CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

SUMMARY

COMPANY DETAILS OF CELLULARLINE S.P.A.

Registered Office

Cellularline S.p.A.

Via Grigoris Lambrakis 1/a

42122 Reggio Emilia (RE) – Italy

Legal details

Fully paid-up share capital Euro 21,343,189

VAT reg. no. and Tax Code 09800730963

R.E.A. [Business and Economic Index] RE-315329

PEC [digitally certified email]: spa.cellularline@legalmail.it

ISIN: IT0005244618

Alphanumeric code: CELL

Corporate website: www.cellularlinegroup.com

CORPORATE AND SUPERVISION BOARDS

Board of Directors

Antonio Luigi Tazartes	Chairman
Piero Foglio	Deputy Chairman
Christian Aleotti	Executive Director
Marco Cagnetta	Executive Director
Cristian D'Ippolito	Director
Carlo Moser	Director
Paola Camagni	Independent Director
Laura Gualtieri	Independent Director
Ilaria Tiezzi	Independent Director

Risk and Control Committee

Laura Gualtieri	Chairman and Independent Director
Paola Camagni	Independent Director
Ilaria Tiezzi	Independent Director

Appointments and Remuneration Committee

Ilaria Tiezzi	Chairman and Independent Director
Paola Camagni	Independent Director
Cristian D'Ippolito	Director

Committee for Transactions with Related Parties

Paola Camagni	Chairman and Independent Director
Laura Gualtieri	Independent Director
Ilaria Tiezzi	Independent Director

Board of Supervision

Anna Doro	Chair
Fabrizio Capponi	Member
Pietro Di Nicola	Member

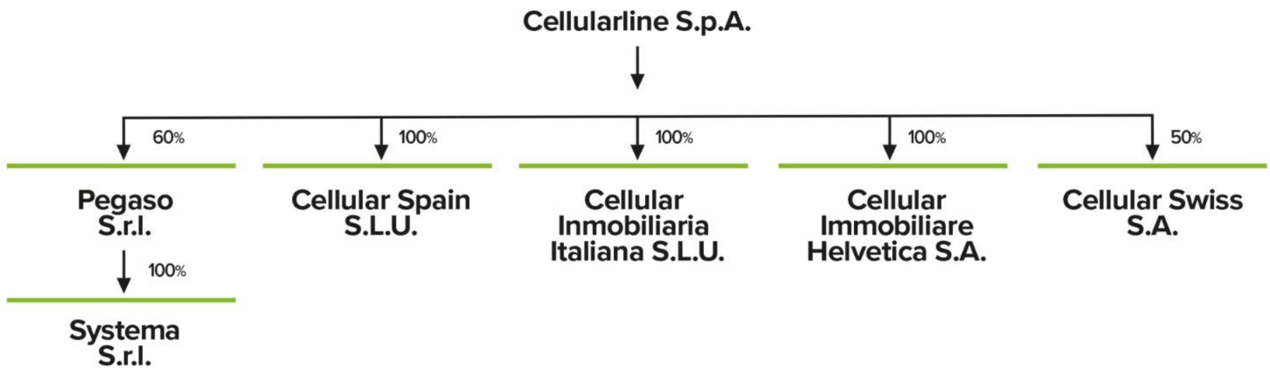
Board of Statutory Auditors

Christian Proserpio	Chairman
Alessandro Ceriani	Effective auditor
Paola Schwizer	Effective auditor
Luca Donati	Replacement auditor
Barbara Negri	Replacement auditor

Auditing Firm

KPMG S.p.A.

GROUP STRUCTURE



GROUP COMPOSITION

The Group consists of the following companies:

- Cellularline S.p.A., a company incorporated under Italian law, with registered address Via Lambrakis 1/a, Reggio Emilia (Italy), parent company operating in Italy and abroad in the design, distribution (also of products not of its own brand) and marketing of accessories and devices for multimedia products (smartphones, tablets, wearables, audio products etc.) and for mobile connectivity (in car and motorcycle/bike), which includes a stable organisation located in Paris at number 91, Rue Du Faubourg Saint Honoré (France); the latter represents a fixed base with three active employees, carrying out strictly commercial activities, aimed at managing relations with the customers in the French market;
- Cellular Spain S.L.U., a 100%-owned Spanish company based at C/ Newton, 1 edificio 2 nave 1, Leganes (Madrid), carrying out Cellularline brand distribution for the Spanish and Portuguese markets;
- Cellular Inmobiliaria Italiana S.L.U., a 100% subsidiary company incorporated under Spanish law and based at Cl. Industrial N.50 Sur Edi 2 Nave 27, Leganes (Madrid), which owns one property - former site of Cellular Spain - currently leased to third parties;
- Cellular Immobiliare Helvetica S.A., based in Lugano, Via Ferruccio Pelli n. 9 (Switzerland) a 100% subsidiary, which owns the property leased to the marketing company Cellular Swiss S.A.;
- Pegaso s.r.l., a company incorporated under Italian law, with address Via Brigata Reggio 24, Reggio Emilia (Italy), acquired on 3 April 2019 and 60% controlled, which controls - as holding company - 100% of Systema s.r.l.;
- Systema s.r.l., a company incorporated under Italian law, with address Via della Previdenza Sociale 2, Reggio Emilia (Italy), a 60% indirect controlled through the stake in Pegaso s.r.l.; Systema is a company operating in the European market for mobile accessories in the Telco channel;
- Cellular Swiss SA, a company incorporated under Swiss law and with address at Route de Marais 17, Box N.41, Aigle (Switzerland), a 50% associated company for the distribution of Cellularline products in the Swiss market.

[CELLULARLINEGROUP]

www.cellularlinegroup.com

MANAGEMENT REPORT

1. Introduction

The Cellularline Group (also the "Group" or "Cellularline Group") is one of the leading operators in the field of smartphone and tablet accessories in EMEA, as well as market leaders in Italy. In addition, the Group ranks among the main operators in Germany, Austria, Switzerland, Spain, Belgium and the Netherlands and has a good competitive position in other European countries.

The holding company (Cellularline S.p.A.) is the result of the merger by incorporation (the "*Business combination*") that took place on 28 May 2018, of the companies Ginetta S.p.A. and Cellular Italia S.p.A. The company was listed on AIM Italia, the alternative capital market organised and operated by Borsa Italiana S.p.A., until 21 July 2019.

On 22 July 2019 Cellularline moved to the Star Segment of the principal Italian stock market operated by Borsa Italiana S.p.A.

2. Note on methodology

This management report provides information on the profit/loss, capital and borrowing situation of the Cellularline Group as at 31 December 2019, compared with the figures from the previous period ending 31 December 2018.

For simplicity of understanding the profit/loss, capital and borrowing situation described in the explanatory notes, we have provided a pro-forma income statement as at 31 December 2018, which includes the economic situation for the period of all companies covered by the Business combination operation, as if it had taken place on 1 January 2018. With reference to the income statement, note that as non-recurring costs and revenues occurred in both 2018, mainly due to the Business combination, and 2019 through listing on the star segment as well as the M&A operation - the affected income statement items have been indicated, to make the comparison with the 2019 business performance easier and more consistent.

The amounts are expressed in thousands of euros, unless otherwise indicated.

The amounts and percentages have been calculated on values in thousands of euros and, therefore any differences found in some tables are due to rounding.

3. Reference accounting standards

This management report as at 31 December 2019 has been drawn up in accordance with art. 154-*ter* , section 4 of Legislative decree no. 58/98 - T.U.F. [Consolidating Finance Act], - and subsequent amendments and supplements - in compliance with art. 2.2.3 of the Stock Exchange Rules. The accounting policies and measurement criteria adopted are consistent with those established for the annual consolidated financial statements as at 31 December 2018, with the exception of the effects of changes made following application of the new international accounting standard IFRS 16. This management report as at 31 December 2019 is the first annual situation in which the Group has applied IFRS 16. Significant changes of accounting policies are described in the explanatory notes.

In order to facilitate an understanding of the Group's economic and financial performance, some alternative performance indicators ("IAPs") have been identified as defined by the ESMA 2015/1415 guidelines. For a correct interpretation of these IAPs, the following should be noted: (i) these indicators are constructed exclusively from the Group's historical data and are not indicative of future trends; (ii) IAPs are not provided for by IFRS and, although derived from the consolidated financial statements, are not subject to audit; (iii) IAPs should not be considered as substitutes for the indicators provided for in the IFRS, (iv) IAPs should be read in conjunction with the Group's financial information from the annual Consolidated Financial Statements; (v) the definitions and criteria adopted for determining the indicators the Group used, which are not covered by the reference accounting principles, may not be consistent with those adopted by other companies or groups and, therefore, may not be comparable with those possibly adopted by such entities, and (vi) the IAPs used by the Group are processed with continuity and homogeneity of definition and representation for all periods for which financial information is included in the annual Consolidated Financial Statements.

The IAPs represented (adjusted EBITDA, adjusted EBIT, adjusted Group profit, adjusted operating cash flow, adjusted operating income, adjusted net borrowing, adjusted net borrowing/adjusted LTM EBITDA, cash generation and cash conversion ratio) are not identified as IFRS measurement criteria and therefore, as set out above, may not be considered as alternative measures to those provided in the Group's statement for assessing the Group's economic performance and capital position. Some indicators defined as "adjusted" are reported in order to represent the Group's operating and financial performance, net of non-recurring events, non-characteristic events and events related to extraordinary transactions, as identified by the Group. These indicators reflect the main economic and financial quantities net of non-recurring income and charges not closely related to the activity and characteristic operations. This provides a more coherent analysis of the Group's performance in the trading periods represented in the annual management report.

4. Main financial and operational indicators [1]

(In thousands of Euro)	Financial year closed on	
	31 December 2019	**31 December 2018**
Economic indicators for the period		
Revenues	140,440	129,735
Adjusted EBITDA [2]	33,060	33,887
Adjusted EBIT [3]	29,316	30,995
Group operating profit/(loss)	18,209	16,870
Adjusted Group profit/(loss) [4]	23,254	23,060

[1]Adjusted indicators are not identified as IFRS measurement criteria and therefore should not be considered as an alternative measure for evaluating Group results. Since the composition of these indicators is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that adopted by other companies or that could be adopted or realised by the Group in the future, and is therefore not comparable.

[2]Adjusted EBITDA is the adjusted Consolidated EBITDA of (i) non-recurring charges/(income) and (ii) the effects of non-characteristic events (iii), events associated with extraordinary operations and (iv) profit/(losses) on exchange rates.

[3]Adjusted EBIT is the adjusted operating earnings of (i) non-recurring expenses/(income) and (ii) the effects of non-characteristic events (iii) extraordinary transactions and (iv) depreciation adjustments relating to purchase price allocation.

[4]The Adjusted Consolidated operating profit/(loss) is calculated as adjusted Consolidated profit/(loss) of (i) the adjustments incorporated in the adjusted EBITDA, (ii) the amortization and depreciation adjustments resulting from the purchase price allocation, (ii) non-recurring financial expense/(income) adjustments, (iv) the theoretical tax impact of such adjustments.

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Capital and financial indicators for the period		
Cash flow generated by operations	20,368	22,209
Cash flow generated by adjusted operations	23,494	27,579
Net financial indebtedness	24,558	24,488
Adjusted net financial indebtedness	23,109	21,791
Adjusted net financial indebtedness/adjusted LTM EBITDA[5]	0.70	0.64
Cash generation [6]	29,660	31,101
Cash Conversion Ratio [7]	89.7%	91.8%

For more details regarding the variation in cash flows generated by operational management, see paragraph 7. Balance Sheet and Financial situation of this management report.

5. Market performance

The market in which the Group operates is characterised by seasonality typical of the market for electronic products and accessories. Sales are higher in the second half of each year, with peak demand close to and during the Christmas period.

The EMEA market for smartphone accessories of less than EUR 100 - where the Group principally operates - showed a moderate growth trend in 2019 (2%, entirely due to the Audio segment). This average figure is the result of quite different trends in the main countries, with continuing weakness in the Italian market (-3%, where the Group is the market leader), which is more than compensated by the moderate growth in Germany, France and Benelux.

[5]Note that adjusted net financial indebtedness is adjusted by amounts payable for warrants.
[6]Cash generation is an indicator that expresses the Group's ability to generate cash and is calculated as the difference between adjusted EBITDA and Capex.
[7]Cash Conversion ratio is an indicator that expresses the Group's ability to generate cash and is calculated as a percentage ratio between Cash Generation and adjusted EBITDA.

6. Group income and capital gains/losses

The income statement tables presented below in this management report have been reclassified according to presentation methods the management considers represent the trend of the Group's operating profitability.

Reclassified income statement

(In thousands of Euro)	**31/12/2019**	***of which related parties***	**% of revenues**	**31/12/2018 Pro-forma**	***Of which related parties***	**% of revenues**
Revenues from Sales	140,440	5,281	*100%*	129,735	4,616	*100%*
Cost of sales	(75,824)		*-54.0%*	(64,374)		*-49.6%*
Gross Margin	**64,616**		*46.0%*	**65,361**		*50.4%*
Sales and distribution costs	(25,360)		*-18.1%*	(24,729)		*-19.0%*
General and administrative costs	(20,411)	(29)	*-14.5%*	(20,541)	(20)	*-15.8%*
Other non-operating costs (revenues)	1,502	(54)	*1.1%*	(1,203)	(53)	*-0.9%*
Operating profit/(loss)*	**20,347**		*14.5%*	**18,887**		*14.6%*
* of which depreciation and amortisation	9,710		*6.9%*	8,645		*6.7%*
* of which Business combination/Star costs	1,607		*1.1%*	5,370		*4.1%*
* of which other extraordinary costs/M&A	1,519		*1.1%*	517		*0.4%*
* of which operating foreign exchange translation gains/(losses)	(123)		*-0.1%*	467		*0.4%*
Adjusted operating profit/(loss) (EBITDA)	**33,060**		*23.5%*	**33,887**		*26.1%*
Financial income	1,472		*1.0%*	7,582		*5.8%*
Financial charges	(1,777)		*-1.3%*	(15,099)		*-11.6%*
Gains/(losses) on exchange rates	(79)		*-0.1%*	500		*0.4%*
Income from (Expense on) equity investments	119		*0.1%*	(263)		*-0.2%*
Pre-tax profit/(loss) *	**20,082**		*14.3%*	**11,607**		*6.1%*
* of which charges for warrants	-		-	12,800		*9.9%*
* of which warrants	(1,248)		*-0.9%*	(712)		*-0.5%*
Adjusted pre-tax profit/(loss)	**18,834**		*13.4%*	**23,695**		*18.3%*
Current and deferred taxes	(1,874)		*-1.3%*	5,262		*4.1%*
Group operating profit/(loss)*	**18,209**		*13.0%*	**16,870**		*13.0%*
* of which costs of Business combination/STAR/M&A	3,126		*2.2%*	17,458		*13.4%*
* of which tax effect on Business combination/STAR/M&A costs	(782)		*-0.6%*	(456)		*-0.3%*
* of which net impact of PPA amortisation and depreciation	4,301		*3.1%*	4,148		*3.2%*
* of which net impact of fair value of warrants	(900)		*-0.6%*	(4,831)		*-3.7%*
* *of which* Tax assessment request/Patent box benefit on previous periods	(700)		*-0.5%*	(10,128)		*-7.8%*
Adjusted Group operating profit/(loss)	**23,254**		*16.6%*	**23,060**		*17.8%*

6.1 Revenues from Sales

In 2019, sales Revenue, of EUR 140,440 thousand (EUR 129,735 thousand in 2018 pro-forma), increased by EUR 10,705 thousand (8.3%) thanks to the contribution of the newly-acquired Systema (approximately EUR 9,700 thousand) for 9 months of 2019 and, as regards organic growth, the new trade agreements and the development of AQL-branded audio sales, which were partially offset by a moderate decline in some other categories of products. The positive trend of organic growth in 2019 has been affected in recent months by a slowdown in smartphone sales, mainly due to rising tensions between the US and China. The trade war penalised one of the three leading brands in Europe since the third quarter.

The Group continues to grow in international markets (3.8%) driven by the main European reference markets (Germany, Austria, France, Spain, Portugal, Benelux and Switzerland), which show an overall increase of 5.2% over the period and account for more than one third of total sales. The good balance of sales between Italy and abroad was confirmed, with the latter representing 44% of total revenue.

6.1.1 Sales revenue per product line

The Group designs, distributes and markets a wide range of products, which are divided into the following product lines:

(i) Red, incorporating multimedia accessories (cases, covers, car holders, screen protectors, power cables, portable battery chargers, data and charging cables, headphones, earbuds, speakers and wearable technology products);

(ii) Black, covering all motorcycle and bicycle-related products and accessories (intercoms and smartphone holders, for example);

(iii) Blue, which includes all non-Cellularline brand products marketed in Italy (SanDisk and Vivanco products, to which Huawei and Samsung accessories were added, among others, in January 2019).

The following table shows revenues by product line for the periods reported:

Revenues from Sales by product line

(In thousands of Euro)	Financial year closed on				Change	
	31/12/2019	% of revenues	31/12/2018 Pro-forma	% of revenues	Value	%
Red - Italy	65,042	46.3%	61,245	47.2%	3,797	6.2%
Red – International	55,690	39.7%	55,607	42.9%	83	0.1%
Revenues from Sales - Red	**120,732**	**86.0%**	**116,852**	**90.1%**	**3,880**	**3.3%**
Black – Italy	4,116	2.9%	2,915	2.2%	1,201	41.2%
Black – International	3,720	2.6%	3,387	2.6%	333	9.8%
Revenues from Sales - Black	**7,836**	**5.6%**	**6,302**	**4.9%**	**1,534**	**24.3%**
Blue – Italy	8,647	6.2%	5,865	4.5%	2,782	47.4%
Blue – International	2,569	1.8%	-	-	2,569	100%
Sales revenues – Blue	**11,216**	**8.0%**	**5,865**	**4.5%**	**5,351**	**91.2%**

Others – Italy	656	0.5%	716	0.6%	(60)	-8.4%
Total Revenues from Sales	**140,440**	**100%**	**129,735**	**100%**	**10,075**	**8.3%**

The Red product line, representing 86% of the Group's total revenue, grew by 3.3% (Euro 3,880 thousand), through the positive contribution of the Italian market (6.2%).

The Blue and Black lines, which together account for 14% of total revenue, show an increase of approximately EUR 6,800 thousand. This is predominantly the result of Systema's positive contribution in the Blue product line and to the distribution in Italy of Samsung accessories and the performance of the e-commerce channel in the Black product line.

6.1.2 Consolidated revenues by geographical area

The following table shows revenue, broken down by geographical area, for the reported periods:

Revenues from Sales by geographical area

(In thousands of Euro)	Financial year closed on				Change	
	31/12/2019	% of revenues	31/12/2018 Pro-forma	% of revenues	Value	%
Italy	78,461	55.9%	70,024	54.0%	8,437	12.0%
Germany/Austria	19,853	14.1%	22,215	17.1%	(2,362)	-10.6%
Benelux	8,842	6.3%	5,889	4.5%	2,953	50.1%
France	7,157	5.1%	4,949	3.8%	2,208	44.6%
Spain/Portugal	6,364	4.5%	7,462	5.8%	(1,098)	-14.7%
Eastern Europe	5,847	4.2%	5,337	4.1%	510	9.6%
Northern Europe	4,819	3.4%	5,146	4.0%	(327)	-6.4%
Switzerland	4,778	3.4%	4,156	3.2%	622	15.0%
Middle East	1,218	0.9%	1,258	1.0%	(40)	-3.2%
Other minorities	3,101	2.2%	3,299	2.5%	(196)	-5.9%
Total Revenues from Sales	**140,440**	**100%**	**129,735**	**100%**	**10,705**	**8.3%**

With regard to international markets, there was a positive trend in Benelux (mainly following the acquisition of Systema), France and Switzerland (thanks to new trade agreements). The decline in Germany/Austria stems from a complex market situation, while that in Spain/Portugal is caused by some temporary factors (retailer stock reduction), for which a restocking is expected in 2020.

6.2 Cost of sales

In 2019, the cost of sales was Euro 75,824 thousand, compared to Euro 64,374 thousand in 2018.

The effect of the cost of goods sold on sales was higher than that recorded in 2018 (+4.4%), primarily as a result of two temporary factors such as i) the acquisition (increased revenue of approximately 1.3%) of Systema, a company active in the Telco channel, having a lower margin than the average achieved by the Group and whose cost synergies are expected to be steady from 2020; (ii) the unfavourable trend in the EUR/USD exchange rate (estimated impact of around 1.4%), which saw the dollar increasing by 5% (from EUR 1.18 in 2018 to 1.12 in 2019). The other predominant factors, which contribute less than half of the overall increase, are due to the development of the business: (i) increased sales under the AQL brand, recently launched on international markets with more aggressive pricing and (ii) a different mix of customers and countries.

Overall in 2019, the costs of manufacturing in the far east compared to the previous year were substantially stable, net of the aforementioned adverse effect of the EUR/USD exchange rate.

The Group has favoured imports by ship - when possible and not penalising strategic market positioning - thus benefiting from slightly more favourable average transport costs, regardless of the increase in stock levels.

6.3 Sales and distribution costs

(In thousands of Euro)	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Personnel costs for sales and distribution	8,935	9,357	(422)	-4.5%
Commissions to customers/agents	5,867	5,568	299	5.4%
Transports for sale	5,696	4,428	1,268	28.6%
Travel costs	990	1,405	(415)	-29.5%
Advertising expenses	926	760	166	21.8%
Commercial and advertising consultancy	317	506	(189)	-37.4%
Other sales and distribution costs	2,629	2,705	(76)	-2.8%
Total Sales and distribution costs	**25,360**	**24,729**	**631**	**2.6%**

These costs have increased slightly (+2.6%) compared to the previous period, mainly due to the increase in turnover (agent commissions and sales transports), although there was a decrease in staff, travel and market consulting costs.

6.4 General and administrative costs

(In thousands of Euro)	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Amortisation of intangible fixed assets	8,004	7,311	693	9.5%
Depreciation of tangible fixed assets	1,502	880	622	70.7%
Provisions for risks and write-downs	9	700	(691)	-98.7%
Cost of administrative staff	4,683	4,447	236	5.3%
Administrative, legal, personnel and management consultancy	2,847	2,626	221	8.4%
Commissions and fees	185	1,643	(1,458)	-88.7%
Rent payable and other rents	-	926	(926)	-100.0%
Remuneration of the Board of Directors and Board of Statutory Auditors	675	296	379	>100%
Other general and administrative costs	2,506	1,712	794	46.4%
Total General and administrative costs	**20,411**	**20,541**	**(130)**	**-0.6%**

General and administrative costs, net of the intangible depreciation resulting from the purchase price allocation of Euro 5,966 thousand, the extraordinary charges of Euro 3,126 and the commissions related to the Business combination transaction (of 2018) of Euro 1,558 thousand, decreased compared to the previous period due to the following net effects:

- Euro 926 thousand for minor rent liabilities and fees, mainly due to the application of the new IFRS 16 accounting standard;
- Euro 693 thousand for higher depreciation, mainly due to the application of the new accounting standard IFRS 16 and to the PPA of Systema;
- Euro 691 thousand of reduced provisions for bad debt, considered appropriate following a careful specific analysis of doubtful positions, in a context of credit quality that previously discounted some critical situations for previous years.

6.5 Other non-operating costs and revenues

This item includes non-operating costs and revenues for a positive net balance of Euro 1,502 thousand. They relate to charges and income for which the Group performs a marginal operating function. The item can be broken down as follows:

in thousands of Euro	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
SIAE fees recovered	833	1,399	(566)	-40.5%
Recovery from suppliers for promotions	295	269	26	9.7%
Contingent assets	240	528	(288)	-54.5%
(SIAE and CONAI (packaging consortium) contributions)	(966)	(1,489)	523	-35.1%
(Contingent liabilities)	(180)	(399)	219	-54.9%
(Capital losses)	(4)	(22)	18	-81.8%
(Gifts to customers for promotions)	(20)	(39)	19	-48.7%
Other non-operating (costs)/revenues	1,304	(1,450)	2,754	<100%
Total Other non-operating (costs)/revenue	**1,502**	**(1,203)**	**2,705**	**<100%**

The positive change from the previous year was mainly due to the reduced costs (included in the item "other non-operating costs and revenues") incurred for the 2018 Business combination operation.

The item (equal to Euro 1,307 thousand) predominantly includes increases for internal work (research & development) for Euro 780 thousand and the use of the provisions for bad debt of Euro 442 thousand.

Contingent assets and liabilities, with a positive net impact of approximately Euro 60 thousand, are mainly due to some in average/small differences for allocation of commercial bonuses and payments.

6.6 Adjusted EBITDA

The main calculation data for adjusted EBITDA are as follows:

(In thousands of Euro)	Financial year closed on		Change	
	31/12/2019	**31/12/2018 Pro-forma**	**Value**	**%**
Operating profit (loss)	**20,347**	**18,887**	**1,460**	**7.7%**
Depreciation of intangible and tangible assets	9,710	8,645	1,065	12.3%
Costs of Business combination/STAR	1,607	5,370	(3,763)	-70.1%
Other non-recurring costs/M&A	1,519	517	1,002	>100%
Gains/(losses) on operating exchange rates	(123)	467	(590)	<100%
Adjusted EBITDA	**33,060**	**33,886**	**(826)**	**-2.4%**

Adjusted EBITDA amounted to Euro 33,060 thousand (Euro 33,886 thousand in pro-forma 2018), down by Euro 826 thousand compared to the same period of the previous year, with an impact on revenues of 23.5% (26.1% in pro-forma 2018).

The decrease in the EBITDA margin of 2.6 percentage points is entirely due to the increase in the cost of sales described above, only partially offset by the effect of a lower incidence on revenues on the sales and distribution costs and general and administrative costs. It should be noted that the latter has been achieved despite the progressive investments targeted at the strengthening of the managerial structure and the technological infrastructure, both for supporting the strategic development of the business and the STAR segment compliance requirements. The contribution of the nine months of consolidation of Systema within the Group adjusted EBITDA was approximately Euro 0.6 million.

EBITDA adjustments, excluding depreciation, amounted to Euro 3,003 thousand (Euro 6,354 thousand in the pro-forma 2018 period) and mainly consisted of:

(i) costs incurred for financial, legal and success fees of a non-recurring nature and related to the translisting operation from AIM to Star;

(ii) other non-recurring costs include consulting costs on M&A operations for the acquisition of Systema and non-recurring charges/incentives;

(iii) gains/(losses) on operational exchange rates: the figure relates to the effect of adjusting trade items expressed in foreign currency at the closing date of the period and to the effect of trading items in the income statement, attributable to purchase transactions in USD; although these are not non-recurring income and expense items, the Group intends to represent the performance of the management net of currency effects.

6.7 Financial income and charges

Net financial income and charges show a net negative balance of Euro 305 thousand.

Net financial income and expense, adjusted for the extraordinary items of 2018 and the positive effect of the valuation of outstanding debt on outstanding warrants, benefited both from the reduction of average debt term and the mid-2018 step-down of the financing spread in place.

The following table shows the breakdown of financial income:

in thousands of Euro	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Interest income	208	514	(306)	-59.5%
Income from change in fair value	1,264	712	552	77.5%
Other financial income	-	6,356	(6,356)	-100.0%
Total Financial income	**1,472**	**7,582**	**(6,110)**	**-80.6%**

Financial income, of Euro 1,472 thousand, is detailed as follows:

- EUR 1,248 thousand for the change in fair value of warrants issued by the Group compared to the previous year (6,130,956 as at 31 December 2019);
- EUR 208 thousand for bank interest income.

The following table shows the details of borrowing costs:

in thousands of Euro	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Interest payable to banks	(1,575)	(2,271)	696	-30.6%
Interest payable to others	(113)	-	(113)	100%
Bank commissions/fees	(89)	(28)	(61)	>100%
Cost of exercising warrants	-	(12,800)	12,800	-100%
Total Financial charges	**(1,777)**	**(15,099)**	**13,322**	**-88.2%**

Borrowing costs, amounting to Euro 1,777 thousand, can be broken down as follows:

- EUR 1,569 thousand for interest due to banks relating to the medium-long-term loan;
- Euro 113 thousand for interest arising from the application of international accounting standards (IFRS16).

6.8 Gains/(losses) on exchange rates

in thousands of Euro	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Gains/(losses) on commercial exchanges	(123)	(168)	45	-37.0%
Gains/(losses) on financial exchanges	44	32	12	27.0%
Gains/(losses) on exchanges from derivatives	-	636	(636)	-100%
Total Foreign exchange translation gains (losses)	**(79)**	**500**	**(579)**	**<100%**

The loss, amounting to Euro 579 thousand, is primarily due to the unfavourable trend of the EUR/USD exchange rate in 2019 compared to 2018.

6.9 Adjusted EBIT

The main calculation data for adjusted EBIT are as follows:

(In thousands of Euro)	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Operating profit (loss)	**20,347**	**18,887**	**1,460**	**7.7%**
PPA depreciation	5,966	5,754	212	3.7%
Costs of Business combination/STAR	1,607	5,370	(3,763)	-70.1%
Other non-recurring costs/M&A	1,519	517	1,002	>100%
Gains/(losses) on operating exchange rates	(123)	467	(590)	<100%
Adjusted EBIT	**29,316**	**30,995**	**(1,679)**	**(5.4%)**

Adjusted EBIT amounted to Euro 29,316 thousand (Euro 30,995 thousand in 2018). The decrease is essentially due to the factors mentioned in the paragraph on adjusted EBITDA, in addition to the effect resulting from the increased amortisation and depreciation resulting from the application of the new IFRS 16 accounting standard and from the new trade agreement that emerged during the acquisition of Systema.

6.10 Adjusted Group operating profit/(loss)

The following are the main figures for calculating the adjusted Group's operating profit/(loss):

(In thousands of Euro)	Financial year closed on		Change	
	31/12/2019	31/12/2018 Pro-forma	Value	%
Group operating profit/(loss)	**18,209**	**16,869**	**1,339**	**7.9%**
Costs of Business combination/STAR	1,607	17,458	(14,359)	-73.3%
Other non-recurring costs/M&A	1,519	517	1,002	>100%
PPA depreciation, net of the tax effect	4,301	4,148	153	3.7%
Fair value of warrants, net of the tax effect	(900)	(4,831)	3,931	<100%
Tax effect on Business combination/Star/M&A costs	(782)	(456)	(325)	71.2%
Tax assessment request/Patent box benefit on previous periods	(700)	(10,128)	9,248	<100%
Adjusted Group operating profit/(loss)	**23,254**	**23,060**	**196**	**0.8%**

The Group's adjusted operating profit/(loss) of 2019 was Euro 23,255 thousand (Euro 23,060 thousand in 2018), up by 0.8% compared to the previous year, due to the decrease in net borrowing costs and the positive contribution of Systema of approximately Euro 200 thousand, the purchase of which did not affect financial management because it was paid in full using available liquidity.

7. Capital and financial position

Balance Sheet

(In thousands of Euro) **ASSETS**	**31/12/2019**	***Of which related parties***	**%**	**31/12/2018**	***Of which related parties***	**%**
Intangible assets	75,553		*24.6%*	78,614		*25.1%*
Goodwill	95,069		*30.9%*	93,857		*30.0%*
Property, plant and equipment	7,142		*2.3%*	7,229		*2.3%*
Right of use	1,806		*0.6%*	-		*0.0%*
Deferred tax assets	1,666		*0.5%*	963		*0.3%*
Financial receivables	552	552	*0.2%*	-		*0.0%*
Total non-current assets	**181,788**		***59.2%***	**180,663**		***57.8%***
Inventories	22,925		*7.5%*	20,614		*6.6%*
Trade receivables	60,847	6,272	*19.8%*	59,421	6,252	*19.0%*
Current tax receivables	3,792		*1.2%*	5,967		*1.9%*
Financial assets	54		*0.0%*	56		*0.0%*
Other assets	5,677		*1.8%*	3,930		*1.3%*
Cash and cash equivalents	32,089		*10.4%*	41,989		*13.4%*
Total current assets	**125,383**		***40.8%***	**131,977**		***42.2%***
TOTAL ASSETS	**307,171**		***100.0%***	**312,640**		***100.0%***
Share capital	21,343		*6.9%*	21,343		*6.8%*
Other reserves	157,076		*51.1%*	146,897		*47.0%*
Profit/(losses) carried forward from consolidated	6,891		*2.2%*	(6,243)		*-2.0%*
Group profit /loss for the year	18,209		*5.9%*	32,378		*10.4%*
Group shareholders' equity	**202,518**		***65.9%***	**194,375**		***62.2%***
Shareholders' equity attributable to minority interests	**-**			**-**		
Total shareholders' equity	**202,518**		***65.9%***	**194,375**		***62.2%***
LIABILITIES						
Payables to banks and other lenders	37,621		*12.2%*	51,667		*16.5%*
Deferred tax liabilities	21,352		*7.0%*	21,337		*6.8%*
Employee benefits	774		*0.3%*	411		*0.1%*
Provisions for current risks and charges	1,656		*0.5%*	1,299		*0.4%*
Other financial liabilities	3,023		*1.0%*	-		*0.0%*
Total non-current liabilities	**64,425**		***21.0%***	**74,713**		***23.9%***
Payables to banks and other lenders	13,362		*4.3%*	12,169		*3.9%*
Trade payables	19,056		*6.2%*	20,186		*6.5%*
Current tax payables	384		*0.1%*	93		*0.0%*
Provisions for current risks and charges	409		*0.1%*	530		*0.2%*
Other liabilities	4,322		*1.4%*	7,877		*2.5%*
Other financial liabilities	2,694		*0.9%*	2,698		*0.9%*
Total current liabilities	**40,228**		***13.1%***	**43,552**		***13.9%***
TOTAL LIABILITIES	**104,653**		***34.1%***	**118,265**		***37.8%***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**307,171**		***100.0%***	**312,640**		***100.0%***

Financial situation

(In thousands of Euro)	**31/12/2019**	**31/12/2018**
Cash and cash equivalents/ (Financial payables):		
Cash	11	11
Bank deposits	32,078	41,978
Liquidity	**32,089**	**41,989**
Current financial receivables	54	56
(Current bank debts)	(13,362)	(12,169)
(Other financial liabilities)	(2,694)	(2,698)
(Current financial indebtedness)	**(16,056)**	**(14,867)**
Liquidity/(current financial indebtedness)	**16,087**	**27,179**
(Non-current bank debts)	(37,621)	(51,667)
(Other financial liabilities)	(3,023)	-
(Non-current financial indebtedness)	**(40,644)**	**(51,667)**
(Net financial indebtedness)	**(24,558)**	**(24,488)**
Amount payable for warrants and stock grants	1,449	2,698
Adjusted net financial indebtedness	**(23,109)**	**(21,790)**

The following is a breakdown of the Group's net working capital and the Group's net invested capital as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	**Position as at**	
	31 December 2019	**31 December 2018**
Inventories	22,925	20,614
Trade Receivables	60,847	59,421
Trade Payables	(19,056)	(20,186)
Operating Net Commercial Capital	**64,715**	**59,849**
Other items of working capital	4,354	1,398
Net Working Capital	**69,069**	**61,247**
Non-current assets	181,788	180,663
Non-current provisions and other liabilities	(23,782)	(23,047)
Net invested capital	**227,075**	**218,863**
Net financial indebtedness	24,558	24,488
Shareholders' equity	202,518	194,375
Total shareholders' equity and financial Liabilities	**227,075**	**218,863**

The Group's net operating capital as at 31 December 2019 was Euro 64,715. Compared with 31 December 2018, it increased by Euro 4,866 thousand, due predominantly to the change in the scope of consolidation resulting from the acquisition of Systema.

The Group's Net Invested Capital is equal to Euro 227,075 thousand at 31 December 2019 (Euro 218,863 thousand at 31 December 2018); in addition to the increase in the net working capital described above, the change for the financial year is attributable to the accounting of the differential (equal to Euro 2,635 thousand) between the price paid for the acquisition of Pegaso/Systema (Euro 4,896 thousand) and the acquired shareholders' equity (Euro 2,260 thousand before the application of IFRS 3).

The following details the composition of net financial indebtedness (also adjusted) as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	Position as at		Change	
	31 December 2019	**31 December 2018**	**Value**	**%**
(A) Cash	11	11	-	0.0%
(B) Other liquidity	32,078	41,978	(9,990)	-23.6%
(D) Liquidity (A)+(B)+(C)	**32,089**	**41,989**	**(9,990)**	**-23.6%**
(E) Current financial receivables	54	56	(2)	-3.6%
(F) Current bank debts	-	-	-	-
(G) Current portion of non-current debt	13,362	12,169	1,193	9.8%
(H) Other current financial debts	2,694	2,698	(4)	-0.1%
(I) Current financial indebtedness (F)+(G)+(H)	**16,056**	**14,867**	**1,189**	**8.0%**
- of which guaranteed	-	-	-	-
- not guaranteed	*16,056*	*14,867*	*1,189*	*8.0%*
(J) Net current financial indebtedness (I)+(E)+(D)	**(16,087)**	**(27,179)**	**11,092**	**-40.8%**
(K) Non-current bank debts	37,621	51,667	(14,046)	-27.2%
(L) Bonds issued	-	-	-	-
(M) Other non-current financial debts	3,023	-	3,023	100%
(N) Non-current financial indebtedness (K)+(L)+(M)	**40,644**	**51,667**	**(11,023)**	**-21.3%**
- of which guaranteed	-	-	-	-
- not guaranteed	*40,644*	*51,667*	*(11,023)*	*-21.3%*
(O) Net financial indebtedness (J)+(N)	**24,558**	**24,488**	**70**	**0.3%**
Other financial liabilities – warrants and stock grants	1,449	2,698	(1,249)	-46.3%
Adjusted net financial indebtedness	**23,109**	**21,790**	**1,319**	**6.0%**

Net financial indebtedness, amounting to Euro 24,558 thousand as at 31 December 2019 (in line with the closing values of 2018), mainly includes medium- to long-term bank financing, in addition to the put/call debt for the purchase of the remaining 40% of Pegaso's shares and financial liabilities arising from warrants and application of IFRS 16.

The low leverage ratio (net financial indebtedness/adjusted EBITDA) of 0.7x was also confirmed as at 31 December 2019. High cash and low net debt provide adequate financial flexibility for future acquisitions and dividend distribution.

Net financial indebtedness as at 31 December 2019, while in line with the figure of 31 December 2018, was affected by the following factors:

- Dividend distribution of Euro 6,088 thousand, which took place on 22 May 2019;
- Outlay of Euro 2,888 thousand for the purchase of own shares in execution of the buy-back plan approved by the shareholders' meeting on 21 November 2018;
- Disbursement of approximately Euro 2,500 thousand for the purchase of 60% of the company Pegaso s.r.l. (acquired on 3 April 2019), parent company of Systema, in addition to the debt for exercising puts/calls for 40% of the capital of Pegaso, amounting to Euro 2,416 thousand;
- Euro 1,852 thousand as debt arising from the application of IFRS 16.

The main phenomena that influenced the trend of cash flows during the periods under examination are summarised below.

Net cash flow generated/(absorbed) by operations

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018 Pro-forma**
Cash flows from operations		
Gains/(losses) of the period	18,209	16,869
Adjustments for:		
- Amortisation and depreciation	9,710	8,640
- Net write-downs and allocations	903	(346)
- (Income)/Expenses from equity investments	(119)	263
- Accrued financial (income)/expenses	1,553	7,517
- Income Taxes	1,874	(5,262)
	32,130	**27,681**
Changes in:		
- (Increase)/Decrease in inventories	(1,756)	(2,841)
- (Increase)/Decrease in trade receivables	2,686	14,533
- Increase/(Decrease) in trade payables	(5,722)	(8,345)
- Increase/(Decrease) in other assets and liabilities	1,879	13,433
- Payment of employee benefits and change of provisions	(685)	(75)
Cash flow generated/(absorbed) by operations	**28,533**	**44,386**
Interest paid/Expenses for warrants	(1,553)	(13,686)
Income taxes paid	(6,612)	(8,488)
Cash flow generated/(absorbed) by operations	**20,368**	**22,209**
Net charges arising from Business combination/STAR/M&A	3,126	5,370
Adjusted net cash flow generated/(absorbed) by operations	**23,494**	**27,579**

The adjusted net cash flow generated by operations is an indicator of the Group's ability to generate cash on an annual basis, and in particular during the second half of the year.

The decrease, of about Euro 3,600 thousand, comes from some temporary factors, of which:

- Payment in January 2019 of the entire VAT debt relating to the month of December 2018, for approximately Euro 1,100 thousand, the parent company not being required to pay the amount on account in December 2018, as it was the first year of actual operations of the acquiring company Crescita S.p.A. (now Cellularline);
- more advance payments for about EUR 600 thousand deriving from the procurement and the advance payment for some products whose purchase costs are estimated to increase in the following months.

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018 Pro-forma
Cash flows from investment activity		
Acquisition of subsidiary company, net of cash acquired and other costs	(1,568)	(70,139)
(Purchases)/Sale of property, plant and equipment and intangible assets	(8,313)	(1,906)
Cash flow generated/(absorbed) by investment activities	**(9,881)**	**(72,045)**

The reduced use in relative terms of CapEx investments (approximately Euro 3,400 thousand in 2019, slightly higher than in the previous year), sustained predominantly for the implementation of computer systems, for the development of the e-commerce platform and for R&D activities on new products/brands, confirms a high cash conversion rate, intrinsic in the business model, of 89.7%.

In 2019, the investment activity focused mainly on:

- Ordinary investments in plant, machinery and equipment and intangible assets for approximately Euro 3,400 thousand;
- Investments of approximately Euro 2,500 thousand following the accounting of IFRS 16;
- Systema PPA of approximately Euro 2,000 thousand, net of the fiscal effect.

The major investments in 2018 were the Business combination transaction, the effect of which was equal to the consideration paid, net of the liquidity acquired.

Cash flow generated/(absorbed) by financing activity

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018 Pro-forma
Cash flows arising from financing activity		
Net (purchase)/sale of own shares	(2,889)	(12,301)
Other changes in shareholders' equity	(1,028)	-
Other financial receivables and payables	2,471	-
Decrease in payables to banks and other lenders	(13,334)	(27,060)
(Dividend distribution)	(6,088)	-
Payment of transaction costs relating to financial liabilities	481	(129)
Net cash flow generated/(absorbed) by financing activity	**(20,387)**	**(39,490)**

Cash flow from financing activity as of 31 December 2019 mainly reflects:

- the payment of the instalments of the outstanding bank loan for EUR 13,334 thousand;
- The distribution of a dividend of Euro 6,088 thousand, as approved on 16 April 2019 by the Shareholders' Meeting;
- The purchase of own shares for Euro 2,889 thousand, in execution of the buy-back plan approved by the Shareholders' Meeting on 21 November 2019;
- the payable for exercising the puts/calls (reclassified to other financial receivables and payables) relating to Systema of Euro 2,416 thousand;

- the payable relating to licensing of approximately Euro 1,852 thousand (reclassified to other financial receivables and payables) following the accounting of IFRS 16;
- the payable relating to the warrants for Euro 1,449 thousand (reclassified to other financial receivables and payables).

8. Investments and research and development activities

During the 2019 financial year - as in previous years - the Group continued its research and development activities, directing its efforts on selected projects deemed to be of particular importance:

- study, design and development of innovative accessories for smartphones, tablets and electronics, also developing the associated packaging and innovative exhibition systems designed to highlight the products' technology;
- Study, design and development of audio products, enhancing the AQL (Audio Quality Lab) brand range; this range currently consists of more than 90 headset and speaker products;
- Study, design and development of new sales channels, especially for the expansion of the Cellularline brand into digital;
- Completion of the study, design and development for the realisation of an innovative B2B, B2C computer system and a business intelligence system intended to optimise various company divisions.

In addition, as indicated in the section on events following the year-end, the Group made a considerable commitment in 2019 in terms of the cost of human resources involved in new projects, as well as the use of external consultants in:

- Re-branding the Cellularline brand for its 30th anniversary, to be progressively launched during 2020, with new strategic positioning and logo renewal, packaging and new colours for different product categories;
- Launch in the first quarter 2020 of the new entry-level PLOOS brand, which includes a range of around 50 items, predominantly charging, auto and audio accessories;
- Introducing "BECOME", a range of eco-friendly smartphone cases, to limit the environmental impact of products. The new eco-friendly range, launched in the first quarter of 2020, will be characterised by packaging that will use recycled and recyclable paper, as well as being completely plastic free.

9. Information on transactions with related parties, non-recurring, atypical or unusual transactions

Information on transactions with related parties is presented in Note 5 to the Consolidated Financial Statements.

10. Atypical and/or unusual operations

During the year there were no atypical and/or unusual operations, as defined in Consob memo no. DEM/6064293 of 28 July 2006.

11. Share-based payment plans

Information on share-based payment plans is presented in Note 3.12 to the Consolidated Financial Statements.

12. Own shares and shares of the parent company

On 29 January 2019, the Board of Directors of Cellularline launched a programme to purchase its own shares, starting on 30 January 2019 and until 30 June 2019, on the basis of the resolution to authorise taken at the Shareholders' Meeting of 21 November 2018.

Subsequently, on 10 July 2019, the Board of Directors decided to continue the programme to purchase its own shares as of 22 July 2019, as approved by the above-mentioned Shareholders' Meeting. The programme ended on 31 December 2019. In 2019 the parent company purchased 406,359 ordinary shares, at the average price of Euro 7.11, for a total value of Euro 2,888,365. As at that date, the parent company held own shares amounting to 7.55% of ordinary shares.

13. Main risks and uncertainties to whichthe Group is exposed

This section provides information on the Group's exposure to each risk and uncertainty, the objectives, policies and processes for managing these risks, and the methods used to assess them, as well as for managing the Group's capital.

Overall responsibility for the creation and supervision of a risk management system falls to the management of the Group's parent company, which is responsible for developing and monitoring the risk management policies.

The Group's risk management policies are designed to identify and analyse the risks the Group is exposed to, to establish appropriate limits and controls, and monitor the risks and compliance with these limits. These policies and related systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. Through training, standards and management procedures, the Group aims to create a disciplined and constructive control environment in which its employees are aware of their roles and responsibilities.

In this context, the parent company Cellularline S.p.A. has adopted the Code of Ethics and Organisation and Management Model in accordance with Article 6 of Legislative Decree No. 231 of 8 June 2001, appropriately communicating it to all interested parties, and keeping it up-to-date according to regulatory developments and company activity.

13.1 Risks related to competition and competitiveness

The mobile accessories market (smartphones and tablets) is characterized by a high degree of competition, which could also be strengthened by the possible entry of potential new Italian or foreign competitors. Current or future competitors of the Group could be able to implement marketing and commercial development policies that could acquire market share at the expense of operators using multiple sales channels. In this case, the Group could be forced to reduce sales prices without any corresponding reduction in the purchase costs of the products, achieving a lower margin on the sale of its products. We report that one of the main threats the Group faces is the sale of competing products by producers located in the far east.

If the number of direct and/or indirect competitors increases, and the Group is unable to maintain its competitive strength on the market, there could be negative effects on the Group's business and growth prospects and economic, financial and capital situation. Further risks arise from potential changes in consumer purchasing behaviour, in the light of demographic changes, increasing digitisation, the evolution of economic conditions and purchasing power. Any incorrect assessment of developments in consumer behaviour, price dynamics and products requiring a review of variety may risk failure or delay in the adoption of appropriate sales models and failure or delay in exploring new sales channels. These outcomes would potentially have negative effects on the Group's economic, financial and capital situation.

13.2 Seasonal risks

The market in which the Group operates is characterised by seasonality typical of the market for electronic products and accessories. In particular, sales in the second half of each year account on average for more than 60% of the total annual sales, with a peak demand in the last quarter of the year (Black Friday and Christmas). Absolute EBITDA, given the more linear and uniform distribution over the year of structural costs (personnel, rents and general expenses), is also affected by this seasonal nature, giving an average incidence of higher EBITDA in the second half of the year. Incorrectly defining product assortment in terms of variety and availability during periods characterized by high sales, i.e. not promptly changing strategy in light of up-to-date data and sales information, could adversely affect the responsiveness of the supply of products to customer demand. This would reflect negatively on the Group’s economic, financial and capital situation.

13.3 Risks related to changes in the regulatory framework

The Group is subject to the regulations applicable to the products manufactured and/or marketed. The evolution of regulations or any changes to the regulations in force, including at international level, could require the Group to sustain further costs to adapt its production structures or the characteristics of its products to the new provisions. This could have a negative effect on the Group's growth prospects and on its economic, financial and capital position.

13.4 Risks related to macroeconomic developments

The Group operates in several international markets and is therefore exposed to the risks of possible changes in the geo-political and macroeconomic conditions of those same markets. More specifically, the Group is exposed to the risk of any future reductions in revenues arising from the limited purchasing power of the average consumer due to any economic recession. The development of the European economy, economic and financial instability and the volatility of the financial markets could influence the Group’s performance, with possible negative effects on its economic, financial and capital position.

The economic context of reference and perceived weakness of the prospects for economic recovery could also further influence changes in consumer preferences and spending habits.

Given the unpredictability of the deepening crisis between China and the US over customs duties, the parent company is unable to assess the impact it might have on macroeconomic trends and thus on the Group’s operations and results. Should the current period of gradual economic recovery slow or stop, or should further periods of economic and/or financial crisis occur, or if trade tensions between the US and China become even more acute, there could be possible adverse effects on the Group’s economic, capital, and financial situation.

The macroeconomic trend may also be affected by the spread of the COVID-19 virus in Europe and the world;

please refer to the section "Key events subsequent to the close of the financial year" for further information.

13.5 Risk associated with price trends and possible procurement difficulties and relations with suppliers

The Group operates on international markets, with customers mainly from the EMEA and with product suppliers mainly located in the Far East (China and Philippines). To date, sales have therefore been almost solely in EUR, while the majority of purchases of products are settled, as is the case in the reference industry, in USD.

The Group is therefore exposed to exchange rate risk - for the main types of product supplies - almost exclusively in USD and is considering implementing a policy for hedging this risk. There are however many factors limiting the risk profile, including: the high rate of product innovation (about 35% of annual turnover comes from products launched in the year), the contractual possibility of making relatively short-term (3-6 months) revisions to customer price lists and, lastly, the high contractual flexibility with far east suppliers (with no commitments to purchase minimum quantities at pre-defined prices for periods exceeding 6 months, with rare exceptions).

The main foreign exchange rates applied during the year were as follows:

Currency	2019 average	Period end as at 31 December 2019	2018 average	Period end as at 31 December 2018
US Dollar/ Euro	1.119	1.123	1.181	1.114

In 2019, the Group did not use derivative financial instruments to hedge fluctuations in the EUR/USD exchange rate.

Any legislative, political and economic change, potential social instability or introduction of customs duties or constraints on exports of products, or the introduction in the European Union of restrictions on the import of products from these countries, could have a negative impact on the supplier's production capacity and the Group's supply operations. This may have a negative impact on the Group's business and prospects, as well as on the economic, financial and capital position. In the event of non-delivery and/or delayed delivery of products and components by third party suppliers and/or shippers (in particular from so-called emerging economies), the Group may suffer delays and/or interruptions in the production and distribution cycle of the products, with consequent possible negative effects on the activity and its prospects, as well as on its economic, capital and financial position.

13.6 Liquidity Risk

From an operational point of view, the Group controls the liquidity risk through the annual planning of expected cash flows and payments. Based on the results of such planning, the needs, and thus the financial resources for covering them, are identified. The average debt exposure is shown below:

(In thousands of Euro)	**within 12 months**	**1 - 5 years**	**beyond 5 years**
Employee benefits	-	774	-
Trade payables	19,056	-	-
Deferred tax liabilities	1,684	8,520	11,148
Payables to banks and other lenders	13,362	37,621	-
Provisions for non-current risks and charges	-	1,656	-
Provisions for current risks and charges	409	-	-
Other liabilities	4,322	-	-
Other financial liabilities	2,694	2,944	79
Current tax payables	384	-	-
Total	**41,911**	**51,515**	**11,227**

In order to prevent unforeseen cash disbursements from being a critical issue, the Group monitors the preservation of an appropriate balance between maintaining supply and flexibility through the use of liquidity and available credit lines.

13.7 Credit risks

Credit risk is the likelihood that a customer or one of the counterparties in a financial instrument will cause a financial loss by failing to fulfil an obligation. In this case it relates predominantly to the Group's trade receivables and financial investments.

The Group is exposed to the risk that its customers may delay or fail to meet their payment obligations within the agreed terms and conditions and that the internal procedures adopted in relation to the assessment of creditworthiness and solvency of customers are not sufficient to ensure the successful completion of collections. Such missed payments, late payments or other defaults may be due to the insolvency or failure of the customer, to business events or to specific customer situations.

In particular, attention must be paid to credit policy for both consolidated customers and newly-acquired customers, to strengthening preventive action policies by acquiring more complete commercial information (from different sources) for all key and/or new customers and the increasingly systematic way in which credit report analyses are conducted, including customer portfolio assessment and allocating credit facilities.

However, it should be noted that the gradual deterioration in the economic/financial performance of certain historic Italian consumer electronics retailers in the past few years has had an inevitable impact on the amount of provisions for bad debt over the last few periods.

The schedule of trade receivables is shown below:

(In thousands of Euro)	**expiring**	**within 6 months**	**from 6 to 12 months**	**beyond 12 months**
Trade receivables (gross of the bad debt provisions)	45,053	6,080	245	5,712
Receivables from associated companies	2,188	2,657	2,202	-
Total gross trade receivables	**47,241**	**8,737**	**2,447**	**5,712**
(Provisions for bad debt)	-	-	-	(3,291)
Total net trade receivables	**47,241**	**8,737**	**2,447**	**2,422**

The Group allocates provisions for losses of value, which represents the estimate of losses on trade receivables, other receivables and non-current financial assets. The main components of this allowance are the individual write-downs of significant exposures and the collective write-down of homogeneous groups of assets against losses already incurred that have not yet been identified; the collective write-down is determined on the basis of the historical series of similar losses on receivables.

13.8 Interest rate risks

In relation to the risk of interest rate fluctuations, the Group does not currently have interest rate swap contracts in place to cover the risk of interest rate changes on pool financing, concluded on 29 June 2017 for a principal amount of Euro 85 million. This amount is now down to Euro 51.6 million (before amortised cost), also due to the current limited level of net debt. As a result, potentially fluctuating interest rates could lead to increased costs related to borrowing, which to date is exclusively at a variable rate.

With regard to interest-rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated profit and loss account (before the tax effect) that would result from a hypothetical positive and negative change of 100 basis points in interest rates compared to those actually recognised in each period. The analysis related predominantly to short- and medium-/long-term financial liabilities. The following table illustrates the results of the analysis.

	Rate increase 1%	
	2019	**2018**
Payables to banks and other lenders	(573)	(558)

It should be noted that a downward interest rate change of 100 basis points would not have a positive effect on the pre-tax consolidated profit, since the financing provides that the Euribor cannot be negative (floor at 0.00%).

13.9 Risks related to the administrative responsibility of legal persons

Starting in 2017, the parent company adopted the organisational model, the code of ethics and appointed the supervisory body provided for in Legislative decree no. 231 of 8 June 2001, in order to ensure compliance with the prescribed conditions of correctness and transparency in the conduct of business activities, to protect the position and image, expectations of shareholders and the work of employees. The model is a valuable tool for raising awareness among all those who work on behalf of the parent company, so that they can adopt correct and linear behaviour in the course of their activities, as well as a means of preventing the risk of the commission of crimes.

13.10 Management and Coordination Activities

Cellularline S.p.A. is not subject to management and coordination activities by companies or entities and defines its general and operational strategic guidelines in full autonomy.

14. *Corporate Governance*

The parent company's corporate governance complies with the principles contained in the Corporate Governance Code of listed companies and with international best practice. On 11 March 2020, the Board of Directors approved the report on corporate governance and ownership arrangements pursuant to Article 123-bis of the Consolidated Finance Law (TUF), for the financial year 2019. This report is published in the Investor Relations section, Corporate Governance subsection of the company's website www.cellularline.com, and it is explicitly referred to as required by law.

The model of administration and control of Cellularline S.p.A. is the traditional one prescribed by Italian law, with a Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors and the Audit Firm. The corporate bodies are appointed by the shareholders' meeting and remain in office for a three-year period. The representation of independent directors, as defined in the Code, and their role both on the Board and within the company committees (Audit and Risk Committee, Committee for transactions with related parties, Remuneration Committee), are suitable means to ensure an adequate balance of the interests of all the shareholders and ensure a significant degree of input in the deliberations of the Board of Directors.

15. Classes of financial instruments

The following is a breakdown of financial assets and liabilities required by IFRS 7 within the scope of the categories prescribed in IFRS 9 for the financial year ended 31 December 2019 and 31 December 2018.

		Book value			Fair value level		
(Amounts in Euro thousands)	Carrying amount at 31/12/2019	Amortised cost	FV to OCI	FV to PL	Level 1	Level 2	Level 3
Cash and cash equivalents	32,089	32,089	-	-	-	-	-
Trade receivables and other assets	66,524	66,524	-	-	-	-	-
Other financial assets	606	606	-	-	-	-	-
Total financial assets	**99,219**	**99,219**	**-**	**-**	**-**	**-**	**-**
Financing	50,989	50,989	-	-	-	-	-
Trade payables and other liabilities	23,379	23,379	-	-	-	-	-
Other financial liabilities	5,717	4,218	-	1,499	1,499	-	-
Total financial liabilities	**80,085**	**78,586**	**-**	**1,499**	**1,499**	**-**	**-**

		Book value			Fair value level		
(Amounts in Euro thousands)	Carrying amount at 31/12/2018	Amortised cost	FV to OCI	FV to PL	Level 1	Level 2	Level 3
Cash and cash equivalents	41,989	41,989	-	-	-	-	-
Trade receivables and other assets	68,573	68,573	-	-	-	-	-
Other financial assets	56	56	-	-	-	-	-
Total financial assets	**110,618**	**110,618**	**-**	**-**	**-**	**-**	**-**
Financing	63,836	63,836	-	-	-	-	-
Trade payables and other liabilities	28,063	28,063	-	-	-	-	-
Other financial liabilities	2,698	-	-	2,698	2,698	-	-
Total financial liabilities	**94,597**	**91,899**	**-**	**2,698**	**2,698**	**-**	**-**

IFRS 13 establishes a fair value hierarchy that classifies three levels of input for valuation techniques used to measure fair value. The fair value hierarchy gives top priority to prices quoted (unadjusted) on active markets for identical assets or liabilities (Level 1 data) and minimum priority to unobservable inputs (Level 3 data). In some cases, data used to assess the fair value of an asset or liability could be classified at different levels in the fair value hierarchy. In such cases, the fair value assessment is classified entirely at the same level in the hierarchy as the lowest input, taking into account its importance for evaluation.

The levels used in the hierarchy are:

- Level 1 are (unadjusted) prices quoted in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 are variables other than the quoted prices included in Level 1 that can be observed directly or indirectly for assets or liabilities;
- Level 3 are variables that cannot be observed for assets or liabilities.

Note that no financial instrument is measured at fair value. For financial instruments valued at amortised cost, the carrying amount is also considered to be a reasonable approximation of their valuation at fair value.

16. List of secondary sites

The Company has its registered office in Reggio Emilia, Via Grigoris Lambrakis n. 1/A and as at 31 December 2019 had no branch offices.

17. Staff-related information

There have been no special cases worthy of mention in this report, such as deaths, serious accidents at work or occupational diseases for which the Group has been held responsible.

Work is carried out in accordance with all rules and regulations in force concerning workplace safety.

In addition, the Group routinely carries out training activities for its staff, in the belief that the professional and working development of each individual is a prerequisite for continual improvement and improvement of the activities carried out.

The number of employees as at 31 December 2019 was 229 (215 as at 31 December 2018). The increase was mainly attributable to the change in the scope of consolidation resulting from the acquisition of Systema.

18. Information on environmental impact

The Group strongly believes in respect for the environment and the ecosystem in which it operates. For this reason it carries out its activity by taking into account the protection of the environment and the need for sustainable use of natural resources, in accordance with the requirements of the existing environmental legislation, and by committing to act responsibly toward the territory and the community. The Group condemns any type of action or behaviour that could harm the environment. Although the Group has no significant environmental impact, it has adopted specific procedures for Waste Electrical & Electronic Equipment (WEEE).

19. Significant events during the period

Acquisition of control of Systema: in April 2019 control was indirectly acquired over the company operating in the European market for mobile accessories in the Telco channel. Systema has been working with leading international telephone operators in central/south Europe for more than 10 years. The transaction was carried out by purchasing 60% of the share capital of Pegaso s.r.l., a company that holds the entire share capital of Systema.

Transition to the STAR segment of the Mercato Telematico Azionario ("**MTA**") of Cellularline S.p.A ordinary shares and warrants. The transition was completed a little more than one year after the date of listing on AIM on 22 July 2019. This will allow the Company to benefit from the increased liquidity of its stock and greater interest from the Italian market and international institutional investors, as well as greater visibility on European markets, with consequent further advantages in terms of international competitive positioning.

Buy-back Plan: during 2019 the parent company purchased 406,359 shares, for an amount of approximately Euro 2.9 million. We report that at the end of the programme for the purchase of own shares on 31 December 2019, the Cellularline S.p.A. now holds 1,636,505 ordinary shares, equal to 7.6% of its share capital.

20. Key events subsequent to the close of the financial year

Rebranding CELLULARLINE: on the occasion of the 30th anniversary of the creation of the Parent Company (which took place in 1990), an ambitious project of strategic repositioning and renewal of the marketing mix of the main brand, Cellularline, was presented to the (R)EVOLUTION market. "From smartphone to smartlife", this is the concept that underlies the project and embraces the main brand and all of the distinctive elements that characterise it. Cellularline continues on its path of specialisation towards the offering of a complete range of solutions that respond perfectly to market changes and to the desires of consumers, able to simplify their everyday life and connect them to the smartlife that increasingly characterises them.

The launch of the new PLOOS brand, which encompasses a range of about 50 items, mainly consisting of recharging, car and audio accessories. The launch of the new brand is part of a wider process of strategic review of the Group's brand portfolio, supplementing the offerings of Cellularline's main brand. Ploos will be the Group's new entry level brand - with essential design and functionality - that is characterised by excellent value for money and that will allow Cellularline to strengthen its presence in some EMEA markets and channels where the Group's positioning has ample room for development.

Presentation of BECOME, a range of eco-sustainable cases for smartphones, aimed at limiting the environmental footprint of the products, as its composition allows an eco-sustainable disposal of the product at the end of its life. The new eco-friendly range also features packaging that uses recycled and recyclable paper, as well as being completely plastic-free. The new eco cases will begin to be distributed from the first quarter of 2020 in the markets and channels covered by the Group.

Environmental sustainability: as an integral part of the Group's strategy, with the increasing objective of focusing attention on the environmental impacts of our business, significant innovations will be gradually introduced beginning in the second quarter of 2020, starting with packaging materials:

- all paper used for the production of the packs will be *Forest Stewardship Council* (FSC) certified, with the guarantee of making a substantial contribution to responsible forest management;
- the inks used to print the packs will be 100% soybean-based, thus significantly reducing the use of materials deriving from the processing of oil;
- the use of plastic, inside and outside the pack, will be reduced and, where possible, eliminated.

As to the reduction of environmental impact, the Group, in line with its ethical principles on the one hand and technical feasibility on the other, will work in stages - as part of a multi-year project - systematically communicating the progress achieved beginning from mid-2020.

Possible impacts from COVID-19: With reference to the possible effects of the global spread of COVID-19 beginning in January 2020, first in Asia and now also in Europe, it should be noted that during the second half of February, after the two-week extension of the holiday closures imposed by the Chinese Government, all of the major factories in the *Consumer Electronics* sector - operating in areas of China far from the epicentre of the virus - have resumed production, even if not immediately at full capacity. Currently, after a few weeks of progressive rump-ups, our production partners in Asia are all substantially operational. As a result of this, although the entire *Consumer Electronics supply chain* is currently operating almost normally, it cannot be ruled out that the availability of specific products may be temporarily restricted during the first half of 2020. On the basis of the situation described above and with the information available to date, the Cellularline Group believes that the impacts of this late reopening of factories in the Far East should not be significant.

It should also be noted that, as a result of the recent spread of the virus also throughout parts of the European territory - primarily in the domestic market, with the prohibition, with exceptions, regarding the mobility of people and with temporary closures of numerous outlets for a few weeks – the demand for consumer goods and/or services will suffer from the reduction of consumer traffic to retailers, with effects on the market demand of our products. In the current uncertainty regarding economic impacts, we are constantly monitoring the situation in all major markets and channels and are ready to take appropriate and targeted measures as the situation evolves.

Our priority is, of course, the health and safety of our employees and partners (customers, retailers, suppliers); the Group has therefore put in place all of the measures and safeguards necessary to ensure full continuity of service to its customers, in compliance with the ordinances and regulations issued by the public authorities and with the aim of protecting the safety of its employees and partners.

21. Foreseeable development of operations

In view of the fact that the external environment is constantly evolving, uncertainty remains over the impact of demand for our products in the short term, especially in the light of what has been mentioned regarding significant events since the end of the 2019 financial year. In this respect, it should be noted that sales in the first two months of the year are slightly more than 10% higher than in the same period of 2019 (due predominantly to the consolidation of Systema). Lastly, we can report that each of the first three two-month periods of the year - due to seasonality, 60% of the *business* being concentrated in the second half - account for on average less than 15% of the annual turnover.

Reggio Emilia, 11 March 2020

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

APPENDIX 1

PRO-FORMA INCOME STATEMENT[8]

(Amounts in Euro thousands)	31/12/2019	Of which related parties	31/12/2018 Pro-forma	Of which related parties
Sales Revenue	140,440	5,281	129,735	4,616
Cost of sales	(75,824)		(64,374)	
Gross Operating Margin	**64,616**		**65,361**	
Sales and distribution costs	(25,360)		(24,729)	
General and administrative costs	(20,411)	(29)	(20,541)	(20)
Other non-operating costs (revenues)	1,502	(54)	(1,203)	(53)
Operating profit (loss)	**20,347**		**18,887**	
Financial income	1,472		7,582	
Financial charges	(1,777)		(15,099)	
Gains/(losses) on exchange rates	(79)		500	
Income from (Expense on) equity investments	119		(263)	
Profit (loss) before taxes	**20,082**		**11,608**	
Current and deferred taxes	(1,874)		5,262	
Profit/loss for the year before minority interests	**18,209**		**16,869**	
Profit/loss for the year pertaining to minority interests	-		-	
Group profit /loss for the year	**18,209**		**16,869**	

PRO-FORMA **COMPREHENSIVE INCOME STATEMENT**[8]

(Amounts in Euro thousands)	31/12/2019	31/12/2018 Pro-forma
Group profit /loss for the year	**18,209**	**16,869**
Other components of comprehensive income that will not be reclassified to the income statement		
Actuarial gains (losses) on defined plans and benefits	(40)	10
Actuarial gains (losses) on provisions for risks	(132)	197
Profits (losses) from translation of financial statements of foreign companies	(8)	(9)
Income taxes on other components of comprehensive income	55	(58)
Total other components of comprehensive income for the year	**(125)**	**140**
Total Group comprehensive income for the year	**18,083**	**17,010**

[8] The economic data of 12/31/2019 are compared with the pro-forma unaudited consolidated data relating to 12/31/2018 of the former Cellular Italia Group, prepared for the sole purpose of illustrating the effects of the Business Combination, which took place on 4 June 2018, as though the same occurred on 1 January 2018. The data as at 31/12/2019 include the effects of applying the accounting standard IFRS 16.

APPENDIX 1

PRO-FORMA CASH FLOW STATEMENT[9]

(Amounts in Euro thousands)	**31/12/2019**	**31/12/2018 Pro-forma**
Profit/(loss) for the financial year	18,209	16,869
Depreciation	9,710	8,640
Write-downs and provisions	903	(346)
Income from (Expense on) equity investments	(119)	263
Financial income/expenses accrued	1,553	7,517
Current taxes	1,874	(5,262)
	32,130	**27,681**
(Increase)/decrease in inventories	(1,756)	(2,841)
(Increase)/decrease in trade receivables	2,686	14,533
Increase/(decrease) in trade payables	(5,722)	(8,345)
Increase/(decrease) in other assets and liabilities	1,879	13,433
Employee benefits settlement and change in provisions	(685)	(75)
Cash flow generated (absorbed) by operating activities	**28,533**	**44,386**
Interest paid/Expenses for warrants	(1,553)	(13,689)
Income taxes paid	(6,612)	(8,488)
Cash flow generated (absorbed) by operating activities	**20,368**	**22,209**
Net charges of Business combination/Star/M&A	3,126	5,370
Cash flow generated/(absorbed) by operations	**23,494**	**27,579**
Acquisition of subsidiary company, net of cash acquired	(1,568)	70,139
(Purchase)/Sale of property, plant and equipment and intangible assets	(8,313)	(1,906)
Net cash flow generated by (absorbed) investing activities	**(9,881)**	**(72,045)**
Other financial receivables and payables	2,471	-
(Dividends/reserves distributed)	(6,088)	-
Net (purchase)/sale of own shares	(2,889)	(12,301)
Other changes in shareholders' equity	(1,028)	-
Long-term (decrease) in payables to banks and other lenders	(13,334)	(27,060)
Payment of transaction costs relating to financial liabilities	481	(129)
Net cash flow generated by (absorbed) financing activities	**(20,387)**	**(39,490)**
Increase/(decrease) in cash and cash equivalents	**(9,990)**	**(89,326)**
Cash and cash equivalents at the beginning of the year	**41,989**	**131,315**
Cash and cash equivalents at year end	**32,089**	**41,989**

[9] The financial data of 12/31/2019 are compared with the pro-forma unaudited consolidated data relating to 12/31/2018 of the former Cellular Italia Group, prepared for the sole purpose of illustrating the effects of the Business Combination, which took place on 4 June 2018, as though the same occurred on 1 January 2018. The data as at 31/12/2019 include the effects of applying the accounting standard IFRS 16.

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

(Amounts in Euro thousands)	Notes	31/12/2019	Of which related parties	31/12/2018	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**3.1**	75,533		78,614	
Goodwill	**3.2**	95,069		93,857	
Property, plant and equipment	**3.3**	7,142		7,229	
Right of use	**3.4**	1,806		-	
Deferred tax assets	**3.5**	1,666		963	
Financial receivables	**3.6**	552	552	-	
Total non-current assets		**181,788**		**180,663**	
Current assets					
Inventories	**3.7**	22,925		20,614	
Trade receivables	**3.8**	60,847	6,272	59,421	6,252
Current tax receivables	**3.9**	3,792		5,967	
Financial assets		54		56	
Other assets	**3.10**	5,677		3,930	
Cash and cash equivalents	**3.11**	32,089		41,989	
Total current assets		**125,383**		**131,977**	
TOTAL ASSETS		**307,171**		**312,640**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	**3.12**	21,343		21,343	
Other reserves	**3.12**	156,076		146,897	
Profits/(losses) carried forward from consolidation	**3.12**	6,891		(6,243)	
Group profit /loss for the year		18,209		32,378	
Group shareholders' equity		**202,518**		**194,375**	
Shareholders' equity attributable to minority interests		-		-	
TOTAL SHAREHOLDERS' EQUITY		**202,518**		**194,375**	
LIABILITIES					
Non-current liabilities					
Payables to banks and other lenders	**3.13**	37,621		51,667	
Deferred tax liabilities	**3.5**	21,352		21,337	
Employee benefits	**3.14**	774		411	
Provisions for current risks and charges	**3.15**	1,656		1,299	
Other financial liabilities	**3.19**	3,023		-	
Total non-current liabilities		**64,425**		**74,713**	
Current liabilities					
Payables to banks and other lenders	**3.13**	13,362		12,169	
Trade payables	**3.16**	19,056		20,186	
Current tax payables	**3.17**	384		93	
Provisions for current risks and charges	**3.15**	409		530	
Other liabilities	**3.18**	4,322		7,877	
Other financial liabilities	**3.19**	2,694		2,698	
Total current liabilities		**40,228**		**43,552**	
TOTAL LIABILITIES		**104,653**		**118,265**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**307,171**		**312,640**	

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT

(Amounts in Euro thousands)	Notes	31/12/2019	Of which related parties	31/12/2018	Of which related parties
Sales Revenue	4.1	140,440	5,281	93,827	3,198
Cost of sales	4.2	(75,824)		(46,327)	
Gross Operating Margin		**64,616**		**47,500**	
Sales and distribution costs	4.3	(25,360)		(14,963)	
General and administrative costs	4.4	(20,411)	(29)	(12,488)	(12)
Other non-operating costs/(revenue)	4.5	1,505	(54)	86	(31)
Operating profit (loss)		**20,347**		**20,132**	
Financial income	4.6	1,472		6,862	
Financial charges	4.6	(1,777)		(1,012)	
Gains/(losses) on exchange rates	4.7	(79)		384	
Income from (Expense on) equity investments	4.8	119		(263)	
Profit (loss) before taxes		**20,082**		**26,103**	
Current and deferred taxes	4.9	(1,874)		6,275	
Profit/loss for the year before minority interests		**18,209**		**32,378**	
Profit/loss for the year pertaining to minority interests		-		-	
Group profit /loss for the year		**18,209**		**32,378**	
Basic earnings per share (Euro per share)	4.10	**0.901**		**1.852**	
Diluted earnings per share (Euro per share)	4.10	**0.901**		**1.852**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro thousands)	Notes	31/12/2019	31/12/2018
Group profit /loss for the year		**18,209**	**32,378**
Other components of comprehensive income that will not be reclassified to the income statement			
Actuarial gains (losses) on defined plans and benefits		(40)	3
Actuarial gains (losses) on provisions for risks		(132)	179
Profit (loss) from translation of financial statements of foreign companies		(8)	5
Income taxes on other components of comprehensive income		55	(51)
Total other components of comprehensive income for the year		**(125)**	**136**
Total comprehensive income for the year		**18,083**	**32,514**
Basic earnings per share (Euro per share)	4.10	**0.901**	**1.860**
Diluted earnings per share (Euro per share)	4.10	**0.901**	**1.860**

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in Euro thousands)	**Notes**	**31/12/2019**	**31/12/2018**
Profit/(loss) for the financial year		18,209	32,378
Depreciation		9,710	5,013
Net write-downs and provisions		903	1,042
Income from (Expense on) equity investments		(119)	263
Financial income/expenses accrued		1,553	(5,850)
Current taxes		1,874	(6,275)
		32,130	**26,571**
(Increase)/decrease in inventories		(1,756)	1,473
(Increase)/decrease in trade receivables		2,686	(1,984)
Increase/(decrease) in trade payables		(5,722)	(5,707)
Increase/(decrease) in other assets and liabilities		1,879	2,633
Employee benefits settlement and change in provisions		(685)	(169)
Cash flow generated (absorbed) by operating activities		**28,533**	**22,817**
Interest paid		(1,553)	(1,601)
Income taxes paid		(6,612)	(8,488)
Net cash flow generated (absorbed) by operating activities		**20,368**	**12,728**
Acquisition of subsidiary company, net of cash acquired		(1,568)	(60,596)
(Purchase)/sale of property, plant and equipment and intangible assets		(8,313)	(1,968)
Net cash flow generated by (absorbed) investing activities		**(9,881)**	**(62,564)**
Net (purchase)/sale of own shares		(2,889)	(12,301)
(Dividends distributed)		(6,088)	-
Other financial liabilities and assets		2,471	-
Other equity movements		(1,028)	-
Increase/(Decrease) in payables to banks and other lenders		(13,334)	(27,060)
Payment of transaction costs relating to financial liabilities		481	(129)
Net cash flow generated by (absorbed) financing activities		**(20,387)**	**(39,490)**
Increase/(decrease) in cash and cash equivalents		**(9,990)**	**(89,326)**
Cash and cash equivalents at the beginning of the year	**3.11**	**41,989**	**131,315**
Cash and cash equivalents at year end	**3.11**	**32,089**	**41,989**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Amounts in Euro thousands)		Share Capital	Other reserves	Profit/ (losses) carried forward	Profit/loss for the year	Minority interest in reserves and result	Total Shareholders' Equity
Balance at date of incorporation 1 February 2017	**Note**	-	-	-	-	-	-
Capital increase		13,300	116,180	-	-	-	129,480
Comprehensive income for the year		-	-	-	(3,488)	-	(3,488)
Balance as at 31 December 2017		**13,300**	**116,180**	**-**	**(3,488)**	-	**125,992**
Allocation of previous year's result		-	-	(3,488)	3,488	-	-
Changes in the scope of consolidation		-	42,882	(2,755)	-	-	40,127
Withdrawal of Shareholders from Business Combination		-	(12,301)	-	-	-	(12,301)
Comprehensive income for the period		-	136	-	-	-	136
Capital increase		8,043	-	-	-	-	8,043
Comprehensive income for the year		-	-	-	32,378	-	32,378
Balance as at 31 December 2018		**21,343**	**146,897**	**(6,243)**	**32,378**	-	**194,375**
Allocation of previous year's result		-	13,376	19,002	(32,378)	-	-
Distribution of dividends		-	23	(6,111)	-	-	(6,088)
Purchase of own shares		-	(2,889)	-	-	-	(2,889)
Changes in the scope of consolidation		-	(1,182)	243	-	-	(939)
Comprehensive income for the period		-	(150)	-	-	-	(150)
Comprehensive income for the year		-	-	-	18,209	-	18,209
Balance at 31 December 2019	**3.12**	**21,343**	**156,075**	**6,891**	**18,209**	-	**202,518**

www.cellularlinegroup.com

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 December 2019

1. Introduction

The Cellularline Group (also the "Group" or "Cellularline Group") is one of the leading operators in the field of smartphone and tablet accessories in EMEA, as well as market leaders in Italy. In addition, the Group ranks among the top five operators in Germany, Austria, Switzerland, Spain, Belgium and the Netherlands and has a good competitive position in other European countries.

The consolidated financial statements are submitted to the approval of the shareholders' meeting convened on 24 April 2020, in line with the financial calendar approved by the Board of Directors on 14 November 2019.

Since 22 July 2019, the shares of the parent company have been listed on the Star segment of the Milan Stock Exchange.

As at the date of the consolidated financial statements as at 31 December 2019, Cellularline shareholders holding more than 5% of the voting share capital are as follows:

- L Catterton Europe[10] 10.43%
- Christian Aleotti 7.96%

Please note that the consolidated income statement values presented below are not comparable with the corresponding previous year of 2018. The consolidated income statement as at 31 December 2018 represents the economic effects of the "operating" companies only from 4 June 2018 (date of legal efficacy of the merger).

For a better understanding of the Group's business, please refer to the Management Report on Operations, which shows a pro-forma consolidated income statement at 31 December 2018 as if the Business Combination had taken place on 1 January 2018.

2. Criteria adopted for the preparation of the consolidated financial statements and summary of accounting standards

The following are the drafting criteria, main accounting standards and measurement criteria adopted for preparing the consolidated financial statements as at 31 December 2019. These standards and criteria have been applied consistently for all financial years presented in this document, taking into account the requirements set out in Note 2.5.1 "Changes in accounting policies".

2.1 Basis for preparing consolidated financial statements

The financial statements at 31 December 2019 were drawn up in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

IFRS encompasses all International Financial Reporting Standards ("IFRS"), all International Accounting Standards ("IAS"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously referred to as the Standing Interpretation Committee ("SIC"), adopted by the European Union as of the date of approval of these financial statements by the Board of Directors of the parent company and contained in the relevant EU regulations published on that date.

[10] S.L.M.K. S.r.l., formerly S.L.M.K. S.A. is wholly owned by L Capital Luxembourg S.A., which, in turn, is wholly owned by L Capital 3 F.P.C.I., which is at the top of the chain of control. This fund is managed by L Catterton Europe S.A.S..

2.2 Criteria for drawing up the consolidated financial statements and a summary of the accounting standards

The consolidated financial statements were prepared on the basis of the financial statements as at 31 December 2019, approved and prepared by the individual companies included in the scope of consolidation of Cellularline S.p.A. ("the Company", and together with its surgeries and affiliates "the Group").

The financial statements and accounting positions of the companies included within the scope of consolidation have been adjusted, where necessary, in order to align them with the accounting principles and classification criteria of the parent company in accordance with IFRS. The Group has applied IFRS for the preparation of consolidated financial statements with effect from the balance sheet ending 31 December 2018 with a transition date of 1 February 2017.

The consolidated financial statements as at 31 December 2019 include the financial statements of the parent company Cellularline S.p.A. and the companies over which it has the right to exercise control, directly or indirectly.

The explanatory notes serve to illustrate the drafting principles adopted, and provide the information required by IAS/IFRS accounting standards and not contained in other parts of the financial statements. In addition, they provide further information not shown in the financial statements but necessary for the purposes of a reliable representation of the Group's business.

The financial statements as at 31 December 2019 have been prepared under the going concern assumption given that the Directors have verified the absence of income, financial, managerial or other indicators that could signal critical issues regarding the Group's ability to to meet its obligations in the foreseeable future and in particular in the next 12 months; more specifically, the Directors considered the recent and positive income performance of the Group together with the positive cash flows generated in the recent past by the operational management.

The financial statements are expressed in Euro, the functional currency of the Group and the Parent Company, and all amounts are rounded to the nearest thousand Euro. For clarity of reading, the schedules and tables also omit mandatory items under IAS 1 that show zero balances in both comparative periods.

The consolidated financial statements comprise the following explanatory notes:

- **Consolidated statement of assets and liabilities:** the consolidated assets and liabilities are illustrated through the separate recognition of current and non-current assets and current and non-current liabilities with the description in the notes, for each asset and liability item, of amounts expected to be settled or recovered within 12 months or more from the reporting date.
- **Consolidated income statement:** costs are classified in the consolidated income statement based on their function, showing intermediate results relating to gross operating profit/(loss), net operating profit/(loss) and pre-tax profit/(loss).
- **Consolidated statement of comprehensive income:** this statement includes the profit/(loss) of the period as well as the charges and income recognised directly in equity for transactions other than those carried out with the shareholders.
- **Consolidated cash flow report:** the consolidated cash flow report illustrates the cash flows from operating, investment and financing activities. The flows of the operating activity are represented by the indirect method, where the result for the period is adjusted by the effects of non-monetary transactions,

by any postponement or provision of previous or future cash receipts or operating payments, and revenue elements related to cash flows arising from investment or financing activities.

- **Statement of changes in consolidated shareholders' equity:** this statement includes, in addition to the result of the consolidated total income statement, transactions directly with the shareholders who acted in that capacity and the details of each individual component. Where applicable, the effects of changes in accounting policies for each equity item are also included in the prospectus.
- **Explanatory notes to the consolidated financial statements.**

The consolidated financial statements are presented in comparative form.

As mentioned in the introduction to the explanatory notes, the consolidated income statement values as at 31 December 2019 are not comparable to those as of 31 December 2018.

These are the first financial statements to which the Group has applied IFRS 16. Changes in significant accounting policies are described in Note 2.5.1.

With reference to Consob resolution no. 15519 of 27 July 2006, with regard to the financial statements, it should be noted that the income statement and statement of assets and liabilities include evidence of transactions with related parties.

2.3 Consolidation principles and scope of consolidation

Consolidation criteria

The consolidated financial statements comprise the balance sheets or accounting statements of the subsidiaries included in the scope of consolidation, drawn up as at 31 December each year. Control of an investee entity exists when the investor is exposed to, or is entitled to, the variable returns of the investee entity and has the possibility of influencing those returns through the exercise of power over the entity. An investor has power over an investee entity when he holds valid rights that confer on him the current ability to direct the relevant assets, i.e. assets that significantly affect the returns of the investee entity.

The economic results of subsidiaries acquired, including through merger operations, or sold during the financial year are included in the consolidated income statement from the effective date of acquisition until the effective date of sale.

Where necessary, adjustments were made to the balance sheets of subsidiaries in order to align the accounting policies used with those adopted by the Group and in compliance with IFRS.

All transactions between Group companies and the related balances are eliminated on consolidation.

The proportion of minority shareholder interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity. This interest is determined on the basis of the percentage they hold in the fair values of the assets and liabilities recognised as at the date of the original acquisition and in changes in equity after that date. Subsequently, losses attributable to minority shareholders in excess of their equity are attributed to Group equity, except in cases where minorities have a binding obligation and are able to provide further investment to cover losses.

Business combinations

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is determined by the sum of the current values at the date of obtaining control of the assets considered, the liabilities incurred or assumed and the financial instruments issued by the Group in exchange for control of the acquired company.

The goodwill deriving from the acquisition is only determined in the acquisition phase, posted as assets and represented by the additional value of the acquisition cost when compared with the Group portion of the current values of the identifiable assets, liabilities and potential liabilities recorded.

The minority interest in the acquired company is initially valued at the share of the current values of the assets, liabilities and contingent liabilities recorded.

The acquisition of subsidiary companies is accounted for using the acquisition method. The identifiable assets, liabilities and contingent liabilities of the acquired enterprise that meet the conditions for entry under IFRS 3 are entered at their current values as at the date of acquisition, apart from non-current assets (or disposal groups). These are classified as held for sale in accordance with IFRS 5, which are entered and valued at current values minus selling costs.

Goodwill arising from the acquisition of control of an equity investment or a business unit represents the surplus between the acquisition cost (the sum of payments transferred in the business combination), increased by the fair value of any holding previously held in the acquired enterprise, relative to the fair value of identifiable assets, liabilities and contingent liabilities of the entity acquired at the date of acquisition.

In the case of acquiring stock that does not give total control, the goodwill can be determined at the date of acquisition both in relation to the percentage of control acquired and by assessing at fair value the proportion of shareholders' equity of third parties (so-called full goodwill).

The choice of the valuation method can be made from time to time for each transaction.

For determining goodwill, the consideration transferred in a business combination is calculated as the sum of the fair value of the assets transferred and the liabilities taken on by the Group at the date of acquisition and the equity instruments issued in exchange for the control of the acquired entity, also including the fair value of any payments subject to conditions stipulated in the acquisition agreement.

Any goodwill adjustments may be recognised during the measurement period (which may not exceed one year from the date of acquisition) due to subsequent changes in the fair value of payments subject to conditions or the determination of the current value of the assets and liabilities acquired, if recorded only provisionally at the date of acquisition and if such changes are determined as adjustments on the basis of more information on facts and circumstances existing at the date of aggregation. In the event of the sale of shares of subsidiaries, the residual amount of goodwill attributable to them is included in the determination of the capital gain or loss from the divestment.

Scope of consolidation

The consolidated financial statements at 31 December 2019 include the financial and capital data of Cellularline S.p.A. (parent company) and the operating companies of which the parent company owns, directly or indirectly, more than 50% of the share capital, or has a controlling holding as defined by IFRS 10.

The method used for consolidation is that of full consolidation for the following companies:

Financial	Headquarters	Currency	Share Capital	ownership %	
				Direct	Indirect
Cellularline S.p.A.	Italy (Reggio Emilia)	EUR	21,343,189	-	-
Cellular Spain S.L.U.	Spain (Madrid)	EUR	3,006	100%	-
Cellular Immobiliare Helvetica S.A.	Switzerland (Lugano)	CHF	100,000	100%	-
Cellular Inmobiliaria S.L.U.	Spain (Madrid)	EUR	3,010	100%	-
Pegaso s.r.l.	Italy (Reggio Emilia)	EUR	70,000	60%	-
Systema s.r.l.	Italy (Reggio Emilia)	EUR	100,000	-	60%

The related company Cellular Swiss S.A., as shown below, is consolidated by the equity method:

Financial	Headquarters	Currency	Share Capital	ownership %	
				Direct	Indirect
Cellular Swiss S.A.	Switzerland (Aigle)	CHF	100,000	50%	-

2.4 Use of estimates and valuations in the preparation of the consolidated financial statements

As part of the preparation of the consolidated financial statements, management had to formulate assessments, estimates and assumptions that influence the application of accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. However, it should be noted that, since these are estimates, the results obtained will not necessarily be the same as those represented here. These estimates and assumptions are regularly reviewed.

The relevant subjective valuations of the management in the application of the Group's accounting standards and the main sources of uncertainty of the estimates are listed below.

Fair value assessment

In assessing the fair value of an asset and a liability, the Group makes use of observable market data where possible.

Fair values are distinguished at various hierarchical levels based on input data used in evaluation techniques, as follows:

- Level 1 are (unadjusted) prices quoted in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 are variables other than the quoted prices included in Level 1, which can be observed directly or indirectly for assets or liabilities;
- Level 3 are variables that cannot be observed for assets or liabilities.

If the input data used to assess the fair value of an asset or liability can be classified at different levels of the fair value hierarchy, the entire assessment is placed in the same hierarchy level as the lowest level input that is significant for the entire assessment.

Goodwill, brand and customer relationship recoverability

Goodwill

The Group checks annually and each time there is a loss of value indicator, by means of the impairment test, for any impairment of the value of goodwill. For the purposes of this verification, the recoverable amount generated by the cash-generating units was determined as the value of use according to the discounted cash flow method. In applying this method, the Group uses various assumptions, including the estimate of future increases in sales, operating costs, growth rate of end values, investments, changes in operating capital and the weighted average cost of capital (discount rate).

As the main estimates and assumptions made in preparing the plan, and therefore the impairment test, change, so the value in use and the resulting value of the assets recognised that will effectively be achieved also change.

The Group, also with the support of an Independent Accounting Expert, has formalised an impairment test, the criteria of which were approved by the Parent Company's Board of Directors on 11 March 2020, in order to identify any impairment losses due to the excess of the carrying amount of the CGU, including goodwill, with respect to its recoverable amount. This recoverable amount is based on the value of use, determined by the method of discounting the expected operating cash flows ("Discounted Cash Flow") estimated on the basis of both an explicit time frame and a terminal value.

The estimate of the expected operating cash flows, based on the 2020-2022 Business Plan of Cellularline S.p.A., was used for the impairment test.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected operating cash flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the CGU in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Trademarks

The Group verified through the impairment test the possible loss of value of registered trademarks as a defined useful life asset. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019. The above-mentioned impairment test was also carried out in order to identify any losses due to value reductions determined by the excess of the carrying amount of the defined useful lives of the trademarks in relation to the recoverable amount of the trademarks. This recoverable amount is based on the value of use determined, for trademarks with defined useful lives, by means of the relief from royalties method deriving both from expected turnover over an explicit time frame as well as from the terminal value. The estimate of the net flows of royalties,

deduced from the 2020-2022 Business Plan of Cellularline S.p.A., was used for impairment testing purposes.
The fair value of the dominant asset is obtained by discounting the flows of theoretical royalties calculated on the income for the years of the asset's residual life.
The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected royalty flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the trademarks in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Customer relationship

The Group verified through the impairment test the possible loss of value of customer relationships recognised as a defined useful life asset. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.
The above-mentioned impairment test was also carried out in order to identify any losses due to value reductions determined by the excess of the carrying amount of the customer relationship's defined useful life with respect to the recoverable amount of the customer relationship. This recoverable amount is based on the value of use, determined by the Multi Period Excess Earnings Method (MEEM). It is based on the assumption that the relevant income of the asset identified as a dominant strategic asset can be determined by deducting from the total income the normal remuneration of all other assets.
The fair value of the dominant asset is obtained by discounting the expected residual income for the years of the asset's residual life.
The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected residual revenues, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the Customer Relationship in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Valuation of receivables

The provisions for bad debt reflect the management estimate of the losses related to the customer loans portfolio. The provisions are estimated based on the Group's expected losses, taking into account future expectations of the creditworthiness of counterparties, current and historical bad debts, losses and receipts, monitoring of credit quality and projections of economic and market conditions. The Group has adopted a specific procedure for the valuation of loans and the determination of the provision.

Valuation of inventories

The inventory obsolescence provision reflects the Group companies' estimate of the clear or expected losses in the value of inventories, determined on the basis of past experience, historical and expected sales trends. The inventory write-down provision takes into account the commercial obsolescence for each class of products on the basis of rotation indices, market values and specific technical valuations linked to technological evolution.

Valuation of the stock grant plan

The stock grant plan was valued by means of two evaluation methods: the binomial options pricing and Black & Scholes models.

Recoverability of deferred tax assets

The Group's consolidated financial statements include deferred tax assets. These deferred taxes were accounted for on account of their recoverable amounts, on the basis of the future income expectations of the Group companies.

Provisions

The Group - operating globally - is subject to legal and tax risks arising from normal operations. The Group recognises and measures contingent liabilities on the basis of assumptions mainly relating to the probability and extent of the financial outlay.

2.5 Relevant accounting standards used in the preparation of the Consolidated Financial Statements

The consolidated Financial Statements are presented in Euro, the functional and presentation currency of the Parent Company.

Foreign currency transactions are converted into the operating currency of each entity of the Group at the exchange rate in force on the date of the transaction.

Monetary items in foreign currency at the closing date of the financial year are converted into the functional currency using the exchange rate at that date. Non-monetary items valued at fair value in a foreign currency are converted into the operating currency using the exchange rates in force at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate in force on the same date of the operation. Exchange rate differences arising from the conversion are generally recognised among borrowing costs in the profit/(loss) of the period.

The following changes were applied in the conversion to Euro of the financial statements at 31 December 2019 of the company Immobiliare Helvetica:

Currency	2019 average	Period end as at 31 December 2019	2018 average	Period end as at 31 December 2018
CHF/ Euro	1.112	1.085	1.155	1.126

Intangible assets

Intangible assets acquired or produced 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.

Limited-life intangible assets are valued at the cost of purchase or production, net of accumulated amortisation and impairment losses.

These 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%
Customer relationship	7.7%
Software Costs	33%
Licenses for use	33-50%
Cellularline brand	5.5%
Interphone brand	10%
Trade Agreement	14%
Right of use	Duration of the contract
Other	33%

If the licences are intended for specific service contracts, they are amortised according to the duration of the contract in question.

Some of the above items are detailed below.

Development costs

Costs for product development projects are recognised as intangible fixed assets when it is considered that the project will be successful, taking into account the commercial opportunities of the project, provided that the costs can be measured reliably and provided that appropriate analyses demonstrate that they will generate future economic benefits. For the Group, development activity has always been assimilated to a "normal" activity of applying research results for continuous and constant improvement. Consequently, this activity is constant throughout the year, with the exception of specific limited development projects which have led to the realisation of innovative technologies.

Advertising expenses, which do not meet the requirements of IAS 38, are always charged to the income statement in the reference year.

Customer relationship

The Purchase Price Allocation process saw the enhancement of the Group's customer relationships as a sum of the customer relationships relating to the Red, Blue and Black product lines.

Note that the Customer relationship is due to the contracts in place with the reference customers, enabling the Group to limit access by third parties by means of a consolidated relationship with the customers. *Fair value* can be measured reliably, given the possibility of identifying the economic benefits attributable to the activity in question by monitoring the revenues generated by individual customers for each product line. The residual useful life, also in consideration of the abandonment rate or the percentage of customers that historically discontinue trade relationships with the company at a given moment, can be estimated as 13 years.

The Group verified through the impairment test the possible loss of value of customer relationships recognised as a defined useful life asset. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.

The Group used an independent accounting expert for the valuation of this item.

Software costs, licences and trademarks

This item mainly includes the effect of the Purchase Price Allocation process in relation to the fair value of the Cellularline and Interphone brands.

For the purpose of estimating fair value, a royalty rate was chosen as a basis for the analysis (taken from market transactions deemed to be comparable) and applied to the cash flows attributable to the asset concerned. These flows were expressed net of the marketing costs intended to maintain the intangible asset at the conditions it was in at the date of the assessment and the relative tax burden. The value of the asset is represented by the sum of the current values of the income 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 has the opportunity to benefit from the economic benefits attributable to it, reflected in the revenues of the Red product line for the Cellularline brand, recognised at European level for smartphone and tablet accessories for over 25 years, and the Black division for the Interphone brand. The estimated useful life of these trademarks is 18 and 10 years, respectively.

The Group has checked – prudently and without a trigger event – through the impairment test, the possible loss of value of registered trademarks recognised as assets with a defined useful life. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.

The Group used an independent accounting expert for the valuation of this item.

Software costs, including ancillary expenses, relate to software acquired for the company's use. Licences for use refer to software licences dedicated to specific service supply contracts.

Trade Agreement

The Purchase Price Allocation process, carried out following the acquisition of Systema,

saw the enhancement of a trade agreement with a leading international telephone operator. In 2006, Systema started the production and marketing of accessories to a leading international telephone operator, establishing a long-lasting strategic collaboration. This asset qualifies as a contractual trade agreement for the supply of goods and/or services to third parties and meets the following conditions:

- It guarantees future sales, with no fixed expiry and despite the possibility of withdrawal by both parties; the relationship continues from 2006 to the date of the Business combination on 3 April 2019;
- sales are regulated under conditions which guarantee, in addition to a normal return on investment, an extra-income.

The commercial agreement meets the requirements identified by IFRS 3 (Business combinations) and IAS 38 (Intangible assets) for the identification and exploitation of intangible assets.

The Multi Period Excess Earnings Method (MEEM) was used for the evaluation of the trade agreement; this methodology is based on the assumption that the relevant income of the asset, identified as the dominant strategic asset (Primary income-generating Asset), can be determined by deducting from the total income the normal remuneration of all other assets (tangible and intangible). The fair value of the dominant asset is obtained by discounting the expected residual excess earnings for the years of residual life of the asset (multi-period).

The Group used an independent accounting expert for the valuation of this item.

Goodwill

Goodwill derived from business combinations is initially entered at cost and represents the excess of the purchase cost over the fair value portion of the assets, liabilities and contingent liabilities of the acquired companies. Any negative difference, or negative goodwill, is recognised in the income statement at the time of acquisition.

In the case of acquisitions of subsidiaries in stages, the individual assets and liabilities of the subsidiary are not measured at fair value in each subsequent acquisition and goodwill is determined solely at the first acquisition stage.

After the initial entry, the goodwill is reduced by any accumulated value 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 synergistic effects of the acquisition. Any loss in value is identified through valuations based on the ability of each unit to generate cash flows capable of recovering the portion of goodwill allocated to it, in the manner indicated in the section on tangible assets. If the recoverable amount of the cash-generating unit is lower than the carrying amount attributed, the related impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist.

On the disposal of part or all of the business previously acquired and from the acquisition of which goodwill emerged, the corresponding residual value of the goodwill is taken into account in determining the capital gain or loss on disposal.

Goodwill is not subject to amortisation.

Losses of value (Impairment test)

Based on the above considerations, the Group verifies, at least once a year for goodwill, the recoverable amount of intangible, tangible and financial assets to determine whether there is any indication that such assets may have suffered a loss of value. If such an indication exists, an estimate of the asset's recoverable amount is required to determine the amount of any impairment loss.

When it is not possible to estimate the recoverable amount of a single asset, the Group estimates that value 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 greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, 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 a loss on an asset other than goodwill is later diminished, the carrying amount of the cash-generating unit or asset is increased up to the new estimated recoverable amount and may not exceed the value that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.
The Group used an independent accounting expert for the valuation of this item.

Property, plant and equipment
Property, plant, machinery and industrial equipment (including those under financial leasing) 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 charge directly incurred to prepare the assets for their use.
Interest expense incurred on loans obtained for the acquisition or construction of tangible fixed assets is recorded as an increase only in the case of fixed assets that meet the requirements to be recorded as such, or that require a significant period of time to be ready for use or marketable.
Costs incurred for maintenance and repairs of an ordinary nature are charged directly to the income statement in the year in which they are incurred, whereas maintenance costs having an increasing value are attributed to the assets to which they relate and amortised contextually to the reference assets in relation to the residual possibility of use.
Fixed assets under development and advances to suppliers are recorded under assets on the basis of the cost incurred and/or the advance paid, including the directly attributable expenses.
Depreciation is determined on a straight-line basis over the cost of the assets, net of their residual values (when reasonably estimable), according to their estimated useful life by applying the following percentage rates (main categories):

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

The exception is that of fixed assets intended for instrumental use on specific service supply contracts, which are depreciated according to the term of the reference contract. Depreciation begins when assets are ready for use and, in the period of entry into service, is calculated at half the rate, with the exception of fixed assets intended for instrumental use on specific service supply contracts, which are depreciated according to the duration of the remaining days from the date of effectiveness of the service contract.
Profits and losses arising from sales or disposals of assets are determined as the difference between sales revenue

and the net carrying amount of the asset and are recognised to the income statement for the period.

Equity investments in associated companies

The Group's equity investments in associated companies are valued using the equity method. A subsidiary is a company over which the Group has a significant influence and which is not classifiable as a subsidiary or joint venture.

Therefore, the holding in a related company is entered in the balance sheet at cost, increased by changes following the acquisition in the Group's proportion of the equity. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After applying the equity method, the Group determines whether it is necessary to recognise any additional impairment losses with reference to the Group's net investment in the associate. The income statement reflects the Group's share of the associate's profit for the year. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After applying the equity method, the Group determines whether it is necessary to recognise any additional impairment losses with reference to the Group's net investment in the associate. The income statement reflects the Group's share of the associate's profit for the year. In the event that an associated company records adjustments directly attributable to shareholders' equity, the Group records its share and represents it, where applicable, in the statement of changes in shareholders' equity.

Equity investments in other companies

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

Financial assets and liabilities

The new accounting standard IFRS 9 Financial Instruments was applied with effect from 1 January 2018.

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

The standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39. The main innovations in the document concerns:

- changes to the effectiveness test by replacing the current 80-125% parameter-based modalities with the principle of the "economic relationship" between the hedged item and the hedging instrument; in addition, the valuation of the retrospective effectiveness of the hedging relationship will no longer be required;
- the increase in the types of eligible hedge accounting transactions, also including the risks of non-financial assets/liabilities eligible for hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting relationship, in order to reduce the volatility of the income statement.

Recognition and evaluation

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised at the trade date, i.e. when the Group 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 valued at fair value plus or minus - in the case of financial assets or liabilities not valued at Fair Value Through Profit or Loss (FVTPL) - the costs of the transaction directly attributable to the acquisition or issuance of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

Classification and subsequent assessment

At the time of initial recognition, a financial asset is classified on the basis of the amortised cost or fair value recognised in the profit/(loss) of the financial year (FVTPL).

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

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

- the financial asset is held within the scope of a business model whose objective is the possession of financial assets for the collection of the related contractual financial flows; and
- the contractual terms of the financial asset provide for certain given financial flows represented solely by payments of capital and interest on the amount of capital to be repaid.

All financial assets not classified as valued at amortised cost or *Fair value through other comprehensive Income (*FVOCI), as indicated above, are valued at FVTPL. At the time of the initial recognition, the Group may irrevocably designate the financial asset as measured at fair value recognised in the operating profit/(loss) if it thereby eliminates or significantly reduces an accounting asymmetry that would otherwise result from the valuation of the financial asset at the amortised cost or at the FVOCI.

Financial assets: subsequent assessment and profits and losses

- Financial assets assessed at FVTPL: these assets are subsequently assessed at fair value. Net profits and losses, including dividends or interest received, are recognised in the profit/(loss) of the financial year.
- Financial assets assessed at amortised cost: these assets are subsequently assessed at amortised cost in accordance with the effective interest criterion. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the profit/(loss) of the year as well as any profit or loss from derecognition.

Financial liabilities: classification, subsequent assessment and profits and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss for the period as are any gains or losses from derecognition.

Derecognition of accounts

- Financial assets are removed from the statements when the contractual rights on financial flows arising from them expire, when the contractual rights to receive cash flows in a transaction in which substantially all risks and benefits arising from the ownership of the financial asset are transferred or when the Group does not transfer or substantially maintain all risks and benefits arising from the ownership of the financial asset and does not maintain control of the financial asset.
- Financial liabilities: the Group removes a financial liability from the statements when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even in the event of a change in the related contractual terms and the cash flows of the modified liability are substantially different. In such 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 and the consideration paid (including assets not represented by transferred cash and cash equivalents or assumed liabilities) is recognised in the profit/(loss) of the period.

Netting

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

Impairment losses

Financial instruments and contract assets

The Group values provisions for impairment by an amount equal to the losses expected over the life of the related amount. Impairment provisions of trade receivables and contract assets are always valued at the amount equal to the expected losses throughout the life of the related receivable.

In order to determine whether the credit risk for a financial asset has increased significantly following the initial recognition, to estimate expected losses on loans, the Group considers information that is reasonable and demonstrably relevant and available. This includes quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment and information indicative of expected developments.

Expected losses on long-term receivables are expected losses on receivables arising from all possible defaults over the expected life of a financial instrument.

The expected losses on 12-month receivables are the losses arising from possible defaults over the 12 months from the end of the financial year (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into consideration in assessing expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Impaired financial assets

At each closing date of the financial year, the Group assesses whether financial assets valued at amortised cost have deteriorated. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that the financial asset has deteriorated is provided by observable data relating to the following events:

- significant financial difficulties of the Group or of the debtor;
- a breach of the contract, such as a failure to fulfil obligations or a due date not respected for more than 90 days;
- the restructuring of a debt or an advance by the Group under conditions that the Group would not otherwise have taken into consideration;
- whether the debtor is likely to declare bankruptcy or other financial restructuring procedures;
- the disappearance of an active market for that financial asset due to financial difficulties.

Write-down

The gross carrying amount of a financial asset is written-down (partly or wholly) to the extent that there is no real prospect of recovery. The Group's policy is to write down the gross carrying amount when the financial asset has been due for more than 90 days, based on historical experience in the recovery of similar assets. Writedowns of financial assets could still be enforced in order to comply with the Group's debt recovery procedures.

Non-financial assets

At each closing date of the financial year, the Group shall verify whether there is objective evidence of impairment by reference to the accounting values of its non-financial assets, investment property, inventories and deferred tax assets. If, on the basis of this verification, it appears that the assets have actually been reduced in value, the Group estimates their recoverable amount. The recoverable value of goodwill is estimated annually.

Inventories

Inventories are valued at the lower of purchase or production cost, determined on the basis of a method that approximates the Weighted Average Cost, including incidental expenses, direct and indirect costs for the portion reasonably attributable to them and the estimated value based on market trends. If the net realisable value is lower than the cost, the inventories are written down for the difference found on the basis of a valuation carried out on an asset-by-asset basis. The write-down is determined following a specific recoverability analysis; it is eliminated in subsequent years if the reasons for the write-down have diminished, by restoring the original value. Goods in transit are valued according to specific identification of the purchase cost.

Cash and cash equivalents

Cash and cash equivalents include cash balances and on demand deposits with maturities of three months or less from the original date of acquisition, which are subject to an insignificant risk of change in fair value and are used by the Group for managing short-term commitments.

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Employee benefits

The employee severance indemnity was accounted for by applying the provisions of IAS 19.

Severance indemnities of Italian companies up to 31 December 2006 were considered defined-benefit plans; the rules of such provisions were amended by Law No. 296 of 27/12/2006. This institution is now to be regarded as a defined-benefit plan exclusively for amounts accrued before 1 January 2007 (and not yet paid as at the date of the financial statements). After that date it is treated a defined-contribution plan, provided that amounts of severance indemnities accrued after 1 January 2007 are paid to the appropriate “Treasury Fund” established at INPS (or equivalent pension forms), in accordance with the provisions of the above-mentioned regulatory measure. Due to the regulatory environment, the composition of the company’s staff and its seniority, the effects of using actuarial techniques and discounting of future liabilities as at the reporting date are considered to be irrelevant, considering the nominal book value to be a reliable approximation of the fair value of the expected discharge value.

Provisions for current risks and charges

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) resulting from a past event, a financial outlay is probable to meet this obligation and it is possible to make a reliable estimate of its amount. When the Group believes that a provision for risks and charges will be partially or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately under assets if and only if it is practically certain. In this case, the cost of any related provision, net of the amount recognised for the indemnity, is presented in the income statement. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recognised as a financial expense.

The Agents' Severance Indemnity Provision (FISC) meet the annual provisions for payment of allowances following termination of agency relationships.

In fact, according to the Italian rules (art. 1751 of the Italian Civil Code), when the agency contract is terminated for events not attributable to the agent, the principal must pay an agent severance indemnity, calculated on the total amount of commissions the agent is entitled to during the arrangement, even if not entirely paid at the point of terminating the arrangement.

In light of international accounting standards, and in relation to the guidelines provided by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), the FISC has been considered a post-employment benefit of the defined-benefit plan type, for which its value for accounting purposes is determined by actuarial methods. The actuarial valuation of the FISC was carried out on the basis of the “accrued benefits” methodology via the "Projected Unit Credit Method" (PUM) as envisaged in arts. 64-66 of IAS 19. This methodology is based on assessments that express the average current value of pension obligations accrued on the basis of the service that the agent has provided up to the point the assessment is carried out, but projecting the agent’s commissions up to the anticipated date of continuing the agency relationship with the principal company.

Conversion of values expressed in foreign currency

The Group's operational and reporting currency is the euro.

Assets and liabilities, with the exception of tangible, intangible and financial fixed assets, originally expressed in currencies of non-EU countries, are converted into EUR at the spot-exchange rate on the closing date of the financial year, and their foreign exchange gains and/or losses are charged to the income statement. Revenues and income, costs and expenses relating to foreign currency transactions are recorded at the exchange rate of the date when the transaction is carried out.

Recognition of revenues

Revenues are recognised on the basis of the transfer of control of goods or services to the customer and to the extent that the economic benefits are likely to be achieved by the Group and the amount of such benefits can be reliably determined. In addition, they are entered net of returns, discounts, rebates and premiums.

Interest and financial income

Financial income and expenses are recognised on an accruals basis using the effective interest rate and include exchange gains and losses and gains and losses on derivative financial instruments recognised in the income statement.

Public contributions

Government grants are recognised when there is a reasonable certainty that they will be received and all the conditions relating to them are met. 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 charges

Financial expenses are recognised in the income statement at the time they are incurred. Financial charges are capitalised when they refer to a fixed asset that requires a significant period of time to be ready for its intended use or for sale.

Income taxes

Current taxes

Current tax assets and liabilities for the current and previous financial year are assessed 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 enacted and in place at the closing date of the financial statements.

Deferred taxes

Deferred taxes are calculated using the so-called liability method on the temporary differences resulting at the closing date of the financial statements between the tax values taken for assets and liabilities and the values reported in the financial statements.

Deferred tax liabilities are recorded against all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, does not affect either the profit for the financial year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- for the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the reversal of temporary differences can be controlled and is likely not to occur in the foreseeable future.

Deferred tax assets are recognised against all deductible temporary differences and for tax assets and liabilities brought forward, to the extent that appropriate future tax profits are likely to exist which may make applicable the use of deductible temporary differences and tax assets and liabilities brought forward, except where the deferred tax asset linked to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction itself, does not affect either the profit for the financial year calculated for purposes of the financial statements or the profit or loss calculated for tax purposes.

With regard to taxable temporary differences associated with holdings in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that deductible temporary differences are likely to be reversed in the immediate future and that there are adequate tax profits against which temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available in the future to allow all or part of this receivable to be used. Unrecognised deferred tax assets are reviewed annually at the balance sheet date and are recognised to the extent that it has become probable that the tax profit will be sufficient to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rates expected to be applied to the period in which those assets are realised or those liabilities are extinguished, taking into account the rates in force and those enacted at the closing date of the financial statements.

Income taxes relating to items posted directly in equity are recognised directly in equity and not in the income statement.

Deferred tax assets and liabilities are offset, where there is a legal right to offset current tax assets with current tax liabilities and deferred taxes refer to the same tax entity and tax authority.

Earnings per share

The diluted and basic earnings per share are shown at the bottom of the income statement. The basic profit per share is calculated by dividing the profit/(loss) of the Cellularline Group by the weighted average of ordinary shares outstanding during the period, excluding own shares. For calculating diluted earnings per share, the weighted average of outstanding shares is adjusted by assuming the conversion of all potential dilutive shares.

Risks, commitments, guarantees

Commitments and guarantees are indicated at their contractual value, along with the risks for which the manifestation of the liability is only possible, without allocating provisions for risk.

The risks for which the occurrence of a liability is probable are described in the explanatory notes and allocated, in accordance with the criteria of fairness, to the provisions for risks. Risks of a remote nature are not taken into account.

2.5.1 Changes in accounting standards

With the exception of the following, the consolidated financial statements were drawn up using the same accounting standards as those applied in the last annual iteration.

The Group adopted IFRS 16 (Leasing) as of 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which entered into force on 1 January 2019, had no significant effect on the Group's consolidated financial statements.

IFRS 16 introduces a single lease accounting model in the lessees' statements according to which the Group, as a lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay lease payments. The rules for accounting for the lessor, on the other hand, remain similar to those laid down in the standard previously in force.

The Group made use of the option to adopt IFRS 16 by the amended retrospective method, which provides for the possibility of acquiring, as of 1 January 2019, the right of use for an amount equal to the residual financial liability at that date, without recalculating the data for the previous financial year.

As a result, the consolidated balance sheet balances as at 31 December 2019 are not fully comparable with the figures for the financial year ended 31 December 2018.

Details of the changes to this accounting standard are set out below.

Definition of *leasing*

Previously, the Group established at the beginning of the contract whether the contract was, or contained, a lease according to IFRIC 4 Determining whether an agreement contains a lease. In accordance with IFRS 16, the Group evaluates whether the contract is a lease or contains one on the basis of the new lease definition. According to IFRS 16, the contract is, or contains *a lease* if, in exchange for a consideration, it transfers the right to control the use of an identified asset for a period of time.

At the initial date of application of IFRS 16, the Group decided to adopt the operating mode which allows it not to review which transactions constitute a lease. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not re-evaluated to determine whether they were a lease. Therefore, the lease definition in IFRS 16 was applied only to contracts signed or amended on or after 1 January 2019.

Accounting model for the lessee

The Group leased assets such as buildings and cars. As a lessee, the Group previously classified leases as operating or financial by assessing whether the lease essentially transferred all risks and benefits related to the property.

According to IFRS 16, the Group recognises in the statement of assets and liabilities assets through the right of use and leases as liabilities.
However, the Group decided not to recognise assets for the right of use and liabilities relating to leases of assets of modest value (less than USD 5,000). Therefore, the Group recognises the lease payments related to these leases as a cost, with a constant rate criterion throughout the lease term.
The Group recognises assets for rights of use which do not meet the definition of real estate investments under 'Real Estate, plant and Equipment', the item used to report the underlying assets it holds of that nature. Assets for rights of use which meet the definition of real estate investments are presented under the item of the same name.
Book values of assets for rights of use are listed below.

Effects resulting from the application of IFRS 16

(In thousands of Euro)	**Real estate**	**Cars**	**Total**
Balance as of January 1, 2019	788	1,249	**2,038**
Balance as at 31 December 2019	896	1,642	**2,538**

The Group sets out leasing liabilities under 'Other financial liabilities' in the summary of the statement of assets and liabilities.
On the effective date of the lease, the Group recognises the asset for rights of use and the liability of the lease. The asset for right of use is initially valued at cost, then at cost net of amortisation and accumulated impairment losses, and adjusted to reflect revaluations of the lease liability. The asset for right of use which satisfies the definition of investment property is reported under the investment property item and is initially valued at cost and subsequently at fair value, in accordance with the Group's accounting policies.
The Group values the leasing liability at the current value of payments due for leases not paid as at the effective date, discounting them using the implicit interest rate of the lease. Where this rate cannot be easily determined, the Group uses the marginal financing rate. Generally, the Group uses the marginal financing rate as the discount rate.
The leasing liability is subsequently increased by interest accruing on said liability and decreased by the lease payments made and is revalued in the event of any change in future lease payments due to a change in the index or rate, in the event of a change in the amount that the Group expects to pay as a guarantee on the residual value or when the Group changes its valuation with respect to the exercise or otherwise of a purchase, extension or termination option.
The Group estimated the duration of the lease of certain contracts in which it acts as a lessee and has renewal options. The Group's assessment of whether the certainty of exercising the option is reasonable or not affects the lease term estimate, significantly impacting the amount of the leasing liabilities and the assets for the recognised right of use.
The Group used the following practical arrangements to apply IFRS 16 to leases previously classified as operational under IAS 17:

- it applied the exemption from recognition of assets for the right of use and liabilities of leases for a term of less than 12 months;
- it excluded the initial direct costs from the assessment of the asset for the right of use at the date of initial application;

- it was based on the experience gained in determining the duration of the lease containing lease extension or termination options.

Effects of first application of IFRS 16

During the initial application of IFRS 16, the Group recognised additional assets for the right of use, including real estate investments and other leasing liabilities.

(In thousands of Euro)	**1 January 2019**
Assets for right of use included in the item "Right of use"	2,038
Leasing liabilities	(2,038)

When evaluating lease liabilities classified as operating leases, the Group discounted lease payments using the marginal lending rate as of 1 January 2019. The weighted average rate applied is 2.5 % per year.

Following the first application of IFRS 16 to leases previously classified as operating leases, the Group recognised assets for right of use and lease liabilities, respectively, at Euro 1,806 thousand and Euro 1,852 thousand as at 31 December 2019.

In addition, in relation to leases recognised in accordance with IFRS 16, the Group recognised depreciation and interest in place of operating lease costs. During the trading period to 31 December 2019, the Group reported depreciation and interest amounting to Euro 732 thousand and Euro 86 thousand respectively.

2.6 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

The changes and interpretations to the accounting standards and criteria in force from 1 January 2019 relate to matters and cases which are not present or not relevant to the Group's financial statements:

Document Title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Pre-payment items with negative compensation (Amendments to IFRS 9)	October 2017	1 January 2019	22 March 2018	(EU) 2018/498 26 March 2018
IFRIC Interpretation 23 – Uncertainty about treatment for income tax purposes	June 2017	1 January 2019	23 October 2018	(EU) 2018/1595 24 October 2018
Long-term interest in associate companies and joint ventures (Amendments to IAS 28)	October 2017	1 January 2019	08 February 2019	(EU) 2019/237 11 February 2019
Modifying, reducing, or extinguishing the plan (Amendments to IAS 19)	February 2018	1 January 2019	13 March 2019	(EU) 2019/402 14 March 2019
Annual cycle of improvements to IFRS 2015-2017	December 2017	1 January 2019	14 March 2019	(EU) 2019/412 15 March 2019

Accounting standards, amendments and interpretations IFRS and IFRIC approved by the European Union, not yet necessarily applicable and not adopted in advance by the Company at 31 December 2020

The following are the new accounting policies or changes to the standards, applicable for periods beginning after 1 January 2020, which are allowed to be applied in advance. The Group has decided not to adopt them in advance for the preparation of these financial statements:

Document Title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Amendments to references to the IFRS Conceptual Framework	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019
Definition of relevant (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Reform of the benchmark indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

It should be noted that these documents will only be applicable after EU approval:

Document Title	Issue date by the IASB	Date of entry into force of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 *Regulatory Deferral Accounts*	January 2014	(**Note 1**)	(**Note 1**)
IFRS 17 *Insurance Contracts*	May 2017	1 January 2021 (**Note 2**)	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB equity method project	Postponed until the conclusion of the IASB equity method project
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 2020	1 January 2022	TBD

(Note 1) IFRS 14 came into force on 1 January 2016, but the European Commission has decided to suspend the approval process pending the new accounting standard for "rate-regulated activities".

(Note 2) It should be noted that in June 2019, the IASB published a draft exposure that includes some Amendments to IFRS 17 and the postponement of the entry into force of the new accounting standard on 1 January 2022. At the reference date of this checklist (23 January 2020), Amendments to IFRS 17 have not yet been finally approved by the IASB.

2.7 Information on operational sectors

The operating sector identified by the Group, which incorporates all the services and products supplied to customers, is unique and coincides with the whole Group. The Group's vision of the company as a single business means that it has identified a single Strategic Business Unit ("SBU").

The Group's activities are developed through a single operating sector and can be divided into three main product lines:

- Red product line (multimedia accessories);
- Black product line (accessories for the motorcycle and bicycle world);
- Blue product line (third-party products marketed under licence).

3. Explanatory Notes to the Statement of Financial Position

For the financial years ending 31 December 2019 and 31 December 2018, the following are comments on the main items of assets and liabilities in the consolidated financial statements.

ASSETS

NON-CURRENT ASSETS

3.1 Intangible assets

For the item in question, an appropriate table of movements has been prepared, reported below, which indicates for each item the historical costs, previous amortisation/depreciation, the movements made during the period and the final balances. Amortisation/depreciation was calculated on the basis of rates considered to be representative of the residual possibility of using the relative intangible assets.

The following is the balance of intangible assets, broken down by category, at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	Position at 31 December 2019			Position at 31 December 2018		
	Historical Cost	(Provisions for amortisation/ depreciation)	Net Carrying Amount	Historical Cost	(Provisions for amortisation/ depreciation)	Net Carrying Amount
Development costs	3,333	(2,680)	653	1,044	(503)	541
Industrial patent rights and rights to use intellectual works	19,042	(17,208)	1,834	957	(404)	545
Concessions, licenses, trademarks and similar rights	23,870	(5,320)	18,550	20,245	(677)	19,568
Customer relationships/trade agreements	61,681	(7,483)	54,198	59,707	(2,679)	57,028
Work in progress and advances	317	-	317	809	-	809
Other fixed assets	-	-	-	366	(251)	123
Total intangible assets	**108,243**	**(32,691)**	**75,553**	**83,128**	**(4,514)**	**78,614**

The following are the movements of intangible assets for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	
Balance as at 31 December 2018	**78,614**
Increases	2,801
Company acquisitions	2,194
(Decreases)	-
(Amortisation/depreciation and write-downs)/revaluations	(8,056)
Balance as at 31 December 2019	**75,553**

With regard to the financial statements at 31 December 2019, we report that the Group made investments of EUR 2,800 thousand, predominantly for the implementation of IT systems and the development of the e-commerce platform and product and brand R&D activities.

In particular, investments were mainly attributable to:

- Development costs of Euro 1,200 thousand; this item includes the costs incurred for investment in specific product innovation projects. These costs are considered to be of multi-annual utility, since they relate to projects being implemented, the products of which are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which normally takes 2 years;

- industrial patent rights and rights to use intellectual works, amounting to EUR 1,283 thousand; the heading includes mainly 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. Investments relate predominantly to SAP operating innovations, the "Hybris" project, which is considered strategic for the development of B2B and B2C and will support the growth of the business in different channels, and in further innovations and IT projects, aimed at having information tools that are increasingly effective and efficient in support of business and compliance;
- Fixed assets in progress and downpayments; the item includes increases, by approximately Euro 317 thousand, related to the launch of the new entry-level PLOOS brand and the Cellularline re-branding, both formalised in the first quarter of 2020.

3.2 Goodwill

Shown below is the breakdown of the Goodwill item as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	**Position as at**	
	31 December 2019	**31 December 2018**
Goodwill	95,069	93,857
Total Goodwill	**95,069**	**93,857**

The following are the movements of the Goodwill item for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2018	**93,857**
Acquisitions	1,212
Increases	-
(Write-downs)	-
Balance as at 31 December 2019	**95,069**

The value of goodwill as at 31 December 2019, amounting to Euro 95,069 thousand, increased compared with the year ended 31 December 2018 solely through the (now final) residual capital gain of Euro 1,212 thousand, which emerged from the application of IFRS 3 (explained below) in the evaluation phase of the assets acquired from Systema.

IFRS 3

On 3 April 2019 Cellularline S.p.A. acquired control - through the purchase of 60% of Pegaso s.r.l - of Systema s.r.l. (100% owned by Pegaso), a company active in the mobile accessories market in the Telco channel. The acquisition resulted in a comprehensive financial impact of approximately Euro 4,896 thousand between the price paid in cash (for Euro 2,480 thousand) and valorisation of the put/call payable (for Euro 2,416 thousand). With reference to this acquisition, the Group identified the fair value of the acquired assets, contingent liabilities and contingent liabilities assumed in the timescales provided for in IFRS 3.

As provided for in IFRS 3, the difference between the price paid and the fair value (corresponding to the carrying amount) of the net assets acquired (for Euro 2,635 thousand, net of the tax effect equal to Euro 551 thousand) was attributed to:

- Euro 1,960 thousand to the trade agreement with a leading international telephone operator (before the tax effect);
- Euro 15 thousand related to the backlog (before the tax effect);
- The remaining Euro 1,212 thousand as goodwill.

From the date of acquisition the acquired company contributed to the consolidated net turnover of approximately Euro 9,700 thousand.

The fair value (corresponding to the carrying amount) of assets and liabilities as at the date of acquisition was as follows:

(In thousands of Euro)	**03 April 2019**
Property, plant and equipment	47
Intangible assets	14
Financial assets	2
Advance tax assets	680
Inventories	555
Trade receivables	4,172
Cash and cash equivalents	1,905
Total acquired activities	**7,375**
Deferred tax liabilities	(14)
Contingent liabilities	(509)
Trade payables and other payables	(4,592)
Total liabilities acquired	**5,115**
Total net assets acquired	**2,260**
Commercial agreement with primary international telephone operator	1,960
Backlog	15
Deferred liabilities	(551)
Goodwill	1,212
Price recognised	**4,896**

Accounting Effects of the Business Combination

The accounting standard for business combinations is IFRS 3; IFRS 3 requires that all business combinations be accounted for through the application of the "Acquisition method".

The differential between the total consideration transferred and the acquired Shareholders' Equity resulting from the acquisition has been recognised as shown in the following table:

(In thousands of Euro)	**31 March 2019**
Total consideration transferred	4,896
Shareholders' Equity acquired	(2,260)
Differential to be allocated	**2,635**
Commercial agreement with primary international telephone operator	1,960
Backlog	15
Deferred liabilities	(551)
Goodwill	1,212

In relation to the trade agreement with the primary international telephone operator, a sensitivity analysis has been prepared which simultaneously considers a change in the discount rate and the likelihood of withdrawal from the agreement in order to verify the impact of changes in these parameters on fair value.

The management of the parent company considered it reasonable to consider a discount rate of 11% and a probability of withdrawal of 20%; moreover, the useful life was estimated at 7 years.

3.2.1 Impairment test goodwill, brands and customer relationships

In the context of the analysis of internal and external indicators in IAS 36, in order to detect the potential presence of impairment on non-current assets, it was found that the market capitalisation at 31 December 2019 was lower than the book value Group's shareholders' equity as shown in the table below.

Description	**31/12/2019**	**11/03/2020**
No. of Shares	21,868,189	21,868,189
Euro Stock Exchange Price *(in Euro)*	7.0	5.04
Company Capitalisation *(in thousands of Euro)*	152,760	110,216
Consolidated shareholders' equity *(in thousands of Euro)*	202,618	202,618
Difference *(in thousands of Euro)*	(49,758)	(92,302)

The Group management does not believe that this indicator is, in the current stock market context, "fully representative" of the actual net value of the "assets" held by the Group as a result of the company's recent listing, of the limited interest in recent quarters by Italian and international investors on medium/small capitalisation securities and the resultant limited trading volumes on the securities themselves, as well as, in the final analysis due to the impact of COVID-19 on stock market valuations beginning from February 2020.

Nevertheless, in compliance with the provisions of IAS 36, the management has proceeded to verify that the carrying amounts of the assets at greatest risk/value at the date of the financial statements were less than the higher of the value in use and the disposal price, net of any transfer charges.

In particular, these checks were carried out by integrating the normal estimation operations carried out within the formation process, with specific analyses, partly supported by the opinion of independent accounting experts, aimed at testing the recoverable amount of the value entered in the financial statements of the following items:

- Goodwill
- Trademarks
- *Customer Relationships*

These specific indications have also accompanied, supplemented and conditioned the procedures and outcomes of "normal" audit activities conducted to assess the adequacy of the values of the financial statements for other items such as inventories, trade receivables, funds and contingent liabilities. The estimates and assumptions used in this analysis reflect the current state of knowledge about business developments in the different geographical areas and take into account forecasts that are considered reasonable on the developments in the markets in which the Group operates, although a physiological degree of uncertainty remains. Although the Group's current estimates do not reveal situations of loss of value of non-current assets, it cannot be excluded that any negative scenarios in the economic framework could lead to divergent Group performance compared to the economic and financial forecasts presented in the "Business Plan 2020-2022" and that could therefore give rise in the future to further adjustments to the carrying amount of certain current and non-current assets.

With reference to other asset items excluded from the scope of IAS 36, the management of the Group has, however, carried out the usual detailed analysis of their recoverability according to the specific provisions for the recognition and assessment contained in the individual accounting standards of reference (trade receivables, inventories, other receivables/assets, deferred tax assets).

3.2.1.1 Goodwill

At 31 December 2019, the goodwill entered in the Group's consolidated financial statements amounted to EUR 95,069 thousand, and is allocated to the only cash-generating unit (hereinafter also "CGU"), which coincides with the entire Cellularline Group.

Based on the above considerations, the Group verifies, at least once a year for goodwill, the recoverable amount of intangible, tangible and financial assets to determine whether there is any indication that such assets may have suffered a loss of value. If such an indication exists, an estimate of the asset's recoverable amount is required to determine the amount of any impairment loss.

When it is not possible to estimate the recoverable amount of a single asset, the Group estimates that value 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 greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, 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 a loss on an asset other than goodwill is later diminished, the carrying amount of the cash-generating unit or asset is increased up to the new estimated recoverable amount and may not exceed the value that would have been determined if no impairment loss had been recognised.

The reversal of an impairment loss is immediately recognised in the income statement.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the goodwill entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

In particular, the impairment test was conducted with reference to the entire Group, which represents the cash generating unit to which goodwill was allocated, on the basis of the economic and financial forecasts contained in the Business Plan approved by the directors on 4 February 2020 (for the period 2020 – 2022) and using the discounted cash flow method.

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

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

The weighted average cost of capital (WACC) of about 8.7% was used as the discount rate, and an estimated rate of 1.5% was used for sustainable growth, g. The WACC is the average of the cost of equity and the cost of debt capital weighted according to financial structure of comparable companies. It should be pointed out that the estimates and data relating to the economic and financial forecasts to which the above parameters are applied are determined by management on the basis of past experience and expectations regarding developments in the markets in which the Group operates.

The result obtained by the impairment test confirmed the full recoverable amount of the value of the recognised goodwill.

The analyses performed led to an estimate of the recoverable amount, in the form of the Enterprise Value of Euro 317 million; this amount is greater than the carrying amount on the reference date, thus not giving rise to impairment losses.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected operating cash flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the CGU in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Moreover, sensitivity analyses were carried out which simultaneously considered a change in:

- WACC and the rate of growth (g-rate) in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, the difference between the latter and the Carrying Amount considered, and the Equity Value, which is understood as the difference between the value of use and the net financial position (NFP) at the reference date of these financial statements (amounts in millions of Euro).

1. Sensitivity su Cover - WACC e g-rate

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
g-rate	-	122	76	40	11	(12)
	1,00%	178	116	70	35	7
	1,50%	213	141	89	49	18
	3,00%	378	248	163	104	60
	4,00%	588	367	239	156	98

2. Sensitivity su Equity Value - WACC e g-rate

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
g-rate	-	323	277	241	212	189
	1,00%	379	317	271	236	208
	1,50%	414	342	290	250	219
	3,00%	579	449	364	305	261
	4,00%	789	568	440	357	299

- WACC and EBITDA of the Business Plan and Terminal Value in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, the difference between the latter and the Carrying Amount considered, and the Equity Value, which is understood as the difference between the value of use and the net financial position (NFP) at the reference date of these financial statements (amounts in millions of Euro).

3. Sensitivity su Cover - WACC ed EBITDA

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
Riduzione EBITDA	-	213	141	89	49	18
	(2,50%)	190	122	72	35	6
	(5,00%)	167	103	56	21	(7)
	(7,50%)	145	84	40	7	(19)
	(10,00%)	123	66	25	(6)	(30)

4. Sensitivity su Equity Value - WACC ed EBITDA

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
Riduzione EBITDA	-	414	342	290	250	219
	(2,50%)	391	323	273	236	207
	(5,00%)	368	304	257	222	194
	(7,50%)	346	285	241	208	182
	(10,00%)	324	267	226	195	171

The sensitivity analyses reported above showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

3.2.1.2 Trademarks

As of 31 December 2019, trademarks with a defined useful life entered in the consolidated financial statements amounted to EUR 18,550 thousand, net of cumulative impairment losses of approximately EUR 1,100 thousand. As described above, the Group verified through the impairment test the possible loss of value of registered trademarks as a defined useful life asset.

The recoverable amount of an asset is the greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, given the specific risks of the asset).

This recoverable amount is based on the value of use determined, for trademarks with defined useful lives, by means of the relief from royalties method deriving both from expected turnover over an explicit time frame as well as from the terminal value. The estimate of the net flows of royalties, deduced from the 2020-2022 Business Plan of Cellularline S.p.A., was used for impairment testing purposes.

The fair value of the dominant asset is obtained by discounting the flows of theoretical royalties calculated on the income for the years of the asset's residual life.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected royalty flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the trademarks in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the registered trademarks entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

The result obtained from the impairment test confirmed the full recoverability of the value of the registered trademarks.

For all the assets subjected to testing, the Fair Value is higher than the carrying amount at the reference date, thus not giving rise to impairment losses.

In addition, sensitivity analyses were carried out which simultaneously consider a change in revenues and the royalty rate, in order to verify the impact of changes made in these parameters on fair value and, consequently, on the difference between fair value and the carrying amount considered for both brands being tested (Cellularline and Interphone) (amounts in millions of Euro).

Analisi di sensitività: FV del Brand Cellular in funzione di Ricavi e Royalty Rate

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		112,5	114,2	115,9	117,7	119,4
Royalty rate	3,00%	8,3	8,4	8,6	8,7	8,8
	3,50%	12,4	12,6	12,8	13,0	13,2
	4,00%	16,6	16,8	17,1	17,4	17,6
	4,50%	20,7	21,1	21,4	21,7	22,0
	5,00%	24,9	25,3	25,7	26,0	26,4

Analisi di sensitività: FV del Brand Interphone in funzione di Ricavi e Royalty Rate

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		7,6	7,7	7,8	8,0	8,1
Royalty rate	3,00%	0,4	0,4	0,4	0,4	0,4
	3,50%	0,6	0,6	0,6	0,6	0,6
	4,00%	0,8	0,8	0,8	0,8	0,8
	4,50%	0,9	1,0	1,0	1,0	1,0
	5,00%	1,1	1,2	1,2	1,2	1,2

The sensitivity analyses carried out, reported above, showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

3.2.1.3 *Customer relationship*

At 31 December 2019*,* customer relationships with a defined useful life entered in the consolidated financial statements amounted to EUR 54,198 thousand, net of cumulative impairment losses respectively equal to approximately EUR 4,600 thousand.

As described above, the Group verified through the impairment test the possible loss of value of customer relationships recognised as a defined useful life asset.

The recoverable amount of an asset is the greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, given the specific risks of the asset).

This recoverable amount is based on the value of use, determined by the Multi Period Excess Earnings Method (MEEM). It is based on the assumption that the relevant income of the asset identified as a dominant strategic asset can be determined by deducting from the total income the normal remuneration of all other assets.

The fair value of the dominant asset is obtained by discounting the expected residual income for the years of the asset's residual life.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected residual revenues, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the Customer Relationship in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the customer relationship entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

The result obtained from the impairment test confirmed the full recoverability of the value of the recognised customer relationship.

For the asset subjected to testing, the Fair Value is higher than the carrying amount at the reference date, thus not giving rise to impairment losses.

Moreover, sensitivity analyses were carried out which simultaneously considered a change:

- of revenues and the abandonment rate and (ii) of the EBIT margin and the abandonment rate, in order to verify the impact generated by the changes in these parameters on the fair value and, consequently, on the difference between the fair value and the carrying amount considered (amounts in millions of Euro).

Analisi di sensitività: FV della Customer in funzione di Ricavi e del Tasso di abbandono

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		126,1	128,0	129,9	131,9	133,9
Tasso di abbandono	6,39%	64,6	65,5	66,5	67,5	68,5
	6,89%	61,0	62,0	62,9	63,8	64,8
	7,39%	57,8	58,7	59,6	60,5	61,4
	7,89%	54,9	55,7	56,6	57,4	58,3
	8,39%	52,2	53,0	53,8	54,6	55,4

- of the EBIT margin and the abandonment rate, in order to verify the impact generated by the changes in these parameters on the fair value and, consequently, on the difference between the fair value and the carrying amount considered (amounts in millions of Euro).

Analisi di sensitività: FV della Customer in funzione di EBIT margin e del Tasso di abbandono

		EBIT margin				
		-1,0%	**-0,5%**	**FY2019**	**+0,5%**	**+1,0%**
		20,6%	**21,1%**	**21,6%**	**22,1%**	**22,6%**
Tasso di abbandono	***6,39%***	61,2	63,9	66,5	69,2	71,8
	6,89%	57,9	60,4	62,9	65,4	67,9
	7,39%	54,9	57,2	59,6	62,0	64,3
	7,89%	52,1	54,3	56,6	58,8	61,1
	8,39%	49,5	51,6	53,8	55,9	58,0

The sensitivity analyses carried out, reported above, showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

3.3 Property, plant and equipment

For the item in question, an appropriate table of movements has been prepared, reported below, which indicates for each item the historical costs, previous amortisation/depreciation, the movements made during the period and the final balances.

Amortisation/depreciation was calculated on the basis of rates considered to be representative of the residual possibility of using the relative intangible assets.

The following shows the balance of the property, plant and equipment item, broken down by category, at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	**Position at 31 December 2019**			**Position at 31 December 2018**		
	Historical Cost	**(Provisions for amortisation/depreciation)**	**Net Carrying Amount**	**Historical Cost**	**(Provisions for amortisation/depreciation)**	**Net Carrying Amount**
Land and Buildings	6,349	(1,070)	5,279	5,373	(96)	5,277
Plant and machinery	2,694	(2,329)	365	646	(157)	490
Industrial and commercial equipment	6,028	(4,598)	1,430	1,619	(246)	1,373
Fixed assets in progress and downpayments	68	-	68	89	-	89
Total Property, plant and equipment	**15,139**	**(7,977)**	**7,142**	**7,728**	**(499)**	**7,229**

The following table shows the movement of the Property, plant and equipment item for the period from 31 December 2018 to 31 December 2019:

(In thousands of Euro)	
Balance as at 31 December 2018	**7,229**
Increases	639
Acquisitions of businesses	63
(Decreases)	(22)
Reclassifications	140
(Amortisation/depreciation and write-downs)/revaluations	(922)
Decreases in provisions for depreciation	16
Balance as at 31 December 2019	**7,142**

As at 31 December 2019 the item consisted mainly of buildings related to the operating offices of the Group companies for Euro 5,279 thousand and industrial and commercial equipment for Euro 1,430 thousand (mainly furniture, furnishings, office machinery and printers).
The Group made investments of Euro 639 thousand, mainly related to industrial and commercial equipment.

3.4 Right of use

The item, amounting to EUR 1,806 thousand (EUR 0 at 31 December 2018), refers exclusively to the accounting of the "right of use" following the application of standard IFRS 16 – Lease Accounting.
The movements during the period were as follows.

(In thousands of Euro)	**Right of use**
Balance as at 31 December 2018	**-**
Increases	2,538
(Amortisation/Depreciation)	(732)
Balance as at 31 December 2019	**1,806**

For further details see section 2.5.1 "Changes in accounting policies".

3.5 Deferred tax assets and liabilities

Movements of the item Deferred tax assets and Deferred tax liabilities for the period 31 December 2018 to 31 December 2019 were as follows.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2018	**963**
Accruals/(Releases) to the Income Statement	648
Accruals/(Releases) to the comprehensive Income Statement	55
Balance as at 31 December 2019	**1,666**

The balance as at 31 December 2019, amounting to Euro 1,666 thousand, is made up, in the amount of Euro 999 thousand, of deferred tax assets originating with the parent company predominantly from provisions to taxed funds and the impact of the records recognised under International accounting standards, but not having tax recognition.
The item also includes deferred tax assets recognised by the subsidiary Cellular Spain both on accruals to taxed funds and on past tax losses totaling Euro 486 thousand.
The following aspects were taken into account when calculating deferred tax assets:

- The tax regulations of the country in which the Group operates and its impact on temporary differences, and any tax benefits arising from the use of tax losses brought to new consideration of the possible recoverability of the same in a time horizon of three years;
- The forecast of the Group's profits in the medium and long term.

On this basis, the Group expects to generate future taxable profits and, therefore, to be able to recover with reasonable certainty the assets for deferred tax assets recognised.

The increase in the financial year is mainly due to the reclassification of deferred taxation on the variation in the fair value of warrants and to the increase in the item in Cellular Spain regarding temporary differences involving the deductibility of costs; the increase was partly offset by the release of deferred taxes on the uses of the taxed funds, in excess of provisions.

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2018	**21,337**
Accruals/(Releases) to the Income Statement	16
Accruals/(Releases) to the comprehensive Income Statement	-
Balance as at 31 December 2019	**21,352**

Deferred tax liabilities are primarily attributable to deferred taxation arising from Purchase Price Allocation on identified assets (Customer relationship and trademarks).

The variation for the financial year is mainly attributable to the reduction arising from the effect (i) of amortisation on Customer relationships, trademarks and trade agreements, and (ii) the reversal of some intangible assets that can no longer be capitalised in accordance with IAS38; such reduction was partially offset by the reclassification of deferred taxes on the fair value of the warrants.

It is estimated that this debt relates to differences that will be reabsorbed in the medium and long term.

3.6 Financial receivables

The item, amounting to Euro 552 thousand (Euro 0 at 31 December 2018), refers exclusively to the financial credit to the related company Cellular Swiss (consolidated by the equity method). On 12 June 2019, when the associated company's 2018 balance sheet was approved, the parent company's share of the amount receivable from that company (net credit totalling Euro 6,211 thousand as at 31 December 2018), amounting to CHF 600,000 (corresponding to approximately Euro 540,000 at the exchange rate as at 30 June 2019). This value was accounted for net of the relative effect of the amortised cost.

CURRENT ASSETS

3.7 Inventories

Inventories as at 31 December 2019 amounted to Euro 22,925 thousand, net of a write-down reserve of Euro 1,000 thousand. The inventories entered in the balance sheet include the inventories at the Group's warehouse and the goods in transit, for which the Group has already acquired ownership, for Euro 3,025 thousand (Euro 2,086 thousand as at 31 December 2018).

Inventories consist mainly of finished products; advances also include advances for the purchase of finished products.

Inventories can be broken down as follows:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Finished products and goods	19,368	18,934
Goods in transit	3,025	2,086
Advance payments	1,532	894
Gross warehouse	**23,925**	**21,914**
(Warehouse obsolescence fund)	(1,000)	(1,300)
Total Inventories	**22,925**	**20,614**

The increase of the gross warehouse, of approximately EUR 2,000 thousand compared to 31 December 2018, is mainly due to the following factors:

- Euro 1,200 thousand for the change in the scope of consolidation deriving from the acquisition of Systema, as well as for its integration at supply chain level, with consequent management of purchases from the far east by the company;
- Euro 600 thousand for more advances resulting from the procurement and advance payment for certain products which are estimated to see an increase in purchase cost in the following months.

The value of inventories is adjusted by the inventory write-down provision, which includes the prudential write-down of goods subject to possible obsolescence phenomena.

Below are shown the movements of the inventory write-down provision for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	**Warehouse obsolescence fund**
Balance as at 31 December 2018	**(1,300)**
(Accruals)	(1,000)
Releases to the income statement	-
Uses	1,300
Balance as at 31 December 2019	**(1,000)**

During the year, following an analysis of slow moving products, the Group allocated Euro 1,000 thousand to address problems (typical of the sector) related to the obsolescence/slow turnover of warehouse inventories, in order to align the value with the presumed market value.

The use of EUR 1,300 thousand of the provision refers to a part of the scrapping implemented during 2019, also in order to optimise logistics spaces.

3.8 Trade receivables

As at 31 December 2019, the item in question amounted to Euro 60,847 thousand (net of provisions for bad debt of Euro 3,291 thousand); as at 31 December 2018 the item was Euro 59,421 thousand.

Below is the breakdown of the trade receivables item as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	**Position as at**	
	31 December 2019	**31 December 2018**
Trade receivables from third parties	57,865	56,862
Trade receivables from related parties (Note 5)	6,272	6,252
Gross trade receivables	**64,137**	**63,114**
(Provision for bad debts)	(3,291)	(3,693)
Total trade receivables	**60,847**	**59,421**

The value of gross trade receivables is only slightly higher than in the previous financial year, despite the impact of the change in the consolidation area through the acquisition of Systema for approximately Euro 3,500 thousand.

Below are the movements of the provision for bad debts as at 31 December 2019:

(In thousands of Euro)	**Provision for bad debts**
Balance as at 31 December 2018	**(3,693)**
(Provisions deriving from Systema)	(41)
(Accruals)	-
Releases to the income statement	400
Uses	43
Balance as at 31 December 2019	**(3,291)**

Written-down receivables relate mainly to disputed amounts or customers subject to bankruptcy proceedings. The uses address receivable situations for which the elements of certainty and precision, i.e., the presence of existing bankruptcy proceedings, determine the removal of the position itself. As highlighted in the tables above, the provisions for bad debt amount to Euro 3,291 thousand as at 31 December 2019 (Euro 3,693 thousand as at 31 December 2018).

Credit risk is the risk exposure of potential losses arising from non-fulfilment of the obligations taken on by the counterparty. The Group has adopted credit control processes that include customer reliability analysis and exposure control through reporting a breakdown of deadlines and average collection times.

The change in the provisions is the result of detailed assessment of non-performing receivables and receivables whose uncertainty of payment has already been confirmed, as well as a general assessment based on the history of impairment.

The carrying value of trade receivables is considered to approximate their fair value.

3.9 Current tax receivables

The breakdown of the current tax receivables item at 31 December 2019 and 31 December 2018 is shown below:

Current tax receivables

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018
Tax receivable for prior years	3,580	4,762
Receivable for advance payments of taxes	-	1,046
Credit for VAT	208	-
Other receivables	4	26
Receivable for withholding tax on interest income	-	133
Total current tax receivables	**3,792**	**5,967**

Current tax receivables mainly include the Parent Company's receivable from the tax authorities for direct taxes for prior financial years, amounting to EUR 3,259 thousand. In particular, this is the residual tax credit accrued as a result of the application of the framework Agreement with the Revenue Agency for the purposes of the so-called *Patent Box*, signed March 2018. This credit was created following the recalculation of direct IRES and IRAP taxes for the three financial years from 2015 to 2017 and was partly used to offset IRES and IRAP payments, as well as VAT and other taxes and contributions, within the annual limits set by the relevant regulations.

The remaining tax credit for prior years, amounting to EUR 320 thousand, consists of tax reimbursement requests, the payment of which is expected to be made by the end of financial year 2020.

3.10 Other assets

The breakdown for the current Other Assets item as at 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018
Prepaid expenses	4,539	2,943
Receivables from others	554	457
Insurance policies	393	345
Trade fairs	191	185
Total Other current assets	**5,677**	**3,930**

The item mainly includes prepaid expenses for the advance payment of contributions to customers following the entering into new multi-year commercial contracts that will produce economic benefits in future periods.

3.11 Cash and cash equivalents

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

The breakdown of the Cash and cash equivalents item as at 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Bank accounts	32,078	41,978
Ready cash	11	11
Total Cash and cash equivalents	**32,089**	**41,989**

Cash and cash equivalents amount to EUR 32,089 thousand as at 31 December 2019 (EUR 41,989 thousand as at 31 December 2018). The item consists of cash on hand, securities and demand deposits or short-term deposits with banks that are actually available and readily usable. The decrease of EUR 9,991 thousand, despite the positive cash generation in the year, derives from:

- payment of instalments on the outstanding bank loan for EUR 13,334 thousand;
- dividend distribution of EUR 6,088 thousand;
- disbursement of approximately EUR 3,100 thousand deriving from extraordinary costs for the transition to STAR, M&A, etc.;
- disbursement of EUR 2,889 thousand for the purchase of treasury shares;
- Disbursement of approximately Euro 2,500 thousand for the purchase of 60% of the company Pegaso s.r.l. (occurred on 3 April 2019), parent company of Systema.

For further details regarding the dynamics that influenced cash and cash equivalents, please refer to the Cash Flow Statement and the Management Report.

SHAREHOLDERS' EQUITY AND LIABILITIES

3.12 Shareholders' equity

Shareholders' equity, equal to EUR 202,518 thousand (EUR 194,375 thousand as at 31 December 2018), mainly increased due to the profit for the year and decreased due to the distribution of the dividend equal to EUR 6,088 thousand, as resolved upon on 16 April 2019 by the Shareholders' Meeting.
During the period ended 31 December 2019 there were no assets earmarked for specific business purposes.

Share capital

The Share Capital as at 31 December 2019 amounts to EUR 21,343 thousand and is divided into 21,673,189 ordinary shares and 195,000 special shares. Furthermore, 6,130,954 warrants are also in circulation.
On 22 July 2019, Borsa Italiana S.p.A. ordered the commencement of trading of the ordinary shares and warrants of the Parent Company on the Italian electronic stock market Mercato Telematico Azionario (MTA), assigning it the STAR qualification.

Other reserves

At 31 December 2019, other reserves amounted to EUR 156,076 thousand (EUR 146,897 thousand at 31 December 2018) and are mainly broken down as follows:

- Share premium reserve, which amounts to EUR 139,918 thousand;
- Other Reserves for EUR 30,598 thousand which originate as a result of the effects deriving from the IFRS writings, as well as for the Business Combination which took place in 2018;
- Negative reserve for treasury shares in portfolio for EUR 15,190 thousand; in 2019 the Parent Company purchased 406,359 ordinary shares at an average price of EUR 7.11 for the corresponding amount of EUR 2,889 thousand.

Profits/(losses) carried forward from consolidation

At 31 December 2019, profits carried forward from consolidation amounted to EUR 6,891 thousand.

Group operating profit/(loss)

The 2019 financial year ended with an operating profit of EUR 18,209 thousand.

Earnings per share

The calculation of basic and diluted earnings per share is shown in the tables below:

(Amounts in Euro thousands)	**Financial year ended at 31 December 2019**	**Financial year ended at 31 December 2018**
Net profit attributable to the shareholders of the parent company	18,209	32,378
Average number of ordinary shares	20,221	17,478
Basic profit per share	**0.901**	**1.852**

(Amounts in Euro thousands)	**Financial year ended at 31 December 2019**	**Financial year ended at 31 December 2018**
Result for the year attributable to the Group:	18,209	32,378
Average number of outstanding shares	20,221	17,478
Number of shares with a dilutive effect	-	-
Average number of shares to calculated the Diluted Profit	20,221	17,478
Diluted earnings per share	**0.901**	**1.852**

Share-based payment arrangements

The Group has a Stock Option programme (regulation with equity instruments) that allows executives with strategic responsibilities to purchase shares of the Parent Company. The following table summarises the main conditions of the Stock Option programme:

Date of assignment	**Number of instruments assigned**	**Conditions for the accrual of the right**	**Contractual duration of options**
04 June 2018	897,005 (*)	In proportion to the normal value	Triennial

(*) 682,477 of which assigned to managing directors and executives with strategic responsibilities.

The options will vest, with the corresponding right of the beneficiaries to the allocation of the related shares free of charge, in proportion to the normal value, according to the outline in the following table:

Normal Value	< €14	€14	€15	€16	€17	>= €18
% *Units* vested	0%	24%	38%	56%	78%	100%

Table of the reconciliation of Parent Company's shareholders' equity and result for the year with consolidated shareholders' equity and result.

The following shows a reconciliation between the shareholders' equity values reported in the Parent Company's financial statements at 31 December 2019 and those reported in the consolidated financial statements at the same date.

RECONCILIATION OF PARENT COMPANY'S SHAREHOLDERS' EQUITY WITH CONSOLIDATED SHAREHOLDERS' EQUITY	Shareholders' equity as at 31/12/2018	2019 result	Shareholders' equity as at 31/12/2019
Cellularline S.p.A.	**195,024**	**17,920**	**203,614**
IFRS effects	669	102	(2,368)
Differences between the adjusted shareholders' equity of consolidated companies and their value in the financial statements of the Parent Company	(394)	-	2,279
Valuation for Cellular Swiss Equity	(563)	120	(443)
Elimination of intra-group margins	(361)	67	(294)
Cellularline Group	**194,375**	**18,209**	**202,518**

3.13 Payables to banks and other financial payables (current and non-current)

The breakdown of the item Current and non-current payables to banks and other lenders as at 31 December 2019 is shown below:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Current payables to banks and other lenders	13,362	12,169
Non-current payables to banks and other lenders	37,621	51,667
Other current financial payables	2,694	2,698
Other non-current financial payables	3,023	-
Total financial liabilities	**56,700**	**66,534**

As at 31 December 2019, payables to banks and other financial payables refer to the following:

- EUR 50,891 thousand (net of amortised cost) to the payable for the bank loan entered into on 29 June 2017 (and slightly modified on 28 May 2018 following the Business Combination transaction) by Cellular Italia (later merged into Cellularline) with Banca Popolare di Milano S.p.A. as agent bank and lending bank and UBI Banca S.p.A. as lending bank. The maximum total principal amount of the loan was EUR 85 million, with an obligation to repay the loan every six months by means of instalments of EUR 6,667 thousand each, maturing on 20 June 2022. The loan includes a financial constraint (leverage ratio) which has always been adhered to. Interest on the loan taken out is at a variable rate, calculated using Euribor plus a contractually agreed spread (currently equal to the floor of 1.80%);

- EUR 2,416 thousand to the payable for the financial liability deriving from the probable exercise of the put/call options relating to the acquisition of Systema;
- EUR 1,852 thousand to the payable for leasing deriving from the application of IFRS 16;
- EUR 1,449 thousand to the payable for the financial liability relating to warrants.

Financial liabilities at 31 December 2019, gross of bank fees, are illustrated below:

(In thousands of Euro)	Opening	Maturity	Original amount	Interest rate	Position at 31 December 2019		
					Residual debt	of which current portion	of which non-current portion
Banca Popolare di Milano	29/06/2017	20/06/2022	42,500	1.80%	25,446	6,667	18,779
UBI Banca S.p.A.	29/06/2017	20/06/2022	42,500	1.80%	25,446	6,667	18,779
Payables to banks and other lenders			**85,000**		**50,891**	**13,333**	**37,557**

Loans are valued at amortised cost in accordance with the provisions of IFRS 9 and therefore their value, amounting to EUR 50,891 thousand at 31 December 2019 (EUR 63,836 thousand at 31 December 2018), is reduced by accessory charges on loans.

A breakdown of financial liabilities by maturity is provided below:

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018
Within 1 year	16,056	14,867
From 1 to 5 years	40,644	51,667
Over 5 years	-	-
Total	**56,700**	**66,534**

3.14 Employee benefits

At 31 December 2019 the item amounts to EUR 774 thousand (EUR 411 thousand at 31 December 2018) and derives from the actuarial valuations of the employee severance indemnity (TFR) of the Parent Company and, compared to 31 December 2018, includes the effect of Systema at EUR 390 thousand; these valuations were carried out using the "*Project Unit Credit*" method as provided for by IAS 19.

The actuarial model is based on the:

- discount rate of 0.77%, which was derived from the Iboxx Corporate AA index with 10+ duration;
- annual inflation rate of 1.20%;
- annual TFR increase rate of 2.40%, which is equal to 75% of inflation plus 1.5 percentage points.

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

3.15 Provisions for risks and charges

Movements in the item Provisions for risks and charges for the period from 31 December 2018 to 31 December 2019 are shown below:

(In thousands of Euro)	Provision to cover investee losses	Agents' Severance Indemnity Provision (FISC)	Other provisions	Total
Balance as at 31 December 2018	**530**	**1,299**	**-**	**1,829**
- of which current portion	*530*	*-*	*-*	*530*
- of which non-current portion	*-*	*1,299*	*-*	*1,299*
Acquisitions	-	184	40	224
Allocations	-	287	-	287
Utilisations/Releases	(121)	(114)	(40)	(275)
Balance as at 31 December 2019	**409**	**1,656**	**-**	**2,065**
- of which current portion	*409*	*-*	*-*	*409*
- of which non-current portion	*-*	*1,656*	*-*	*1,656*

The provision to cover investee losses is attributable to the losses of the associate Cellular Swiss for the amount exceeding the write-off of the investment, in application of the equity consolidation method.

The Agents' Severance Indemnity Provision (FISC) refers to the valuation of the agents' severance indemnity of the parent company and Systema for what will be paid to the agents for the termination of the agency relationship for reasons not attributable to the agency. The actuarial valuation, in compliance with IAS 37, was carried out by quantifying future payments through the projection of the indemnities accrued at the date of the financial statements by agents operating up to the presumed (random) moment of termination of the contractual relationship. Demographic and economic/financial assumptions were adopted for the actuarial valuations; specifically, with regard to the discount rate, it was set with reference to the IBoxx Eurozone AA index in relation to *the duration* of the collective at 0.77%.

3.16 Trade payables

The breakdown for the Trade payables item at 31 December 2019 and 31 December 2018 is provided below:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Trade payables to third parties	19,056	20,186
Total trade payables	**19,056**	**20,186**

At 31 December 2019, trade payables were substantially in line with 31 December 2018 and related to commercial transactions within normal payment terms (all due within the year).

3.17 Current tax payables

The item, amounting to EUR 384 thousand, mainly includes the debit balance of income taxes due in France on the taxable income generated by the permanent establishment located there.

3.18 Other liabilities

The breakdown for the Other liabilities item as at 31 December 2019 and 31 December 2018 is provided below:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Payables to employees	1,996	1,776
Tax payables	1,172	1,996
Payables to pension and social security institutions	952	802
Other payables	202	1,190
Payables to shareholders	-	2,113
Total Other Liabilities	**4,322**	**7,877**

At 31 December 2019, the item amounts to EUR 4,322 thousand (EUR 7,877 thousand at 31 December 2018) and consists mainly of:

- EUR 1,996 thousand for payables to employees for fees to be settled and for bonuses;
- EUR 1,172 thousand for tax payables (withholdings and VAT payable);
- EUR 952 thousand to pension and social security institutions for contributions to be settled.

3.19 Other financial liabilities (current and non-current)

At 31 December 2019, this item amounted to EUR 5,717 thousand (EUR 2,698 thousand at 31 December 2018) and consists of:

- EUR 2,416 thousand (non-current liabilities) relating to the payable for the financial liability deriving from the probable exercise of the put/call options relating to the acquisition of Systema;
- EUR 1,852 thousand (of which EUR 1,244 are current liabilities) relating to the payable for leasing deriving from the application of IFRS 16;
- EUR 1,449 thousand (current liabilities) relating to the payable for the financial liability relating to warrants issued by the Parent Company, expressed at the spot stock market prices on 31 December 2019. On the basis of the above-mentioned parameters and through the application of the Mark to Market, in addition to the payable outstanding as at 31 December 2019, the change in fair value of EUR 1,249 thousand was recorded as financial income.

4. Notes to the main items in the Consolidated Income Statement

The comments on the main items of the Consolidated Income Statement are reported with reference to the financial years ending 31 December 2019 and 31 December 2018.

With reference to the comparative period of 2018 and considering the effects of the merger, effective on 4 June 2018, of Ginetta S.p.A. ("Ginetta") and Cellular Italia S.p.A. ("Cellular Italia") in Crescita S.p.A., to gain a better understanding of the business, please refer to the consolidated management report and in particular to the income statement compared with 2018 pro-forma data.

Introduction to the comparability of the consolidated income statement

Please note that the consolidated income statement values presented below are not comparable with the corresponding previous 2018 financial year. The consolidated income statement as at 31 December 2018 represents the economic effects of the "operating" companies only from 4 June 2018 (date of legal efficacy of the merger). For a better understanding of the Group's business, please refer to the Management Report on Operations, which shows a pro-forma consolidated income statement at 31 December 2018 as if the Business Combination had taken place on 1 January 2018.

4.1 Sales revenues

Sales revenues at 31 December 2019 amounted to EUR 140,440 thousand (EUR 93,827 thousand at 31 December 2018).

As already mentioned, the Group's activities are developed through a single operational sector and can be divided into three main product lines:

- Red product line (accessories for multimedia devices);
- Black product line (accessories for the motorcycle and bicycle world);
- Blue product line (third-party products marketed under licence).

The following tables show revenues broken down by product line and geographical area.

Revenues from Sales by product line

(In thousands of Euro)	Financial year closed on				Change	
	31/12/2019	% of revenues	31/12/2018	% of revenues	Value	%
Red – Italy	65,042	65.3%	45,201	48.2%	19,841	43.9%
Red – International	55,690	39.7%	40,327	43.0%	15,363	38.1%
Revenues from Sales - Red	**120,731**	**86.0%**	**85,528**	**91.2%**	**35,204**	**41.2%**
Black – Italy	4,116	2.9%	1,811	1.9%	2,305	>100%
Black – International	3,720	2.6%	1,563	1.7%	2,157	>100%
Revenues from Sales - Black	**7,836**	**5.6%**	**3,374**	**3.6%**	**4,462**	**>100%**
Blue – Italy	8,647	6.2%	4,299	4.6%	4,348	>100%
Blue – International	2,569	1.8%	-	-	2,569	>100%

Sales revenues – Blue	**11,216**	**8.0%**	**4,299**	**4.6%**	**6,917**	**>100%**
Others – Italy	656	0.5%	626	0.7%	30	4.8%
Total Revenues from Sales	**140,440**	**100%**	**93,827**	**100%**	**46,613**	**49.7%**

Revenues from Sales by geographical area

(In thousands of Euro)	**Financial year closed on**				**Change**	
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**	**Value**	**%**
Italy	78,461	55.9%	51,211	54.6%	27,250	53.2%
Austria/Germany	19,853	14.1%	16,895	18.0%	2,958	17.5%
Spain/Portugal	6,364	4.5%	5,939	6.3%	425	7.2%
Benelux	8,842	6.3%	4,581	4.9%	4,261	93.0%
Eastern Europe	5,847	4.2%	2,986	3.2%	2,861	95.8%
Northern Europe	4,819	3.4%	3,227	3.4%	1,592	49.3%
France	7,157	5.1%	2,503	2.7%	4,654	>100%
Switzerland	4,778	3.4%	2,923	3.1%	1,855	63.5%
Middle East	1,218	0.9%	859	0.9%	359	41.8%
Other minorities	3,101	2.2%	2,703	2.9%	398	14.7%
Total Revenues from Sales	**140,440**	**100%**	**93,827**	**100%**	**46,613**	**49.7%**

4.2 Cost of sales

The cost of sales amounts to EUR 75,824 thousand at 31 December 2019 (EUR 46,327 thousand at 31 December 2018) and mainly includes the costs of purchasing and processing raw materials (EUR 70,234 thousand), personnel costs (EUR 2,172 thousand), logistics costs (EUR 2,058 thousand) and ancillary costs (EUR 833 thousand).

4.3 Sales and distribution costs

At 31 December 2019, sales and distribution costs amounted to EUR 25,360 thousand (EUR 14,965 thousand at 31 December 2018); these consist of personnel costs (EUR 9,924 thousand), sales network commissions (EUR 5,867 thousand) and transportation costs (EUR 5,696 thousand), as shown in the following table.

(In thousands of Euro)				
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**
Personnel costs for sales and distribution	8,936	6.4%	5,861	6.2%
Commissions to customers/agents	5,867	4.2%	3,026	3.2%
Transports for sale	5,696	4.1%	2,849	3.0%
Amortisation of intangible fixed assets	-	0.0%	1,071	1.1%
Travel costs	988	0.7%	800	0.9%
Advertising and commercial consultancy expenses	1,243	0.9%	611	0.6%
Other sales and distribution costs	2,630	1.9%	747	0.8%
Total sales and distribution costs	**25,360**	**18.1%**	**14,965**	**15.9%**

4.4 General and administrative costs

General and administrative costs mainly include intangible amortisation deriving from the Purchase Price Allocation for EUR 5,966 thousand and extraordinary charges related to the traslisting from AIM to STAR and M&A for EUR 3,126 thousand (recorded mainly under the administrative consultancy and commissions costs items).

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Amortisation of intangible fixed assets	8,004	5.7%	3,443	3.7%
Depreciation of tangible fixed assets	1,502	1.1%	499	0.5%
Provisions for risks and write-downs	10	0.0%	408	0.4%
Cost of administrative staff	4,682	3.3%	2,750	2.9%
Administrative, legal, personnel consultancy, etc.	2,846	2.0%	2,057	2.2%
Commissions and fees	186	0.1%	1,469	1.6%
Remuneration of the Board of Directors and Board of Statutory Auditors	675	0.5%	160	0.2%
Rent payable and other rents	-	-	527	0.6%
Other general administrative costs	2,507	1.8%	1,175	1.3%
Total general and administrative costs	**20,412**	**14.5%**	**12,488**	**13.3%**

4.5 Other non-operating costs and revenues

The other non-operating costs and revenues at 31 December 2019 amounted to EUR 1,505 thousand (positive balance) and mainly refer to:

- recoveries of SIAE rights for EUR 833 thousand, to offset the related costs for EUR 966 thousand;
- contingent assets and liabilities amount respectively to EUR 240 thousand and EUR 180 thousand and are mainly attributable to some medium/small differences in the allocation of premiums and commercial contributions;

It should be noted that the EUR 1,309 thousand item mainly includes increases for internal work (Research & Development) for EUR 780 thousand and the utilisation of the credit risk provision for EUR 442 thousand.

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
SIAE fees recovered	833	0.6%	1,055	1.1%
Recovery from suppliers for promotions	268	0.2%	79	0.1%
Contingent assets	240	0.2%	475	0.5%
(SIAE and CONAI (packaging consortium) contributions)	(966)	-0.7%	(1,081)	-1.2%
(Contingent liabilities)	(179)	-0.1%	(318)	-0.3%
(Capital losses)	-	-	(18)	0.0%
(Gifts to customers for promotions)	-	-	(28)	0.0%
Other non-operating (costs)/revenues	1,302	0.9%	(78)	-0.1%
Total other non-operating (costs)/revenues	**1,505**	**1.1%**	**86**	**0.1%**

4.6 Financial income and expenses

Net financial income and expenses show a net negative balance of EUR 305 thousand (EUR +5,850 thousand at 31 December 2018).

The following table shows the breakdown of financial income:

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Interest income	208	0.1%	511	0.5%
Income from change in fair value of warrants	1,264	0.9%	6,351	6.8%
Total Financial income	**1,472**	**1.0%**	**6,862**	**7.3%**

Financial income of Euro 1,472 thousand refers to:

- EUR 1,248 thousand for the change in fair value of warrants issued by the Group compared to the previous year (6,130,956 as at 31 December 2019);
- EUR 208 thousand for bank interest income.

The following table shows the details of borrowing costs:

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Interest payable to banks	(1,575)	-1.1%	(927)	-1.0%
Interest payable to others (IFRS 16)	(113)	-0.1%	-	-
Bank commissions/fees	(89)	-0.1%	(79)	-0.1%
Financial expenses on derivatives	-	-	(6)	0.0%
Total Financial charges	**(1,777)**	**-1.3%**	**(1,012)**	**-1.1%**

Financial charges of Euro 1,777 thousand mainly refer to:

- EUR 1,569 thousand for interest due to banks relating to the medium/long-term loan;
- EUR 113 thousand for interest relating to the application of the new international accounting standards.

4.7 Foreign exchange profits and losses

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Gains/(losses) on commercial exchanges	(123)	-0.1%	(93)	-0.1%
Gains/(losses) on financial exchanges	44	0.0%	21	-
Gains/(losses) on exchanges from derivatives	-	-	456	0.5%
Total foreign exchange profits (and losses)	**(79)**	**-0.1%**	**384**	**0.4%**

4.8 Income and expenses from equity investments

The positive amount of EUR 119 thousand relates exclusively to the revaluation of the equity investment in the associated company Cellular Swiss, consolidated using the equity method.

4.9 Taxes

The breakdown of the item taxes for the periods ended 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)	Financial year closed on	
	31/12/2019	**31/12/2018**
Current taxes for the financial year	(3,943)	(3,230)
Current taxes for previous financial years	895	10,156
Deferred tax assets/(liabilities)	1,174	(651)
Total Taxes	**(1,874)**	**6,275**

Current taxes include current taxes for the year, equal to EUR 3,943 thousand, and the lower taxes for 2018, equal to EUR 895 thousand, accounted for in 2019 mainly following the favourable outcome of the Tax assessment request filed for the non-application of the anti-avoidance rule on the carrying forward of tax losses and of the ACE surplus (Aid for Economic Growth) by Crescita S.p.A., accrued before the merger with Ginetta S.p.A. and Cellular Italia S.p.A.

The change compared to the previous financial year is mainly due to the presence in the 2018 financial year of the Patent Box benefit, relating to the 2015/2017 triennial period, for EUR 10,156 thousand, accounted for following the agreement signed with the Tax Agency.

Deferred taxes, amounting to Euro 1,174 thousand, are composed as follows:

- revenues for the release of deferred tax liabilities arising from the effect of amortisation on Customer relationships, trademarks and trade agreements, equal to EUR 1,664 thousand;
- revenues for the provision of deferred tax assets arising from temporary differences in the deductibility of costs of Cellular Spain, equal to EUR 93 thousand;
- costs for the provision of deferred taxes arising from the change in the fair value of the warrants, equal to approximately EUR 300 thousand;
- costs for the release of deferred tax assets on the utilisation of taxed funds, greater than the provisions, equal to EUR 168 thousand;
- costs for other minor items equal to EUR 115 thousand.

4.10 Basic and diluted earnings per share

The basic earnings per share were calculated by dividing the consolidated result for the period by the average number of ordinary shares. Details of the calculation are given in the table below:

(Amounts in Euro thousands)	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Net profit attributable to the shareholders of the parent company	18,209	32,378
Average number of ordinary shares	20,221	17,478
Basic profit per share	**0.901**	**1.852**

(Amounts in Euro thousands)	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Result for the year attributable to the Group:	18,209	32,378
Average number of outstanding shares	20,221	17,478
Number of shares with a dilutive effect	-	-
Average number of shares to calculated the Diluted Profit	20,221	17,478
Diluted earnings per share	**0.901**	**1.852**

4.11 Cash flow statement

The main phenomena that influenced the trend of cash flows during the periods under examination are summarised below.

Net cash flow generated/(absorbed) by operations

(In thousands of Euro)	Position as at 31 December 2019	Position as at 31 December 2018
Cash flows from operations		
Gains/(losses) of the period	18,209	32,378
Adjustments for:		
- Amortisation and depreciation	9,710	5,013
- Net write-downs and allocations	903	1,042
- (Income)/Expenses from equity investments	(119)	263
- Accrued financial (income)/expenses	1,553	(5,850)
- Income Taxes	1,874	(6,275)
	32,310	**26,571**
Changes in:		
- (Increase)/Decrease in inventories	(1,756)	1,473
- (Increase)/Decrease in trade receivables	2,686	(1,984)
- Increase/(Decrease) in trade payables	(5,722)	(5,707)
- Increase/(Decrease) in other assets and liabilities	1,879	2,633
- Payment of employee benefits and change of provisions	(685)	(169)
Cash flow generated/(absorbed) by operations	**28,533**	**22,817**
Interest paid	(1,553)	(1,601)
Income taxes paid	(6,612)	(8,488)
Cash flow generated/(absorbed) by operations	**20,368**	**12,728**
Net charges arising from Business combination/STAR/M&A	3,126	-
Adjusted net cash flow generated/(absorbed) by operations	**23,494**	**12,728**

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018
Cash flows from investment activity		
Acquisition of subsidiary company, net of cash acquired and other costs	(1,568)	(60,596)
(Purchases)/Sale of property, plant and equipment and intangible assets	(8,313)	(1,968)
Cash flow generated/(absorbed) by investment activities	**(9,881)**	**(62,564)**

Cash flow generated/(absorbed) by financing activity

(In thousands of Euro)	Position as at	
	31 December 2019	31 December 2018
Cash flows arising from financing activity		
Net (purchase)/sale of own shares	(2,889)	(12,301)
Other changes in shareholders' equity	(1,028)	-
Other financial receivables and payables	2,471	-
Decrease in payables to banks and other lenders	(13,334)	(27,060)
(Dividend distribution)	(6,088)	-
Payment of transaction costs relating to financial liabilities	481	(129)
Net cash flow generated/(absorbed) by financing activity	**(20,387)**	**(39,490)**

5. Transactions with related parties

The Company has maintained, and continues to maintain, various types of relationships, mainly of a commercial nature, with related parties identified on the basis of the standards established by the IAS 24 International Accounting Standard.

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 involve (i) the supply of mobile telephony products and accessories, (ii) the provision of services that are functional to the performance of the business and (iii) the provision of loans to the aforementioned related parties.

Transactions with Related Parties, as defined by IAS 24 and governed by Article 4 of Consob Regulation 17221 of 12 March 2010 (as amended), implemented by the Group until 31 December 2019, involve mainly commercial transactions relating to the supply of goods and the provision of services.

Below is a list of the parties that are considered to be related parties with whom transactions took place during 2019, indicating the type of correlation:

Related parties	Type and main correlation relationship
Cellular Iberia S.L.	Company owned by related natural persons (Stefano Aleotti at 25% and Piero Foglio at 25%)
Cellular Swiss S.A.	Associate company with Cellularline S.p.A. at 50% (consolidated using the equity method); the remaining shareholders are: Ms Maria Luisa Urso (25%) and Mr Antonio Miscioscia (25%)
Crescita Holding s.r.l.	Company owned, directly and indirectly, by Alberto Toffoletto (Chairman of Crescita until the effective date of the Merger), Antonio Tazartes (Chairman of the Board of Directors), Marco Drago (director of Crescita until the effective date of the Merger), Massimo Armanini (director of Crescita until the effective date of the Merger) and Cristian D'Ippolito (director).
Heirs of Alessandro Foglio Bonacini, Manuela Foglio, Monia Foglia Bonacini, Christian Aleotti, Stefano Aleotti	Shareholders of Cellularline S.p.A.
Other	Family members of the Directors and Shareholders of Cellularline S.p.A.

The table below shows the Statement of Financial Position balances of Related Party Transactions carried out by Cellularline for the year 2019:

(In thousands of Euro)	Current trade receivables	Other Receivables non-current	(Trade payables)
Cellular Swiss S.A.	6,999	552	(768)
Cellular Iberia S.L.	48	-	(6)
Total	**7,047**	**552**	**(774)**
Impact on the item of the financial statements	*11.5%*	*100%*	*4.0%*

Note that trade receivables are shown in the financial statements net of the related trade payables.

The table below shows the income statement balances of Related Party Transactions carried out by Cellularline for the year 2019:

(In thousands of Euro)	Revenues from Sales	(Sales and distribution costs)	(General and administrative costs)	Other non-operating costs (Revenues)
Cellular Swiss S.A.	4,744	-	-	(3)
Cellular Iberia S.L.	537	-	-	-
Shareholders	-	-	(54)	-
Other	-	-	-	(29)
Total	**5,281**	**-**	**(54)**	**(32)**
Impact on the item of the financial statements	*4.3%*	-	*0.2%*	*2.1%*

The main creditors/debtors and economic relationships with Related Parties maintained by Cellularline for the year 2019 are as follows:

- Cellular Swiss S.A.: a commercial relationship relating to the disposal of assets intended for sale by Cellularline to Cellular Swiss S.A., with the latter charging back a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing ones, in line with the Group's commercial policies;
- Cellular Iberia S.L.: a commercial relationship relating to the disposal of assets intended for sale by Cellularline to Cellular Iberia S.L.;
- shareholders of Cellularline S.p.A.: lease agreements to which Cellularline is a party, in its capacity as lessee, entered into with some of its shareholders, in their capacity as lessors, in particular:

(i) lease agreement with Victor-Tex (the lessor party is now the heirs of Alessandro Foglio Bonacini) dated 1 March 2010;

(ii) lease agreement signed with Mr Stefano Aleotti on 6 March 2013;

(iii) lease agreement signed with Manuela Foglio, Monia Foglia Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 1 September 2017;

- lease agreement signed with Manuela Foglio, Monia Foglia Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 16 October 2017;
- Other: salaries for employee work related to:
  - the sister of the current Vice Chairman of the Board of Directors Piero Foglio, whose remuneration is classified under general and administrative costs;
  - the daughter of the Executive with strategic responsibilities Emilio Sezzi, whose remuneration is classified under sales and distribution costs.

6. Other information

Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

Risks

It should also be noted that the Group is exposed to various types of risks already described in Section 13 of the Management Report on Operations.

Guarantees granted in favour of third parties

There are no guarantees in place in favour of third parties.

Number of employees

The average number of Group employees, broken down by category, was as follows:

AVERAGE NUMBER OF EMPLOYEES		
HEADCOUNT	Average 2019	Average 2018
Managers	11	12
Executives	39	36
Clerical staff	164	150
Workers	2	3
Apprentices	13	14
TOTAL	**229**	**215**

The increase compared to 2018 is due exclusively to the change in the scope of consolidation following the acquisition of Systema.

Remuneration to Managing Directors and Managers with strategic responsibilities

Category *(In thousands of Euro)*	2019	2018
Managing Directors	1,063	599
Other managers with strategic responsibilities	507	240
Total remuneration	**1,571**	**839**

Please note that the amounts for the 2018 financial year refer to the remuneration paid from 4 June 2018 (date of the Business Combination).

Amount of remuneration payable to Directors and Statutory Auditors

The remuneration of the Board of Directors for the year 2019 amounts to approximately EUR 542 thousand. The accrued fees of the Board of Statutory Auditors for the 2019 financial year amounted to approximately EUR 67 thousand.

Amount of remuneration payable to Independent Auditors

The Parent Company, subject to the preparation of the consolidated financial statements, by resolution of the Shareholders' Meeting of 16 April 2019, appointed KPMG S.p.A. as independent auditor, which is responsible for auditing the accounts until the approval of the financial statements for financial year 2027. The compensation for auditing the statutory and consolidated (also half-yearly) financial statements totalled approximately Euro 104 thousand, in addition to Euro 30 thousand for other accounting services as shown in the following table:

(in thousands of Euro)

Type of services	Recipient	2019	2018
A) Auditing tasks	Parent Company	85	78
B) Tasks involving the issuance of a certificate	Parent Company	7	-
C) Other services	Parent Company	30	-
Parent Company Total		**122**	**78**
A) Auditing tasks	Subsidiaries	20	8
B) Tasks involving the issuance of a certificate	Subsidiaries	-	-
C) Other services	Subsidiaries	-	-
Subsidiaries Total		**20**	**8**

KEY EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

CELLULARLINE rebranding: on the occasion of the 30th anniversary of the creation of the Parent Company (which took place in 1990), an ambitious project of strategic repositioning and renewal of the marketing mix of the main brand, Cellularline, was presented to the (R)EVOLUTION market. "*From smartphone to smartlife*", this is the concept that underlies the project and embraces the main brand and all of the distinctive elements that characterise it. Cellularline continues on its path of specialisation towards the offering of a complete range of solutions that respond perfectly to market changes and to the desires of consumers, able to simplify their everyday life and connect them to the smartlife that increasingly characterises them.

The launch of the new PLOOS brand, which encompasses a range of about 50 items, mainly consisting of recharging, car and audio accessories. The launch of the new brand is part of a wider process of strategic review of the Group's brand portfolio, supplementing the offerings of Cellularline's main brand. Ploos will be the Group's new entry level brand - with essential design and functionality - that is characterised by excellent value for money and that will allow Cellularline to strengthen its presence in some EMEA markets and channels where the Group's positioning has ample room for development.

Presentation of BECOME, a range of eco-sustainable cases for smartphones, aimed at limiting the environmental footprint of the products, as its composition allows an eco-sustainable disposal of the product at the end of its life. The new eco-friendly range also features packaging that uses recycled and recyclable paper, as well as being completely plastic-free. The new eco cases will begin to be distributed from the first quarter of 2020 in the markets and channels covered by the Group.

Environmental sustainability: as an integral part of the Group's strategy, with the increasing objective of focusing attention on the environmental impacts of our business, significant innovations will be gradually introduced beginning in the second quarter of 2020, starting with packaging materials:

- all paper used for the production of the packs will be *Forest Stewardship Council* (FSC) certified, with the guarantee of making a substantial contribution to responsible forest management;
- the inks used to print the packs will be 100% soybean-based, thus significantly reducing the use of materials deriving from the processing of oil;
- the use of plastic, inside and outside the pack, will be reduced and, where possible, eliminated.

As to the reduction of environmental impact, the Group, in line with its ethical principles on the one hand and technical feasibility on the other, will work in stages - as part of a multi-year project - systematically communicating the progress achieved beginning from mid-2020.

Possible impacts from COVID-19: With reference to the possible effects of the global spread of COVID-19 beginning in January 2020, first in Asia and now also in Europe, it should be noted that during the second half of February, after the two-week extension of the holiday closures imposed by the Chinese Government, all of the major factories in the *Consumer Electronics* sector - operating in areas of China far from the epicentre of the virus - have resumed production, even if not immediately at full capacity. Currently, after a few weeks of progressive rump-ups, our production partners in Asia are all substantially operational. As a result of this, although the entire *Consumer Electronics supply chain* is currently operating almost normally, it cannot be ruled out that the availability of specific products may be temporarily restricted during the first half of 2020. On the basis of the situation described above and with the information available to date, the Cellularline Group believes that the impacts of this late reopening of factories in the Far East should not be significant.

It should also be noted that, as a result of the recent spread of the virus also throughout parts of the European territory - primarily in the domestic market, with the prohibition, with exceptions, regarding the mobility of people and with temporary closures of numerous outlets for a few weeks – the demand for consumer goods and/or services will suffer from the reduction of consumer traffic to retailers, with effects on the market demand of our products. In the current uncertainty regarding economic impacts, we are constantly monitoring the situation in all major markets and channels and are ready to take appropriate and targeted measures as the situation evolves.

Our priority is, of course, the health and safety of our employees and partners (customers, retailers, suppliers); the Group has therefore put in place all of the measures and safeguards necessary to ensure full continuity of service to its customers, in compliance with the ordinances and regulations issued by the public authorities and with the aim of protecting the safety of its employees and partners.

Reggio Emilia, 11 March 2020

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

CERTIFICATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

The undersigned, Christian Aleotti and Marco Cagnetta, in their capacity as Managing Directors, and Stefano Cerrato, in his capacity as Manager responsible for preparing the company's accounts of the Cellularline Group, do certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the annual Consolidated Financial Statements for the financial year ended 31 December 2019.

In this regard, it should be noted that no significant issues have emerged.

We also certify that the annual Consolidated Financial Statements of the Cellularline Group for the financial year ended 31 December 2019:

- have been prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to EC Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002;
- correspond to the results in the corporate books and accounting records;
- are appropriate for providing a true and fair representation of the operating performance and financial position of the issuer and of all of the companies included in the consolidation.

The management report on operations includes a reliable analysis of the performance and operational results as well as of the position of the issuer and of all of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Reggio Emilia, 11 March 2020

Christian Aleotti

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Chief Executive Officer

Marco Cagnetta

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Chief Executive Officer

Stefano Cerrato

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Manager responsible for preparing the company's accounts

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

TABLES FOR THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

TABLES FOR THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

TABLE FOR THE STATEMENT OF FINANCIAL POSITION

(Amounts in Euro thousands)	Notes	31/12/2019	Of which related parties	31/12/2018	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**7.1**	73,784		78,491	
Goodwill	**7.2**	93,857		93,857	
Property, plant and equipment	**7.3**	5,436		5,670	
Investments in subsidiaries and associates	**7.4**	3,690		1,210	
Right of use	**7.5**	1,451		-	
Deferred tax assets	**7.6**	999		412	
Financial receivables	**7.7**	1,730	1,730	1,206	1,206
Total non-current assets		**180,947**		**180,846**	
Current assets					
Inventories	**7.8**	22,061		20,250	
Trade receivables	**7.9**	61,898	11,832	61,049	11,593
Current tax receivables	**7.10**	3,580		5,966	
Financial receivables		37		36	
Other assets	**7.11**	5,538		3,856	
Cash and cash equivalents	**7.12**	29,963		40,913	
Total current assets		**123,077**		**132,072**	
TOTAL ASSETS		**304,023**		**312,918**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	**7.13**	21,343		21,343	
Other reserves	**7.13**	155,660		145,309	
Profits/(losses) carried forward	**7.13**	8,691		(4,399)	
Operating profit (loss) for the financial year		17,920		32,771	
TOTAL SHAREHOLDERS' EQUITY		**203,614**		**195,024**	
LIABILITIES					
Non-current liabilities					
Payables to banks and other lenders	**7.14**	37,621		51,667	
Deferred tax liabilities	**7.6**	20,852		22,006	
Employee benefits	**7.15**	384		411	
Provisions for current risks and charges	**7.16**	1,472		1,299	
Other financial liabilities	**7.17**	891		-	
Total non-current liabilities		**61,219**		**75,382**	
Current liabilities					
Payables to banks and other lenders	**7.14**	13,362		12,169	
Trade payables	**7.17**	19,867		20,014	
Current tax payables	**7.18**	264		-	
Provisions for current risks and charges	**7.16**	-		-	
Other liabilities	**7.19**	3,649		7,632	
Other financial liabilities	**7.20**	2,048		2,698	
Total current liabilities		**39,189**		**42,512**	
TOTAL LIABILITIES		**100,409**		**117,894**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**304,023**		**312,918**	

TABLES FOR THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

TABLE FOR THE INCOME STATEMENT

(Amounts in Euro thousands)	**Notes**	**31/12/2019**	**Of which related parties**	**31/12/2018**	**Of which related parties**
Sales Revenue	**8.1**	131,438	10,765	91,513	6,719
Cost of sales	**8.2**	(70,421)		(45,135)	
Gross Operating Margin		**61,017**		**46,378**	
Sales and distribution costs	**8.3**	(23,334)		(13,850)	
General and administrative costs	**8.4**	(19,040)	(54)	(12,253)	(32)
Other non-operating costs (revenues)	**8.5**	1,465	(32)	103	(17)
Operating profit (loss)		**20,108**		**20,378**	
Financial income	**8.6**	1,474		6,862	
Financial charges	**8.6**	(1,755)		(1,024)	
Gains/(losses) on exchange rates	**8.7**	(79)		384	
Income from (Expense on) equity investments		(1)		-	
Profit (loss) before taxes		**19,747**		**26,600**	
Current and deferred taxes	**8.8**	(1,827)		6,170	
Operating profit (loss) for the financial year		**17,920**		**32,771**	

COMPREHENSIVE INCOME STATEMENT

(Amounts in Euro thousands)	**Notes**	**31/12/2019**	**31/12/2018**
Operating profit (loss) for the financial year		**17,920**	**32,771**
Other components of comprehensive income that will not be reclassified to the income statement			
Actuarial gains (losses) on defined plans and benefits		(26)	10
Actuarial gains (losses) on provisions for risks		(117)	198
Income taxes on other components of comprehensive income		40	(58)
Total other components of comprehensive income for the year		**(103)**	**151**
Total comprehensive income for the year		**17,817**	**32,921**

TABLES FOR THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

CASH FLOW STATEMENT

(Amounts in Euro thousands)	**Notes**	**31/12/2019**	**31/12/2018**
Profit/(loss) for the financial year		17,920	32,771
Depreciation		9,294	4,830
Net write-downs and provisions		328	1,042
Financial income/expenses accrued		1,528	(4,817)
Current taxes		1,827	(6,170)
		30,898	**27,657**
(Increase)/decrease in inventories		(1,811)	2,469
(Increase)/decrease in trade receivables		(909)	852
Increase/(decrease) in trade payables		(146)	(5,384)
Increase/(decrease) in other assets and liabilities		131	(4,342)
Employee benefits settlement and change in provisions		(176)	(169)
Cash flow generated (absorbed) by operating activities		**27,987**	**21,083**
Interest paid		(1,528)	(1,023)
Income taxes paid		(6,516)	(8,360)
Net cash flow generated (absorbed) by operating activities		**19,942**	**11,700**
Acquisition of subsidiary company, net of cash acquired		(2,260)	(60,644)
(Purchase)/sale of property, plant and equipment and intangible assets		(6,226)	(1,968)
Net cash flow generated by (absorbed) investing activities		**(8,486)**	**(62,611)**
Other financial receivables and payables		(577)	-
(Dividends/reserves distributed)		(6,088)	-
Net (purchase)/sale of own shares		(2,889)	(12,301)
Capital increase/share premium reserve		-	28,261
Increase/(Decrease) in payables to banks and other lenders		(13,334)	(27,060)
Payment of transaction costs relating to financial liabilities		481	(129)
Net cash flow generated by (absorbed) financing activities		**(22,407)**	**(39,490)**
Increase/(decrease) in cash and cash equivalents		**(10,950)**	**(90,402)**
Cash and cash equivalents at the beginning of the year	**7.12**	**40,913**	**131,315**
Cash and cash equivalents at year end	**7.12**	**29,963**	**40,913**

TABLE OF THE CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in Euro thousands)	Note	Share Capital	Other reserves	Profit/ (losses) carried forward	Profit/loss for the year	Minority interest in reserves and result	Total Shareholders' Equity
Balance at date of incorporation 1 February 2017	**Note**	-	-	-	-	-	-
Capital increase		13,300	116,180	-	-	-	129,480
Comprehensive income for the year		-	-	-	(3,488)	-	(3,488)
Balance as at 31 December 2017		**13,300**	**116,180**	**-**	**(3,488)**	-	**125,992**
Allocation of previous year's result		-	-	(3,488)	3,488	-	-
IFRS 3 Effects - *Business Combination*		-	39,770	-	-	-	39,770
Withdrawal of Shareholders from Business Combination		-	(12,301)	-			(12,301)
Comprehensive income for the period		-	136	-	-	-	136
Capital increase		8,043	-	-	-	-	8,043
FTA effects		-	612	-	-	-	612
Comprehensive income for the year		-	-	-	32,772	-	32,772
Balance as at 31 December 2018		**21,343**	**144,397**	**(3,488)**	**32,772**	-	**195,024**
Allocation of previous year's result		-	14,482	18,290	(32,772)	-	-
Distribution of dividends		-	23	(6,111)	-	-	(6,088)
Purchase of own shares		-	(2,888)	-	-	-	(2,888)
Comprehensive income for the period		-	(104)	-	-	-	(104)
Other changes		-	(250)	-	-	-	(250)
Comprehensive income for the year		-	-	-	17,920	-	17,920
Balance at 31 December 2019	**7.13**	**21,343**	**155,660**	**8,691**	**17,920**	-	**203,614**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019

1. Introduction

Cellularline S.p.A. (hereinafter also referred to as "Cellularline" or the "Company"), a company organised under the Italian law with its headquarters in Reggio Emilia at Via G. Lambrakis 1/a, is one of the leading operators in the field of smartphone and tablet accessories in EMEA, as well as market leaders in Italy. In addition, the Group ranks among the main operators in Germany, Austria, Switzerland, Spain, Belgium and the Netherlands and has a good competitive position in other European countries.

The separate financial statements are submitted to the approval of the Shareholders' Meeting called on 24 April 2020, in line with the financial calendar approved by the Board of Directors on 14 November 2019.

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

At 31 December 2019, Cellularline shareholders holding more than 5% of the share capital with voting rights were as follows:

- S.L.M.K. S.r.l. [11] 10.43%
- Christian Aleotti 7.96%.

It should be noted that the income statement figures presented below are not comparable with the corresponding prior period of 2018; indeed, the income statement at 31 December 2018 represents the economic effects of the Business Combination that took place on 4 June 2018 (the date of legal effectiveness of the merger with Cellular Italia S.p.A. and Ginetta S.p.A.).

2. Transition to the main international accounting standards

The separate financial statements at 31 December 2019 were drawn up, for the first time, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

IFRS encompasses all International Financial Reporting Standards ("IFRS"), all International Accounting Standards ("IAS"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously referred to as the Standing Interpretation Committee ("SIC"), adopted by the European Union as of the date of approval of these financial statements by the Board of Directors and contained in the relevant EU regulations published on that date.

It should be noted that, at the consolidated level, the transition to international accounting standards took place beginning with the financial statements as at 31 December 2018; consequently, there was a difference in timing in the transition to IFRS for the separate financial statements of the consolidating company compared to the consolidated financial statements. In this regard, Articles 3 and 4 of Legislative Decree No. 38 of 28 February 2005, as amended by Article 20, paragraph 2, of Decree-Law No. 91 of 24 June 2014 ("Decree-Law on Competitiveness"), allow Italian companies to use a different timing for the transition to International Accounting Standards (IFRS) in the consolidated financial statements and in the financial statements of the individual companies included therein, including that of the consolidating company.

In addition, paragraph D17 of IFRS 1 expressly provides that if a parent company adopts, for the first time,

[11] S.L.M.K. S.r.l., formerly S.L.M.K. S.A. is wholly owned by L Capital Luxembourg S.A., which, in turn, is wholly owned by L Capital 3 F.P.C.I., which is at the top of the chain of control. This fund is managed by L Catterton Europe S.A.S..

international accounting standards in its separate financial statements at a date later than the one used for the preparation of the consolidated financial statements, it must value its own assets and liabilities at the same values in both financial statements, with the exception of consolidation adjustments. The application of this standard avoids an IFRS valuation asymmetry in the financial statements prepared by the parent company with respect to the consolidated financial statements dependent only on the different timing of the transition to the international accounting standards.

The effects of the transition to international standards are detailed in Appendix 1, attached to these financial statements, to which reference is made.

3. Criteria adopted for the preparation of the Financial Statements and summary of accounting standards

The following are the drafting criteria, main accounting standards and measurement criteria adopted for preparing the Financial Statements at 31 December 2019. These standards and criteria have been applied consistently for all financial years presented in this document, taking into account the requirements set out in Note 2 "Transition to International Accounting Standards".

The explanatory notes serve to illustrate the drafting principles adopted, and provide the information required by IAS/IFRS accounting standards and not contained in other parts of the financial statements. In addition, they provide further information not shown in the tables of the financial statements but necessary for the purposes of a reliable representation of the Company's business.

3.1 Criteria for drawing up the financial statements and a summary of the accounting standards

The financial statements at 31 December 2019 were prepared on a going concern basis.

The financial statements are expressed in Euro, the company's functional currency. For clarity of reading, the schedules and tables also omit mandatory items under IAS 1 that show zero balances in both comparative periods.

The following formats have been used in the preparation of these financial statements:

- the **Statement of financial position table** has been prepared by classifying the values according to the current/non-current assets/liabilities schedule;
- the **Income statement table** has been prepared by classifying the values by destination. In accordance with IAS 1, the income statement includes the comprehensive income statement table presented in two separate tables;
- the **cash flow statement**;
- **the table of changes in shareholders' equity**;
- **explanatory notes to the financial statements.**

It should be noted that the income statement format adopted highlights the following results, as the Management believes that they constitute significant information for the purposes of understanding the Company's economic results:

- Gross Operating margin: this represents the difference between the revenues from sales and services and the cost of sales;
- Operating profit/(loss): this represents the net result of the financial year before the financial components and taxes.

These operating results cannot be identified as an accounting measure under the IFRS and thus should not be considered as a substitute measure for evaluating income performance. It should also be noted that the criterion used to determine these operating results may not be consistent with that adopted by other companies and, therefore, that such data may not be comparable.

The Cash Flow Statement 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 the financial statements' format, please note that the tables for the income statement and for the statement of financial position include transactions with related parties.

As part of the preparation of the financial statements, management had to formulate assessments, estimates and assumptions that influence the application of accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. However, it should be noted that, since these are estimates, the results obtained will not necessarily be the same as those represented here. These estimates and assumptions are regularly reviewed.

Business combinations

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is determined by the sum of the current values at the date of obtaining control of the assets considered, the liabilities incurred or assumed and the financial instruments issued by the Group in exchange for control of the acquired company.

The goodwill deriving from the acquisition is only determined in the acquisition phase, posted as assets and represented by the additional value of the acquisition cost when compared with the Group portion of the current values of the identifiable assets, liabilities and potential liabilities recorded.

The minority interest in the acquired company is initially valued at the share of the current values of the assets, liabilities and contingent liabilities recorded.

The acquisition of subsidiary companies is accounted for using the acquisition method. The identifiable assets, liabilities and contingent liabilities of the acquired enterprise that meet the conditions for entry under IFRS 3 are entered at their current values as at the date of acquisition, apart from non-current assets (or disposal groups). These are classified as held for sale in accordance with IFRS 5, which are entered and valued at current values minus selling costs.

Goodwill arising from the acquisition of control of an equity investment or a business unit represents the surplus between the acquisition cost (the sum of payments transferred in the business combination), increased by the fair value of any holding previously held in the acquired enterprise, relative to the fair value of identifiable assets, liabilities and contingent liabilities of the entity acquired at the date of acquisition.

In the case of acquiring stock that does not give total control, the goodwill can be determined at the date of acquisition both in relation to the percentage of control acquired and by assessing at fair value the proportion of shareholders' equity of third parties (so-called full goodwill).

The choice of the valuation method can be made from time to time for each transaction.

For determining goodwill, the consideration transferred in a business combination is calculated as the sum of the fair value of the assets transferred and the liabilities taken on by the Group at the date of acquisition and the equity instruments issued in exchange for the control of the acquired entity, also including the fair value of any payments subject to conditions stipulated in the acquisition agreement.

Any goodwill adjustments may be recognised during the measurement period (which may not exceed one year from the date of acquisition) due to subsequent changes in the fair value of payments subject to conditions or the determination of the current value of the assets and liabilities acquired, if recorded only provisionally at the date of acquisition and if such changes are determined as adjustments on the basis of more information on facts and circumstances existing at the date of aggregation. In the event of the sale of shares of subsidiaries, the residual amount of goodwill attributable to them is included in the determination of the capital gain or loss from the divestment.

3.2 Use of estimates and valuations in the preparation of the Financial Statements

As part of the preparation of the Financial Statements, management had to formulate assessments, estimates and assumptions that influence the application of accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. However, it should be noted that, since these are estimates, the results obtained will not necessarily be the same as those represented here. These estimates and assumptions are regularly reviewed.

The relevant subjective valuations of the management in the application of the accounting standards and the main sources of uncertainty of the estimates are listed below.

Fair value assessment

In assessing the fair value of an asset and a liability, the Company makes use of observable market data where possible.

Fair values are distinguished at various hierarchical levels based on input data used in evaluation techniques, as follows:

- Level 1 are (unadjusted) prices quoted on active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 are variables other than the quoted prices included in Level 1, which can be observed directly or indirectly for assets or liabilities;
- Level 3 are variables that cannot be observed for assets or liabilities.

If the input data used to assess the fair value of an asset or liability can be classified at different levels of the fair value hierarchy, the entire assessment is placed in the same hierarchy level as the lowest level input that is significant for the entire assessment.

Goodwill, brand and customer relationship recoverability

Goodwill

The Company checks annually and each time there is a loss of value indicator, by means of the impairment test, for any impairment of the value of goodwill. For the purposes of this verification, the recoverable amount generated by the cash-generating units was determined as the value of use according to the discounted cash flow method. In applying this method, the Company uses various assumptions, including the estimate of future increases in sales, operating costs, growth rate of end values, investments, changes in operating capital and the weighted average cost of capital (discount rate).
As the main estimates and assumptions made in preparing the plan, and therefore the impairment test, change, so the value in use and the resulting value of the assets recognised that will effectively be achieved also change.
The Company, also with the support of an Independent Accounting Expert, has formalised an impairment test, the criteria of which were approved by the Board of Directors on 11 March 2020, in order to identify any impairment losses due to the excess of the carrying amount of the CGU, including goodwill, with respect to its recoverable amount. This recoverable amount is based on the value of use, determined by the method of discounting the expected operating cash flows ("Discounted Cash Flow") estimated on the basis of both an explicit time frame and a terminal value.
The estimate of the expected operating cash flows, based on the 2020-2022 Business Plan, was used for the impairment test.
The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected operating cash flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the CGU in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Trademarks

The Company verified through the impairment test the possible loss of value of registered trademarks as assets with defined useful lives. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.
The above-mentioned impairment test was also carried out in order to identify any losses due to value reductions determined by the excess of the carrying amount of the defined useful lives of the trademarks in relation to the recoverable amount of the trademarks. This recoverable amount is based on the value of use determined, for trademarks with defined useful lives, by means of the relief from royalties method deriving both from expected turnover over an explicit time frame as well as from the terminal value. The estimate of the net flows of royalties, deduced from the 2020-2022 Business Plan, was used for impairment testing purposes.
The fair value of the dominant asset is obtained by discounting the flows of theoretical royalties calculated on the

income for the years of the asset’s residual life.
The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected royalty flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the trademarks in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Customer relationship

The Company verified through the impairment test the possible loss of value of customer relationships recognised as a defined useful life asset. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.
The above-mentioned impairment test was also carried out in order to identify any losses due to value reductions determined by the excess of the carrying amount of the customer relationship's defined useful life with respect to the recoverable amount of the customer relationship. This recoverable amount is based on the value of use, determined by the Multi Period Excess Earnings Method (MEEM). It is based on the assumption that the relevant income of the asset identified as a dominant strategic asset can be determined by deducting from the total income the normal remuneration of all other assets.
The fair value of the dominant asset is obtained by discounting the expected residual income for the years of the asset’s residual life.
The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected residual revenues, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the Customer Relationship in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Valuation of receivables

The provisions for bad debt reflect the management estimate of the losses related to the customer loans portfolio. The provisions are estimated based on the Company’s expected losses, taking into account future expectations of the creditworthiness of counterparties, current and historical bad debts, losses and receipts, monitoring of credit quality and projections of economic and market conditions. The Company has adopted a specific procedure for the valuation of loans and the determination of the provision.

Valuation of inventories

The inventory obsolescence provision reflects the Company's estimate of the clear or expected losses in the value of inventories, determined on the basis of past experience, historical and expected sales trends. The inventory write-down provision takes into account the commercial obsolescence for each class of products on the basis of rotation indices, market values and specific technical valuations linked to technological evolution.

Valuation of the stock grant plan

The stock grant plan was valued by means of two evaluation methods: the binomial options pricing and Black & Scholes models.

Recoverability of deferred tax assets

The Company's financial statements include deferred tax assets. These deferred taxes were accounted for on account of their recoverable amounts, on the basis of the future income expectations of the Company.

Provisions

The Company - operating globally - is subject to legal and tax risks arising 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.

3.3 Relevant accounting standards used in the Preparation of the Financial Statements

Foreign currency transactions are converted into the operating currency of each entity at the exchange rate in force on the date of the transaction.

Monetary items in foreign currency at the closing date of the financial year are converted into the functional currency using the exchange rate at that date. Non-monetary items valued at fair value in a foreign currency are converted into the operating currency using the exchange rates in force at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate in force on the same date of the operation. Exchange rate differences arising from the conversion are generally recognised among borrowing costs in the profit/(loss) of the period.

Intangible assets

Intangible assets acquired or produced 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.

Limited-life intangible assets are valued at the cost of purchase or production, net of accumulated amortisation and impairment losses.

These 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%
Customer relationship	7.7%
Software Costs	33%
Licenses for use	33-50%
Cellularline brand	5.5%
Interphone brand	10%
Right of use	Duration of the contract
Other	33%

If the licences are intended for specific service contracts, they are amortised according to the duration of the contract in question.
Some of the above items are detailed below.

Development costs

Costs for product development projects are recognised as intangible fixed assets when it is considered that the project will be successful, taking into account the commercial opportunities of the project, provided that the costs can be measured reliably and provided that appropriate analyses demonstrate that they will generate future economic benefits. For the Company, development activity has always been assimilated to a "normal" activity of applying research results for continuous and constant improvement. Consequently, this activity is constant throughout the year, with the exception of specific limited development projects which have led to the realisation of innovative technologies. Advertising expenses, which do not meet the requirements of IAS 38, are always charged to the income statement in the reference year.

Customer relationship

The Purchase Price Allocation process saw the enhancement of the Company's customer relationships as a sum of the customer relationships relating to the Red, Blue and Black product lines.
Note that the Customer relationship is due to the contracts in place with the reference customers, enabling the Company to limit access by third parties by means of a consolidated relationship with the customers. *Fair value* can be measured reliably, given the possibility of identifying the economic benefits attributable to the activity in question by monitoring the revenues generated by individual customers for each product line. The residual useful life, also in consideration of the abandonment rate or the percentage of customers that historically discontinue trade relationships with the company at a given moment, can be estimated as 13 years.
The Company verified through the impairment test the possible loss of value of customer relationships recognised as a defined useful life asset. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.
The Company used an independent expert accountant for the assessment of this item.

Software costs, licences and trademarks

This item mainly includes the effect of the Purchase Price Allocation process in relation to the fair value of the Cellularline and Interphone brands.

For the purpose of estimating fair value, a royalty rate was chosen as a basis for the analysis (taken from market transactions deemed to be comparable) and applied to the cash flows attributable to the asset concerned. These flows were expressed net of the marketing costs intended to maintain the intangible asset at the conditions it was in at the date of the assessment and the relative tax burden. The value of the asset is represented by the sum of the current values of the income 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 has the opportunity to benefit from the economic benefits attributable to it, reflected in the revenues of the Red product line for the Cellularline brand, recognised at European level for smartphone and tablet accessories for over 25 years, and the Black division for the Interphone brand. The estimated useful life of these trademarks is 18 and 10 years, respectively.

The Company verified through the impairment test the possible loss of value of registered trademarks as assets with defined useful lives. The fair value configuration was used in methodological continuity with what was carried out for the Purchase Price Allocation by updating the value-related parameters at the reference date of 31 December 2019.

The Company used an independent expert accountant for the assessment of this item.

Software costs, including ancillary expenses, relate to software acquired for the company's use. Licences for use refer to software licences dedicated to specific service supply contracts.

Goodwill

Goodwill derived from business combinations is initially entered at cost and represents the excess of the purchase cost over the fair value portion of the assets, liabilities and contingent liabilities of the acquired companies. Any negative difference, or negative goodwill, is recognised in the income statement at the time of acquisition.

In the case of acquisitions of subsidiaries in stages, the individual assets and liabilities of the subsidiary are not measured at fair value in each subsequent acquisition and goodwill is determined solely at the first acquisition stage.

After the initial entry, the goodwill is reduced by any accumulated value 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 synergistic effects of the acquisition. Any loss in value is identified through valuations based on the ability of each unit to generate cash flows capable of recovering the portion of goodwill allocated to it, in the manner indicated in the section on tangible assets. If the recoverable amount of the cash-generating unit is lower than the carrying amount attributed, the related impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist.

On the disposal of part or all of the business previously acquired and from the acquisition of which goodwill emerged, the corresponding residual value of the goodwill is taken into account in determining the capital gain or loss on disposal.

Goodwill is not subject to amortisation.

Losses of value (Impairment test)

On the basis of the foregoing considerations, at least once a year the Company shall verify goodwill and the recoverable amount of intangible, material and financial assets in order to determine whether there is any indication that such assets may have suffered a loss of value. If such an indication exists, an estimate of the asset's recoverable amount is required to determine the amount of any impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates this value at the level of an individual company, which represents the smallest independent cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, 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 a loss on an asset other than goodwill is later diminished, the carrying amount of the cash-generating unit or asset is increased up to the new estimated recoverable amount and may not exceed the value that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

The Company used an independent expert accountant for the assessment of this item.

Property, plant and equipment

Property, plant, machinery and industrial equipment (including those under financial leasing) 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 charge directly incurred to prepare the assets for their use.

Interest expense incurred on loans obtained for the acquisition or construction of tangible fixed assets is recorded as an increase only in the case of fixed assets that meet the requirements to be recorded as such, or that require a significant period of time to be ready for use or marketable.

Costs incurred for maintenance and repairs of an ordinary nature are charged directly to the income statement in the year in which they are incurred, whereas maintenance costs having an increasing value are attributed to the assets to which they relate and amortised contextually to the reference assets in relation to the residual possibility of use.

Fixed assets under development and advances to suppliers are recorded under assets on the basis of the cost incurred and/or the advance paid, including the directly attributable expenses.

Depreciation is determined on a straight-line basis over the cost of the assets, net of their residual values (when reasonably estimable), according to their estimated useful life by applying the following percentage rates (main categories):

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

The exception is that of fixed assets intended for instrumental use on specific service supply contracts, which are depreciated according to the term of the reference contract.

Depreciation begins when assets are ready for use and, in the period of entry into service, is calculated at half the rate, with the exception of fixed assets intended for instrumental use on specific service supply contracts, which are depreciated according to the duration of the remaining days from the date of effectiveness of the service contract.

Profits and losses arising from sales or disposals of assets are determined as the difference between sales revenue and the net carrying amount of the asset and are recognised to the income statement for the period.

Investments in subsidiaries

Cellularline controls a company when, in the exercise of the power it has over it, it is exposed and entitled to its variable yields, through its involvement in the management, and at the same time has the opportunity of affecting the returns of the investee company. Controlling interests are valued at cost, after the initial recognition at fair value, adjusted for any permanent impairment in value emerging in subsequent years.

Equity investments in associated companies

The Company's investments in associated companies are valued using the equity method. An associate is a company over which the Company has a significant influence and which is not classifiable as a subsidiary or joint venture.

Therefore, the equity investment in an associate company is entered in the statement of financial position at cost, increased by changes following the acquisition in the Group's proportion of the equity. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After applying the equity method, the Company determines whether it is necessary to recognise any additional impairment losses with reference to the Company's net equity investment in the associate. The income statement reflects the Company’s share of the result of the associated company.

Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After applying the equity method, the Company determines whether it is necessary to recognise any additional impairment losses with reference to the Company's net equity investment in the associate. The income statement reflects the Company’s share of the result of the associated company. In the event that an associated company recognises adjustments directly attributable to shareholders' equity, the Company records its share and represents it, where applicable, in the table of changes in shareholders' equity.

Equity investments in other companies

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

Financial assets and liabilities

The new accounting standard IFRS 9 Financial Instruments was applied with effect from 1 January 2018.

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

The standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39. The main innovations in the document concerns:

- changes to the effectiveness test by replacing the current 80-125% parameter-based modalities with the principle of the "economic relationship" between the hedged item and the hedging instrument; in addition, the valuation of the retrospective effectiveness of the hedging relationship will no longer be required;
- the increase in the types of eligible hedge accounting transactions, also including the risks of non-financial assets/liabilities eligible for hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting relationship, in order to reduce the volatility of the income statement.

Recognition and evaluation

Trade receivables and debt securities issued are recognised when they are originated. 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 valued at fair value plus or minus - in the case of financial assets or liabilities not valued at Fair Value Through Profit or Loss (FVTPL) - the costs of the transaction directly attributable to the acquisition or issuance of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

Classification and subsequent assessment

At the time of initial recognition, a financial asset is classified on the basis of the amortised cost or fair value recognised in the profit/(loss) of the financial year (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 financial year following the change in the business model.

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

- the financial asset is held within the scope of a business model whose objective is the possession of financial assets for the collection of the related contractual financial flows; and

- the contractual terms of the financial asset provide for certain given financial flows represented solely by payments of capital and interest on the amount of capital to be repaid.

All financial assets not classified as valued at amortised cost or *Fair value through other comprehensive Income (*FVOCI), as indicated above, are valued at FVTPL. At the time of the initial recognition, the Company may irrevocably designate the financial asset as measured at fair value recognised in the operating profit/(loss) if it thereby eliminates or significantly reduces an accounting asymmetry that would otherwise result from the assessment of the financial asset at the amortised cost or at FVOCI.

Financial assets: subsequent assessment and profits and losses

- Financial assets assessed at FVTPL: these assets are subsequently assessed at fair value. Net profits and losses, including dividends or interest received, are recognised in the profit/(loss) of the financial year.
- Financial assets assessed at amortised cost: these assets are subsequently assessed at amortised cost in accordance with the effective interest criterion. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the profit/(loss) of the year as well as any profit or loss from derecognition.

Financial liabilities: classification, subsequent assessment and profits and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss for the period as are any gains or losses from derecognition.

Derecognition of accounts

- Financial assets: financial assets are derecognised from the financial statements when the contractual rights on financial flows arising from them expire; when the contractual rights to receive cash flows in a transaction in which substantially all risks and benefits arising from the ownership of the financial asset are transferred; or when the Company does not transfer or substantially maintain all risks and benefits arising from the ownership of the financial asset and does not maintain control of the financial asset.
- Financial liabilities: the Company derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Company derecognises a financial liability even in the event of a change in the related contractual terms and the cash flows of the modified liability are substantially different. In such 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 and the consideration paid (including assets not represented by transferred cash and cash equivalents or assumed liabilities) is recognised in the profit/(loss) of the period.

Netting

Financial assets and 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 currently has the legal right to offset these amounts and intends to settle the balance on a net basis or realise the asset and settle the liability simultaneously.

Impairment losses

Financial instruments and contract assets

The Company assesses impairment provisions by an amount equal to the losses expected over the life of the related receivable. Impairment provisions of trade receivables and contract assets are always valued at the amount equal to the expected losses throughout the life of the related receivable.

To determine whether the credit risk for a financial asset has increased significantly following the initial recognition, in order to estimate expected losses on receivables, the Company considers information that is reasonable and demonstrably relevant and available. This includes quantitative and qualitative information and analyses, based on the Company's historical experience, credit assessment and information indicative of expected developments.

Expected losses on long-term receivables are expected losses on receivables arising from all possible defaults over the expected life of a financial instrument.

The expected losses on 12-month receivables are the losses arising from possible defaults over the 12 months from the end of the financial year (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into account when assessing expected losses on receivables is the maximum contractual period during which the Company is exposed to the credit risk.

Impaired financial assets

At each closing date of the financial year, the Company assesses whether financial assets valued at amortised cost have deteriorated. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that the financial asset has deteriorated is provided by observable data relating to the following events:

- significant financial difficulties of the Company or the debtor;
- a breach of the contract, such as a failure to fulfil obligations or a due date not respected for more than 90 days;
- the restructuring of a debt or an advance by the Company on terms that the Company would not otherwise have considered;
- whether the debtor is likely to declare bankruptcy or other financial restructuring procedures;
- the disappearance of an active market for that financial asset due to financial difficulties.

Write-down

The gross carrying amount of a financial asset is written-down (partly or wholly) to the extent that there is no real prospect of recovery. The Company's policy is to write down the gross carrying amount when the financial asset has been due for more than 90 days, based on historical experience in the recovery of similar assets. Written-down financial assets could still be enforced in order to comply with the Company's debt recovery procedures.

Non-financial assets

At each closing date of the financial year, the Company shall verify whether there is objective evidence of impairment by reference to the accounting values of its non-financial assets, investment property, inventories and deferred tax assets. If, on the basis of this verification, it appears that the assets have actually been reduced in value, the Company estimates their recoverable amount. The recoverable value of goodwill is estimated annually.

Inventories

Inventories are valued at the lower of purchase or production cost, determined on the basis of a method that approximates the Weighted Average Cost, including incidental expenses, direct and indirect costs for the portion reasonably attributable to them and the estimated value based on market trends.

If the net realisable value is lower than the cost, the inventories are written down for the difference found on the basis of a valuation carried out on an asset-by-asset basis. The write-down is determined following a specific recoverability analysis; it is eliminated in subsequent years if the reasons for the write-down have diminished, by restoring the original value. Goods in transit are valued according to specific identification of the purchase cost.

Cash and cash equivalents

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

Employee benefits

The employee severance indemnity was accounted for by applying the provisions of IAS 19.

Severance indemnities of Italian companies up to 31 December 2006 were considered defined-benefit plans; the rules of such provisions were amended by Law No. 296 of 27/12/2006. This institution is now to be regarded as a defined-benefit plan exclusively for amounts accrued before 1 January 2007 (and not yet paid as at the date of the financial statements). After that date it is treated a defined-contribution plan, provided that amounts of severance indemnities accrued after 1 January 2007 are paid to the appropriate "Treasury Fund" established at INPS (or equivalent pension forms), in accordance with the provisions of the above-mentioned regulatory measure. Due to the regulatory environment, the composition of the company's staff and its seniority, the effects of using actuarial techniques and discounting of future liabilities as at the reporting date are considered to be irrelevant, considering the nominal book value to be a reliable approximation of the fair value of the expected discharge value.

Provisions for current risks and charges

Provisions for risks and charges are made when the Company has to meet a current obligation (legal or implicit) resulting from a past event, a financial outlay is probable to meet this obligation and it is possible to make a reliable estimate of its amount. When the Company believes that a provision for risks and charges will be partially or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately under assets if and only if it is practically certain. In this case, the cost of any related provision, net of the amount recognised for the indemnity, is presented in the income statement. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recognised as a financial expense.

The Agents' Severance Indemnity Provision (FISC) meet the annual provisions for payment of allowances following termination of agency relationships.

In fact, according to the Italian rules (art. 1751 of the Italian Civil Code), when the agency contract is terminated for events not attributable to the agent, the principal must pay an agent severance indemnity, calculated on the total amount of commissions the agent is entitled to during the arrangement, even if not entirely paid at the point of terminating the arrangement.

In light of international accounting standards, and in relation to the guidelines provided by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), the FISC has been considered a post-employment benefit of the defined-benefit plan type, for which its value for accounting purposes is determined by actuarial methods. The actuarial valuation of the FISC was carried out on the basis of the "accrued benefits" methodology via the "Projected Unit Credit Method" (PUM) as envisaged in arts. 64-66 of IAS 19. This methodology is based on assessments that express the average current value of pension obligations accrued on the basis of the service that the agent has provided up to the point the assessment is carried out, but projecting the agent's commissions up to the anticipated date of continuing the agency relationship with the principal company.

Conversion of values expressed in foreign currency

The Company's operational and reporting currency is the Euro.

Assets and liabilities, with the exception of tangible, intangible and financial fixed assets, originally expressed in currencies of non-EU countries, are converted into EUR at the spot-exchange rate on the closing date of the financial year, and their foreign exchange gains and/or losses are charged to the income statement. Revenues and income, costs and expenses relating to foreign currency transactions are recorded at the exchange rate of the date when the transaction is carried out.

Recognition of revenues

Revenues are recognised on the basis of the transfer of control of goods or services and to the extent that the economic benefits are likely to be achieved by the Company and the amount of such benefits can be reliably determined. In addition, they are recorded net of returns, discounts, rebates and premiums.

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 gains and losses on derivative financial instruments recognised in the income statement.

Public contributions

Government grants are recognised when there is a reasonable certainty that they will be received and all the conditions relating to them are met. 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 charges

Financial expenses are recognised in the income statement at the time they are incurred. Financial charges are capitalised when they refer to a fixed asset that requires a significant period of time to be ready for its intended use or for sale.

Dividends

Dividend income is recognised when the right to collection arises. This normally occurs in the financial year in which the shareholders' meeting of the investee company, which decides the distribution of profits or reserves, is held.

The distribution of dividends on the Company's ordinary shares is recognised as liabilities in the financial statements in which the distribution is approved by the Shareholders' Meeting.

Income taxes

Current taxes

Current tax assets and liabilities for the current and previous financial year are assessed 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 enacted and in place at the closing date of the financial statements.

Deferred taxes

Deferred taxes are calculated using the so-called liability method on the temporary differences resulting at the closing date of the financial statements between the tax values taken for assets and liabilities and the values reported in the financial statements.

Deferred tax liabilities are recorded against all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, does not affect either the profit for the financial year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- for the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the reversal of temporary differences can be controlled and is likely not to occur in the foreseeable future.

Deferred tax assets are recognised against all deductible temporary differences and for tax assets and liabilities

brought forward, to the extent that appropriate future tax profits are likely to exist which may make applicable the use of deductible temporary differences and tax assets and liabilities brought forward, except where the deferred tax asset linked to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction itself, does not affect either the profit for the financial year calculated for purposes of the financial statements or the profit or loss calculated for tax purposes.
With regard to taxable temporary differences associated with holdings in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that deductible temporary differences are likely to be reversed in the immediate future and that there are adequate tax profits against which temporary differences can be used.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available in the future to allow all or part of this receivable to be used. Unrecognised deferred tax assets are reviewed annually at the balance sheet date and are recognised to the extent that it has become probable that the tax profit will be sufficient to allow such deferred tax assets to be recovered.
Deferred tax assets and liabilities are measured on the basis of the tax rates expected to be applied to the period in which those assets are realised or those liabilities are extinguished, taking into account the rates in force and those enacted at the closing date of the financial statements.
Income taxes relating to items posted directly in equity are recognised directly in equity and not in the income statement.
Deferred tax assets and liabilities are offset, where there is a legal right to offset current tax assets with current tax liabilities and deferred taxes refer to the same tax entity and tax authority.

Risks, commitments, guarantees

Commitments and guarantees are indicated at their contractual value, along with the risks for which the manifestation of the liability is only possible, without allocating provisions for risk.
The risks for which the occurrence of a liability is probable are described in the explanatory notes and allocated, in accordance with the criteria of fairness, to the provisions for risks. Risks of a remote nature are not taken into account.

4 Changes in accounting standards

The Company adopted IFRS 16 (Leasing) as of 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which entered into force on 1 January 2019, had no significant effect on the Company's separate financial statements.
IFRS 16 introduces a single lease accounting model in the lessees' financial statements according to which the Company, as a lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay lease payments. The rules for accounting for the lessor, on the other hand, remain similar to those laid down in the standard previously in force.
The Company made use of the option to adopt IFRS 16 by the amended retrospective method, which provides for the possibility of acquiring, as of 1 January 2019, the right of use for an amount equal to the residual financial

liability at that date, without recalculating the data for the previous financial year.
As a result, the financial statements' balances as at 31 December 2019 are not fully comparable with the figures for the financial year ended 31 December 2018.
Details of the changes to this accounting standard are set out below.

Definition of *leasing*

Previously, the Company established at the beginning of the contract whether the contract was, or contained, a lease according to IFRIC 4 "Determining whether an agreement contains a lease". In accordance with IFRS 16, the Company evaluates whether the contract is a lease or contains one on the basis of the new lease definition. According to IFRS 16, the contract is, or contains *a lease* if, in exchange for a consideration, it transfers the right to control the use of an identified asset for a period of time.
At the initial date of application of IFRS 16, the Company decided to adopt the operating mode which allows it not to review which transactions constitute a lease. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not re-evaluated to determine whether they were a lease. Therefore, the lease definition in IFRS 16 was applied only to contracts signed or amended on or after 1 January 2019.

Accounting model for the lessee

The Company leased assets such as buildings and cars. As a lessee, the Company previously classified leases as operating or financial by assessing whether the lease essentially transferred all risks and benefits related to the property. According to IFRS 16, the Company recognises in the statement of financial position assets for the right of use and leases as liabilities.
However, the Company decided not to recognise assets for the right of use and liabilities relating to leases of assets of modest value (less than USD 5,000). Therefore, the Company recognises the lease payments related to these leases as a cost, with a straight-line basis throughout the lease term.
The Company recognises assets for rights of use which do not meet the definition of real estate investments under 'Property, plant and equipment', the same item used to report the underlying assets it holds of that nature. Assets for rights of use which meet the definition of real estate investments are presented under the item of the same name.
Book values of assets for rights of use are listed below.

Effects resulting from the application of IFRS 16

(In thousands of Euro)	Real estate	Cars	Total
Balance as of January 1, 2019	720	1,010	**1,730**
Balance as at 31 December 2019	664	1,396	**2,060**

The Company sets out leasing liabilities under 'Other financial liabilities' in the summary table of the statement of financial position.
On the effective date of the lease, the Company recognises the asset for right of use and the liability of the lease. The asset for right of use is initially valued at cost, then at cost net of amortisation and accumulated impairment

losses, and adjusted to reflect revaluations of the lease liability. The asset for right of use which satisfies the definition of investment property is reported under the investment property item and is initially valued at cost and subsequently at fair value, in accordance with the Company's accounting standards.
The Company values the leasing liability at the present value of payments due for leases not paid as at the effective date, discounting them using the implicit interest rate of the lease. Where this rate cannot be easily determined, the Company uses the marginal financing rate. Generally, the Company uses the marginal financing rate as the discount rate.
The leasing liability is subsequently increased by interest accruing on said liability and decreased by the lease payments made and is revalued in the event of any change in future lease payments due to a change in the index or rate, in the event of a change in the amount that the Company expects it must pay as a guarantee on the residual value or when the Company changes its valuation with respect to the exercise or otherwise of a purchase, extension or termination option.
The Company estimated the duration of the lease of certain contracts in which it acts as a lessee and has renewal options. The Company's assessment of whether the certainty of exercising the option is reasonable or not affects the lease term estimate, significantly impacting the amount of the leasing liabilities and the assets for the recognised right of use.
The Company used the following practical arrangements to apply IFRS 16 to leases previously classified as operating leases under IAS 17:

- it applied the exemption from recognition of assets for the right of use and liabilities of leases for a term of less than 12 months;
- it excluded the initial direct costs from the assessment of the asset for the right of use at the date of initial application;
- it was based on the experience gained in determining the duration of the lease containing lease extension or termination options.

Effects of first application of IFRS 16

During the initial application of IFRS 16, the Company recognised additional assets for the right of use, including real estate investments and other leasing liabilities.

(In thousands of Euro)	**1 January 2019**
Assets for right of use included in the item "Right of use"	1,730
Leasing liabilities	(1,730)

When assessing lease liabilities classified as operating leases, the Company discounted lease payments using the marginal lending rate as of 1 January 2019. The weighted average rate applied is 2.5 % per year.
Following the first application of IFRS 16 to leases previously classified as operating leases, the Company recognised assets for right of use and lease liabilities equal, respectively, to EUR 1,730 thousand as at 1 January 2019 and EUR 2,060 thousand as at 31 December 2019.
In addition, in relation to leases recognised in accordance with IFRS 16, the Company recognised amortisation

and interest in place of operating lease costs. During the financial year ended 31 December 2019, the Group reported amortisation and interest amounting to EUR 609 thousand and EUR 70 thousand respectively.

5 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

The other changes and interpretations to the accounting standards and criteria in force from 1 January 2019 relate to matters and cases which are not present or not relevant to the Company's financial statements:

Document Title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Pre-payment items with negative compensation (Amendments to IFRS 9)	October 2017	1 January 2019	22 March 2018	(EU) 2018/498 26 March 2018
IFRIC Interpretation 23 – Uncertainty about treatment for income tax purposes	June 2017	1 January 2019	23 October 2018	(EU) 2018/1595 24 October 2018
Long-term interest in associate companies and joint ventures (Amendments to IAS 28)	October 2017	1 January 2019	08 February 2019	(EU) 2019/237 11 February 2019
Modifying, reducing, or extinguishing the plan (Amendments to IAS 19)	February 2018	1 January 2019	13 March 2019	(EU) 2019/402 14 March 2019
Annual cycle of improvements to IFRS 2015-2017	December 2017	1 January 2019	14 March 2019	(EU) 2019/412 15 March 2019

Accounting standards, amendments and interpretations IFRS and IFRIC approved by the European Union, not yet necessarily applicable and not adopted in advance by the Company at 31 December 2020

The following are the new accounting policies or changes to the standards, applicable for periods beginning after 1 January 2020, which are allowed to be applied in advance. The Company has decided not to adopt them in advance for the preparation of these financial statements:

Document Title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Amendments to references to the IFRS Conceptual Framework	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019
Definition of relevant (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Reform of the benchmark indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

It should be noted that these documents will only be applicable after EU approval:

Document Title	Issue date by the IASB	Date of entry into force of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 *Regulatory Deferral Accounts*	January 2014	(**Note 1**)	(**Note 1**)
IFRS 17 *Insurance Contracts*	May 2017	1 January 2021 (**Note 2**)	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB equity method project	Postponed until the conclusion of the IASB equity method project
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 2020	1 January 2022	TBD

(Note 1) IFRS 14 came into force on 1 January 2016, but the European Commission has decided to suspend the approval process pending the new accounting standard for "rate-regulated activities".

(Note 2) It should be noted that in June 2019, the IASB published a draft exposure that includes some Amendments to IFRS 17 and the postponement of the entry into force of the new accounting standard on 1 January 2022. At the reference date of this checklist (23 January 2020), Amendments to IFRS 17 have not yet been finally approved by the IASB.

6 Information on operational sectors

The operational sector identified by the Company, which incorporates all the services and products supplied to customers, is unique.

The Company's activities are developed through a single operational sector and can be divided into three main product lines:

- Red product line (multimedia accessories);
- Black product line (accessories for the motorcycle and bicycle world);
- Blue product line (third-party products marketed under licence).

7 Explanatory Notes to the Statement of Financial Position

With reference to the financial year ending 31 December 2019, the following are comments on the main items of the assets and liabilities of the financial statements of Cellularline S.p.A.

ASSETS

NON-CURRENT ASSETS

7.1 Intangible Assets

For the item in question, an appropriate table of movements has been prepared, reported below, which indicates for each item the historical costs, previous amortisation/depreciation, the movements made during the period and the final balances. Amortisation/depreciation was calculated on the basis of rates considered to be representative of the residual possibility of using the relative intangible assets.

Below is the breakdown of Intangible Assets as of 31 December 2019 and 31 December 2018.

(In thousands of Euro)	Value as at 01/01/2018	Incr/(Decr.)	Position at 31 December 2018			Position at 31 December 2019		
			Historical Cost	(Provisions for amortisation/depreciation)	Net Carrying Amount	Historical Cost	(Provisions for amortisation/depreciation)	Net Carrying Amount
Development costs	-	1,044	1,044	(503)	541	3,283	(2,635)	648
Industrial patent rights and rights to use intellectual works	-	957	957	(404)	545	19,006	(17,173)	1,833
Concessions, licenses, trademarks and similar rights	-	20,245	20,245	(677)	19,568	23,870	(5,320)	18,550
Customer relationship	-	59,707	59,707	(2,679)	57,028	59,707	(7,271)	52,436
Work in progress and advances	-	809	809	-	809	317	-	317
Other fixed assets	8	(8)	-	-	-	-	-	-
Total intangible assets	**8**	**82,754**	**82,762**	**(4,263)**	**78,491**	**106,183**	**(32,399)**	**73,784**

The following are the movements of intangible assets for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	
Balance as at 31 December 2018	**78,491**
Increases	2,800
(Decreases)	-
(Amortisation/depreciation and write-downs)/revaluations	(7,507)
Balance as at 31 December 2019	**73,784**

With reference to 31 December 2019, it is noted that the Company made investments of approximately EUR 2,800 thousand

In particular, investments were mainly attributable to:

- development costs of EUR 1,200 thousand; this item includes the expenses incurred for investments in specific product innovation projects. These costs are considered to be of multi-annual utility, since they relate to projects being implemented, the products of which are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which normally takes 2 years;

- industrial patent rights and rights to use intellectual works, amounting to EUR 1,283 thousand; the heading includes mainly 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. Investments relate predominantly to SAP management innovations, to the "Hybris" project which is considered strategic for B2B and B2C development and will support the growth of the business in different channels, and in further innovations and IT projects, aimed at having information tools that are increasingly effective and efficient in support of the organisational structure;
- Fixed assets in progress and downpayments; the item includes increases, by approximately Euro 316 thousand, related to the launch of the new entry-level PLOOS brand and the Cellularline re-branding, both formalised in the first quarter of 2020.

7.2 Goodwill

Shown below is the breakdown of the Goodwill item as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	**Value as at 01/01/2018**	**Incr/(Decr.)**	**Position as at**	
			31 December 2018	**31 December 2019**
Goodwill	-	-	93,857	93,857
Total Goodwill	**-**	**-**	**93,857**	**93,857**

The following are the movements of the Goodwill item for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2018	**93,857**
Acquisitions	-
Increases	-
(Write-downs)	-
Balance as at 31 December 2019	**93,857**

7.2.1 *Impairment test* on goodwill, brands and *customer relationship*

In the context of the analysis of internal and external indicators in IAS 36, in order to detect the potential presence of impairment on non-current assets, it was found that the market capitalisation at 31 December 2019 was lower than the book value of the Company's shareholders' equity as shown in the table below.

Description	**31/12/2019**	**11/03/2020**
No. of Shares	21,868,189	21,868,189
Euro Stock Exchange Price *(in Euro)*	7.0	5.04
Company Capitalisation *(in thousands of Euro)*	152,760	110,216
Consolidated Shareholders' Equity *(in thousands of Euro)*	203,614	203,614
Difference *(in thousands of Euro)*	(50,854)	(93,398)

The Group management does not believe that this indicator is, in the current stock market context, "fully representative" of the actual net value of the "assets" held by the Group as a result of the company's recent listing, of the limited interest in recent quarters by Italian and international investors on medium/small capitalisation securities and the resultant limited trading volumes on the securities themselves, as well as, in the final analysis due to the impact of COVID-19 on stock market valuations beginning from February 2020.

Nevertheless, in compliance with the provisions of IAS 36, the management has proceeded to verify that the carrying amounts of the assets at greatest risk/value at the date of the financial statements were less than the higher of the value in use and the disposal price, net of any transfer charges.

In particular, these checks were carried out by integrating the normal estimation operations carried out within the formation process, with specific analyses, partly supported by the opinion of independent accounting experts, aimed at testing the recoverable amount of the value entered in the financial statements of the following items:

- Goodwill
- Trademarks
- *Customer Relationships*

These specific indications have also accompanied, supplemented and conditioned the procedures and outcomes of "normal" audit activities conducted to assess the adequacy of the values of the financial statements for other items such as inventories, trade receivables, funds and contingent liabilities. The estimates and assumptions used in this analysis reflect the current state of knowledge about business developments in the different geographical areas and take into account forecasts that are considered reasonable on the developments in the markets in which the Company operates, although a physiological degree of uncertainty remains. Although the Company's current estimates do not reveal situations of loss of value of non-current assets, it cannot be excluded that any negative scenarios in the economic framework could lead to divergent Company performance compared to the economic and financial forecasts presented in the "Business Plan 2020-2022" and that could therefore give rise in the future to further adjustments to the carrying amount of certain current and non-current assets.

With reference to other asset items excluded from the scope of IAS 36, the management of the Company has, however, carried out the usual detailed analysis of their recoverability according to the specific provisions for the recognition and assessment contained in the individual accounting standards of reference (trade receivables, inventories, other receivables/assets, deferred tax assets).

7.2.1.1 Goodwill

At 31 December 2019, the goodwill entered in the financial statements amounted to EUR 93,857 thousand and is allocated to the only cash-generating unit (hereinafter also "CGU"), which coincides with Cellularline S.p.A. itself. On the basis of the foregoing considerations, at least once a year the Company shall verify goodwill and the recoverable amount of intangible, material and financial assets in order to determine whether there is any indication that such assets may have suffered a loss of value. If such an indication exists, an estimate of the asset's recoverable amount is required to determine the amount of any impairment loss.

When it is not possible to estimate the recoverable amount of a single asset, the Group estimates that value 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 greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, 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 a loss on an asset other than goodwill is later diminished, the carrying amount of the cash-generating unit or asset is increased up to the new estimated recoverable amount and may not exceed the value that would have been determined if no impairment loss had been recognised.

The reversal of an impairment loss is immediately recognised in the income statement.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the goodwill entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

In particular, the impairment test was conducted with reference to the entire Group, which represents the cash-generating unit to which goodwill was allocated, on the basis of the economic and financial forecasts contained in the Business Plan approved by the directors on 4 February 2020 (for the period 2020 – 2022) and using the discounted cash flow method.

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

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

The weighted average cost of capital (WACC) of about 8.7% was used as the discount rate, and an estimated rate of 1.5% was used for sustainable growth, g. The WACC is the average of the cost of equity and the cost of debt capital weighted according to financial structure of comparable companies. It should be pointed out that the estimates and data relating to the economic and financial forecasts to which the above parameters are applied are determined by management on the basis of past experience and expectations regarding developments in the markets in which the Company operates.

The result obtained by the impairment test confirmed the full recoverable amount of the value of the recognised goodwill.

The analyses performed led to an estimate of the recoverable amount, in the form of the Enterprise Value of Euro 317 million; this amount is greater than the carrying amount on the reference date, thus not giving rise to impairment losses.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected operating cash flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the CGU in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

Moreover, sensitivity analyses were carried out which simultaneously considered a change in:

- WACC and the rate of growth (g-rate) in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, the difference between the latter and the Carrying Amount considered, and the Equity Value, which is understood as the difference between the value of use and the net financial position (NFP) at the reference date of these financial statements (amounts in millions of Euro).

1. Sensitivity su Cover - WACC e g-rate

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
g-rate	-	122	76	40	11	(12)
	1,00%	178	116	70	35	7
	1,50%	213	141	89	49	18
	3,00%	378	248	163	104	60
	4,00%	588	367	239	156	98

2. Sensitivity su Equity Value - WACC e g-rate

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
g-rate	-	323	277	241	212	189
	1,00%	379	317	271	236	208
	1,50%	414	342	290	250	219
	3,00%	579	449	364	305	261
	4,00%	789	568	440	357	299

- WACC and EBITDA of the Business Plan and Terminal Value in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, the difference between the latter and the Carrying Amount considered, and the Equity Value, which is understood as the difference between the value of use and the net financial position (NFP) at the reference date of these financial statements (amounts in millions of Euro).

3. Sensitivity su Cover - WACC ed EBITDA

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
Riduzione EBITDA	-	213	141	89	49	18
	(2,50%)	190	122	72	35	6
	(5,00%)	167	103	56	21	(7)
	(7,50%)	145	84	40	7	(19)
	(10,00%)	123	66	25	(6)	(30)

4. Sensitivity su Equity Value - WACC ed EBITDA

		WACC				
		-2,0%	-1,0%	Società	+1,0%	+2,0%
		6,72%	7,72%	8,72%	9,72%	10,72%
Riduzione EBITDA	-	414	342	290	250	219
	(2,50%)	391	323	273	236	207
	(5,00%)	368	304	257	222	194
	(7,50%)	346	285	241	208	182
	(10,00%)	324	267	226	195	171

The sensitivity analyses reported above showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

7.2.1.2 Trademarks and Customer relationship

Trademarks

At 31 December 2019, trademarks with a defined useful life entered in the financial statements amounted to EUR 18,550 thousand, net of cumulative impairment losses of approximately EUR 1,100 thousand.

As described above, the Company verified through the impairment test the possible loss of value of registered trademarks as assets with defined useful lives.

The recoverable amount of an asset is the greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, given the specific risks of the asset).

This recoverable amount is based on the value of use determined, for trademarks with defined useful lives, by means of the relief from royalties method deriving both from expected turnover over an explicit time frame as well as from the terminal value. The estimate of the net flows of royalties, deduced from the 2020-2022 Business Plan of Cellularline S.p.A., was used for impairment testing purposes.

The fair value of the dominant asset is obtained by discounting the flows of theoretical royalties calculated on the income for the years of the asset's residual life.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected royalty flows, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the trademarks in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the registered trademarks entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

The result obtained from the impairment test confirmed the full recoverability of the value of the registered trademarks.

For all the assets subjected to testing, the Fair Value is higher than the carrying amount at the reference date, thus not giving rise to impairment losses.

In addition, sensitivity analyses were carried out which simultaneously consider a change in revenues and the royalty rate, in order to verify the impact of changes made in these parameters on fair value and, consequently, on the difference between fair value and the carrying amount considered for both brands being tested (Cellularline and Interphone) (amounts in millions of Euro).

Analisi di sensitività: FV del Brand Cellular in funzione di Ricavi e Royalty Rate

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		112,5	114,2	115,9	117,7	119,4
Royalty rate	3,00%	8,3	8,4	8,6	8,7	8,8
	3,50%	12,4	12,6	12,8	13,0	13,2
	4,00%	16,6	16,8	17,1	17,4	17,6
	4,50%	20,7	21,1	21,4	21,7	22,0
	5,00%	24,9	25,3	25,7	26,0	26,4

Analisi di sensitività: FV del Brand Interphone in funzione di Ricavi e Royalty Rate

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		7,6	7,7	7,8	8,0	8,1
Royalty rate	3,00%	0,4	0,4	0,4	0,4	0,4
	3,50%	0,6	0,6	0,6	0,6	0,6
	4,00%	0,8	0,8	0,8	0,8	0,8
	4,50%	0,9	1,0	1,0	1,0	1,0
	5,00%	1,1	1,2	1,2	1,2	1,2

The sensitivity analyses carried out, reported above, showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

Customer relationship

At 31 December 2019, customer relationships with a defined useful life entered in the financial statements amounted to EUR 52,436 thousand, net of cumulative impairment losses equal to approximately EUR 4,600 thousand.

As described above, the Company verified through the impairment test the possible loss of value of customer relationships recognised as assets with defined useful lives.

The recoverable amount of an asset is the greater of the fair value net of selling costs and its value in use (taking into account the discounting of future cash flows from the asset under consideration, given the specific risks of the asset).

This recoverable amount is based on the value of use, determined by the Multi Period Excess Earnings Method (MEEM). It is based on the assumption that the relevant income of the asset identified as a dominant strategic asset can be determined by deducting from the total income the normal remuneration of all other assets.

The fair value of the dominant asset is obtained by discounting the expected residual income for the years of the asset's residual life.

The performance of the impairment test is characterised by a high degree of judgement, as well as by the uncertainties inherent in any predictive activity, with particular reference to the estimate:

- of the expected residual revenues, which for their determination one must take into account general economic developments (including expected inflation rates and exchange rates) and their respective sector, as well as the cash flows produced by the Customer Relationship in past years;
- of the financial parameters to be used for the purposes of discounting the above cash flows.

As required by the reference accounting policies (IAS 36), for verifying any impairment loss as at 31 December 2019 of the customer relationship entered in the financial statements, the directors carried out a special impairment test, also with the support of an Independent Accounting Expert.

The result obtained from the impairment test confirmed the full recoverability of the value of the recognised customer relationship. For the asset subjected to testing, the Fair Value is higher than the carrying amount at the reference date, thus not giving rise to impairment losses.

Moreover, sensitivity analyses were carried out which simultaneously considered a change:

- of revenues and the abandonment rate and (ii) of the EBIT margin and the abandonment rate, in order to verify the impact generated by the changes in these parameters on the fair value and, consequently, on the difference between the fair value and the carrying amount considered (amounts in millions of Euro).

Analisi di sensitività: FV della Customer in funzione di Ricavi e del Tasso di abbandono

		Ricavi				
		-3,0%	-1,5%	FY2019	+1,5%	+3,0%
		126,1	128,0	129,9	131,9	133,9
Tasso di abbandono	6,39%	64,6	65,5	66,5	67,5	68,5
	6,89%	61,0	62,0	62,9	63,8	64,8
	7,39%	57,8	58,7	59,6	60,5	61,4
	7,89%	54,9	55,7	56,6	57,4	58,3
	8,39%	52,2	53,0	53,8	54,6	55,4

- of the EBIT margin and the abandonment rate, in order to verify the impact generated by the changes in these parameters on the fair value and, consequently, on the difference between the fair value and the carrying amount considered (amounts in millions of Euro).

Analisi di sensitività: FV della Customer in funzione di EBIT margin e del Tasso di abbandono

		EBIT margin				
		-1,0%	-0,5%	FY2019	+0,5%	+1,0%
		20,6%	21,1%	21,6%	22,1%	22,6%
Tasso di abbandono	6,39%	61,2	63,9	66,5	69,2	71,8
	6,89%	57,9	60,4	62,9	65,4	67,9
	7,39%	54,9	57,2	59,6	62,0	64,3
	7,89%	52,1	54,3	56,6	58,8	61,1
	8,39%	49,5	51,6	53,8	55,9	58,0

The sensitivity analyses carried out, reported above, showed that potential impairment losses would arise only in the event of a joint deterioration of all the variables considered.

7.3 Property, plant and equipment

For the item in question, an appropriate table of movements has been prepared, reported below, which indicates for each item the historical costs, previous amortisation/depreciation, the movements made during the period and the final balances.

Amortisation/depreciation was calculated on the basis of rates considered to be representative of the residual possibility of using the relative intangible assets.

The following shows the balance of the property, plant and equipment item, broken down by category, at 31 December 2019 and 31 December 2018:

(In thousands of Euro)	Value as at 1 January 2018			Incr/(Decr.)	Position at 31 December 2018		Position at 31 December 2019	
			Historical Cost	**(Provisions for amortisation /depreciation)**	**Net Carrying Amount**	**Historical Cost**	**(Provisions for amortisation /depreciation)**	**Net Carrying Amount**
Land and Buildings	-	4,542	4,542	(803)	3,739	4,545	(923)	3,622
Plant and machinery	-	2,594	2,594	(2,126)	468	2,673	(2,313)	360
Industrial and commercial equipment	-	5,206	5,206	(3,832)	1,374	5,755	(4,369)	1,386
Work in progress and advances	-	89	89	-	89	68	-	68
Total Property, plant and equipment	**-**	**12,431**	**12,431**	**(6,761)**	**5,670**	**13,041**	**(7,605)**	**5,436**

The following table shows the movement of the Property, plant and equipment item for the period from 31 December 2018 to 31 December 2019:

(In thousands of Euro)	
Balance as at 31 December 2018	**5,670**
Increases	632
(Decreases)	(22)
(Amortisation/depreciation and write-downs)/revaluations	(860)
(Decreases in Amortisation/depreciation provision)	16
Balance as at 31 December 2019	**5,436**

As at 31 December 2019 the item consisted mainly of buildings related to the Company's operating headquarters for EUR 3,622 thousand and industrial and commercial equipment for EUR 1,386 thousand (mainly furniture, furnishings, office machinery and printers).

With reference to 31 December 2019, the Company made net investments of EUR 632 thousand, mainly related to industrial and commercial equipment.

7.4 Equity investments in subsidiaries and associates

The breakdown of the movements of this item from 31 December 2018 to 31 December 2019 is provided below:

(In thousands of Euro)	**31 December 2018**	**Increases**	**re-evaluation**	**(Decreases)**	**31 December 2019**
Investments in subsidiaries	1,177	2,480	-	-	3,657
Equity investments in associated companies	33	-	-	-	33
Equity investments in other companies	-	-	-	-	-
Total Equity investments	**1,210**	**2,480**	**-**	**-**	**3,690**

The increase recorded in the financial year is exclusively related to the purchase on 3 April 2019 of the 60% stake in Pegaso s.r.l., which owns - as a holding company - 100% of Systema s.r.l. (formerly Systemaitalia s.r.l.); Systema is active at a European level in the mobile phone accessories market in the Telco channel.

The following table shows the locations, share capital, share of the equity investments, the total values of the share capital and the result at 31 December 2019:

LIST OF EQUITY INVESTMENTS HELD *(In thousands of Euro)*								
EQUITY INVESTMENTS	**Head quarters**	**Capital**	**Shareholders' equity**	**Type of possession**	**Result of the last financial year**	**Equity share**	**Carrying value**	***Equity Method***
SUBSIDIARY COMPANIES								
- Cellular Spain S.L.U.	ES	3	652	Direct	129	100%	1,103	423
- Cellular Inmobiliaria Italiana S.L.U.	ES	3	68	Direct	6	100%	3	68
- Cellular Immobiliare Helvetica S.A.	CH	93	205	Direct	9	100%	71	134
- Pegaso S.r.l	IT	70	1,042	Direct	232	60%	2,480	2,480
ASSOCIATE COMPANIES								
- Cellular Swiss S.A. (*)	CH	93	(264)	Direct	123	50%	33	(7)

Cellular Spain S.L.U.

The Company closed the 2019 financial year with a turnover of EUR 5,331 thousand (EUR 6,957 thousand in the 2018 financial year); the decrease is mainly due to the reduction of stocks by some important customers and delays in the opening of the stores of an important player of Consumer Electronics. Given the new trade agreements, double-digit turnover is expected to increase in 2020.

The operating result of the subsidiary was substantially in line with the 2018 financial year, although it was influenced by an increasing incidence of commercial costs related to the acquisition of new customers.

It is therefore considered that, in view of the actions of the potential for expansion on the local market, there is a need to consider the difference between the carrying value of the equity investment and the equity assessment of the same as a non-structural event and therefore not such as to create the need for a write-down due to a lasting impairment.

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

The two real estate companies have continued their ordinary management; there are no indicators relating to lasting impairment losses.

Cellular Swiss S.A.

During the 2019 financial year, the associated company Cellular Swiss continued its strategy of developing its existing customers - operating mainly in the Consumer Electronics channel - and seeking new customers, including in different channels (e.g., Telco, Travel Retail and Mass Merchandise).

These activities, also thanks to an important multi-annual trade agreement concluded at the end of 2018 with a leading retailer of Consumer Electronics, have led to an indicative growth in turnover of more than 15% over the previous year. This will have a positive impact on the absolute margin of 2019, albeit with a lesser percentage.

The expected turnover for 2020 is substantially in the range of 2019, and this should also enable a positive operating result to be achieved for the year 2020.

With regard to relations with related companies, please refer to the "Transactions with Related Parties" section of these financial statements.

7.5 Right of use

The item, amounting to EUR 1,451 thousand (EUR 0 at 31 December 2018), refers exclusively to the accounting of the "right of use" following the application of standard IFRS 16 – Lease Accounting.

(In thousands of Euro)	**Right of use**
Balance as at 31 December 2018	**-**
Increases	2,060
(Amortisation/Depreciation)	(609)
Balance as at 31 December 2019	**1,451**

For further details, see Section 4 "Changes in accounting standards".

7.6 Deferred tax assets and liabilities

Reported below are the movements of deferred tax assets and liabilities from 31 December 2018 to 31 December 2019.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2018	**412**
Accruals/(Releases) to the Income Statement	547
Accruals/(Releases) to the comprehensive Income Statement	40
Balance as at 31 December 2019	**999**

The balance at 31 December 2019, equal to EUR 999 thousand, is composed of deferred tax assets that originate mainly from accruals to taxed funds and the impact of the entries recognised under International Accounting Standards, but not having tax recognition.

The following aspects were taken into account when calculating deferred tax assets:

- the tax regulations in force and the related impact on temporary differences, and any tax benefits deriving from the use of tax losses, if any, carried forward considering the possible recoverability of the same over a period of three financial years;
- the forecast of the Company's profits in the medium and long term.

On this basis, the Company expects to generate future taxable profits and, therefore, to be able to recover with reasonable certainty the assets for recognised deferred tax assets.

The increase in the financial year, equal to EUR 587 thousand, is mainly due to the reclassification of deferred taxation on the fair value of warrants, partly offset by the release of deferred taxes on the utilisations of taxed funds.

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2018	**22,006**
Accruals/(Releases) to the Income Statement	(1,154)
Accruals/(Releases) to the comprehensive Income Statement	-
Balance as at 31 December 2019	**20,852**

Deferred tax liabilities are primarily attributable to deferred taxation arising from Purchase Price Allocation on identified assets (Customer relationship and trademarks).

The variation for the financial year, equal to EUR 1,154 thousand, is mainly attributable to the reduction arising from the effect of amortisation on Customer relationships and trademarks and the reversal of some intangible assets that can no longer be capitalised in accordance with IAS38; such reduction was partially offset by the reclassification of deferred taxes on the fair value of the warrants.

It is estimated that this debt relates to differences that will be reabsorbed in the medium and long term.

7.7 Trade receivables

Shown below is the movement of Financial receivables from 31 December 2019 to 31 December 2018.

(In thousands of Euro)	**Financial receivables**
Values as of 1 January 2018	**-**
Increases/(decreases)	1,206
Balance as at 31 December 2018	**1,206**
Increases	584
(Decreases)	(60)
Balance as at 31 December 2019	**1,730**

The item, equal to EUR 1,730 thousand, is composed of:

- EUR 1,177 thousand from receivables from subsidiary companies relating to loans; this item includes loans to Cellular Immobiliare Helvetica S.A. for EUR 820,000 (including the exchange rate effect for the year) corresponding to CHF 890,000 at the exchange rate at the end of the year and to Cellular Inmobiliaria Italiana S.L.U. for EUR 357,000;
- EUR 553 thousand refers to the financial receivable from the associated company Cellular Swiss (consolidated by the equity method). On 12 June 2019, when the associated company's 2018 financial statements were approved, the subordination took place of the share of the receivable claimed from that company amounting to CHF 600,000 (corresponding to approximately EUR 540 thousand at the CHF/EUR exchange rate as at 30 June 2019). This value was accounted for net of the relative effect of the amortised cost.

The decreases in the financial year and reflected in the relevant table mainly concern the repayments made by the subsidiaries during 2019, respectively equal to CHF 60,000 (EUR 54,170) by Cellular Immobiliare Helvetica and EUR 6,000 for Cellular Inmobiliaria Italiana.

CURRENT ASSETS

7.8 Inventories

Inventories can be broken down as follows:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	**Incr/(Decr.)**	**31 December 2018**	**31 December 2019**
Finished products and goods	-	18,570	18,570	18,504
Goods in transit	-	2,086	2,086	3,025
Advance payments	-	894	894	1,532
Gross warehouse	**-**	**21,550**	**21,550**	**23,061**
(Warehouse obsolescence fund)	-	(1,300)	(1,300)	(1,000)
Total Inventories	**-**	**20,250**	**20,250**	**22,061**

The value of gross inventories includes the finished products in the Company's warehouse, in addition to the goods in transit for which the Company has already acquired ownership, for EUR 3,025 thousand (EUR 2,086 thousand at 31 December 2018). The advance payments for purchases of finished products are included in the item Advance payments.

The increase of the gross warehouse, of approximately EUR 1,500 thousand compared to 31 December 2018, is mainly due to the following factors:

- integration at the supply chain level of Systema, with consequent management at the Company of the purchases from the Far East and purchase of the final inventories of Systema, still in place at 31 December 2019, for about EUR 750 thousand;
- more advance payments for about EUR 600 thousand deriving from the procurement and the advance payment for some products whose purchase costs are estimated to increase in the following months.

The value of inventories is adjusted by the inventory write-down provision, which includes the prudential write-down of goods subject to possible obsolescence phenomena.

Below are shown the movements of the inventory write-down provision for the period 31 December 2018 to 31 December 2019:

(In thousands of Euro)	**Warehouse obsolescence fund**
Balance as at 31 December 2018	**(1,300)**
(Accruals)	(1,000)
Releases to the income statement	-
Uses	1,300
Balance as at 31 December 2019	**(1,000)**

During the period, following an analysis of slow-moving products, the Company allocated EUR 1,000 thousand to address problems (typical of the sector) related to the obsolescence/slow turnover of warehouse inventories, in order to align the value with the presumed market value.

The use of EUR 1,300 thousand of the provision refers to a part of the scrapping implemented during 2019, also in order to optimise logistics spaces.

7.9 Trade receivables

Below is the breakdown of the trade receivables item as at 31 December 2019 and 31 December 2018:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	Incr/(Decr.)	31 December 2018	31 December 2019
Trade receivables from third parties	-	53,149	53,149	53,316
Trade receivables from related parties (Note 3)	-	11,593	11,593	11,832
Gross trade receivables	**-**	**64,742**	**64,742**	**65,148**
(Provision for bad debts)	-	(3,693)	(3,693)	(3,250)
Total trade receivables	**-**	**61,049**	**61,049**	**61,898**

The gross receivable amount is substantially in line with the previous financial year.

Below are the movements of the provision for bad debts from 31 December 2018 to 31 December 2019:

(In thousands of Euro)	Provision for bad debts
Balance as at 31 December 2018	**(3,693)**
(Accruals)	-
Releases to the income statement	400
Uses	43
Balance as at 31 December 2019	**(3,250)**

Written-down receivables relate mainly to disputed amounts or customers subject to bankruptcy proceedings. The uses address receivable situations for which the elements of certainty and precision, i.e., the presence of existing bankruptcy proceedings, determine the removal of the position itself.

Credit risk is the risk exposure of potential losses arising from non-fulfilment of the obligations taken on by the counterparty. The Company has adopted credit control processes that include customer reliability analysis and exposure control through reporting a breakdown of deadlines and average collection times.

The change in the provision, following the provision made during the period, is the result of the detailed assessment of non-performing receivables and receivables whose uncertainty of payment has already been confirmed, as well as a general assessment based on the credit deterioration history.

The carrying value of trade receivables is considered to approximate their fair value.

7.10 Current tax receivables

The breakdown of the current tax receivables item at 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	Incr/(Decr.)	31 December 2018	31 December 2019
Tax receivable for prior years	-	4,762	4,762	3,580
Receivable for advance payments of taxes	-	1,046	1,046	-
Receivable for withholding tax on interest income	-	133	133	-
Other receivables	-	25	25	-
Total current tax receivables	**-**	**5,966**	**5,966**	**3,580**

Current tax receivables mainly include the receivable from the tax authorities for direct taxes for prior financial years, amounting to EUR 3,259 thousand. In particular, this is the residual tax credit accrued as a result of the application of the framework Agreement with the Revenue Agency for the purposes of the so-called *Patent Box*, signed March 2018. This credit was created following the recalculation of direct IRES and IRAP taxes for the three financial years from 2015 to 2017 and was partly used to offset IRES and IRAP payments, as well as VAT and other taxes and contributions, within the annual limits set by the relevant regulations.

The remaining tax credit for prior years, amounting to EUR 320 thousand, consists of tax reimbursement requests, the payment of which is expected to be made by the end of financial year 2020.

7.11 Other assets

The breakdown for the current Other Assets item as at 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	**Incr/(Decr.)**	**31 December 2018**	**31 December 2019**
Prepaid expenses	561	2,308	2,869	4,460
Receivables from others	-	457	457	494
Insurance policies	-	345	345	393
Trade fairs	-	185	185	191
Total Other assets	**561**	**3,295**	**3,856**	**5,538**

The item mainly includes prepaid expenses for the advance payment of contributions to customers following the stipulation of trade contracts that will produce economic benefits also in future periods.

7.12 Cash and cash equivalents

The breakdown of the Cash and cash equivalents item as at 31 December 2019 and 31 December 2018 is shown below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	**Incr/(Decr.)**	**31 December 2018**	**31 December 2019**
Bank accounts	131,315	(90,412)	40,903	29,953
Ready cash	-	10	10	10
Total Cash and cash equivalents	**131,315**	**(90,402)**	**40,913**	**29,963**

Cash and cash equivalents amount to EUR 29,963 thousand as at 31 December 2019 (EUR 40,913 thousand as at 31 December 2018). The item consists of cash on hand, securities and demand deposits or short-term deposits with banks that are actually available and readily usable.

The decrease of EUR 10,950 thousand, despite the positive cash generation in the year, derives from:

- payment of instalments on the outstanding bank loan for EUR 13,334 thousand;
- distribution of the dividend of EUR 6,088 thousand, which took place on 22 May 2019;

- disbursement of approximately EUR 3,100 thousand deriving from extraordinary costs for the transition to STAR, M&A, etc.;
- disbursement of EUR 2,888 thousand for the purchase of own shares in execution of the buy-back plan;
- Disbursement of approximately Euro 2,500 thousand for the purchase of 60% of the company Pegaso s.r.l. (occurred on 3 April 2019), parent company of Systema.

For further details regarding the dynamics that influenced cash and cash equivalents, please refer to the Cash Flow Statement.

SHAREHOLDERS' EQUITY AND LIABILITIES

7.13 Shareholders' equity

Shareholders' equity, equal to EUR 203,614 thousand (EUR 195,024 thousand as at 31 December 2018), increased due to the profit for the year and decreased due to the distribution of the dividend equal to EUR 6,088 thousand, as resolved upon on 16 April 2019 by the Shareholders' Meeting.

During the period ended 31 December 2019 there were no assets earmarked for specific business purposes.

Below we provide an analysis of the items of shareholders' equity in relation to their origin, use possibilities and distribution:

SHAREHOLDERS' EQUITY		VALUE AT 31.12.2019	Possibility of use of reserves	Share available of reserves	Summary of uses of the financial year and the three preceding ones	
					Coverage of losses	Distribution Dividends/Reserves
I	Share capital	21,343				
II.	Share premium reserve	139,917	A, B, C (*)	136,048		
IV.	Legal Reserve	398	B (*)	398		
V	Statutory reserves	-				
VII.	Other reserves	30,532	A, B, C (*)	15		
VIII.	Retained earnings reserve	8,693	None	0		
IX.	Profit (loss) for the year	17,920			1,055	6,111
X	Negative reserve for treasury shares in the portfolio	(15,189)	None			
Total Shareholders' Equity		**203,614**		**136,461**	**1,055**	**6,111**

(*) Legend / Notes:

A = for capital increase

B = to cover losses

C = for distribution to members

Following the profit achieved, equal to EUR 17,920,435, the proposed allocation of the same is shown below:

- EUR 896,021 to the legal reserve;
- EUR 7,152,152 to Shareholders equal to an ordinary dividend of EUR 0.33 for each of the eligible shares;
- as for the remainder, equal to EUR 9,872,262, to retained earnings.

Share capital

The Share Capital as at 31 December 2019 amounts to EUR 21,343 thousand and is divided into 21,673,189 ordinary shares and 195,000 special shares. Furthermore, 6,130,954 warrants are also in circulation.

On 22 July 2019, Borsa Italiana S.p.A. ordered the commencement of trading of the ordinary shares and warrants on the Italian electronic stock market Mercato Telematico Azionario (MTA), assigning them the STAR qualification.

Other reserves

At 31 December 2019, other reserves amounted to EUR 155,660 thousand (EUR 145,309 thousand at 31 December 2018) and are mainly broken down as follows:

- Share premium reserve, which amounts to EUR 139,917 thousand;
- Other Reserves for EUR 30,598 thousand which originate as a result of the effects deriving from the IFRS writings, as well as for the Business Combination which took place in 2018;
- Negative reserve for treasury shares in portfolio for EUR 15,189 thousand; in 2019 the Parent Company purchased 406,359 ordinary shares at an average price of EUR 7.11 for the corresponding amount of EUR 2,888 thousand.

Profit (loss) carried forward

The item amounts to EUR 8,691 thousand (EUR -4,399 thousand at 31 December 2018) and mainly includes:

- EUR 5,045 thousand for the effects on consolidated shareholders' equity determined by the transition in accordance with international accounting standards (IFRS);
- EUR 3,248 thousand for the effects deriving from the accounting of *warrants* and listing costs.

Profit (loss) for the year

The 2019 financial year ended with an operating profit of EUR 17,920 thousand.
Following the profit achieved, the Board of Directors has resolved to propose to the Shareholders' Meeting, the distribution of an ordinary dividend of EUR 0.33 for each of the ordinary shares, equal to 31% of Adjusted Net Profit for a total amount of the proposed dividend of EUR 7,152 thousand.
The dividend will be paid with a detachment date, record dates and payment date on 18, 19 and 20 May 2020 respectively. By virtue of the structural capacity to generate cash, the payment of the dividend does not jeopardise either the financial balance or the achievement of growth targets, both internally and by *M&A* .

Share-based payment arrangements

The Company has a Stock Option programme (regulation with equity instruments) that allows executives with strategic responsibilities to purchase shares of the Company. The following table summarises the main conditions of the Stock Option programme:

Date of assignment	Maximum number of instruments assigned	Conditions for the accrual of the right	Contractual duration of options
04 June 2018	897,005 (*)	In proportion to the normal value	Triennial

(*) 682,477 of which assigned to managing directors and executives with strategic responsibilities.

The options will vest, with the corresponding right of the beneficiaries to the allocation of the related shares free of charge, in proportion to the normal value, according to the outline in the following table:

Normal Value	< €14	€14	€15	€16	€17	>= €18
% *Units* vested	0%	24%	38%	56%	78%	100%

During the period ended 31 December 2019 there were no assets earmarked for specific business purposes.

7.14 Payables to banks and other lenders (current and non-current)

The breakdown of the item Current and non-current payables to banks and other lenders as at 31 December 2019 is shown below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	Incr/(Decr.)	31 December 2018	31 December 2019
Current payables to banks and other lenders	-	12,169	12,169	13,362
Non-current payables to banks and other lenders	-	51,667	51,667	37,621
Other current financial payables	-	2,698	2,698	2,048
Other non-current financial payables	-	-	-	891
Total financial liabilities	**-**	**66,534**	**66,534**	**53,921**

As at 31 December 2019, payables to banks and other financial payables refer to the following:

- EUR 50,891 thousand (net of amortised cost) to the payable for the bank loan entered into on 29 June 2017 (and slightly modified on 28 May 2018 following the Business Combination transaction) by Cellular Italia (later merged into Cellularline) with Banca Popolare di Milano S.p.A. as agent bank and lending bank and UBI Banca S.p.A. as lending bank. The maximum total principal amount of the loan was originally EUR 85 million, with an obligation to repay the loan every six months by means of instalments of EUR 6,667 thousand each, maturing on 20 June 2022. The loan includes a financial constraint (leverage ratio) which has always been adhered to. Interest on the loan taken out is at a variable rate, calculated using Euribor plus a contractually agreed spread (currently equal to the floor of 1.80%);
- EUR 1,489 thousand to the payable for leasing arising from the application of IFRS 16, of which EUR 598 thousand is reclassified in current financial payables;
- EUR 1,449 thousand (reclassified in current financial payables) to the payable for the financial liability relating to warrants.

Financial liabilities at 31 December 2019, gross of bank fees, are illustrated below:

(In thousands of Euro)	Opening	Maturity	Original amount	Interest rate	Position at 31 December 2019		
					Residual debt	of which current portion	of which non-current portion
Banca Popolare di Milano	29/06/2017	20/06/2022	42,500	1.80%	25,446	6,667	18,779
UBI Banca S.p.A.	29/06/2017	20/06/2022	42,500	1.80%	25,446	6,667	18,779
Payables to banks and other lenders			**85,000**		**50,891**	**13,333**	**37,557**

Loans are valued at amortised cost in accordance with the provisions of IFRS 9 and therefore their value, amounting to EUR 50,891 thousand at 31 December 2019 (EUR 63,836 thousand at 31 December 2018), is reduced by accessory charges on loans.

A breakdown of financial liabilities by maturity is provided below:

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Within 1 year	15,410	14,867
From 1 to 5 years	38,512	51,667
Over 5 years	-	-
Total	**53,921**	**66,534**

A breakdown of net financial indebtedness at 31 December 2019 is shown below; it should be noted that net financial indebtedness is presented in accordance with Consob Communication no. 6064293 of 28 July 2006 and in compliance with the recommendations of ESMA/2013/319.

(In thousands of Euro)	Position as at		Change	
	31 December 2019	**31 December 2018**	**Value**	**%**
(A) Cash	10	11	(1)	-9.1%
(B) Other liquidity	29,953	41,978	(12,025)	-28.6%
(C) Securities held for trading	-	-	-	-
(D) Liquidity (A)+(B)+(C)	**29,963**	**41,989**	**(12,026)**	**-28.6%**
(E) Current financial receivables	37	56	(19)	-33.9%
(F) Current bank debts	-	-	-	-
(G) Current portion of non-current debt	13,362	12,169	1,193	9.8%
(H) Other current financial debts	2,048	2,698	(650)	-24.1%
(I) Current financial indebtedness (F)+(G)+(H)	**15,410**	**14,867**	**543**	**3.7%**
- of which guaranteed	-	-	-	-
- not guaranteed	*15,410*	*14,867*	*543*	*3.7%*
(J) Net current financial indebtedness (I)+(E)+(D)	**(14,590)**	**(27,179)**	**12,589**	**-46.3%**
(K) Non-current bank debts	37,621	51,667	(14,046)	-27.2%
(L) Bonds issued	-	-	-	-
(M) Other non-current financial debts	891	-	891	100%
(N) Non-current financial indebtedness (K)+(L)+(M)	**38,512**	**51,667**	**(13,155)**	**-25.5%**
- of which guaranteed	-	-	-	-
- not guaranteed	*38,512*	*51,667*	*(13,155)*	*-25.5%*
(O) Net financial indebtedness (J)+(N)	**23,922**	**24,488**	**(566)**	**-2.3%**

7.15 Employee Benefits

At 31 December 2019 the item amounts to EUR 384 thousand (EUR 411 thousand at 31 December 2018) and derives from the actuarial valuations of the employee severance indemnity (TFR) of the Company; these valuations were carried out using the "*Project Unit Credit*" method as provided for by IAS 19.

The actuarial model is based on the:

- discount rate of 0.77%, which was derived from the Iboxx Corporate AA index with 10+ duration;
- annual inflation rate of 1.2%;
- annual TFR increase rate of 2.4%, which is equal to 75% of inflation plus 1.5 percentage points.

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

7.16 Provisions for risks and charges

Movements in the item Provisions for risks and charges for the period from 31 December 2018 to 31 December 2019 are shown below:

(In thousands of Euro)	Agents' Severance Indemnity Provision (FISC)
Balance as at 31 December 2018	**1,299**
- of which current portion	-
- of which non-current portion	*1,299*
Allocations	287
Utilisations/Releases	(114)
Balance as at 31 December 2019	**1,472**
- of which current portion	-
- of which non-current portion	*1,472*

The Agents' Severance Indemnity Provision (FISC) refers to the valuation of the agents' severance indemnity of the company for what will be paid to the agents for the termination of the agency relationship for reasons not attributable to the agency. The actuarial valuation, in compliance with IAS 37, was carried out by quantifying future payments through the projection of the indemnities accrued at the date of the financial statements by agents operating up to the presumed (random) moment of termination of the contractual relationship. Demographic and economic/financial assumptions were adopted for the actuarial valuations; specifically, with regard to the discount rate, it was set with reference to the IBoxx Eurozone AA index in relation to *the duration* of the collective at 0.77%.

7.17 Trade payables

The breakdown for the Trade payables item at 31 December 2019 and 31 December 2018 is provided below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	**Incr/(Decr.)**	**31 December 2018**	**31 December 2019**
Trade payables to third parties	491	19,523	20,014	19,867
Total trade payables	**491**	**19,523**	**20,014**	**19,867**

At 31 December 2019, trade payables were substantially in line with 31 December 2018 and related to commercial transactions within normal payment terms (all due within the year).

7.18 Current tax payables

The item, amounting to EUR 264 thousand, includes the debit balance of income taxes due in France on the taxable income generated by the permanent establishment located there

7.19 Other liabilities

The breakdown for the Other liabilities item as at 31 December 2019 and 31 December 2018 is provided below:

(In thousands of Euro)			Position as at	
	Value as of 1 January 2018	Incr/(Decr.)	31 December 2018	31 December 2019
Payables to employees	-	1,998	1,998	1,813
Payables to pension and social security institutions	-	841	841	884
Tax payables	-	2,584	2,584	862
Other payables	20	76	96	90
Payables to shareholders	-	2,113	2,113	-
Total Other Liabilities	**20**	**7,612**	**7,632**	**3,649**

At 31 December 2019, the item amounts to EUR 3,649 thousand (EUR 7,632 thousand at 31 December 2018) and consists mainly of payables for:

- EUR 1,813 thousand to employees for fees to be settled and for bonuses;
- EUR 884 thousand to pension and social security institutions for contributions to be settled;
- EUR 862 thousand to the tax authorities for withholding taxes on employees, self-employed persons, agents and VAT.

7.20 Other financial liabilities

At 31 December 2019, this item amounted to EUR 2,048 thousand (EUR 2,698 thousand at 31 December 2018) and consists of:

- EUR 1,449 thousand originating from the payable for the financial liability relating to warrants issued by the Parent Company, expressed at the spot stock market prices on 31 December 2019. On the basis of the above-mentioned parameters and through the application of the Mark to Market, in addition to the payable outstanding as at 31 December 2019, the change in fair value of EUR 1,249 thousand was recorded as financial income.
- EUR 599 thousand for the payable for leasing deriving from the application of IFRS 16;

8 Explanatory notes to the main items in the Income Statement

For the financial years ending 31 December 2019 and 31 December 2018, the following are comments on the main items in the Income Statement.

With reference to the comparative period of 2018 and considering the effects of the merger, effective on 4 June 2018, of Ginetta S.p.A. ("Ginetta") and Cellular Italia S.p.A. ("Cellular Italia") in Crescita S.p.A., to gain a better understanding of the business, please refer to the consolidated management report and in particular to the income statement compared with 2018 pro-forma data.

Introduction to the comparability of the income statement

Please note that the income statement values presented below are not comparable with the corresponding previous 2018 financial year. The income statement as at 31 December 2018 represents the economic effects of the "operating" companies only from 4 June 2018 (date of legal efficacy of the merger).

For a better understanding of the business, please refer to the Management Report on Operations, which shows a pro-forma income statement at 31 December 2018 as if the Business Combination had taken place on 1 January 2018.

8.1 Sales Revenue

Sales revenues at 31 December 2019 amounted to EUR 131,438 thousand (EUR 91,513 in the 2018 financial year). The Company's activities are developed through a single operational sector and can be divided into three main product lines:

- Red product line (multimedia accessories);
- Black product line (accessories for the motorcycle and bicycle world);
- Blue product line (third-party products marketed under licence).

The following table shows revenues, broken down by product line and geographical area.

Revenues from Sales by product line

(In thousands of Euro)	Financial year closed on				Change	
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**	**Value**	**%**
Red - Italy	63,833	48.6%	45,201	49.4%	18,632	41.2%
Red - International	52,150	39.7%	38,013	41.5%	14,137	37.2%
Sales revenues - Red	**115,983**	**88.2%**	**83,214**	**90.9%**	**32,769**	**39.4%**
Black - Italy	4,116	3.1%	1,811	2.0%	2,305	>100%
Black - International	3,720	2.8%	1,563	1.7%	2,157	>100%
Sales revenues - Black	**7,836**	**6.0%**	**3,374**	**3.7%**	**4,462**	**>100%**
Blue - Italy	6,885	5.2%	4,299	4.7%	2,586	60.2%
Sales Revenues Italy - Blue	**6,885**	**5.2%**	**4,299**	**4.7%**	**2,586**	**60.2%**
Others - Italy	734	0.6%	626	0.7%	108	17.3%
Others – International	-	-	-	-	-	
Sales revenues - Others	**734**	**0.6%**	**626**	**0.7%**	**108**	**17.3%**

Total Revenues from Sales	**131,438**	**100.0%**	**91,513**	**100.0%**	**39,925**	**43.6%**

Revenues from Sales by geographical area

(In thousands of Euro)	**Financial year closed on**				**Change**	
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**	**Value**	**%**
Italy	75,568	57.5%	51,211	56.0%	24,357	47.6%
Austria/Germany	19,852	15.1%	16,895	18.5%	2,957	17.5%
France	7,157	5.4%	2,503	2.7%	4,654	>100%
Eastern Europe	5,823	4.4%	2,986	3.3%	2,837	95.0%
Benelux	5,407	4.1%	4,581	5.0%	826	18.0%
Northern Europe	4,819	3.7%	3,227	3.5%	1,592	49.3%
Switzerland	4,777	3.6%	2,923	3.2%	1,854	63.4%
Spain/Portugal	3,782	2.9%	3,625	4.0%	157	4.3%
Others	3,035	2.3%	2,703	3.0%	332	12.3%
Middle East	1,218	0.9%	859	0.9%	359	41.8%
Total Revenues from Sales	**131,438**	**100.0%**	**91,513**	**100.0%**	**39,925**	**43.6%**

8.2 Cost of sales

The cost of sales amounts to EUR 70,421 thousand (EUR 45,135 in the 2018 financial year) and mainly includes the costs of purchasing and processing raw materials for EUR 41,671 thousand, ancillary costs for EUR 1,225 thousand, personnel costs for EUR 1,140 thousand and logistics costs for EUR 810 thousand.

8.3 Sales and distribution costs

Sales and distribution costs are EUR 23,334 thousand (EUR 13,850 in the 2018 financial year), as shown in the table below.

(In thousands of Euro)	**Financial year closed on**			
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**
Personnel costs for sales and distribution	9,084	6.9%	5,250	5.7%
Commissions to customers/agents	4,847	3.7%	2,419	2.6%
Transports for sale	5,250	4.0%	2,490	2.7%
Travel costs	781	0.6%	595	0.7%
Advertising and commercial consultancy expenses	1,243	0.9%	611	0.7%
Other sales and distribution costs	2,129	1.6%	2,485	2.7%
Total sales and distribution costs	**23,334**	**17.8%**	**13,850**	**15.1%**

8.4 General and administrative costs

General and administrative costs mainly include intangible amortisation deriving from the Purchase Price Allocation for EUR 5,966 thousand and extraordinary charges related to the Business Combination/STAR/M&A for EUR 3,126 thousand (recorded mainly under the administrative consultancy and commissions costs items).

(In thousands of Euro)	Financial year closed on			
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**
Amortisation of intangible fixed assets	7,651	5.8%	3,442	3.8%
Depreciation of tangible fixed assets	1,440	1.1%	437	0.5%
Provisions for risks and write-downs	-	-	408	0.4%
Cost of administrative staff	4,675	3.6%	2,495	2.7%
Administrative, legal, personnel consultancy, etc.	2,487	1.9%	1,776	1.9%
Commissions and fees	165	0.1%	1,537	1.7%
Rent payable and other rents	-	-	60	0.1%
Remuneration of the Board of Directors and Board of Statutory Auditors	372	0.3%	160	0.2%
Other general administrative costs	2,250	1.7%	1,938	2.1%
Total general and administrative costs	**19,040**	**14.5%**	**12,253**	**13.4%**

8.5 Other non-operating costs and revenues

The other non-operating costs and revenues at 31 December 2019 amounted to EUR 1,465 (EUR 103 thousand in 2018), as shown in the table below.

(In thousands of Euro)	Financial year closed on			
	31/12/2019	**% of revenues**	**31/12/2018**	**% of revenues**
SIAE fees recovered	832	0.6%	1,015	1.1%
Recovery from suppliers for promotions	295	0.2%	-	0.0%
Contingent assets	235	0.2%	467	0.5%
(SIAE and CONAI (packaging consortium) contributions)	(953)	-0.7%	(1,078)	-1.2%
(Contingent liabilities)	(159)	-0.1%	(196)	-0.2%
(Capital losses)	-	0%	(18)	0.0%
(Gifts to customers for promotions)	-	0%	(28)	0.0%
(Non-deductible costs)	-	0%	(5)	0.0%
Other non-operating (costs)/revenues	1,215	0.9%	(54)	-0.1%
Total other non-operating (costs)/revenues	**1,465**	**1.1%**	**103**	**0.1%**

8.6 Financial income and expenses

Net financial income and expenses show a net negative balance of EUR 281 thousand (EUR +5,838 thousand in 2018).

The following table shows the breakdown of financial income:

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Interest income	210	0.2%	511	0.6%
Income from change in fair value of warrants	1,264	1.0%	6,351	6.9%
Total Financial income	**1,474**	**1.1%**	**6,862**	**7.5%**

Financial income of EUR 1,474 thousand mainly refers to:

- EUR 1,248 thousand for the change in fair value of warrants issued by the Group compared to the previous year (6,130,956 as at 31 December 2019);
- Euro 210 thousand to bank interest income.

The following table shows the details of borrowing costs:

(In thousands of Euro)	31/12/2019	% of revenues	31/12/2018	% of revenues
Interest payable to banks	(1,571)	-1.2%	(939)	-1.0%
Interest payable to others (IFRS 16)	(95)	-0.1%	-	-
Bank commissions/fees	(89)	-0.1%	(79)	-0.1%
Financial expenses on derivatives	-	-	(6)	0.0%
Total Financial charges	**(1,775)**	**-1.3%**	**(1,024)**	**-1.1%**

Financial charges of Euro 1,755 thousand mainly refer to:

- EUR 1,569 thousand for interest due to banks relating to the medium-long-term loan;
- EUR 95 thousand for interest relating to the application of the new accounting standard IFRS 16.

8.7 Gains/(losses) on foreign exchange

(In thousands of Euro)	Financial year closed on			
	31/12/2019	% of revenues	31/12/2018	% of revenues
Gains/(losses) on commercial exchanges	(123)	-0.1%	(93)	-0.1%
Gains/(losses) on financial exchanges	44	0.0%	21	0%
Gains/(losses) on exchanges from derivatives	-	-	456	0.5%
Total foreign exchange profits (and losses)	**(79)**	**-0.1%**	**384**	**0.4%**

8.8 Taxes

The breakdown of the item Taxes for the periods ended at 31 December 2019 and at 31 December 2018 is shown below:

(In thousands of Euro)	Financial year closed on	
	31/12/2019	31/12/2018
Current taxes for the financial year	(3,773)	(3,335)
Current taxes for previous financial years	895	10,156
Deferred taxes	1,051	(651)
Total	**(1,827)**	**6,170**

Current taxes include the balance between current taxes for the year, equal to EUR 3,773 thousand, and the lower taxes for 2018, equal to EUR 895 thousand, accounted for in 2019 mainly following the favourable outcome of the Tax assessment request filed for the non-application of the anti-avoidance rule on the carrying forward of tax losses and of the ACE surplus (Aid for Economic Growth) by Crescita S.p.A., accrued before the merger with Ginetta S.p.A. and Cellular Italia S.p.A.

The change compared to the previous financial year is mainly due to the presence in the 2018 financial year of the Patent Box benefit, relating to the 2015/2017 triennial period, for EUR 10,128 thousand, accounted for following the agreement signed with the Tax Agency.

Deferred taxes, amounting to EUR 1,051 thousand, are composed as follows:

- revenues for the release of deferred tax liabilities arising from the effect of amortisation on Customer relationships and trademarks, equal to EUR 1,605 thousand;
- costs for the provision of deferred taxes arising from the change in the fair value of the warrants, equal to approximately EUR 300 thousand;
- costs for the release of deferred tax assets on the utilisation of taxed funds, greater than the provisions, equal to EUR 168 thousand;
- costs for other minor items equal to EUR 86 thousand.

The main temporary differences that entailed the deferred tax recognition are shown in the table below, together with their effects.

Financial Year at 31/12/2019 *(In Euro)*						
Amounts charged/credited to the Income Statement	**Taxable**	**Tax Rate**	**(Charged to Income Statement)**	**Taxable**	**Tax Rate**	**Credited to Income Statement**
- admin fees not paid	13,227	24.0%	(3,174)	63,897	24.0%	15,335
- taxed provision/utilisation of credit risks fund	400,000	24.0%	(96,000)	0	24.0%	0
- provision/utilisation of agents' severance indemnity	56,073	27.9%	(15,644)	0	27.9%	0
- direct inventory write-down	733,853	24.0%	(176,125)	749,631	24.0%	179,911
- inventory write-down fund provision/utilisation	1,300,000	24.0%	(312,000)	1,000,000	24.0%	240,000
- exchange rate losses on supplier valuations	662	24.0%	(159)	4	24.0%	1
- profits from exchange rate fluctuation vs. suppliers	106,774	24.0%	(25,626)	15,876	24.0%	3,810
- gains from exchange rate fluctuations on loans to associated companies	34,541	24.0%	(8,290)		24.0%	0
- customer list amortisation	0	27.9%	0	4,592,842	27.9%	1,281,403
- trademark amortisation	0	27.9%	0	1,161,719	27.9%	324,120
- amortisation of reversed multi-annual charges (IAS 38)	198,144	27.9%	(55,282)	0	27.9%	0
- changes in fair value on warrants (IAS 32)	1,248,263	24.0%	(299,583)	0	24.0%	0
- changes in fair value on Stock Grant (IFRS 2)	18,474	24.0%	(4,434)	0	24.0%	0
- differences in valuation on TFR (IAS 19)	724	27.9%	(202)	0	27.9%	0
- differences in the valuation of agents' severance indemnity provision (IAS 17)	0	24.0%	0	19,541	24.0%	4,690
Total taxes deferred/prepaid to Income Statement	**4,110,735**		**(996,159)**	**7,603,510**		**2,049,270**

Below is a summary of the reconciliation between the current tax burden and the theoretical tax burden (IRES, IRAP) and the reconciliation between the applicable tax rate and the effective average tax rate.

RECONCILIATION BETWEEN THE TAX BURDEN FROM THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX BURDEN *(In thousands of Euro)*	
Pre-tax profit (loss):	**19,747**
Temporary differences	
Temporary taxable differences in subsequent years (decreasing variations arising during the year):	(1,248)
Temporary deductible differences in subsequent years (increasing variations arising during the year):	1,814
Reversal of temporary differences from previous years taxed in the financial year:	16
Reversal of temporary differences from previous years deducted in the financial year:	(3,174)
Permanent differences	
Deductible taxes (excluding IRES, IRAP of the financial year)	96
Transport costs	172
Non-deductible amortisation/depreciation	5,905
Representation expenses exceeding the tax limit	82
Other non-deductible expenses	364
Irap deduction on labour costs	(63)
10% Irap deduction	(65)
"*Patent Box*" Benefit	(9,500)
Super-amortisations	(122)
Other permanent deductions	(236)
Deduction for Aid to Economic Growth (ACE)	(1,743)
IRES income taxable	**12,045**
Gross current taxes on income for the financial year	2,891
Deductions for energy requalification expenses	(23)
IRES actual current on pre-tax result	**2,868**
Determination of the IRAP taxable amount	
Difference between value and costs of production	20,148
Costs not relevant for IRAP purposes	15,260
Tax wedge	(14,026)
"*Patent Box*" Benefit	(9,500)
Theoretical taxable income	11,882
Current theoretical tax (3.9%)	463
Compensation to directors, collaborators and related charges	305
Amortisation of non-deductible goodwill	5,755
Other changes increasing the taxable amount	380
Other changes decreasing the taxable amount	(609)
Tax Wedge	(14,026)
"*Patent Box*" Benefit	(9,500)
Taxable amount IRAP	**17,713**

IRAP actual current	**691**

8.9 Cash flow statement

The main phenomena that influenced the trend of cash flows during the periods under examination are summarised below.

Net cash flow generated/(absorbed) by operations

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Cash flows from operations		
Profit/(loss) for the financial year	17,920	32,771
Adjustments for:		
- Amortisation and depreciation	9,294	4,830
- Net write-downs and allocations	328	1,042
- Accrued financial (income)/expenses	1,528	(4,817)
- Income Taxes	1,827	(6,170)
	30,898	**27,657**
Changes in:		
- (Increase)/Decrease in inventories	(1,811)	2,469
- (Increase)/Decrease in trade receivables	(909)	852
- Increase/(Decrease) in trade payables	(146)	(5,384)
- Increase/(Decrease) in other assets and liabilities	131	(4,342)
- Payment of employee benefits and change of provisions	(176)	(169)
Cash flow generated/(absorbed) by operations	**27,987**	**21,083**
Interest paid	(1,528)	(1,023)
Income taxes paid	(6,516)	(8,360)
Cash flow generated/(absorbed) by operations	**19,942**	**11,700**

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Cash flows from investment activity		
Acquisition of subsidiary company, net of cash acquired and other costs	(2,260)	(60,644)
(Purchases)/Sale of property, plant and equipment and intangible assets	(6,226)	(1,968)
Cash flow generated/(absorbed) by investment activities	**(8,486)**	**(62,611)**

Cash flow generated/(absorbed) by financing activity

(In thousands of Euro)	Position as at	
	31 December 2019	**31 December 2018**
Cash flows arising from financing activity		
Other financial receivables and payables	(576)	-
(Dividend distribution)	(6,088)	-
Net (purchase)/sale of own shares	(2,889)	(12,301)
Increase/(Decrease) in payables to banks and other lenders	(13,334)	(27,060)
Payment of transaction costs relating to financial liabilities	481	(129)
Net cash flow generated/(absorbed) by financing activity	**(22,407)**	**(39,490)**

9 Transactions with related parties

The Company has maintained, and continues to maintain, various types of relationships, mainly of a commercial nature, with related parties identified on the basis of the standards established by the IAS 24 International Accounting Standard.

Transactions with related parties are neither atypical nor unusual and are part of the ordinary course of business of the companies. These transactions mainly involve (i) the supply of mobile telephony products and accessories, (ii) the provision of services that are functional to the performance of the business and (iii) the provision of loans to the aforementioned related parties.

Transactions with Related Parties, as defined by IAS 24 and governed by Article 4 of Consob Regulation 17221 of 12 March 2010 (as amended), implemented until 31 December 2019, involve mainly commercial transactions relating to the supply of goods and the provision of services.

Below is a list of the parties that are considered to be related parties with whom transactions took place up to 31 December 2019, indicating the type of correlation:

Related parties	Type and main correlation relationship
Cellular Iberia S.L.	Company owned by related natural persons (Stefano Aleotti at 25% and Piero Foglio at 25%)
Cellular Swiss S.A.	Associate company with Cellularline S.p.A. at 50% (consolidated using the equity method); the remaining shareholders are: Ms Maria Luisa Urso (25%) and Mr Antonio Miscioscia (25%)
Crescita Holding s.r.l.	Company owned, directly and indirectly, by Alberto Toffoletto (Chairman of Crescita until the effective date of the Merger), Antonio Tazartes (Chairman of the Board of Directors), Marco Drago (director of Crescita until the effective date of the Merger), Massimo Armanini (director of Crescita until the effective date of the Merger) and Cristian D'Ippolito (director).
Heirs of Alessandro Foglio Bonacini, Manuela Foglio, Monia Foglia Bonacini, Christian Aleotti, Stefano Aleotti	Shareholders of Cellularline S.p.A.
Cellular Spain S.L.U.	holding 100% of the company
Cellular Inmobiliaria Italiana S.L.U.	holding 100% of the company
Cellular Immobiliare Helvetica S.A.	holding 100% of the company
Pegaso s.r.l./Systema s.r.l.	A 60%-owned company (consolidated using the "line by line" method) that controls 100% of Systema; the remaining shareholders are Gianni Pietranera (26.8%) and Piero Uva (13.2%).
Other	Family members of the Directors and Shareholders of Cellularline S.p.A.

The table below shows the Statement of Financial Position balances of Transactions with Related Parties implemented by Cellularline until 31 December 2019:

(In thousands of Euro)	Current trade receivables	Other Receivables non-current	(Trade payables)
Cellular Swiss S.A.	6,999	553	(765)
Cellular Spain S.L.U.	6,851	-	(2,000)
Systema S.r.l.	1,222	-	(514)
Cellular Iberia S.L.	48	-	(6)
Cellular Inmobiliaria Italiana S.L.U.	-	357	-
Cellular Immobiliare Helvetica S.A.	-	820	-
Total	**15,120**	**1,730**	**(3,285)**
Impact on the item of the financial statements	*24.43%*	*100%*	*16.55%*

Note that trade receivables are shown in the financial statements net of the related trade payables.

The table below shows the Income Statement balances of Transactions with Related Parties implemented by Cellularline until 31 December 2019:

(In thousands of Euro)	Revenues from Sales	(Sales and distribution costs)	(General and administrative costs)	Other non-operating (costs)/revenues
Cellular Swiss S.A.	5,508	-	-	(3)
Cellular Spain S.L.U.	3,332	-	-	-
Systema S.r.l.	2,152	-	-	-
Cellular Iberia S.L.	537	-	-	-
Shareholders	-	-	(54)	-
Other	-	-	-	(29)
Total	**11,529**	**-**	**(54)**	**(32)**
Impact on the item of the financial statements	*8.2%*	-	*0.3%*	*2.1%*

The main creditors/debtors and economic relationships with Related Parties maintained by Cellularline in the period ended at 31 December 2019 are as follows:

- Cellular Swiss S.A.: a commercial relationship relating to the disposal of assets intended for sale by Cellularline to Cellular Swiss S.A., with the latter charging back a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing ones;
- Cellular Spain S.L.U.: a commercial relationship relating to the disposal of assets intended for sale by Cellularline to Cellular Spain S.L.U., with the latter charging back a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing ones;
- Systema S.r.l.: commercial relationship relating to the supply of goods for sale by Cellularline to Systema S.r.l.;
- Cellular Iberia S.L.: a commercial relationship relating to the disposal of assets intended for sale by Cellularline to Cellular Iberia S.L.;

- shareholders of Cellularline S.p.A.: lease agreements to which Cellularline is a party, in its capacity as lessee, entered into with some of its shareholders, in their capacity as lessors, in particular:

(i) lease agreement with Victor-Tex (the lessor party is now the heirs of Alessandro Foglio Bonacini) dated 1 March 2010;

(ii) lease agreement signed with Mr Stefano Aleotti on 6 March 2013;

(iii) lease agreement signed with Manuela Foglio, Monia Foglia Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 1 September 2017;

- lease agreement signed with Manuela Foglio, Monia Foglia Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 16 October 2017;
- Other: salaries for employee work related to:
    - the sister of the current Vice Chairman of the Board of Directors Piero Foglio, whose remuneration is classified under general and administrative costs;
    - the daughter of the Executive with strategic responsibilities Emilio Sezzi, whose remuneration is classified under sales and distribution costs.

10 Other information

Summary table of the financial statements of the company that exercises management and coordination activities

The company is not subject to management and coordination activities.

Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

Risks

It should also be noted that the Company is exposed to various types of risks already described in Section 13 of the consolidated Management Report on Operations.

Guarantees granted in favour of third parties

There are no guarantees in place in favour of third parties.

Number of employees

The average number of Company employees, broken down by category, was as follows:

AVERAGE NUMBER OF EMPLOYEES		
HEADCOUNT	**Average 2019**	**Average 2018**
Managers	11	10
Executives	35	36
Clerical staff	141	139
Workers	2	3
Apprentices	13	14
TOTAL	**202**	**202**

Remuneration to Managing Directors and Managers with strategic responsibilities

Category	2019	2018
(In thousands of Euro)		
Managing Directors	1,063	599
Other managers with strategic responsibilities	507	240
Total remuneration	**1,571**	**839**

Please note that the amounts for the 2018 financial year refer to the remuneration paid from 4 June 2018 (date of the Business Combination).

Amount of remuneration payable to Directors and Statutory Auditors

The remuneration to the Board of Directors for the year 2019 amounts to approximately EUR 262 thousand. The accrued fees of the Board of Statutory Auditors for the 2019 financial year amounted to approximately EUR 67 thousand.

Amount of remuneration payable to Independent Auditors

The Company, by resolution of the Shareholders' Meeting of 16 April 2020, appointed KPMG S.p.A. as independent auditor, which is responsible for auditing the accounts until the approval of the financial statements for financial year 2027. The compensation for auditing the statutory and consolidated (also half-yearly) financial statements totalled approximately Euro 64 thousand, in addition to Euro 30 thousand for other accounting services as shown in the following table:

(in thousands of Euro)

Type of services	2019	2018
A) Auditing tasks	57	65
B) Tasks involving the issuance of a certificate	7	-
C) Other services	30	-
Total	**94**	**65**

KEY EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

CELLULARLINE rebranding: on the occasion of the 30th anniversary of the creation of the Company (which took place in 1990), an ambitious project of strategic repositioning and renewal of the marketing mix of the main brand, Cellularline, was presented to the (R)EVOLUTION market. "*From smartphone to smartlife*", this is the concept that underlies the project and embraces the main brand and all of the distinctive elements that characterise it. Cellularline continues on its path of specialisation towards the offering of a complete range of solutions that respond perfectly to market changes and to the desires of consumers, able to simplify their everyday life and connect them to the smartlife that increasingly characterises them.

The launch of the new PLOOS brand, which encompasses a range of about 50 items, mainly consisting of recharging, car and audio accessories. The launch of the new brand is part of a wider process of strategic review of the Company's brand portfolio, supplementing the offerings of Cellularline's main brand. Ploos will be the Company's new entry level brand - with essential design and functionality - that is characterised by excellent value for money and that will allow Cellularline to strengthen its presence in some EMEA markets and channels where the Company's positioning has ample room for development.

Presentation of BECOME, a range of eco-sustainable cases for smartphones, aimed at limiting the environmental footprint of the products, as its composition allows an eco-sustainable disposal of the product at the end of its life. The new eco-friendly range also features packaging that uses recycled and recyclable paper, as well as being completely plastic-free. The new eco cases will begin to be distributed from the first quarter of 2020 in the markets and channels covered by the Company.

Environmental sustainability: as an integral part of the Company's strategy, with the increasing objective of focusing attention on the environmental impacts of our business, significant innovations will be gradually introduced beginning in the second quarter of 2020, starting with packaging materials:

- all paper used for the production of the packs will be *Forest Stewardship Council* (FSC) certified, with the guarantee of making a substantial contribution to responsible forest management;
- the inks used to print the packs will be 100% soybean-based, thus significantly reducing the use of materials deriving from the processing of oil;
- the use of plastic, inside and outside the pack, will be reduced and, where possible, eliminated.

As to the reduction of environmental impact, the Company, in line with its ethical principles on the one hand and technical feasibility on the other, will work in stages - as part of a multi-year project - systematically communicating the progress achieved beginning from mid-2020.

Possible impacts from COVID-19: With reference to the possible effects of the global spread of COVID-19 beginning in January 2020, first in Asia and now also in Europe, it should be noted that during the second half of February, after the two-week extension of the holiday closures imposed by the Chinese Government, all of the major factories in the *Consumer Electronics* sector - operating in areas of China far from the epicentre of the virus - have resumed production, even if not immediately at full capacity. Currently, after a few weeks of progressive rump-ups, our production partners in Asia are all substantially operational. As a result of this, although the entire *Consumer Electronics supply chain* is currently operating almost normally, it cannot be ruled out that the availability of specific products may be temporarily restricted during the first half of 2020. On the basis of the situation described above and with the information available to date, the Cellularline Group believes that the impacts of this late reopening of factories in the Far East should not be significant.

It should also be noted that, as a result of the recent spread of the virus also throughout parts of the European territory - primarily in the domestic market, with the prohibition, with exceptions, regarding the mobility of people and with temporary closures of numerous outlets for a few weeks – the demand for consumer goods and/or services will suffer from the reduction of consumer traffic to retailers, with effects on the market demand of our products. In the current uncertainty regarding economic impacts, we are constantly monitoring the situation in all major markets and channels and are ready to take appropriate and targeted measures as the situation evolves.

Our priority is, of course, the health and safety of our employees and partners (customers, retailers, suppliers); the Group has therefore put in place all of the measures and safeguards necessary to ensure full continuity of service to its customers, in compliance with the ordinances and regulations issued by the public authorities and with the aim of protecting the safety of its employees and partners.

Reggio Emilia, 11 March 2020

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 PROPOSED DESTINATION OF THE OPERATING RESULT

In asking you to approve our work by agreeing to the draft financial statements and our report, in the light of the operating results achieved, we propose that you allocate the profit achieved, equal to EUR 17,920,435 as follows:

- EUR 896,021 to the legal reserve;
- EUR 7,152,152 to Shareholders equal to an ordinary dividend of EUR 0.33 for each of the eligible shares;
- as for the remainder, equal to EUR 9,872,262, to retained earnings.

The Board of Directors has resolved to propose to the Shareholders' Meeting, the distribution of an ordinary dividend of EUR 0.33 for each of the ordinary shares, equal to 31% of Adjusted Net Profit for a total amount of the proposed dividend of EUR 7,152 thousand.
The dividend will be paid with a detachment date, record dates and payment date on 18, 19 and 20 May 2020 respectively.
By virtue of the structural capacity to generate cash, the payment of the dividend does not jeopardise either the financial balance or the achievement of growth targets, both internally and by *M&A* .

Reggio Emilia, 11 March 2020

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

CERTIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

The undersigned, Christian Aleotti and Marco Cagnetta, in their capacity as Managing Directors, and Stefano Cerrato, in his capacity as Manager responsible for preparing the company's accounts of the Cellularline Company, do certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the financial year ended 31 December 2019.

In this regard, it should be noted that no significant issues have emerged.

We also certify that the Financial Statements of the Cellularline Company for the financial year ended 31 December 2019:

- have been prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to EC Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002;
- correspond to the results in the corporate books and accounting records;
- are appropriate for providing a true and fair representation of the operating performance and financial position of the issuer.

Reggio Emilia, 11 March 2020

Christian Aleotti

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Chief Executive Officer

Marco Cagnetta

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Chief Executive Officer

Stefano Cerrato

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Manager responsible for preparing the company's accounts

FIRST TIME ADOPTION OF THE IAS/IFRS TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

APPENDIX NO. 1

TRANSITION TO IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

Introduction

The financial statements for the financial year ended 31 December 2019 are the first separate financial statements prepared by Cellularline S.p.A. according to the IAS/IFRS international accounting standards issued by the *International Accounting Standards Board* (IASB) and to the interpretations of the *International Financial Reporting Standard Interpretation Committee* (IFRS IC, formerly IFRIC) and the previous *Standing Interpretations Committee* (SIC) (hereinafter "IAS/IFRS Standards"), approved by the European Union following the entry into force of Regulation (EC) No. 1606/2002 issued by the European Parliament and the European Council in July 2002.

Cellularline S.p.A. (hereinafter also referred to as "The Company") following the listing of the shares on the STAR market managed by Borsa Italiana on 22 July 2019, has made the adoption of international accounting standards mandatory in order to prepare the separate financial statements as provided for by Legislative Decree No. 38/2005.

In accordance with the provisions of IFRS 1, the transition date to IAS/IFRS for the separate financial statements is 1 January 2018.

This appendix provides the reconciliation and their explanatory notes (hereinafter the "IFRS Reconciliation Statements") provided for in IFRS 1 – First Adoption of the IFRS – and, in particular, reconciliation of equity at the beginning and end of financial year 2018 and the profit and loss for the financial year ended 31 December 2018, as compared with the data expressed in the previous accounting policies, in order to present the consolidated financial data of Cellularline S.p.A. restate in accordance with the IFRS adopted by the European Union and to highlight the impact that the restatement in accordance with these standard s has shown on the financial statements and financial situation, as well as on economic developments and financial flows.

The balance sheet and income statement drawn up in accordance with IAS/IFRS were obtained by providing the financial statements, prepared in accordance with national accounting standards, with the appropriate IAS/IFRS adjustments and reclassifications, which enable the presentation and recognition rules set out in IAS/IFRS to be transposed. The effects of the transition to IAS/IFRS that can be classified as adjustments, in compliance with IFRS 1, are reflected in a special equity reserve as at the transition date. The Company did not see any effect on initial equity resulting from the transition to IAS/IFRS.

Reconciliation statements prepared under IFRS 1 will constitute the values published for comparative purposes in the first separate IAS/IFRS financial statements.

For the purpose of presenting the effects of the transition to IAS/IFRS international accounting standards and compliance with the provisions of paragraphs 24 and 25 of IFRS 1, the Company has adopted the provisions contained in paragraph IG63 of the Implementation Guidance in IFRS 1, concerning the reconciliation of shareholders' equity and reconciliation of the consolidated profit and loss for financial year 2018.

In particular, the following are provided:

- the statement of reconciliation of the statement of financial position as at 1 January 2018 (transition date) prepared in accordance with previous accounting standards, with that prepared in accordance with IAS/IFRS;
- the statement of reconciliation of the statement of financial position as at 31 December 2018 (closing date of the last financial statements prepared on the basis of previous accounting standards) drawn up in accordance with previous accounting standards, with that prepared on the basis of IAS/IFRS;
- the statement of reconciliation of the income statement for the financial year ended 31 December 2018, prepared in accordance with previous accounting standards, with that prepared in accordance with IAS/IFRS;
- the statement of reconciliation of the income statement for the financial year ended 31 December 2018, prepared in accordance with previous accounting standards, with that prepared in accordance with IAS/IFRS;
- the statement of reconciliation of shareholders' equity as at 1 January 2018 and as at 31 December 2018 determined in accordance with previous accounting standards, with that determined in accordance with IAS/IFRS;
- the explanatory notes relating to the adjustments and reclassifications included in the aforementioned reconciliation statements, which describe the significant effects of the transition, both with regard to the classification of the various items in the financial statements and their different valuation and, therefore, the consequent effects on the balance sheet and income statement.

The opening financial statements at the date of transition to IAS/IFRS have been prepared on the basis of the following criteria:

- all assets and liabilities the entry of which is required by IFRS have been recognised;
- the assets and liabilities whose recognition is not permitted by IFRS have not been recognised;
- the IFRS were applied in the valuation of all assets and liabilities recognised;
- all adjustments resulting from the first-time adoption of IFRS have been recorded with a balancing entry in shareholders' equity.

The redrafting of the separate financial statements as at 31 December 2018 required the Company to make the following choices amongst the options provided for in IFRS 1:

- For the Balance Sheet scheme, the "increasing liquidity" criterion was adopted:
    1) current assets are given by cash or cash equivalents, assets expected to be realised, sold or consumed in the normal course of the company's operating cycle, assets held for trading or assets expected to be realised within twelve months of the balance sheet date. All other assets are classified as non-current;
    2) current liabilities are represented by liabilities that are expected to be settled in the normal course of the company's operating cycle or within twelve months of the balance sheet date, or by those that do not have an unconditional right to defer their settlement beyond twelve months. All other liabilities are classified as non-current.
- For the Income Statement scheme, the scheme with the costs classified by destination was adopted;

- for the "overall income statement" scheme, it was decided to adopt a separate scheme. In particular, in application of the provisions of IAS 1, all the changes generated by profits and losses recorded directly in shareholders' equity must be shown in this statement of comprehensive income in order to present the overall performance for the year (so-called comprehensive income). Amendments to IAS 1 require that all components presented in the overall income statement be grouped according to whether they can be reclassified as a result of the income statement.

The Company applied the accounting policies in force on 1 January 2018 retrospectively to all periods included in the first IFRS financial statements.

Unless otherwise indicated, the figures are shown in thousands of euros and may show marginal differences with respect to the respective values in euros due to rounding off.

Notes concerning the rules of first application

It is recalled that the Cellularline Group prepared its first IAS/IFRS consolidated financial statements as at 31 December 2018. Therefore, the Company, in the transition of its separate financial statements to international accounting standards, has applied the provisions of paragraph D17 of IFRS 1, which provides that if a parent company adopts, for the first time, international accounting standards in its separate financial statements at a later date than that used for the preparation of the consolidated financial statements, it must assess its assets and liabilities at the same values in both financial statements, with the exception of consolidation adjustments.

The opening balance sheet as at 1 January 2018, the balance sheet as at 31 December 2018, and the income statement for financial year 2018 and the total income statement for financial year 2018 were prepared in accordance with IAS/IFRS standards applied to the consolidated financial statements, with the exception of the items to be circumvented in the preparation of the consolidated financial statements.

In the transition to IAS/IFRS international accounting standards, previous estimates were maintained in accordance with Italian accounting standards, unless the adoption of IAS/IFRS accounting standards required the formulation of estimates according to different methodologies.

The effect of adjustment to the new accounting policies has taken into account the relative tax effects recorded between deferred tax assets or between deferred tax liabilities.

Optional exemptions to full retrospective adoption of IFRS

Companies that adopt IFRS for the first time may opt for the application of some optional exemptions from full retrospective application of the accounting standards.

The Company did not use any of the optional exemptions under this transition.

Mandatory exemptions to full retrospective adoption of IFRS

IFRS 1 establishes some mandatory exceptions to the retrospective application of international accounting standards in the process of transition to IFRS. The only mandatory exception applicable to the Company concerns the maintenance of the estimates previously formulated according to Italian accounting standards, except in those cases where the adoption of the IFRS required the formulation of estimates according to different methodologies (to reflect differences in accounting standards).

Selected treatments in the context of the accounting options provided for by the IFRS

IFRS allow some accounting options. The choices made by the Company in line with the application made by the Group are shown below:

- Inventories: according to IAS 2 - Inventories, the cost of inventories must be determined using the FIFO method or the weighted average cost method. It was chosen to use the weighted average cost method;
- Valuation of tangible and intangible assets: after initial cost entry, IAS 16 – property, plant and equipment, paragraph 29, and IAS 38 – intangible assets, paragraph 72, provide that tangible and intangible assets can be valued at the cost net of accumulated depreciation and impairment losses, or by periodically determining market value and adjusting the balance of accounts to that value (known as the "Revaluation Model"). The Group has decided to maintain the cost as a criterion for the valuation of tangible and intangible assets;
- Business combinations: IFRS 3 has not been applied retroactively due to the nature of the Company's newly constituted business.
- Valuation of equity investments according to IAS 27: the carrying value determined on the basis of the Previous Accounting Standards was considered as a substitute cost amount, the so-called *deemed cost*.

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2018 AND AS AT 31 DECEMBER 2018 AND NET PROFIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(In migliaia di Euro)	Note	Patrimonio netto al 1 gennaio 2018	Risultato Netto dell'esericizo 2018	Variazioni riserve di Patrimonio Netto	Patrimonio netto al 31 dicembre 2018
PRINCIPI CONTABILI ITALIANI		**131.944**	**22.343**	**(22.198)**	**132.089**
IAS 38 Attività immateriali - costi per operazioni sul capitale	**1**	(787)	604		(183)
IAS 27 Bilancio separato	**2**	216	-	(216)	-
IAS 32 Strumenti finanziari	**3**	(5.382)	6.357	(3.674)	(2.699)
IAS 38 Attività immateriali - costi di impianto	**4**	-	21	(38)	(17)
IAS 37 Fondo indennità supplettiva di clientela	**5**	-	123	143	266
IAS 19 Trattamento di fine rapporto	**6**	-	(38)	10	(28)
IFRS 2 Stock Grant	**7**		(17)		(17)
IFRS 3 Business combinantion	**8**		4.163	84.540	88.703
Effetti fiscali teorici sulle differenze di cui sopra	**1;2;3;4;5;6;7;8;9**	-	(785)	(22.306)	(23.091)
PRINCIPI CONTABILI IAS/IFRS		**125.992**	**32.772**	**36.261**	**195.024**

To supplement the reconciliation of the Shareholders' Equity as at the transition date (1 January 2018) and as at 31 December 2018, and the economic result for the financial year 2018, as set out in the previous paragraph, the balance sheet statement of reconciliation as at 1 January 2018 and as at 31 December 2018 and the income statement for financial year ended 31 December 2018, are as follows:

- values according to National Accounting Standards, reclassified to bring them into line with the IAS/IFRS financial statements;
- adjustments and reclassifications for compliance with IAS/IFRS;
- values in accordance with IAS/IFRS.

Specific explanatory notes have also been drawn up, providing information on the effects on different periods of each item that has undergone adjustments or reclassification following the application of IAS/IFRS.

BALANCE SHEET AND FINANCIAL SITUATION AS AT 1 JANUARY 2018

(In migliaia di euro)	Note	BS 01.2018 ITA GAAP riesposto IFRS	IAS/IFRS adj	IAS/IFRS reclass	BS 01.2018 IAS/IFRS
ATTIVO					
Attivo non corrente					
Attività immateriali	1	794	(786)	-	8
Avviamento		-	-	-	-
Immobili, impianti e macchinari		-	-	-	-
Partecipazioni in collegate e altre imprese		-	-	-	-
Crediti finanziari (non corrente)		-	-	-	-
Imposte differite attive (non corrente)		-	-	-	-
Altre attività (non correnti)	2	-	216	-	216
Totale Attivo non corrente		**794**	**(570)**	**-**	**224**
Attivo corrente					
Rimanenze		-	-	-	-
Crediti commerciali		-	-	-	-
Crediti per imposte correnti		260	-	(260)	-
Crediti finanziari (corrente)		-	-	-	-
Altre attività (correnti)		85	-	260	345
Disponibilità liquide e mezzi equivalenti		131.315	-	-	131.315
Totale Attivo corrente		**131.660**	**-**	**-**	**131.660**
ATTIVITA' POSSEDUTE PER LA VENDITA E ATTIVITA' INCLUSE IN AGGREGATI IN DISMISSIONE		-	-	-	-
Totale Attivo		**132.455**	**(570)**	**-**	**131.885**
PATRIMONIO NETTO E PASSIVO					
Capitale sociale		13.300	-	-	13.300
Altre riserve		119.700	(3.521)	-	116.179
Utili portati a nuovo		-	-	-	-
Riserva di transizione IFRS		-	-	-	-
Utile dell'esercizio		(1.056)	(2.432)	-	(3.488)
Totale Patrimonio Netto		**131.944**	**(5.952)**	**-**	**125.992**
Passività non correnti					
Debiti verso banche e altri finanziatori (non correnti)		-	-	-	-
Imposte differite passive		-	-	-	-
Benefici per i dipendenti		-	-	-	-
Fondi rischi ed oneri (non correnti)		-	-	-	-
Altre passività (non correnti)		-	-	-	-
Altre passività finanziarie (non correnti)		-	-	-	-
Totale Passivo non corrente		**-**	**-**	**-**	**-**
Passività correnti					
Debiti verso banche e altri finanziatori (corrente)		-	-	-	-
Debiti commerciali		491	-	-	491
Debiti per imposte correnti		-	-	-	-
Fondi rischi ed oneri (correnti)		-	-	-	-
Altre passività (correnti)		20	-	-	20
Altre passività finanziarie (correnti)	3	-	5.382	-	5.382
Totale Passivo corrente		**510**	**5.382**	**-**	**5.892**
PASSIVITA' POSSEDUTE PER LA VENDITA E ATTIVITA' INCLUSE IN AGGREGATI IN DISMISSIONE		-	-	-	-
Totale Passivo e Patrimonio Netto		**132.455**	**(570)**	**-**	**131.884**

BALANCE SHEET AND FINANCIAL SITUATION AS AT 31 DECEMBER 2018

(In migliaia di euro)	Note	BS 2018 ITA GAAP riesposto IFRS	IAS/IFRS adj	IAS/IFRS reclass	BS 2018 IAS/IFRS
ATTIVO					
Attivo non corrente					
Attività immateriali	1;2;4;8	21.673	56.816	-	78.489
Avviamento	8	62.653	31.204	-	93.857
Immobili, impianti e macchinari		5.670	-	-	5.670
Partecipazioni in collegate e altre imprese		1.210	-	-	1.210
Crediti finanziari (non corrente)		1.206	-	-	1.206
Imposte differite attive (non corrente)	1;6;7	1.156	20	-	1.176
Altre attività (non correnti)		-	-	-	-
Totale Attivo non corrente		**93.567**	**88.040**	**-**	**181.607**
Attivo corrente					
Rimanenze		20.251	-	-	20.251
Crediti commerciali	11	70.431	-	(9.382)	61.049
Crediti per imposte correnti	10	6.126	-	(159)	5.967
Crediti finanziari (corrente)		36	-	-	36
Altre attività (correnti)	10	3.697	-	159	3.856
Disponibilità liquide e mezzi equivalenti		40.913	-	-	40.913
Totale Attivo corrente		**141.455**	**-**	**(9.382)**	**132.073**
ATTIVITA'E POSSEDUTE PER LA VENDITA E ATTIVITA' INCLUSE IN AGGREGATI IN DISMISSIONE		-	-	-	-
Totale Attivo		**235.022**	**88.040**	**(9.382)**	**313.680**
PATRIMONIO NETTO E PASSIVO					
Capitale sociale		21.343	-	-	21.343
Altre riserve	1;2;3;4;5;6;8	89.312	55.085	-	144.397
Utili portati a nuovo	2;5	(1.056)	(2.432)	-	(3.488)
Riserva di transizione IFRS		-	-	-	-
Utile dell'esercizio	1;2;3;4;5;6;7;8	22.343	10.429	-	32.772
Totale Patrimonio Netto		**131.942**	**63.082**	**-**	**195.024**
Passività non correnti					
Debiti verso banche e altri finanziatori (non correnti)		51.667	-	-	51.667
Imposte differite passive		231	22.537	-	22.768
Benefici per i dipendenti	6	383	28	-	410
Fondi rischi ed oneri (non correnti)	5	1.620	(321)	-	1.299
Altre passività (non correnti)		-	-	-	-
Altre passività finanziarie (non correnti)		-	-	-	-
Totale Passivo non corrente		**53.900**	**22.244**	**-**	**76.144**
Passività correnti					
Debiti verso banche e altri finanziatori (corrente)		12.169	-	-	12.169
Debiti commerciali	11	29.396	-	(9.382)	20.014
Debiti per imposte correnti	10	2.584	-	(2.584)	(0)
Fondi rischi ed oneri (correnti)		-	-	-	-
Altre passività (correnti)	7;10	5.030	17	2.584	7.631
Altre passività finanziarie (correnti)	3	-	2.698	-	2.698
Totale Passivo corrente		**49.180**	**2.715**	**(9.382)**	**42.513**
PASSIVITA' POSSEDUTE PER LA VENDITA E ATTIVITA' INCLUSE IN AGGREGATI IN DISMISSIONE		-	-	-	-
Totale Passivo e Patrimonio Netto		**235.022**	**88.040**	**(9.382)**	**313.680**

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(In migliaia di euro)	Note	PL 2018 ITA GAAP riesposto	IAS/IFRS adj	IAS/IFRS reclass	PL 2018 IAS/IFRS
Ricavi delle vendite		91.513	-	-	91.513
Costo del venduto	6	(45.134)	(1)	-	(45.135)
MARGINE OPERATIVO LORDO		**46.379**	**(1)**	**-**	**46.378**
Costi di vendita e distribuzione		(13.830)	(25)	-	(13.855)
Costi generali e amministrativi	1;2;3;4;5;6;8	(17.157)	4.910	-	(12.247)
Altri ricavi (costi) non operativi		103	-	-	103
RISULTATO OPERATIVO		**15.495**	**4.884**	**-**	**20.379**
Proventi finanziari	3	506	6.357	-	6.863
Oneri finanziari	5;6	(996)	(28)	-	(1.023)
Utile (Perdita) su cambi		384	-	-	384
Proventi/oneri da partecipazioni		-	-	-	-
RISULTATO PRIMA DELLE IMPOSTE		**15.389**	**11.214**	**-**	**26.602**
Imposte sul reddito	1;2;3;4;5;6;7;8	6.955	(785)	-	6.170
RISULTATO ECONOMICO D'ESERCIZIO		**22.343**	**10.429**	**-**	**32.772**

(In migliaia di euro)	Note	PL 2018 ITA GAAP riesposto	IAS/IFRS adj	IAS/IFRS reclass	PL 2018 IAS/IFRS
RISULTATO ECONOMICO D'ESERCIZIO		**22.343**	**10950**	**-**	**32.771**
Utile (Perdita) attuariali su benefici definiti	6	-	10	0	10
Utile (Perdita) attuariali su fondi rischi	5	-	198	0	198
Imposte sul reddito sulle altre componenti del risultato complessivo		-	(58)	0	- 58
Totale altre componenti del risultato economico complessivo dell'esercizio		**-**	**151**	**0**	**151**
TOTALE RISULTATO ECONOMICO COMPLESSIVO DELL'ESERCIZIO		**22.343**	**11.101**	**-**	**32.922**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 December 2018

(In migliaia di euro)	BS 2018 ITA GAAP riesposto IFRS	IAS/IFRS adj	IAS/IFRS reclass	BS 2018 IAS/IFRS
Utile/(perdita) di periodo	22.343	10.429		32.772
Ammortamenti	9.618	(4.788)		4.830
Svalutazioni e accantonamenti netti	1.335	(294)		1.042
(Proventi)/oneri finanziari maturati	(4.817)			(4.817)
Imposte sul reddito	(6.170)			(6.170)
	22.310	**5.347**	**0**	**27.657**
(Incremento)/decremento rimanenze	2.469	-		2.469
(Incremento)/decremento crediti commerciali	(8.530)	-	9.382	852
Incremento/(decremento) debiti commerciali	3.998	-	(9.382)	(5.384)
Incremento/(decremento) altre attività e passività	(4.358)	16		(4.342)
Liquidazione di benefici a dipendenti	(22)			(22)
Variazione fondi	(147)			(147)
Flusso generato (assorbito) dalla gestione operativa	**15.720**	**5.363**	**0**	**21.083**
Interessi pagati	(1.023)			(1.023)
Imposte sul reddito pagate	(8.360)			(8.360)
Flusso netto generato (assorbito) dalla gestione operativa	**6.337**	**5.363**	**0**	**11.700**
Interessi incassati				0
Acquisto di società controllata, al netto della liquidità acquisita	(2.629)	(58.016)		(60.645)
(Acquisto)/cessione di immobili, impianti e macchinari e attività immateriali	(1.968)			(1.968)
Flusso generato (assorbito) netto dall'attività di investimento	**(4.596)**	**(58.016)**	**0**	**(62.612)**
(Acquisto)/Vendite nette azioni proprie	(12.301)			(12.301)
Altre variazioni del Patrimonio netto	(52.652)	52.653		1
Attività finanziarie	(27.060)			(27.060)
Pagamento di costi di transazione relativi a passività finanziarie	(129)			(129)
Flusso generato (assorbito) netto dall'attività di finanziamento	**(92.142)**	**52.653**	**0**	**(39.489)**
Incremento/(decremento) delle disponibilità liquide	**(90.402)**	**0**	**0**	**(90.402)**
Disponibilità liquide e mezzi equivalenti a inizio esercizio	**131.315**			**131.315**
Disponibilità liquide e mezzi equivalenti a fine esercizio	**40.913**			**40.913**

NOTES TO THE SHAREHOLDERS' EQUITY RECONCILIATION STATEMENTS AS AT 1 JANUARY 2018 AND AS AT 31 DECEMBER 2018 AND THE TOTAL NET PROFIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

General principles

Shareholders' equity as at 1 January 2018, restated according to IFRSs, does not show differences in treatment with respect to shareholders' equity as at that date, prepared in accordance with Italian accounting standards.
There are therefore no adjustments to be recognised directly in shareholders' equity under the item IFRS transition reserve, which has a zero balance.

Comments on the effects of restatement in accordance with IFRS of reconciliation statements

Portfolio

Below are comments on the main IFRS adjustments made to the financial data determined according to Italian accounting standards.

1. Intangible assets - capital transaction costs (IAS 38 and IAS 32)

IAS 38 provides for more restrictive criteria, compared with Italian accounting standards, for recognition of an element of cost of the nature of an intangible asset. In fact, start-up and expansion costs and costs incurred for strategic consultancy that do not meet the requirements for recognition as an intangible asset are identified.
These costs are, however, attributable to the listing of newly issued shares, therefore, according to IAS 32 p. 37 and p.38, they must be accounted for directly by a reduction in equity and in particular of the relative from a reserve of share surcharges.
The reversal of intangible assets that do not qualify for capitalisation, in accordance with IAS 38, recognised as a reduction in equity under IAS 32, has produced the following accounting impacts:

- at 1 January 2018, intangible assets decreased by EUR 786 thousand against a decrease in Shareholders' equity of EUR 787 thousand;
- at 1 December 2018, intangible assets decreased by EUR 183 thousand against a decrease in Shareholders' equity of EUR 498 thousand; The tax effects resulting from the application of the standard generated a deferred tax fund of EUR 167 thousand.

2. Separate financial statements (IAS 27)

IAS 27 provides for the inclusion of ancillary costs for the purchase of equity investments in the separate financial statements of an entity. Thus, costs incurred for strategic advice are identified, which present the requirements for increasing the value of the holdings in the separate financial statements, which are instead entered in the Income Statement; in this respect, the costs that meet the requirements of charges ancillary to participation must be recognised in the financial assets when incurred.
The reversal of costs recognised in the Income Statement that qualify for capitalisation in the separate financial

statements, in accordance with IAS 27, has had the following accounting effects:

- as at 1 January 2018, financial fixed assets increased by EUR 216 thousand, compared with profits/(losses) carried forward by EUR 216 thousand.
- as at 31 December 2018, the impacts were cancelled with the effects from the Business Combination.

3. Financial instruments: financial statements (IAS 32)

IAS 32 requires an issuer of financial instruments to classify them as financial liabilities, financial assets, or equity instruments in accordance with the substance of the contractual arrangements and their characteristics. In particular, financial liabilities include, among other things, instruments that will or may be settled using the entity's own equity instruments. In the presence of such instruments, the relevant element for the purpose of classification depends on the presence of a conversion ratio which determines the delivery of a fixed or variable number of shares against a fixed or variable amount of liquid assets (i.e., fixed for fixed or fixed for variable). These warrants are financial instruments for which the conversion ratio is not fixed and do not comply with the provisions of IAS 32.16.b).ii, they are instruments that will be settled with a variable number of issuer shares (paragraph 5.2). Accordingly warrants that can be converted into a variable number of shares must be classified by the issuer as financial liabilities. In the presence of settlement options with cash or exchange of shares in exchange for cash, warrants must also be classified as financial liabilities. The accounting treatment provides for the first entry of the fair value of the instrument directly in the reduction of Shareholders' Equity, whilst the effects of subsequent redeterminations of fair value are recorded directly in the income statement.

During 2018, following the Business Combination, treasury share buybacks were derived in the amount of 1,230,146, which led to the withdrawal of its warrants, resulting in a total number of 6,130,954 outstanding warrants. On the basis of the parameters mentioned and the application of the Mark to Market, the market value of warrants, expressed at the stock market spot listings on the valuation date of 31 December 2018, amounts to €2,698 thousand.

The recognition of financial liabilities for the fair value of instruments issued in accordance with IAS 32 has produced the following accounting impacts:

- at 1 January 2018, financial liabilities increased by EUR 5,382 thousand against a net decrease in Shareholders' Equity of EUR 5,382 thousand;
- at 1 December 2018, financial liabilities increased by EUR 2,698 thousand against a net decrease in Shareholders' Equity of EUR 3,461 thousand; The tax effects resulting from the application of the standard led to the recognition of a total deferred tax fund of €763 thousand.

4. Intangible assets plant and extension costs (IAS 38)

IAS 38 provides for more restrictive criteria, compared with Italian accounting standards, for recognition of an element of cost of the nature of an intangible asset. In fact, plant and extension expenses, deriving from the Business Combination, are identified, which do not meet the requirements of entry as an intangible asset and, therefore, must be recognised on the Income Statement during the period in which they are incurred.

The reversal of the intangible assets that do not qualify for capitalisation, according to IAS 38, produced the following accounting impacts at 31 December 2018: intangible assets decreased by EUR 31 thousand against a net decrease in Shareholders' Equity of EUR 23 thousand. The tax effects resulting from the application of the standard led to the recognition of credits for total deferred tax assets of EUR 8 thousand.

5. Supplementary staff allowances Fund (IAS 37)

Provisions for supplementary client payments (FISC) meet the annual provisions for payment of allowances following termination of agency relationships.

In light of international accounting standard IAS 37, taking into account the guidelines 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 plan, of the defined-benefit plan type, for which its value is determined by actuarial methods. The actuarial valuation of the FISC was carried out on the basis of the "accrued benefits" methodology via the "Projected Unit Credit Method" (PUM) as provided for in Article 67-69 of IAS 19. This methodology is based on assessments that express the average current value of pension obligations accrued on the basis of the service that the agent has provided up to the point the assessment is carried out, but projecting the agent's commissions up to the anticipated date of continuing the agency relationship with the principal company.

The following actuarial assumptions were used for this calculation:

a) Demographic assumptions

SUMMARY OF DEMOGRAPHIC TECHNICAL BASES	
Mortality Tables	Survival Table RG48 (State General Accounting)
Annual average percentage for dissolutions resulting from autonomous decisions of the agent	2.50%
Average Annual Percentage for dissolution deriving from corporate decisions	0.50%

Due to the estimation of the phenomenon of incapacity within the group of the agents in question, an INPS table has been used which is differentiated according to age and sex; for the period of retirement, for the generic active agent, it has been assumed that the requirements currently laid down in the Enasarco Legislation have been met.

b) Financial assumptions

The discount rate was chosen by reference to the iBoxx Eurozone Corporate AA index in relation to the duration of the group. Specifically, for 31 December 2018, a rate of 1.57% was adopted.

Therefore, this different accounting treatment has the following effects at 31 December 2018: the supplementary staff allowances fund decreased by EUR 321 thousand against a net increase in Shareholders' Equity of EUR 231 thousand. The tax effects resulting from the application of the standard led to the recognition of deferred tax funds of EUR 90 thousand.

6. Severance Indemnity - (IAS 19)

The severance indemnity fund (TFR) meet the annual provisions for payment of allowances following termination of employment contracts.

In accordance with the requirements of the International Accounting Standard IAS 19, taking into account the indications provided for in the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), the TFR was considered a post-employment benefit of the defined-benefit plan type, or defined performance, especially IAS 19 defines its accounting treatment, its presentation in the financial statements and the methods of determining the value, which should be calculated using actuarial methods.

The actuarial valuation of the TFR, which will be carried out in a closed group, is carried out on the basis of the methodology of the "accrued benefits" using the "Projected Unit Credit"(PUC) criterion as provided for in paragraphs 67-69 of IAS 19.

Following the introduction of the Social Security Reform, this methodology differs depending on whether it is applied to companies with an average of at least 50 employees in 2006 or less than 50 employees in 2006. The following are both methodologies:

A. Methodology adopted for companies with an average of less than 50 employees during 2006

This methodology is characterised by evaluations expressing the average current value of the TFR bonds accrued on the basis of the service that the worker has provided until the time when the assessment is carried out.

The calculation methodology can be shown in the diagram in the following steps:

- projection for each employee by the date of assessment, the TFR already set aside and the future shares of TFR which will be accrued until the random payment period, projecting the worker's remuneration;
- determination for each employee of the estimated payments of TFR to be made by the Company in case of exit of the employee for dismissal, resignation, disability, death and retirement and in the event of request for advances;
- discounting, as at the valuation date, each estimated payment;
- re-proportioning, for each employee, of the benefits estimated and discounted on the basis of the seniority acquired at the valuation date compared with the total valuation corresponding to the final date of liquidation.

B. Methodology adopted for companies with an average of at least 50 employees during 2006

As provided for in the recent relevant provisions introduced by the National Order of Actuaries together with the competent OIC bodies, Assirevi and ABI for the Companies with at least 50 employees as at 31 December 2006, a different calculation methodology has been outlined which can be shown in a diagram in the following phases:

- projection until the random payment period for each employee of the TFR, accounted for as early 31.12.2006 and revalued as at the valuation date;
- determination for each employee of the estimated TFR payments referred to above to be made by the Company in the event of exit of employees due to dismissal, resignation, disability, death and retirement

and in the event of an application for advances;

- discounting, at the date of evaluation, of each estimated payment.

The actuarial reference model for the assessment of the TFR is based on various assumptions, both demographic and economic. For some of the assumptions used, where possible, explicit reference was made to the Company's direct experience, for the others the best practice and the reference was taken into account.

a) Demographic assumptions

The demographic bases used are as follows.

SUMMARY OF DEMOGRAPHIC TECHNICAL BASES	
Death	RG48 mortality tables published by the State General Accounting
Incapacity	INPS tables distinguished by age and gender
Retirement	100% on reaching the Annual General Meeting requirements

ANNUAL TURNOVER FREQUENCIES AND TFR ADVANCES	
Advances Frequency	1.50%
Turnover Frequency	1.00%

b) Financial assumptions

The economic technical bases used are shown below.

SUMMARY OF ECONOMIC TECHNICAL BASES	
Annual discount rate	1.57%
Annual inflation rate	1.50%
Annual TFR increase rate	2.62%

Specifically, it should be noted that:

- the annual discount rate used for the determination of the current value of the obligation was calculated, in accordance with paragraph 83 of IAS 19, from the iBoxx Corporate AA index with a duration of 10+ recognised as at the valuation date. For this purpose, the yield was chosen with a duration comparable to the duration of the group of workers to be assessed;
- The annual rate of increase of the TFR as foreseen by Article 2120 of the Italian Civil Code accounts for 75% of inflation plus 1.5 percentage points;
- The annual wage increase rate applied exclusively to companies with an average of less than 50 employees during 2006 and, in any case, for the identification of the liability of seniority premiums, was determined on the basis of the information communicated by the Company's managers.

Therefore, this different accounting treatment has the following effects at 31 December 2018: the non-current liabilities referring to the Employee Benefits item increased by EUR 28 thousand against a net decrease in Shareholders' Equity of EUR 20 thousand. The tax effects resulting from the application of the standard led to the recognition of credits for total deferred tax assets of EUR 8 thousand.

7. Stock Grants - (IFRS 2)

During the financial year, a 2018-2021 Stock Grant was approved by the Shareholders' Meeting on 20 March 2018, which provides for the free allocation to beneficiaries of 915,000 ordinary shares (units) with maturity date of 4 June 2021, which will be exercised in proportion to the normal value of shares at the date according to a pre-established scheme.

The valuation of Stock Grant plan of approximately €85 thousand, this value was accounted for pro rata as at 31 December 2018. Therefore, the effects resulting from the application of the standard at 31 December 2018 were the following: an increase in Other liabilities amounting to EUR 17 thousand against a decrease in shareholders' equity of EUR 13 thousand due to the operating result. The tax effects resulting from the application of this Standard have generated deferred tax credits of €4 thousand.

8. Business combination and Goodwill (IFRS 3)

As regards the M&A operations which resulted in the recognition Goodwill, on 4 June 2018 the Business Combination which provided for the merger by incorporation of Ginetta S.p.A. and Cellular Italia S.p.A., in Cellularline S.p.A. (already Crescita S.p.A.). This merger took place following the acquisition by Crescita S.p.A. of a shareholding equal to 49.87% of the share capital of Ginetta S.p.A., in turn a sole shareholder of Cellular Italia S.p.A.

The transaction on 4 June 2018 had an accounting effect on the first effective date of 31 May 2018. The acquisition of the Ginetta S.p.A. stake by Crescita S.p.A. for 48.97% resulted in a total monetary disbursement of EUR 79,742 thousand cash and a consideration of EUR 73,111 thousand, deriving from the exchange against third parties, against a shareholders' equity of EUR 58,997 thousand.

The difference between the value of the stake and the equity has resulted in the entry of Goodwill equal to €93,857 thousand.

The following table summarises the fair value at the date of acquisition of the main components of the transferred consideration:

(in thousands of Euro)	**31 May 2018**
Cash and cash equivalents	79,742
Equity instruments (8,043 ordinary shares)	73,111
Total consideration transferred	**152,853**

Identifiable assets acquired and liabilities assumed

The value of the assets and liabilities determined at the acquisition date is as follows:

(in thousands of Euro)	**31 May 2018**	**Asset identified**	**Net identifiable assets**
Property, plant and equipment	7,517	-	7,517
Intangible assets	1,408	79,952	81,360
Financial assets	58	-	58
Advance tax assets	1,799	-	1,799
Inventories	22,720	-	22,720
Trade receivables	71,160	-	71,160
Cash and cash equivalents	19,146	-	19,146
Financial liabilities	(90,896)	-	(90,896)
Deferred tax liabilities	(1,079)	(21,337)	(22,416)
Contingent liabilities	(2,409)	-	(2,409)
Trade payables and other payables	(29,043)	-	(29,043)
Total	**381**	**58,615**	**58,997**

The evaluation techniques used to determine the fair value of the main acquired assets are as follows:

Acquired assets	**Measurement techniques**
Property, plant and equipment	Cost method: the estimate of amortised replacement costs reflects the corrections for physical deterioration and economic and functional obsolescence.
Intangible assets	*The "Multi-Period excess earnings*" method: this considers the present value of the net cash flows expected to arise from customer relations, excluding any cash flows relating to *"contributory assets*".
Inventories	Market comparison method: the fair value of inventories is calculated on the basis of the estimated selling price in the normal course of the business, net of the estimated completion costs and of the estimate of the costs necessary to carry out the sale and a reasonable profit margin based on the effort required to complete it and sell inventories.

Goodwill

The goodwill resulting from the acquisition was recognised by difference between the total amount of the consideration transferred and fair value, through the Purchase Price Allocation, the acquired assets and liabilities assumed were identified. including intangible assets not originally entered in the financial statements of the acquired companies. The accounting standard for business combinations is, IFRS 3 requires that all business combinations be accounted for through the application of the “Acquisition Method”.

As part of the Purchase Price Allocation process, the following intangible items have been identified and consequently valued:

- Customer relationship for €59,707 thousand (with a depreciation period of 13 years);
- Trademarks, including *Cellularline* and *Interphone*, for €20,245 thousand (with a depreciation period of 18 and 10 years respectively). The effect of the merger deficit allocation process as a result of the Business Combination in relation to the fair value of the *Cellularline and Interphone* brands is already included in the financial statements prepared in accordance with previous accounting standards.
- Goodwill, residually, for Euro 93,857 thousand.

The goodwill resulting from acquisition was recognised as shown in the following table:

in thousands of Euro	**31 May 2018**
Total consideration transferred	152,853
Fair value of identifiable net assets	(58,997)
Goodwill	**93,857**

Therefore, this different accounting treatment led to the following effects at 31 December 2018: an increase in Intangible Assets of EUR 57,030 thousand, due to the registration of the Customer List, and Goodwill of EUR 31,204 thousand, against the registration a net increase in Shareholders' Equity of EUR 66,649 thousand. The effects resulting from the application of the standard have generated a deferred tax liability fund of EUR 21,369 thousand.

9. Tax effects on IFRS adjustments

The recognition of the effect of deferred tax assets and liabilities calculated on the IFRS adjustments commented on above has been assessed in accordance with the rules contained in IAS 12, paragraphs 15, 24 and 61.

Reclassifications

Below are comments on the main IFRS reclassifications made to the financial data determined according to Italian accounting standards (in thousands of euro).

(In thousands of Euro)	**Notes**	**Assets**	**Tax liabilities**
Current tax receivables	**10**	(159)	
Other assets	**10**	159	
Tax payables	**10**		(2,582)
Other liabilities	**10**		2,582
Trade payables	**11**		(9,382)
Trade receivables	**11**	(9,382)	
Total reclassifications		**(9,382)**	**(9,382)**

10. Taxes other than income taxes (IAS 12)

Claims and payables for taxes of a nature other than those on income, attributable to withholding taxes incurred and the liquidation of value added tax, have been reclassified among other current assets and current liabilities as provided for in IAS 12.

11. Trade payables for contributions and compensation to customers (IFRS 15)

Trade payables related to contributions and compensation to customers have been reclassified under trade receivables.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE

Cellularline S.p.A.

Sede in Reggio Emilia – Via Gregorio Lambrakis 1/a
Capitale Sociale 21.343.189,00 di Euro i.v.
Codice fiscale e Registro Imprese di Reggio Emilia 09800730963
Numero REA RE 315329

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEI SOCI

ai sensi dell'art. 2429 comma 2 del Codice Civile

Signori Azionisti,

il bilancio al 31 dicembre 2019 della Società rappresenta il primo bilancio annuale redatto dopo il passaggio al Mercato Telematico Azionario ("MTA") - Segmento STAR - di Borsa Italiana S.p.A., avvenuto in data 22 luglio 2019.

Si premette inoltre, per completezza informativa, che:

- l'attuale composizione del Collegio Sindacale discende dalla modifica intervenuta il 16 aprile 2019.
- l'incarico di revisione legale dei conti è stato attribuito alla società di revisione KMPG S.p.A.; pertanto compete alla predetta società di revisione l'espressione del giudizio professionale sul bilancio di esercizio.

Nel corso dell'esercizio chiuso al 31 dicembre 2019 il Collegio ha svolto l'attività di vigilanza prevista dalla normativa vigente con particolare riferimento all'art. 2403 del Codice Civile e – per quanto applicabile – all'art. 149 del D. Lgs. 58/98 1° e 2° comma e successive modifiche o integrazioni, vigilando, per gli aspetti di competenza, sull'osservanza della legge e dello statuto, sul rispetto dei principi di corretta amministrazione, sull'adeguatezza della struttura organizzativa, del sistema di controllo interno e del sistema amministrativo contabile, nonché sull'affidabilità di quest'ultimo nel rappresentare correttamente i fatti di gestione e sulle modalità di concreta attuazione delle regole del governo societario. Il Collegio ha quindi svolto la propria attività istituzionale in ossequio alle norme e ai principi di comportamento raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e redige la presente relazione tenendo conto anche delle indicazioni fornite dalla Comunicazione Consob n. DEM 1025564 del 6 aprile 2001, e successive integrazioni, in considerazione del fatto che le azioni della Società sono quotate sul Mercato Telematico Azionario – Segmento STAR.

1 Attività del Collegio Sindacale

1.1. Modalità di svolgimento e partecipazione alle riunioni del Consiglio di Amministrazione e dei comitati endoconsiliari

Il Collegio ha programmato le proprie attività alla luce del quadro normativo di riferimento, nonché dando corso alle verifiche ritenute più opportune in relazione alle dimensioni strutturali della Società e alla natura e alle modalità di perseguimento dell'oggetto sociale.

L'esercizio delle attività di controllo è avvenuto anche attraverso:

- incontri periodici con i responsabili delle funzioni aziendali, organizzati al fine di acquisire le informazioni e i dati di volta in volta utili e opportuni;

- la partecipazione alle riunioni dell'Assemblea degli Azionisti e alle adunanze del Consiglio di Amministrazione e dei comitati endoconsiliari;
- lo scambio informativo periodico con la società di revisione, anche in ossequio a quanto previsto dalla normativa.

Più in dettaglio, il Collegio Sindacale ha:

- partecipato a 15 riunioni del Consiglio di Amministrazione e a 1 Assemblea degli Azionisti ottenendo, nel rispetto di quanto previsto dall'art. 2381, comma 5, del Codice Civile e dallo Statuto, idonee informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo, per loro dimensioni o caratteristiche, effettuate dalla Società;
- svolto nel corso del 2019 l'attività di vigilanza attraverso n. 10 riunioni del Collegio Sindacale (compresa l'attività sul bilancio di esercizio);
- partecipato a 2 riunioni del Comitato Operazioni Parti Correlate;
- partecipato a 3 riunioni del Comitato Controllo e Rischi;
- partecipato a 3 riunioni del Comitato Nomine e Remunerazione.

Il Collegio Sindacale ha svolto le proprie attività con un approccio *risk-based* finalizzato a individuare e valutare gli eventuali elementi di maggiore criticità con una frequenza di intervento graduato secondo la rilevanza del rischio percepito.

In sede di redazione della presente relazione il Collegio Sindacale ha effettuato l'autovalutazione del proprio operato, ravvisando in capo ai singoli suoi componenti l'idoneità a svolgere le funzioni assegnate in termini di professionalità, competenza, disponibilità di tempo e indipendenza, nonché dandosi reciprocamente atto dell'assenza in capo agli stessi di prestazione d'opera retribuita e di altri rapporti patrimoniali in genere, tali da costituire un effettivo rischio per l'indipendenza.

1.2. Considerazioni sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e sulla loro conformità alla legge e all'atto costitutivo

Le informazioni acquisite sulle operazioni di maggior rilievo economico, finanziario e patrimoniale, poste in essere dalla Società, hanno consentito al Collegio di accertarne la conformità alla legge e allo statuto e la rispondenza all'interesse sociale.

Al riguardo riteniamo che tali operazioni siano state esaurientemente descritte nella Relazione sulla gestione. Trattasi nello specifico di:

A) Acquisizione del controllo di Systema S.r.l.
Nel corso del mese di aprile 2019 è stata acquisita indirettamente (attraverso l'acquisto del 60% del capitale sociale del socio unico Pegaso S.r.l.) la maggioranza della società Systema S.r.l., attiva nel mercato europeo degli accessori per telefonia mobile nel canale *Telco* e che da oltre 10 anni collabora con primari operatori telefonici internazionali in Europa.

B) Passaggio al Segmento STAR del Mercato Telematico Azionario ("MTA")
In data 22 luglio 2019 Borsa Italiana S.p.A. ha disposto l'inizio delle negoziazioni delle azioni ordinarie e dei warrant della Società sul Mercato Telematico Azionario (MTA), attribuendole la qualifica STAR.

C) Piano di buy-back
Nel corso dell'esercizio 2019 la Società ha acquistato n. 406.359 azioni, per un importo pari a circa Euro 2,9 milioni. Al termine del programma di acquisto di azioni proprie avvenuto il 31 dicembre 2019, la Società detiene n. 1.636.505 azioni ordinarie, pari al 7,6% delle stesse.

1.3. Operazioni con parti correlate

Abbiamo acquisito apposite informazioni sulle operazioni infragruppo e con parti correlate. Tali operazioni sono descritte nella relazione sulla gestione che rimanda al paragrafo della nota integrativa "Rapporti con parti correlate".

Si dà atto della loro conformità alla legge e allo statuto, della loro rispondenza all'interesse sociale, nonché dell'assenza di situazioni che comportino ulteriori considerazioni e commenti. Le operazioni con parti correlate, come definite dallo IAS 24 e disciplinate dall'art. 4 del Regolamento Consob 17221 del 12 marzo 2010 (e successive modifiche), poste in essere fino al 31 dicembre 2019, riguardano rapporti in prevalenza di natura commerciale relativi alla fornitura di beni e alla prestazione di servizi.

In occasione delle riunioni consiliari è stata fornita, da parte dell'organo amministrativo, l'informativa periodica sulle operazioni con parti correlate ai sensi e per gli effetti dell'art. 2391-bis del Codice Civile.

1.4. Adeguatezza delle informazioni rese, nella relazione sulla gestione degli Amministratori, in ordine alle operazioni atipiche e/o inusuali, comprese quelle infragruppo e con parti correlate

Non ricorre la fattispecie.

1.5. Osservazioni e proposte sui rilievi e i richiami (informativa sui contenuti della relazione della Società di Revisione)

La Società di Revisione ha riferito al Collegio Sindacale in merito al lavoro di revisione legale dei conti e all'assenza di situazioni di incertezza o di eventuali limitazioni nelle verifiche condotte.

Abbiamo preso visione della relazione da loro resa sul bilancio d'esercizio e consolidato in data 13 marzo 2020 e a tale riguardo osserviamo che essa esprime un giudizio senza rilievi e senza richiami di informativa.

1.6. Indicazione dell'eventuale presentazione di denunce ex art. 2408 c.c., delle eventuali iniziative intraprese e dei relativi esiti

Diamo atto che nel corso dell'esercizio 2019 non sono state presentate al Collegio Sindacale denunce ex art. 2408 del Codice Civile.

1.7. Indicazione di eventuale presentazione di esposti, delle eventuali iniziative intraprese e dei relativi esiti

Diamo atto che nel corso dell'esercizio 2019 non sono pervenuti al Collegio Sindacale esposti da parte di alcun soggetto.

1.8. Indicazione dell'eventuale conferimento di ulteriori incarichi alla Società di Revisione e dei relativi costi

In base alle informazioni acquisite, alla Società di Revisione nel corso del 2019, rispetto all'incarico di revisione legale dei conti del bilancio di esercizio e consolidato e di verifica sulla regolare tenuta delle scritture contabili, civilistiche e fiscali, obbligatorie, è stato conferito l'ulteriore incarico di supporto nel percorso di transizione al nuovo principio contabile internazionale IFRS 16 attraverso l'analisi dei potenziali impatti derivanti dall'adozione del nuovo principio contabile internazionale nonché l'identificazione dei GAP per l'adeguamento dei modelli, processi, sistemi/ strumenti e policy contabili, compenso Euro 20.000.

1.9. Indicazione dell'eventuale conferimento di incarichi a soggetti legati alla Società di Revisione da rapporti continuativi e dei relativi costi

Nell'esercizio non risultano conferiti incarichi a società appartenenti alla rete della Società di Revisione.

Non risultano altresì conferiti ulteriori incarichi ai soci, agli amministratori, ai componenti degli organi di controllo e ai dipendenti della Società di Revisione stessa e delle società da essa controllate o ad essa collegate.

Il Collegio Sindacale conferma quindi che non sono emersi aspetti critici in ordine all'indipendenza della Società di revisione.

1.10. Indicazione dell'esistenza di pareri, proposte ed osservazioni rilasciati, ai sensi di legge nel corso dell'esercizio

Il Collegio Sindacale dà atto di aver rilasciato, nel corso del 2019, un parere non vincolante sulla proposta di adozione della procedura inerente le operazioni con parti correlate e una proposta per il conferimento dell'incarico per la revisione legale dei conti per gli esercizi dal 2019 al 2027.

1.11. Osservazioni sul rispetto dei principi di corretta amministrazione

Il Collegio Sindacale ha acquisito conoscenza e vigilato, per quanto di sua competenza, sul rispetto del fondamentale criterio della prudente gestione della Società e del più generale principio di diligenza, il tutto sulla base della partecipazione alle riunioni del Consiglio di Amministrazione, della documentazione e delle informazioni direttamente ricevute dai diversi organi gestionali relativamente alle operazioni poste in essere dal Gruppo e con, ove opportuno, analisi e verifiche specifiche. Le informazioni acquisite hanno consentito di riscontrare la conformità alla Legge e allo Statuto sociale delle azioni deliberate e poste in essere e di verificare che le stesse non fossero manifestamente imprudenti o azzardate.

1.12. Osservazioni sull'adeguatezza della struttura organizzativa

Nel corso dell'esercizio in esame il Collegio Sindacale ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza dell'assetto organizzativo della Società in relazione alle dimensioni e alla natura dell'attività sociale non avendo, nella fattispecie, rilievi specifici da riferire.

Il Collegio Sindacale ha ulteriormente approfondito, a seguito dell'avvenuta ammissione al MTA, la valutazione della struttura organizzativa della Società, attraverso osservazioni dirette, indagini, incontri con gli esponenti aziendali e con la Società di Revisione e raccolta di informazioni.

Il Collegio Sindacale evidenzia come il Consiglio di Amministrazione abbia istituito al proprio interno un Comitato per le Nomine e la Remunerazione, un Comitato Controllo e Rischi e un Comitato per le Operazioni con Parti Correlate, con funzioni consultive, propositive e istruttorie, secondo le disposizioni degli articoli 4, 5 e 6 del Codice di Autodisciplina.

1.13. Osservazioni sull'adeguatezza del sistema di controllo interno e in particolare sull'attività svolta dai preposti al controllo interno.

Il Collegio Sindacale ha valutato, per quanto di propria competenza, l'adeguatezza del sistema di controllo interno e non ha riscontrato, sino ad oggi, elementi di particolare debolezza. Tenuto conto delle dimensioni e delle caratteristiche dell'attività espletata dalla Società il sistema di controllo interno appare adeguato.
La Società ha adottato il modello organizzativo e il codice etico ed ha nominato l'organismo di vigilanza previsto dal D.Lgs. n. 231 dell'8 giugno 2001. In data 10 luglio 2019, in particolare, si è insediato il nuovo organismo di vigilanza, composto da tre membri (di cui due membri esterni e uno interno) in sostituzione dell'organo monocratico. Il Collegio ha esaminato le rispettive relazioni per i periodi di competenza nel 2019 dalle quali non sono emersi fatti da dover segnalare.

1.14. Osservazioni sull'adeguatezza del sistema amministrativo/contabile e sull'affidabilità di questo a rappresentare correttamente i fatti di gestione.

Il Collegio Sindacale ha valutato, per quanto di propria competenza, l'affidabilità del sistema amministrativo e contabile a rilevare e rappresentare correttamente i fatti di gestione tramite l'ottenimento di informazioni direttamente dagli Amministratori, dai responsabili delle diverse funzioni e dalla Società di Revisione nel corso degli incontri avuti per l'esame del piano di lavoro svolto dalla stessa.
In particolar modo, il Collegio Sindacale consta che il Dirigente Preposto ha rilasciato l'attestazione che i documenti di bilancio forniscono una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria della Società e delle partecipate incluse nell'area di consolidamento.

1.15. Osservazioni sull'adeguatezza delle disposizioni impartite dalla Società alle società controllate ai sensi dell'art. 114, comma 2, del TUF

Nessuna osservazione.

1.16. Osservazioni sugli eventuali aspetti rilevanti emersi nel corso delle riunioni tenutesi con i Revisori ai sensi dell'art. 150, comma 3, del TUF.

Il Collegio Sindacale ha tenuto appositi incontri con la Società di Revisione nel corso dei quali non sono emersi aspetti rilevanti meritevoli di osservazioni nella presente relazione, se non quelli già evidenziati *supra* ed *infra*.

1.17. Indicazione dell'eventuale adesione della Società al codice di autodisciplina del Comitato per la Corporate Governance delle società quotate

La Società ha aderito al Codice di Autodisciplina del Comitato per la *Corporate Governance* delle società quotate, come risulta dalla Relazione sul Governo Societario e gli Assetti Proprietari. Tale relazione è stata redatta secondo le istruzioni del Regolamento dei Mercati organizzati e gestiti da Borsa Italiana S.p.A..
La suddetta relazione descrive dettagliatamente il sistema di *governance* adottato dalla Società. Tale sistema è conforme ed aderente alle regole del modello di *governance* prescritto dal Codice di Autodisciplina delle Società Quotate e alla *best practice* internazionale ed i principi prescritti sono effettivamente e correttamente applicati.
La Relazione sul Governo Societario e gli Assetti Proprietari per l'esercizio 2019 dà conto delle conclusioni raggiunte dagli Amministratori in ordine alla conferma dell'adeguatezza e dell'efficacia dell'assetto organizzativo, amministrativo e contabile della Società e delle principali società controllate.

1.18. Valutazioni conclusive in ordine all'attività di vigilanza svolta, nonché in ordine alle eventuali omissioni, fatti censurabili o irregolarità rilevate nel corso della stessa

Diamo atto che l'attività di vigilanza si è svolta, nel corso dell'esercizio 2019, con carattere di normalità e che da essa non sono emersi fatti significativi tali da richiederne una specifica segnalazione nella presente relazione.

1.19. Indicazione di eventuali proposte da rappresentare all'Assemblea ai sensi dell'art. 153, comma 2, del TUF nella materia di pertinenza del Collegio Sindacale

Oltre a quanto riportato al capo seguente, il Collegio Sindacale non ritiene di dover formulare ulteriori proposte o osservazioni.
Il Collegio Sindacale evidenzia come, con l'approvazione del bilancio di esercizio al 2019, scada il proprio mandato triennale e invita gli Azionisti a deliberare in merito.

2. OSSERVAZIONI E PROPOSTE IN ORDINE AL BILANCIO D'ESERCIZIO ED ALLA SUA APPROVAZIONE

Il bilancio della Società, redatto dall'Organo Amministrativo ai sensi di legge, è stato da questo regolarmente trasmesso e illustrato al Collegio Sindacale unitamente alla Relazione degli Amministratori sull'andamento della gestione, in data 11 marzo 2020 in occasione del Consiglio di Amministrazione tenutosi in tale data.

Per quanto riguarda il controllo della regolare tenuta della contabilità e la corretta rilevazione dei fatti di gestione nelle scritture contabili, nonché le verifiche di corrispondenza tra le informazioni di bilancio e le risultanze delle scritture contabili e di conformità del bilancio d'esercizio alla disciplina di legge, il Collegio Sindacale ricorda che tali compiti sono demandati alla Società di Revisione.

Al riguardo, nel corso dell'esercizio 2019, il Collegio Sindacale, ai sensi delle disposizioni previste dal D.Lgs. 27 gennaio 2010, n. 39 relative alla revisione legale dei conti annuali e consolidati, oltre a quanto già esposto in relazione alle attività di vigilanza sui sistemi di controllo interno e di gestione dei rischi, al fine di effettuare le proprie autonome valutazioni, ha incontrato la Società di Revisione KPMG S.p.A. ottenendo adeguata informativa in merito agli esiti delle verifiche periodiche sulla regolare tenuta della contabilità sociale e corretta rilevazione, nelle scritture contabili, dei fatti di gestione, nonché all'attività programmata di revisione dei conti relativamente al bilancio di esercizio al 31 dicembre 2019.

Segnatamente la Società di Revisione ha riferito al Collegio Sindacale che, sulla base delle procedure di revisione svolte in corso d'anno e sul bilancio dell'esercizio e consolidato chiuso al 31 dicembre 2019, non sono emerse situazioni di incertezza o limitazioni nelle verifiche condotte e che la relazione del revisore non reca rilievi.

Da parte nostra, abbiamo vigilato sull'impostazione generale data al bilancio d'esercizio.

Dobbiamo precisare che la vigilanza sul processo di informativa finanziaria, attraverso l'esame del sistema di controllo e dei processi di produzione di informazioni che hanno per specifico oggetto dati contabili in senso stretto, è stata da noi condotta avendo riguardo non al dato informativo ma al processo attraverso il quale le informazioni sono prodotte e diffuse.

In particolare, avendo preliminarmente constatato, mediante incontri con i responsabili delle funzioni interessate e con la Società di Revisione, l'adeguatezza del sistema amministrativo e contabile a rilevare a rappresentare correttamente i fatti di gestione e a tradurli in sistemi affidabili di dati per la realizzazione dell'informazione esterna, il Collegio Sindacale dà atto che:

- il bilancio d'esercizio è stato redatto, per la prima volta, in conformità ai Principi Contabili Internazionali ("IFRS") emessi dall'International Accounting Standards Board ("IASB") ed adottati dall'Unione Europea. Il processo di transizione ai principi contabili IFRS è stato guidato da quanto previsto dall'IFRS 1 "Prima adozione degli IFRS"; pertanto i) è stata identificata quale data di transizione il 1 gennaio 2019; (ii) sono state predisposte le note riguardanti le regole di prima applicazione di tali principi; (ii) sono stati redatti i prospetti di riconciliazione del patrimonio netto risultante dall'applicazione dei principi contabili precedenti alla transizione e il patrimonio netto risultante dall'applicazione degli IFRS alla data di apertura del primo bilancio redatto secondo gli IFRS; (iii) è stato predisposto il prospetto di riconciliazione del risultato economico riportato nell'ultimo bilancio redatto secondo i precedenti principi contabili con quello derivante dall'applicazione degli IFRS per il medesimo esercizio; (iv) sono stati elaborati gli stati patrimoniali IFRS al 1 gennaio 2018 ed al 31 dicembre 2018 ed il conto economico IFRS per l'esercizio chiuso al 31 dicembre 2018; (v) sono state predisposte le note illustrative relative alle rettifiche e alle riclassifiche incluse nei prospetti di riconciliazione, che descrivono gli effetti significativi della transizione, sia con riguardo alla classificazione delle varie voci di bilancio sia alla loro diversa valutazione;
- la formazione, l'impostazione e gli schemi di bilancio dell'esercizio sono conformi alle leggi e ai provvedimenti regolamentari;
- il bilancio è coerente con i fatti e le informazioni di cui siamo venuti a conoscenza a seguito della partecipazione alle riunioni degli Organi Sociali, che hanno permesso di acquisire informativa circa le operazioni di maggior rilievo economico, finanziario e patrimoniale svolte dalla Società;

- per quanto a conoscenza del Collegio Sindacale, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma quattro, del Codice Civile;
- il bilancio è stato redatto dal Consiglio di Amministrazione nel presupposto della continuità aziendale;
- sono state iscritte in modo corretto, nell'Attivo dello Stato Patrimoniale, le spese di impianto e di ampliamento e i costi di sviluppo, con il nostro espresso consenso ai sensi e per gli effetti dell'art. 2426, punto 5), del Codice Civile;
- nel bilancio dell'esercizio 2019, ai sensi dell'art. 2426 n. 6 c.c., la Società ha mantenuto iscritto un avviamento pari ad Euro 93.857 migliaia, emerso, in via residuale, come disavanzo di fusione nell'operazione di *Business Combination* (la fusione per incorporazione di Ginetta S.p.A. e Cellular Italia S.p.A. in Cellularline - già Crescita S.p.A.) ed iscritto nell'Attivo delle Stato Patrimoniale con il parere favorevole del Collegio Sindacale. Tale voce è stata assoggettata ad un *test* di *impairment* come opportunamente rappresentato nel bilancio in esame.

Abbiamo accertato che la Relazione sulla gestione risulta conforme alle leggi vigenti, nonché coerente con le deliberazioni adottate dal Consiglio di Amministrazione e con le informazioni di cui dispone il Collegio; riteniamo che l'informativa illustrata nel citato documento risponda alle disposizioni in materia contenga una analisi complessiva della situazione della Società, dell'andamento e del risultato della gestione, nonché l'indicazione dei principali rischi ai quali la Società è esposta, e rechi espressa evidenza degli elementi che possano incidere sull'evoluzione della gestione.

Con riferimento al bilancio dell'esercizio chiuso al 31 dicembre 2019 non abbiamo ulteriori osservazioni o proposte da formulare. L'attività di vigilanza e controllo svolta nel corso dell'esercizio dal Collegio Sindacale, così come illustrata nella presente relazione, non ha fatto emergere ulteriori fatti da segnalare all'Assemblea degli Azionisti.

Conclusioni

Ad esito dell'attività di vigilanza svolta nel corso dell'esercizio 2019 e tenuto conto anche delle risultanze dell'attività effettuata dal soggetto incaricato della revisione legale dei conti, contenute nell'apposita relazione accompagnatoria del bilancio, il Collegio Sindacale:

a) dà atto dell'adeguatezza dell'assetto organizzativo, amministrativo e contabile adottato dall'impresa e del suo concreto funzionamento nonché dell'efficienza e dell'efficacia del sistema dei controlli interni e di gestione del rischio;
b) esprime, sotto i profili di propria competenza, parere favorevole all'approvazione del bilancio per l'esercizio chiuso al 31 dicembre 2019 e alla proposta formulata dal Consiglio di Amministrazione di destinare l'utile di esercizio, pari ad Euro 17.920.435, nel seguente modo: i) quanto ad Euro 896.021 a riserva legale; ii) quanto ad Euro 7.152.152 ai Soci in misura pari a un dividendo ordinario di Euro 0,33 per ciascuna delle azioni aventi diritto; iii) quanto al residuo, pari ad Euro 9.872.262, a utili a nuovo.

Milano, 13 marzo 2020

Il Collegio Sindacale

dott. Cristiano Proserpio

dott. Alessandro Ceriani

dott.ssa Paola Schwizer

REPORT OF THE INDEPENDENT AUDITING FIRM TO THE FINANCIAL STATEMENTS

cellularline

REPORT OF THE INDEPENDENT AUDITING FIRM TO THE CONSOLIDATED FINANCIAL STATEMENTS