301
Unallocated assets				
Assets	125,517	48,375		173,892
Trade payables	24,510	9,818		34,328
Unallocated expenses				
Liabilities	24,510	9,818		34,328
Other business information				
Net tangible fixed assets	19,032	7,624		26,656
Working capital	101,007	38,557		139,564

31st December 2009 €/000	BUSINESS UNITS			
	Winding wires	Cables	Unallocated inventory	Total
Income Statement				
Revenues	103,604	57,035		160,639
Other revenues and proceeds			1,061	1,061
Changes in leftover stock	(2,127)	(1,249)		(3,377)
Production value				158,324
Sector result	3,929	(713)		3,216
Unallocated expenses			(791)	(791)
Operating result	3,929	(713)	270	3,486
Financial income and expenses				(21,955)
Write-downs in equity investments				
Taxes				4,431
NET EARNINGS				(14,038)
Assets & Liabilities				
Trade receivables	37,038	18,977		56,015
Inventories	30,001	17,620		47,621
Unallocated assets				
Assets	67,039	36,597		103,636
Trade payables	12,206	7,169		19,375
Unallocated expenses				
Liabilities	12,206	7,169		19,375
Other business information				
Net tangible fixed assets	19,162	11,254		30,415
Working capital	54,833	29,429		84,262

In 2010 the two strategic business units show the following situations:

- the sector of winding wires shows volumes and results significantly higher when compared to those in the same period of the previous year;
- in the sector of cables the result by sector is improving compared to the first 2010 six-month period thanks to the good results achieved in the last 2010 quarter thanks to the PV incentives.

The following table shows the geographical distribution of revenues:

As at 31st December 2010 €/000	EC	Non-EC	Total
Income from Sales and Services	273,460	18,306	291,766

On 31st December 2009 €/000	EC	Non-EC	Total
Income from Sales and Services	152,752	7,887	160,639

NOTES ON THE MAIN ITEMS OF THE ASSETS AND LIABILITIES STATEMENT FOR THE YEAR ENDING 31st DECEMBER 2010

1. INTANGIBLE ASSETS

This financial statements item concerns the intangible assets from which economic benefits are expected in the future. The following table shows the changes to net book value:

€/ 000	Patent rights and use of intellectual property	Licences, trademarks, similar rights and multi-annual charges	Total
Net value as at 31.12.2009	41	31	72
Changes during the year			
. Increases	67	15	82
. Depreciation	(75)	(9)	(84)
Total	(8)	6	(2)
Net value as at 31.12.2010	33	37	70

Asset	Useful life	Depreciation method	Internally developed or purchased product	Impairment tests for assessing losses in value
Patent rights and intellectual property	Definite	50%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value
Permits and licenses	Definite	20%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value
Trademarks and similar rights	Definite	5.56%	Purchased	Review of depreciation method at each year-end, and impairment test if there are indicators of loss in value

The depreciation rates of the other intangible fixed assets are calculated in accordance with the specific residual possibility of use, and are reviewed at the end of the financial year.

All the years, research and development expenses are borne. These are not capitalised because constant and continuous research is made to improve products and related processes.

2. TANGIBLE ASSETS

€/000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net value as at 31.12.2008	9,315	6,897	12,971	1,063	226	4,131	34,604
Changes during the year							
. Investments	-	-	440	221	109	2,147	2,917
. Reclassification	-	-	959	4	2	(965)	0
. Divestments	-	-	(48)	(51)	(121)	(1,146)	(1,366)
. Depreciation related to removal or sales of asset	-	-	27	27	118	-	172
. Depreciation in the course of financial year	-	(639)	(4,676)	(487)	(109)	-	(5,911)
Total	0	(639)	(3,297)	(286)	(2)	36	(4,188)
Net value as at 31.12.2009	9,315	6,258	9,674	777	224	4,167	30,415

€/000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net value as at 31.12.2009	9,315	6,258	9,674	777	224	4,167	30,415
Changes during the year							
. Investments	-	763	1,370	252	107	3,711	6,203
. Reclassification	-	-	2,878	34	0	(2,912)	0
. Divestments	-	-	(2,418)	(88)	(164)	(4,637)	(7,307)
. Depreciation related to removal or sales of asset	-	-	2,397	88	161	-	2,646
. Depreciation in the course of financial year	-	(889)	(3,885)	(425)	(102)	-	(5,301)
Total	0	(126)	342	(139)	2	(3,838)	(3,759)
Net value as at 31.12.2010	9,315	6,132	10,016	638	226	329	26,656

The investments in assets under construction and advances include investments in machinery later sold to subsidiaries; the value for the sale of machinery to the subsidiaries is instead posted in divestments.

Depreciation was calculated on the basis of rates considered representative of the estimated useful life of the related assets. The annual rates applied are detailed below:

Buildings	3.0% - 10.0%
Plant and machinery	7.5% - 17.5%
Industrial and commercial equipment	25.0% - 40.0%
Other assets	12.0% - 25.0%

3. OTHER FINANCIAL ASSETS AND NON-CURRENT RECEIVABLES

Receivables from subsidiaries

€/000	31/12/2010	31/12/2009
- FD Sims Ltd	10,086	6,455
- DMG	2,206	1,005
- IRCE S.L	221	219
- IRCE Ltda	1,222	1,272
- ISODRA Gmbh	820	-
Total	14,555	8,951

Investments in subsidiaries

The list of the investments is given in Annex 2 and is to be considered as integral part of the Informative Note.
The increase compared to last year is due to the increase in share capital of the Brazilian subsidiary IRCE Ltda, fully subscribed and paid up by IRCE SpA, and further, in October 2010, the company ISODRA Gmbh with head office in Kierspe (Germany) has been acquired.
The higher book value of the investments in FD Sims Ltd and IRCE Ltda was supported by impairment tests. This test was conducted by projecting the cash flows from the most recent business plan approved by Management. The business plan was prepared on the basis of five periods of time and reflects past experience, excluding any flows generated by restructuring, optimisation or improvements to assets. The terminal value of the CGU was calculated on the basis of constant cash flow (equal to the flow of the 5th period) over a 20-year period.
The total WACC used in the test was 7.2%; the discount rate used (WACC – weighted average cost of invested capital inclusive of the theoretical tax effect) was 7.6% for FD Sims Ltd and 11% for IRCE Ltda; the risk premium relative to the cost of equity was 4.2% and is common to all companies in the sector, while the borrowing rate used was the average interest rate paid by the company to obtain finance. The impairment test did not show any need to adjust the values given in the financial statements. The rates used were determined by taking into account the market rates on the basis of the current economic situation. Further, referring to the value of investments in the balance sheet, the performed sensitivity tests have not shown situations with possible significant impairment.

4. ADVANCED TAXES

Advanced taxes are detailed below**:**

€/000	31/12/2010	31/12/2009
- Non-deductible depreciation	218	742
- Appropriations to provision for risks and charges	300	180
- Amounts allocated to taxed bad debts provision	634	1,148
- Loss on currency exchange adjustment	41	5
- Losses carried forward	2,812	6,255
- Association fees	2	2
Total	4,007	8,332

The deferred taxes receivable are recorded in respect of all the deductible temporary differences as well as the tax assets and liabilities carried forward, to the extent that there are probable future taxable profits which will render applicable the use of temporary deductible differences and tax assets and liabilities carried forward. The value on the accounts closing date has been reviewed considering the probability of sufficient future taxable profits to enable this credit to be used totally or partially.
The rates used to calculate the taxes were 27.5% for IRES and 3.9% for IRAP.

5. INVENTORIES

Inventories are detailed below:

€/000	31/12/2010	31/12/2009
- Raw and complementary materials, consumables	23,903	13,370
- Semi-finished products and work in progress	14,715	6,388
- Finished products and goods	39,683	27,863
Total	78,301	47,621

In the course of the financial year, inventories have not been depreciated and no previous inventory write-downs have been reversed.
The leftover stocks recorded are not mortgaged or given as securities on liabilities.
The increase compared to 31.12.2009 is proportional to the growth in volume and prices.

6. TRADE RECEIVABLES

€/000	31/12/2010	31/12/2009
- Customers/Bills & notes receivable	93,927	55,834
- Bad debts provision	(3,087)	(4,544)
Total	90,840	51,290

The balance of trade receivables is made up entirely of receivables due within the next 12 months.
The increase compared to 31.12.2009 is proportional to the sales growth.

The movements in the bad debts provision during 2010 are shown below:

€/000	31/12/2009	Provision	Uses	31/12/2010
Bad debts provision	4,544	1,605	(3,062)	3,087

7. RECEIVABLES FROM SUBSIDIARIES

The amounts receivable from subsidiaries are shown below:

€/000	31/12/2010	31/12/2009
- FD Sims LTD	549	245
- Isolveco	40	15
- Isomet AG	998	302
- IRCE S.L	1,875	2,270
- DMG	125	22
- ISODRA Gmbh	22	-
- IRCE LTDA	427	1,424
- Stable Magnet Wire P.Ltd.	714	447
Total	4,750	4,725

8. RECEIVABLES FROM PARENT COMPANY

The item of €/000 566 refers to receivables from the parent company Aequafin Spa relating to an IRES tax credit due to application of the system of national consolidation taxes.

9. TAX RECEIVABLES

€/000 427 refers to credits for advance taxes paid and €/000 96 refers to VAT credits.

10. OTHER RECEIVABLES

The following is a breakdown of this item:

€/000	31/12/2010	31/12/2009
- Credits receivable	1,629	582
- Prepayments to Suppliers	79	51
- Accrued income & deferred charges	74	65
- Receivables from social security institutes for weather events	297	312
- Receivables from INPS for CIG advances	167	243
- Other receivables	305	117
Total	2,551	1,370

11. OTHER CURRENT FINANCIAL ASSETS

€/000	31/12/2010	31/12/2009
- Forward operations for copper Mark to Market	-	-
- Forward operations for GBP Mark to Market	-	20
- Fixed account for LME operations	8	2,015
Total	8	2,035

The item "Fixed account for LME operations" refers to the *margin calls* ("hedge requests") deposited at the Brokers for copper forward operation on LME.

12. CASH AND CASH EQUIVALENTS

This item includes bank deposits, cash in hand and liquid deposits.

€/000	31/12/2010	31/12/2009
- Bank deposits and giro accounts	505	116
- Cash on hand and liquid deposits	15	13
Total	520	129

Short-term bank deposits yield variable interest. The bank and postal deposits in effect at the closing date of the half-yearly financial statements are not subject to liens or restrictions.

13. SHAREHOLDERS' EQUITY

The share capital consists of 28,128,000 nominal ordinary shares for an equivalent of € 14,626,560. The share capital is entirely subscribed and paid up. The shares are free of any restrictions that could affect profit sharing and repayment of capital.
There were 1,654,173 own shares as at 31st December 2010.

The reserves are detailed below:

€/000	31/12/2010	31/12/2009
- Share premium reserve	40,539	40,539
- Legal reserve	2,925	2,925
- Company's own shares	(860)	(860)
- Profits to be re-invested in Southern Italy	201	201
- Extraordinary reserve	31,529	46,095
- Company surplus reserve	6,622	6,622
- IAS/IFRS transition reserve	6,245	6,245
- Fair value reserve	14,114	14,182
Total	101,315	115,949

Share premium reserve

This item refers to the higher number of shares issued, compared to the par value of shares issued by IRCE in 1996 to increase the share capital when the company shares were listed on the stock exchange.

Company's own shares

This reserve is relative to the nominal value of the own shares acquired by the Company and that are deducted from the shareholders' equity.

Other reserves

The reserves are given in full detail in the balance sheet, and include the following items:
- the Capital Surplus Reserve created in 2001 when "Irce Italcavi SPA" and "Isolcable Srl" merged into "Irce SPA";
- The IAS/IFRS Transition Reserve is a contra-entry relative to the conversion of the statutory financial statements to the one required under the IAS/IFRS International Accounting Standards as at 1st January 2004, the year of the transition;
- the Fair Value Reserve is a contra-entry relative to the valuation of certain items of land, buildings, machinery and industrial equipment at the time of transition to IFRS. The valuation took into account the re-determined value (equal to the fair value) as at the date of transition to the IFRS. This value was thus used as a substitute for the cost allocated on the date of transition. In addition, the reserve also includes the effect of the "mark-to-market" estimates of the hedging contracts open on 31st December 2010 according to the "cash flow hedging" criterion. The reserve includes unrealised profits and losses (net of taxes) deriving from the valuation of a financial instrument designated as a cash flow hedge,

Net earnings

Net earnings for the year amount to €/000 7,482 (€/000 14,037 of loss as at 31st December 2009).

14. NON-CURRENT FINANCIAL LIABILITIES

€/000	Rate	31/12/2010	31/12/2009	Due date
Unicredit	Variable	-	4.165	2011
Carisbo	Variable	2,000	6,000	2012
Intesa	Variable	6,296	10,000	2014
Total		8,296	20,165	

No guarantees have been provided for the loans in question.

15. DEFERRED TAXES

The liabilities resulting from deferred taxes are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Advance depreciation	121	125	
- Capital gains by instalments	-	14	
- Foreign exchange gains	9	7	
- Differences resulting from IAS 17 application	108	108	
- Differences resulting from land depreciation reversal	465	465	
- Effects of TFR differences (IAS 19)	197	146	
Total	900	865	

The liabilities resulting from deferred taxes include the fiscal effect of the IAS accounting method, and taxes calculated on advance depreciation determined at the time of submitting the tax return. The changes during the year were caused by the above effects.
The rates used to calculate the taxes were 27.5% and 3.9%.

16. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are detailed below:

€/000	31/12/2009	Provision	Uses	31/12/2010
Pension fund	360	20	(8)	372
Provision for future costs	476	431	(245)	662
Total	836	451	(253)	1,034

The pension fund is used for the severance indemnity related to agency contracts.
The provision for future costs refers to provisions made for various disputes.

17. PROVISIONS FOR EMPLOYEE BENEFITS

The following movements occurred in the leaving indemnity fund:

€/000	31/12/2010	31/12/2009
TFR balance as at January 1st	5,366	5,565
Financial charges	213	249
Actuarial profits/losses	(250)	(45)
Amounts paid	(375)	(403)
TFR balance for the period	4,954	5,366

The severance indemnity provision is part of the defined-benefit scheme.
A method known as "Projected Unit Credit Cost" was used to work out the liabilities as follows:
- the future benefits to be paid to employees, who have joined the benefit scheme (covering pension, death, disability, dismissal) have been projected on the basis of certain hypotheses (increase in the cost of living, increase in wages/salaries etc.). The estimate of future benefits allows for any increases corresponding to length of service as well as a hypothetical rise in wages/salaries earned at the time of the estimate.
- the current average value of future benefits has been worked out at the date of estimate on the basis of an annual interest rate and the likelihood that such benefits will have to be paid.
- the company liabilities have been defined by indicating the actual average amounts of future benefits that refer to the amount of time the employee has been in service on the date of the estimate.

- the reserve that complies with the IAS standards was identified on the basis of the liabilities indicated above, and the reserve entered on the financial statements as provided for by Italian law.

The hypotheses taken into account are detailed below:

Demographic forecasts	Managers & Executives	Non-managerial staff
Likelihood of death	Mortality rates for the Italian population as indicated in the IPS55 tables	Mortality rates for the Italian population as indicated in the IPS55 tables
Likelihood of disability	INPS -2000 tables	INPS -2000 tables
Likelihood of resignation	3% every year	3% every year
Likelihood of retirement	Primary retirement pension requirements as provided for by Social Security regulations	Primary retirement pension requirements as provided for by Social Security regulations
Probability of:		
- receiving a 70% advance on accrued TFR at start of year	2.0% every year	2.0% every year

Financial forecasts	Managers & Executives	Non-managerial staff
Rise in cost of living	1.50% p.a.	1.50% p.a.
Discount rate	4.0% p.a.	4.0% p.a.
Overall increase in wages/salaries	3.0% p.a.	3.0% p.a.
Increase in Severance Indemnity Fund	3.0% p.a.	3.0% p.a.

18. CURRENT FINANCIAL LIABILITIES

The financial liabilities are detailed below:

€/000	31/12/2010	31/12/2009
- Due to banks	91,030	23,595
- Amounts payable for derivatives	702	3,266
Total	91,732	26,861

The increase in short-term payables to banks is mainly due to the increase in the value of the copper raw material and to the following increase in current assets.
€/000 634 of the item "payables for derivatives" refers to the Mark to Market (*Fair Value*) valuation of the sales forward contracts for copper, open as at 31.12.2010, and €/000 68 refers to the Mark to Market (*Fair Value*) valuation of the interest rate Swap contract, stipulated on 31.12.2010.

With reference to the financial liabilities, the **company's financial position**, drawn up in accordance with the Consob Communication 6064293 dated 28th July 2006 and the CESR guidelines dated 10th February 2005, is as follows:

€/000	31/12/2010	31/12/2009
Available funds	520	129
Other current financial assets	8	2,035
Cash and Cash equivalents	528	2,164
Current bank loans	(91,732)	(26,861)
Current net financial indebtedness	**(91,204)**	**(24,697)**
Non-current bank loans	(8,296)	(20,165)
Non-current financial liabilities	**(8,296)**	**(20,165)**
Net financial indebtedness	**(99,500)**	**(44,862)**

19. TRADE PAYABLES

Most trade payables fall due over the next twelve months.
As at 31.12.2010, they amounted to €/000 31,803 compared to €/000 18,211 as at 31.12.2009.

20. PAYABLES TO SUBSIDIARIES

The chart below includes the following:

€/000	31/12/2010	31/12/2009
- FD Sims Ltd	-	38
- Smit Draad Nijmegen BV	14	19
- Isolveco Srl	78	53
- DMG Gmbh	198	156
- IRCE SL	29	8
- ISODRA Gmbh	31	-
- Stable Magnet Wire P.Ltd.	1	117
- IRCE LTDA	2,174	772
Total	2,525	1,163

21. TAX PAYABLES

€/000 1,300 refer to amounts payable for income taxes, entered inclusive of the advances paid during the year. €/000 167 refer to other amounts payable to the Treasury, €/000 2,085 represent VAT payables and €/000 476 to payables for IRPEF on employees.

22. AMOUNTS DUE TO SOCIAL SECURITY

This item relates to the debt to Social Security Institutes, in respect of amounts falling due in December 2010.

23. OTHER CURRENT LIABILITIES

The other liabilities are as follows:

€/000	31/12/2010	31/12/2009
- Due to employees	1,917	1,629
- Deposits received from customers	2,201	1,687
- Accrued expenses and deferred income	100	39
- Other	257	97
Total	4,475	3,452

NOTES TO THE PRINCIPAL ITEMS ON THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2010

24. INCOME

This refers to income from the sale of assets, net of returns, allowances and packaging returns. This year's sales of €/000 291,766 represent an increase of 82% compared to the past year (€/000 160,639).

25. OTHER RECEIPTS

The item "Other income and receipts" is as follows:

€/000	31/12/2010	31/12/2009
- Gains on fixed assets	1	27
- Other	1,066	825
- Increases in fixed assets	341	209
Total	1,408	1,061

26. COSTS OF RAW MATERIALS AND CONSUMABLES

This item includes the costs borne for purchasing raw materials - such as copper, insulating materials, packaging materials and consumable items (for maintenance work), net of changes to inventories.

27. COSTS OF SERVICES

These include service costs needed to process the copper, the utilities, transportation and all other commercial and administrative services as well as the costs of leased equipment.

€/000	31/12/2010	31/12/2009
- Outsourced work	6,684	4,623
- Utilities	10,310	7,340
- Maintenance work	712	456
- Transport costs	4,047	3,185
- Commissions paid	504	657
- Fees paid to directors	216	216
- Fees paid to auditors	86	61
- Other	3,747	3,116
Total	26,306	19,654

28. COST OF PERSONNEL

The costs for personnel are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Wages and salaries	11,505	10,702	803
- Social security contributions	4,658	4,449	209
- Severance indemnity	76	271	(195)
- Other costs	523	394	129
Total	16,762	15,816	946

"Other costs" includes the costs incurred for temporary staff.

The average workforce for the period was as follows:

Staff	Average 2010	31/12/2010	31/12/2009
- Managers & Executives	9	9	9
- Clerical staff	114	117	116
- Workers	340	347	346
Total	463	473	471

The average staff number is calculated with the Full-Time-Equivalent method.

On December 31st 2010, the total number of employees was 473, of whom 30 work part-time.

As required by IAS 24, the following table contains details of the annual payments made to members of the Board of Directors:

Name & surname	Position held	Fees received	Fees received for other tasks	Total
Filippo Casadio	Chairman	154,542	131,653	286,195
Francesco Gandolfi Colleoni	Director	12,000	127,908	139,908
Gianfranco Sepriano	Director	12,000	70,000	82,000
Fabio Senese	Director	12,000		12,000
Orfeo Dallago	Director	12,000		12,000

29. DEPRECIATION

Depreciation is detailed as follows:

€/000	31/12/2010	31/12/2009	Changes
- Intangible fixed asset depreciation	83	54	29
- Tangible fixed asset depreciation	5,301	5,911	(610)
Total depreciation	5,384	5,965	(581)

30. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Write-down of receivables	1,605	82	1,523
- Provisions for risks	431	236	195
- Write-downs in equity investments in subsidiaries	2,111	-	2,111
Total provisions and write-downs	4,147	318	3,829

31. OTHER OPERATING COSTS

The other operating costs are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Taxes and duties payable	172	172	-
- Capital losses and non-operating losses	464	297	167
Total	636	469	167

32. FINANCIAL INCOME AND EXPENSES

The financial income and expenses are detailed below:

€/000	31/12/2010	31/12/2009	Changes
- Other financial income	137	144	(7)
- Income from subsidiaries	15	263	(248)
- Interest payable and other financial charges	(3,757)	(22,501)	18,744
- Profits (losses) – Currency exchange	(882)	139	(1,021)
Total	(4,487)	(21,955)	17,468

- Other financial incomes

€/000	31/12/2010	31/12/2009	Changes
- Interest receivables, Bank	2	8	(6)
- Interest receivables, Customers	74	112	(38)
- Financial assets on currency operations	-	20	(20)
- Other	61	4	57
Total	137	144	(7)

- Interests and other financial charges

€/000	31/12/2010	31/12/2009	Changes
- Short-term debt interest payables	710	136	574
- Long/medium-term interest payables	288	614	(326)
- Sundry interest payables	31	94	(63)
- Bank commissions and charges	58	53	5
- Charges on derivatives	2,670	21,604	(18,934)
Total	3,757	22,501	(18,744)

The item "Charges on derivatives" refers to the result of the sales forward contracts for copper for €/000 2,036 and for €/000 633 to the Mark to Market (*Fair Value*) valuation of the sales forward contracts for copper, open at this financial statements date; the contracts relate to 950 tonnes.

33. INCOME TAX

€/000	31/12/2010	31/12/2009
- Current taxes	(1,300)	(428)
- Advanced/deferred taxes	(4,361)	4,859
Total	(5,661)	4,431

34. EARNINGS PER SHARE

As required by IAS 33, the information regarding the data used to work out the earnings per share and diluted earnings is provided below.

The net earnings have been used to calculate the basic earnings for the period. In addition, there are no preference dividends, converted preference shares or equivalents that may affect the net earnings assigned to ordinary shareholders. The weighted average of the ordinary shares in circulation was used as the denominator, calculated by deducting the average number of own shares owned during the period from the total number of shares forming the share capital.
The diluted earnings match the earnings per share as there are no ordinary shares that may have "diluting" effects and options or warrants, which may have the same effect, are unlikely to be exerted.

	31/12/2010	31/12/2009
Net earnings	7,481,923	(14,037,363)
Weighted average shares for basic earnings per share	26,473,827	26,473,827
Basic earnings per share	0.2826	(0.5302)
Diluted earnings per share	0.2826	(0.5302)

No other transactions in ordinary shares occurred between the financial statements closing date and the time when the financial statements were actually drawn up.

35. OBLIGATIONS

At year-end, there were no particular obligations borne by the Company.

36. INFORMATION ON RELATED PARTIES

As at 31st December 2010, IRCE SpA has a credit of €/000 566 due from the parent company Aequafin Spa, because of the application of the national consolidated tax scheme.

Please refer to the chart shown in the Report on operations for the summary of the parent company's financial relations with related parties.

37. TRADE RECEIVABLES MANAGEMENT

The following table gives details of the internal credit risk categories:

Risk level	Exposure €/000
Minimal	6,560
Medium	59,587
Above average	22,821
High	4,959

As at 31st December 2010, the breakdown of trade receivables by due date is as follows:

Due date	Amount €/000
Not yet due – regular	82,616
< 30 days	4,292
31-60	1,379
61-90	419
91-120	477
> 120	4,744

38. CAPITAL MANAGEMENT

The Company's primary aim in managing its capital is to maintain a firm credit rating and adequate capital indicators in order to support the business and maximise value for shareholders.

€/000	31/12/2010	31/12/2009
Loans	100,028	47,026
Trade payables and other debts	36,278	21,663
Cash and cash equivalents	(520)	(129)
Net debt	135,786	68,560
Share capital	123,423	116,538
Retained net earnings	-	(3,845)
Total share capital	123,423	112,693
Capital and net debt	259,209	181,253
Debt/capital ratio	52%	38%

39. FINANCIAL INSTRUMENTS

A comparison between the book value and the fair value of the financial instruments of the Group is indicated below:

€/000	Book value		Fair value	
	2010	2009	2010	2009
Financial assets				
Cash and cash equivalents	520	129	520	129
Other financial assets	8	20	8	20
Financial liabilities				
Current loans	91 732	91 732	85,021	23,595
Non-current loans	8,296	8,296	14,305	20,165
Other financial liabilities	702	3,266	702	3,266

40. INFORMATION REQUIRED BY ART. 149-DUODECIES OF THE CONSOB ISSUERS' REGULATIONS

The following prospectus, drafted in accordance with art. 149-duodecies of the Consob Issuers' Regulations, highlights the amounts pertaining to the financial year 2008 for auditing services and other services rendered by the auditing firm or its associates.

€/000	Service provider	Fee for 2010
Auditing of accounts	Reconta Ernst & Young Spa	69

41. EVENTS OCCURRING AFTER YEAR-END

No events occurred between year-end and the date on which these accounts were approved which could affect the accuracy of the information they contain.

Appendix 1

Certification of the annual separate financial statements of IRCE SPA pursuant to art. 154-bis (5) of legislative decree no. 58/24.02.1998:

The undersigned Mr. Filippo Casadio, Chairman, and Elena Casadio (executive manager assigned to draw up the company financial statements of IRCE SpA) certify that, in accordance with the provisions of Article 154-bis(5) of legislative decree no. 58/24.02.1998:

- the documents are adequate in relation to the characteristics of the company and
- the administrative and accounting procedures

required for the preparation of the annual separate financial statements have been duly applied.

In addition, we certify that the annual separate financial statements:

d) correspond to the accounting ledgers and records;
e) have been drawn up in compliance with IAS principles and provide a true picture of the economic, financial and property position of the Company; and
f) that the report on operations contains a reliable analysis of the information required under art. 154-ter(4) of legislative decree no. 58/24.02.1998.

Filippo Casadio
The Chairman

Elena Casadio
Executive Manager

Appendix 2

List of shareholdings in subsidiaries

The values referring to the foreign subsidiaries have been converted into Euro at the historic exchange rates. The provision for write-downs in investments recorded on the accounts was allocated by directly reducing the book value of the investments for which it was allocated.

Company	Office	Share	Share capital	Shareholders' equity 2010	Shareholders' equity for the year	Operating result	Operating result for the year	Book value	Difference
FD SIMS ltd	Blackburn	100%	18,173,127	6,345,542	6,345,542	-81,625	-81,625	9,319,086	-3,055,169
Smit Draad Nijmegen BV	Nijmegen BV	100%	1,165,761	15,553,712	15,553,712	1,738,913	1,738,913	7,273,000	10,019,625
Isomet AG	Otelfingen	100%	674,354	6,835,311	6,835,311	698.938	698,938	1,434,650	6,099,599
IRCE Ltda	Joinville	99.9%	34,062,724	31,284,199	31,252,915	-108,626	-108,517	33,719,440	-2,575,042
Isolveco SRL	Rubano (PV)	75%	46,440	1,110,368	832,776	20.340	15,255	194,704	653,327
DMG Gmbh	Oberursel	100%	255,646	1,180,299	1,180,299	418,409	418,409	119,526	1,479,182
IRCE SL	Barcelona	100%	150,000	-800,360	-800,360	-210.725	-210,725	-1,011,085	0
Stable Magnet Wire P.Ltd.	Kochi	97.12%	2,601,531	2,001,985	1,944,328	-208,199	-202,203	1,397,724	344,401
Isodra Gmbh		100.00%	25,000	25,000	25,000	-39,095	-39,095	27,500	-41,595
Total								52,474,544	

Appendix 3

Reconciliation between theoretical and actual tax burden

IRES

	31/12/2010		31/12/2009	
	Amounts	Rate	Amounts	Rate
Applicable ordinary rate		27.50%		27.50%
Earnings before taxes	13,143		(18,532)	
Theoretical tax expense		3,614		(5,096)
Increases				
Non-deductible depreciation	9		18	
Capital gains and contingent assets recorded during the financial year	45		127	
Non-deductible write-downs and capital losses	2,235		271	
Other increases	1,943		561	
Decreases				
Depreciation	(1,671)		(3,835)	
Use of taxed receivables	(3,020)		-	
Other decreases	(164)		(1,356)	
Taxable income	12,519		(22,746)	
Future tax benefit for use of tax losses carried forward		3,443		(6,255)

IRAP

	31/12/2010		31/12/2009	
	Amounts	Rate	Amounts	Rate
Applicable ordinary rate		3.90%		3.90%
Difference between costs and values of production	19,742		3,423	
Theoretical tax expense		770		134
Income/costs not relevant for IRAP purposes				
Taxed income	45		127	
Non-taxable income	(7)		-	
Deductible costs	(1,980)		(4,701)	
Non-deductible costs	19,520		16,769	
Other deductions	(5,333)		(5,081)	
Irap-taxable income	**31,987**		**10,537**	
Irap-taxable income at 3.90%		27,005		8,775
Irap-taxable income at 4.97%		4,982		1,762
CURRENT IRAP TAX		**1,301**		**427**