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(The accompanying translated separate financial statements of Cellularline S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Cellularline S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Cellularline S.p.A. (the "company"), which comprise the statement of financial position as at 31 February 2022, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Cellularline S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the separate financial statements: note 2.2 – Use of estimates and judgements in the preparation of the separate financial statements, note 6.2 – Goodwill and note 6.2.1 – Impairment test on goodwill

Key audit matter	Audit procedures addressing the key audit matter
The company's separate financial statements at 31 December 2022 include goodwill of €18.4 million, which is allocated to its sole cash-generating unit ("CGU"). Assisted by an independent advisor, the directors tested goodwill for impairment in order to identify any impairment losses resulting if the CGU's carrying amount, including the related goodwill, exceeds its recoverable amount. The directors estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. This model is based on the general concept that the enterprise value of an entity is equal to the present value of the following two elements: • the cash flows it will be able to generate within the forecast period; • the residual value, i.e., the value of the business as a whole, after the forecast period. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the company's 2023-2026 business plan (the "plan"), approved by the board of directors on 15 March 2023. The resulting recoverable amount (enterprise value) amounted to roughly €170.8 million, which was smaller than the reporting-date carrying amount. Accordingly, the directors recognised an impairment loss of €75.4 million, €39.9 million of which had already been recognised at 30 June 2022. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: • the expected operating cash flows, calculated by taking into account the general economic performance (including expected inflation and exchange rates) and that of the company's sector and the actual cash flows generated by the CGU in recent years; • the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated operating cash flows used by the directors for impairment testing will increase as a result of the higher level of uncertainty arising from the current and future economic conditions.	Our audit procedures, which also involved our own valuation specialists, included: • understanding and analysing the processes adopted for impairment testing and the preparation of the plan; • analysing the directors' review process in relation to the discrepancies between the 2022 actual data and the related previous forecasts; • analysing the reasonableness and appropriateness of i) the key assumptions used by the directors to determine the operating cash flows and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; • checking the directors' sensitivity analysis described in the notes in relation to the key assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Key audit matter	Audit procedures addressing the key audit matter
Considering the above, we believe that the recoverability of goodwill is a key audit matter.	

Recoverability of customer relationships and trademarks with a finite useful life

Notes to the separate financial statements: note 2.2 – Use of estimates and judgements in the preparation of the separate financial statements and note 6.1.2 – Measurement of customer relationships and trademarks with a finite useful life

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include customer relationships and trademarks with a finite useful life (the "intangible assets") of €27.5 million and €15.1 million, respectively, net of accumulated amortisation and accumulated impairment losses of €32.2 million and €8.8 million, respectively. Based on approved internal analyses, the directors did not identify any specific indicators that these intangible assets might be impaired. With reference to the customer relationships, the directors considered the long-term renewal agreements signed with the group's key customers during 2022. With reference to trademarks with a finite useful life, the directors considered: (i) the main financial indicators of the plan prepared by management and (ii) retaining a significant market share in the relevant markets. Performing internal analyses entails a high level of judgement, in addition to the uncertainty inherent in any forecast. The risk of material misstatement in the identification and assessment of the trigger events potentially affecting customer relationships and trademarks with a finite useful life has increased as a result of the higher level of uncertainty arising from the current and future economic conditions. Considering the above, we believe that the recoverability of these intangible assets is a key audit matter.	Our audit procedures included: • analysing the reasonableness of i) the key assumptions used by the directors to identify the intangible assets and determine the related residual expected cash flows, as well as the related value in use and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; • checking the internal analyses approved by the directors to ensure there were no indicators of impairment of intangible assets; • analysing the long-term renewal agreements signed with the group's key customers during 2022; • assessing the main financial indicators of the plan prepared by management; • checking the level of market share in the relevant markets; • assessing the appropriateness of the disclosures provided in the notes about intangible assets.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 16 April 2019, the company's shareholders appointed us to perform the statutory audit of its separate financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 29 March 2023

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit

information

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

(thousands of Euro)	**Notes**	**31 December 2022**	**Of which related parties**	**31 December 2021**	**Of which related parties**
ASSETS					
Non-current assets					
Intangible assets	**6.1**	45,102		50,907	
Goodwill	**6.2**	18,432		93,857	
Property, plant and equipment	**6.3**	5,411		5,102	
Equity investments in subsidiaries and associates	**6.4**	20,578		19,317	
Right-of-use assets	**6.5**	3,626		1,109	
Deferred tax assets	**6.6**	4,788		4,327	
Financial assets	**6.7**	6,391	6,391	6,103	6,103
Total non-current assets		**104,328**		**180,772**	
Current assets					
Inventories	**6.8**	35,008		26,451	
Trade receivables	**6.9**	48,961	12,794	51,018	16,166
Current tax assets	**6.10**	939		1,209	
Financial assets		34		37	
Other assets	**6.11**	2,581		3,581	
Cash and cash equivalents	**6.12**	4,818		3,827	
Total current assets		**92,341**		**86,123**	
TOTAL ASSETS		**196,669**		**266,845**	
EQUITY AND LIABILITIES					
Equity					
Share capital	**6.13**	21343		21,343	
Other reserves	**6.13**	166,260		157,767	
Retained earnings	**6.13**	15,821		29,877	
Profit for the year		(75,893)		(4,862)	
TOTAL EQUITY				**204,125**	
LIABILITIES					
Non-current liabilities					
Bank loans and borrowings and loans and borrowings from other financial backers	**6.14**	14,821		24,714	
Deferred tax liabilities	**6.6**	1,673		1,152	
Employee benefits	**6.15**	209		323	
Provisions for risks and charges	**6.17**	1,249		1,495	
Other financial liabilities	**6.21**	2,796		713	
Total non-current liabilities		**20,748**		**28,397**	
Current liabilities					
Bank loans and borrowings and loans and borrowings from other financial backers	**6.14**	23,697		10,088	
Trade payables	**6.18**	18,881	254	17,965	182
Current tax liabilities	**6.19**	612		1,231	
Provisions for risks and charges	**6.17**	-		-	
Other liabilities	**6.20**	4,040	39	3,372	38
Other financial liabilities	**6.21**	1,160		1,667	
Total current liabilities		**48,390**		**34,323**	
TOTAL LIABILITIES		**69,138**		**62,720**	
TOTAL EQUITY AND LIABILITIES		**196,669**		**266,845**	

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

INCOME STATEMENT

(thousands of Euro)	Notes	2022	Of which related parties	2021	Of which related parties
Revenue from sales	**7.1**	113,022	16,322	97,947	17,298
Cost of sales	**7.2**	(72,062)	(1,257)	(57,054)	(1,206)
Gross operating profit		**40,960**		**40,893**	
Sales and distribution costs	**7.3**	(23,341)	44	(21,580)	
General and administrative costs	**7.4**	(96,566)	(12)	(26,652)	(11)
Other non-operating revenue	**7.5**	1,826	(11)	950	27
Operating loss		**(77,121)**		**(6,389)**	
Financial income	**7.6**	1,369	102	96	94
Financial expense	**7.6**	(2,164)		(2,080)	
Exchange gains	**7.7**	2,288		662	
Gains/(losses) on equity investments		-		-	
Loss before taxes		**(75,628)**		**(7,711)**	
Current and deferred taxes	**7.8**	(265)		2,849	
Loss for the year		**(75,893)**		**(4,862)**	

STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2022	2021
Loss for the year		**(75,893)**	**(4,862)**
Other components of comprehensive income that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		54	(7)
Actuarial gains on provisions for risks		335	17
Gains/(losses) on translation of foreign operations		-	-
Income taxes		(108)	(3)
Other components of comprehensive income for the year		**280**	**7**
Total comprehensive expense for the year		**(75,613)**	**(4,855)**

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2022	2021
Loss for the year		(75,893)	(4,862)
Amortisation, depreciation and impairment losses		86,081	17,182
Net impairment losses and accruals		412	47
(Gains)/losses on equity investments		-	-
Accrued financial expense		689	1,984
Current and deferred taxes		265	(2,849)
Other non-monetary changes		134	52
		11,688	**11,554**
(Increase)/decrease in inventories		(9,317)	1,429
Decrease in trade receivables		2,119	2,220
Increase/(decrease) in trade payables		916	
Increase in other assets and liabilities		2,425	1,289
Payment of employee benefits and change in provisions		(74)	(93)
Cash flow generated by operating activities		**7,757**	**20,420**
Interest paid and other net charges paid		(2,164)	(925)
Income taxes paid		(1,331)	(2,334)
Net cash flow generated by operating activities		**4,262**	**17,161**
Acquisition of subsidiary, net of cash acquired		(1,261)	(295)
Purchase of property, plant and equipment and intangible assets		(3,875)	(4,093)
Cash flows used in investing activities		**(5,136)**	**(4,388)**
(Dividends distributed)		(1,012)	-
Other financial assets and liabilities (*)		(1,224)	(5,232)
Other changes in equity		280	-
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers		3,715	(10,000)
Payment of transaction costs relating to financial liabilities		106	151
Net cash flows generated by (used in) financing activities		**1,865**	**(15,081)**
Increase/(decrease) in cash and cash equivalents		**991**	**(2,308)**
Effect of exchange rate fluctuations (*)		-	-
Total cash flow		**991**	**(2,308)**
Opening cash and cash equivalents	**6.12**	**3,827**	**6,135**
Closing cash and cash equivalents	**6.12**	**4,818**	**3,827**

STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Notes	Share Capital	Other reserves	Retained earnings/ (Losses carried forward)	Profit (loss) for the year	Non-controlling interests	Total Equity
Balance at 31 December 2020		**21,343**	**157,056**	**17,346**	**13,190**	**-**	**208,935**
Profit (loss) for the year		-	-	-	(4,862)	-	(4,862)
Other components of the statement of comprehensive income		-	7	-	-	-	7
Total statement of comprehensive income		**-**	**7**	**-**	**(4,862)**	**-**	**(4,855)**
Allocation of profit (loss) for previous year		-	659	12,531	(13,190)	-	-
Dividend distribution		-	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-
Other changes		-	45	-	-	-	45
Balance , at 31 December 2021		**21,343**	**157,767**	**29,877**	**(4,862)**	**-**	**204,125**
Profit (loss) for the year		-	-	-	(75,893)	-	(75,893)
Other components of the statement of comprehensive income		-	311	-	-	-	311
Total statement of comprehensive income		**-**	**311**	**-**	**(75,893)**	**-**	**(75,582)**
Allocation of profit (loss) for previous year		-	-	(4,862)	4,862	-	-
Dividend distribution		-	5,868	(6,880)	-	-	(1,012)
Other changes		-	2,314	(2,314)	-	-	-
Balance , at 31 December 2022	**4.12**	**21,343**	**166,260**	**15,821**	**-75,893**	**-**	**127,531**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

1. Introduction

Cellularline S.p.A. (hereinafter also "Cellularline" or the "Company"), a company incorporated under Italian law with registered office in Reggio Emilia, Via G. Lambrakis 1/a, is one of the main operators in the smartphone and tablet accessories sector in the EMEA area, as well as a market leader in Italy; moreover, in terms of volume, the Company ranks among the top operators in Switzerland, Spain, Belgium, the Netherlands, Germany and Austria and boasts a good competitive position in the other European countries.

The separate financial statements are submitted for approval by the Shareholders' Meeting convened for 28 April 2023, in line with the financial calendar approved by the Board of Directors on 9 January 2023.

Since 22 July 2019, Cellularline shares have been listed on the STAR segment of the Milan Stock Exchange.

At31 December 2022, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- Christian Aleotti 8.81%
- First Capital S.p.A. 7.22%
- Quaero Capital S.A. 6.80%

2. Basis of preparation and accounting policies

The basis of preparation and the main accounting policies adopted in the preparation of the Financial Statements as at and for the year ended 31 December 2022 are described below. They have been applied consistently for all previous years. The purpose of the notes is to illustrate the accounting policies adopted, to provide the information required by IFRS that is not contained in other parts of the financial statements, as well as to provide additional information that is not shown in the financial schedules, but is required to give a true and fair view of the Company's operations.

2.1 Basis of presentation

With reference to the use of the going concern assumption in the preparation of the financial statements, the joint co-ordination table between the Bank of Italy, Consob and Isvap on the application of IAS/IFRS, with document no. 2 of 06.02.2009 "Information to be provided in financial reports on the going concern assumption, financial risks, impairment testing of assets and uncertainties in the use of estimates", as well as with the subsequent document no. 4 of 04.03.2010, requires directors to make particularly accurate assessments on the existence of the going concern assumption. In addition, paragraphs 25-26 of IAS 1 state that: "When preparing financial statements, management must make an assessment of the entity's ability to continue as a going concern. The financial statements shall be prepared on a going concern basis unless management intends to liquidate the entity or discontinue its operations, or has no realistic alternative but to do so". Therefore, when preparing the financial statements at 31 December 2022, the Directors carried out a prospective evaluation of the company's ability to continue to constitute a functioning economic complex intended for the production of income for a foreseeable future period of time, relating to a period of at least twelve months from the reference date of the financial statements. This assessment was also made taking into account:

- the positive evolution of the reference market recorded in the last few years, which was associated with a significant increase in sales revenue by the Parent and the Group, as well as forecasts regarding future trends in revenue and core business;
- the positive economic and financial development forecasts contained in the 2023-26 Business Plan of the Parent and the Group, approved by the Company's Board of Directors on 15 March 2023, which are reflected in the first available management data referring to the first two months of 2023;
- the (past and expected) ability of the Parent and the Group to continue to generate positive cash flows that, together with available credit lines, enable them to meet expected payment commitments;
- the high level of capitalisation of the Parent and the Group. The financial statements as at and for the year ended 31 December 2022 have been prepared on a going concern basis. The financial statements are expressed in Euro, which is the company's functional currency. For the sake of clarity, the mandatory items under IAS 1 that show nil balances in both comparative periods, have been omitted from the schedules and tables. The following schedules have been used in the preparation of these financial statements:

- **Statement of financial position:** it presents current and non-current assets separately from current and non-current liabilities, with a description in the notes, for each asset and liability item, of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.
- **Income statement:** the classification of costs in the income statement is based on their function, showing the intermediate results relating to gross operating profit/(loss), net operating profit/(loss) and profit/(loss) before taxes.
- **Statement of comprehensive income:** this statement includes the profit/(loss) for the year and the expenses and income recognised directly in equity for transactions other than those carried out with shareholders.
- **Statement of cash flows:** the statement of cash flows shows cash flows from operating, investing and financing activities. Cash flows from operating activities are represented using the indirect method, through which the profit for the year is adjusted by the effects of non-monetary transactions, any deferral or accrual of previous or future collections or payments and revenue connected with the cash flows deriving from investing or financing activities.
- **Statement of changes in equity:** this statement includes, in addition to the result of the statement of comprehensive income, also the transactions that took place directly with the shareholders who acted in this capacity and the details of each component. Where applicable, it also includes the effects of changes in accounting policies for each item of equity.
- **Notes to the financial statements.**

The income statement presents the following results, since management believes that they are significant for the purposes of providing a better understanding of the Company's results:

- Gross operating profit: this is the difference between revenue from sales and services and the cost of sales;

- Operating profit: this is the net profit for the year before financial income and expense and income taxes.

These operating results are not accounting measure in accordance with the IFRS and, therefore, should not be considered a substitute for assessing performance. Furthermore, the criteria for determining these operating results may not be consistent with those adopted by other companies and, therefore, that these data may not be comparable. The Statement of Cash Flows has been prepared using the indirect method and shows the cash flows for the year, classifying them under operating, investing and financing activities. With reference to CONSOB Resolution no. 15519 of 27 July 2006 on financial statement formats, it should be noted that the income statement and statement of financial position include mention of transactions with related parties.

2.2 Use of estimates and judgements in the preparation of the Separate Financial Statements

In preparing the separate financial statements, management has had to make judgements, estimates and assumptions that influence the application of the accounting policies and the amounts of assets, liabilities, costs and revenue recognised. However, since these are estimates, actual results will not necessarily be the same as those represented here; these estimates and assumptions are regularly reviewed.

Significant subjective judgements made by management in the application of the accounting policies and the main sources of uncertainty in estimates are listed below.

Fair value

When measuring the fair value of an asset or liability, the Company makes use of observable market data as far as possible.

The fair values are divided into various hierarchical levels based on the input data used in the valuation techniques, as illustrated below:

- Level 1 inputs are quoted prices (unadjusted) on active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

Recoverability of Goodwill

The Company? test goodwill for impairment annually and whenever there is any indication of impairment. For the purposes of impairment testing, the recoverable amount of each cash generating units was determined as value in use using the discounted cash flow method. In applying this method, the Company? uses various assumptions, including the estimate of future increases in sales, operating costs, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate). For the purpose of preparing the interim condensed consolidated financial statements as at 30 June 2022, the Company performed an analysis on the possible presence of indicators of goodwill impairment and, as a result of this analysis, deemed it appropriate to perform an impairment test, since firstly, the book net equity of the Group referring to the Company was higher than the value of the Stock Exchange capitalisation as of the same date. The Group, therefore, with the support of an Advisor (Deloitte & Touche), performed an impairment test, whose criteria were approved by the Board of Directors on 28 July 2022 and the results of which were approved on 8 September 2022. As a result of this test, it was necessary to record an impairment loss on Goodwill of EUR 39.9 million. At 31 December 2022, the Company performed an additional impairment test essentially consistent in its approach to that adopted with reference to the interim condensed consolidated financial statements as at 30 June 2022, and updated all relevant parameters based on information available from external sources, starting in particular with the determination of the discount rate (WACC) and the perpetual growth rate subsequent to the explicit forecast (g-rate). At the end of the test, an impairment loss on Goodwill of EUR 75.4 million (of which EUR 39.9 million already noted in the interim condensed consolidated financial statements at 30 June 2022) was recognised in the income statement, which is mainly attributable to the effect of the significant increase in the discount rate used for the purposes of the test, which firstly reflects the significant increase progressively seen during the year as a result of the actions to counter inflationary phenomena by central banks described above. Refer to note "4.2 Goodwill" for more detailed information.

Measurement of customer relationship and trademarks with a finite useful life

Customer relationships

The Directors have carried out an analysis to verify the possible need to subject these intangible assets with a defined useful life to an impairment test, considering - as provided for by IAS 36 - the possible presence of internal and external indicators. The company did not carry out the impairment test, as it did not detect any specific impairment indicators on the asset, in consideration of the fact that several multi-year renewals were carried out with strategic customers during 2022 and, therefore, the core of the most relevant customers from the 2018 business combination perimeter does not appear to be at risk.

Trademarks

Following the formalisation of internal analyses, the Directors did not identify any specific impairment indicators relating to these assets, considering: (i) the main economic and financial indicators of the plan prepared by management and (ii) the maintenance of a significant market share in the relevant markets.

Loans and receivables

The loss allowance reflects the Directors' estimate of credit losses on trade receivables. It is estimated based on the Company's expected credit losses, taking into account expected future changes in the counterparties' credit ratings, current and previous past due amounts, losses and collections, monitoring of credit quality and projections of economic and market conditions. The Company has adopted a specific credit assessment and allowance determination procedure.

Inventories

The allowance for inventory write-down reflects the Company's? estimate of losses in the value of inventories that have already occurred or that are expected to occur, determined on the basis of past experience, and historical and expected sales trends. The allowance for inventory write-down takes into account the commercial obsolescence for each category of products on the basis of inventory turnover rates, market values and specific technical assessments related to technological developments.

Stock Grant plan

The measurement of the stock grant plans, granted during 2021 and 2022, was carried out based on the guidance contained in International Financial Reporting Standard 2 (IFRS 2) - "Share-based payments".

Deferred tax assets

The Group's consolidated financial statements include deferred tax assets. These deferred taxes have been recorded taking into consideration their recoverability, on the basis of the future income expectations of the Group companies.

Provisions for risks

As it operates globally, the Company is subject to legal and tax risks deriving from normal operations. The Company recognises and measures contingent liabilities on the basis of assumptions mainly relating to the probability and extent of the financial outlay.

2.3 Most significant accounting policies used in the preparation of the Separate Financial Statements

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rate in force at the transaction date. Monetary items in foreign currency at the reporting date are translated into the functional currency using the exchange rate at that date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates in force on the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate in force at the transaction date. Exchange gains and losses arising from the translation are generally recognised in profit or loss for the year under financial income and expense.

Intangible assets

Intangible assets acquired or generated internally are recognised as assets, in accordance with IAS 38, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined. Intangible assets with finite useful lives are measured at the costs incurred to acquire or internally generate the asset, net of accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful life, which is the estimated period over which the assets will be used by the Company.

The amortisation rates used are summarised below, by category of intangible assets:

Category	Amortisation rate
Development costs	50%-33%
Customer relationships	7.7%
Software	33%
Licenses	33-50%
Cellularline trademark	5.5%
Interphone trademark	10%
Other	33%

If the licences refer to specific service contracts, they are amortised over the term of the relevant contract.
Some of the above items are detailed below.

Development costs

Costs incurred for research and development projects are those incurred with the aim of studying and acquiring knowledge for new or improved products, processes and services. If these costs reflect a multi-year utility, i.e., if they have benefits that manifest themselves over several years, they may be capitalised, otherwise they are charged to the income statement in the year in which they are incurred.
Advertising expenses, which do not meet the requirements of IAS 38, are taken to profit or loss for the year.

Customer relationships

As explained in detail in the Director's Report, 2022 was affected by the epidemic and the global spread of COVID-19, with a significant impact on the Company's business.
The Directors have carried out an analysis to verify the possible need to subject these intangible assets with a defined useful life to an impairment test, considering - as provided for by IAS 36 - the possible presence of internal and external indicators.
At 31 December 2022, the Company did not carry out the impairment test, as it did not detect any specific impairment indicators on the asset, in consideration of the fact that several long-term renewals were carried out with strategic customers during 2022 and, therefore, the core of the most relevant customers from the 2018 business combination perimeter does not appear to be at risk.

Software, license and trademarks

This item mainly includes the effect of the purchase price allocation procedure for the fair value of the Cellularline and Interphone trademarks. For the purpose of estimating the fair value, a royalty rate was considered, based on the analysis of comparable market transactions, and applied to the cash flows attributable to each asset. These flows were expressed net of marketing costs aimed at maintaining the intangible asset at the conditions in which it was at the measurement date and net of the related tax burden. The value of the asset is the sum of the present values of the cash flows. The trademarks in question may be separated from the Company and transferred, sold or licensed for use to a third party and the Company has the option of limiting access by third parties as they are registered trademarks. In addition, the Company receives the economic benefits attributable to them, reflected in the revenue of the Red line for the Cellularline brand, recognised in Europe for smartphone and tablet accessories for over 25 years, and in the revenue of the Black line for the Interphone brand. The estimated useful lives of these trademarks are 18 and 10 years, respectively. The Company did not deem it necessary to test trademarks recognised as assets with a finite useful life for impairment, given that no impairment indicators were detected on specific assets and the results of previous impairment tests showed significant headroom. Software costs, including ancillary expense, relate to software acquired for the Company's use. Licenses refer to software licenses dedicated to specific service contracts.

Goodwill

Goodwill acquired in business combinations is initially recognised at cost and represents the excess of the acquisition cost over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees. Any negative difference, "negative goodwill", is recognised in profit or loss at the time of acquisition. When a subsidiary is acquired in a business combination achieved in stages, the individual assets and liabilities of the subsidiary are not measured at fair value in each subsequent stage and goodwill is only determined in the first acquisition stage. After initial recognition, goodwill is shown net of impairment losses, determined as described below. At the acquisition date, any emerging goodwill is allocated to each of the cash generating units expected to benefit from the synergies achieved as a result of the acquisition. Any impairment losses are identified through assessments of the ability of each cash-generating unit to generate cash flows capable of recovering the portion of goodwill allocated to it, in the manner indicated in the section on property, plant and equipment. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist. When part or all of an acquiree whose acquisition generated goodwill is sold, the residual carrying amount of goodwill is considered when calculating the gain or loss on the sale.
Goodwill is not subject to amortisation.

Impairment

The Company tests for goodwill at least once a year and whenever indicators of impairment are identified, the recoverability of the carrying amount of tangible, financial and intangible assets other than goodwill to determine whether there is any indication that those assets may be impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss. When it is not possible to estimate the recoverable amount of a single asset, the Company estimates this amount at the individual company level, which represents the smallest independent cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset). If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been

determined had no impairment loss been recognised. The reversal of an impairment loss is immediately recognised in profit or loss.
The Company used an independent advisor to measure this item.

Property, plant and equipment

Property, plant, machinery and industrial equipment (including that under finance lease) used for the production or supply of goods and services are recognised at historical cost, net of accumulated depreciation and any impairment losses; the cost also includes any costs directly incurred to prepare the assets for use. Interest expense incurred on loans obtained to purchase or construct property, plant and equipment is recognised as an increase in the assets only in the case of assets that meet the requirements for recognition as such, i.e. they require a significant period of time to be ready for use or marketable. Ordinary maintenance and repair costs are taken directly to profit or loss for the year in which they are incurred, while maintenance costs that increase the value of assets are allocated to such assets and depreciated with the asset on the basis of its residual possibility of use. Assets under construction and payments on account are recognised as assets based on the cost incurred and/or the advance paid, including directly attributable expenses. Depreciation is calculated on a straight-line basis to the cost of the assets, net of their residual values (when reasonably estimable), over their estimated useful lives, applying the following rates (main categories):

Category	Depreciation rate
Buildings	3%
Plants and machinery	12-30%
Industrial and commercial equipment	15%
Other assets	12-15-20-25%

Assets intended for specific service contracts are an exception and are depreciated according to the duration of the contract. Depreciation begins when the assets are available for use and is calculated at half the normal rate in the year when the assets are places in service, with the exception of property, plant and equipment allocated for instrumental use on specific service contracts, which are depreciated in proportion to the remaining days of the service contract. Gains and losses on the sale or disposal of assets are determined as the difference between the revenue from sale and the asset's carrying amount, and are recognised in profit or loss for the year.

Subsidiaries

Cellularline controls a company when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Controlling interests are initially recognised at fair value and subsequently measured at cost, adjusted by any subsequent impairment.

Associates

The Company's investments in associates are measured using the equity method. An associate is a company over which the Company has a significant influence but which cannot be classified as a subsidiary or joint venture. Therefore, the investment in an associate is recognised in the statement of financial position at cost, subsequently adjusted for the post-acquisition in the Company's interest in the associate's equity. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After application of the equity method, the Company determines whether there is any objective evidence that its net investment in the associate is impaired. The income statement reflects the Company's share of the associate's profit (loss) for the year. After application of the equity method, the Company determines whether there is any objective evidence that its net investment in the associate is impaired. The income statement reflects the Company's share of the associate's profit (loss) for the year. If an associate recognises adjustments directly in equity, the Company recognises its share and presents it, where applicable, in the statement of changes in equity.

Other companies

Investments in other unconsolidated and unrelated companies are measured at cost, including incidental expenses.

Financial assets and liabilities

The application of IFRS 9 has not had a significant impact on financial assets and liabilities.

The standard introduces a new model of hedge accounting in order to update the requirements of the current IAS 39. The main updates concern:

- changes to the effectiveness test by replacing the current 80-125% parameter-based approach, with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship is no longer required;
- the increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible for hedge accounting;

the change in the accounting treatment of forward contracts and options when they are included in a hedging relationship in order to reduce the volatility in the income statement.

Recognition and measurement

Trade receivables and debt instruments issued are recognised when they originate. All other financial assets and liabilities are initially recognised at the trade date, i.e. when the Company becomes a contractual party to the financial instrument. With the exception of trade receivables that do not contain a significant financing component, financial assets are initially measured at fair value plus or minus - in the case of financial assets or liabilities not measured at Fair Value Through Profit or Loss (FVTPL) - transaction costs directly attributable to the acquisition or issue of the financial asset. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

Classification and subsequent measurement

Upon initial recognition, a financial asset is classified as either at amortised cost or fair value through profit or loss (FVTPL).

Financial assets are not reclassified after initial recognition, unless the Company changes its business model for managing financial assets. In this case, all the financial assets concerned are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset shall be measured at amortised cost if it is not designated as at FVTPL and both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is to hold assets to collect contractual cash flows;
- the contractual terms of the financial asset provide for cash flows at certain dates that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or Fair Value Through Other Comprehensive Income (FVOCI), as indicated above, are measured at FVTPL. Upon initial recognition, the Company may irrevocably designate the financial asset as measured at FVTPL if, by doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

Financial assets: subsequent measurement and gains and losses

- Financial assets measured at FVTPL are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in profit or loss for the year.
- Financial assets measured at amortised cost are subsequently measured at amortised cost in accordance with the effective interest method. The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in profit or loss for the year as are any gains or losses from derecognition.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss, along with any gains or losses on derecognition.

Derecognition

- Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, when the contractual rights to receive cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or when the Company does not transfer nor substantially retain all the risks and rewards of ownership of the financial asset and has not retained control of the financial asset.
- Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. The Company also derecognises a financial liability in the event of a change in the related contractual terms when the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms. The difference between the carrying amount of the financial liability settled and the consideration paid

(including assets not represented by transferred cash and cash equivalents or assumed liabilities) is recognised in profit or loss for the year.

Offsetting

Financial assets and financial liabilities can be offset and the amount resulting from the offset is presented in the statement of financial position if, and only if, the Company has both the legal right to offset the amounts and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously.

Impairment losses

Financial instruments and contract assets

The Company recognises loss allowances considering lifetime credit losses. Loss allowances for trade receivables and contract assets are always recognised considering lifetime credit losses. To determine whether the credit risk of a financial asset has increased significantly after initial recognition, in order to estimate the expected credit losses, the Company considers information that reflect reasonable and supportable assumptions that are relevant and available. This includes quantitative and qualitative information and analyses, based on the Company's historical credit losses, on credit assessments and information on expected developments. Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period of time if the expected life of a financial instrument is less than 12 months).

The maximum period to consider when assessing expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

Impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the Company or of the debtor;
- a breach of contract, such as a default or past-due event (more than 90 days);
- the restructuring of a debt or an advance by the Company under conditions that the Company not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. The Company's policy is to write off the gross carrying amount when the financial asset is more than 90 days past due, based on its historical credit losses of similar assets. Financial assets that have been written off could still be claimed in accordance with the Company's credit recovery procedures.

Non-financial assets

At each reporting date, the Company verifies whether there is objective evidence of impairment based on the carrying amounts of its non-financial assets, investment property, inventories and deferred tax assets; if, on the basis of this verification, there is indication that the assets are impaired, the Company estimates their recoverable amount. The recoverable amount of goodwill is estimated annually.

Inventories

Inventories are measured at the lower of purchase or production cost, determined using a method similar to weighted average cost, including incidental expenses, direct and indirect costs reasonably attributable to them and the estimated realisable value based on market trends. If the net realisable value is lower than cost, the inventories are written down by the difference calculated separately for each item. The write-down is determined following a specific recoverability analysis and is reversed in subsequent years if the reasons for the write-down no longer exist, by reinstating the original value. Goods in transit are measured by specifically identifying the purchase cost.

Cash and cash equivalents

Cash and cash equivalents include cash balances and demand deposits with a maturity of three months or less from the original date of acquisition, which are subject to an insignificant risk of changes in fair value and are used by the Company to manage short-term commitments.

Employee benefits

Post-employment benefits were accounted for in accordance with IAS 19.

The post-employment benefits of Italian companies until 31 December 2006 were considered a defined benefits plan; the regulation of this provision has been amended by Law no. 296 of 27/12/2006. This institute is now to be considered a defined-benefit plan exclusively for the amounts accrued before 1 January 2007 (and not yet paid as at the reporting date), while after that date they are treated as a defined-contribution plan, since the amounts of post-employment benefits accrued after 1 January 2007 are transferred to the specific "Treasury Fund" established by INPS (the Italian social security institution) or to another equivalent pension fund, in compliance with the provisions of the aforementioned legislation. Due to the legislative context, the composition of the company's workforce and its seniority, the effects deriving from the use of actuarial techniques and the discounting of future liabilities at the reporting date are considered to be immaterial, considering the nominal amount of the assets as a reliable approximation of the fair value of their expected settlement amount.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the

Company expects that some or all of the expenditure covered by a provision for risks and charges will be reimbursed by another party (for example, through insurance contracts), it recognises a provision for the full amount of the liability and a separate asset for the expected reimbursement when it is virtually certain that reimbursement will be received. In this case, the cost of any related provision is taken t profit or loss, net of the amount recognised for the reimbursement. If the effect of the time value of money is material, the amount of a provision is discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When provisions are discounted, the increase in the provision due to the passing of time is recognised as a financial expense.

The agents' severance indemnity provision (FISC) includes the annual accruals for the payment of indemnities to agents following termination. In fact, in accordance with Italian legislation (art. 1751 of the Italian Civil Code), upon termination of the agency contract for no fault of the agent, the principal must pay an agent severance indemnity calculated in proportion to the total amount of commissions the agent earned during the contract, even if they were not entirely paid when the contract was terminated.

Under IFRS, and considered the guidance provided by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), the FISC has been considered a post-employment benefit, specifically a defined-benefit plan, which must therefore be accounted for using actuarial techniques. The actuarial valuation of the FISC was carried out using the "Projected Unit Credit Method" (PUM) as provided for by paragraphs 64-66 of IAS 19. This method consists of valuations that express the average present value of the defined benefit obligations and past service cost up to the date of the actuarial valuation, projecting, however, the agent's commissions until the anticipated end date of continuing the agency contract.

Trade payables

The Cellularline Group holds contracts for the supply of goods that include the provision of bonuses, discounts and, in certain circumstances, contributions classified as a reduction of trade payables. These bonuses, discounts and contributions are recognised either as a percentage of the quantities purchased, as a fixed amount on the quantities bought or sold, or as a defined contribution. Mainly with reference to agreements with a maturity date longer than the end of the year, which represent a minority interest of the bonuses and contributions for the year, the determination of their amount represents a complex accounting estimate that requires a high degree of judgement as it is influenced by multiple factors. The parameters and information that are used for the estimate are based on the amount purchased or sold and on assessments that take into account historical data regarding the actual recognition of bonuses and contributions by suppliers.

Warrant Debt

The capital increase through the exercise of warrants falls within the scope of IAS 32 'Financial Instruments: Presentation'.

Paragraph 15 of IAS 32 states that 'the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

In particular, paragraph 16 states that 'when an issuer applies the definitions in paragraph 11 ("Rights, options or warrants that give the right to acquire a fixed number of equity instruments of the entity for a fixed amount of any currency are to be treated as equity instruments if the entity offers the rights the rights, options or warrants *pro rata* to all holders of the same class of its own equity instruments") to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

a) The instrument includes no contractual obligation:

i) to deliver cash or another financial asset to another entity; or

ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

Foreign currency translation

The functional and presentation currency adopted by the Company is the Euro.

Assets and liabilities, with the exception of property, plant and equipment, intangible assets and financial assets, originally expressed in the currencies of non-EU countries, are translated into Euro at the closing rate and the exchange gains and/or losses are taken to profit or loss. Revenue and income, costs and expense relating to foreign currency transactions are recognised at the transaction date exchange rate.

Recognition of revenue

Revenue is recognised when control of goods or services is transferred and to the extent that the Company will receive the economic benefits and the amount can be measured reliably. In addition, they are recognised net of returns, discounts, rebates and premiums.

Recognition of costs

Costs and other operating expenses are recognised in the income statement when they are incurred on an accrual basis and related to revenue, when they do not produce future economic benefits or when they do not qualify for recognition as assets.

Interest and financial income

Financial income and interest are recognised on an accruals basis using the effective interest rate and include exchange gains and losses and hedging gains and losses recognised in profit or loss.

Government grants

Government grants are recognised when there is a reasonable assurance that they will be received and the Company will comply with the conditions relating to them. When grants are related to cost components, they are recognised as revenue, but are systematically allocated over the years so as to match the costs they are intended to offset.

Financial expense

Financial expense is recognised in profit or loss when incurred. Financial expense is capitalised when it refers to an item of property, plant and equipment or an intangible asset that requires a significant period of time to be available for its intended use or for sale.

Dividends

Dividend income is recognised when the Company has the right to receive them, which normally coincides with the year when the investee's Shareholders' Meeting that approved the distribution of profit or reserves is held. Dividend distributions on the Company's ordinary shares are recognised as a liability in the financial statements for the year in which the distribution is approved by shareholders.

Income taxes

Current taxes

Current tax assets and liabilities for the current and previous years are measured on the basis of the amount expected to be recovered or paid to the tax authorities. The tax rates and rules used to calculate the amount are those issued and in force at the reporting date.

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values of assets and liabilities and their corresponding carrying amounts.

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

- to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- for the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and it is likely that it will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). With reference to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss. Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Risks, commitments, guarantees

Commitments and guarantees are indicated at their contractual value, as along with the risks for which a liability is only possible, without allocating provisions for risks. Risks for which a liability is probable are described in the notes and the amount is accrued, in accordance with the principle of fairness, in the provisions for risks. Risks of a remote nature are not taken into account.

Right-of-use assets

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which became effective on 1 January 2019. IFRS 16 introduced a single model of accounting for leases in the financial statements of lessees whereby the Company, as lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The accounting methods for the lessor, on the other hand, remain similar to those provided for by the previously applicable standard.

The Company has used the option to adopt IFRS 16 with the modified retrospective method, which provides for the possibility of recognising the right-of-use asset as at 1 January 2019 for an amount equal to the lease liability remaining at that date, without recalculating the figures for the previous year.

Definition of leasing

In accordance with IFRS 16, the Company assesses whether the contract is a lease or contains a lease on the basis of the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at the date of initial application of IFRS 16, the Company decided to adopt an operating procedure that allows it not to re-examine which transactions constitute a lease. IFRS 16 was applied only to contracts that had previously been identified as leases. Contracts that were not identified as leases by applying IAS 17 and IFRIC 4 were not reassessed to determine whether they were leases. Therefore, the definition of a lease in IFRS 16 has been applied only to contracts entered into or amended on or after 1 January 2019.

Lessee accounting model

The Company leases assets such as buildings and motor vehicles. As a lessee, the Company previously classified leases as operating or financial, assessing whether the lease transferred substantially all the risks and rewards of ownership. In accordance with IFRS 16, the Company recognises the right-of-use assets and the lease liabilities in the statement of financial position. However, the Company has decided not to recognise right-of-use assets and lease liabilities of low value assets (less than USD 5,000). Therefore, the Company recognises the lease payments as a cost on a straight-line basis over the lease term. The Company recognises the right-of-use assets that do not meet the definition of investment property under "Property, plant and equipment", which is the same item it uses to present the same kind of assets that it holds. The Company classifies lease liabilities under "Other financial liabilities" in the condensed statement of financial position. As at the commencement date of the lease, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, then at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any measurement of the lease liability. The right-of-use asset that meets the definition of investment property is recognised in the item of the same name and is initially measured at cost and subsequently at fair value, in accordance with the Company's accounting policies. The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounting them using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses the incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate. The lease liability is subsequently increased to reflect the interest accrued on the lease liability and reduced to reflect the lease payments made and is remeasured if there is a change in future lease payments resulting from a change in the index or rate, if there is a change in the amounts that the Company expects to pay under a residual value guarantee or when there is a change in the assessment of an option to purchase the underlying asset, extend or terminate a lease.

The Company has estimated the lease term of certain contracts in which it acts as a lessee and which provide for renewal options. The assessment of whether or not there is a reasonable certainty of exercising the option influences the estimated lease term, significantly impacting the carrying amount of the lease liabilities and right-of-use assets recognised.

3 New accounting standards, amendments and interpretations endorsed by the European Union that became effective as of the year beginning 1 January 2022.

With Regulation (EU) no. 2021/1080 of 28 June 2021, published in the Official Journal of the European Union on 02 July 2021, the following documents published by the IASB Board on 14 May 2020 were adopted:

- Property, plant and equipment - Proceeds before intended use (Amendments to IAS 16)
- Onerous contracts - Costs of fulfilling a contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Improvements to IFRSs - 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41).

Amendments to IAS 16 - Property, plant and equipment: proceeds before intended use.

The aim was to outline the accounting treatment of proceeds from selling goods produced with the use of an asset before bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management (the "testing phase"). The IASB Board has clarified that the proceeds from selling goods produced by an asset during the period prior to the date on which the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management must be recognised in profit/(loss) for the year. As a result of the above amendment, it will no longer be permitted to recognise as a direct reduction of the cost of the asset proceeds from selling goods produced before the asset is available for its intended use, for example, from selling samples produced when testing whether the asset is functioning properly. Goods produced pending sale are recognised as inventories in accordance with IAS 2 Inventories; the cost of production does not include the depreciation of the asset from which they were produced, as the latter is not yet subject to depreciation. The notes must disclose the amount of revenue and expense relating to goods produced, which are not outputs of ordinary activities, and the line items in which such revenue and expense are included (if they are not presented separately in the financial statements). Retroactive application is permitted only for assets that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management, on or after the earliest comparative annual reporting period presented. The effect of first-time application is recognised in the opening equity of the earliest comparative annual reporting period presented.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The IASB Board clarified that the cost of fulfilling a contract comprises the costs that relate directly the a contract and therefore include:

- incremental cost of fulfilling a contract, i.e., costs that would not have been incurred in the absence of the contract (e.g. raw materials, direct labour costs, etc.);
- an allocation of other costs that relate directly to fulfilling contracts, although not incremental, (e.g. allocation of depreciation of assets used to perform the contract).

The IASB Board, moreover, confirmed that, before a separate provision for onerous contract is established, the entity recognises any impairment loss that has occurred on non-current assets and clarified that impairment losses must be determined with reference not only to assets fully dedicated to the contract, but also to other assets that are partially used in fulfilling the contract.

Retrospective application is permitted for contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the amendments to IAS 37 are applied. The effect of first-time application is recognised in the opening equity without restatement of comparative figures.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In March 2018, the IASB Board published the new "Conceptual Framework for Financial Reporting" ("Conceptual Framework"), which replaced the previous document "Systematic Framework for the Preparation and Presentation of Financial Statements", published in 2001 and partially revised in 2010. Not being an accounting standard, the

Conceptual Framework is not subject to endorsement by the European Union. Following the publication of the new Conceptual Framework, the IASB Board initiated a two-phase project to update references to the new Conceptual Framework in the various international accounting standards and interpretations. The amendments update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing any changes to the provisions of the standard. IFRS 3 requires compliance with the definitions included in the Conceptual Framework as a general condition for recognising the assets and liabilities of the acquiree. With the amendment to IFRS 3, the new definitions of assets and liabilities in the new Conceptual Framework published in March 2018 will have to be used to identify the assets and liabilities of the acquiree, with the exception of liabilities assumed in the acquiree, which after the acquisition date are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Taxes. The purpose of this exception is to prevent an acquirer from recognising a liability or contingent liability based on the new Conceptual Framework definition and then derecognising it by applying the recognition criteria of IAS 37 and IFRIC 21. Applying the new Conceptual Framework's definition of a liability, an acquirer would, for example, have had to recognise a liability at the date of acquisition of the business with respect to the acquiree's obligation to pay a tax other than income tax, as it represents a "present obligation to transfer economic resources arising from past events and which the entity does not have the ability to avoid"; if the obligating event giving rise to the liability has not yet occurred, the liability should be derecognised after the business combination in accordance with IFRIC 21.
Early application is permitted if all other amendments to the references to the new Conceptual Framework published in March 2018 are applied.

Improvements to IFRSs - 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41)
The Improvements to IFRS Standards are the result of the annual improvement process aimed at resolving non-urgent issues related to inconsistencies or unclear terminology identified in the International Financial Reporting Standards.

- IFRS 1 First-time Adoption of IFRS Accounting Standards - Controlled Entities as First-time Adopters.

Subsidiaries, associates or joint ventures that apply IFRS Accounting Standards for the first time after their parent/participant have the option, at the date of transition, to measure their assets and liabilities at the same carrying amounts in the consolidated financial statements of the parent/participant, net of any effects arising from consolidation procedures or equity method measurement. If the exemption described above is applied, the entity has the option, at the date of transition, to recognise the translation reserve at the same value as in the consolidated financial statements of the parent/participant.

- IFRS 9 Financial Instruments - Fees in the '10 %' test for derecognition of financial liabilities

A modification of the contractual terms of a financial liability is material if the modified cash flows, including any fees paid net of any fees received, discounted using the original effective interest rate, differ by at least 10% from the present value of the cash flows before the modification. Only fees paid or received between the borrower and the lender and fees paid or received by the borrower or by the lender on behalf of the other party are to be included in the 10% test.

- Illustrative examples of IFRS 16 Leases - Lease Incentives

The amendment removed from Illustrative Example 13 of IFRS 16 the accounting treatment in the lessee's financial statements of a reimbursement received from the lessor for leasehold improvements, as the conclusion of the example was not supported by an adequate explanation.

In the illustrative example, the reimbursement was not considered a lease incentive but had to be accounted for in accordance with other Standards, although IFRS 16 defines "lease incentives" as "payments made by the lessor to the lessee associated with a lease, or reimbursement or assumption by the lessor of costs of the lessee".

The amendment has not been endorsed by the EU because the illustrative examples are not an integral part of IFRS 16.

- IAS 41 Agriculture - Taxation in Fair Value Measurements

It has been clarified that tax-related cash flows need not be excluded when measuring the fair value of biological assets. This change stems from the fact that in practice, the discount rate used by market participants is usually a post-tax rate, and consequently the discounted cash flows must also be post-tax.

The following is a list of documents applicable beginning with the financial statements for financial years beginning 1 January 2022 described above:

Document title	**Issue date**	**Date of entry into force**	**Date of EU endorsement regulation (publication date in the EUOJ)**
Reference to the Conceptual Framework (Amendments to IFRS 3)	14 May 2020	1 Jan. 2022	(EU) 2021/1080 of 28 June 2021 (2 July 2021)
Onerous contracts - Costs of fulfilling a contract (Amendments to IAS 37)	14 May 2020	1 Jan. 2022	(EU) 2021/1080 of 28 June 2021 (2 July 2021)
Property, plant and equipment - Proceeds before intended use (Amendments to IAS 16)	14 May 2020	1 Jan. 2022	(EU) 2021/1080 of 28 June 2021 (2 July 2021)
Annual improvements to IFRS Accounting Standards (2018-2020 cycle) (Amendments to IFRS 1, IFRS 9, IFRS 16 (*) and IAS 41)	14 May 2020	1 Jan. 2022	(EU) 2021/1080 of 28 June 2021 (2 July 2021)

(*) The amendment to IFRS 16 has not been endorsed by the European Union insofar as it refers to an illustrative example that is not an integral part of the Standard.

4 New accounting standards, amendments and interpretations endorsed by the European Union and effective from 1 January 2023.

With Regulation (EU) no. 2022/357 of 02 March 2022, published in the Official Journal of the European Union on 03 March 2022, the following documents published by the IASB Board on 12 February 2021 were adopted:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements)
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).

Disclosure of Accounting Policy information (Amendments to IAS 1 Presentation of Financial Statements).
With the Amendments to IAS 1, the IASB Board set out some guidelines for selecting accounting policies to be described in the notes to the financial statements. IAS 1, prior to the amendments, required entities to disclose information on adopted accounting policies that were significant, leading to difficulties and confusion among preparers and primary users of financial statements as IFRS Standards lacked a definition of "significant".
However, IAS 1 provides the definition of "material" and, therefore, the IASB amended IAS 1 to clarify that an entity shall disclose in the notes to the financial statements the material accounting policy information and not describe all significant accounting policies. The Amendments to IAS 1 describe certain circumstances in which an entity might normally conclude that information about an accounting policy is material to its financial statements. The "specific" obligation to describe the valuation criteria ("measurement basis") adopted for the preparation of the financial statements has been eliminated, as this information requirement is already included in the "general" obligation to provide material accounting policy information.
As a result of the Amendments to IAS 1, the following accounting standards were also adjusted to align the disclosure requirements on accounting policies with the provisions of IAS 1 described above:
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 26 *Accounting and Reporting by Retirement Benefit Plans*
- IAS 34 *Interim Financial Reporting*.
The Amendments to IAS 1 will become effective for financial statements of financial years beginning on or after 1 January 2023 and early application is permitted.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).
The purpose of the Amendments to IAS 8 is to resolve the interpretative difficulties, encountered in practice, in distinguishing a change in accounting estimates from a change in accounting policies, for which different accounting treatments are provided:

- the effects of a change in accounting estimates are generally recognised prospectively in the financial statements
- the effects of a change in accounting policies are generally recognised retrospectively.

The current IAS 8 provides an insufficiently clear definition of "change in accounting estimates", as it lacks a specific definition of "accounting estimates". For this reason, the Amendments to IAS 8 focused, on the one hand, on developing a new definition of "accounting estimates" and, on the other hand, on clarifying the relationship between "accounting estimates" and "accounting policies". The Amendments to IAS 8 will become effective for financial statements for financial years beginning on or after 1 January 2023 and must be applied prospectively. Early application is permitted. Regulation (EU) no. 2022/1392 of 11 August 20221 endorsed "*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*", published by the IASB Board on 7 May 2021. The Amendments to IAS 12 clarify the accounting treatment of deferred taxes ("DTA/DTL") relating to assets and liabilities recognised in the financial statements as a result of an individual transaction, the carrying amounts of which differ from the tax bases.

The IASB Board has clarified the following:

- the exceptions to the initial recognition of deferred tax assets and liabilities do not apply if a single transaction results in a taxable and deductible temporary difference of equal value in the financial statements
- deductible and taxable temporary differences must be calculated by considering separately the asset and liability recognised in the financial statements as a result of a single transaction and not on their net value. Deferred tax assets related to deductible temporary differences, determined as indicated above, are recognised in the financial statements only if deemed recoverable.

Finally, the IASB Board has clarified that if taxable and deductible temporary differences relating to the initial recognition of an asset and a liability in the financial statements as a result of a single transaction have a different value, the entity should not recognise the assets and liabilities for deferred taxes, as their initial recognition would result in an initial adjustment to the carrying amount of the asset or liability to which they relate, making the financial statements less transparent.

The Amendments to IAS 12 are effective for financial statements for financial years beginning on or after 1 January 2023. Early application is permitted by providing adequate disclosure in the notes to the financial statements.

The transitional provisions for the first application of the Amendments to IAS 12 provide as follows:

- the Amendments to IAS 12 are to be applied to all transactions entered into since the opening date of the first comparative period presented
- at the opening date of the earliest comparative period presented, the entity shall recognise as an adjustment to the opening balance of retained earnings (or, based on the specific circumstances, other component of equity) deferred tax assets, if deemed recoverable, and deferred tax liabilities with respect to all associated deductible and taxable temporary differences:
- right-of-use assets and lease liabilities;
- provisions for decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

The above transitional provisions are also applicable to entities that prepare their financial statements in accordance with IFRS Standards for the first time ("first-time adopters"). In this case, the opening date of the first comparative period presented coincides with the date of transition to IFRS ("transition date"). First-time Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17 Insurance Contracts). Effective for financial statements for annual periods beginning on or after 1 January 2023, IFRS 17 Insurance Contracts, which is the new accounting standard, replacing IFRS 4, applicable to the recognition, measurement, presentation and disclosure of insurance contracts issued by an entity and/or reinsurance contracts held by an entity, will become effective. Entities principally engaged in the business of insurance and which, as of 1 January 2018, had exercised the option to defer the application of IFRS 9 Financial Instruments, while continuing to apply the requirements of IAS 39 Financial Instruments: Recognition and Measurement for the recognition, measurement and presentation of financial instruments, will be required to apply both IFRS 17 and IFRS 9 for the first time from 1 January 2023. The Amendments to IFRS 17 are intended to eliminate accounting mismatches that may arise in comparative financial statement data as a result of the first-time application of IFRS 17 and IFRS 9.

The transitional provisions of IFRS 17, in fact, stipulate that the new standard must be applied retrospectively for the first time with restatement of comparative data, unlike the transitional provisions of IFRS 9, which do not require the restatement of comparative data and, in particular, do not require the application of the new provisions of IFRS 9 with regard to the classification and measurement of financial assets, if such financial assets have been derecognised under IAS 39 during the comparative period. In particular, with the Amendments to IFRS 17, the IASB Board included among the transitional provisions of IFRS 17 a new option, called "classification overlay", which allows insurance entities applying IFRS 17 and IFRS 9 at the same time to classify and measure financial assets related to insurance business in the comparative financial statements under the provisions of IFRS 9. By Regulation (EU) no. 2021/2036 of 19 November 2021, the European Commission endorsed IFRS 17 Insurance Contracts, in the version published by the International Accounting Standards Board on 18 May 2017 and subsequently amended on 25 June 2020. IFRS 17, which replaces IFRS 4 Insurance Contracts, is effective for annual periods beginning on or after 1 January 2023. Early application is permitted for entities that already apply IFRS 9 Financial Instruments or that begin to apply this standard from the date of first-time application of IFRS 17. The main changes introduced by the new standard include, in particular:

- valuation of technical provisions at, essentially, current values;
- transformation of the estimate of the expected profit of insurance contracts into an accounting measure; IFRS 17 introduces the concept of the expected profit of insurance contracts to be recognised in the profit/(loss) for the year over the life of the contract;
- introduction of the concept of a "portfolio of insurance contracts", which in turn is subdivided into "groups of insurance contracts";
- new presentation in the statement of profit/(loss) for the year significantly different from the past and more aligned to a "by margin" logic.

The following is a list of documents applicable beginning with the financial statements for financial years beginning 1 January 2023 described above:

Document title	Issue date	Date of entry into force	Date of EU endorsement regulation (publication date in the EUOJ)
Disclosure of accounting policies (Amendments to IAS 1) (*)	12 Feb. 2021	1 Jan. 2023	(EU) 2022/357 of 2 Mar. 2022 (3 Mar. 2022)
Definition of Accounting Estimates (Amendments to IAS 8)	12 Feb. 2021	1 Jan. 2023	(EU) 2022/357 of 2 Mar. 2022 (3 Mar. 2022)
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	7 May 2021	1 Jan. 2023	(EU) 2022/1392 of 11 Aug. 2022 12 Aug. 2022
IFRS 17 Insurance Contracts (**) (including amendments of 25 June 2020)	18 May 2017 25 June 2020	1 Jan. 2023	(EU) 2021/2036 of 19 Nov. 2021 (23 Nov. 2021)
First-time Application of IFRS 17 and IFRS 9- Comparative	9 Dec. 2021	1 Jan. 2023	(EU) 2022/1491 of 8 Sep. 2022 (9 Sep. 2022)

Information (Amendments to IFRS 17)			

(*) The document published by the IASB Board includes amendments to "IFRS Practice Statements 2 - Making Materiality Judgements", which is not subject to EU endorsement as it is not an accounting standard or interpretation.
(**) The EU endorsed IFRS 17 with a change from the version published by the IASB Board. In particular, the EU has provided entities with an option and not an obligation to group contracts characterised by intergenerational mutualisation and cash flow matching into annual cohorts.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

Document title	Issue date	Date of entry into force	Date of EU endorsement regulation (publication date in the EUOJ)
Standards			
IFRS 14 - Regulatory deferral accounts	30 Jan. 2014	1 January 2016 (*)	Unplanned
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11 Sept. 2014 17 Dec. 2015	Indefinite (**)	Unplanned
Classification of liabilities as current or non-current (Amendments to IAS 1) + non-current liabilities with covenants (Amendments to IAS 1)	23 Jan. 2020 15 Jul. 2020 31 Oct. 2022	1 Jan. 2024	TBD
Lease liabilities in a sale and leaseback (Amendments to IFRS 16)	22 Sep. 2022	1 Jan. 2024	TBD

(*) IFRS 14 came into force starting 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities".
(**) In December 2015, the IASB Board published the document "Effective date of amendments to IFRS 10 and IAS 28" by which it removed the mandatory effective date (which was scheduled for 1 January 2016) pending completion of the equity method project.

5 Segment reporting

The Company has identified one operating segment, which includes all the services and products provided to customers. The Company's activities develop through one operating segment, which can be divided into three main product lines:

- Red line (accessories for multimedia devices);
- Black line (accessories for motorcycles and bicycles);
- Blue line (third party products marketed under distribution agreements)

6 Notes to the Statement of Financial Position

The following are the notes to the main assets and liabilities in the separate financial statements of Cellularline S.p.A. at 31 December 2022.

ASSETS

NON-CURRENT ASSETS

6.1 Intangible assets

A specific table of changes in this item has been prepared, shown below, indicating the historical cost, accumulated amortisation, changes in the year and the closing balance of each asset. Amortisation was calculated using the rates that reflect the assets' residual useful lives.

Intangible assets as at 31 December 2022 and 31 December 2021 are detailed below.

(In thousands of Euro)	**Carrying amount at 31 December 2021**	**Increases**	**(Amortisation)**	**(Decreases/ Impairment losses)**	**Reclassifications**	**Carrying amount at 31 December 2022**
Development costs	753	1,217	(1,246)	-	6	730
Industrial patents and intellectual property rights	1,381	1,314	(1,463)	-	418	1,650
Concessions, licenses, trademarks and similar rights	16,281	45	(1,182)	-	-	15,144
Customer relationships	32,062		(4,593)	-	-	27,469
Assets under development and payments on account	430	110	-	(7)	(424)	109
Total intangible assets	**50,907**	**2,686**	**(8,484)**	**(7)**	**-**	**45,102**

The changes in Intangible assets, broken down for the period between 31 December 2021 and 31 December 2022 are shown below:

(In thousands of Euro)	
Opening balance	**50,907**
Increases	2,686
(Decreases)	(7)
(Amortisation and impairment losses)/revaluations	(8,484)
(Decreases) in Accumulated amortisation	-
Closing balance	**45,102**

With reference to 31 December 2022, it should be noted that the Company has made investments of EUR 2,686 thousand.

In particular, investments are mainly attributable to:

- industrial patents and intellectual property rights, equal to EUR 1,314 thousand: this item mainly includes software, i.e. the costs incurred for the implementation and development of the main management programme and other specific applications, which are normally amortised over 3 years. The investments are mainly related to updates to the SAP management software, to the business intelligence systems and further innovations/IT projects, aimed at having increasingly effective and efficient information tools to support the Company's organisational structure;
- development costs of EUR 1,217 thousand; this item mainly includes the costs incurred for investments in specific product innovation projects. These are considered to generate long-term benefits, as they relate

to projects under development, whose products are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which is normally two years.

6.1.2 Measurement of customer relationship and trademarks with a finite useful life

At 31 December 2022, the Customer Relationship with a defined useful life recognised in the separate financial statements amounted to EUR 27,469 thousand, net of accumulated amortisation; the Company did not carry out the impairment test, as, following internal analyses performed by the management, it did not detect any specific impairment indicators on the asset, in consideration of the fact that several long-term renewals were carried out with strategic customers during 2022 and, therefore, the core of the most relevant customers from the 2018 business combination perimeter does not appear to be at risk.

Similarly, the value of Trademarks, net of amortisation, amounted to EUR 15,144 thousand and, as previously reported, following internal analyses carried out by the management, no specific impairment indicators were identified on this item.

6.2 Goodwill

The details of Goodwill at 31 December 2022 and 31 December 2021 are shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Goodwill	18,432	93,857
Total Goodwill	**18,432**	**93,857**

The changes in Goodwill in the year are shown below:

(In thousands of Euro)	**Goodwill**
Opening balance	**93,857**
Acquisitions	-
Increases	-
(Impairment losses)	(75,425)
Closing balance	**18,432**

6.2.1 Impairment test on goodwill

At 31 December 2022, goodwill recognised in the Company's financial statements amounts to EUR 18,432 thousand and was allocated to the sole cash generating unit (hereinafter also referred to as the "CGU"). For the purpose of the impairment test, the Directors deemed it appropriate to maintain a single CGU. This approach is consistent with what was done when the CGU was first defined in 2018 and following the previous acquisition of Systema and Worldconnect in previous years. The main factors considered by the Directors for this assessment were: (i) the identification of a single "decision making process", integrated and strongly centralised on the basis of the development plans, also in the area of financial planning; (ii) the current and/prospective synergies between procurement activities, thanks also to the current supply chain specialised in the Far East; (iii) a monitoring of company performance in line with the Company's current logic (Red, Black, Blue lines). Once a year and each time there is an indication of impairment, the Company tests the recoverable amount of intangible assets, property, plant and equipment and financial assets, in order to determine whether there is any indication that these assets are impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset). If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is immediately recognised in profit or loss. In accordance with the applicable standards (IAS 36), to test goodwill for impairment at 31 December 2022, the Directors carried out a specific impairment test, with the support of an independent advisor.

In particular, the impairment test, which represents the cash generating unit to which the goodwill was allocated, on the basis of the performance and financial forecasts contained in the Business Plan approved by the Directors on 15 March 2023, for the period 2023-2026, and using the discounted cash flow model.

This criterion is based on the general concept that the Enterprise Value of an entity is equal to the present value of the following two elements:

- the cash flows it will be able to generate within the forecast period;
- the residual value, i.e. the value of the business as a whole, after the forecast period.

The discount rate used was the weighted average cost of capital ("Weighted Average Cost of Capital" or "WACC") of approximately 11.76% and an estimated sustainable growth rate ("g") of 1.91%. The WACC is the average of the cost of equity and the cost of debt capital weighted on the basis of the financial structure of comparable companies and incorporates the physiological updating of the market parameters underlying the calculation of this parameter (risk free rate and cost of debt) with respect to 31 December 2021, giving significant relevance to the market parameters observable in the second part of 2022, consistent with the recent pronouncements of valuation practice on the subject, showed significant deviations, leading to a significant increase in the discount rate used. Moreover, it is noted that the WACC used for the 2022 impairment test also includes a component (the "execution risk", with an impact on the calculation of the finished rate of 1.47%, representing the estimated risk due to the current degree of volatility and uncertainty reflected by the contingent macroeconomic environment. As regards forecasts, the estimates and data relating to the performance and financial forecasts to which the above parameters are applied are determined by the Directors on the basis of past experience and expectations of developments in the markets in which the Group operates.

The analyses carried out have led to an estimate of the recoverable amount, in the form of the Enterprise Value, of about EUR 170.8 million; this amount is lower than the carrying amount at the reporting date, meaning that there is an impairment loss of EUR 75.4 million, of which 39.9 million already booked at 30 June 2022.

This impairment loss is mainly related to the progressive increase in the official discount rates applied by the Federal Reserve and the ECB in 2022 and the prudent introduction of the above-specified execution risk, whilst, residually, it is related to the update of the Business Plan, which nevertheless confirms the Company's medium- to long-term objectives.

Goodwill impairment losses recognized in the P/L also include, with reference to subsidiaries and affiliates, the representation of the risk due to the current degree of volatility and uncertainty reflected by the contingent macroeconomic environment, which it is not possible to attribute to them on a specific basis in relation to the aforementioned strong interrelationship existing between the performance of the Parent Company and that of subsidiaries and affiliates.Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

- the expected operating cash flows, calculated by taking into account the general economic performance (including expected inflation rates and exchange rates) and that of the company's sector and the actual cash flows generated by the CGU in previous years;
- the financial parameters to be used to discount the above cash flows.

The results obtained were subjected to a sensitivity analysis considering that it is reasonably possible that a change in the assumptions underlying the test could significantly alter the results. This analysis showed that alternatively (i) a further 5% reduction in EBITDA, with respect to what has already been reflected in WACC through the aforementioned correction factor, leads to a higher write-down of Goodwill of EUR 11.6 million, (ii) an increase in WACC of +1% leads to a higher write-down of Goodwill of EUR 16.8 million, and (iii) a zero-growth rate (g-rate) leads to a higher write-down of Goodwill of EUR 13.8 million.

As a result of the economic-financial results reflected in the 2022 consolidated financial statements, there remains a significant difference between the Stock Market capitalisation and the net carrying amount of equity at 31 December 2022, with the clarification that the value configuration chosen to determine the recoverable amount for impairment testing purposes is that of 'value in use', used in accordance with the dictates of international accounting standards, which define the recoverable amount that can be used for impairment testing as the greater of value in use and fair value (approximated by market capitalisation and analysts' target price). With reference to the trend in the market capitalisation of Cellularline's stock, it should be noted that the significant reduction in the value per share occurred in conjunction with the outbreak of the COVID-19 pandemic in the first half of 2020, which, as is known, had a strong impact on the Group's results, and that subsequently the stock has not regained levels comparable to those recorded before the pandemic. Over the same time horizon, analysts covering the stock have progressively adjusted their expectations in line with the stock's trend, although the target prices of the most recent reports available remain on average higher than the market price as of 31 December 2022.

The differences between value in use and market capitalisation/target price of analysts hedging the stock are generally attributable to the following factors:

- different inputs used to calculate value in use, in terms of cash flows, discount rates (WACC) and any other key variables in the valuation (e.g. g-rate);
- presence of information asymmetries between the market and Management (e.g. in the case of forecast data not disclosed to the market and used by Management for its own internal evaluations);
- different relevant time horizons, i.e. the market generally has an investment horizon that implies a shorter-term view than the more long-term-oriented logic typically reflected by the DCF applied to a medium- to long-term business plan drawn up by management;

- different value configuration in measurement (value in use and fair value).

In particular, the difference in the estimated price per share between what can be found in the Company's? impairment test referring to the whole Group and what is expected by analysts appears reasonably attributable to the different forecast data used. In fact, the Business Plan, from which the cash flows used for impairment testing originate, differs in both operating flows and time horizon.

6.3 Property, plant and equipment

Depreciation was calculated using the rates that reflect the assets' residual useful lives.

The balance of Property, plant and equipment, broken down by category at 31 December 2022 and 31 December 2021, is shown below:

(In thousands of Euro)	Carrying amount at 31 December 2021	Increases	(Depreciation)	(Decreases/ Impairment losses)	Reclassifications	Use of provision	Carrying amount at 31 December 2022
Land and buildings	3,444	8	(122)	-	-	-	3,330
Plant and machinery	278	152	(111)	-	48	-	367
Industrial and commercial equipment	1,211	1,215	(853)	(209)	47	197	1,608
Assets under construction and payments on account	169	36	-	(4)	(95)	-	106
Total property, plant and equipment	**5,102**	**1,411**	**(1,086)**	**(213)**	**-**	**197**	**5,411**

The changes in Property, plant and equipment between 31 December 2021 and 31 December 2022 are shown below:

(In thousands of Euro)	
Opening balance	**5,102**
Increases	1,411
(Decreases)	(213)
(Depreciation and impairment losses)/revaluations	(1,086)
Decreases in accumulated depreciation	197
Closing balance	**5,411**

At 31 December 2022 the item consisted mainly of buildings used as the operating offices of the Company for EUR 3,330 thousand and industrial and commercial equipment for EUR 1,608 thousand (mainly furniture, furnishings, office machinery and moulds). With reference to the year ended 31 December 2022, the Company made investments of EUR 1,411 thousand, mainly related to industrial and commercial equipment.

6.4 Subsidiaries and associates

The breakdown of changes in the item at 31 December 2021 and 31 December 2022 are shown below:

(In thousands of Euro)	31 December 2021	Increases	Remeasurement	Decreases	31 December 2022
Equity investments in subsidiaries	19,284	1,261	-	-	20,545
Equity investments in associates	33	-	-	-	33
Total equity investments	**19,317**	**1,261**	**-**	**-**	**20,578**

Below is a list of investments:

	Office	Share Capital (in foreign currency)	Equity (in foreign currency)	Type of ownership	Profit (loss) for the year (in foreign currency)	Percentage of ownership	Carrying amount (in Euro/000)
Subsidiaries							
- Cellular Spain S.L.U.	ES	3	956	Direct	180	100%	1,103
- Cellular Inmobiliaria Italiana S.L.U.	ES	3	86	Direct	5	100%	3
- Cellular Immobiliare Helvetica S.A.	CH	100	268	Direct	14	100%	71
- Pegaso S.r.l.	IT	70	1,269	Direct	(10)	100%	3,665
- Systema S.r.l.	IT	100	2,167	Indirect	(150)	100%	N/A
- Worldconnect AG	CH	100	3,767	Direct	595	80%	14,757
- Cellularline USA Inc.	US	50	500	Direct	32	100%	474
- Coverlab S.r.l.	IT	69	286	Direct	94	55%	295
- Subliros S.L. [Note 1]	ES	11	46	Direct	(10)	80%	177
Total subsidiaries							**20,545**
Associates							
- Cellular Swiss S.A. (*)	CH	100	460	Direct	37	50%	33
Total associates							**33**

[1] The result shown for Subliros relates to the two months of 2022; it was acquired by Cellularline S.p.A. at the end of October.

(*) Figures refer to the latest available financial statements at 31 December 2021.

With regard to transactions with related parties, reference should be made to the "transactions with related parties" section of these financial statements.

Cellular Spain S.L.U.

The Company ended 2022 with revenue of EUR 10,456 thousand (EUR 9,787 thousand in 2021). The Company increased revenue in 2022, due to contracts signed with leading local players and the expansion of the product range. The operating profit of the subsidiary was substantially in line with 2021, despite being affected by an increasing incidence of commercial costs, related to the acquisition of new customers. It is therefore deemed that, consequently to the actions taken to expand its potential on the local market, the difference between the carrying amount of the equity investment and its equity measurement can be considered as a non-structural event and therefore do not indicate impairment.

Cellular Inmobiliaria S.L.U. – Cellular Immobiliare Helvetica S.A.

The two real estate companies continued their ordinary operations. There are no indicators of impairment.

Pegaso S.r.l. - Systema S.r.l.

The subsidiary Pegaso S.r.l. is an investment holding company that holds 100% of the shares of Systema S.r.l. The Company Systema S.r.l. ended 2022 with revenue of EUR 10,282 thousand (EUR 8,983 thousand in 2021).

Worldconnect AG

The Swiss-registered company is the market leader in travel adapters. Wordconnect, through its Skross brand, reported sales in the year 2022 of Euro 14,550 thousand (Euro 4,624 as of December 31, 2021). The increase is mainly due to the recovery in global air travel.

The economic result for the year was a profit of EUR 582 thousand.

Coverlab S.r.l.

The company, acquired in June 2021, is an innovative e-commerce company in the start-up phase and operates in the custom accessories segment. It closed 2022 with revenue of EUR 1,593 thousand (EUR 348 thousand in 2021), making for a significant increase.

Cellular Usa Inc.

Cellular USA was established in the first half of 2022 and aims to market the Black line in the American market; as a newco, it does not yet have any significant turnover. At 31 December 2022 it recorded profit for the year of EUR 36 thousand.

Subliros S.L.

Subliros S.L. was acquired at the end of October 2022, is an innovative e-commerce company and operates in the custom accessories segment. The company has been consolidated for just 2 months.

Cellular Swiss S.A.

In 2022, the associate Cellular Swiss continued to pursue its strategy to develop business with existing customers – which operate mainly in the Consumer Electronics channel - and seeking new customers, also in different channels (for example, in the Telco, Travel Retail and Mass Merchandise channels).

6.5 Right-of-use assets

This item, amounting to EUR 3,626 thousand (EUR 1,109 thousand at 31 December 2021), refers exclusively to the recognition of right-of-use assets due to the initial application of IFRS 16 - Leases. This item is treated as an intangible asset and depreciated over the term of the underlying lease or rental agreement. In no case is there a contractual purchase option.

(In thousands of Euro)	Right-of-use assets
Opening balance	**1,109**
Increases	4,027
Decreases	(225)
(Depreciation)	(1,285)
Closing balance	**3,626**

The increases of the year, equal to EUR 4,027 thousand, mainly concern new contracts for cars and commercial vehicles as well as the renegotiation and renewal of the contract with the logistics operator.

6.6 Deferred tax assets and liabilities

Changes in Deferred tax assets and liabilities between 31 December 2021 and 31 December 2022 are shown below.

Deferred tax assets

(In thousands of Euro)	
Opening balance	**4,327**
Accruals/(releases) in profit or loss	476
(Releases) in comprehensive income	(15)
Closing balance	**4,788**

The balance at 31 December 2022, amounting to EUR 4,788 thousand, comprises deferred tax assets originating mainly from accruals to taxed provisions, temporarily non-deductible amortisation/depreciation and the impact of the application of IFRS, though not for taxation purposes. The main change from the previous year, amounting to EUR 476 thousand, is related to deferred IRES and IRAP tax assets calculated, mainly, on partially deductible amortisation and depreciation such as those related to the Cellularline and Interphone trademarks and on the allocation made for the allowance for inventory (direct) write-down.

The 2022 Budget Law (no. 234/2021, Art. 1, paragraphs 622-624) has retroactively modified the regime for revaluations and realignments of trademarks and goodwill carried out on the basis of Art. 110 of Decree Law no. 104/2020, increasing the time span of deductions from 18 to 50 years (2% per annum from 2021).

The rule also provided the following two additional alternatives:

- maintenance of the deduction over 18 years against payment of the ordinary substitute tax on the franking of extraordinary transactions (12%, 14% and 16% for revaluations of up to 5 million, between 5 million and 10 million and over 10 million, respectively);
- revocation of the realignment for tax purposes, with repayment or right to offset the substitute tax already paid, in accordance with procedures to be defined by a future measure.

Considering that:

- the dilution of the benefit over 50 years shifts the cost-benefit balancing point from the second to the seventh year, while still maintaining a significant overall tax saving;
- the outlay for the "ordinary" substitute tax, necessary to maintain deductibility over 18 years, is very costly and close in time, considerably reducing the advantage of the operation;
- revocation of the realignment would entail cancellation of the income from the release of the deferred tax provision, with an inevitable impact on the company's equity;

it was deemed reasonable to maintain the realignment carried out with the 50-year deduction and to recognise deferred tax assets on temporarily non-deductible amortisation and depreciation, with annual monitoring of the reasonable certainty of their recovery.

The following aspects were taken into account in the calculation of deferred tax assets:

- the tax regulations in force and their impact on temporary differences, and any tax benefits deriving from the use of tax losses carried forward, where such exist, considering their potential recoverability over a period of three years;
- the Company's forecast profits in the medium and long term.

On the basis of the above, the Company expects that it can recover with reasonable certainty the deferred tax assets recognised.

Deferred tax liabilities

(In thousands of Euro)	
Opening balance	**1,152**
Accruals/(releases) in profit or loss	427
(Releases) in comprehensive income	94
Closing balance	**1,673**

Deferred tax liabilities at 31 December 2022 are primarily attributable to the deferred taxation arising from the fair value of the warrant for EUR 294 thousand; these liabilities relate to differences that are estimated to be reabsorbed in the medium to long term.

6.7 Financial receivables

Changes in Non-recurring financial assets between 31 December 2021 and 31 December 2022 are shown below.

(In thousands of Euro)	**Financial assets**
Opening balance	**6,103**
Increases	360
(Decreases)	(72)
Closing balance	**6,391**

The item, which came to EUR 6,391 thousand, consists of loans granted to subsidiaries. These include loans to Worldconnect of EUR 5,078 thousand (corresponding to CHF 5,000 thousand), Cellular Immobiliare Helvetica S.A. of EUR 902 thousand (corresponding to CHF 889 thousand), Cellular Inmobiliaria Italiana S.L.U. for EUR 331 thousand, Coverlab S.r.l. for EUR 50 thousand and Subliros S.L. for EUR 30 thousand. The net decreases mainly relate to repayments made by subsidiaries during 2022, respectively amounting to CHF 60 thousand (EUR 58 thousand) by Cellular Immobiliare Helvetica and EUR 14 thousand by Cellular Inmobiliaria Italiana.

CURRENT ASSETS

6.8 Inventories

Inventories are made up as follows:

(In thousands of Euro)	**31 December 2022**	**31 December 2021**
Finished products and goods	32,205	22,415

Goods in transit	3,202	3,493
Advances	1,561	1,743
Gross inventories	**36,968**	**27,651**
(Allowance for inventory write-down)	(1,960)	(1,200)
Total Inventories	**35,008**	**26,451**

Gross inventories include finished products at the Company's warehouses, as well as goods in transit for which the Company has already acquired ownership of EUR 3,202 thousand (EUR 3,493 thousand at 31 December 2021). Advances include prepayments for the purchase of finished products. The increase in the value of closing inventories at 31 December 2022 compared to the previous year's figure is attributable to the need to cope with higher sales volumes occurring during the year and expected in 2023. The carrying amount of inventories is adjusted by the allowance for inventory write-down, which includes the write-down of goods at risk of potential obsolescence.

Changes in allowance for inventory write-down between 31 December 2021 and 31 December 2022 are shown below:

(In thousands of Euro)	**Allowance for inventory write-down**
Opening balance	**(1,200)**
(Accruals)	(1,960)
Releases to profit or loss	-
Utilisations	1,200
Closing balance	**(1,960)**

During the year, the Company, following an analysis of slow-moving products, set aside EUR 1,960 thousand for problems (typical of the sector) related to the obsolescence/slow transfer of inventories, in order to align their value to the estimated realisable value. The use of the allowance for Euro 1,200 thousand refers to partial scrapping during 2022.

6.9 Trade receivables

Trade receivables at 31 December 2021 and 31 December 2022 are shown in detail below:

(In thousands of Euro)	**31 December 2022**	**31 December 2021**
Trade receivables from third parties	39,429	38,177
Trade receivables from related parties (Note 8)	12,794	16,166
Gross trade receivables	**52,223**	**54,343**
(Loss allowance)	(3,262)	(3,325)
Total trade receivables	**48,961**	**51,018**

The value of gross receivables from third parties decreased by EUR 2,120 thousand as a result of greater commitment and attention in the financial management of credit.

Changes in the loss allowance from 31 December 2021 to 31 December 2022 are shown below:

(In thousands of Euro)	Loss allowance
Opening balance	**(3,325)**
(Accruals)	(300)
Releases to profit or loss	-
Utilisations	363
Closing balance	**(3,262)**

Impaired assets refer mainly to disputed amounts or customers subject to bankruptcy proceedings. The utilisations reflect amounts that, based on certain, precise information or pending bankruptcy procedures were impaired in full. Credit risk is the exposure to potential losses arising from non-performance of the obligations taken on by the counterparty. The Company has credit control processes in place that include customer reliability analyses and credit exposure controls based on reports with a breakdown of due dates and average collection times. The change in the loss allowance, following the accrual of the year, is the result of an analytical assessment of non-performing assets and assets that have been proven to be of uncertain recoverability as well as a general assessment based on the asset's historical credit loss.

The carrying amounts of trade receivables are deemed to approximate their fair value.

6.10 Current tax assets

The breakdown of Current tax assets at 31 December 2021 and 31 December 2022 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Amounts due from tax authorities for current taxes	939	1,209
Total current tax assets	**939**	**1,209**

Amounts due from tax authorities for current taxes mainly include: (*i*) the tax credit for greater advances paid compared to the amount due for the year 2022, amounting to EUR 404 thousand, (*ii*) the credit for taxes for which reimbursement has been requested, amounting to EUR 115 thousand and (*iii*) the credit for research, development, innovation and design amounting to EUR 353 thousand.

6.11 Other assets

The breakdown of other current assets as at 31 December 2021 and 31 December 2022 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Prepaid expenses	2,489	2,874
VAT credit	24	685
Others	68	22
Total Other assets	**2,581**	**3,581**

This item mainly includes prepaid expenses referring to the advance payment of contributions to customers following the agreement of trade contracts that will produce economic benefits in future periods and the amount due from the tax authority for period VAT.

6.12 Cash and cash equivalents

The breakdown of cash and cash equivalents at 31 December 2021 and 31 December 2022 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Bank accounts	4,813	3,821
Cash on hand	5	6
Total Cash and cash equivalents	**4,818**	**3,827**

Cash and cash equivalents amount to EUR 4,818 thousand at 31 December 2022 (EUR 3,827 thousand at 31 December 2021). The item consists of cash on hand, securities and demand deposits or short-term deposits with banks that are currently available and readily usable.
For further details regarding the dynamics that influenced cash and cash equivalents, reference should be made to the Statement of Cash Flows.

EQUITY AND LIABILITIES

6.13 Equity

Equity was EUR 127,531 thousand (EUR 204,125 thousand at 31 December 2021), having decreased mainly as a result of the loss for the year. During the year, there were no assets allocated for specific deals.
Below is an analysis of equity items in relation to their origin, possibility of utilisation and distribution (in thousands of Euro):

EQUITY		CARRYING AMOUNT AT 31.12.2022	Possibility of use of reserves (*)	Available portion of reserves	Summary of uses in the year and the previous three years	
					Coverage of losses	Distribution of dividends/reserves
I	Share capital	21,343				
II	Share premium reserve	139,918	A, B, C	139,918		
IV	Legal reserve	4,269	B	4,269		
V	Statutory reserves	-				
VII	Other reserves	31,498	B	579		
VIII	Retained earnings	15,821	A, B, C	15,821	4,862	8,164
IX	Loss for the year	(75,893)				
X	Treasury shares	(9,425)	None			
Total Equity		**127,531**		**160,586**	**4,862**	**8,164**

(*) Key / Notes:

A = for capital increase

B = to cover losses

C = for distribution to shareholders

In view of the realignment of the tax value with the statutory value of the Cellularline and Interphone trademarks and of the customer relationship, as envisaged by Article 110, paragraphs 8 and 8-bis of Italian Decree Law no. 104/2020, converted into Italian Law no. 126/2020, as amended by Italian Law no. 178/2020, the Board of Directors proposes that the Shareholders' Meeting establish a tax suspension restriction in the amount of EUR 59,253 thousand on the share premium reserve.

Share capital

The share capital at 31 December 2022 amounts to EUR 21,343, divided into 21,868,189 ordinary shares. There are also 6,130,954 warrants outstanding.

Other reserves

At 31 December 2022, other reserves amount to EUR 166,260 thousand (EUR 157,767 thousand as at 31 December 2021) and were mainly divided as follows:

- The share premium reserve, which amounts to EUR 139,918 thousand, including EUR 59,253 in suspended taxation following the realignment of trademarks and customer relationships.
- Other reserves amounting to EUR 35,767 thousand which originated as a result of the effects of the application of the IFRS and the Business Combination which took place in 2018;
- Treasury shares of EUR 9,425 thousand.

Retained earnings

Retained earnings amount to EUR 15,821 thousand (EUR 29,878 thousand at 31 December 2021) and mainly refer to:

- retained earnings (EUR 7,527 thousand);
- the effects of transition to IFRS on equity (EUR 5,047 thousand);
- the effects of warrants and listing costs (EUR 3,247 thousand).

Loss for the year

As a result of the loss realised in 2022, amounting to EUR 75,893,350, we propose to fully cover the loss by utilising the following reserves:

- Retained Earnings in the amount of EUR 13,400,827
- Extraordinary Reserve in the amount of EUR 31,176,621;
- Share Premium Reserve in the amount of EUR 31,315,902.

Share-based payment arrangements

In 2022, the Company approved the second cycle of the Stock Grant Plan, which envisages the award of rights to certain key managers to receive Company shares free of charge. The free award of such rights to receive shares comes under the scope of the "Cellularline S.p.A. 2021-2023 Incentive Plan", submitted for approval by the ordinary shareholders' meeting on 28 April 2021.

The following table summarises the main conditions of the stock grant plan:

Date of assignment of cycle I	Maximum number of instruments	Vesting conditions	Contractual duration of options
09 June 2021	90,000 *	70% Relative Total Shareholder Return 30% Consolidated Adjusted EBITDA	Three years
Date of assignment of cycle II	**Maximum number of instruments**	**Vesting conditions**	**Contractual duration of options**
17 March 2022	90,000 *	70% Relative Total Shareholder Return 30% Consolidated Adjusted EBITDA	Three years

(*) The number of instruments reported refers to each individual tranche of awards of the three-year cycle, of which 55,000 assigned to CEOs and key managers. At the date of this Report, two award cycles have been activated.

The plan envisages three cycles of annual awards of rights to Beneficiaries (2021, 2022 and 2023), each of which with a three-year performance period and a two-year lock-up on the shares assigned by virtue of the rights awarded for each cycle, where conditions are met and in accordance with the terms and conditions set forth in the plan and its Regulation. The rights assigned to the beneficiaries will accrue, and accordingly give entitlement to their holders to receive Company shares, according to the degree to which measurable multi-year performance objectives, pre-determined by the Company, are achieved. These performance objectives contribute with a different percentage weighting towards the accrual of the rights and attribution of the shares, all as indicated:

(i) the Relative Total Shareholder Return (or Relative TSR) is the share performance objective and contributes towards the incentive variable remuneration envisaged by the plan (in the form of shares), weighing for 70%,
(ii) the Consolidated Three-Year Adjusted EBITDA is the corporate performance objective and contributes towards the incentive variable remuneration envisaged by the plan (in the form of shares), weighing for 30%.
At 31 December 2022, in accordance with IFRS 2, the measurement regarded the total fair value of the approved plan. The “market based” component (Relative Total Shareholder Return) has been estimated using a stochastic simulation with the Monte Carlo Method, which, on the basis of suitable hypotheses, made it possible to define a significant number of alternative scenarios over the time frame considered. The "non market based" component has been measured at the reporting date to take into account expectations regarding the number of rights that may be accrued (in the specific case, considering the performance of EBITDA with respect to the plan targets).

6.14 Bank loans and borrowings and loans and borrowings from other financial backers (current and non-current)

The breakdown of this item (current and non-current) at 31 December 2022 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Current bank loans and loans and borrowings from other financial backers	23,697	10,088
Non-current bank loans and loans and borrowings from other financial backers	14,821	24,714

Total bank loans and borrowings and loans and borrowings from other financial backers	**38,518**	**34,803**
Other current financial liabilities	1,160	1,667
Other non-current financial liabilities	2,796	713
Total other financial liabilities	**3,956**	**2,380**
Total financial liabilities	**42,474**	**37,183**

At 31 December 2022, **bank loans and borrowings and loans and borrowings from other financial backers**, of EUR 38,518 thousand (net of amortised cost) refer to the bank loan agreed on 26 October 2020, in the refinancing transaction by Cellularline with Banco BPM S.p.A., as agent bank and lending bank, and Intesa Sanpaolo S.p.A. as lending bank. The total maximum principal amount of the loan is EUR 50 million, with repayment in six-monthly instalments of EUR 5,000 thousand each, with final repayment on 20 June 2025. The loan is subject to a financial covenant (leverage ratio) which was complied with extensively at the reporting date. Interest on the loan accrues at a variable rate, calculated considering the Euribor plus a contractually agreed spread (currently equal to the floor of 2.05%).

The following are highlights of the financial debt outstanding at 31 December 2022:

(In thousands of Euro)	**Inception**	**Maturity**	**Original amount**	**31 December 2022**		
				Outstanding debt	**current portion**	**non-current portion**
Banco BPM S.p.A.	26 October 2020	20 June 2025	25,000	12,500	5,000	7,500
Intesa Sanpaolo S.p.A.	26 October 2020	20 June 2025	25,000	12,500	5,000	7,500
Bank loans and borrowings and loans and borrowings from other financial backers			**50,000**	**25,000**	**10,000**	**15,000**

Loans are measured at amortised cost in accordance with IFRS 9 and therefore their carrying amount of EUR 38,518 thousand at 31 December 2022 (EUR 34,803 thousand at 31 December 2021), is reduced by transaction costs. For details regarding the item Other financial liabilities (current and non-current), please refer to Note 6.21.

Details of Financial liabilities by maturity are provided below:

(In thousands of Euro)	**31 December 2022**	**31 December 2021**
Within 1 year	24,857	11,796
From 1 to 5 years	17,617	25,343
Over 5 years	0	44
Total	**42,474**	**37,183**

Below is a reconciliation of the net financial indebtedness at 31 December 2022, of EUR 37,622 thousand, and at 31 December 2021, of EUR 33,319 thousand, according to the scheme envisaged by ESMA Guidance 32-382-1138 dated 4 March 2021 and indicated in the Consob Note 5/21 dated 29 April 2021:

(In thousands of Euro)	31 December 2022	31 December 2021	Changes Δ	%
(A) Cash	4,818	3,827	991	25.9%
(B) Other cash and cash equivalents	-	-	-	-
(C) Other current financial assets	34	37	(3)	-8.1%
(D) Cash and cash equivalents (A)+(B)+(C)	**4,852**	**3,863**	**989**	**25.6%**
(E) Current financial indebtedness	1,160	1,667	(507)	-30.4%
(F) Current portion of non-current indebtedness	23,697	10,088	13,609	>100%
(G) Current financial indebtedness (E) + (F)	**24,857**	**11,755**	**13,102**	**>100%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*24,857*	*11,755*	*13,102*	*>100%*
(H) Net current financial indebtedness (G) - (D)	**20,005**	**7,892**	**12,113**	**>100%**
(I) Non-current financial indebtedness	17,617	25,428	(7,811)	-30.7%
(J) Debt instruments	-	-	-	-
(K) Trade payables and other current liabilities	-	-	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	**17,617**	**25,428**	**(7,811)**	**-30.7%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*17,617*	*25,428*	*(7,811)*	*-30.7%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**37,622**	**33,319**	**4,303**	**12.9%**

6.15 Employee benefits

At 31 December 2022, this item, amounting to EUR 209 thousand (EUR 323 thousand at 31 December 2021), derives from the actuarial valuation of the Company's post-employment benefits (TFR); these valuations were carried out using the "Project Unit Credit" method as provided for by IAS 19.

The actuarial model is based on:

- discount rate of 3.77%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 2.30%;
- annual rate of increase in the post-employment benefits of 3.23%, which is equal to 75% of inflation plus 1.5 percentage points.

In addition, sensitivity analyses were carried out for each actuarial assumption, considering the effects that would have occurred as a result of reasonably possible changes in the actuarial assumptions at the reporting date; the results of these analyses do not give rise to significant effects.

6.16 Buy-Back Plan

The Shareholders' Meeting of 27 April 2022 resolved to authorise the Board of Directors to purchase and dispose of treasury shares; this authorisation will have a term of eighteen months, for the reasons of liquidity support, preservation for subsequent use, use in service of future compensation and incentive plans and any future programs of free assignment of shares to shareholders. The purchase may take place up to a maximum number of ordinary shares that does not exceed 7.0% of the share capital in total. As regards this plan, in 2022, the Company purchased

33,876 shares, for an amount of approximately Euro 103.5 thousand. It is recalled that at 31 December 2022, the Company holds 1,038,174 treasury shares, equal to 4.75% of the share capital with voting rights.

6.17 Provisions for risks and charges

Changes in the Provisions for risks and charges, broken down for the period between 31 December 2021 and 31 December 2022 are shown below:

(In thousands of Euro)	**Agents' severance indemnity provision (FISC)**
Opening balance	**1,495**
- of which current portion	-
- of which non-current portion	*1,495*
Accruals	152
Utilisations/Releases	(398)
Closing balance	**1,249**
- of which current portion	-
- of which non-current portion	*1,249*

The Agents' severance indemnity provision (FISC) refers to the measurement of the agents' severance indemnity of the company for the amount to be paid to the agents for the termination of the agency relationship through no fault of the agent. The actuarial valuation, consistent with IAS 37, was carried out by quantifying future payments through the projection of the indemnity accrued at the reporting date by the agents operating until the presumed (random) termination of the contractual relationship. For actuarial valuations, demographic and economic-financial assumptions were adopted; specifically, the discount rate was set with reference to the IBoxx Eurozone AA index in relation to the duration of the collective at 3.77%.

6.18 Trade payables

The breakdown of Trade payables at 31 December 2022 and 31 December 2021 is shown below:

(In thousands of Euro)	**31 December 2022**	**31 December 2021**
Trade payables to third parties	18,627	17,783
Trade payables from related parties (Note 8)	254	182
Total trade payables	**18,881**	**17,965**

At 31 December 2022, trade payables increased compared to 31 December 2021, due to different procurement timing. These payables relate to commercial transactions with normal payment terms, all due within one year.

6.19 Current tax liabilities

The item comes to EUR 612 thousand (EUR 1,231 thousand at 31 December 2021) and mainly includes the residual amount due for substitute tax on the realignment of statutory and tax values of the Cellularline and Interphone trademarks and the customer relationship for EUR 611 thousand. The third instalment of the debt is due by June 2023.

6.20 Other liabilities

The breakdown of Other liabilities at 31 December 2022 and 31 December 2021 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Due to employees	1,702	1,695
Social security liabilities	816	857
Tax liabilities	1,343	661
Other payables	180	159
Total Other liabilities	**4,040**	**3,372**

At 31 December 2022, other liabilities amount to EUR 4,040 thousand (EUR 3,372 thousand at 31 December 2021) and are mainly divided as follows:

- EUR 1,702 thousand due to employees for wages to be settled and bonuses;
- EUR 816 thousand due to social security institutions for contributions to be settled;
- EUR 1,343 thousand for withholding taxes on employees' salaries, self-employed workers' fees, agents' fees and VAT.

6.21 Other financial liabilities (current and non-current)

The breakdown of Other financial liabilities at 31 December 2022 and 31 December 2021 is shown below:

(In thousands of Euro)	31 December 2022	31 December 2021
Other current financial liabilities	1,160	1,667
Other non-current financial liabilities	2,796	713
Total other financial liabilities	**3,956**	**2,380**

Other financial liabilities at 31 December 2022 amounted to EUR 3,956 thousand (EUR 2,380 thousand at 31 December 2021) and mainly included the lease liability arising from the application of IFRS 16 in the amount of EUR 3,668 thousand (EUR 1,153 thousand at 31 December 2021).

7 Notes to the income statement

The notes to the income statement for 2022 and 2021 are provided below.

7.1 Revenue from Sales

In 2022, revenue from sales amounts to EUR 113,022 thousand (EUR 97,947 thousand in 2021).

The Company's activities develop through one operating segment, which can be divided into three main product lines:

- Red line (accessories for multimedia devices);
- Black line (accessories for motorcycles and bicycles);
- Blue line (third party products marketed under distribution agreements).

The following table shows revenue, broken down by product line and geographic area for 2022.

Revenue from sales by product line

(In thousands of Euro)					Change	
	2022	**% of revenue**	**2021**	**% of revenue**	**Value**	**%**
Red – Italy	49,556	43.8%	46,597	47.6%	2959	6.4%
Red – International	39,120	34.6%	33,473	34.2 %	5,647	16.9%
Revenue from sales - Red	**88,676**	**78.5 %**	**80,070**	**81.7%**	**8,606**	**10.7%**
Black – Italy	4,060	3.6%	3,970	4.1%	90	2.3%
Black – International	3,224	2.9%	4,154	4.2%	(930)	-22.4%
Revenue from sales - Black	**7,284**	**6.4%**	**8,124**	**8.3%**	**(840)**	**-10.3%**
Blue – Italy	16,583	14.7%	7769	7.9%	8,814	113.5%
Blue – International	0	0.00%	1,471	1.5%	(1,471)	-100.0%
Revenue from sales - Blue	**16,583**	**14.7%**	**9240**	**9.4%**	**7,343**	**79.5%**
Other – Italy	478	0.4%	514	0.5%	(36)	-7.0%
Revenue from sales - Other	**478**	**0.4%**	**514**	**0.5%**	**(36)**	**-7.0%**
Total Revenue from sales	**113,022**	**100%**	**97,947**	**100%**	**15,074**	**15.4%**

The Red line, which represents approximately 78.5% of revenue, increased by EUR 8,606 thousand (+10.7%), with a positive contribution from both the domestic market and the international markets. The good performance of foreign markets is the result of the lifting of Covid-19 restrictions in some countries that marked the positive post-pandemic market recovery.

The Black line recognised a decrease in sales of 10.3% compared to 2021. This decrease was recorded in both the online and traditional channels.

Growth in the Blue line (+79.5% compared to 2021) is primarily driven by demand for Samsung brand products distributed in Italy.

The following table shows revenue, broken down by product line and geographic area.

Revenue from sales by geographic area

(In thousands of Euro)					Change	
	2022	**% of revenue**	**2021**	**% of revenue**	**Δ**	**%**
Italy	70,676	62.5%	58,851	60.1%	11,825	20.1%
Eastern Europe	8,574	7.6%	8,132	8.3%	442	5.4%
Others (*)	8,480	7.5%	3,015	3.1%	5,465	>100%
France	5,903	5.2%	5,700	5.8%	203	3.6%
Northern Europe	4,799	4.2%	3,838	3.9%	961	25.0%
DACH	4,615	4.1%	7,078	7.2%	-2,463	-34.8%
Middle East	3,895	3.4%	868	0.9%	3,027	>100%
Spain/Portugal	3,291	2.9%	6,519	6.7%	-3,228	-49.5%
Benelux	2,788	2.5%	3,946	4.0%	(1,158)	-29.3%
Total Revenue from sales	**113,022**	**100%**	**97,947**	**100.0%**	**15,075**	**15.4%**

(*) 'Others' includes Great Britain

The growth of the Italian market, equal to 20.1% (EUR 11,825 thousand), is driven by the recovery of the domestic market following the progressive normalisation of the economic situation post-pandemic. Amongst others, the DACH, Middle Eastern and Great British markets performed particularly well.

7.2 Cost of sales

The cost of sales amounts to EUR 72,062 thousand (in 2021, it was equal to EUR 57,054 thousand) and mainly includes the costs of purchasing and processing raw materials of EUR 68,318 thousand, related costs of EUR 647 thousand, personnel expense of EUR 2,006 thousand and logistics costs of EUR 1,091 thousand.

7.3 Sales and distribution costs

Sales and distribution costs amount to EUR 23,341 thousand (EUR 21,580 thousand in 2021), as illustrated in the table below.

(In thousands of Euro)	**2022**	**% of revenue**	**2021**	**% of revenue**
Sales and distribution personnel expense	9,125	*8.1%*	8,990	*9.2%*
Commissions to agents	4,482	*4.0%*	3,897	*4.0%*
Transport	6,989	*6.2%*	6,489	*6.6%*
Travel costs	678	*0.6%*	557	*0.6%*
Advertising and commercial consultancy expenses	1,283	*1.1%*	1,241	*1.3%*
Other sales and distribution costs	784	*0.7%*	406	*0.4%*
Total sales and distribution costs	**23,341**	***20.7%***	**21,580**	***22.0%***

7.4 General and administrative costs

General and administrative costs amount to EUR 96,566 thousand (EUR 26,653 thousand in 2021), as illustrated in the table below.

(In thousands of Euro)	**2022**	**% of revenue**	**31 December 2021**	**% of revenue**
Amortisation	8,484	*7.5%*	8,430	*8.6%*
Depreciation	2,370	*2.1%*	1,577	*1.6%*
Impairment of customer relationships	-	*0.0%*	7,174	*7.3%*
Impairment of goodwill	75,425	*66.7%*	-	*0.0%*
Provisions for risks and impairment losses	300	*0.3%*	200	*0.2%*
Administrative personnel expense	4,337	*3.8%*	4,272	*4.4%*
Administrative, legal, personnel consultancy etc.	2,592	*2.3%*	2,105	*2.1%*
Commissions and fees	108	*0.1%*	83	*0.1%*
Directors' and Statutory Auditors' fees	448	*0.4%*	457	*0.5%*
Other general administrative costs	2,498	*2.2%*	2,353	*2.4%*
Total general and administrative costs	**96,566**	***85.4%***	**26,653**	***27.2%***

General and administrative costs amount to EUR 96,566 thousand in 2022, compared to EUR 26,653 thousand in 2021. General and administrative costs increased year-on-year mainly due to the effect of the impairment of Goodwill in the amount of EUR 75,425 thousand.

7.5 Other non-operating revenue

Other non-operating revenue for the year amount to EUR 1,826 thousand (EUR 950 thousand in 2021), as shown in the table below.

(In thousands of Euro)	2022	% of revenue	2021	% of revenue
Recoveries of SIAE fees	(3)	*0.0%*	476	*0.5%*
Prior year income and (expense)	118	*0.1%*	(229)	*-0.2%*
(SIAE and CONAI contributions)	(94)	*-0.1%*	(656)	*-0.7%*
Other non-operating revenue	1,805	*1.6%*	1,359	*1.4%*
Total other non-operating revenue	**1,826**	***1.6%***	**950**	***1.0%***

7.6 Financial expense

Net financial expense amounts to EUR 795 thousand (EUR 1,984 thousand in 2021).

(In thousands of Euro)	2022	% of revenue	2021	% of revenue
Fair value gains	1,264	*1.1%*	-	*0.0%*
Interest income	105	*0.1%*	96	*0.1%*
Total Financial income	**1,369**	***1.2%***	**96**	***0.1%***
Commissions and other financial expense from fair value	(1,064)	*-0.9%*	(949)	*-1.0%*
Interest expense on medium/long-term loans	(950)	*-0.8%*	(1,076)	*-1.1%*
Other interest expense	(150)	*-0.1%*	(55)	*-0.1%*
Total financial expense	**(2,164)**	***-1.9%***	**(2,080)**	***-2.1%***
Total net financial expense	**(795)**	***-0.7%***	**(1,984)**	***-2.0%***

Net financial expense is equal to EUR 795 thousand, while in 2021, it amounted to EUR 1,984 thousand. This difference is mainly attributable to the change in the fair value of outstanding warrants, which in 2021 had generated a cost of EUR 573 thousand, while in 2022 it had a positive effect on the income statement of EUR 1,226 thousand. There were also higher charges related to premiums paid on derivative contracts for hedging against exchange rate risk for the purchase of products denominated in US dollars in the amount of EUR 808 thousand.

Financial expense in 2022 comes to EUR 2,164 thousand and mainly refers to:

- EUR 1,064 thousand related to bank fees and premiums for derivative contracts;
- EUR 950 thousand relative to interest to banks for the loan agreed in October 2020 for an original amount of EUR 50,000 thousand (the residual amount due at 31 December 2022 is EUR 25,000 thousand);
- EUR 150 thousand for other interest expense.

7.7 Exchange gains

(In thousands of Euro)				
	2022	**% of revenue**	**2021**	**% of revenue**
Net exchange gains on trading	2,006	*1.8%*	420	*0.4%*
Net exchange gains on financial transactions	282	*0.2%*	242	*0.2%*
Total exchange gains	**2,288**	***2.0%***	**662**	***0.7%***

The change in this item is mainly due to the hedges implemented on the EUR/USD exchange rate. The item Net exchange gains on trading refers to the adjustment of commercial items expressed in foreign currency as of the end of the year and the effect recorded among the financial components of the income statement, attributable to commercial transactions in USD.

The item Net exchange gains on financial transactions refers to the adjustment of items of a financial nature.

7.8 Current and deferred taxes

The breakdown of income taxes for 2022 and 2021 is shown below:

(In thousands of Euro)		
	2022	**2021**
Current taxes of the year	(310)	(770)
Current taxes of previous years	(4)	267
Deferred taxes	49	3,352
Total	**(265)**	**2,849**

The item includes the charge for current taxes pertaining to the year, amounting to EUR 310 thousand, and for taxes relating to previous years, amounting to EUR 4 thousand.

Deferred taxes of EUR 49 thousand mainly refer to:

- income due to the recognition of deferred tax assets of the Company amounting to EUR 476 thousand on amortisation of the Cellularline and Interphone trademarks, and on the provision made for the allowance for inventory (direct) write-down, as described in the section on deferred tax assets;
- expense arising from the provision for deferred taxes on the fair value of the warrant amounting to EUR 294 thousand as detailed in the section on deferred tax liabilities;
- expenses for other minor items of a total of EUR 133 thousand.

The main temporary differences that led to the recognition of deferred taxes are shown in the table below, together with their effects (in EUR thousands):

2022						
Amounts taken to profit or loss	**Taxable**	**Tax rate**	**(Expense in profit or loss)**	**Taxable**	**Tax rate**	**Income in profit or loss**
- unpaid directors' fees	33	24.00%	(8)	33	24.00%	8
- accrual/(utilisation) of agents' severance indemnity		27.90%			27.90%	
- direct write-down of inventories	848	24.00%	(203)	1,163	24.00%	279
- accrual/(utilisation) of allowance for inventory write-down	1,200	24.00%	(288)	1,960	24.00%	470
- losses from foreign exchange rate fluctuations to customers and suppliers	248	24.00%	(60)	2	24.00%	0

- losses from exchange rate loans to subsidiaries and associates	-	24.00%	-	-	24.00%	-
- gains from foreign exchange rate fluctuations to customers and suppliers	-	24.00%	-	2	24.00%	0
- gains from exchange rate loans to subsidiaries and associates	290	24.00%	(70)	16	24.00%	4
- amortisation and impairment of customer list	-	27.90%	-	-	27.90%	-
- amortisation of trademarks	-	27.90%	-	817	27.90%	228
- changes in the fair value of warrants (IAS 32)	1,226	24.00%	(294)		24.00%	
- valuation differences on employee severance indemnities (IAS 19)		24.00%	0	5	24.00%	1
- actuarial differences in the agents' severance indemnity provision (IAS 37)	164	27.90%	(19)		27.90%	0
Total deferred tax assets/liabilities recognised in profit or loss	**4,009**		**(942)**	**3,998**		**991**

The following is a summarised reconciliation of current taxes and theoretical taxes (IRES, IRAP) and the reconciliation of the applicable tax rate and the effective average tax rate (in Euro thousands):

RECONCILIATION OF TAXES PRESENTED IN THE FINANCIAL STATEMENTS AND THEORETICAL TAXES	
Loss before taxes:	(75,628)
Temporary differences	
Temporary differences taxable in subsequent years (decreases of the year):	(478)
Temporary differences deductible in subsequent years (increases of the year):	3975
Reversal of prior year temporary differences taxed in the year:	18
Reversal of prior year temporary differences deducted in the year:	(2,129)
Permanent differences	
Impairment of goodwill and other fixed assets	75429
Non-deductible taxes (excluding IRES and IRAP of the year)	45
Car expenses	157
Non-deductible amortisation and depreciation	244
vocon having income relevance to OCI	335
Entertainment expenses exceeding the tax limit	70
non-deductible severance indemnity quota	54
Other non-deductible expenses	351
IRAP deduction on personnel expense	0
10% IRAP deduction	(5)
Patent box tax benefit	-
Fiscally-driven depreciation and amortisation	(73)
Non-taxable tax credits	(427)
Other permanent deductions	(80)
Aid for Economic Growth (ACE) deduction	(1,933)
IRES tax base	**0**
Gross current income taxes	0
Deductions for energy rating expense	(14)
Current IRES effectively due on profit before taxes	**0**
Determination of IRAP tax base	
Operating profit	(77,091)

Costs considered for IRAP purposes	91200
Tax wedge	(13,956)
Patent box tax benefit	-
Theoretic tax base	**153**
Current theoretical tax (3.9)	**6**
Directors' and freelancers' fees and related charges	405
Non-deductible amortisation of trademarks	817
Other increases in the tax base	91
Other decreases in the tax base	(524)
Tax wedge	(13,956)
Patent box tax benefit	-
IRAP tax base	**942**
Current effective IRAP	**37**

7.9 Statement of Cash Flows

The main factor that influenced cash flow trends in the years considered are summarised below.

Net cash flows generated by/(used in) operating activities

(In thousands of Euro)	**2022**	**2021**
Cash flows from operating activities		
Loss for the year	(75,893)	(4,862)
Adjustments for:		
- Amortisation/depreciation	86,081	17,182
- Net impairment losses and accruals	412	47
- Accrued financial expense	689	1,984
- Income taxes	265	(2,849)
- Other non-monetary changes	134	52
	11,688	**11,554**
Changes in:		
- (Increase)/Decrease in inventories	(9,317)	1,429
-Decrease in trade receivables	2119	2,220
- Increase in trade payables	916	4,021
- Increase in other assets and liabilities	2425	1,289
- Payment of employee benefits and change in provisions	(74)	(93)
Cash flows generated by operating activities	**7,757**	**20,420**
Interest paid	(2,164)	(925)
Income taxes paid	(1,331)	(2,334)
Cash flows generated by operating activities	**4,262**	**17,161**

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	**2022**	**2021**
Cash flow from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(1,261)	(295)

Purchase of property, plant and equipment and intangible assets	(3,875)	(4,093)
Cash flows used in investing activities	**(5,136)**	**(4,388)**

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	2022	2021
Cash flows from financing activities		
Other financial assets and liabilities	(1,224)	(5,232)
(Dividend distribution)	(1,012)	-
Other changes in equity	280	-
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers	3,715	(10,000)
Payment of transaction costs relating to financial liabilities	106	151
Net cash flows generated by (used in) financing activities	**1865**	**(15,081)**

8 Transactions with related parties

The Company has carried out, and continues to carry out, various types of transactions with related parties, most of which are of a commercial nature. These parties are identified as required by IAS 24. Transactions with related parties are neither atypical nor unusual and are part of the ordinary course of business of the Group's companies. These transactions mainly concern (i) the supply of products and accessories for mobile telephony, (ii) the provision of services that are functional to the performance of the business and (iii) the provision of loans to the above-mentioned related parties. Transactions with related parties, as defined by IAS 24 and governed by article 4 of Consob Regulation no. 17221 of 12 March 2010 (and subsequent amendments), implemented by the Company at 31 December 2022 concern mainly commercial transactions relating to the supply of goods and the provision of services. The following is a list of the related parties with which transactions took place in 2022, indicating the type of relationship:

Related parties	Type and main relationship
Cellular Swiss S.A.	Associate of Cellularline S.p.A. with a 50% investment (consolidated using the equity method); the remaining shareholders are: Maria Luisa Urso (25%) and Antonio Miscioscia (25%)
Cellular Spain S.L.U.	100% holding in the company
Pegaso S.r.l./Systema S.r.l.	A fully-owned subsidiary (consolidated on a line-by-line basis) that controls 100% of Systema;
Cellular Inmobiliaria Italiana S.L.U.	100% holding in the company
Cellular Immobiliare Helvetica S.A.	100% holding in the company
Worldconnect AG	A 80% owned company (consolidated on a line-by-line basis); the remaining shareholders are Samuel Gerber (15%) and CAE Invest AG (5%).
Coverlab S.r.l.	A 55% owned company. The remaining shareholders are Andrea Fabbri (38%) and Marco Diotallevi (7%).
Cellular USA Inc.	100% holding in the company
Subliros S.L.	A 80% owned company; the remaining shareholders are Oscar Luque (6%) and Pol Ros (14%)
Christian Aleotti	Shareholder of Cellularline S.p.A.

The table below shows the balances of transactions with related parties carried out by Cellularline and recognised in the statement of financial position at 31 December 2022:

(In thousands of Euro)	Current trade receivables	Non-current financial assets	(Trade payables)	Other assets/(liabilities)
Cellular Swiss S.A.	3,707	-	(0)	-
Cellular Spain S.L.U.	7,920	-	-	(0)
Systema S.r.l.	1,114	-	(221)	(38)
Worldconnect AG	43	5,078	(31)	-
Cellular Inmobiliaria Italiana S.L.U.	-	331	-	-
Cellular Immobiliare Helvetica S.A.	-	902	-	-
Coverlab	0	50	(2)	-
Cellular USA Inc.	10	-	-	-
Subliros S.L.	0	30	-	-
Total	**12,794**	**6,391**	**(254)**	**(39)**
Impact on the financial statements item	*26.1%*	*100.0%*	*-1.3%*	*-0.6%*

It should be noted that trade receivables are presented net of the related trade payables.

The table below shows the income statement balances of Cellularline's transactions with related parties until 31 December 2022:

(In thousands of Euro)	Revenue from sales	(Cost of sales)	(Sales and distribution costs)	(General and administrative costs)	Other non-operating (costs)/revenue	Financial income
Cellular Swiss S.A.	5,120	-	-	(2)	-	-
Cellular Spain S.L.U.	6,899	-	-	-	1	-
Systema S.r.l.	4,272	(1,151)	47	-	(11)	-
Worldconnect A.G.	19	(103)	(1)	-	-	101
Coverlab S.r.l.	1	(3)	(1)	-	(1)	1
Cellular USA Inc.	10	-	-	-	-	-
Subliros S.L.	-	-	-	-	-	0
Christian Aleotti	-	-	-	(10)	-	-
Total	**16,322**	**(1,257)**	**44**	**(12)**	**(11)**	**102**
Impact on the financial statements item	*14.4%*	*1.7%*	*-0.2%*	*0.0%*	*-0.6%*	*7.5%*

The main related parties with which Cellularline carried out transactions in the year ended 31 December 2022 are as follows:

- Cellular Swiss S.A.: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Swiss S.A., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Cellular Spain SLU: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Spain S.L.U., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Systema S.r.l.: commercial relationship relating to the transfer of goods for sale by Cellularline to Systema S.r.l.;

- Worldconnect A.G.: commercial relationship relating to the transfer of goods for sale by Cellularline to Worldconnect A.G.;
- Coverlab S.r.l.: commercial relationship relating to the transfer of goods for sale by Cellularline to Coverlab S.r.l.;
- Cellular USA inc.: relationship in the nature of provision of services by Cellularline to Cellular USA inc;
- Subliros S.L.: commercial relationship relating to the transfer of goods for sale by Cellularline to Subliros S.L.;
- Christian Aleotti: two leases to which Cellularline is a party, as lessee, entered into on 1 September 2017 and 16 October 2017.

9 Other information

Highlights of the financial statements of the company that manages and coordinates Cellularline

The company is not managed and coordinated by another company.

Contingent liabilities

On the basis of the information available to date, the Company's Directors believe that, at the date of approval of these financial statements, the accrued provisions are sufficient to ensure the correct presentation of financial information.

Risks

The Company is exposed to the various risks already illustrated in Paragraph 13 of the Directors' Report.

Guarantees granted in favour of third parties

There are no guarantees in favour of third parties.

Number of employees

The average number of employees for the year, broken down by category, was as follows:

AVERAGE NUMBER OF EMPLOYEES		
HEADCOUNT	**Average 2022**	**Average 2021**
Managers	14	14
Junior managers	40	38
Clerical staff	136	128
Blue collar workers	1	2
Apprentices	11	10
TOTAL	**202**	**192**

Remuneration of Chief Executive Officers and Key Managers

The following table shows the fees:

Category	2022	2021
(In thousands of Euro)		
Chief Executive Officers	1,000	1,069
Other key managers	184	152
Total remuneration	**1,184**	**1,221**

The remuneration of the Chief Executive Officers includes both the emolument for this office and the remuneration as executives.

Directors' and Statutory Auditors' fees

The Directors' fees for 2022 amounts to approximately EUR 336 thousand.

The Board of Auditors' fees for 2022 amounts to approximately EUR 77 thousand.

Independent Auditors' fees

By resolution of the Shareholders' Meeting of 16 April 2019, the Company appointed KPMG S.p.A. as independent auditor until the approval of the 2027 financial statements. Fees for the statutory audit of the separate and consolidated financial statements (annual and half-yearly) amount to a total of EUR 131 thousand, in addition to EUR 37 thousand for other appointments for the issue of a certificate and EUR 3 thousand for other accounting services as shown in the following table:

(In thousands of Euro)		
Type of services	**2022**	**2021**
A) Audit services	131	113
B) Attestation services	37	13
C) Other services	3	3
Total	**171**	**129**

KEY EVENTS AFTER THE REPORTING DATE

- **Peter Jäckel Closing:** on 11 January 2023, Cellularline S.p.A. signed the closing of the acquisition of 60% of the share capital of Peter Jäckel Kommunikationssysteme GmbH, a major German player in the smartphone accessories sector. The company will be consolidated by Cellularline starting 1 January 2023. Peter Jäckel GmbH, based in Alfeld, a German town in Lower Saxony, has been successfully operating on the German market for more than 25 years with leading consumer electronics players. By joining the Cellularline Group, Peter Jäckel GmbH will benefit from the expansion of its product and service offering, as well as from operational and financial synergies, resulting in development opportunities for both companies. The transaction will allow the Cellularline Group to operate in a more structured manner in Germany, significantly strengthening its presence in the German market, which is Europe's most important market for smartphone accessories, while also accelerating its long-term growth strategy in international markets as envisaged in the 2022 - 2025 business plan. In 2021, Peter Jäckel GmbH recorded turnover of Euro 9.4 million with net profit of Euro 1.42 million. The Net Financial Position of Peter Jäckel GmbH at closing is estimated to be positive for approximately Euro 0.6 million. The preliminary consideration for the acquisition of 60% of the share capital of Peter Jäckel GmbH amounted to EUR 3.05 million and was paid at the closing; a price adjustment, if any, will be paid during the first half of 2023, following the approval of Peter Jäckel GmbH's 2022 financial statements. This possible adjustment will be determined on the basis of an adjustment mechanism that takes into account the final year-end Net Financial Position and Net Working Capital. This price will be financed through the use of a credit facility exclusively intended for M&A transactions, which has already been signed with Banco BPM S.p.A. and Intesa Sanpaolo S.p.A.. The entrepreneurs-founders of Peter Jäckel GmbH will maintain their role in the company, working alongside Cellularline's management team to achieve ambitious growth goals on the German market. To this end, Cellularline has agreed on an incentive mechanism through incremental valuations over the three-year period 2023-2025, in which the parties will have the right to exercise put & call options over the minority interest, totalling 40%, divided into two tranches. The amount to be paid for each tranche will be calculated taking into account certain economic and financial parameters recorded by Peter Jäckel GmbH over 2024 and 2025. The exercise of the aforementioned options could therefore allow Cellularline to increase its stake to 100% by 2025.
- **Three-year agreement MediaMarktSaturn Germany:** on 28 February 2023, Cellularline S.p.A. announced that it has signed a commercial agreement with MediaMarktSaturn Germany - the leading retail distributor of consumer electronics products in Germany, strategically focused on the shopping experience, with related services and selection of accessories. The agreement expands the distribution of Cellularline's range of products dedicated to charging and protecting smartphones in MediaMarktSaturn Germany’s approximately 400 shops . The widespread presence of the stores in Germany will allow the Cellularline Group to reach a large pool of potential new users throughout the country. Thanks to this new agreement, Cellularline completes its presence in the major countries in which MediaMarktSaturn Retail Group, already the company's historical sales partner in Italy, Spain, Portugal, Switzerland, Benelux, Turkey, and others, operates. The agreement is effective from February 2023 and will last until at least December 2025. The Cellularline Group is continuing to pursue its globalisation strategy, and the agreement with MediaMarktSaturn Germany

will help to strengthen Cellularline's position in Germany, which has always been considered crucial for the company as Europe's largest market for smartphone accessories.

- **New CFO and IR ad Interim**: on 9 January 2023, the Board of Directors appointed Marco Cagnetta, Co-CEO of the Cellularline Group, as Interim Investor Relator of the Company effective as of the same date. On 12 December 2022, the Company announced the appointment of Mauro Borgogno as the new Group Chief Financial Officer and Manager responsible for preparing the financial information, pursuant to Article 154-bis of the Consolidated Finance Law, to replace Davide Danieli, Chief Corporate and Financial Officer, Investor Relator and Manager responsible for preparing the financial information, who had tendered his resignation for personal reasons, effective as of 8 January 2023. Davide Danieli retained his position as Director on the Company's Board of Directors.

Reggio Emilia, 15 March 2023

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

APPROVAL OF THE FINANCIAL STATEMENTS AND RELATED RESOLUTIONS

Shareholders,

we invite you to approve the draft financial statements of your Company as at and for the year ended 31 December 2022 and we propose to fully cover the loss of EUR 75,893,350, through the use of the following:

- Retained Earnings in the amount of EUR 13,400,827;
- Extraordinary Reserve in the amount of EUR 31,176,621;
- Share Premium Reserve in the amount of EUR 31,315,902.

Lastly, we propose that you approve the distribution, as an extraordinary dividend, of a maximum total of 743,499 ordinary treasury shares at the ratio of 1 ordinary treasury share for every 28 ordinary shares (rounded down to the nearest unit) held by each shareholder. These shares are fully withdrawable from the treasury shares in the Company's portfolio, with a consequent reduction of the relevant Reserve.

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

ATTESTATION OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

1. We, the undersigned Christian Aleotti and Marco Cagnetta, in their capacity as Chief Executive Officers, and Davide Danieli, in his capacity as Manager responsible for preparing the financial information of the Company Cellularline, attest, also considering the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - that the financial statements are consistent with the characteristics of the business;
   - that the administrative and accounting procedures for the preparation of the financial statements as at and for the year ended 31 December 2022 have been effectively applied.

2. In this regard, we note that no significant issues emerged.

3. We also attest that:

3.1. The Financial Statements as at and for the year ended 31 December 2022 of Cellularline S.p.A.:

- have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond with the entries in the ledgers and the accounting records;
- give a true and fair view of the performance and financial position of the issuer.

3.2. The directors' report includes a reliable analysis of the performance and results of operations as well as of the issuer's position, together with a description of the main risks and uncertainties to which it is exposed.

Reggio Emilia, 15 March 2023

Christian Aleotti	Marco Cagnetta
____________________	____________________
Chief Executive Officer	Chief Executive Officer
	Mauro Borgogno
	____________________
	Manager responsible for preparing the financial information