FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2009

CONTENTS

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	MR.	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 2.30 p.m. on 29th April 2010 at the company's registered office, and at the second call, if necessary, on 4th May 2010 (same time and place), in order to discuss and pass resolutions upon the following

AGENDA

1. Financial Statements for the year ended 31st December 2009 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 31/12/09;
3. Appointment of the Board of Directors for the years 2010-2011-2012 and fixing of the yearly consideration;
4. Proposal for authorization to purchasing and granting own shares, purchase and transfer methods.

Shareholders are entitled to attend the meeting after presenting the specific certifications required under Articles 33 and 34 of the Consob decision no. 11768 dated 23.12.1998, issued in due time by brokers who are also members of the centralized management system of Monte Titoli S.p.a. and received by the company at least two days before the meeting.
The explanatory report by the administrative body according to art. 73 Consob regulation no. 11971 shall be filed at the company seat and at Borsa Italiana Spa at least fifteen days before the meeting date.
Shareholders holding as whole a shareholding of min. 2.5% are entitled to submit their lists for the appointment of the Board of Directors. Lists must be filed at the company seat at least fifteen days before the date of the meeting first call, together with complete information on the personal and professional characteristics of the candidates, the declarations by which the single candidates accept the charge irrevocably, as for their appointment, and declare, upon their own responsibility, that no ineligibility and incompatibility cause exist, and that all requirements by the norms in force for undertaking the charge and the possible possession of independence requirements are complied with.

Imola, 15th March 2010

REPORT ON OPERATIONS
OF YEAR 2009

Consolidated performance for the financial year 2009

Shareholders,

during 2009, our markets have been significantly affected by the worldwide recession, with strong slump in the demand for electric cables and winding wires. The consumption slowing started in late 2008 and reached its minimum in spring, with improvement signals only in the last months of the year.

The non-metal sales total[1], which is not influenced by the copper price, has decreased by 23%: 15% in the sector of winding wires and 39% in the sector of cables.

In detail:

Consolidated non-metal sales (€/million)	2009		2008		Changes
	Value	%	Value	%	%
Winding wire	51.9	*72.3%*	61.1	*65.1%*	*-15.1%*
Cables	19.9	*27.7%*	32.8	*34.9%*	*-39.3%*
Total	71.8	*100.0%*	93.9	*100.0%*	*-23.5%*

The copper quotation was 2.43 €/kg (January average) at the beginning of the year and reached 4.78 €/kg at the year end (December average). The 2009 average quotation was 3.66 €/kg, lower than the 2008 average quotation that was 4.67 €/kg (-21.5%). The total consolidated sales within this context were € 234.8 million, with a 34.1% decrease vs. the previous year (€ 356.1 million).

The decreasing demand and the increasing competition have caused an unavoidable margin and volume slump. Impact on 2009 operating results was significant. Adjusted EBITDA lowered from € 28.7 million to € 3.3 million. The table below shows the BIT and EBITDA data adjusted by the effects of the hedging operations compared with homogeneous data of the same period in the previous year.

Consolidated financial data (€/million)	2009	2008
Sales[2]	234.8	356.1
EBITDA	12.7	14.7
Adjusted EBITDA[3]	3.3	28.7
EBIT	3.2	0.2
Adjusted EBIT[3]	(6.2)	14.3
Net result	(15.2)	5.3

In 2009 the operating results show a loss for € 15.2 million vs. net earnings in 2008 of € 5.3 million. Forward operations for copper have also contributed to this result, as described in details in the Informative Note.

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. Such indicators are measurements 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 year end was € 43.9 million, higher by € 9.4 million than € 34.5 million at 2008 end.

Net financial indebtedness[4] (€/million)	On 31.12.2009	As at 31st December 2008
	43.9	34.5

Investments

The Group investments during the period, equal to € 7.8 million, mainly relate to costs incurred in expanding the production lines of the Brazilian subsidiary IRCE Ltda, in improving the power cable production of IRCE S.p.A. and in fitting a new CTC production line at Smit Draad Nijmegen BV.

Mains risks and uncertainties

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

Market risk
The main markets for IRCE products are automotive, electrical household appliances, electro-mechanics and building. Sales and results in the last business year were negatively influenced by their strong link with the general economic trend.
The company adopted several actions aimed at minimising the negative effects of the general crisis, but the total recovery of sales and results is also linked with the recovery of the markets.

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.

Currency exchange risk
The Group mainly uses Euro as reference currency for its transaction, 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

Recovery speed and times are the main uncertainty elements for the next future. Signals in the winding wire sector seem encouraging, yet forecasts are difficult, above all for the cable segment.

Performance of IRCE S.p.A.

The financial statements of the parent company IRCE S.p.A show a sales total of € 160.6 million vs. € 271.9 million of the previous year. Adjusted EBITDA was € 0.3 million vs. € 25.1 million of 2008. The operating results show a loss of € 14.0 million vs. earnings of € 5.2 million in 2008.

[4] Net financial indebtedness is measured as the sum of the short and long term financing sources less cash on hand, note no. 1717. 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. 20.02.2005.

Inter-group transactions

Relations between the parent company and its subsidiaries are mainly of a commercial nature, with the exception of four financial loans granted by IRCE S.p.A to IRCE S.L of € 0.2 million, to FD Sims Ltd of € 6.5 million, to IRCE Ltda of € 1.3 million and to DMG of € 1.0 million.

Company €/000	Income	Expenses	Loans	Trade receivables	Trade payables
Isolveco S.r.l	1,295	118	-	15	53
Isomet AG	2,310	-	-	303	-
Smit Draad Nijmegen BV	3	489	-	-	19
FD Sims LTD	1,828	657	6,455	245	38
DMG Gmbh	79	157	1,005	22	156
IRCE S.L	2,100	22	219	2,270	8
Irce Ltda	259	-	1,273	1,424	772
Stable Magnet Wire P. Ltd	415	-	-	447	117

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, as required under 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 2009.
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.

Company's own shares

The number of own shares as at 31.12.2009 was 1,654,173, equivalent to a nominal value of € 860,000. The Company does not own shares in the parent company Aequanfin S.p.A.

Research and development

During 2009 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	Shareholders' equity as at 31.12.09	Operating results as at 31.12.09
Shareholders' equity and operating results as indicated in the financial statements of the parent company	116.538	(14.037)
Removal of the consolidated shareholding book value:		
Difference between the book value and the pro-quota value of shareholders' equity	6.896	
Results (pro-quota) obtained by the subsidiaries		(1.087)
Difference resulting from consolidation	2.031	
Advance depreciation of ISOMET AG	2.073	72
Other adjustments for converting financial statements values into foreign currencies	1.414	
Inventory adjustments of ISOMET AG	1.338	
Inventory adjustments of FD Sims Ltd	216	84
Inventory adjustments of IRCE Ltda	(498)	(127)
Guarantee fund of ISOMET AG	71	71
Greater depreciation of IRCE Ltda	(202)	-
Profit from disposal of fixed assets	(292)	(61)
Inter-group margin	(146)	(83)
Group shareholders' equity and operating results	**129.439**	**(15.168)**
Shareholders' equity and operating results of minority shareholders	307	(25)
Shareholders' equity and operating results as indicated on the consolidated financial statements	**129.746**	**(15.192)**

Shareholders,

You are kindly asked to approve the financial statements of IRCE SPA as at 31.12.2009. The year ends with a loss amounting to € 14,037,363.
We propose that a dividend of € 0.02 per share be paid out. Dividends will be paid from 17/06/2010.
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	31.12.2009	31.12.2008
NON-CURRENT ASSETS			
Goodwill; other intangible assets	1	2,338,807	2.315.418
Property, plant and machinery	2	60,155,187	58.005.806
Equipment and other tangible fixed assets	2	1,859,112	2.393.483
Fixed assets under construction and on account	2	9,371,345	10.465.050
Other financial assets and non-current receivables	3	85,576	85.069
Advanced taxes	4	9,861,917	5.828.335
TOTAL NON-CURRENT ASSETS		**83,671,944**	**79.093.161**
CURRENT ASSETS			
Inventories	5	61,465,053	71.176.034
Trade receivables	6	66,026,923	66.669.548
Receivables from parent company	7	1,360,013	4.473.516
Tax credits	8	2,873,412	2.794.313
Other receivables	9	1,970,356	1.901.172
Other current financial assets	10	5,361,123	1.889.150
Cash and cash equivalents	11	3,606,456	4.329.453
TOTAL CURRENT ASSETS		**142,663,336**	**153.233.186**
TOTAL ASSETS		**226.335.280**	**232,326,347**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	14,626,561	14,626,560
RESERVES	12	129,979,829	116,277,224
Profit (loss) for the period	12	(15,167,855)	5,252,040
TOTAL GROUP SHAREHOLDERS' EQUITY		**129,438,535**	**136,155,824**
MINORITY INTEREST		**307,523**	**332,107**
TOTAL SHAREHOLDERS' EQUITY		**129,746,058**	**136,487,931**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	22,186,668	30,356,672
Deferred taxes	14	2,221,628	2,568,024
Provisions for risks and charges	15	919,837	1,031,326
Provisions for employee benefits	16	5,474,623	5,728,666
TOTAL NON-CURRENT LIABILITIES		**30,802,756**	**39,684,688**
CURRENT LIABILITIES			
Current financial liabilities	17	30,651,172	10,349,603
Trade payables	18	21,951,010	29,812,608
Tax payables	19	3,037,044	6,554,935
Amounts due to social security	20	2,619,476	2,885,841
Other current liabilities	21	7,527,764	6,550,742
TOTAL CURRENT LIABILITIES		**65,786,466**	**56,153,728**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**226,335,280**	**232,326,347**

CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2009	31.12.2008
Revenues	22	234,750,987	356.084.717
Other revenues and proceeds		1,308,186	1.423.542
TOTAL REVENUES		**236.059.173**	**357,508,259**
Cost borne for raw materials and consumable items	23	(162,992,298)	(262.161.772)
Changes to finished product inventories and products under development		(5,581,482)	(13.902.400)
Costs for services	24	(27,154,297)	(36.705.223)
Personnel cost	25	(26,271,912)	(28.942.836)
Depreciation	26	(9,144,508)	(10.283.711)
Provisions and write-downs	27	(329,154)	(4.153.092)
Other operating costs		(1,396,196)	(1.116.026)
OPERATING PROFIT		**3.189.326**	**243,199**
Financial income and charges	28	(21,842,842)	6.380.575
EARNINGS (LOSS) BEFORE TAXES		**(18.653.516)**	**6,623,774**
Income taxes	29	3,461,077	(1.430.648)
EARNINGS (LOSS) BEFORE MINORITY INTERESTS		**(15.192.439)**	**5,193,126**
Minority interests		24,584	58.914
NET EARNINGS (LOSS) FOR THE PERIOD		**(15.167.855)**	**5,252,040**

Earnings (loss) per share			
- basic, from earning (loss) attributable to ordinary parent company shareholders	30	(0.5729)	0.1980
- diluted, from earning (loss) attributable to ordinary parent company shareholders	30	(0.5729)	0.1980

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/2009	31/12/2008
€/000		
RESULT BEFORE MINORITY INTEREST	(15.192)	5.193
Exchange differences on translation of foreign operations	4.538	(4.694)
Income Tax	-	905
	4.538	(3.789)
Net (loss) / gain on cash flow hedges	3.326	(3.208)
Income Tax	(848)	818
	2.478	(2.390)
Other comprehensive income (loss) for the period, net of tax	7.016	(6.179)
Total comprehensive income (loss) for the period, net of tax	(8.176)	(986)
Attributable to:		
Equity holders of the parent	(8.175)	(909)
Minority interests	(1)	(77)
	(8.176)	(986)

CHART SHOWING CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

€/000	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Consolidation reserve	Fair value reserve	Retained earnings	Reserve for IAS transation	Other reserves	Own shares	Result for period	Total	Minority interests	Total shareholders equity
Balances as at 31 December 2007	**14.627**	**2.925**	**36.666**	**40.539**	**7.317**	**14.744**	**4.687**	**2.009**	**6.522**	**(829)**	**9.117**	**138.324**	**388**	**138.712**
Allocation of previous year's earnings											5.252	**5.252**	**(59)**	**5.193**
Other comprehensiveincome (loss)						(2.390)			(3.712)			(6.102)	(77)	(6.179)
Total comprehensive income (loss)												**(850)**	**(136)**	**(986)**
Allocation of previous year's earnings			6.271		2.846						(9.117)			
Other changes					505							505	77	582
Dividends			(1.327)									(1.327)		(1.327)
Own shares			(13)							(7)		(20)		(20)
Cash flow hedging transaction			136			(836)						(700)		(700)
Conversion difference									224			224	3	227
Balances as at 31 December 2008	**14.627**	**2.925**	**41.733**	**40.539**	**10.668**	**11.518**	**4.687**	**2.009**	**3.034**	**(836)**	**5.252**	**136.156**	**332**	**136.488**
€/000														
Allocation of previous year's earnings											(15.168)	**(15.168)**	**(25)**	**(15.193)**
Other comprehensiveincome (loss)						2.478			4.539			7.017	(1)	7.016
Total comprehensive income (loss)												**(8.151)**	**(26)**	**(8.176)**
Allocation of previous year's earnings			5.169		83						(5.252)			
Variation on consolidation area					(370)							(370)		(370)
Other changes														
Dividends			(1.324)									(1.324)		(1.324)
Own shares			(44)							(24)		(68)		(68)
Cash flow hedging transaction						4.073						4.073		4.073
Conversion difference									(878)			(878)		(878)
Balances as at 31 December 2009	**14.627**	**2.925**	**45.534**	**40.539**	**10.381**	**18.069**	**4.687**	**2.009**	**6.694**	**(860)**	**(15.168)**	**129.439**	**307**	**129.746**

FINANCIAL STATEMENT FOR THE YEAR ENDED	31/12/2009	31/12/2008
€/000		
CASH FLOW RESULTING FROM COMPANY OPERATIONS:		
Profit for the year	**(15.168)**	**5.252**
Adjustments to reconcile profit for the year with cash flow generated (absorbed) from operations:		
Depreciation	9.145	10.284
Net change in (assets) provision for (advance) deferred taxes	(4.441)	(4.935)
(Gains) /losses from sell-off of fixed assets	(69)	(234)
Decrease (increase) in inventory	9.458	21.201
Net change in current assets and liabilities	(3.399)	23.773
Net change in current assets and liabilities vs. related parties	0	0
Net change in non-current assets and liabilities	(359)	(244)
Net change in non-current assets and liabilities vs. related parties	0	0
CASH FLOW GENERATED FROM OPERATIONS	**(4.833)**	**55.097**
Investments in intangible assets	(126)	(119)
Investments in tangible assets	(9.547)	(7.942)
Amount collected from the sale of tangible and intangible assets	14	436
CASH FLOW USED IN INVESTMENTS	**(9.659)**	**(7.625)**
Change in current borrowing	23.511	(42.908)
Change in non-current financial liabilities	(8.170)	(4.273)
Change in current financial assets	(154)	666
Change in minority shareholders' capital	(25)	(55)
Dividends paid to minority shareholders	(1.324)	(1.327)
Changes with effects on shareholders' equity	0	(2.585)
Operations in own shares (sale/purchase)	(69)	(20)
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION	**13.769**	**(50.502)**
NET CASH FLOW FOR THE PERIOD	**(723)**	**(3.030)**
CASH BALANCE AT START OF YEAR	4.329	8.056
TOTAL NET CASH FLOW FOR THE PERIOD	(723)	(3.030)
CASH BALANCE AT END OF YEAR	3.606	5.026

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2009

COMPANY INFORMATION

These consolidated annual financial statements for the year ended 31.12.2008 were authorised for publication by the Board of Directors of IRCE SpA on 15.03.2010.
The Irce Group owns 8 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.
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 2009 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 income statement was prepared by showing the financial flows occurred 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 31.12.2009. 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 on 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 2008:

Company	% shareholding	Registered office	Company capital		Consolidation
Isomet AG	100%	Switzerland	Fsv.	1,000,000	integral
Smit Draad Nijmegen BV	100%	Holland	€.	1,165,761	integral
FD Sims Ltd	100%	England	£.	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	53,193,229,79	integral
Stable Magnet Wire P.Ltd.	97.12%	India	INRs	165,189,860	integral

There have been no changes in the consolidation area since 31.12.2008.

ACCOUNTING CRITERIA

The accounting criteria are consistent with those used for drawing the Group annual financial statements for the year closing at 31.12.2008, except for the adoption of *new Principles and Interpretations* applicable from 01.01.2009 and listed here below:

IAS 1 Financial reporting Update (review)
The corrected and revised principle separates the changes in shareholders' equity occurring in the own capital and in the capital of minority shareholders. The schedule of changes in shareholders' equity only includes details of transactions relating to Company shareholder equity while all the changes relating to minority interests are presented in a single line. Furthermore, this principle includes the comprehensive income statements with all income and cost items in one schedule or in two connected schedules. The Group chose to introduce two schedules.

IFRS 2 – Share-based payments – Vesting and cancellation conditions
The principle has been modified to specify the definition of the vesting conditions and to set the accounting treatment in case of an actually cancelled bonus following to a non-vesting condition failure. Adopting this change has had no impact on the Group's financial position or performance.

IFRS 7 Financial instruments: Information
The amended principle requires an additional disclosure on the fair value and cash risk valuation. Fair value valuations must show integrative information on the input sources using a 3-level hierarchy for each class of financial instrument. Furthermore, a reconciliation between initial value and final value of the fair value valuation is required for the third level, as well as for measuring significant fair value transfers between first and second level. The amendments also explain what is required as for the information on the cash risk. The information on the fair value valuation is shown in the following note; the amendments have had no impact on the cash risk information.

IFRS 8 Operating segments
This principle requires information on the Group's operating sectors and replaces the need for determining the primary reporting segment (for the Group, the activity sectors) and the secondary reporting segment (for the Group, the geographical sectors) of the Group. Adopting this change has had no impact on the financial position or performance of the Group. The Group has determined that the segments complying with IFRS correspond to the activity sectors previously identified as complying with IAS 14 Segment Reporting. The additional information for each segment can be viewed in the following Note.

IAS 23 Borrowing costs (review)
The principle has been revised to ask for the capitalisation of borrowing costs referred to qualifying assets, and the Group has thus amended its accounting procedure. Depending on the requirements during the principle transition, the principle shall be prospectively acknowledged. Thus, borrowing costs have been capitalised as increase of qualified assets starting from 01.01.2009. No change has been made on borrowing costs regularly paid before such date.

IAS 32 Financial instruments: presentation and IAS 1 Puttable Financial Instruments and obligations arising on liquidation
The principle has been amended to enable an exception with limited scope for the “Puttable” financial instruments to be classified among the items of own capital (equity) if the same meet a certain number of criteria. Adopting these changes has had no impact on the financial position or performance of the Group.

IFRIC 13 Customer Loyalty Programmes
This interpretation requires the accounting as a component separate from the relevant sale transaction of the loyalty bonuses granted to customers. A portion of the fair value of the sales consideration must be allocated to loyalty bonuses and deferred. It is then acknowledged as an income in the period when the bonuses are paid off. Adopting these changes has had no impact on the financial position or performance of the Group.

IFRIC 16 Hedging of a net investment in a foreign operation
The interpretation must be applied prospectively. IFRIC 16 is a guideline about the recognition of a hedge of a net investment. Therefore, it gives information about identifying currency risks which qualify for the application of hedge accounting in the hedging of a net investment, if inside the Group the hedging instruments are held to hedge a net investment, and how the company should determine the amount of exchange rate profits and losses, related both to the net investment and to the hedge instrument, which must be reclassified on the income statement when the investment is sold. The group does not carry out such type of hedging and therefore adopting these changes has had no impact on the financial position or performance of the Group.
On 12.03.2009, IASB has issued an amendment to IFRIC 9 – *Re-determination of the values of incorporated derivatives and to IAS 39 - Financial instruments: recognition and valuation* enabling, in certain circumstances, to re-classify certain financial instruments outside the accounting category "entered with fair value with contra-entry in the income statement". Such amendments explain that, when re-classifying a financial instrument outside the above category, all implicit derivatives must be valued and, if necessary, separately recognised in the balance sheet. Amendments can be applied retrospectively from 31.12.2009.

Improvements of IFRS

In May 2008 and April 2009 IASB has issued a set of improvements for the principles, to mainly eliminate inconsistencies and clear the terminology. Each standard has ad hoc transition clauses. Adopting these changes involves modifications in the accounting principles, but has had no impact on the financial position or performance of the Group.

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

on 10.01.2008 IASB has issued an updated version of IFRS 3 – Business aggregations, 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 will be determined only in the control acquisition step and will be 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. The revised principle version includes the allocation to the income statement of all costs linked with the company aggregation 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 asses the still held shareholding in the financial statements at fair value and enter possible profits or losses deriving from the loss of control in the income statement. Finally, the amendment of IAS 27 requires that all losses due to minority shareholders are allocated to the quota attributable to minority interests, even if they exceed their relevant quota in the subsidiary capital. The new rules must be applied prospectively since 01.01.2010.
Within the 2008 Improvement process by IASB, the modification to IFRS 5 – *Non-current assets for sale and discontinued operating assets* defines that if a company is involved in a transfer plan that includes the loss of control on a subsidiary, all assets and liabilities of the subsidiary must be re-classified among the assets for sale, even if after the transfer the company still holds a minority interest in the subsidiary. The change must be applied prospectively since 01.01.2010.

On 31.07.2008 IASB has issued an amendment to IAS 39 – *Financial instruments: recognition and valuation*, to be applied retrospectively since 01.01.2010. The amendment explains the application of the principle for defining the hedge subject in special situations. At the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

On 16.04.2009 IASB has issued a set of modifications to IFRS ("*improvement*"); those indicated by IASB as variations involving a change in the presentation, recognition and assessment of the items in the financial statements are mentioned here below, while those involving only terminology or editing changes with minor accounting effects, or those having effects on principles or interpretations not applicable by the group are here neglected.

IFRS 2 – *Share-based payments:* the amendment must be applied since 01.01.2010 (it can also be adopted in advance) and has explained that, having IFRS 3 modified the definition of company aggregation, a business unit transfer for creating a joint venture or the aggregation of companies or business units in shared controlled bodies do not fall within the IFRS 2 applicability.

IFRS 5 – *Non-current assets for sale and discontinued operating assets:* the amendment can be applied prospectively since 01.01.2010 and explained that IFRS 5 and the other IFRSes specifically referring to non-current assets (or asset groups) classified as ready for sale or as discontinued operating assets define the whole necessary information on this kind of assets or operations.

IAS 1 – *Financial reporting*: this amendment shall be applied since 01.01.2010 (with the possibility of adopting it in advance) and modifies the definition of current liability in IAS 1. The previous definition required the classification as current for liabilities that could cease to exist at any time by issuing shareholders' equity instruments. This involved entering among the current liabilities those liabilities for convertible bond loans that could be converted in shares of the issuer at any time. After the modification, the presence of a currently executable conversion option in shareholders' equity instruments is negligible for the classification as current/non-current of a liability.

IAS 7 – *Financial statement:* the amendment must be applied since 01.01.2010 and requires that only the cash flows from expenses resulting in the recognition of an asset in the financial situation can be classified in the financial statement as deriving from investments, while cash flows from expenses that are not resulting in the recognition of an item (as in case of promotional and advertising expenses, or expenses for staff training) must be classified as deriving from operating assets.

IAS 17 – *Leasing:* following to the modifications, the general conditions specified by IAS 17 for the classification of the contract as financial or operating contract independently of the achievement of the title at the end of the contract shall be applied to leased land also. Before the modifications, the accounting principle specified that if the title of the land being leased was not transferred at the end of the leasing contract this would have been classified in operating leasing as indefinite-life asset. The amendment can be applied since 01.01.2010; at the adoption date, all lands subject of already existing leasing contracts not expired yet shall be evaluated separately, with the possible retrospective recognition of a new leasing accounted as the relevant contract was of a financial type.

IAS 36 – *Reduction in the assets value:* the amendment can be applied prospectively since 01.01.2010 and requires every operating unit or group of operating units on which the goodwill is allocated for the impairment test is not larger than an operating segment as defined in paragraph 5 of IFRS 8, before the aggregation allowed by paragraph 12 of the same IFRS on the basis of similar economic characteristics or other similar elements.

IAS 38 – *Intangible assets:* the revision of IFRS 3 made in 2008 has decided that sufficient information are available to evaluate the *fair value* of an intangible asset acquired during a company aggregation if it is separable or is originated by contract or legal rights. IAS 38 has been consequently amended with regard to this IFRS 3 modification. The re. amendment has further explained the evaluation techniques to be commonly used to evaluate the fair value of intangible assets for which no reference active market exists; in particular, such techniques include alternatively the estimate of discounted net cash flows originated by assets; the estimate of the costs the company avoided to bear by owning the asset and not having to use it under a license contract with third parties, or of the costs needed to re-create or replace it (as in the so-called cost method). The amendment can be applied prospectively since 01.01.2010; anyway, if the revised IFRS 3 is applied in advance, this amendment is also to be applied in advance.

IAS 39 – *Financial instruments: recognition and valuation:* the amendment narrows the exception of non-applicability in paragraph 2 g of IAS 39 to forward contracts between a purchaser and a shareholder seller for the sale of a company transferred in a company aggregation in a future acquisition date, if the company aggregation completion does not depend on further actions by one of the parties, rather only by the passing of a consistent time. The amendment explains that option contracts (currently executable or not) fall instead within the applicability of IAS 39 if they enable one of the parties to control the implementation of possible events and whose execution should involve the control of a company. The amendment explains further that implicit penalties for advanced cancellation of loans, whose price offsets the loaning subject for the loss of further interests, must be considered strictly linked with the financing contract including them, and thus must not be separately recognised. Finally, the amendment explains that profits or losses on a hedged financial instrument must be re-classified from shareholders' equity to income statement in the period when the hedged expected cash flow affects the income statement. This amendment can be applied prospectively since 01.01.2010; it can also be applied in advance.

IFRIC 9 – *Re-determination of the value of implicit derivatives:* the amendment can be applied prospectively since 01.01.2010 and excludes the implicit derivatives in contracts acquired during company aggregations when establishing joint venture or shared controlled companies from the applicability of IFRIC 9. At the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for the application of the just described improvements.

In June 2009, IASB has issued an amendment to IFRS 2 – *Share-based transactions: Group share-based transactions settled in cash*. The amendment explains the application context of IFRS 2 and the relationship of these accounting principles with others. In particular, the amendment explains that the company that receives goods or services within share-based transaction plans must recognize such goods and services independently of which company of the group settles the transaction, and independently of the settlement to be in cash or in shares; further, it defines that the term "Group" is to be meant as in IAS 27 - *Consolidated and separate financial statements*, namely includes the parent company and its subsidiaries. The amendment specifies also that a company must valuate the received goods and services within a transaction settled in cash or in shares from its own point of view, that could also not correspond to the one of the Group and with the relevant amount recognised in the consolidated financial statement. The amendment incorporate the guidelines previously included in IFRIC 8 – *Application context of IFRS 2* and in IFRIC 11 – *IFRS 2 – Transactions on group and treasury shares*. Therefore, IASB has withdrawn IFRIC 8 and IFRIC 11. This amendment can be applied since 01.01.2010; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.
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 from 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; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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 these financial statements, 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 recognize it as an asset. The amendment can be applied from 01.01.2011; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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 aggregations 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 amortization 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 aggregations and goodwill

Business aggregations 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 aggregation 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 of the business aggregation 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 whether or not other Group assets or liabilities are 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. 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 expiry.

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 financial derivatives such as forward contracts for the purchase and sale of copper and forward contracts for the purchase of foreign currencies.
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 charges 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 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 tax payable result from the initial recording of the goodwill or assets or liabilities in a transaction which is not a business aggregation 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 aggregation 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 recognized 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 2009. The sale contracts were entered into in order to counter price reductions relative to the availability of raw materials 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 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 2009. 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.
- Derivatives relative to obligations for forward purchases of GBP, with a maturity date after 31st December 2009. These transactions do not meet the requirements for recognition as instruments for cash flow hedge accounting.

The following is a summary of the commodity (copper) derivatives for forward sales and purchases, open as at 31st December 2009:

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, 31/12/09 €/000
Tonnes/Sales	6,400	0	(3,556)
Tonnes/Purchases	1,928	0	3,326

The following is a summary of GBP derivatives for forward purchases, open as at 31st December 2009:

Unit of measurement of notional value	Notional value with maturity within one year, €/000	Notional value with maturity after one year	Result with valuation at fair value, 31/12/09 €/000
GBP	500	0	20

The fair value of forward contracts for the sale and purchase of copper, open on 31st December 2009, 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 fair value of forward contracts for the sale and purchase of currency, open on 31.12.2009, is determined according to forward prices of currency with reference to the maturity dates of any contract still existing on the financial statements closing date.

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 secondary structure is based on geographic segments.
The operations of the Irce Group are managed 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.
The geographic segments of the Group are identified according to the geographic locations of the customers served.
The below tables show the details of income and operating results, as well as information about certain assets and liabilities relative to the Group's business areas for the year 2009 and 2008.

31st December 2009 €/000	BUSINESS UNIT			
	Winding wire	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)		(5,581)
Production value				230,477
Segment result	3,721	(548)		3,173
Unallocated expenses			(1,292)	(1,292)
Operating result	3,721	(548)	16	3,189
Financial income and charges				(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				
Investments:				
Net tangible fixed assets	57,899	13,487		71,386
Working capital	74,052	31,489		105,541

31st December 2009 €/000	BUSINESS UNIT			
	Winding wire	Cables	Unallocated inventory	Total
Income Statement				
Revenues	233,032	123,054		356,085
Other revenues and proceeds			1,423	1,423
Changes in leftover stock	(8,649)	(5,254)		(13,902)
Production value				343,606
Segment result	1,893	592		2,485
Unallocated expenses			(3,665)	(3,665)
Operating result	1,893	592	(2,242)	243
Financial income and charges				6,381
Taxes				(1,431)
Third party interests				59
NET EARNINGS				5,252
Assets & Liabilities				
Trade receivables	45,305	21,365		66,669
Inventories	46,666	24,510		71,176
Assets	91,971	45,875		137,845
Trade payables	18,821	10,992		29,813
Unallocated expenses				
Liabilities	18,821	10,992		29,813
Other business information				
Investments:				
Net tangible fixed assets	54,980	15,884		70,864
Working capital	73,150	34,883		108,033

In 2009 the two business units were both affected by the strong slowdown in demand as a consequence of the economic recession; sales and margins were significantly reduced, and in particular the cable sector has been the most affected.

The following table shows the geographical distribution of total revenue:

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

As at December 31st 2008 €/000	EC	Non-EC	Total
Income from Sales and Services	319,163	36,922	356,085
Total value of assets based on their location	54,948	18,232	73,180
Expenses incurred for the purchase of tangible and intangible assets to be used for more than one year	8,930	2,593	11,523

NOTES ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2009

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 and similar rights	Goodwill	Total
Net value as at 31/12/08	206	78	2,031	2,315
Changes during the year				
. Increases	115	-	-	115
. Other changes	23	(4)	-	19
. Reclassification	(8)	-	-	(8)
. Depreciation	(89)	(14)	-	(103)
Total	42	(18)	0	24
Net value as at 31/12/09	248	60	2,031	2,339

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

Asset	Expected 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%		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, which identified the CGU (cash-generating units) expected to benefit from the synergies created by the acquisition. 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 discount rate used (WACC – weighted average cost of invested capital) was 7.8%; the risk premium relative to the cost of equity was 5.3% 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.
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	Assets under construction and advances	Total
Net value as at 31/12/07	13,069	18,620	32,006	1,579	768	7,307	73,350
Changes during the year							
. Investments	-	591	5,919	1,087	76	3,714	11,387
. Other changes	(221)	(658)	(2,111)	(31)	(48)	(377)	(3,445)
. Reclassification	-	2	100	65	1	(167)	0
. Divestments	-	-	(2,965)	(41)	(201)	-	(3,208)
. Depreciation related to removal or sales of asset	-	-	2,767	41	198	-	3,006
. Depreciation in the course of financial year	-	(1,072)	(8,043)	(869)	(231)	(12)	(10,226)
Total	(221)	(1,136)	(4,334)	252	(205)	3,158	(2,487)
Net value as at 31/12/08	12,848	17,484	27,673	1,831	563	10,465	70,864

€/000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Net value as at 31/12/08	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 31/12/09	13,076	20,192	26,887	1,317	542	9,371	71,386

The Group investments in the period, equal to € 7.8 million, mainly relate to costs incurred in expanding the production lines of the Brazilian subsidiary IRCE Ltda, in improving the power cable production of IRCE S.p.A. and in fitting a new CTC production line at Smit Draad Nijmegen BV.

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	31/12/2009	31/12/2008
Other receivables		
- Shareholdings in other companies	71	70
- Other receivables	15	15
Total	86	85

4. ADVANCED TAXES

Advanced taxes are detailed below**:**

€/000	31/12/2009	31/12/2008
- Non-deductible depreciation	873	2,039
- Appropriations to provision for risks and charges	180	240
- Amounts allocated to bad debts provision Taxed receivables	1,148	1,201
- Losses carried forward	7,679	2,220
- Loss on currency exchange adjustment	5	3
- Non-deductible interest	-	63
- Association fees	2	-
- Inter-group margin	(25)	62
Total	9,862	5,828

Changes against the previous year mainly relate to losses of the IRCE SPA parent company.
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 financial assets 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	31/12/2009	31/12/2008
- Raw and complementary materials, consumables	16,018	20,175
- Semi-finished products and work in progress	8,567	9,727
- Finished products and goods	36,880	41,274
Total	61,465	71,176

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.

6. TRADE RECEIVABLES

€/000	31/12/2009	31/12/2008
- Customers/Bills & notes receivable	70.806	72.476
- Bad debts provision	(4.779)	(5.806)
Total	66.027	66.670

The balance of trade receivables is made up entirely of receivables due within the next 12 months.

The movements in the bad debts provision during 2009 are shown below:

€/000	31/12/2008	Provision	Uses	31/12/2009
Bad debts provision	5.806	151	(1,178)	4,779

7. RECEIVABLES FROM PARENT COMPANY

The item 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 refers for € 391,000 to credits for advance taxes paid, for € 1,134,000 to VAT credits and for € 1,348,000 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	31/12/2009	31/12/2008
- Credits receivable	657	803
- Prepayments to Suppliers	113	37
- Accrued income & deferred charges	180	140
- Receivables from social security institutes for weather events	312	397
- Receivables from INPS for CIG advances	243	-
- Other receivables	465	525
Total	1,970	1,902

10. OTHER CURRENT FINANCIAL ASSETS

€/000	31/12/2009	31/12/2008
- Forward operations for copper Mark to Market	3,326	-
- Forward operations for GBP Mark to Market	20	1,881
- Fixed account for LME operations	2,015	8
Total	5,361	1,889

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 31.12.2009, of the Dutch subsidiary Smit Draad Nijmegen BV.

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	31/12/2009	31/12/2008
- Bank deposits and giro accounts	3,269	4,317
- Cash on hand and liquid deposits	337	12
Total	3,606	4,329

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.

12. SHAREHOLDERS' EQUITY

The share capital consists of 28,128,000 nominal ordinary shares for an equivalent of € 14,626,000. 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 2009.

The reserves are detailed below:

€/000	31/12/2009	31/12/2008
- Share premium reserve	40,538	40,539
- Legal reserve	2,925	2,925
- Company's own shares	(860)	(836)
- Profits to be re-invested in Southern Italy	201	201
- Reserve for translation difference	(127)	(3,789)
- Consolidation-related reserve	10,381	10,668
- Extraordinary reserve	45,534	41,734
- Company surplus reserve	6,622	6,622
- IAS/IFRS transition reserve	2,009	2,009
- Retained profits	4,687	4,687
- Fair value reserve	18,070	11,518
Total	129,980	116,277

Share premium reserve

This item refers to the higher number of shares issued, compared to the par value of shares issued by the 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 2009. 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 31.12.2009 of the amounts owed to the parent company IRCE SPA by the foreign subsidiary FD Sims Ltda for an amount of € 678,000 and IRCE Ltda for an amount of € 2,429,000.

- 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 2009 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,
- 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 losses, net of minority interests, amount to € 15,168,000 (€ 5,252,000 of earning as at 31st December 2008).

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	Curre	Rate	Company	31/12/2009	31/12/2008	Expiry
Unicredit	Euro	Variable	IRCE SPA	4,165	6,163	2011
Carisbo	Euro	Variable	IRCE SPA	6,000	8,000	2012
Banca Intesa	Euro	Variable	IRCE SPA	10,000	10,000	2014
NAB	CHF	Fixed	Isomet AG	1,348	1,347	2011
Carisbo	CHF	Fixed	Isomet AG	674	1,347	2011
ABN AMBRO	Euro	Variable	Smit Draad Nijmegen BV	-	3,500	2013
Total				22,187	30,357	

14. DEFERRED TAXES

The liabilities resulting from deferred taxes are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Advance depreciation	125	129	(4)
- Capital gains by instalments	14	55	(41)
- Foreign exchange gains	7	4	3
- Differences resulting from IAS 17 application	109	-	109
- Differences resulting from land depreciation reversal	465	584	(119)
- Effects of TFR differences (IAS 19)	146	166	(20)
- Effect of amortization difference Isomet AG building	693	669	24
- Effect of fiscal inventory difference Isomet AG	445	445	-
- Effect of fiscal fund difference Isomet AG	24	-	24
- Deferred tax provision Smit Draad Nijmegen BV	290	370	(80)
- Isolveco Srl deferred tax provision	-	1	(1)
- FD Sims Ltd deferred tax provision	-	70	(70)
- Effects of deferred taxes on Mark to Market derivatives	(96)	75	(171)
Total	2,222	2,568	(346)

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	31/12/2008	Provision	Uses	31/12/2009
Pension fund	345	20	(4)	361
Provision for future costs	686	236	(363)	559
Total	1,031	256	(367)	920

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 leaving indemnities relative to the employees of companies based in Italy. The following changes occurred in the severance indemnity provision:

€/000	31/12/2009	31/12/2008
TFR balance as at January 1	5,729	5,880
Curtailment	-	-
Current cost of service	(15)	-
Financial charges	249	259
Actuarial profits/losses	(45)	174
Amounts paid	(443)	(584)
TFR balance for the period	5,475	5,729

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 a70% 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	31/12/2009	31/12/2008
- Due to banks	27,095	7,125
- Amounts payable for derivatives	3,556	3,225
Total	30,651	10,350

The increase in short-term payables to banks is mainly due to the increase in the value of the copper raw material.
€ 3,266,000 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 31.12.2009, of IRCE SPA and € 289,000 refers to the Mark to Market (fair value) valuation of the sales forward contracts for copper, open as at 31.12.2009, of the English subsidiary FD Sims Ltd

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	31/12/2009	31/12/2008
Available funds	3,606	4,330
Other current financial assets	5,361	1,881
Cash and Cash equivalents	8,967	6,211
Current bank loans	(30,651)	(10,350)
Current net financial indebtedness	**(21,684)**	**(4,139)**
Non-current bank loans	(22,187)	(30,357)
Non-current financial liabilities	**(22,187)**	**(30,357)**
Net financial indebtedness	**(43,871)**	**(34,496)**

18. TRADE PAYABLES

Most trade payables fall due over the next twelve months.
As at 31/12/2009, they amounted to € 21,951,000 compared to € 29,813,000 as at 31/12/2008.

19. TAX PAYABLES

€ 427,000 refer to amounts payable for income taxes, stated inclusive of the advances paid during the year.
€ 917,000 refer to other amounts payable to the Treasury, € 1,110,000 represent VAT payables and € 583,000 to payables for IRPEF on employees.

20. AMOUNTS DUE TO SOCIAL SECURITY

This item relates to the debt to Social Security Institutes, in respect of amounts falling due in December 2009.

21. OTHER CURRENT LIABILITIES

The other liabilities are as follows:

€/000	31/12/2009	31/12/2008
- Due to employees	1,629	1,501
- Deposits received from customers	1,687	2,820
- Accrued expenses and deferred income	846	1,476
- Other	3,366	754
Total	7,528	6,551

NOTES TO THE PRINCIPAL ITEMS ON THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2009

22. INCOME AND OTHER REVENUES

This refers to income from the sale of assets, net of returns, allowances and packaging returns. The 2009 consolidated turnover of € 234,751,000 represents a fall of 34% compared to the past year (€ 356,085,000).

23. 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.

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	31/12/2009	31/12/2008
- Outsourced work	4,623	6,216
- Utilities	9,494	13,825
- Maintenance work	759	1,602
- Transport costs	4,256	5,788
- Commissions paid	761	1,142
- Fees paid to directors	216	238
- Fees paid to auditors	61	63
- Other	6,972	7,773
- Expenses for leased equipment	12	58
Total	27,154	36,705

25. COST OF PERSONNEL

The costs for personnel are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Wages and salaries	18,913	20,585	(1,672)
- Social security contributions	6,289	6,676	(387)
- Severance indemnity	286	505	(219)
- Other costs	784	1,177	(393)
Total	26,272	28,943	(2,671)

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 2009	31/12/2009	31/12/2008
- Managers & Executives	17	17	16
- Clerical staff	188	199	186
- Workers	552	538	576
Total	757	754	778

On December 31st 2009 the total number of employees was 754, of whom 54 work part-time.

26. DEPRECIATION

Depreciation is detailed as follows:

€/000	31/12/2009	31/12/2008	Changes
- Intangible fixed asset depreciation	104	57	47
- Tangible fixed asset depreciation	9,041	10,227	(1,186)
Total depreciation	9,145	10,284	(1,139)

27. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Write-down of receivables and cash equivalents	94	3.891	
- Provisions for risks	235	262	
Total provisions and write-downs	329	4,153	

28. FINANCIAL INCOME AND CHARGES

The financial income and charges are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Other financial income	205	14,313	(14,108)
- Interest payable and other financial charges	(24,168)	(4,189)	(19,979)
- Profits (losses) – Currency exchange	2,120	(3,743)	5,863
Total	(21,843)	6,381	(28,224)

- Other financial income

€/000	31/12/2009	31/12/2008
- Interest receivables, Bank	44	206
- Interest receivables, Customers	137	121
- Financial assets on LME operations	-	13,960
- Financial assets on currency operations	20	-
- Other	4	26
Total	205	14.313

- Interest and other financial charges

€/000	31/12/2009	31/12/2008
- Short-term debt interest payables	392	2,524
- Long/medium-term interest payables	658	1,454
- Sundry interest payables	94	25
- Bank commissions and charges	89	186
- Charges on derivatives	22,935	-
Total	24,168	4,189

The item "Charges on derivatives" refers to the result of the sales forward contracts for copper for € 18,337,000 of the parent company IRCE SPA and for € 1,043,000 of the subsidiary FD Sims Ltd and to the Mark to Market (*fair value*) evaluation result of the sales forward contracts for copper, open on the balance sheet date, for € 3,266,000 regarding 5,850 tonnes of the parent company IRCE SPA and for € 289,000 regarding 550 tonnes for the English subsidiary FD Sims Ltd. € 9,370,000 from this amount are to be considered for the calculation of the adjusted EBITDA and EBIT.

29. INCOME TAX

€/000	31/12/2009	31/12/2008
- Current taxes	(919)	(5.181)
- Advanced/deferred taxes	4.380	3.750
Total	3.461	(1.431)

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 are 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.

	31/12/2009	31/12/2008
Net Profit (loss) for parent company shareholders.	(15,167,855)	5,252,040
Weighted average number of shares for determining basic earnings per share	26,473,827	26,519,737
Basic profit (loss) per share	(0.5729)	0.1980
Diluted profit (loss) per share	(0.5729)	0.1980

31. INFORMATION ON RELATED PARTIES

As at 31st December 2009, IRCE SpA has a credit of € 1,360,000 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 € 1,347,000 issued by the NAB Bank, which matures on 31.03.2011.

33. TRADE RECEIVABLES MANAGEMENT

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

Risk level	Exposure €/000
Minimal	19,192
Medium	34,238
Above average	12,858
High	4,518

As at 31st December 2009, the breakdown of trade receivables by due date is as follows:

Expiry	Amount €/000
Not yet due – regular	50,469
< 30 days	6,870
31-60	3,670
61-90	1,568
91-120	555
> 120	7,674

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	31/12/2009	31/12/2008
Loans	52,838	40,707
Trade payables and other debts	29,479	36,362
Cash and cash equivalents	(3,606)	(4,329)
Net debt	78,711	72,740
Share capital	129,692	136,156
Retained net earnings	(3,845)	(4,945)
Total share capital	125,847	131,211
Capital and net debt	204,558	203,951
Debt/capital ratio	38%	36%

35. FINANCIAL INSTRUMENTS

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

€/000	Book value		Fair value	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Financial assets				
Cash and cash equivalents	3,606	4,329	3,606	4,329
Other financial assets	3,346	1,881	3,346	1,881
Financial liabilities				
Current loans	27,095	7,125	27,095	7,125
Non-current loans	22,187	30,357	22,187	30,357
Other financial liabilities	3,556	3,225	3,556	3,225

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 2009 for auditing services and other services rendered by the auditing firm or its associates.

€/000	Service provider	Recipient		Fee for 2009
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	**2009**	**2008**
NON-CURRENT ASSETS		
Intangible assets	30,332	46,465
Property, plant and machinery	5,921,243	5,984,867
Equipment and other tangible fixed assets	34,713	47,677
TOTAL NON-CURRENT ASSETS	**5,986,288**	**6,079,009**
CURRENT ASSETS		
Inventories	4,604,341	5,270,168
Trade receivables	1,019,881	1,232,882
Other receivables	39,352	27,146
Cash and cash equivalents	68,712	37,364
TOTAL CURRENT ASSETS	**5,732,286**	**6,567,560**
TOTAL ASSETS	**11,718,574**	**12,646,569**
SHAREHOLDERS' EQUITY		
Company capital	674,354	674,354
Reserves	4,414,167	4,413,008
Conversion reserve	15,451	11,878
Profit (loss) brought forward	767,432	544,869
Profit (loss) for the period	209,995	222,563
TOTAL SHAREHOLDERS' EQUITY	**6,081,399**	**5,866,672**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	2,022,108	2,693,603
Deferred taxes	1,162,664	1,114,595
Provisions for risks and charges	30,924	127,946
TOTAL NON-CURRENT LIABILITIES	**3,215,696**	**3,936,144**
CURRENT LIABILITIES		
Current financial liabilities	1,291,008	1,340,795
Trade payables	539,797	621,330
Payables to parent company	357,962	658,649
Tax payables	9,328	22,222
Other current liabilities	223,384	200,757
TOTAL CURRENT LIABILITIES	**2,421,479**	**2,843,753**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,718,574**	**12,646,569**

ISOMET AG	2009	2008
Revenues	12,695,947	18,052,819
Other income	107,456	49,682
TOTAL REVENUES	**12,803,403**	**18,102,501**
Costs of raw materials	(9,016,208)	(15,177,168)
Changes in finished product inventories and work in progress	(658,984)	(81,910)
Costs for services	(643,167)	(729,736)
Personnel cost	(1,771,655)	(1,597,697)
Depreciation	(102,870)	(107,683)
Provisions and write-downs	(827)	-
Other operating costs	(170,606)	(178,829)
OPERATING PROFIT	**439,086**	**229,478**
Financial income and charges	(181,409)	25,566
EARNINGS BEFORE TAXES	**257,677**	**255,044**
Taxes	(47,682)	(32,481)
NET PROFIT FOR THE PERIOD	**209,995**	**222,563**

IRCE LTDA	2009	2008
NON-CURRENT ASSETS		
Intangible assets	98,177	-
Property, plant and machinery	11,660,050	7,180,877
Equipment and other tangible fixed assets	134,690	283,533
Assets under construction and advances	3,904,118	3,656,265
Advanced taxes	1,139,717	1,644,972
TOTAL NON-CURRENT ASSETS	**16,936,752**	**12,765,647**
CURRENT ASSETS		
Inventories	357,265	947,659
Trade receivables	424,447	310,683
Receivables from parent company	771,553	-
Tax credits	2,284,420	409,831
Other receivables	1,393	137,396
Cash and cash equivalents	741,003	11,264
TOTAL CURRENT ASSETS	**4,580,081**	**1,816,833**
TOTAL ASSETS	**21,516,833**	**14,582,480**
SHAREHOLDERS' EQUITY		
Company capital	20,692,982	1,164,723
Reserves	-	-
Conversion reserve	420,110	435,415
Profit (loss) brought forward	(3,868,072)	(436,676)
Profit (loss) for the period	1,402,256	(3,431,396)
TOTAL SHAREHOLDERS' EQUITY	**18,647,276**	**(2,267,934)**
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	83,671	229,571
Payables to parent company	2,696,201	16,578,635
Tax payables	5,437	1,738
Amounts due to social security	65,362	25,848
Other current liabilities	18,886	14,622
TOTAL CURRENT LIABILITIES	**2,869,557**	**16,850,414**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**21,516,833**	**14,582,480**

IRCE LTDA	2009	2008
Revenues	4,257,272	631,576
Other income		-
TOTAL REVENUES	**4,257,272**	**631,576**
Costs of raw materials	(3,405,716)	(1,894,389)
Changes in finished product inventories and work in progress	(602,304)	998,808
Costs for services	(887,505)	(858,642)
Personnel cost	(381,105)	(252,757)
Depreciation	(818,683)	(309,217)
Provisions and write-downs	-	(44,480)
Other operating costs	-	-
OPERATING PROFIT	**(1,838,041)**	**(1,729,101)**
Financial income and charges	4,131,291	(3,697,296)
EARNINGS BEFORE TAXES	**2,293,250**	**(5,426,397)**
Taxes	(890,994)	1,995,001
NET PROFIT FOR THE PERIOD	**1,402,256**	**(3,431,396)**

STABLE MAGNET WIRE P.Ltd	2009	2008
NON-CURRENT ASSETS		
Intangible assets	91,789	98,206
Property, plant and machinery	469,090	283,404
Equipment and other tangible fixed assets	67,726	73,285
Assets under construction and advances	368,172	577,124
Other financial assets and non-current receivables	70,489	69,868
Advanced taxes	237,707	213,682
TOTAL NON-CURRENT ASSETS	**1,304,973**	**1,315,569**
CURRENT ASSETS		
Inventories	269,926	135,966
Trade receivables	128,483	102,593
Receivables from parent company	-	172,262
Tax credits	2,545	2,093
Other receivables	75,535	68,241
Cash and cash equivalents	587,525	220,481
TOTAL CURRENT ASSETS	**1,064,014**	**701,636**
TOTAL ASSETS	**2,368,987**	**2,017,205**
SHAREHOLDERS' EQUITY		
Company capital	2,601,531	1,001,741
Reserves	89,066	89,066
Conversion reserve	(104,631)	(114,537)
Profit (loss) brought forward	(455,394)	(252,344)
Profit (loss) for the period	(144,152)	(203,050)
TOTAL SHAREHOLDERS' EQUITY	**1,986,420**	**520,876**
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	11,973	35,530
Payables to parent company	330,471	1,418,279
Tax payables	28,048	580
Amounts due to social security	899	962
Other current liabilities	11,176	40,978
TOTAL CURRENT LIABILITIES	**382,567**	**1,496,329**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**2,368,987**	**2,017,205**

STABLE MAGNET WIRE P.Ltd	2009	2008
Revenues	452,096	455,190
Other income	48,880	83,594
TOTAL REVENUES	**500,976**	**538,784**
Costs of raw materials	(411,409)	(198,325)
Changes in finished product inventories and work in progress	73,744	(172,097)
Costs for services	(138,579)	(85,458)
Personnel cost	(76,326)	(72,698)
Depreciation	(91,573)	(103,484)
Provisions and write-downs	(231)	(32)
Other operating costs	(46,794)	(52,809)
OPERATING PROFIT	**(190,192)**	**(146,119)**
Financial income and charges	24,020	(189,558)
EARNINGS BEFORE TAXES	**(166,172)**	**(335,677)**
Taxes	22,020	132,627
NET PROFIT FOR THE PERIOD	**(144,152)**	**(203,050)**

Appendix 1

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

SURNAME & NAME	SHAREHOLDING	SHARES OWNED AT 31/12/2008	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31/12/2009
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		0
Dallago Orfeo	IRCE spa	566,267	21,000		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 145-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 Chairman	Elena Casadio Executive Manager

SEPARATE FINANCIAL STATEMENTS OF IRCE SPA AS OF DECEMBER 31st 2009

SEPARATE BALANCE SHEET

ASSETS	Notes	31.12.2009	31.12.2008
NON-CURRENT ASSETS			
Intangible assets	1	71,550	44,794
Property, plant and machinery	2	25,246,553	29,183,060
Equipment and other tangible fixed assets	2	1,001,261	1,289,835
Fixed assets under construction and on account	2	4,167,504	4,131,319
Other financial assets and non-current receivables	3	8,950,842	20,739,350
Equity investments	3	41,188,109	20,060,061
Advanced taxes	4	8,332,118	3,546,438
TOTAL NON-CURRENT ASSETS		**88,957,937**	**78,994,857**
CURRENT ASSETS			
Inventories	5	47,620,925	56,440,747
Trade receivables	6	51,290,457	52,433,767
Receivables from subsidiaries	7	4,724,998	9,751,921
Receivables from parent company	8	1,360,013	4,473,516
Tax credits	9	520,622	2,283,954
Other receivables	10	1,369,969	1,296,123
Other current financial assets	11	2,035,124	1,621,821
Cash and cash equivalents	12	129,075	299,156
TOTAL CURRENT ASSETS		**109,051,183**	**128,601,005**
TOTAL ASSETS		**198,009,120**	**207,595,862**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	13	14,626,560	14.626.560
RESERVES	13	115,949,239	112.155.347
PROFIT (LOSS) FOR THE PERIOD	13	(14,037,363)	5.168.708
TOTAL SHAREHOLDERS' EQUITY		**116,538,436**	**131.950.614**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	14	20,164,560	24.163.069
Deferred taxes	15	864,744	937.681
Provisions for risks and charges	16	835,988	841.622
Provisions for employee benefits	17	5,366,391	5.564.955
TOTAL NON-CURRENT LIABILITIES		**27,231,683**	**31.507.327**
CURRENT LIABILITIES			
Current financial liabilities	18	26,860,513	5.800.536
Trade payables	19	18,211,389	25.313.776
Payables to subsidiaries	20	1,163,397	506.654
Tax payables	21	2,041,508	5.852.236
Amounts due to social security	22	2,510,522	2.769.958
Other current liabilities	23	3,451,672	3.894.761
TOTAL CURRENT LIABILITIES		**54,239,001**	**44.137.920**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**198,009,120**	**207,595,862**

SEPARATE INCOME STATEMENT

	Notes	31.12.2009	31.12.2008
Revenues	24	160,639,138	271.923.539
Other revenues and proceeds	25	1,061,429	1.422.018
TOTAL REVENUES		**161.700.567**	**273,345,557**
Cost borne for raw materials and consumable items	26	(112,616,196)	(199.901.842)
Changes to finished product inventories and products under development		(3,376,786)	(13.289.561)
Costs for services	27	(19,654,245)	(28.348.978)
Personnel cost	28	(15,815,572)	(18.253.734)
Depreciation	29	(5,964,972)	(7.780.564)
Provisions and write-downs	30	(317,475)	(3.876.950)
Other operating costs	31	(468,745)	(671.321)
OPERATING PROFIT		**3.486.576**	**1,222,607**
Financial income and charges	32	(21,955,343)	5.844.451
EARNINGS (LOSS) BEFORE TAXES		**(18.468.767)**	**7,067,058**
Income taxes	33	4,431,404	(1.898.351)
NET EARNINGS (LOSS) FOR THE PERIOD		**(14,037,363)**	**5,168,707**
Earnings (loss) per share			
- basic, from earning (loss) attributable to ordinary parent company shareholders	34	(0.5302)	0.3435
- diluted, from earning (loss) attributable to ordinary parent company shareholders	34	(0.5302)	0.3435

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	31/12/2009	31/12/2008
€/000		
RESULT OF PERIOD	(14.037)	5.169
VARIATION FOR THE PERIOD	0	0
Other comprehensive income (loss) for the period, net of tax	0	0
Total comprehensive income (loss) for the period, net of tax	(14.037)	5.169

CHART SHOWING CHANGES IN SHAREHOLDERS' EQUITY

€/000	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Fair value reserve	Retained earnings	Reserve for IAS	Other reserves	Own shares	Result for period	Total
Balances as at 31 December 2007	**14.627**	**2.925**	**37.363**	**40.539**	**14.182**	**6.492**	**(247)**	**6.823**	**(829)**	**6.272**	**128.147**
Allocation of previous year's earnings			4.945							(4.945)	
Dividends										(1.327)	(1.327)
Own shares			(13)						(7)		(21)
Cash flow hedging transaction					(17)						(17)
Reclassifications											
Result of period										5.169	5.169
Balances as at 31 December 2008	**14.627**	**2.925**	**42.295**	**40.539**	**14.165**	**6.492**	**(247)**	**6.823**	**(836)**	**5.169**	**131.951**
€/000											
Allocation of previous year's earnings			3.845							(3.845)	
Dividends										(1.324)	(1.324)
Own shares			(45)						(24)		(69)
Cash flow hedging transaction					17						17
Reclassifications											
Result of period										(14.037)	(14.037)
Balances as at 31 December 2009	**14.627**	**2.925**	**46.095**	**40.539**	**14.182**	**6.492**	**(247)**	**6.823**	**(860)**	**(14.037)**	**116.538**

FINANCIAL STATEMENT FOR THE YEAR ENDED	31/12/2009	31/12/2008
€/000		
CASH FLOW RESULTING FROM COMPANY OPERATIONS:		
Profit for the year	**(14.037)**	**5.169**
Adjustments to reconcile profit for the year with cash flow generated (absorbed) from operations:		
Depreciation	5.965	7.781
Net change in (assets) provision for (advance) deferred taxes	(4.859)	(3.113)
(Gains) /losses from sell-off of fixed assets	(30)	(233)
Decrease (increase) in inventory	8.820	20.885
Net change in current assets and liabilities	(5.669)	25.741
Net change in current assets and liabilities vs. related parties	5.684	16.021
Net change in non-current assets and liabilities	(197)	(237)
Net change in non-current assets and liabilities vs. related parties	11.789	(11.459)
CASH FLOW GENERATED FROM OPERATIONS	**7.466**	**60.555**
Investments in intangible assets	(81)	(3)
Investments in tangible assets	(2.916)	(5.057)
Investments in shareholdings (in consolidated subsidiaries)	(21.128)	(13.376)
Amount collected from the sale of tangible and intangible assets	1.242	386
CASH FLOW USED IN INVESTMENTS	**(22.883)**	**(18.050)**
Dividends paid to minority shareholders	(1.324)	(1.327)
Change in current financial liabilities	21.060	(36.490)
Change in non-current financial liabilities	(3.999)	(3.945)
Change in current financial assets	(421)	(1.614)
Operations in own shares (sale/purchase)	(69)	(20)
CASH FLOW GENERATED FROM FINANCIAL TRANSACTION	**15.247**	**(43.396)**
NET CASH FLOW FOR THE PERIOD	**(170)**	**(891)**
CASH BALANCE AT START OF YEAR	299	1.190
TOTAL NET CASH FLOW FOR THE PERIOD	(170)	(891)
CASH BALANCE AT END OF YEAR	129	299

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st December 2009

COMPANY INFORMATION

On 15th March 2010 the financial statements for the year ended at 31st December 2009 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.
Plants are located in Imola (BO), Guglionesi, (CB), Umbertide (PG) and Miradolo Terme (PV).

FINANCIAL REPORTING PRINCIPLES

The 2009 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 income 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 are consistent with those used for drawing the annual financial statements for the year closing at 31.12.2008, except for the adoption of *new Principles and Interpretations* applicable from 01.01.2009 and listed here below:

IAS 1 Financial reporting Update (review)
The corrected and revised principle separates the changes in shareholders' equity occurring in the own capital and in the capital of minority shareholders. The schedule of changes in shareholders' equity only includes details of transactions relating to Company shareholder equity while all the changes relating to minority interests are presented in a single line (not applicable for the separate financial statements). Furthermore, this principle includes the comprehensive income statements with all income and cost items in one schedule or in two connected schedules. The Group chose to introduce two schedules.

IFRS 2 – Share-based payments – Vesting and cancellation conditions
The principle has been modified to specify the definition of the vesting conditions and to set the accounting treatment in case of an actually cancelled bonus following to a non-vesting condition failure. Adopting this change has had no impact on the company's financial position or performance.

IFRS 7 Financial instruments: Information
The amended principle requires an additional disclosure on the fair value and cash risk valuation. Fair value valuations must show integrative information on the input sources using a 3-level hierarchy for each class of financial instrument. Furthermore, a reconciliation between initial value and final value of the fair value valuation is required for the third level, as well as for measuring significant fair value transfers between first and second level. The amendments also explain what is required as for the information on the cash risk.

The information on the fair value valuation is shown in the following note; the amendments have had no impact on the cash risk information.

IFRS 8 Operating segments
This principle requires information on the Group's operating sectors and replaces the need for determining the primary reporting segment (for the IRCE Group, the activity sectors) and the secondary reporting segment (for the IRCE Group, the geographical sectors) of the Group. Adopting this change has had no impact on the financial position or performance of the Group. The Group has determined that the segments complying with IFRS correspond to the activity sectors previously identified as complying with IAS 14 Segment Reporting. The additional information for each segment can be viewed in the following Note.

IAS 23 Borrowing costs (review)
The principle has been revised to ask for the capitalisation of borrowing costs referred to qualifying assets, and the Group has thus amended its accounting procedure. Depending on the requirements during the principle transition, the principle shall be prospectively acknowledged. Thus, borrowing costs have been capitalised as increase of qualified assets starting from 01.01.2009. No change has been made on borrowing costs regularly paid before such date.

IAS 32 Financial instruments: presentation and IAS 1 Puttable Financial Instruments and obligations arising on liquidation
The principle has been amended to enable an exception with limited scope for the "Puttable" financial instruments to be classified among the items of own capital (equity) if the same meet a certain number of criteria. Adopting these changes has had no impact on the financial position or performance of the company.

IFRIC 13 Customer Loyalty Programmes
This interpretation requires the accounting as a component separate from the relevant sale transaction of the loyalty bonuses granted to customers. A portion of the fair value of the sales consideration must be allocated to loyalty bonuses and deferred. It is then acknowledged as an income in the period when the bonuses are paid off. Adopting these changes has had no impact on the financial position or performance of the company.

IFRIC 16 Hedging of a net investment in a foreign operation
The interpretation must be applied prospectively. IFRIC 16 is a guideline about the recognition of a hedge of a net investment. Therefore, it gives information about identifying currency risks which qualify for the application of hedge accounting in the hedging of a net investment, if inside the Group the hedging instruments are held to hedge a net investment, and how the company should determine the amount of exchange rate profits and losses, related both to the net investment and to the hedge instrument, which must be reclassified on the income statement when the investment is sold. The group does not carry out such type of hedging and therefore adopting these changes has had no impact on the financial position or performance of the Group.

On 12.03.2009, IASB has issued an amendment to IFRIC 9 – *Re-determination of the values of incorporated derivatives and to IAS 39 - Financial instruments: recognition and valuation* enabling, in certain circumstances, to re-classify certain financial instruments outside the accounting category "entered with fair value with contra-entry in the income statement". Such amendments explain that, when re-classifying a financial instrument outside the above category, all implicit derivatives must be valued and, if necessary, separately recognised in the balance sheet. Amendments can be applied retrospectively from 31.12.2009.

Improvements of IFRS

In May 2008 and April 2009, IASB has issued a set of improvements for the principles, to mainly eliminate inconsistencies and clear the terminology. Each standard has ad hoc transition clauses. Adopting these changes involves modifications in the accounting principles, but has had no impact on the financial position or performance of the company.

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

on 10.01.2008 IASB has issued an updated version of IFRS 3 – Business aggregations, 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 will be determined only in the control acquisition step and will be 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. The revised principle version includes the allocation to the income statement of all costs linked with the company aggregation 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 asses the still held shareholding in the financial statements at fair value and enter possible profits or losses deriving from the loss of control in the income statement. Finally, the amendment of IAS 27 requires that all losses due to minority shareholders are allocated to the quota attributable to minority interests, even if they exceed their relevant quota in the subsidiary capital. The new rules must be applied prospectively since 01.01.2010.
Within the 2008 Improvement process by IASB, the modification to IFRS 5 – *Non-current assets for sale and discontinued operating assets* defines that if a company is involved in a transfer plan that includes the loss of control on a subsidiary, all assets and liabilities of the subsidiary must be re-classified among the assets for sale, even if after the transfer the company still holds a minority interest in the subsidiary. The change must be applied prospectively since 01.01.2010.

On 31.07.2008 IASB has issued an amendment to IAS 39 – *Financial instruments: recognition and valuation*, to be applied retrospectively since 01.01.2010. The amendment explains the application of the principle for defining the hedge subject in special situations. At the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

On 16.04.2009 IASB has issued a set of modifications to IFRS ("*improvement*"); those indicated by IASB as variations involving a change in the presentation, recognition and assessment of the items in the financial statements are mentioned here below, while those involving only terminology or editing changes with minor accounting effects, or those having effects on principles or interpretations not applicable by the company are here neglected.

IFRS 2 – *Share-based payments:* the amendment must be applied since 01.01.2010 (it can also be adopted in advance) and has explained that, having IFRS 3 modified the definition of company aggregation, a business unit transfer for creating a joint venture or the aggregation of companies or business units in shared controlled bodies do not fall within the IFRS 2 applicability.

IFRS 5 – *Non-current assets for sale and discontinued operating assets:* the amendment can be applied prospectively since 01.01.2010 and explained that IFRS 5 and the other IFRSes specifically referring to non-current assets (or asset groups) classified as ready for sale or as discontinued operating assets define the whole necessary information on this kind of assets or operations.

IAS 1 – *Financial reporting:* this amendment shall be applied since 01.01.2010 (with the possibility of adopting it in advance) and modifies the definition of current liability in IAS 1. The previous definition required the classification as current for liabilities that could cease to exist at any time by issuing shareholders' equity instruments. This involved entering among the current liabilities those liabilities for convertible bond loans that could be converted in shares of the issuer at any time. After the modification, the presence of a currently executable conversion option in shareholders' equity instruments is negligible for the classification as current/non-current of a liability.

IAS 7 – *Financial statement:* the amendment must be applied since 01.01.2010 and requires that only the cash flows from expenses resulting in the recognition of an asset in the financial situation can be classified in the financial statement as deriving from investments, while cash flows from expenses that are not resulting in the recognition of an item (as in case of promotional and advertising expenses, or expenses for staff training) must be classified as deriving from operating assets.

IAS 17 – *Leasing:* following to the modifications, the general conditions specified by IAS 17 for the classification of the contract as financial or operating contract independently of the achievement of the title at the end of the contract shall be applied to leased land also. Before the modifications, the accounting principle specified that if the title of the land being leased was not transferred at the end of the leasing contract this would have been classified in operating leasing as indefinite-life asset. The amendment can be applied since 01.01.2010; at the adoption date, all lands subject of already existing leasing contracts not expired yet shall be evaluated separately, with the possible retrospective recognition of a new leasing accounted as the relevant contract was of a financial type.

IAS 36 – *Reduction in the assets value:* the amendment can be applied prospectively since 01.01.2010 and requires every operating unit or group of operating units on which the goodwill is allocated for the impairment test is not larger than an operating segment as defined in paragraph 5 of IFRS 8, before the aggregation allowed by paragraph 12 of the same IFRS on the basis of similar economic characteristics or other similar elements.

IAS 38 – *Intangible assets:* the revision of IFRS 3 made in 2008 has decided that sufficient information are available to evaluate the *fair value* of an intangible asset acquired during a company aggregation if it is separable or is originated by contract or legal rights. IAS 38 has been consequently amended with regard to this IFRS 3 modification. The re. amendment has further explained the evaluation techniques to be commonly used to evaluate the fair value of intangible assets for which no reference active market exists; in particular, such techniques include alternatively the estimate of discounted net cash flows originated by assets; the estimate of the costs the company avoided to bear by owning the asset and not having to use it under a license contract with third parties, or of the costs needed to re-create or replace it (as in the so-called cost method). The amendment can be applied prospectively since 01.01.2010; anyway, if the revised IFRS 3 is applied in advance, this amendment is also to be applied in advance.

IAS 39 – *Financial instruments: recognition and valuation:* the amendment narrows the exception of non-applicability in paragraph 2 g of IAS 39 to forward contracts between a purchaser and a shareholder seller for the sale of a company transferred in a company aggregation in a future acquisition date, if the company aggregation completion does not depend on further actions by one of the parties, rather only by the passing of a consistent time. The amendment explains that option contracts (currently executable or not) fall instead within the applicability of IAS 39 if they enable one of the parties to control the implementation of possible events and whose execution should involve the control of a company. The amendment explains further that implicit penalties for advanced cancellation of loans, whose price offsets the loaning subject for the loss of further interests, must be considered strictly linked with the financing contract including them, and thus must not be separately recognised. Finally, the amendment explains that profits or losses on a hedged financial instrument must be re-classified from shareholders' equity to income statement in the period when the hedged expected cash flow affects the income statement. This amendment can be applied prospectively since 01.01.2010; it can also be applied in advance.

IFRIC 9 – *Re-determination of the value of implicit derivatives:* the amendment can be applied prospectively since 01.01.2010 and excludes the implicit derivatives in contracts acquired during company aggregations when establishing joint venture or shared controlled companies from the applicability of IFRIC 9. At the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for the application of the just described improvements.

In June 2009, IASB has issued an amendment to IFRS 2 – *Share-based transactions: Group share-based transactions settled in cash*. The amendment explains the application context of IFRS 2 and the relationship

of these accounting principles with others. In particular, the amendment explains that the company that receives goods or services within share-based transaction plans must recognize such goods and services independently of which company of the group settles the transaction, and independently of the settlement to be in cash or in shares; further, it defines that the term "Group" is to be meant as in IAS 27 - *Consolidated and separate financial statements*, namely includes the parent company and its subsidiaries. The amendment specifies also that a company must valuate the received goods and services within a transaction settled in cash or in shares from its own point of view, that could also not correspond to the one of the Group and with the relevant amount recognised in the consolidated financial statement. The amendment incorporate the guidelines previously included in IFRIC 8 – *Application context of IFRS 2* and in IFRIC 11 – *IFRS 2 – Transactions on group and treasury shares*. Therefore, IASB has withdrawn IFRIC 8 and IFRIC 11. This amendment can be applied since 01.01.2010; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.
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; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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 these financial statements, 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 recognize it as an asset. The amendment can be applied from 01.01.2011; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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; at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process needed for its application.

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 & 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 capitalized at cost, while the assets acquired through company aggregations are capitalized 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 the way in which the future economic benefits linked with the intangible assets are gained, are indicated by changing the amortization method and related period of time so that the items can be dealt with as changes to the accounting estimates. The

amortization 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 Group 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 expiry.

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, it 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 hard 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 financial derivatives such as forward contracts for the purchase and sale of copper and forward contracts for the purchase of foreign currencies.

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 charges 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 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 tax payable result from the initial recording of the goodwill or assets or liabilities in a transaction which is not a business aggregation 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 aggregation 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 recognized 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 2009. The sale contracts were entered into in order to counter price reductions relative to the availability of raw materials The fair value of forward contracts for the sale of copper, open on the balance sheet date, is determined according to forward prices of copper with reference to the maturity dates of any contracts still in existence on 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 GBP, with a maturity date after 31st December 2009. These transactions do not meet the requirements for recognition as instruments for cash flow hedge accounting.

The following is a summary of the commodity (copper) for forward sales contracts, open as at 31st December 2009:

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, 31/12/2009 €/000
Tonnes	5,850	0	(3,266)

The following is a summary of GBP derivatives for forward purchases, open as at 31st December 2009:

Unit of measurement of notional value	Notional value with maturity within one year €/000	Notional value with maturity after one year	Result with valuation at fair value, 31/12/2009 €/000
GBP	500	0	20

BUSINESS INFORMATION

The Company's primary structure is based on specific business areas given that its risks and profitability are particularly affected by the differences between the products and services on offer. The secondary structure is based on geographic segments.
The operations of the company are managed 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.
The geographic segments of the Company are identified according to the geographic locations of the customers served.

The tables below show details of the income and profits, and information about certain assets and liabilities relating to the Company's business areas for 2009 and 2008.

31st December 2009 €/000	BUSINESS UNIT			
	Winding wire	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
Segment result	3,929	(713)		3,216
Unallocated expenses			(791)	(791)
Operating result	3,929	(713)	270	3,486
Financial income and charges				(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				
Investments:				
Net tangible fixed assets	19,162	11,254		30,415
Working capital	54,833	29,429		84,262

31st December 2009 €/000	BUSINESS UNIT			
	Winding wire	Cables	Unallocated inventory	Total
Income Statement				
Revenues	161,506	110,417		271,923
Other revenues and proceeds			1,422	1,422
Changes in leftover stock	(8,093)	(5,196)		(13,290)
Production value				260,055
Segment result	2,109	555		2,664
Unallocated expenses			(2,864)	(2,864)
Operating result	2,109	555	(1,442)	1,222
Financial income and charges				5,845
Write-downs in equity investments				
Taxes				(1,899)
NET EARNINGS				5,169
Assets & Liabilities				
Trade receivables	41,684	20,502		62,186
Inventories	34,372	22,068		56,440
Assets	76,056	42,570		118,626
Trade payables	15,725	10,095		25,820
Unallocated expenses				
Liabilities	15,725	10,095		25,820
Other business information				
Investments:				
Net tangible fixed assets	21,074	13,530		34,604
Working capital	60,331	32,475		92,806

In 2009 the two business units were both affected by the strong slowdown in demand as a consequence of the economic recession; sales and margins were significantly reduced, and in particular the cable sector has been the most affected.

The following table shows the geographical distribution of total revenue:

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

As at December 31st 2008 €/000	EC	Non-EC	Total
Income from Sales and Services	252,447	19,476	271,923

NOTES ON THE MAIN ITEMS OF THE ASSETS AND LIABILITIES STATEMENT FOR THE YEAR ENDING 31st December 2009

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 intellectual property	Licences, trademarks and similar rights	Total
Net value as at 31/12/2008	2	43	45
Changes during the year			
. Increases	81	-	81
. Depreciation	(42)	(12)	(54)
Total	39	(12)	27
Net value as at 31/12/2009	41	31	72

Asset	Expected 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

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 capitalized 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 31/12/2007	9,315	7,559	18,789	949	322	528	37,462
Changes during the year							
. Investments	-	5	619	630	41	3,763	5,057
. Reclassification	-	2	92	65	-	(159)	0
. Divestments	-	-	(2,919)	(41)	(200)	-	(3,160)
. Depreciation related to removal or sales of asset	-	-	2,767	41	198	-	3,006
. Depreciation in the course of financial year	-	(669)	(6,378)	(580)	(134)	-	(7,762)
Total	0	(662)	(5,819)	114	(95)	3,604	(2,858)
Net value as at 31/12/2008	9,315	6,897	12,971	1,063	226	4,131	34,604

€/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

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	31/12/2009	31/12/2008
- FD Sims Ltd	6,455	8,761
- DMG	1,005	700
- IRCE S.L	219	214
- IRCE Ltda	1,272	11,064
Total	8,951	20,739

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 subsidiary IRCE Ltda, fully subscribed and paid up by IRCE SpA, in the amount of € 19,528,258.14 and Stable Magnet Wire P.Ltd, fully subscribed and paid up by IRCE SpA, in the amount of € 1,599,790.00.
The higher book value of the investments in FD Sims Ltd and IRCE Ltda is 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 discount rate used (WACC – weighted average cost of invested capital) was 7.8%; the risk premium relative to the cost of equity was 5.3% 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	31/12/2009	31/12/2008
- Non-deductible depreciation	742	2,039
- Appropriations to provision for risks and charges	180	240
- Amounts allocated to bad debts provision Taxed receivables	1,148	1,201
- Loss on currency exchange adjustment	5	3
- Non-deductible interest	-	63
- Losses carried forward	6,255	-
- Association fees	2	-
Total	8,332	3,546

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	31/12/2009	31/12/2008
- Raw and complementary materials, consumables	13,370	18,814
- Semi-finished products and work in progress	6,388	7,435
- Finished products and goods	27,863	30,192
Total	47,621	56,441

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.

6. TRADE RECEIVABLES

€/000	31/12/2009	31/12/2008
- Customers/Bills & notes receivable	55,834	57,901
- Bad debts provision	(4,544)	(5,467)
Total	51,290	52,434

The balance of trade receivables is made up entirely of receivables due within the next 12 months.

The movements in the bad debts provision during 2007 are shown below:

€/000	31/12/2008	Provision	Uses	31/12/2009
Bad debts provision	5,467	82	(1,005)	4,544

7. RECEIVABLES FROM SUBSIDIARIES

The amounts receivable from subsidiaries are shown below:

€/000	31/12/2009	31/12/2008
- FD Sims LTD	245	327
- Isolveco	15	81
- Isomet AG	302	659
- IRCE S.L	2,270	1,738
- DMG	22	13
- Smit Draad	-	1
- IRCE LTDA	1,424	5,514
- Stable Magnet Wire P.Ltd.	447	1,419
Total	4,725	9,752

8. RECEIVABLES FROM PARENT COMPANY

The item 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

The item refers for € 342,000 to credits for advance taxes paid and for € 179,000 to VAT credits.

10. OTHER RECEIVABLES

The following is a breakdown of this item:

€/000	31/12/2009	31/12/2008
- Credits receivable	582	357
- Prepayments to Suppliers	51	36
- Accrued income & deferred charges	65	57
- Receivables from social security institutes for weather events	312	397
- Receivables from INPS for CIG advances	243	-
- Other receivables	117	449
Total	1,370	1,296

11. OTHER CURRENT FINANCIAL ASSETS

€/000	31/12/2009	31/12/2008
- Forward operations for copper Mark to Market	-	1,614
- Forward operations for GBP Mark to Market	20	-
- Fixed account for LME operations	2,015	8
Total	2,035	1,622

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	31/12/2009	31/12/2008
- Bank deposits and giro accounts	116	291
- Cash on hand and liquid deposits	13	8
Total	129	299

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 € 14,626,000. 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 2009.

The reserves are detailed below:

€/000	31/12/2009	31/12/2008
- Share premium reserve	40,539	40,539
- Legal reserve	2,925	2,925
- Company's own shares	(860)	(836)
- Profits to be re-invested in Southern Italy	201	201
- Extraordinary reserve	46,095	42,295
- Company surplus reserve	6,622	6,622
- IAS/IFRS transition reserve	6,245	6,245
- Fair value reserve	14,182	14,165
Total	115,949	112,156

Share premium reserve

This item refers to the higher number of shares issued, compared to the par value of shares issued by the 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 January 1 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 2009 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

The losses for the year amount to € 14,037,000 (€ 5,169,000 of earning as at 31st December 2008).

14. NON-CURRENT FINANCIAL LIABILITIES

€/000	Rate	31/12/2009	31/12/2008	Expiry
Unicredit	Variable	4,165	6,163	2011
Carisbo	Variable	6,000	8,000	2012
Intesa	Variable	10,000	10,000	2014
Total		20,165	24,163	

No guarantees have been provided for the loans in question.

15. DEFERRED TAXES

The liabilities resulting from deferred taxes are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Advance depreciation	125	129	(4)
- Capital gains by instalments	14	55	(41)
- Foreign exchange gains	7	4	3
- Differences resulting from IAS 17 application	108	-	108
- Differences resulting from land depreciation reversal	465	584	(119)
- Effects of TFR differences (IAS 19)	146	166	(20)
Total	865	938	(73)

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	31/12/2008	Provision	Uses	31/12/2009
Pension fund	340	20	-	360
Provision for future costs	502	236	(262)	476
Total	842	256	(262)	836

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	31/12/2009	31/12/2008
TFR balance as at January 1st	5,565	5,736
Curtailment	-	-
Current cost of service	-	-
Financial charges	249	239
Actuarial profits/losses	(45)	174
Amounts paid	(403)	(584)
TFR balance for the period	5,366	5,565

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	31/12/2009	31/12/2008
- Due to banks	23,595	5,782
- Amounts payable for derivatives	3,266	17
Total	26,861	5,801

The increase in short-term payables to banks is mainly due to the increase in the value of the copper raw material.
The item "payables for derivatives" refers to the mark to market (fair value) valuation of the copper forward contracts.

With reference to the financial liabilities, **the company'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	31/12/2009	31/12/2008
Available funds	129	299
Other current financial assets	2,035	1,614
Cash and Cash equivalents	2,164	1,913
Current bank loans	(26,861)	(5,801)
Current net financial indebtedness	**(24,697)**	**(3,888)**
Non-current bank loans	(20,165)	(24,163)
Non-current financial liabilities	**(20,165)**	**(24,163)**
Net financial indebtedness	**(44,862)**	**(28,051)**

19. TRADE PAYABLES

Most trade payables fall due over the next twelve months.
As at 31/12/2009, they amounted to € 18,211,000 compared to € 25,314,000 as at 31/12/2008.

20. PAYABLES TO SUBSIDIARIES

The chart below includes the following:

€/000	31/12/2009	31/12/2008
- FD Sims Ltd	38	52
- Smit Draad Nijmegen BV	19	67
- Isolveco Srl	53	62
- DMG Gmbh	156	153
- IRCE SL	8	0.5
- Stable Magnet Wire P.Ltd.	117	172
- IRCE LTDA	772	-
Total	1,163	507

21. TAX PAYABLES

€ 427,000 refer to amounts payable for income taxes, entered inclusive of the advances paid during the year. € 295,000 refer to other amounts payable to the Treasury, € 737,000 represent VAT payables and € 583,000 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 2009.

23. OTHER CURRENT LIABILITIES

The other liabilities are as follows:

€/000	31/12/2009	31/12/2008
- Due to employees	1,629	1,453
- Deposits received from customers	1,687	1,845
- Accrued expenses and deferred income	39	240
- Other	97	357
Total	3,452	3,895

NOTES TO THE PRINCIPAL ITEMS ON THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2009

24. INCOME

This refers to income from the sale of assets, net of returns, allowances and packaging returns. This year's sales of € 160,639,000 represent a fall of 41% compared to the past year (€ 271,924,000).

25. OTHER INCOME AND RECEIPTS

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

€/000	31/12/2009	31/12/2008
- Insurance refund	11	396
- Gains on fixed assets	27	234
- Other	814	501
- Increases in fixed assets	209	291
Total	1,061	1,422

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	31/12/2009	31/12/2008
- Outsourced work	4,623	6,221
- Utilities	7,340	11,342
- Maintenance work	456	703
- Transport costs	3,185	4,304
- Commissions paid	657	973
- Fees paid to directors	216	238
- Fees paid to auditors	61	63
- Other	3,116	4,505
Total	19,654	28,349

28. COST OF PERSONNEL

The costs for personnel are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Wages and salaries	10,702	12,168	(1,466)
- Social security contributions	4,449	4,763	(314)
- Severance indemnity	271	480	(209)
- Other costs	394	843	(449)
Total	15,816	18,254	(2,438)

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

The average workforce for the period was as follows:

Staff	Average 2009	31/12/2009	31/12/2008
- Managers & Executives	9	9	8
- Clerical staff	119	116	121
- Workers	350	346	378
Total	478	471	507

On December 31st 2009 the total number of employees was 471, of whom 32 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	126,579	281,121
Francesco Gandolfi Colleoni	Director	12,000	127,496	139,496
Gianfranco Sepriano	Director	12,000	70,000	82,000
Giampaolo Calisi	Director until 08/06/09	5,000		5,000
Fabio Senese	Director	12,000		12,000
Orfeo Dallago	Director	6,000		6,000

29. DEPRECIATION

Depreciation is detailed as follows:

€/000	31/12/2009	31/12/2008	Changes
- Intangible fixed asset depreciation	54	19	35
- Tangible fixed asset depreciation	5,911	7,762	(1,851)
Total depreciation	5,965	7,781	(1,816)

30. PROVISIONS AND WRITE-DOWNS

Provisions and write-downs are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Write-down of receivables and cash equivalents	82	3,615	(3,533)
- Provisions for risks	236	262	(26)
Total provisions and write-downs	318	3,877	(3,559)

31. OTHER OPERATING COSTS

The other operating costs are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Taxes and duties payable	172	172	-
- Capital loss on assets	-	2	(2)
- Other	297	497	(200)
Total	469	671	(202)

32. FINANCIAL INCOME AND CHARGES

The financial income and charges are detailed below:

€/000	31/12/2009	31/12/2008	Changes
- Other financial income	144	12,407	(12,263)
- Income from subsidiaries	263	296	(33)
- Interest payable and other financial charges	(22,501)	(3,389)	(19,112)
- Profits (losses) – Currency exchange	139	(3,470)	3,609
Total	(21,955)	5,844	(27,799)

- Other financial incomes

€/000	31/12/2009	31/12/2008
- Interest receivables, Bank	8	17
- Interest receivables, Customers	112	101
- Financial assets on LME operations	-	12,263
- Financial assets on currency operations	20	
- Other	4	26
Total	144	12,407

- Interests and other financial charges

€/000	31/12/2009	31/12/2008
- Short-term debt interest payables	136	1,894
- Long/medium-term interest payables	614	1,379
- Sundry interest payables	94	25
- Bank commissions and charges	53	91
- Charges on derivatives	21,604	-
Total	22,501	3,389

The item "Charges on derivatives" refers to the result of the sales forward contracts for copper of € 18,337,000 and to the Mark to Market (*fair value*) evaluation result of the sales forward contracts for copper, open on the balance sheet date, for € 3,267,000 regarding 5,850 tonnes. € 9,370,000 from this amount are to be considered for the calculation of the adjusted EBITDA and EBIT.

33. INCOME TAX

€/000	30/06/2009	31/12/2008
- Current taxes	(428)	(4,324)
- Advanced/deferred taxes	4,859	2,426
Total	4,431	(1,898)

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 are 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.

	31/12/2009	31/12/2008
Net earnings	(14,037,363)	5,168,707
Weighed average shares for basic earnings per share	26,473,827	26,519,737
Basic earnings per share	(0.5302)	0.1949
Diluted earnings per share	(0.5302)	0.1949

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 2009, IRCE SpA has a credit of € 1,360,000 due from the parent company Aequafin Spa, due to 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	4,841
Medium	33,895
Above average	12,849
High	4,250

As at 31st December 2009, the breakdown of trade receivables by due date is as follows:

Expiry	Amount €/000
Not yet due – regular	43,235
< 30 days	2,683
31-60	1,506
61-90	880
91-120	-
> 120	7,531

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	31/12/2009	31/12/2008
Loans	47,026	29,963
Trade payables and other debts	21,663	29,207
Cash and cash equivalents	(129)	(299)
Net debt	68,560	58,871
Share capital	116,538	131,950
Retained net earnings	(3,845)	(4,945)
Total share capital	112,693	127,005
Capital and net debt	181,253	185,876
Debt/capital ratio	38%	32%

39. FINANCIAL INSTRUMENTS

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

€/000	Book value		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash and cash equivalents	129	299	129	299
Other financial assets	20	1,614	20	1,614
Financial liabilities				
Current loans	23,595	5,784	23,595	5,784
Non-current loans	20,165	24,163	20,165	24,16
Other financial liabilities	3,266	17	3,266	17

40. 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 2008 for auditing services and other services rendered by the auditing firm or its associates.

€/000	Service provider	Fee for 2008
Auditing of accounts	Reconta Ernst & Young Spa	99

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 145-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 separate financial statements have been duly applied.

In addition, we certify that the separate yearly 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
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.

Società	Sede	Quota	Capitale sociale	Patrimonio Netto 2009	Patrimonio Netto di competenza	Risultato di esercizio	Risultato di esercizio di competenza	Valore di carico	Differenza
FD SIMS ltd	Blackburn	100%	18.173.127	6.946.228	6.946.228	-385.033	-385.033	9.319.086	-2.757.891
Smit Draad Nijmegen BV	Nijmegen BV	100%	1.165.761	16.159.534	16.159.534	1.138.759	1.138.759	7.273.000	10.025.293
Isomet AG	Otelfingen	100%	674.354	5.855.953	5.855.953	209.995	209.995	1.434.650	4.631.298
IRCE Ltda	Joinville	99,9%	20.692.982	16.824.910	16.808.085	1.402.256	1.389.513	20.349.698	-2.152.100
Isolveco SRL	Rubano (PV)	75%	46.440	1.248.187	936.140	137.818	-103.364	194.704	638.072
DMG Gmbh	Oberursel	100%	255.646	959.381	959.381	221.008	221.008	119.526	1.060.863
IRCE SL	Barcellona	100%	150.000	-589.836	-589.836	-210.725	-210.725	150.000	-950.561
Stable Magnet Wire P.Ltd	Kochi	97,12%	2.601.531	2.235.203	2.170.829	-144.152	-132.620	2.347.446	-309.237
Totale								41.188.109	

Appendix 3

Reconciliation between theoretical and actual tax burden

IRES

	31/12/2009		31/12/2008	
	Amounts	Rate	Amounts	Rate
Applicable ordinary rate		27,50%		27,50%
Earnings before taxes	(18,532)		7,067	
Theoretical tax expense		(5,096)		1,943
Increases				
Non-deductible depreciation	18		13	
Capital gains and contingent assets recorded during the financial year	127		144	
Non-deductible write-downs and capital losses	271		-	
Other increases	561		13,480	
Decreases				
Depreciation	(3,835)		(6,632)	
Other decreases	(1,356)		(2,234)	
Taxable income	(22,746)		11,838	
CURRENT IRES TAX		(6,255)		3,255

IRAP

	31/12/2009		31/12/2008	
	Amounts	Rate	Amounts	Rate
Applicable ordinary rate		3.90%		3.90%
Difference between costs and values of production	3,423		1,223	
Theoretical tax expense		134		48
Income/costs not relevant for IRAP purposes				
Taxed income	127		8,817	
Non-taxable income	-		-	
Deductible costs	(4,701)		(7,223)	
Non-deductible costs	16,769		23,263	
Other deductions	(5,081)		(4,537)	
Irap-taxable income	10,537		21,543	
Irap-taxable income at 3.90%		8,775	17,566	
Irap-taxable income at 4.82%		1,762	3,977	
CURRENT IRAP TAX		427		877