(Translation from the Italian original which remains the definitive version)

[CELLULARLINEGROUP]

www.cellularlinegroup.com

2020 ANNUAL REPORT

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COMPANY INFORMATION OF CELLULARLINE S.p.A.

Registered Office

Cellularline S.p.A.

Via Grigoris Lambrakis 1/a

42122 Reggio Emilia (RE) - Italy

Legal information

Share capital Euro 21,343,189 fully paid-up

VAT reg. no. and Tax Code 09800730963

R.E.A. RE-315329

Certified e-mail address: spa.cellularline@legalmail.it

ISIN: IT0005244618

Alphanumeric code: CELL

Corporate website: www.cellularlinegroup.com

COMPANY OFFICERS AND CONTROL BODIES

Board of Directors

Antonio Luigi Tazartes	Chairman
Christian Aleotti	Deputy Chairman and Chief Executive Officer
Marco Cagnetta	Chief Executive Officer
Giorgina Gallo	Independent Director
Alberto Grignolo	Independent Director
Paola Schwizer	Independent Director
Stefano Cerrato	Director
Cristian D'Ippolito	Director
Gaia Guizzetti	Director
Carlo Moser	Director

Risk and Control Committee

Paola Schwizer	Chairwoman and Independent Director
Giorgina Gallo	Independent Director
Alberto Grignolo	Independent Director

Appointments and Remuneration Committee

Giorgina Gallo	Chairwoman and Independent Director
Paola Schwizer	Independent Director
Cristian D'Ippolito	Director

Committee for Transactions with Related Parties

Paola Schwizer	Chairwoman and Independent Director
Giorgina Gallo	Independent Director
Alberto Grignolo	Independent Director

Supervisory Body

Anna Doro	Chairwoman
Fabrizio Capponi	Member
Ester Marino	Member

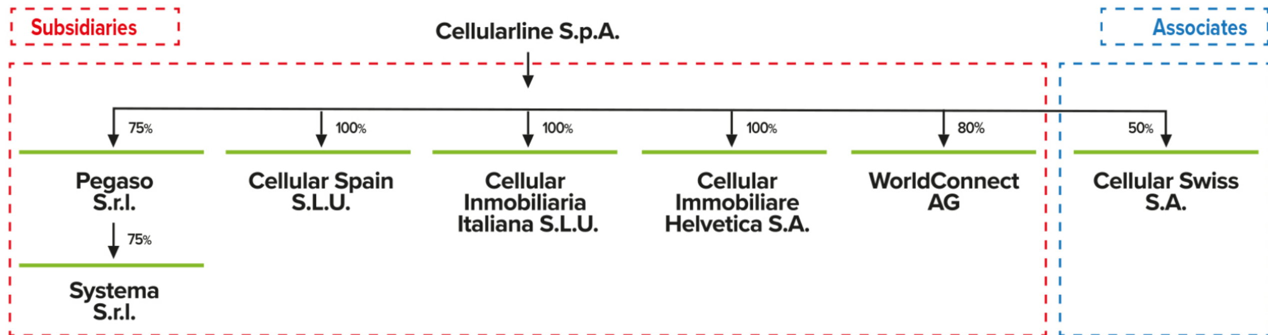
Board of Statutory Auditors

Cristiano Proserpio	Chairman
Daniela Bainotti	Standing Auditor
Paolo Chiussi	Standing Auditor
Guido Prati	Alternate Auditor
Stefania Bettoni	Alternate Auditor

Independent Auditors

KPMG S.p.A.

GROUP STRUCTURE



GROUP COMPOSITION

The Group consists of the following companies:

- Cellularline S.p.A., the parent, incorporated under Italian law with registered address at Via Lambrakis 1/a, Reggio Emilia (Italy), and operating in Italy and abroad in the sector of design, distribution (including products not under its own brand) and marketing of accessories and devices for multimedia products (smartphones, tablets, wearables, audio devices, etc.) and for mobile connectivity (in the car and on motorcycles/bikes). The parent has a permanent establishment in Paris, at 91, Rue Du Faubourg Saint Honoré (France), where three employees operate on a permanent basis, carrying out strictly commercial activities for the management of relationships, with customers in the French market.
- Cellular Spain S.L.U., a company incorporated under Spanish law with registered office in C/Newton, 1 building 2 Nave 1, Leganes (Madrid) a wholly-owned subsidiary, which distributes Cellularline brand products in the Spanish and Portuguese markets;
- Cellular Inmobiliaria Italiana S.L.U., a company incorporated under Spanish law with registered office in Cl. Industrial No.50 Sur Edificio 2 Nave 27, Leganes (Madrid), a wholly-owned subsidiary which owns a property - formerly the headquarters of Cellular Spain - currently leased to third parties;
- Cellular Immobiliare Helvetica S.A., with registered office in Lugano, Via Ferruccio Pelli no. 9 (Switzerland), a wholly-owned subsidiary, which owns the property leased to the commercial company Cellular Swiss S.A.;
- Pegaso S.r.l., a company incorporated under Italian law with registered office in Via Brigata Reggio 24, Reggio Emilia (Italy), which was acquired on 3 April 2019 and is 75% owned -as a holding company- it owns 100% of Systema S.r.l.;
- Systema S.r.l., a company incorporated under Italian law with registered office in Via della Previdenza Sociale 2, Reggio Emilia (Italy), 75% of which is indirectly owned through the equity investment held in Pegaso S.r.l.; Systema operates in the European market for mobile phone accessories for telecommunications;
- Worldconnect AG, a Swiss-registered company based in Diepoldsau, Switzerland, an 80% owned subsidiary, is the world market leader in premium travel adapters. Founded in 2002, Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally

with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices.

- Cellular Swiss S.A., a company incorporated under Swiss law with registered office in Route de Marais 17, Box No. 41, Aigle (Switzerland) a 50%-owned associate, which distributes the Cellularline products in the Swiss market;

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DIRECTORS' REPORT

1. Introduction

The Cellularline Group (hereinafter the "Group" or the "Cellularline Group") is one of the main operators in the smartphone and tablet accessories sector in the EMEA area, as well as a market leader in Italy; moreover, the Group ranks, by volume, among the top operators in Germany, Austria, Switzerland, Spain, Belgium and Netherlands, and boasts a strong competitive position in the other European countries.

The consolidating company (Cellularline S.p.A.) is the result of the merger (the "Business Combination"), that took in place on 28 May 2018, of Ginetta S.p.A. and Cellular Italia S.p.A. into Crescita S.p.A., a company listed on AIM Italia, the Alternative Capital Market organised and managed by Borsa Italiana S.p.A. until 21 July 2019.

On 22 July 2019, Cellularline was transferred to the Mercato Telematico Azionario - STAR segment - of Borsa Italiana S.p.A.

2. Methodological note

This Directors' Report provides information on the financial position, performance and cash flows of the Cellularline Group as at and for the year ended 31 December 2020, compared with the prior year figures as at 31 December 2019.

Amounts are expressed in thousands of Euro, unless otherwise indicated.

The amounts and percentages were calculated in thousands of Euro and, therefore, any differences in certain tables are due to rounding.

3. Accounting policies

This 2020 Directors' Report was prepared in accordance with the provisions of art. 154-*ter*, paragraph 4 of Legislative Decree no. 58/98 of the T.U.F. [Consolidated Finance Act] - and subsequent amendments and additions - in compliance with art. 2.2.3 of the Stock Exchange Rules. The accounting policies and criteria adopted are consistent with those used for the annual consolidated financial statements as at and for the year ended 31 December 2019.

In order to facilitate an understanding of the Group's economic and financial performance, a number of Alternative Performance Indicators ("APIs") were identified, as defined by the ESMA 2015/1415 guidelines. For a correct interpretation of these APIs, the following should be noted: (i) these indicators are based exclusively on the Group's historical data and are not indicative of its future performance, (ii) the APIs are not required by IFRS and, though derived from the consolidated financial statements, are not subject to audit, (iii) the APIs should not be considered as substitutes for the indicators provided for in the IFRS, (iv) these APIs must be read together with the Group's financial information taken from the annual Consolidated Financial Statements; (v) the definitions and criteria adopted to determine the indicators used by the Group, as they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies or groups and, therefore, may not be comparable with those possibly presented by such parties, and (vi) the APIs used by the Group are drawn up according to a continuous and homogeneous definition and representation for all the periods for which financial information is included in the Annual Consolidated Financial Statements.

The APIs shown (Adjusted EBITDA, Adjusted EBIT, Adjusted Group Consolidated Profit/Loss, Adjusted Cash

Flow from Operations, Adjusted Net Financial indebtedness, Adjusted Net Financial indebtedness/Adjusted EBITDA LTM, Cash generation and Cash Conversion Ratio) are not identified as accounting measures under IFRS and, therefore, as explained above, should not be considered as alternative measures to those provided by the Group's financial statements for the assessment of the economic performance and the related financial position. Certain indicators defined as "Adjusted" are reported in order to represent the Group's operating and financial performance, net of non-recurring events, non-core events and events linked to extraordinary operations, as identified by the Group. These indicators reflect the main economic and financial data, net of non-recurring income and charges that are not strictly correlated with the Group's core business and operations, and therefore allow a more consistent analysis of the Group's performance in the years presented in the Directors' Report.

4. Main financial and performance indicators[1]

(In thousands of Euro)	Year ended	
	2020	**2019**
Performance indicators		
Revenue	104,540	140,440
Adjusted EBITDA[2]	15,105	33,060
Adjusted EBIT[3]	10,437	29,316
Profit for the year attributable to owners of the parent	13,900	18,209
Adjusted Profit for the year attributable to owners of the parent[4]	5,296	23,254

(In thousands of Euro)	Balance as at	
	31 December 2020	**31 December 2019**
Financial indicators		
Cash flows generated by operating activities	11,307	20,368
Adjusted cash flows generated by operating activities	14,604	23,494
Net financial indebtedness	48,958	24,558
Adjusted net financial indebtedness	48,305	23,109
Adjusted net financial indebtedness/Adjusted EBITDA LTM[5]	3.2	0.7
Cash generation[6]	11,225	29,660
Cash conversion ratio[7]	74.3%	89.7%

For more details on changes in cash flows generated by operating activities, please refer to paragraph "7. Statement of Financial Position" included in this Director's Report.

[1] The Adjusted indicators are not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure to value the Group's results. Since the composition of these indicators is not regulated by the reference accounting policies, the Group's determination criterion applied may not be consistent with the one adopted by other companies or with the one that may be adopted in the future by the Group, or created by it, and thus not comparable.
[2] Adjusted EBITDA is the Consolidated EBITDA adjusted by (i) non-recurring expense/(income), (ii) the effects deriving from non-core events, (iii) the effects of events associated with non-recurring transactions and (iv) foreign exchange gains/(losses).
[3] Adjusted EBIT is the operating profit adjusted by (i) non-recurring expense/(income) and (ii) the effects of non-core events, (iii) the effect of events associated with non-recurring transactions and (iv) adjustments of depreciation relating to the purchase price allocation procedure.
[4] The adjusted consolidated profit for the year is calculated as the consolidated profit/(loss) for the year adjusted by (i) adjustments in Adjusted EBITDA, (ii) the adjustments of depreciation relating to the purchase price allocation procedure, (ii) non-recurring financial expense/(income) adjustments and (v) the theoretical tax impact of these adjustments.
[5] Adjusted net financial indebtedness is adjusted for financial liabilities for warrant.
[6] Cash generation is an indicator of the Group's ability to generate cash and is calculated as the difference between Adjusted EBITDA and capex.
[7] Cash conversion ratio is the Group's ability to generate cash and is calculated as the percentage ratio between cash generation and Adjusted EBITDA.

5. Market performance

The market the Group operates in is characterised by seasonal phenomena that are typical of the market of electronic products and accessories. Sales are higher in the second half of each year, with a peak in demand near and during the Christmas period.

The EMEA market environment for smartphone accessories worth less than EUR 100 - which is the one in which the Group mainly operates - showed a significant decline in 2020 (-20% if audio products are excluded, -10% if they are included), almost exclusively due to the COVID-19, which also penalised smartphone sales, from March to May and in the fourth quarter of 2020. The trend was negative in all the main European markets with a slightly more unfavourable trend in those countries where the effect of COVID-19 pandemic effect was more accentuated (e.g. Italy and Spain, whose market - excluding audio - fell by more than 25%).

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6. Group performance

The income statement tables presented in this Directors' Report were reclassified in accordance with the presentation methods that management believes best represent the trend of the Group's operating profitability.

Reclassified Income Statement

(thousands of Euro)	**31/12/2020**	**Of which related parties**	**% of revenue**	**31/12/2019**	**Of which related parties**	**% of revenue**
Revenue from sales	104,540	4,510	*100%*	140,440	5,281	*100%*
Cost of sales	(59,615)		*-57.0%*	(75,824)		*-54.0%*
Gross operating margin	**44,925**		***43.0%***	**64,616**		***46.0%***
Selling and distribution costs	(22,823)		*-21.8%*	(25,360)		*-18.1%*
General and administrative costs	(26,099)	(122)	*-25.0%*	(20,411)	(83)	*-14.5%*
Other non-operating revenue /(costs)	591	(112)	*0.6%*	1,502		*1.1%*
Operating profit/(loss)	**(3,405)**		***-3.3%***	**20,347**		***14.5%***
* of which depreciation and amortisation (including PPA amortisation)	10,871		*10.4%*	9,710		*6.9%*
* of which impairment losses on the customer relationship	4,013		*3.8%*	-		-
* of which non-recurring Covid-19 costs	1,719		*1.6%*	-		-
* of which M&A costs and other non-recurring expense	1,578		*1.5%*	3,126		*2.2%*
* of which operating foreign exchange gains/(losses)	329		*0.3%*	(123)		*-0.1%*
Adjusted operating profit	**15,105**		***14.4%***	**33,060**		***23.5%***
Financial income	2,706		*2.6%*	1,472		*1.0%*
Financial expenses	(2,449)		*-2.3%*	(1,777)		*-1.3%*
Foreign exchange gains/(losses)	407		*0.4%*	(79)		*-0.1%*
Gains/(losses) on equity investments	345		*0.3%*	119		*0.1%*
Profit/(loss) before tax	**(2,396)**		***-2.3%***	**20,082**		***14.3%***
* of which PPA amortisation	6,203		*5.9%*	4,301		*3.0%*
* of which impairment losses on the customer relationship	4,013		*3.8%*	-		-
* of which non-recurring Covid-19 costs	1,719		*1.6%*	-		-
* of which M&A and other non-recurring costs	1,578		*1.5%*	3,126		*2.2%*
* of which financial expenses on the refinancing deal	408		*0.4%*	-		-
* of which fair value gain on the put/call option	(1,747)		*-1.7%*	-		-
* of which fair value gain on the warrant	(796)		*-0.8%*	(1,248)		*-0.8%*
Adjusted profit before taxes	**8,982**		***8.6%***	**26,261**		***18.7%***
Current and deferred taxes	16,297		*15.6%*	(1,874)		*1.3%*
Profit for the year attributable to owners of the parent	**13,900**		***13.3%***	**18,209**		***13.0%***
* of which PPA amortisation	6,203		*5.9%*	4,301		*3.0%*
* of which impairment losses on the customer relationship	4,013		*3.8%*	-		-
* of which non-recurring Covid-19 costs	1,719		*1.6%*	-		-
* of which M&A and other non-recurring costs	1,578		*1.5%*	3,126		*2.2%*
* of which financial expenses on the refinancing deal	408		*0.4%*	-		-
* of which fair value gain on the put/call option	(1,747)		*1.7%*	-		-
* of which fair value gain on the warrant	(796)		*-0.8%*	(1,268)		*-0.9%*
* of which tax effect on the above items	(3,655)		*-3.5%*	(414)		*-0.3%*
* of which benefit of request for tax ruling/intangible fixed asset tax alignment benefit	(16,327)		*-15.6%*	(700)		*-0.5%*
Adjusted profit for the year attributable to owners of the parent	**5,296**		***5.1%***	**23,254**		***16.6 %***

6.1 Consolidated revenue

The extraordinary measures taken by the authorities to contain Covid-19 must be considered when analysing the main indicators for the year. Because of these measures, the indicators do not reflect a medium/long-term trend.
In 2020, Revenue from sales, amounting to EUR 104,540 thousand (EUR 140,440 thousand in 2019), decreased by EUR 35,900 thousand (-25.6%). Net of the EUR 3.5 million – deriving from the change in scope of consolidation, due to the additional of Systema for three months and of the company newly acquired Worldconnect for the five months, compared to 2019 -, organic revenue totalled EUR 101.0 million, down 28.1%.
Compared to the previous year, the general trend in revenues was negative, as a result of the underperformance of the Red and Black lines in the previous year. The decrease is mainly attributable to the effects of the COVID-19 health emergency, the second wave of which - occurring during the period of high seasonality - heavily impacted the fourth quarter; these effects were only slightly offset by the Group's positive performance in the period prior to the first lock-down and the growth resulting from the contribution of Systema, acquired in April 2019, thanks to which there was an increase in the Blue line.
In general, for the Red Line, the trend in the European markets was characterised in 2020 by a negative trend on the accessories side, also in correlation with the negative trend of the smartphone market.

6.1.1 Revenue from sales by product line

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

(i) Red line, including accessories for multimedia devices (such as cases, covers, phone holders for cars, protective glass, power supply units, portable chargers, data and charging cables, headphones, earphones, speakers, wearable technology products and travel adapters);

(ii) Black line, including all products and accessories related to the world of motorcycles and bicycles (such as, for example, intercoms and supports for smartphones);

(iii) Blue line, which includes all the products marketed in Italy not under the Group's proprietary trademarks (mainly SanDisk and Vivanco products and Samsung accessories).

The following table shows revenue, broken down by product, for the years considered:

Revenue from sales by product line

(In thousands of Euro)					Change	
	2020	**% of revenue**	**2019**	**% of revenue**	**Δ**	**%**
Red – Italy	45,006	43.0%	66,076	47.0%	(21,070)	(31.9%)
Red – International	42,021	40.2%	56,332	40.1%	(14,311)	(25.4%)
Revenue from sales - Red	**87,027**	**83.3%**	**122,408**	**87.2%**	**(35,381)**	**(28.9%)**
Black – Italy	3,050	2.9%	4,116	2.9%	(1,066)	(25.9%)
Black – International	4,056	3.9%	3,720	2.6%	336	9.0%
Revenue from sales - Black	**7,106**	**6.8%**	**7,836**	**5.6%**	**(730)**	**(9.3%)**
Blue – Italy	7,867	7.5%	7,613	5.4%	254	3.3%
Blue – International	2,292	2.2%	1,927	1.4%	365	19.0%
Revenue from sales - Blue	**10,160**	**9.7%**	**9,540**	**6.8%**	**620**	**6.5%**
Other – Italy	**247**	**0.2%**	**656**	**0.5%**	**(409)**	**(62.3%)**
Total revenue from sales	**104,540**	**100.0%**	**140,440**	**100.0%**	**(35,900)**	**(25.6%)**

The Red line, which accounts for approximately 83.3% of the Group's consolidated revenues, is the one that recorded the largest decrease (-28.9%), amounting to EUR 35,381 thousand in 2020, mainly due to the aforementioned COVID-2019 effects, following the restrictive measures implemented by the Italian Authorities and other European Governments which penalised consumption of telephony products and related accessories in the on-premise channels in which the Group operates - particularly the Consumer Electronics channel where the Group is the European leader - which was only marginally offset by the contribution of Systema and Worldconnect growth. The newly acquired company, Worldconnect, contributed to five months of sales (classified in the Red line), but its main distribution channel, airport travel retail, is still penalised at global level by the government restrictions in place to contain COVID-19.

The Black line recorded a decrease of 9.3% compared to 2019, lower than the Group's average, thanks to a greater presence in non-EU markets (where lock-downs started later and were less stringent than in European markets) and the good performance of current on-line sales also through the dedicated proprietary website launched at the end of 2019.

The increase in the Blue product line (+6.5% compared to 2019) was positively impacted by Systema's growth and was affected by the positive effects of the distribution projects in Italy of Samsung branded accessories launched in the first half of 2019.

6.1.2 Consolidated revenue by geographical area

The following table shows revenues, broken down by geographical area, for the years considered:

Revenue from sales by geographical area

(In thousands of Euro)					**Change**	
	2020	**% of revenue**	**2019**	**% of revenue**	**Δ**	**%**
Italy	56,171	53.73%	78,461	55.87%	(22,290)	(28.4%)
Benelux	9,511	9.10%	8,842	6.30%	669	7.6%
Spain/Portugal	7,205	6.89%	6,364	4.53%	841	13.2%
France	6,846	6.55%	7,157	5.10%	(311)	(4.3%)
Germany/Austria	6,800	6.50%	19,853	14.14%	(13,053)	(65.7%)
Eastern Europe	5,638	5.39%	5,847	4.16%	(209)	(3.6%)
Northern Europe	4,033	3.86%	4,819	3.43%	(786)	(16.3%)
Switzerland	4,294	4.11%	4,777	3.40%	(483)	(10.1%)
Middle East	922	0.88%	1,218	0.87%	(296)	(24.3%)
Other	3,120	2.98%	3,102	2.21%	18	0.6%
Total revenue from sales	**104,540**	**100%**	**140,440**	**100%**	**(35,900)**	**(25.6%)**

The decrease in the Italian market, equal to 28.4% compared to the previous year and higher than the average in other European countries, is due to the above mentioned impact of the health emergency that has significantly penalised the national territory and the phenomena of stock reductions by the main Italian retailers.
As regards international markets, there was a positive performance in Benelux (mainly due to the acquisition of Systema) and a significant decrease in the Germany/Austria market due to both the restrictions that affected both countries and the temporary effects of the change in the route-to-market in these countries.

6.2 Cost of sales

In 2020, cost of sales amounted to EUR 59,615 thousand, compared to EUR 75,824 thousand in 2019.
The Cost of sales, net of not-recurring effect of extraordinary effect amounting to EUR 1,450 thousand, in relation to the collection of unsold goods from our customers - carried out with a view to partnership - and the greater obsolescence due to the loss of sales caused by the COVID-19, amounts to Euro 58.165 thousand with a percentage of sales was 55.6%, up 1.6% over the previous year. This increase was due to the following factors, some of which were temporary in nature: i) consolidation of the acquired companies, whose margins were about 0.9% lower than the Group's average, ii) less favourable product and line mix, partly due to COVID-19 for about 0.7%.
Considering the increase in air transport costs as a result of the COVID-19 emergency, the Group has favoured - when possible and not penalising the market positioning at a strategic level - the supply by sea, thus benefiting from slightly more favourable average transport costs.

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6.3 Selling and distribution costs

(In thousands of Euro)			Change	
	2020	**2019**	**Δ**	**%**
Selling and distribution personnel expense	9,843	9,924	(81)	-0.8%
Transport	5,735	5,696	39	0.7%
Commissions to agents	4,798	5,867	(1,069)	-18.2%
Advertising expenses	1,614	1,242	372	30.0%
Travel costs	499	988	(489)	-49.5%
Other sales and distribution costs	334	1,643	(1,309)	-79.7%
Total selling and distribution costs	**22,823**	**25,360**	**(2,537)**	**-10.0%**

This item, despite a significant absolute reduction, had a 3.8% higher incidence on revenues than in 2019, mainly due to the lower absorption of fixed costs and the increase in transport tariffs during COVID-19 period, partially offset by the reduction in costs linked to activities marketing, trade marketing, trade fairs and travel, limited by the restrictions on mobility imposed by the Authorities, in addition to the effects of the cost actions to rationalise costs implemented by Group Management to mitigate the economic and financial impact of COVID-19, which produced effects mainly from the second quarter of 2020.

6.4 General and administrative costs

(In thousands of Euro)			Change	
	2020	**2019**	**Δ**	**%**
Amortisation	9,114	8,004	1,110	13.9%
Depreciation	1,707	1,502	205	13.6%
Impairment of customer relationships	4,013	-	4,013	>100%
Provisions for risks and impairment losses	139	9	130	>100%
Administrative personnel expense	4,681	4,683	(2)	-0.1%
Administrative, legal, personnel and management consultancy	2,691	2,847	(156)	-5.5%
Commissions and fees	137	185	(48)	-25.9%
Directors' and Statutory Auditors' fees	868	675	193	28.6%
Other general and administrative costs	2,749	2,506	233	9.3%
Total General and administrative costs	**26,099**	**20,411**	**5,688**	**27.9%**

General and administrative costs, net of the amortisation of intangible assets deriving from the purchase price allocation (EUR 6,203 thousand), impairment of the customer relationship for EUR 4,013 thousand, non-recurring expense and the effect of the integration of Systema and Worldconnect, decreased compared to the previous period thanks to the already mentioned actions to rationalise costs implemented by the Group Management to mitigate the economic and financial impact of COVID-19 (including extraordinary lay-off funds, reduction of top management salaries, etc.), which produced effects mainly starting from the second quarter 2020.

6.5 Other non-operating costs and revenue

Net non-operating costs and revenue amounted to EUR 591 thousand and mainly refer to costs and revenue relating to the Group's residual operations. The item can be broken down as follows:

(In thousands of Euro)	Year ended		Change	
	31/12/2020	31/12/2019	Δ	%
Recoveries of SIAE fees	740	833	(93)	-11.2%
(SIAE and CONAI contributions)	(866)	(966)	100	-10.4%
Prior year (expense) and income	(162)	60	(222)	<100.0%
Other non-operating (costs)/revenue	879	1,304	(425)	-32.6%
(Losses on assets)	-	(4)	4	-100.0%
Recoveries from suppliers for promotions	-	295	(295)	-100.0%
(Gifts to customers for promotions)	-	(20)	20	-100.0%
Total Other non-operating (costs)/revenue	**591**	**1,502**	**(911)**	**-60.7%**

There were no significant changes compared to last year.

6.6 Adjusted EBITDA

The main data used to calculate Adjusted EBITDA is shown below:

(In thousands of Euro)			Change	
	2020	2019	Δ	%
Operating profit/(loss)	**(3,405)**	**20,347**	**(23,752)**	**<100%**
Amortisation and depreciation	10,871	9,710	1,161	12.0%
Impairment of customer relationship	4,013	-	4,013	>100%
Non-recurring costs COVID-19	1,719	-	1,719	>100%
Other non-recurring expense/M&A costs	1,578	3,126	(1,548)	-49.5%
Foreign exchange gains/(losses)	329	(123)	452	>100%
Adjusted EBITDA	**15,105**	**33,060**	**(17,955)**	**-54.3%**

Adjusted EBITDA was EUR 15,105 thousand (EUR 33,060 thousand in 2019), a decrease of 54.3%, and had a 14.4% margin on sales (23.5% at 31 December 2019).

Adjusted EBITDA, nevertheless, shows a double-digit margin (14.4%) when considered on an annual basis, demonstrating the resilience and flexibility of the Group's business model and despite the moderately negative impact (EUR 0.4 million) of the five months of the newly acquired Worldconnect (its main distribution channel is still inevitably penalised by COVID-19).

Moreover, in the second half of the year, there was a gradual normalization of the adjusted operating profit margin, which went from 3.4% recorded in the first half to 20.4% in the second half of 2020.

Adjustments made to EBITDA, excluding depreciation and amortisation and impairment losses resulting from impairment testing of Cellularine's Customer Relationship, amounted to EUR 3,626 thousand during 2020 (EUR 3,003 thousand during 2019) and mainly consisted of:

(i) non-recurring costs linked to the COVID-19 health emergency for EUR 1,719 thousand, of which EUR 1,450 thousand relating to higher returns received from main customers - made with a view to partnership - and higher obsolescence of inventories due to lost sales; the remaining EUR 269 thousand are non-recurring operating expense correlated with the COVID-19 emergency;

(ii) other non-recurring expense/M&A costs: these include costs of financial and legal consultancies and M&A transactions for the acquisition of Worldconnect AG and the exercise of the option, for the purchase of a further 15% Pegaso S.r.l., parent of Systema, in execution of the option contract signed in 2019, as well as non-recurring expense/incentives;

(iii) foreign exchange gains of EUR 329 thousand relate to the effect of translating trade receivables/payables expressed in foreign currencies at the reporting date and the effect of currency purchase for transactions in USD recognised in profit or loss under financial income; although these are not non-recurring income and expense, with this adjustment the Group intends to present the operating performance, net of currency effects.

6.7 Financial income and expense

Net financial income and expense show a net positive balance of EUR 257 thousand (net financial expenses of EUR 305 thousand in 2019):

(In thousands of Euro)			**Change**	
	2020	**2019**	**Δ**	**%**
Other financial income and change in fair value	2,594	1,264	1,330	>100%
Interest income	112	208	(96)	-46.24%
Total Financial income	**2,706**	**1,472**	**1,234**	**83.8%**
Interest expense on medium/long-term loans	(1,713)	(1,575)	(137)	8.7%
Other interest expense	(72)	(113)	41	-36.3%
Commissions and fees	(664)	(89)	(575)	<100%
Total Financial expense	**(2,449)**	**(1,777)**	(672)	**37.8%**
Total Financial income (and expense)	**257**	**(305)**	**562**	**>100%**

Financial income of EUR 2,706 thousand mainly refers to:

- EUR 1,747 thousand to the change in the fair value of the put/call options relating to the acquisition of minority interests in Systema and Worldconnect;
- EUR 796 thousand for the change, compared to the previous year, in the fair value of the warrants issued by the Group (no. 6,130,954 as at 31 December 2020);
- EUR 95 thousand for bank interest income;
- EUR 51 thousand to the positive fair value as at 31 December 2020 of derivatives for exchange rate hedging.

Financial expense, amounting to EUR 2,449 thousand, are mainly attributable to interest from banks, relating to the outstanding loan signed in October 2020 for an original amount of EUR 50,000 thousand and the previous loan extinguished in the above-mentioned refinancing project. The item includes non-recurring charges due to the

elimination of the amortised cost referred to the previous loan for EUR 408 thousand.

6.8 Foreign exchange gains/(losses)

(In thousands of Euro)			Change	
	2020	**2019**	**Δ**	**%**
Net foreign exchange gains/(losses) on trading	329	(123)	452	>100%
Net foreign exchange gains on financial transactions	78	44	34	77.3%
Total Foreign exchange gains/(losses)	**407**	**(79)**	**486**	**>100%**

The increase of EUR 486 thousand is mainly due to the favourable trend of the EUR/USD exchange rate in the second half of 2020.

6.9 Adjusted EBIT

The main data used to calculate Adjusted EBIT is shown below:

(In thousands of Euro)			Change	
	2020	**2019**	**Δ**	**%**
Operating profit/(loss)	**(3,405)**	**20,347**	**(23,752)**	**<100%**
PPA amortisation	6,203	5,966	237	4.0%
Impairment test Customer Relationship	4,013	-	4,013	>100%
Non-recurring costs COVID-19	1,719	-	1,719	>100%
M&A costs/other non-recurring expense	1,578	3,126	(1,548)	-49.5%
Foreign exchange gains/(losses)	329	(123)	452	<100%
Adjusted EBIT	**10,437**	**29,316**	**(18,879)**	**(64.4%)**

Adjusted EBIT amounted to EUR 10,437 thousand (EUR 29,316 thousand in 2019).

The decrease is substantially due to the factors mentioned in the section on Adjusted EBITDA.

6.10 Adjusted profit/(loss) for the year attributable to owners of the parent

The main data used to calculate the Adjusted profit/loss for the year attributable to owners of the parent is shown below:

(In thousands of Euro)			Change	
	2020	**2019**	**Value**	**%**
Profit for the year attributable to owners of the parent	**13,900**	**18,209**	**(4,309)**	**-23.6%**
PPA amortisation	6,203	4,301	1902	44.2%
Impairment of customer relationship	4,013	-	4,013	>100%
Non-recurring costs COVID-19	1,719	-	1,719	>100%
M&A costs and other non-recurring expense	1,578	3,126	(1,548)	-49.5%
Financial expense relating to the closing of the loan	408	-	-	<100%
Fair value of the Warrant	(796)	(1,268)	472	37.2%
Fair value of the Put/Call	(1,747)	-	1,747	>100%
Tax effects of the above items	(3,655)	(414)	3,241	>100%
Request for tax ruling/intangible fixed asset tax alignment	(16,327)	(700)	(15,627)	>100%
Adjusted profit for the year attributable to owners of the parent	**5,296**	**23,254**	**17,958**	**-77.2%**

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The Adjusted profit for the year attributable to the owners of the parent for 2020 amounted to EUR 5,296 thousand (EUR 23,254 in 2019), down due to the significant negative impact of COVID-19.

In addition to the factors mentioned in the paragraph on Adjusted EBITDA and Adjusted EBIT, the adjustments made this items mainly relate to (i) the tax alignment to the currying amount of trademarks and customer relationships, net of substitute tax; (ii) the fair value of the warrant and put/call options relating to the purchase of non-controlling interests in Systema and Worldconnect; and (iii) the financial expense relating to the loan repaid in October 2020 as part of the refinancing transaction.

7. Capital and financial position

Statement of financial position

(In thousands of Euro) ASSETS	Situation as at 31 December 2020	Of which related parties	%	Situation as at 31/12/2019	Of which related parties	%
Intangible assets	74,940		*25.5%*	75,553		24.6%
Goodwill	106,408		*36.2%*	95,069		*30.9%*
Property, plant and equipment	7,924		*2.7%*	7,142		*2.3%*
Right-of-use assets	1,749		*0.6%*	1,806		*0.6%*
Deferred tax assets	1,782		*0.6%*	1,666		*0.5%*
Financial assets	555	555	*0.2%*	552	552	*0.2%*
Total non-current assets	**193,358**		***65.8%***	**181,788**		***59.2%***
Inventories	32,963		*11.2%*	22,925		*7.5%*
Trade receivables	52,704	5,244	*17.9%*	60,847	6,272	*19.8%*
Current tax assets	1,528		*0.5%*	3,792		*1.2%*
Financial assets	108		*0.0%*	54		*0.0%*
Other assets	4,780		*1.6%*	5,677		*1.8%*
Cash and cash equivalents	8,629		*2.9%*	32,089		*10.4%*
Total current assets	**100,711**		***34.2%***	**125,383**		***40.8%***
TOTAL ASSETS	**294,069**		***100.0%***	**307,171**		***100.0%***
Share capital	21,343		*7.3%*	21,343		*6.9%*
Other reserves	157,761		*53.5%*	156,076		*50.8%*
Retained earnings (losses carried forward)	15,451		*5.2%*	6,891		*2.2%*
Profit for the year attributable to owners of the parent	13,900		*4.7%*	18,209		*5.9%*
Equity attributable to owners of the parent	**208,455**		***70.9%***	**202,518**		***65.9%***
Equity attributable to non-controlling interests	-			**-**		
Total Equity	**208,455**		***70.9%***	**202,518**		***65.9%***
LIABILITIES						
Financial liabilities	35,027		*11.9%*	37,621		*12.2%*
Deferred tax liabilities	2,552		*0.9%*	21,352		*7.0%*
Employee benefits	720		*0.2%*	774		*0.3%*
Non-current provisions for risks and charges	1,697		*0.6%*	1,656		*0.5%*
Other financial liabilities	5,961		*2.0%*	3,023		*1.0%*
Total non-current liabilities	**45,957**		***15.6%***	**64,425**		***21.0%***
Financial liabilities	10,039		*3.4%*	13,362		*4.3%*
Trade payables	15,485		*5.3%*	19,056		*6.2%*
Current tax liabilities	1,869		*0.6%*	384		*0.1%*
Current provisions for risks and charges	65		*0.0%*	409		*0.1%*
Other liabilities	5,531		*1.9%*	4,322		*1.4%*
Other financial liabilities	6,668		*2.3%*	2,694		*0.9%*
Total current liabilities	**39,657**		***13.5%***	**40,228**		***13.1%***
TOTAL EQUITY AND LIABILITIES	**294,069**		***100.0%***	**307,171**		***100.0%***

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Financial Position

(In thousands of Euro)	Balance as at	
	31 December 2020	31 December 2019
Available cash/(Financial liabilities):		
Cash	13	11
Bank deposits	8,616	32,078
Cash and cash equivalents	**8,629**	**32,089**
Current financial assets	108	54
Current bank loans and borrowings	(10,039)	(13,362)
Other financial liabilities	(6,668)	(2,694)
Current financial indebtedness	**(16,599)**	**(16,056)**
Net current financial indebtedness	**(7,970)**	**16,087**
Non-current bank loans and borrowings	(35,027)	(37,621)
Other financial liabilities	(5,961)	(3,023)
Non-current financial indebtedness	**(40,988)**	**(40,644)**
Net financial indebtedness	**(48,958)**	**(24,558)**
Other current liabilities - warrants	653	1,449
Adjusted net financial indebtedness	**(48,305)**	**(23,109)**

The composition of the Group's net working capital and net invested capital as at 31 December 2020 and 31 December 2019 is detailed below:

(In thousands of Euro)	Balance as at	
	31 December 2020	31 December 2019
Inventories	32,963	22,925
Trade receivables	52,704	60,847
Trade payables	(15,485)	(19,056)
Net trade working capital	**70,182**	**64,715**
Other working capital items	(1,157)	4,354
Net working capital	**69,025**	**69,069**
Non-current assets	193,358	181,788
Non-current provisions and other liabilities	(4,970)	(23,782)
Net invested capital	**257,413**	**227,075**
Net financial indebtedness	48,958	24,558
Equity	208,455	202,518
Total equity and financial liabilities	**257,413**	**227,075**

The Group's Net trade working capital as at 31 December 2020 was EUR 70,182 thousand. The amount compared to 31 December 2019 increased by EUR 5,467 thousand mainly due to:

- an increase in inventories, resulting from the acquisition of Worldconnect for EUR 4,236 thousand and the temporary and sudden slowdown in sales during the COVID-19 period, the resurgence of which in Q4 2020 slowed down the planned absorption of the stock already in 2020;
- the reduction in trade receivables resulting from the reduction in sales volumes recorded in 2020, due to the lower turnover caused by COVID-19.

The Group's net invested capital was EUR 257,413 thousand as at 31 December 2020 (EUR 227,075 thousand as at 31 December 2019); the change is mainly attributable to:

- the increase in non-recurring assets, due to the effect of the acquisition of Worldconnect, net of the amortisation of intangible assets relating to the purchase price allocation for EUR 6,203 thousand, the impairment of Customer Relationship for EUR 4,013 thousand.
- the decrease in non-current provisions and other liabilities, due to the release of deferred taxes following the tax realignment to the carrying amount of trademarks and customer relationships, net of substitute tax, for EUR 16,327 thousand.

The composition of the net financial indebtedness (also adjusted) as at 31 December 2020 and 31 December 2019 is shown in detail below:

(In thousands of Euro)	**Balance as at**		**Changes**	
	31 December 2020	**31 December 2019**	**Δ**	**%**
(A) Cash	13	11	2	18.2%
(B) Other cash and cash equivalents	8,616	32,078	(23,462)	-73.3%
(C) Securities held for trading	51	-	51	>100
(D) Cash and cash equivalents (A)+(B)+(C)	**8,680**	**32,089**	**(23,409)**	**-73.1%**
(E) Current financial assets	57	54	3	-5.6%
(F) Current bank loans and borrowings	-	-	-	-
(G) Current portion of non-current indebtedness	(10,039)	(13,362)	3,323	24.9%
(H) Other current financial liabilities	(6,668)	(2,694)	(3,974)	>100
(I) Current financial indebtedness (F)+(G)+(H)	**(16,707)**	**(16,056)**	**(651)**	**-4.1%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*(16,707)*	*(16,056)*	**(651)**	*-4.1%*
(J) Net current financial indebtedness (I)+(E)+(D)	**(7,970)**	**16,087**	**(24,057)**	**<100%**
(K) Non-current bank loans and borrowings	(35,027)	(37,621)	2,594	6.9%
(L) Bonds issued	-	-	-	
(M) Other non-current financial liabilities	(5,961)	(3,023)	(2,938)	-97.2%
(N) Non-current financial indebtedness (K)+(L)+(M)	**(40,988)**	**(40,644)**	**(344)**	**-0.8%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*(40,988)*	*(40,644)*	**(344)**	**-0.8%**
(O) Net financial indebtedness (J)+(N)	**(48,958)**	**(24,558)**	**(24,400)**	**99.4%**
Other financial liabilities - warrants and stock grants	653	1,449	(796)	-54.9%
Adjusted net financial indebtedness	**(48,305)**	**(23,109)**	**(25,196)**	**>100%**

Net financial indebtedness amounted to EUR 48,958 thousand as at 31 December 2020 (EUR 24,558 thousand as at 31 December 2019).

The gross indebtedness mainly includes medium/long-term bank loans, the liability for the second tranche relative to the purchase of 80% of Worldconnect, in addition to the liability for exercising the put/call options for the purchase of the remaining 25% of the shares of Systema and the remaining 20% of Worldconnect and the financial liabilites deriving from warrants and lease payables in application of IFRS 16.

The change compared to the previous year is mainly attributable to:

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- the acquisition of Worldconnect in July 2020 for EUR 24,137 thousand, of which: EUR 9,391 thousand relating to the payment - made at the closing - of the first tranche for the purchase of 80% of the company and EUR 5,204 thousand of net financial indebtedness attributable to the Company acquired at the end of 2020; EUR 9,542 thousand relating to i) the second tranche of payment for EUR 5,332 thousand to be made by July 2021 and ii) the fair value of the valuation of the put/call agreements - exercisable from 2023 - relating to the purchase of the remaining 20% of Worldconnect for EUR 4,210 thousand.
- distribution of dividends of EUR 6,612 thousand on 20 May 2020.

Excluding the effect of the above M&A, net financial indebtedness would have been EUR 24.8 million, substantially in line with 31 December 2019 (EUR 24.6 million).
The main factor that influenced cash flow trends in the years considered are summarised below.

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

(In thousands of Euro)	**Balance as at**	
	2020	**2019**
Cash flows from operating activities		
Profit for the year	13,900	18,209
Adjustments for:		
- Current and deferred taxes	(16,297)	1874
- Net accruals and impairment losses	871	903
- (Gains)/losses on equity investments	(345)	(119)
- Accrued financial (income)/expense	(257)	1,553
- Amortisation, depreciation and impairment losses	14,884	9,710
Changes in:		
- Inventories	(6,592)	(1,756)
- Trade receivables	8,996	2,686
- Trade payables	(4,731)	(5,722)
- Other changes in operating assets and liabilities	5,766	1,879
- Payment of employee benefits and change in provisions	(253)	(685)
Cash flows generated by/(used in) operating activities	**15,942**	**28,533**
Taxes paid/offset	(3,704)	(6,612)
Interest paid	(931)	(1,553)
Cash flows generated by/(used in) operating activities	**11,307**	**20,368**
Net COVID-19/M&As/Other costs	3,297	3,126
Adjusted net cash flows generated by/(used in) operating activities	**14,604**	**23,494**

The adjusted net cash flows generated by operating activities decreased by approximately EUR 8,890 thousand, due to the decrease in the Group's results of operations, partially offset by the generation of net working capital of EUR 3,185 thousand.

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	Balance as at	
	31 December 2020	**31 December 2019**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(13,813)	(1,568)
(Purchases)/Sale of property, plant and equipment and intangible assets	(10,171)	(8,313)
Cash flows generated by/(used in) investing activities	**(23,984)**	**(9,881)**

The relatively reduced capex (approximately EUR 3,925 thousand in 2020, a slight increase compared to the previous year), primarily for the implementation of IT systems, for the development of the E-Commerce platform and R&D activities in new products/brands.

In 2020, the investing activity mainly concerned:

- investments in intangible assets of about EUR 2,452 thousand, mainly related to the evolution of the main company software;
- investments in plant, machinery and equipment of approximately EUR 1,083 thousand;
- the assets acquired in the acquisition of Worldconnect, including the effects of the purchase price allocation of approximately EUR 6,268 thousand and the residual amount of goodwill of EUR 11,366.

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	Balance as at	
	31 December 2020	**31 December 2019**
Cash flows from financing activities		
Increase/(decrease) in bank loans and other borrowings	(11,035)	(13,334)
Increase in other financial liabilities	8,492	2,471
(Purchase)/sale of treasury shares	-	(2,889)
(Dividend distribution)	(6,612)	(6,088)
Payment of transaction costs relating to financial liabilities	(277)	481
Other changes in equity	(1,351)	(1,028)
Net cash used in financing activities	**(10,783)**	**(20,387)**

The cash flows used in financing activities as at 31 December 2020 mainly reflect:

- the payment of the instalments of the bank loan in place for EUR 11,667 thousand;
- the distribution of a dividend of EUR 6,612 thousand, as resolved by the Shareholders' Meeting on 24 April 2020;
- the financial debt relating to the payment of the second tranche for the acquisition of 80% of Worldconnect for EUR 5,332 thousand (reclassified under Increase in other financial liabilities);
- the liability for exercising the put/call option relating to Worldconnect for EUR 4,210 thousand (reclassified under Increase in other financial liabilities);
- the payment of the debt for exercising of put/call options relating to the purchase of a further 15% of Pegaso S.r.l., the parent of Systema, amounting to EUR 575 thousand;

- the liability related to the warrant of EUR 653 thousand (reclassified under Increase in other financial liabilities).

8. Investments and research and development activities

During 2020 - as in previous years - the Group carried out constant research and development activities, focusing its efforts on selected projects deemed to be of particular importance:

- launch of the new brand PLOOS+ in February: a range of roughly 50 items, primarily composed of recharging, car and audio accessories. The launch of the new brand falls within a wider strategic process of review of the Group's brand portfolio, targeted at supplementing the offering of the main brand, Cellularline;
- presentation of BECOME in February: a new range of environmentally friendly smartphone covers designed to limit the environmental footprint of its products, characterised by packaging based on the use of recycled and recyclable paper, in addition to being completely plastic-free;
- rebranding of CELLULARLINE in March: on the 30th anniversary of the company's foundation in 1990, the ambitious project (R)EVOLUTION was presented to the market for the strategic repositioning and revamp of the marketing mix of its main brand, Cellularline;
- agreement with Microban® in May: collaboration to create a range of products with integrated antimicrobial technology, currently being launched;
- three-year agreement signed in June for the co-design, production and distribution for the European market of Altec Lansing audio products, an American brand operating in the premium segment;
- presentation of Hi-GENS: in June new UV-C steriliser, a particularly attractive product considering the current COVID-19 pandemic;
- launch of the Audio Quality Lab™ (AQL™) site, www.audioqualitylab.com - in October: a website entirely dedicated to the audio world, which will flank the Group's other websites (www.cellularline.com and www.interphone.com) and help strengthen the Group's strategy of making the on-line channel a main growth driver for future development.
- new range of accessories for Apple products in November: new, extensive catalogue to meet the needs of Apple users. The 4 new iPhone 12 models were the first products to be launched by Apple in packages without battery chargers or earbuds; this same commercial policy will be extended to include the current iPhone SE, iPhone XR and iPhone 11 models as well. In addition, Cellularline has developed a complete new range, expanding its offer with accessories for other successful Apple devices: Apple Watch Series 6 and Apple Watch SE, Airpod and Airpod Pro.

9. Information on transactions with related parties and 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 transactions

During the year, there were no atypical and/or unusual transactions, as defined in CONSOB Communication no.

DEM/6064293 of 28 July 2006.

11. Share-based payments

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

12. Treasury shares and shares of the parent

No purchases or disposals of treasury shares were recorded during 2020, leaving the number of shares held at the end of the previous year unchanged. Therefore, as at 31 December 2020, the Parent held 1,636,505 treasury shares, equal to 7.55% of the share capital.

13. Main risks and uncertainties to which the Group is exposed

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

The overall responsibility for creating and supervising a Group risk management system lies with the parent's Management, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are designed to identify and analyse the risks to which the Group is exposed, to establish appropriate limits and controls and to monitor 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 Cellularline S.p.A. has adopted the Code of Ethics and the Organisation and Management Model pursuant to Legislative Decree No. 231 of 8 June 2001, giving appropriate notice to all the parties concerned, and keeps it updated according to regulatory developments and corporate activity.

13.1 Risks related to competition and competitiveness

The mobile device (smartphones and tablets) accessories market is characterised by a high level of competitiveness, which could also increase further with the possible entry of potential new Italian or foreign competitors. The Group's current or future competitors may be able to implement marketing and commercial development policies that will enable them to gain market share to the detriment of those operators that use multiple sales channels. In this case, the Group could be forced to reduce its sales prices without any corresponding reduction in the purchase costs of its products, thus achieving a lower margin on the sale of its products. One of the Group's main threats is the sale of competing products by producers located in the Far East.

If the Group, in the event of an increase in the number of direct and/or indirect competitors, is not able to maintain its competitive strength on the market, there could be negative effects on the business and growth prospects as well as on financial position and performance. Further risks are linked to possible changes in consumer purchasing behaviour in the light of demographic changes, increasing digitalisation, changing economic conditions and purchasing power. Any misinterpretation of developments in consumer behaviour, trends in terms of prices

and product ranges may result in the risk of failed or delayed adoption of appropriate sales models and in the failed or delayed exploration of new sales channels, with possible negative effects on the Group's financial position and performance.

13.2 Seasonal risks

The market the Group operates in is characterised by seasonal phenomena that are typical of the market of electronic products and accessories. In particular, sales in the second half of each year account for more than 60% of total annual sales on average, with demand peaking in the last quarter of the year (Black Friday and Christmas). Absolute EBITDA, in consideration of a far more linear and uniform distribution of overhead costs (personnel, rents and general expenses) throughout the year, is also affected by this seasonality, showing a significantly higher average EBITDA incidence in the second half of the year. The incorrect definition of the product range in terms of variety and availability during the periods of the year that are characterised by high sales or the untimeliness of the change in strategy in terms of updated sales data and information could have a negative impact on the match between product offer and customer demand, with negative effects on the Group's financial position and performance.
It should furthermore be noted that revenues in the year were also affected, starting from mid-March, by the effects of the lock-down period and the subsequent restrictions imposed following the spread of COVID-19.
Please refer to the specific section for more information.

13.3 Risks related to changes in the regulatory framework

The Group is subject to the regulations applicable to products manufactured and/or marketed. The evolution of the regulations or any changes to the regulations in force, also at international level, could require the Group to bear additional costs to adapt its production facilities or the characteristics of its products to the new provisions, with a consequent negative effect on the Group's growth prospects as well as on its financial position and performance.

13.4 Risks related to macroeconomic developments and risks related to the effects of COVID-19

As it operates in several international markets, the Group is affected by changes in the macroeconomic conditions of the markets concerned and, in particular, by the health emergency that began in early 2020.
The COVID-19 pandemic characterised 2020 with unprecedented socio-economic repercussions around the globe, generating consequences on people's lives and lifestyles that we cannot yet estimate on the long term. The restrictions implemented by the different government authorities to contain the spread of COVID-19 led to a sharp decrease in consumption (especially for physical retailers), significantly impacting the Group's performance and financial indicators.
At present, it is not possible to predict the duration of the pandemic, the restrictive measures aimed at containing its further spread and the timing and effectiveness of the vaccination plans being implemented in the various countries and, therefore, it is not possible to predict any further negative effects that the continuation of the pandemic will have on global and domestic economic activities and on the Group's business. In particular, if there

were to be subsequent waves of COVID-19 infections, the national authorities could reinstate all or part of the above restrictive measures, with further negative effects on global and domestic economic activities and on the Group's business. In addition, it cannot be excluded that, in the event of a deterioration of global macroeconomic conditions, such as a prolonged recession in Europe and the United States or worldwide, such as that possibly caused by COVID-19, the Group could be adversely affected by a deterioration of its financial position and performance.
In the event of new and significant waves of the COVID-19 pandemic and the subsequent enactment of any particularly restrictive measures implemented at the same time by multiple governments to contain the virus, the Group could suffer potentially negative impacts on the:

- supply chain, as the main suppliers may no longer be able to deliver the products, except with lengthy delays;

- activities operating, as the Group may not be able to have the workforce as a result of any government regulations restricting personal travel or the company's inability to provide a healthy and safe working environment;

- distribution activities, as the main physical distribution channels could also be affected by particularly restrictive measures.

To address these risks, from the start of the public health emergency, the Group has taken the necessary measures to minimise the risk of infection and safeguard its resources’ safety, while guaranteeing business continuity for the entire time, in complete compliance with the extraordinary provisions of law implemented in the various jurisdictions, and immediately adopting a structured plan involving all company functions, in order to mitigate the impact of the crisis on the Group’s result of operations and financial performance.

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

The Group operates in international markets, with customers operating mainly in the EMEA area and with suppliers of products located mainly in the Far East (China and the Philippines); as of today, sales are therefore made almost exclusively in EUR, while the majority of purchases of products are settled in USD, as is the practice of the reference industry.
The Group is therefore exposed to exchange rate risk - for the main types of product supplies - almost exclusively in USD and is considering implementing of a policy for hedging this risk. However, there are numerous factors that limit the risk profile, including: the high rate of product innovation (about 35% of annual turnover derives from products launched in the same year), the possibility to carry out, in a relatively short time (3-6 months), revisions to customer price lists and, finally, the high contractual flexibility with suppliers in the Far East (with whom there are no - with rare exceptions - commitments to purchase minimum quantities at predefined prices for periods exceeding 6 months).
The main foreign exchange rates applied during the year were as follows:

Currency	Average 2020	31 December 2020	Average 2019	31 December 2019
Euro/US Dollar	1.14	1.23	1.12	1.12

In 2020, the Group used derivative financial instruments to hedge fluctuations in the EUR/USD exchange rate.
In addition, any legislative, political and economic changes, as well as potential social instability or the introduction of restrictions or customs duties on the export of products, or the introduction into the European Union of any restrictions on the import of products from these countries, could have a negative impact on the production capacity of suppliers and on the procurement activities of the Group, with consequent possible negative effects on the business and prospects, as well as on the financial position and performance of the Group. The Group, as a result of any future cases of non-delivery and/or delayed delivery of products and components by suppliers and/or third party shippers (in particular from the so-called emerging countries) could, due to the occurrence of such events, suffer delays and/or interruptions in the product production and distribution cycle, with possible negative effects on the business and its prospects, as well as on its financial position and performance.

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, it identifies financial requirements and thus the financial resources to cover them. The average debt exposure is shown below:

(In thousands of Euro)	within 12 months	1 - 5 years	after 5 years	Total
Employee benefits	-	720	-	**720**
Trade payables	15,485	-	-	**15,485**
Deferred tax liabilities	-	2,552	-	**2,552**
Financial liabilities	10,039	35,027	-	**45,066**
Non-current provisions for risks and charges	-	1,697	-	**1,697**
Current provisions for risks and charges	65	-	-	**65**
Other liabilities	5,531	-	-	**5,531**
Other financial liabilities	6,668	5,755	207	**12,629**
Current tax liabilities	1,869	-	-	**1,869**
Total	**39,657**	**45,750**	**207**	**85,614**

In order to prevent unforeseen cash outflows from becoming critical, the Group aims to keep a balance between maintaining the funding and flexibility, through the use of available liquidity and credit lines.
With regard to potential liquidity risks, the Group continues to show a solid equity and financial structure, despite the temporary effects of COVID-19 considering the current medium/long-term debt structure, the current cash and cash equivalents (EUR 8.6 million) and the credit lines made available by various credit institutions and not used (about EUR 21 million).

13.7 Credit risks

Credit risk is the risk that a customer or one of the counterparties to a financial instrument may cause a financial loss by defaulting on an obligation and arises mainly from 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 failed payments, late payments or other default situations may be due to the insolvency or bankruptcy of the customer, economic events or specific situations of the customer.

Specifically, attention must be paid to the credit policy with regard to both longstanding and newly acquired customers, strengthening the policies of preventive action, by acquiring more complete credit information (from different sources) for all major and/or new customers and by making the analyses of credit reports progressively more systematic, including the assessment of the customer portfolio and the definition of credit limits.

The ageing list of trade receivables is shown below:

(In thousands of Euro)	**Not yet due**	**Due within 6 months**	**Due in 6 to 12 months**	**Due after 12 months**
Trade receivables	34,526	9,421	1,215	5,702
Amounts due from associates	1,124	2,147	1,943	2
Total gross trade receivables	**35,650**	**11,568**	**3,158**	**5,705**
(Loss allowance)	-	-	-	(3,377)
Total net trade receivables	**35,650**	**11,568**	**3,158**	**2,328**

The Group recognises a loss allowance considering estimated losses on trade receivables, other assets and non-current financial assets. The main components of this allowance are the individual losses on significant exposures and the collective impairment of homogeneous groups of assets for losses already incurred that have not yet been identified; the collective impairment is determined on the basis of the historical data on similar credit losses.

To date, credit risk on trade receivables has not increased as a result of COVID-19, thanks to both the high quality of the customer portfolio and the careful credit monitoring strategy managed at Group level.

13.8 Interest rate risks

In relation to the risk of changes in interest rates, the Group has not yet entered into interest rate swaps to hedge the interest rate risk on the syndicated loan, started on 26 October 2020 for an original amount of EUR 50 million (reduced to EUR 45.0 million as at 31 December 2020), given also the current limited level of net indebtedness; consequently, interest rates fluctuations could lead to an increase in financial charges relating to indebtedness, which is currently exclusively at variable rates.

With reference to the interest-rate risk, a sensitivity analysis was carried out to determine the effect on consolidated profit or loss (before of the tax effect) that would result from a hypothetical positive and negative change of 100 basis points in interest rates compared to those actually recorded in each year. The analysis was related predominantly to current and non-current financial liabilities. The following table shows the results of the analysis.

	Rate increase 1%	
	2020	2019
Financial liabilities	(631)	(573)

A decrease of 100 basis points in interest rates would not have a positive effect on consolidated profit before taxes since the Euribor cannot be negative according to the terms of the loan (floor at 0.00%).

13.9 Risks related to the administrative liability of legal persons

In 2017 the parent adopted the organisational model and the code of ethics and appointed the supervisory body as provided for by Legislative Decree no. 231 of 8 June 2001, in order to ensure compliance with the set conditions of fairness and transparency in the execution of business activities, to protect its position and image, the expectations of shareholders and the work of employees. The model is a valid tool for raising the awareness of all those who work on behalf of the parent, so that they behave correctly and properly while performing their activities, as well as a means of prevention against the risk of committing crimes.

13.10 Management and coordination

Cellularline S.p.A. is not managed and coordinated by companies or entities and defines its general and operational strategic guidelines independently.

14. Corporate governance

The parent's corporate governance system complies with the principles contained in the Code of Conduct for listed companies and with international best practices. On 18 March 2021, the Board of Directors approved the report on corporate governance and ownership structure, pursuant to article 123-bis of the TUF [Consolidated Finance Law], relating to 2020. This report is published on the Company's website www.cellularline.com in the "Investor Relations" section - subsection "Corporate Governance" - and explicit reference is made to it as required by law.

Cellularline S.p.A.'s management and control model is the traditional one (provided for by Italian law), which provides for the presence of a Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors and the independent auditors. The corporate officers are appointed by the Shareholders' Meeting and remain in office for three years. The independent directors, as defined in the Code, and the role played by them both within the Board and within the company's committees (Risk and Control Committee, Committee for Transactions with Related Parties, Appointments and Remuneration Committee), are appropriate means of ensuring an adequate balance of interests of all shareholders structure and a significant degree of debate in the discussions of the Board of Directors.

15. Classes of financial instruments

Below is a breakdown of the financial assets and liabilities required by IFRS 7 according to the categories envisaged by IFRS 9 at December 2020 and 31 December 2019.

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(In thousands of Euro)	Carrying amount as at 31/12/2020	Carrying amount			Fair value level		
		Amortised cost	FV to OCI	FV to PL	Level 1	Level 2	Level 3
Cash and cash equivalents	8,629	8,629	-	-	-	-	-
Trade receivables and other assets	57,484	57,484	-	-	-	-	-
Other financial assets	663	612	-	51	51	-	-
Total financial assets	**66,776**	**66,725**	**-**	**51**	**51**	**-**	**-**
Financing	45,066	45,066	-	-	-	-	-
Trade payables and other liabilities	21,016	21,016	-	-	-	-	-
Other financial liabilities	12,629	7,155	-	5,474	653	4,821	-
Total financial liabilities	**78,711**	**73,237**	**-**	**5,474**	**653**	**4,821**	**-**

(In thousands of Euro)	Carrying amount as at 31/12/2019	Carrying amount			Fair value level		
		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	50,983	50,983	-	-	-	-	-
Trade payables and other liabilities	23,378	23,378	-	-	-	-	-
Other financial liabilities	5,717	1,818	-	3,899	1,499	2,400	-
Total financial liabilities	**80,085**	**76,186**	**-**	**3,899**	**1,499**	**2,400**	**-**

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

No financial instrument is measured at fair value. For financial instruments measured at amortised cost, the book value is deemed to also represent a reasonable approximation of their measurement at fair value.

16. Branches

The Company has its registered office in Reggio Emilia, Via Grigoris Lambrakis no. 1/A and as at 31 December 2020 had no branches.

17. Workforce

There have been no specific incidents to be mentioned in this report, such as deaths, serious accidents at work or occupational diseases for which the Group has been held liable.
The work is carried out in full compliance with the rules and regulations in force regarding safety in the workplace. Furthermore, the Group carries out training activities for its employees, in the belief that the professional and job growth of each individual is a prerequisite for the continuous improvement and enhancement of the activities carried out.
For information on the impact on staff in relation to COVID-19 and the related actions taken by Group Management, reference should be made to the section "Key events after the reporting date".
The number of employees as at 31 December 2020 was 243, compared to 229 the previous year. The acquisition of Worldconnect impacted with 14 more employees.

18. Information on environmental impact

The Group firmly believes in respecting the environment and the ecosystem in which it operates; this is why it carries out its business taking into account the protection of the environment and the need for sustainable use of natural resources, in accordance with the provisions of current environmental legislation, committing itself to act responsibly towards the territory and the community. The Group condemns any type of action or behaviour that is potentially harmful to the environment. Although not having significant environmental impacts, the Group has adopted specific procedures for the disposal of Waste Electrical and Electronic Equipment (WEEE).
It should also be noted that, starting from the end of 2019, numerous project activities have been planned - and to a small extent already implemented in 2020 - to reduce the environmental impact of the Group's products and packaging.

19. Significant events during the year

Shareholders' Meeting

In April 2020 the financial statements as at 31 December 2019 were approved and the distribution of a dividend of Euro 0.33 per share to assignees, as proposed by the Board of Directors on 11 March 2020, for a total of Euro 6.6 million, with an ex-dividend date, record date and payment date of 18, 19 and 20 May 2020, respectively;
During that same Shareholders' Meeting, the new Board of Directors and new Board of Statutory Auditors were appointed, which will remain in office until the Shareholders' Meeting to be convened for the approval of the parent financial statements as at 31 December 2022.

Purchase of a further 15% of the subsidiary Systema S.r.l.

In May 2020, the purchase of a further 15% of the share capital of Pegaso S.r.l., which holds 100% of Systema S.r.l., was finalised under the put/call agreement in force between the parties.

Acquisition of control of Worldconnect AG

In July 2020, 80% of Worldconnect AG, the world market leader in premium travel adapters, was acquired.

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Founded in 2002, based in Diepoldsau (Switzerland), Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices (battery chargers, power banks and cables); approximately 80% of the Company's products are developed on the basis of patents with an average residual life of around 10 years.

In 2019, Worldconnect recognised pro-forma revenues of CHF 20 million (approximately EUR 18.7 million) - of which more than 95% outside Italy - with an Adjusted Net Result coming to approximately 9% of Revenue. Worldconnect's net debt at closing was approximately CHF 4.5 million (approximately EUR 4.2 million).

The price for the acquisition was CHF 15.8 million (approximately EUR 14.8 million) of which CHF 10 million (approximately EUR 9.3 million) was paid in cash at closing and CHF 5.8 million (approximately EUR 5.4 million) was paid twelve months after closing.

The acquisition - an integral part of the Cellularline Group strategy - confirms both the management's objective of assuring further development in channels, geographic areas and products in which the Group has ample room for growth and the close attention paid to making the most of opportunities offered up by the market.

Refinancing

In October 2020, a new loan agreement was signed by the Parent. The contract was signed with Banco BPM S.p.A. and UBI Banca S.p.A. for a total of EUR 70 million. The agreement includes EUR 50 million as an extension of the pre-existing medium/long-term loan (EUR 45 million) to 20 June 2025, which enabled the Company to extend the due dates of financial liabilities by 3 years, giving it greater financial flexibility thanks to the reduction in principal repayments by EUR 3.4 million per annum.

The new agreement also includes EUR 20 million for acquisitions to support the Group's inorganic growth strategy, one of its main lines of development.

Launch of the Audio Quality Lab™ (AQL™) website

In October, the Group launched the new website, www.audioqualitylab.com (October): this website is entirely dedicated to the audio world, which will flank the Group's other websites (www.cellularline.com and www.interphone.com) and help strengthen the Group's strategy of making the on-line channel a main growth driver for future development.

Resignation of the Chief Corporate & Financial Officer, Investor Relator and Manager responsible for preparing financial information

November saw the resignation - with effect as from 31 December 2020 - of Stefano Cerrato from the office of Chief Corporate & Financial Officer, Investor Relator and Manager responsible for preparing financial information. With the approval of the Board of Statutory Auditors, the Board of Directors appointed Christian Aleotti, Co-CEO of the Cellularline Group, to serve as acting Manager responsible for preparing financial information and Marco Cagnetta, Co-CEO of the Cellularline Group, to serve as acting Investor Relator.

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Agreement with Nativa

In December, the Group launched a partnership with Nativa - an integral part of the Group's ESG strategy and falls within the scope of the (R)EVOLUTION project to speed up the transition towards a long-term sustainable business model; Nativa, the first B Corp and Benefit Company in Europe, is an innovation company that incorporates sustainability into the identities and business models of companies in a development process that creates value for the planet and the community.

Sale of L Catterton S.A.S.'s investment in Cellularline S.p.A.

In December, the Company received a communication from the shareholder S.M.L.K. S.r.l. (a company owned by the funds managed by the private equity firm L Catterton Europe S.A.S.) announcing that it had sold its full investment in Cellularline S.p.A. to certain qualified investors. The investment, consisting of 2,260,023 ordinary shares and corresponding to 10.428% of the company's share capital with voting rights, was sold for EUR 3.85 per share. Furthermore, the Company was informed that Cellularline S.p.A.'s Chairman, Antonio Luigi Tazartes and Co-CEO, Christian Aleotti, acquired 130,000 shares each from the selling shareholder, respectively increasing their stakes in the Company to 1.523% and 8.559% of share capital with voting-rights.

Impacts of the COVID-19 emergency

2020, as outlined above, was characterised by the spread of the COVID-19 pandemic, which severely affected the global macroeconomic trend, producing, also as a result of the restrictive measures adopted by the various government authorities, a significant contraction in consumption from March in connection with the first pandemic wave, and in the fourth quarter in connection with the second wave.

Since the beginning of the health emergency, the Group has implemented the necessary measures to minimise the risks of contagion in order to safeguard the safety of its employees, including: the use of remote work, the implementation of social distancing measures, the adoption of personal protective equipment and procedures for sanitising the premises, the activation of additional insurance coverage for employees while ensuring, at the same time, business continuity throughout the year, in full compliance with the extraordinary legal provisions imposed in the various jurisdictions.

The effects of the pandemic on the Group's performance began to appear in the second half of March - and were particularly significant through to the end of May, following the activation of the lock-down first in Italy and then in the rest of Europe, which is the main market in which the Group operates; moreover, these effects were found to be more significant in the fourth quarter of the year, which is typically when the Group makes most sales.

In response to this situation, the Group promptly adopted, as early as the end of March, a comprehensive plan that involved all corporate functions across the board to mitigate the impact of the crisis and the resulting contraction in sales on results and capital strength.

On the revenue side, actions focused on:

- analysis of the market and new customer needs, implementing an action plan that aims at assuring further development of the product, channel and brand;

- management of relations with the main commercial partners to provide them with as much support as possible both in defining the product offer and the display formats, in order to speed up the return of consumers to the points of sale;
- enhanced communication and increased use of digital channels.

On the cost side, activities focused on:

- attention to all organisational levels in terms of cost savings that are not detrimental to the support and development of the Group's brands, with a view to long-term planning such as to make the various business processes more efficient and with benefits not only for the current year but also for future years;
- salary reduction by top management, use of social security buffers (CIGD) and use of vacation periods to make labour costs more flexible, trying to limit the impact on workers;
- postponement of advertising and marketing costs that do not preclude brand strengthening and support;
- elimination of costs associated with participation in trade fairs and travel.

In terms of the economic results, after performing well in the first two months of the year, the Group was severely impacted by the total lock-down ordered by the government authorities in most of the countries where it operates from March to May - wreaking havoc on revenue in the second quarter of the year (-52.1% on the same period of the previous year). In the third quarter, as restrictions were lifted, demand for the Group's products slowly and progressively recovered on its main markets (-10.1% on the same period of the previous year). With the second wave of COVID-19 and the consequent resumption of a partial lock-down in the fourth quarter - which is normally a peak season boosted by Christmas sales - the feeble signs of recovery weakened (-28.4% on the same period of the previous year).

In economic terms, in addition to the aforementioned drop in sales volumes, the pandemic event resulted in (i) extraordinary costs amounting to EUR 1,450 thousand following the withdrawal of unsold goods from customers and increased obsolescence due to the lack of sales recorded; (ii) costs incurred by the Group for the purchase of materials and compliance with regulations amounting to EUR 269 thousand (iii) a significant temporary increase in transport costs in the months of the pandemic peak. These negative effects were only partially offset by: (i) lower commercial costs due to the cancellation of trade fairs and events and the temporary reduction of marketing costs, and (ii) lower personnel costs due to a reduction in management salaries and the use of social shock absorbers by Group companies both in Italy and abroad.

From a financial point of view, net of the economic effects mentioned above, there are no particular effects, also following the re-financing transaction finalised by the Group in October 2020. In order to comply with the disclosure recommendation required by ESMA, we report a small loan obtained by the subsidiary Worldconnect of EUR 463 thousand (CHF 500 thousand) in relation to the “COVID Credit Plus” granted by the local government.

The Group, considering the effects of COVID-19 as a possible impairment factor, in accordance with IAS 36 - “Impairment of Assets”, carried out an impairment test (supported by an independent expert appraisal) on Goodwill, Trademarks and Customer Relationship, in order to ascertain the recoverability of these intangible assets. The result of this valuation showed the need to recognise an impairment loss of EUR 4,013 thousand on the customer relationship, as described in detail in paragraph 3.1.1. "Intangible Assets" in the notes to the financial

statements.

20. Key events after the reporting date

Appointment of Chief Corporate & Financial Officer and Manager responsible for preparing financial information

In February 2021, the Board of Directors appointed Davide Danieli as Chief Corporate & Financial Officer and Manager responsible for preparing financial information, effective from 21 April, pursuant to article 154-bis of the TUF, with the approval of the Board of Statutory Auditors, as he meets the requirements in the articles of association to hold this office.

21. Outlook

As throughout 2020, in which - despite the challenging context - management managed to complete many projects underpinning the Company's future growth plans, management is completely focused on:

- developments in the core business, such as product innovation/expansion, new business agreements and strengthening the offline and online channels;
- implementation of the new route-to-market for the German market - compared to the "indirect" method of the local distributor - both through new potential partners and by opening a possible direct channel/relationship with the main player in Germany following the centralisation of its activities;
- kicking off of the distribution of Altec Lansing brand products in Europe following the agreement signed in June 2020;
- integrating with the newly acquired company Worldconnect, whose turnover is expected to gradually recover after the airport travel retail channel slowly and progressively returns to normal, which is expected from late 2022 to early 2023;
- the ESG project as an integral part of the Group's strategy - which falls into the scope of the (R)EVOLUTION project kicked off in 2020 - in order to speed up the transition towards a long-term sustainable business model;
- defining the business model for the e-commerce channel as part of an in-house project slated for completion in second half 2021;
- scouting for potential M&As.

The effects of the pandemic - which exploded in the first quarter of 2020 and still persist around the globe - have generated profound uncertainty in terms of the duration and intensity of the socio-economic consequences that they have unleashed. The public health emergency has not yet been resolved at a global level and this limits visibility as to how the pandemic could potentially evolve, whether there will be additional waves of infection and their potential repercussions on the economy if lockdown measures are brought back.

In this context and only considering the first two months of 2021 (the first two months of the year historically accounting for roughly 10% of annual turnover), the Company has slightly underperformed the same period of the previous year, both because the first two months of 2020 had been unaffected by COVID-19 and because of

the delayed roll-out of the new route-to-market for the German market due to the restrictions imposed by the authorities after the virus resurged.

As noted above, the trend for the rest of 2021 will be affected by how the pandemic evolves. However, the inoculation campaign is expected to gain momentum in the second quarter throughout Europe and this instils hope that the most acute phase of the emergency is now behind us, giving us reason to expect a slow and steady return to growth starting at the end of the first half of 2021.

Reggio Emilia, 18 March 2021

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Notes	31/12/2020	Of which related parties	31/12/2019	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**3.1**	74,940		75,553	
Goodwill	**3.2**	106,408		95,069	
Property, plant and equipment	**3.3**	7,924		7,142	
Right-of-use assets	**3.4**	1,749		1,806	
Deferred tax assets	**3.5**	1,782		1,666	
Financial assets	**3.6**	555	555	552	552
Total non-current assets		**193,358**		**181,788**	
Current assets					
Inventories	**3.7**	32,963		22,925	
Trade receivables	**3.8**	52,704	5,244	60,847	6,272
Current tax assets	**3.9**	1,528		3,792	
Financial assets	**3.10**	108		54	
Other assets	**3.11**	4,780		5,677	
Cash and cash equivalents	**3.12**	8,629		32,089	
Total current assets		**100,711**		**125,383**	
TOTAL ASSETS		**294,069**		**307,171**	
EQUITY AND LIABILITIES					
Equity					
Share capital	**3.13**	21,343		21,343	
Other reserves	**3.13**	157,761		156,076	
Retained earnings (loss carried forward)	**3.13**	15,451		6,891	
Profit for the year attributable to owners of the parent		13,900		18,209	
Equity attributable to owners of the parent		**208,455**		**202,518**	
Equity attributable to non-controlling interests		-		-	
TOTAL EQUITY		**208,455**		**202,518**	
LIABILITIES					
Non-current liabilities					
Financial liabilities	**3.14**	35,027		37,621	
Deferred tax liabilities	**3.5**	2,552		21,352	
Employee benefits	**3.15**	720		774	
Non-current provisions for risks and charges	**3.16**	1,697		1,656	
Other financial liabilities	**3.20**	5,961		3,023	
Total non-current liabilities		**45,957**		**64,425**	
Current liabilities					
Financial liabilities	**3.14**	10,039		13,362	
Trade payables	**3.17**	15,485		19,056	
Current tax liabilities	**3.18**	1,869		384	
Current provisions for risks and charges	**3.16**	65		409	
Other liabilities	**3.19**	5,531		4,322	
Other financial liabilities	**3.20**	6,668		2,694	
Total current liabilities		**39,657**		**40,228**	
TOTAL LIABILITIES		**85,614**		**104,653**	
TOTAL EQUITY AND LIABILITIES		**294,069**		**307,171**	

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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Notes	31/12/2020	Of which related parties	31/12/2019	Of which related parties
Revenue from sales	4.1	104,540	4,510	140,440	5,281
Cost of sales	4.2	(59,615)		(75,824)	
Gross operating profit		**44,925**		**64,616**	
Selling and distribution costs	4.3	(22,823)		(25,360)	
General and administrative costs	4.4	(26,099)	(122)	(20,411)	(83)
Other non-operating revenue /(costs)	4.5	591	(112)	1,502	
Operating profit/(loss)		**(3,405)**		**20,347**	
Financial income	4.6	2,706		1,472	
Financial charges	4.6	(2,449)		(1,777)	
Foreign exchange gains/(losses)	4.7	407		(79)	
Gains/(losses) on equity investments	4.8	345		119	
Profit/(loss) before taxes		**(2,396)**		**20,082**	
Current and deferred taxes	4.9	16,297		(1,874)	
Profit for the year before non-controlling interests		**13,900**		**18,209**	
Profit for the year attributable to non-controlling interests		-		-	
Profit for the year attributable to owners of the parent		**13,900**		**18,209**	
Basic earnings per share (Euro per share)	4.10	**0.694**		**0.901**	
Diluted earnings per share (Euro per share)	4.10	**0.694**		**0.901**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	Notes	31/12/2020	31/12/2019
Profit for the year attributable to owners of the parent		**13,900**	**18,209**
Other comprehensive income that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		3	(40)
Actuarial gains (losses) on provisions for risks		(67)	(132)
Gains/(losses) on translation of foreign operations		17	(8)
Income taxes		18	55
Other components of comprehensive income		**(29)**	**(125)**
Comprehensive income		**13,871**	**18,083**

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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS

(in thousands of Euro)	Notes	31/12/2020	31/12/2019
Profit for the year		13,900	18,209
Amortisation, depreciation and impairment losses		14,884	9,710
Net impairment losses and accruals		871	903
(Gains)/losses on equity investments		(345)	(119)
Accrued financial (income)/expense		(257)	1,553
Current and deferred taxes		(16,297)	1,874
		12,757	**32,130**
(Increase)/decrease in inventories		(6,592)	(1,756)
(Increase)/decrease in trade receivables		8,996	2,686
Increase/(decrease) in trade payables		(4,731)	(5,722)
Increase/(decrease) in other assets and liabilities		5,766	1,879
Payment of employee benefits and change in provisions		(253)	(685)
Cash flows generated by operating activities		**15,942**	**28,533**
Interest paid		(931)	(1,553)
Income taxes paid		(3,704)	(6,612)
Net cash flows generated by operating activities		**11,307**	**20,368**
Acquisition of subsidiary, net of cash acquired		(13,813)	(1,568)
(Purchase)/sale of property, plant and equipment and intangible assets		(10,171)	(8,313)
Net cash flows used in investing activities		**(23,984)**	**(9,881)**
Net (purchase)/sale of treasury shares		-	(2,889)
(Dividends distributed)		(6,612)	(6,088)
Other financial assets and liabilities		8,492	2,471
Other changes in equity		(1,351)	(1,028)
Increase/(decrease) in bank loans and other borrowings		(11,035)	(13,334)
Payment of transaction costs relating to financial liabilities		(277)	481
Net cash flows used in financing activities		**(10,783)**	**(20,387)**
Increase/(decrease) in cash and cash equivalents		**(23,460)**	**(9,990)**
Opening cash and cash equivalents	**4.11**	**32,089**	**41,989**
Closing cash and cash equivalents	**4.11**	**8,629**	**32,089**

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STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)	Notes	Share Capital	Other reserves	Retained earnings/ (losses carried forward)	Profit/(loss) for the year	Non-controlling interests	Total Equity
Balance as at 31 December 2018		**21,343**	**146,897**	**(6,243)**	**32,378**	-	**194,375**
Allocation of profit for previous year		-	13,376	19,002	(32,378)	-	-
Dividend distribution		-	23	(6,111)	-	-	(6,088)
Comprehensive income		-	(150)	-	-	-	(150)
Other changes		-	(4,071)	243	-	-	(3,828)
Profit for the year		-	-	-	18,209	-	18,209
Balance as at 31 December 2019		**21,343**	**156,076**	**6,891**	**18,209**	-	**202,518**
Allocation of profit for previous year		-	1,821	16,389	(18,209)	-	-
Dividend distribution		-	-	(6,612)	-	-	(6,612)
Comprehensive income		-	(29)	-	-	-	(29)
Other changes		-	(106)	(1,217)	-	-	(1,323)
Profit for the year		-	-	-	13,900	-	13,900
Balance as at 31 December 2020	**3.12**	**21,343**	**157,761**	**15,451**	**13,900**	-	**208,455**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

1. Introduction

The Cellularline Group (hereinafter the "Group" or the "Cellularline Group") is one of the main operators in the smartphone and tablet accessories sector in the EMEA area, as well as a market leader in Italy; moreover, the Group ranks, by volume, among the top operators in Germany, Austria, Switzerland, Spain, Belgium and Holland, and boasts a strong competitive position in the other European countries.

The consolidated financial statements are submitted for approval by the Shareholders' Meeting convened for 28 April 2021, in line with the financial calendar approved by the Board of Directors on 11 November 2020.

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

At the reporting date of the consolidated financial statements as at and for the year ended 31 December 2020, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- Christian Aleotti 8.559%
- First Capital S.p.A. 5.282%

1.1 Impact of the COVID-19 emergency on the Group's performance and financial position, measures taken, risks and areas of uncertainty

The COVID-19 health emergency, with the consequent restraining measures put in place by the various authorities, had a significant impact on the Group's results. After performing well in the first two months of the year, the Group was severely impacted by the total lock-down ordered by the government authorities in most of the countries where it operates from March to May - wreaking havoc on revenue in the second quarter of the year (-52.1% on the same period of the previous year). In the third quarter, as restrictions were lifted, demand for the Group's products slowly and progressively recovered on its main markets (-10.1% on the same period of the previous year). With the second wave of COVID-19 and the consequent resumption of a partial lock-down in the fourth quarter - which is normally a peak season boosted by Christmas sales - the feeble signs of recovery weakened (-28.4% on the same period of the previous year).

In economic terms, in addition to the aforementioned drop in sales volumes, the pandemic event resulted in (i) extraordinary costs amounting to EUR 1,450 thousand following the withdrawal of unsold goods from customers and increased obsolescence due to the lack of sales recorded; (ii) costs incurred by the Group for the purchase of materials and compliance with regulations amounting to EUR 269 thousand (iii) a significant temporary increase in transport costs in the months of the pandemic peak. These negative effects were only partially offset by: (i) lower commercial costs due to the cancellation of trade fairs and events and the temporary reduction of marketing costs, and (ii) lower personnel costs due to a reduction in management salaries and the use of social shock absorbers by Group companies both in Italy and abroad.

From a financial point of view, net of the economic effects mentioned above, there are no particular effects, also following the re-financing transaction finalised by the Group in October 2020.

The Group, considering the effects of COVID-19 as a possible impairment factor, in accordance with IAS 36 - "Impairment of Assets", carried out an impairment test (supported by an independent expert appraisal) on Goodwill, Trademarks and Customer Relationship, in order to ascertain the recoverability of these intangible

assets. The result of this valuation showed the need to recognise an impairment loss of EUR 4,013 thousand on the customer relationship, as described in detail in paragraph 3.1.1. "Intangible Assets" in the notes to the financial statements.

Since the outbreak of the COVID-19 epidemic, the Group's priority has been to protect the health of its employees. The Group therefore immediately set up a task force to coordinate and immediately activate all preventive measures aimed at protecting the health of its employees in line with the safety measures indicated by the government authorities of the various countries in which the Group operates.

At the reporting date of this financial report, it is not yet possible to predict the duration of the pandemic, the restrictive measures aimed at containing its further spread and the timing and effectiveness of the vaccination plans being implemented in the various countries and, therefore, it is not possible to predict any further negative effects that the continuation of the pandemic will have on global and domestic economic activities and on the Group's business.

Cellularline remains confident for the future in the medium-long term, both in terms of turnover and profitability, the management has deemed it appropriate to extend the time horizon of the Plan to four years, in the formalisation of the Business Plan 2021-2024, also considering the recommendations of ESMA, in order to give greater visibility about the desired gradual return to a situation of normality similar to the Pre-COVID 19 period.

During this period of health emergency, the Group implemented all necessary actions to limit the economic and financial impact of the pandemic, as described in detail in the "Directors' Report". In this perspective, the Group has benefited, although not to a significant extent given the streamlined corporate structure, from grants and concessions from various government authorities, aimed at least to partially offsetting the effects of the drop in business; in particular, recourse to these social shock absorbers has concerned both the parent Cellularline and the subsidiaries Systema S.r.l. and Worldconnect.

2. Basis of preparation and accounting policies

The basis of preparation and main accounting policies adopted in the preparation of the Consolidated Financial Statements as at an for the year ended 31 December 2020 are described below. They have been applied consistently for all the years presented in this document, taking into account the provisions of note 2.5.1 "Changes in accounting principles".

2.1 Basis of preparation of the Consolidated Financial Statements

The financial statements as at 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

The term IFRS includes all International Financial Reporting Standards("IFRS"), all International Accounting Standards("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretation Committee ("SIC"), endorsed by the European Union

at the date of approval of these consolidated financial statements by the Board of Directors of the Parent and contained in the relevant EU regulations published at that date.

2.2 Basis of presentation

The consolidated financial statements have been prepared on the basis of the approved financial statements as at and for the year ended 31 December 2020, drafted by the individual companies included in the scope of consolidation of Cellularline S.p.A. ("the Company", and together with its subsidiaries and associates "the Group"). The financial statements and accounting statements of the companies included in the scope of consolidation have been adjusted, where necessary, in order to bring them into line with the accounting policies classification criteria of the parent in compliance with IFRS. The Group has applied IFRS for the preparation of consolidated financial statements since the financial statements at 31 December 2018 with transition date 1 February 2017.
The Consolidated Financial Statements as at and for the year ended 31 December 2020 include the financial statements of the parent, Cellularline S.p.A., and of the companies over which it has the right to exercise, directly or indirectly, control.
The purpose of the notes is to illustrate the accounting policies adopted, to provide the information required by IFRS and not contained in other parts of the consolidated financial statements, as well as to provide additional information not shown in the consolidated financial statements but necessary in order to give a true and fair view of the Group's operations.
The consolidated financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis, as the Directors have verified that there are no income, financial, managerial or other indicators that could indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular over the next 12 months; in addition, the Directors have considered the Group's recent positive performance , together with the positive cash flows generated by operations.
The consolidated financial statements are expressed in Euro, the functional currency of the Group and the parent, and all amounts are rounded to the nearest thousand Euro. For the sake of clarity, the mandatory items under IAS 1 that show nil balances in both comparative periods, have been omitted from the schedules and tables.
The consolidated financial statements consist of the following statements and these notes:

- **statement of financial position:** it presents current and non-current assets separately from current and non-current liabilities, with a description in the notes, for each asset and liability item, of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.
- **income statement:** the classification of costs in the income statement is based on their function, showing the intermediate results relating to gross operating profit/(loss), net operating profit/(loss) and profit/(loss) before taxes.
- **statement of comprehensive income:** this statement includes the profit/(loss) for the year and the expense and income recognised directly in equity for transactions other than those carried out with the owners.
- **statement of cash flows:** this statement shows cash flows from operating, investing and financing activities. Cash flows from operating activities are represented using the indirect method, through which

the profit for the year is adjusted by the effects of non-monetary transactions, any deferral or accrual of previous or future collections or payments and revenue connected with the cash flows deriving from investing or financing activities.

- **statement of changes in equity:** this statement includes, in addition to the comprehensive income, the shareholder transactions and the details of each item. Where applicable, it also includes the effects of changes in accounting policies for each item of equity.
- **notes to the consolidated financial statements.**

The consolidated financial statements are presented in comparative form.

These consolidated financial statements were authorised for publication by the Board of Directors on 18 March 2021.

2.3 Basis of consolidation and scope of consolidation

Basis of consolidation

The consolidated financial statements include the financial statements or accounting statements at 31 December each year of the subsidiaries included in the scope of consolidation. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee entity when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significant affect that investee's returns.

The results of subsidiaries acquired, including through mergers, or sold during the year are included in the income statement from the effective date of acquisition until the effective date of disposal.

When necessary, adjustments were made to the financial statements of subsidiaries 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 derecognised on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. This interest is determined on the basis of the percentage held in the fair values of the assets and liabilities recognised as at the date of the original acquisition and in the changes in equity after that date.

Subsequently, the losses attributable to non-controlling interests in excess of their equity are allocated to equity attributable to owners of the parent, with the exception of cases in which the non-controlling owners have a binding obligation and are able to provide additional investments to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is determined by the aggregate acquisition-date fair values of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree.

Any goodwill deriving from the acquisition is only determined at acquisition, and is recognised as an assets and measured as the excess of the acquisition cost over the Group's interest in the fair values of the acquiree's

identifiable assets, liabilities and contingent liabilities recognised.
Non-controlling interests in the acquiree are initially measured in proportion to their interest in the fair values of the assets, liabilities and contingent liabilities recognised.
The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition in accordance with IFRS 3 are recognised at their acquisition-date fair values, with the exception of non-current assets (or disposal groups), which are classified as held for sale in accordance with IFRS 5. These are recognised and measured at their fair values less selling costs.
Goodwill arising from the acquisition of control of an investee or a business unit reflects the excess of the acquisition cost (defined as the aggregate considerations transferred in the business combination), plus the fair value of any previously held interests in the acquiree, over the acquisition-date fair values of the acquiree's identifiable assets, liabilities and contingent liabilities.
In an acquisition that does not entail control, goodwill can be determined at the acquisition date either in proportion to the percentage of control acquired or by measuring the fair value of non- controlling interests.
The choice of the valuation method can be made on a case-by-case basis for each transaction.
To determine goodwill, the consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquiree, including the fair value of any consideration subject to the conditions set out in the acquisition contract.
Any adjustments to goodwill may be recognised in the measurement period (which may not exceed one year from the acquisition date) as a result of subsequent changes in the fair value of payments subject to conditions or in the determination of the fair values of the acquired assets and assumed liabilities, if goodwill could only be determined provisionally recognised at the acquisition date and if such changes are determined to reflect new information about facts and circumstances existing at the combination date. In the event of the sale of interests in subsidiaries, the residual amount of goodwill attributable to them is included in the determination of the gain or loss on the sale.
In the first half of 2020, the parent completed the acquisition of an additional 15% of Pegaso S.r.l. - 60% held as at 31 December 2019 - which in turn controls 100% of Systema S.r.l., a company active in the market of mobile phone accessories in the telecommunications segment. As at 31 December 2020, the percentage of ownership is therefore 75%.
During the second half of 2020, the parent completed the purchase of 80% of Worldconnect AG, a world leader in the premium travel adapter market. The Company is consolidated on a line-by-line basis by Cellularline, starting 1 August 2020.

Scope of consolidation

The consolidated financial statements as at and for the year ended 31 December 2020 include the financial and performance figures of Cellularline S.p.A. (Parent) and operating companies in which the Parent holds, directly or indirectly, an interest of more than 50%, or control according to definition in IFRS 10.

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

Company	Office	Currency	Share Capital	ownership %	
				Direct	Indirect
Cellularline S.p.A.	Italy (Reggio Emilia)	EURO	21,343,189	-	-
Cellular Spain S.L.U.	Spain (Madrid)	EURO	3,006	100%	-
Cellular Immobiliare Helvetica S.A.	Switzerland (Lugano)	CHF	100,000	100%	-
Cellular Inmobiliaria S.L.U.	Spain (Madrid)	EURO	3,010	100%	-
Pegaso S.r.l.	Italy (Reggio Emilia)	EURO	70,000	75%	-
Systema S.r.l.	Italy (Reggio Emilia)	EURO	100,000	-	75%
Worldconnect AG	Switzerland (Diepoldsau)	CHF	100,000	80%	

The associate Cellular Swiss S.A. is measured using the equity method, as shown in the table below:

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

2.4 Use of estimates and judgements in the preparation of the Consolidated Financial Statements

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

Significant subjective judgements by management in applying the Group's accounting policies and the main sources of uncertainty in estimates are listed below.

Fair value

When measuring the fair value of an asset or liability, the Group makes use of observable market data where possible.

The Group applies a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, as follows:

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

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

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Impairment testing of goodwill, trademarks and customer relationships

Goodwill

The Group test goodwill for impairment annually and whenever there is any indication of impairment. For the purposes of impairment testing, the recoverable amount of each cash generating units was determined as value in use using the discounted cash flow method. In applying this method, the Group uses various assumptions, including the estimate of future increases in sales, operating costs, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate).

Changes in the main estimates and assumptions made in the preparation of the plan, and therefore of the impairment test, may change the value in use and realisable value of the recognised assets.

The Group, with the support of an independent advisor, formalised an impairment test, whose criteria were approved by the Board of Directors of the Parent on 18 March 2021, in order to identify any impairment losses caused by the excess of the carrying amount of the CGU, including goodwill, over its recoverable amount. This recoverable amount is based on the value in use, determined using the discounted cash flows estimated on the basis of both an explicit time frame and a terminal value.

The estimate of the expected operating cash flows, based on Cellularline's 2021-2024 Business Plan, was used for impairment testing purposes. Management deemed it appropriate to extend the Plan's timeframe to four years, also considering the ESMA recommendations, in order to give greater visibility to the progressive return to the pre-COVID-19 situation.

The 2021-2024 plan, approved by the Board of Directors on 17 February 2021, reflects (i) the more significant and prolonged expected impact of COVID-19 on the Group's performance compared with the Revised Business Plan 2020-2023 - used to prepare the impairment test for the half-year report - (ii) the change in the route-to-market for the German and Austrian market, both through new potential partners and through the opening of a possible direct channel/relationship with the main retailer in Germany following the centralisation of its activities; (iii) the acquisition of Worldconnect, whose turnover is expected to gradually recover, following the gradual normalisation of the Airport Travel Retail channel, from the end of 2022 - early 2023. In preparing the Plan, Management considered the forecasts for 2021 which were still strongly impacted by COVID-19; a market/channel/customer/product mix in substantial continuity with previous plans, except for the aforementioned route-to-market change in Germany and Austria and the aforementioned considerations described for travel retail. In terms of market share, management has assumed a substantially stable position in the local market and moderate growth in France, Spain and Portugal. The financial and performance assumptions are substantially in line with the Group's historical trends.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Management has carried out sensitivity analyses, which show that the Group's net invested capital and goodwill

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are sufficiently covered.

Trademarks

As explained in detail in the Director's Report, 2020 was affected by the epidemic and the global spread of COVID-19. As described, this event had a significant impact on the Group's business and therefore, in the preparation of the 2020 annual report. Management identified impairment indicators in accordance with IAS 36, which required the performance of an impairment test at the reporting date, also in accordance with the guidelines of the Authorities.

The Group has tested trademarks recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions at the reporting date.

The impairment testing referred to above was also carried out to identify any excess of the carrying amounts of trademarks with finite useful life over their recoverable amounts. Their recoverable amounts are based on their value in use, which, for trademarks with finite useful lives, is determined using the relief from royalties approach, deriving from expected revenue over an explicit period of time and terminal value.

The estimate of the net royalty flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment testing.

The fair value of the dominant asset is obtained by discounting the estimated future cash flows from theoretical royalties over the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Management has carried out sensitivity analyses, which show that the Group's net invested capital and goodwill are sufficiently covered.

Customer relationships

As explained in detail in the Director's Report, 2020 was affected by the epidemic and the global spread of COVID-19. As described, this event had a significant impact on the Group's business and therefore, in the preparation of the 2020 annual report. Management identified impairment indicators in accordance with IAS 36, which required the performance of an impairment test at the reporting date, also in accordance with the guidelines of the Authorities. The Group has tested customer relationship recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions at the reporting date.

The estimate of the expected operating cash flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment

testing.
The impairment testing referred to above was also carried out in order to identify any excess of the carrying amounts of customer relationships with finite useful lives over their recoverable amounts. Their recoverable amounts are based on the value in use, determined using the Multi Period Excess Earnings Method (MEEM), based on the assumption that the income generated by an asset identified as the dominant strategic asset can be determined as the difference between comprehensive income and normal remuneration of all other assets.
The fair value of the dominant asset is measured by discounting the estimated residual income for the years of the asset's residual life.
Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Trade receivables
The loss allowance reflects management 's estimate of credit losses on trade receivables. -It is estimated based on the Group's expected credit losses, taking into account expected future changes in the counterparties' credit ratings, current and previous past due amounts, losses and collections, monitoring of credit quality and projections of economic and market conditions. The Group has adopted a specific credit assessment and allowance determination procedure.
Despite the global COVID-19 pandemic, the Group, operating mainly with counterparties of high credit standings, has not suffered and is not experiencing a significant increase in credit risk on its trade receivables.

Inventories
The allowance for inventory write-down reflects the Group companies' estimate of losses in the value of inventories that have already occurred or that are expected to occur, determined on the basis of past experience, and historical and expected sales trends. The allowance for inventory write-down takes into account the commercial obsolescence for each category of products on the basis of inventory turnover rates, market values and specific technical assessments related to technological developments. In 2020, the measurement of inventories was affected by the pandemic, resulting in extraordinary write-downs of approximately 1,450 thousand.

Stock grant plan
The stock grant plan was measured using two methods: the binomial options pricing and the Black & Scholes models.

Recoverability of deferred tax assets
The Group's consolidated financial statements include deferred tax assets, which were accounted for considering

their recoverable amounts, on the basis of the future taxable income that Group companies are expected to generate.

Provisions for risks

As it operates globally, the Group is subject to legal and tax risks deriving from the 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 Most significant accounting policies used in the preparation of the consolidated financial statements

The consolidated financial statements are presented in Euro, the Parent's functional and presentation currency.

Transactions in foreign currencies are translated into the functional currency of each Group company at the exchange rate in force at the date of the transaction.

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

The exchange rates used to translate into Euro the financial statements of Worldconnect and Immobiliare Helvetica as at and for the year ended 31 December 2020 were as follows:

Currency	2020 average	31 December 2020	2019 average	31 December 2019
Euro/CHF	1.070	1.082	1.112	1.085

Intangible assets

Intangible assets acquired or generated internally are recognised as assets, in accordance with IAS 38, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets with finite useful lives are measured at the costs incurred to acquire or internally generate the asset, net of accumulated amortisation and impairment losses.

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

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

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Category	Amortisation rate
Development costs	50%
Customer relationships	7.7%
Software	33%
Licenses	33-50%
Cellularline trademark	5.5%
Interphone trademark	10%
Trade agreement	14%
Skross trademark	10%
2QPower trademark	10%
Worldconnect customer relationships	7%
Worldconnect patents	10%
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 assets when the project is expected to be successful, taking into account the business opportunities of the project, provided that the costs can be reliably measured and provided that appropriate analyses demonstrate that they will generate future economic benefits. For the Group, development has always been treated as an "ordinary" activity in which the results of research are applied for continuous and constant improvement; consequently, development is ongoing throughout the year, with the exception of specific limited development projects that have led to the creation of innovative technologies. Advertising expenses, which do not meet the requirements of IAS 38, are taken to profit or loss for the year.

Customer relationships

The purchase price allocation procedure entailed the appraisal of the Group's customer relationships as the sum of its customer relationships relating to the Red, Blue and Black lines, in addition to the customer relationship acquired with the recent acquisition of Worldconnect.
Customer relationships refer to the existing contracts entered into with key customers, enabling the Group to limit access by third parties through the consolidated relationship it has established with the customers. The fair value of customer relationships can be reliably measured as it is possible to identify the economic benefits attributable to this asset by monitoring the revenue generated by individual customers for each product line. The residual useful life, also considering the customer attrition rate, i.e. the percentage of customers who historically interrupt their trade relationships with the Company after a given period of time, can be estimated at 13 years.
The Group has tested customer relationships recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions at the reporting date.
The Group used an independent advisor to measure this item.

Software, licenses and brands

This item mainly includes the effect of the purchase price allocation procedure for the fair value of the Cellularline and Interphone brands, in addition to the brands acquired with the recent acquisition of Worldconnect.
For the purpose of estimating the fair value, a royalty rate was considered, based on the analysis of comparable market transactions, and applied to the cash flows attributable to the each asset. These flows were expressed net of marketing costs aimed at maintaining the intangible asset at the conditions in which it was at the measurement date and net of the related tax burden. The value of the asset is the sum of the present values of the cash flows.
The trademarks in question may be separated from the Company and transferred, sold or licensed for use to a third party and the Company has the option of limiting access by third parties as they are registered trademarks. In addition, the Company receives the economic benefits attributable to them, reflected in the revenue of the Red line for the Cellularline brand, recognised in Europe for smartphone and tablet accessories for over 25 years, and in the revenue of the Black division for the Interphone brand. The estimated useful lives of these trademarks are 18 and 10 years, respectively.
The Group has tested trademarks recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions parameters at the reporting date.
The Group used an independent advisor to measure this item.
Software costs, including ancillary expense, relate to software acquired for the Group's use. Licenses refer to software licenses dedicated to specific service contracts.

Patents

This item mainly includes the effect of the purchase price allocation procedure for the fair value of the patents acquired with the recent acquisition of Worldconnect.
The Dual Excess Earnings Model (DEEM) was used for the measurement of the Patents, as well as for the Customer Relationship. The Dual Excess Earnings Model is a particular application of the MEEM (Multi-period Excess Earnings Method), to which it is necessary to refer in the presence of two dominant intangible assets and after alternative measurement solutions were considered not applicable/appropriate. The useful life is ten years based on an estimate of the competitive positioning to which the patented products refer. The obsolescence factor considered is the "linear" type, in line with practice and consistent with the useful life identified by Management.
The Group used an independent advisor to measure this item.

Trade agreement

The purchase price allocation procedure, carried out following the acquisition of the company Systema, entailed the appraisal of a trade agreement with a leading international telephone operator. In 2006, Systema started the production and marketing of accessories for a leading international telephone operator, establishing a long-term strategic partnership. The asset qualifies as a trade agreement of a contractual nature 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 both parties having the right to withdraw; the relationship remained continuously in place from 2006 to the date of the Business Combination on 3 April 2019;
- sales are regulated at conditions which guarantee a normal return on investment and an extra income.

The trade agreement meets the requirements identified by IFRS 3 (Business Combination) and IAS 38 (Intangible Assets) for the identification and measurement of intangible assets.

The trade agreement was measured using the Multi-period Excess Earnings Method (MEEM); this method works on the assumption that the income generated by the asset identified as the dominant income-generating asset can be determined as the difference between comprehensive income and the normal remuneration of all other assets (intangible assets and PPE). The fair value of the primary asset is obtained by discounting the expected residual excess earnings over the residual useful life of the asset (multi-period).

The Group used an independent advisor to measure this item.

Goodwill

Goodwill acquired in business combinations is initially recognised at cost and represents the excess of the acquisition cost over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees. Any negative difference, "negative goodwill", is recognised in profit or loss at the time of acquisition.

When a subsidiary is acquired in a business combination achieved in stages, the individual assets and liabilities of the subsidiary are not measured at fair value in each subsequent stage and goodwill is only determined in the first acquisition stage.

After initial recognition, goodwill is shown net of impairment losses, determined as described below.

At the acquisition date, any emerging goodwill is allocated to each of the cash generating units expected to benefit from the synergies achieved as a result of the acquisition. Any impairment losses are identified through assessments of the ability of each cash-generating unit to generate cash flows capable of recovering the portion of goodwill allocated to it, in the manner indicated in the section on property, plant and equipment. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist.

When part or all of an acquiree whose acquisition generated goodwill is sold, the residual carrying amount of goodwill is considered when calculating the gain or loss on the sale.

Goodwill is not subject to amortisation.

Impairment

Based on the above considerations, the Group tests, at least once a year for goodwill, the recoverable amounts of intangible assets, property, plant and equipment, and financial assets, in order to determine whether there is any indication that they are impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss.

When it is not possible to estimate the recoverable amount of a single asset, the Group estimates this amount at

the individual company level, which represents the smallest independent cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).
If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the asset or cash-generating unit is increased to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is immediately recognised in profit or loss.
The Group used an independent advisor to measure this item.

Property, plant and equipment

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

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

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

cellularline

Right-of-use assets

The Group has adopted IFRS 16 (Leases) from 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which came into force on 1 January 2019, did not have a significant impact on the Group's consolidated financial statements.

IFRS 16 introduced a single model of accounting for leases in the financial statements of lessees whereby the Group, as lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The accounting methods for the lessor, on the other hand, remain similar to those provided for by the previously applicable standard.

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

Definition of leasing

In accordance with IFRS 16, the Group assesses whether the contract is a lease or contains a lease on the basis of the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Lessee accounting model

The Group leases assets such as buildings and motor vehicles. As a lessee, the Group previously classified leases as operating or financial, assessing whether the lease transferred substantially all the risks and rewards of ownership. In accordance with IFRS 16, the Group recognises the right-of-use assets and the lease liabilities in the statement of financial position.

However, the Group has decided not to recognise right-of-use assets and lease liabilities of low value assets (less than USD 5,000). Therefore, the Group recognises the lease payments as a cost on a straight-line basis over the lease term.

The Group recognises the right-of-use assets that do not meet the definition of investment property under Right-of-use assets, which is the same item it uses to present the same kind of assets that it holds. Right-of-use assets that meet the definition of investment property are presented under Investment property.

The Group classifies lease liabilities under 'Other financial liabilities' in the condensed statement of financial position.

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, then at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any measurement of the lease liability. The right-of-use asset that meets the definition of investment property is recognised under the item of the same name and is initially measured at cost

and subsequently at fair value, in accordance with the Group's accounting policies.
The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounting them using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.
The lease liability is subsequently increased to reflect interest accrued on the lease liability and reduced to reflect the lease payments made and is remeasured if there is a change in future lease payments resulting from a change in the index or rate, if there is a change in the amounts that the Group expects to pay under a residual value guarantee or when there is a change in the assessment of an option to purchase the underlying asset, extend or terminate a lease.
The Group has estimated the lease term of certain contracts in which it acts as a lessee and which provide for renewal options. The Group's assessment of whether or not there is a reasonable certainty of exercising the option influences the estimated lease term, significantly impacting the carrying amount of the lease liabilities and right-of-use assets recognised.
The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- it applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease;
- it excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- it used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Associates

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

Equity investments in other companies

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

Financial assets and liabilities

The Group applied new IFRS 9 Financial Instruments as from 1 January 2018.

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

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

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

Recognition and measurement

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

Classification and subsequent measurement

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

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

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

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

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

Financial assets: subsequent measurement and gains and losses

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

Financial liabilities: classification, subsequent measurement and gains and losses

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

Derecognition

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

Offsetting

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

Impairment losses

Financial instruments and contract assets

The Group recognises loss allowances considering lifetime credit losses. Loss allowances for trade receivables and contract assets are always recognised considering lifetime credit losses.

To determine whether the credit risk of a financial asset has increased significantly after initial recognition, in order to estimate the expected credit losses, the Group considers information that reflect reasonable and supportable assumptions that are relevant and available. This includes quantitative and qualitative information and analyses, based on the Group's historical credit losses, on credit assessments and information on expected developments.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the expected credit losses that result from default events ona financial instrument that are possible within the 12 months after the reporting date (or a shorter period of time if the expected life of a financial instrument is less than 12 months).

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

Impaired financial assets

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

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

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

Write-off

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

Non-financial assets

At each reporting date, the Group verifies whether there is objective evidence of impairment based on the carrying

amounts of its non-financial assets, investment property, inventories and deferred tax assets; if, on the basis of this verification, there is indication that the assets are impaired, the Group estimates their recoverable amount. The recoverable amount of goodwill is estimated annually.

Inventories

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

Cash and cash equivalents

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

Employee benefits

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

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

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects that some or all of the expenditure covered by a provision for risks and charges will be reimbursed by another party (for example, through insurance contracts), it recognises a provision for the full amount of the liability and a separate asset for the expected reimbursement when it is virtually certain that reimbursement will be received. In this case, the cost of any related provision is taken to profit or loss, net of the amount recognised for the reimbursement. If the effect of the time value of money is material, the amount of a provision is discounted

using a pre-tax discount rate that reflects, where appropriate, the specific risks specific to the liability. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

The agents' severance indemnity provision (FISC) includes the annual accruals for the payment of indemnities to agents following termination.

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

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

Foreign currency translation

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

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

Recognition of revenue

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

Interest and financial income

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

Government grants

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

Financial expense

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

Income taxes

Current taxes

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

Deferred taxes

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). With reference to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the end of the reporting period.

Income taxes relating to items recognises directly in equity are recognised directly in equity and not in profit or

loss.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Earnings per share

Basic and diluted earnings per share are shown at the bottom of the income statement. Basic earnings per share are calculated by dividing the profit for the year attributed to owners of the parent by the weighted average of ordinary shares outstanding during the year, excluding treasury shares. To calculate 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, as along with the risks for which a liability is only possible, without allocating provisions for risks.

Risks for which a liability is probable are described in the notes and the amount is accrued, in accordance with the principle of fairness, in the provisions for risks. Risks of a remote nature are not taken into account.

2.5.1 Changes in accounting standards

The new accounting standards, amendments and interpretations, in force from 1 January 2020 and approved by the European Commission, are set out below:

- on 31 October 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material" with the aim of tune-fining and aligning the definition of "Material" in some IFRSs, so that it is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The application of the new amendment did not result in significant changes to the annual financial report as at and for the year ended 31 December 2020;
- On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern: a new chapter on measurement; better definitions and guidance, in particular with regard to the definition of liabilities; clarification of important concepts, such as stewardship, prudence and uncertainty in measurement.
- in September 2019, the IASB published the document "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)". This document shall apply to financial statements as at and for years starting on or after 1 January 2020. The document was approved on 15 January 2020 and published on 16 January 2020. The application of the new amendment did not result in significant changes to the annual financial report as at and for the year ended 31 December 2020;
- on 22 October 2018, the IASB published amendments to IFRS 3. The document "Amendment to IFRS 3 Business Combinations" introduced a much narrower definition of business than that contained in the current version of IFRS 3, as well as a logical path to follow to verify whether a transaction is a "business

combination" or a simple acquisition of an asset. The amendment did not entail significant changes to the annual financial report as at and for the year ended 31 December 2020.

The accounting standards, amendments and interpretations, in force from 1 January 2021 and approved by the European Commission, are set out below:

- on 18 May 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts. The new standard on insurance contracts aims to increase transparency on the sources of finance and the quality of profits made and to ensure a high level of comparability of results by introducing a single revenue recognition principle that reflects the services provided. IFRS 17 applies to financial statements for financial years beginning on 1 January 2021. This new accounting standard is not expected to have a significant impact on the Company's financial statements.

As at the date of approval of this Financial Report, the following new standards, amendments and interpretations were issued by the IASB, but not yet approved by the EU, some of which are still in the consultation phase, including the following:

- in January 2020, the IASB published the Amendment "Classification of Liabilities as Current or Non-current (Amendments to IAS 1)", which will apply from 1 January 2022;
- in September 2014, the IASB published the Amendment "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)". The entry into force of this document is deferred until the completion of the IASB project on the equity method;
- in January 2014, the IASB published the new standard "IFRS 14 Regulatory Deferral Accounts", IFRS 14 came into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities".

With the exception of the above, this Annual Financial Report has been prepared using the same accounting standards applied by the Company for the preparation of the Separate and Consolidated Financial Statements as at and for the year ended 31 December 2019.

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

Below are the new accounting standards or amendments to the standards, applicable for financial years beginning after 1 January 2020, whose early application is permitted. 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	Endorsement date	EU Regulation and date of publication
Changes to references to the Conceptual Framework in IFRSs	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

Standards, amendments and interpretations not yet endorsed by the European Union

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed by the European Union at 31 December 2020.
The following documents will only become applicable after EU endorsement:

Description	Expected date of entry into force
IFRS 17 "Insurance Contracts" (issued on 18 May 2017)	on or after 1 Jan. 2023
Amendments to IAS 1: *"Presentation of Financial Statements – Classification of liabilities as current or non-current"* (issued on 23 January 2020)	on or after 1 Jan. 2023
Amendments to: • IFRS 3 Business Combinations • IAS 16 Property, Plant and Equipment • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020 (all issued on 14 May 2020)	on or after 1 Jan. 2022
Amendments to IAS 1: *"Presentation of Financial Statements and IFRS Practice Statement 2:* Disclosure of Accounting Policies" (issued on 12 February 2021)	on or after 1 Jan. 2023
Amendments to IAS 8: "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (issued on 12 February 2021)	on or after 1 Jan. 2023

IFRS 17 Insurance Contracts is a new comprehensive standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure. This standard will replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to some guarantees and financial instruments with discretionary participation features.
On 23 January 2020, the IASB issued amendments to the definitions of current and non-current assets in IAS 1, providing a more general approach to the classification of liabilities under that standard, based on contractual arrangements.
On 14 May 2020, the IASB issued the following amendments:

- Amendments to IFRS 3 "Reference to the Conceptual Framework" to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting in the standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (so-called levies) assumed as part of a business combination; (iii) explain that contingent assets cannot be recognised as part of a business combination.
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", aimed at defining that revenue from the sale of goods produced by an asset before it is ready for its intended use must be entered in the profit and loss account together with production costs.

- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” aimed at providing clarifications on how to determine the onerousness of a contract;
- “Annual Improvements to IFRS Standards 2018- 2020 Cycle”, containing changes, primarily of a technical and editorial nature, to accounting standards.

The amendments to IAS 1 and IAS 8 are aimed at improving the disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies.

The IASB has also published for consultation a proposal to extend by one year the period of application of the amendment to IFRS 16 "Leases" issued in 2020 to assist lessees who benefit from suspensions of lease payments due as a result of COVID-19.

With reference to the standards and interpretations detailed above, their adoption is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenue.

2.7 Segment reporting

The Group has identified one operating segment, which includes all the services and products provided to customers, and it coincides with the entire Group. The Group's vision of a single business means that it has identified one single Strategic Business Unit (“SBU”).

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

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

3. Notes to the Statement of Financial Position

With reference to the years ending on 31 December 2020 and 31 December 2019, comments on the main items of assets and liabilities of the Consolidated financial statements are provided below.

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ASSETS

NON-CURRENT ASSETS

3.1 Intangible assets

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

The balance of intangible assets, broken down by category as at 31 December 2020 and 31 December 2019, is shown below:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical cost	**(Accumulated amortisation)**	**Carrying amount**	**Historical cost**	**(Accumulated amortisation)**	**Carrying amount**
Development costs	5,957	(4,857)	1,100	3,333	(2,680)	653
Industrial patents and intellectual property rights	23,581	(18,551)	5,030	19,042	(17,208)	1,834
Concessions, licenses, trademarks and similar rights	27,009	(6,628)	20,381	23,870	(5,320)	18,550
Customer relationships/Trade agreement	64,845	(16,466)	48,379	61,681	(7,483)	54,198
Assents under development and payments on account	49	-	49	317	-	317
Total intangible assets	**121,441**	**(46,502)**	**74,940**	**108,243**	**(32,691)**	**75,553**

The changes in intangible assets between 31 December 2019 and 31 December 2020, are shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**75,553**
Increases	2,452
Business combinations	9,896
(Decreases)	-
(Impairment of Customer Relationship)	(4,013)
(Amortisation)	(8,948)
Balance as at 31 December 2020	**74,940**

With reference to the consolidated financial statements at 31 December 2020, it should be noted that the Group made investments of EUR 2,452 thousand, mainly for the implementation of IT systems for the development of the E-Commerce platform and for R&D of product and brand.

In particular, investments are mainly attributable to:

- development costs of approximately EUR 1,115 thousand; this item includes the costs incurred for investments in specific product innovation projects. These are considered to generate long-term benefits, as they relate to projects under development, whose products are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which is normally two years.
- industrial patents and intellectual property rights, amounting to EUR 1,100 thousand: this item mainly includes software, i.e. the costs incurred for the implementation and development of the main

management programme and other specific applications, which are normally amortised over three years. The investments are mainly related to updates to the SAP management software and further innovations/IT projects, aimed at having increasingly effective and efficient information tools to support the organisational structure.

3.1.1 Impairment testing on trademarks

As at 31 December 2020, the trademarks with a finite useful life recognised in the consolidated financial statements amounted to EUR 20,381 thousand, net of accumulated amortisation.

As already described, the Group tested trademarks recognised in previous years as assets with a finite useful lives pertaining to Cellularline for impairment. The impairment test was carried out with the support of an independent advisor.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

This recoverable amount is based on the value in use determined, for trademarks with a finite useful life, using the relief from royalties method deriving from expected revenue over an explicit period of time and terminal value.

The estimate of the net royalty flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment testing

The fair value of the dominant asset is obtained by discounting the estimated future cash flows from theoretical royalties over the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

The result of the impairment test confirmed that trademarks are fully recoverable.

The fair values of all assets tested are higher than their carrying amounts at the reporting date, meaning there are no impairment losses.

In addition, sensitivity analyses were carried out that simultaneously consider a change in revenue and the royalty rate, in order to verify the impact of changes in these parameters on fair value and, consequently, on the difference between the latter and the carrying amounts of both trademarks (Cellularline and Interphone) tested (amounts in Euro millions).

Cellularline

Sensitivity analyses: Cover / (Impairment) of Cellularline's brand on Sales and Royalty Rate						
		Sales				
		-4,0%	-2,0%	0,0%	2,0%	4,0%
Royalty rate	4,0%	0,3	0,4	0,4	0,4	0,5
	4,5%	4,6	4,6	4,7	4,7	4,7
	5,0%	8,8	8,9	8,9	9,0	9,0
	5,5%	13,1	13,1	13,2	13,2	13,3
	6,0%	17,3	17,4	17,5	17,5	17,6

Interphone

Sensitivity analyses : Cover / (Impairment) of Interphone's brandon Sales and Royalty Rate						
		Sales				
		-4,0%	-2,0%	0,0%	2,0%	4,0%
Royalty rate	4,0%	0,3	0,3	0,4	0,4	0,4
	4,5%	0,6	0,6	0,6	0,6	0,6
	5,0%	0,8	0,8	0,8	0,9	0,9
	5,5%	1,0	1,0	1,1	1,1	1,1
	6,0%	1,2	1,3	1,3	1,4	1,4

The sensitivity analyses reported above show that potential impairment losses would only arise if all the variables considered collectively worsened.

The trademarks of the newly acquired Worldconnect were recently measured as part of the purchase price allocation.

3.1.2 Impairment test on Customer Relationship

As at 31 December 2020, the customer relationship with a finite useful life pertaining to Cellularline recognised in the consolidated financial statements amounted to EUR 48,379 thousand, net of accumulated amortisation and impairment losses.

As already described, the Group tested the customer relationship of Cellularline, recognised as assets with finite useful lives in previous years for impairment. The impairment test was carried out with the support of an independent advisor.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

Their recoverable amounts are based on the value in use, determined using the Multi Period Excess Earnings Method (MEEM), based on the assumption that the income generated by an asset identified as the dominant strategic asset can be determined as the difference between comprehensive and normal remuneration of all other assets.

The fair value of the dominant asset is measured by discounting the estimated future cash flows from theoretical royalties over the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

In accordance with IAS 36, in order to test the customer relationship recognised in the financial statements as at

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and for the year ended 31 December 2020 for impairment, the Directors carried out a specific impairment test, also through the assistance of an independent advisor.

The result of the impairment test led to the recognition of an impairment loss of EUR 4,013 thousand in the carrying amount of customer relationships, as a result of the negative impact of COVID-19 on the company's expected performance over the plan periods, also in view of the change in the route-to-market in the German and Austrian markets.

The customer relationship of the newly acquired Worldconnect was recently measured as part of the purchase price allocation.

3.2 Goodwill

The details of Goodwill as at 31 December 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	**Balance as at**	
	31 December 2020	**31 December 2019**
Goodwill	106,408	95,069
Total Goodwill	**106,408**	**95,069**

The changes in Goodwill, broken down for the period between 31 December 2019 to 31 December 2020 are shown below:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2019	**95,069**
Acquisitions	11,339
Increases	-
(Impairment losses)	-
Balance as at 31 December 2020	**106,408**

Goodwill as at 31 December 2020, amounting to EUR 106,408 thousand, increased compared with 31 December 2019 exclusively because of the residual (now definitive) gain of EUR 11,339 thousand, which arose from the application of IFRS 3 (explained below) in the measurement of the assets acquired from Worldconnect.

IFRS 3

On 23 July 2020, Cellularline S.p.A. completed the acquisition of 80% of the share capital of Worldconnect, a world leader in the premium travel adapter market. The Company consolidated on a line-by-line basis starting 1 August 2020.

A price of 80% of the share capital of Worldconnect, totalling CHF 15.8 million (approximately EUR 14.8 million) was paid for the acquisition. This consideration - determined taking into account both the Company's temporary performance resulting from COVID-19 and its medium-term growth prospects - was paid by Cellularline for CHF 10 million (approximately EUR 9.3 million) at the closing, while CHF 5.8 million (approximately EUR 5.3 million) will be paid twelve months after the closing, by July 2021.

In accordance with the investment agreement, up until the approval of the financial statements for the year ended 31 December 2024, Cellularline and the non-controlling shareholders of Worldconnect will have the power to exercise

their respective put & call options over the remaining share, equating to 20% of the share capital of Worldconnect, in multiple tranches. The amount to be paid by Cellularline for the purchase of each tranche. At the end of the financial year the debt valuation comes to EUR 4,210 thousand. The price for the purchase of the minority shares may be paid, fully or partly, with Cellularline shares.

With reference to this acquisition, the Group has identified the fair value of the assets acquired, liabilities and contingent liabilities assumed in accordance with IFRS 3.

From the date of acquisition, the acquired company contributed approximately EUR 813 thousand to the consolidated net turnover.

The fair value (corresponding to the book value) of the assets and liabilities at the acquisition date is indicated below:

(In thousands of Euro)	**23 July 2020**
Property, plant and equipment	873
Intangible assets	3,661
Right-of-use assets	308
Financial assets	6
Current assets	302
Deferred tax assets	0
Inventories	3,990
Trade receivables	942
Cash and cash equivalents	281
Total assets acquired	**10,362**
Financial liabilities	(4,641)
Other liabilities	(1,765)
Trade payables and other liabilities	(1,192)
Total liabilities assumed	**(7,598)**
Total acquired equity	**2,764**
Customer relationships	3,182
Trademarks	3,055
Patents	31
Deferred liabilities	(926)
Goodwill	11,402
Price paid	**19,508**

Accounting effects of the business combination

The reference accounting standard for business combinations is IFRS 3, which requires that all business combinations be accounted for by applying the "acquisition method".

The difference between the total consideration transferred and the net assets acquired resulting from the acquisition has been recognised as shown in the table below:

(In thousands of Euro)	**23 July 2020**
Total consideration transferred	19,508
Net assets acquired	(2,764)
Difference to be allocated	**16,744**
Customer relationships	3,182
Trademarks	3,055
Patents	31
Deferred liabilities	(926)
Goodwill	11,402

The estimated fair value of the assets acquired during the purchase price allocation procedure was measured with the support of an independent advisor.
The Dual Excess Earning Model (DEEM) was used to measure the Patents and Customer Relationships, while the Relief from Royalty Method was used to evaluate the Skross and Q2Power brands.
In relation to Customer Relationships, the parent's management considered it reasonable to assume a useful life of 14 years and a 7% churn rate.
In relation to patents, management has considered it reasonable to consider a useful life of ten years, due to the history and competitive positioning to which the patented products refer.
In relation to the Skross and Q2Power brands, the parent's management considered it reasonable to consider a useful life of ten years, given the history and competitive positioning of the brand, corroborated by a benchmarking analysis.
As required by IFRS 3, the difference between the price paid and the fair value (corresponding to the carrying amount) of the net assets acquired (amounting to EUR 16,744 thousand, net of the tax effect of EUR 926 thousand) has been allocated for

- EUR 3,182 thousand to Customer Relationship;
- EUR 2,953 thousand to the Skross brand;
- EUR 102 thousand to the Q2Power brand;
- EUR 31 thousand to Patents;
- EUR 11,402 thousand, residually, to goodwill.

3.2.1 Impairment testing on goodwill

As at 31 December 2020, goodwill recognised in the Group's consolidated financial statements amounted to EUR 106,408 thousand and was allocated to the sole cash-generating unit (hereinafter also referred to as the "CGU"), which coincides with the entire Cellularline Group.
For the purpose of impairment testing, management deemed it appropriate to maintain a single CGU, including following the acquisition of Worldconnect in 2020. This approach is consistent with what was done when the Group's CGU was first defined in 2018 and following the previous acquisition of Systema in 2019. The main factors considered by management for this assessment were: (i) the identification of a single "decision making process", integrated at Group level and strongly centralised on the basis of the Group's development plans, also

in the area of financial planning; (ii) the current and/prospective synergies between procurement activities, thanks also to the current supply chain specialised in the Far East; (iii) the widening of the range of its smartphone accessories and audio products - for all Cellularline Group brands - in Travel Retail, a sector in which the Group was already operating; (iv) a monitoring of company performance in line with the Group's current logic (Red, Black, Blue lines).

Once a year and each time there is an indication of impairment, the Group tests the recoverable amount of intangible assets, property, plant and equipment and financial assets, in order to determine whether there is any indication that these assets are impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. When, subsequently, an impairment loss on assets other than goodwill ceases to exist or decreases, the carrying amount of the asset or cash-generating unit is increased to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised.

The reversal of an impairment loss is immediately recognised in profit or loss.

In accordance with the applicable standards (IAS 36), to test goodwill for impairment at 31 December 2020, the Directors carried out a specific impairment test, with the support of an independent advisor.

In particular, the impairment test was carried out on the entire Group, which represents the cash generating unit to which the goodwill was allocated, on the basis of the performance and financial forecasts contained in the Business Plan approved by the Directors on 17 February 2021, for the period 2021-2024, and using the discounted cash flow model.

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

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

The discount rate used was the weighted average cost of capital ("Weighted Average Cost of Capital" or "WACC") of approximately 8.4% and an estimated sustainable growth rate ("g") of 1.35%. 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 noted that the estimates and data relating to the performance and financial forecasts to which the above parameters are applied are determined by Management on the basis of past experience and expectations of developments in the markets in which the Group operates.

The result of the impairment test confirmed the that the carrying amount of goodwill is fully recoverable.

The analyses carried out have led to an estimate of the recoverable amount, in the form of the Enterprise Value, of about EUR 310,5 million; this amount is higher than the carrying amount at the reporting date, meaning that there are no impairment losses.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

In addition, sensitivity analyses were carried out which simultaneously consider a change in:

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

1. Sensitivity on Cover - WACC and g-rate (€ million)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,40%	7,40%	8,40%	9,40%	10,40%
g-rate	0,40%	120,1	63,3	20,7	(12,4)	(38,9)
	0,90%	150,4	84,7	36,5	(0,4)	(29,5)
	1,35%	183,0	107,0	52,6	11,7	(20,1)
	1,90%	231,4	139,1	75,3	28,5	(7,3)
	2,40%	287,0	174,5	99,6	46,0	5,9

2. Sensitivity on Equity Value - WACC and g-rate (€ million)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,40%	7,40%	8,40%	9,40%	10,40%
g-rate	0,40%	330,4	273,6	231,0	197,9	171,4
	0,90%	360,8	295,0	246,8	209,9	180,9
	1,35%	393,3	317,3	262,9	222,1	190,3
	1,90%	441,7	349,5	285,6	238,8	203,0
	2,40%	497,4	384,9	309,9	256,3	216,2

- the WACC and EBITDA according to the Business Plan and the 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, and the Equity Value, which is the difference between the value in use and the net financial position (NFP) at the reporting date (amounts in millions of Euro).

3. Sensitivity on Cover - WACC and EBITDA (€ million)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,40%	7,40%	8,40%	9,40%	10,40%
Riduzione EBITDA	-	183,0	107,0	52,6	11,7	(20,1)
	(2,50%)	170,6	96,7	43,8	4,1	(26,8)
	(5,00%)	158,2	86,5	35,1	(3,5)	(33,6)
	(7,50%)	145,9	76,2	26,3	(11,2)	(40,3)
	(10,00%)	133,5	65,9	17,6	(18,8)	(47,1)

4. Sensitivity on Equity Value - WACC on EBITDA (€ million)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,40%	7,40%	8,40%	9,40%	10,40%
Riduzione EBITDA	-	393,3	317,3	262,9	222,1	190,3
	(2,50%)	380,9	307,1	254,2	214,4	183,5
	(5,00%)	368,5	296,8	245,4	206,8	176,8
	(7,50%)	356,2	286,5	236,6	199,2	170,0
	(10,00%)	343,8	276,2	227,9	191,5	163,3

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The sensitivity analyses reported above only revealed potential impairment losses if all the variables considered collectively worsened.

3.3 Property, plant and equipment

The specific table below shows changes in this item, indicating the historical cost, accumulated depreciation, changes in the year and the closing balance of each asset.

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

The balance of Property, plant and equipment, broken down by category as at 31 December 2020 and 31 December 2019, is shown below:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical cost	**(Accumulated depreciation)**	**Carrying amount**	**Historical cost**	**(Accumulated depreciation)**	**Carrying amount**
Land and buildings	6,361	(1,198)	5,163	6,349	(1,070)	5,279
Plant and machinery	2,972	(2,514)	458	2,694	(2,329)	365
Industrial and commercial equipment	7,301	(5,168)	2,133	6,028	(4,598)	1,430
Assets under construction and payments on account	169	-	169	68	-	68
Total Property, plant and equipment	**16,803**	**(8,880)**	**7,924**	**15,139**	**(7,977)**	**7,142**

The changes in Property, plant and equipment, broken down for the period between 31 December 2019 to 31 December 2020 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**7,142**
Increases	1,083
Acquisitions	867
(Decreases)	(87)
(Depreciation and impairment losses)/revaluations	(1,107)
Decrease in accumulated depreciation	26
Balance as at 31 December 2020	**7,924**

As at 31 December 2020 the item consisted mainly of buildings relating to the operating offices of Group companies for EUR 5,163 thousand and industrial and commercial equipment for EUR 2,133 thousand (mainly furniture, furnishings, office equipment and moulds).

The Group made capital expenditure of EUR 1,083 thousand, mainly relating to industrial and commercial equipment.

3.4 Right-of-use assets

This item, amounting to EUR 1,749 thousand (EUR 1,806 as at 31 December 2019), refers exclusively to the recognition of rights of use due to the initial application of IFRS 16 - Leases.

The changes in the year were as follows:

(In thousands of Euro)	**Right-of-use assets**
Balance as at 31 December 2019	**1,806**
Increases	543
Acquisition	306
(Decreases)	(92)
(Depreciation)	(814)
Balance as at 31 December 2020	**1,749**

The increases recorded in the financial year, equal to EUR 543 thousand, mainly refer to the stipulation of new contracts for the hire of motor vehicles and commercial vehicles.

3.5 Deferred tax assets and liabilities

The changes in Deferred tax assets and Deferred tax liabilities broken down for the period between 31 December 2019 to 31 December 2020 are shown below.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2019	**1,666**
Accruals in profit or loss	117
(Releases) in the comprehensive Income	(1)
Balance as at 31 December 2020	**1,782**

The balance as at 31 December 2019, amounting to EUR 1,782 thousand, includes EUR 1,065 thousand for deferred tax assets originating with the Parent mainly from accruals to taxed provisions and the impact of the application of IFRS, though not for taxation purposes.

The item also includes deferred tax assets recognised by the subsidiary Cellular Spain on accruals to taxed provisions and tax losses carried forward, for a total of EUR 432 thousand.

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

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

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

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Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2019	**21,352**
(Releases) in profit or loss	(18,781)
(Releases) in the comprehensive Income	(19)
Balance as at 31 December 2020	**2,552**

Deferred tax liabilities as at 31 December 2020 are primarily attributable to deferred tax on the fair value of the warrant and the PPA of Worldconnect and Systema; these liabilities relate to differences that are estimated to be reabsorbed in the medium to long term.

The change for the year, amounting to EUR 18,800 thousand, is mainly due to (*i*) the release of deferred taxes arising from the realignment between the statutory and tax values of the customer relationship and the Cellularline and Interphone trademarks, recorded following the purchase price allocation, amounting to EUR 18,159 thousand, and (*ii*) the release of deferred taxes on the PPA amortisation charge for the year, amounting to EUR 1,605 thousand.

With reference to point *(i)* above, it should be noted that this effect derives from the application of the provisions of two recent legislative measures:

- article 110, paragraph 8, of Decree-Law no. 104/2020, converted into Law no. 126/2020 introduced, for IAS adopters, the possibility of realigning the statutory and tax values of assets (property, plant and equipment and intangible assets legally protected) and equity investments, present in the financial statements as at and for the year ended 31.12.2019 and still present in those as at and for the year ended 31.12.2020, by paying a 3% substitute tax, to be paid in 3 equal annual instalments starting from June 2021. The realignment must be carried out in the financial statements relating to the year 2020, while the tax recognition of the amortisation/depreciation starts from the year 2021; the realigned value is, instead, recognised, for the purposes of a possible realisation, from 2024. The realigned values, net of the substitute tax, are kept in a tax-suspension reserve which can be released, in whole or in part, by paying a further substitute tax of 10%;
- Law no. 178 of 30.12.2020 - Budget Law 2021 - extended the possibility to carry out the realignment between statutory and tax values also to goodwill and other intangible assets, under the same conditions already provided for legally protected intangible assets.

The Company's Board of Directors therefore resolved to realign the statutory and tax values of the trademarks and the customer relationship, subject to the following conditions:

- trademarks: the assets subject to realignment are the Cellularline and Interphone trademarks, recorded in the financial statements for the year ended 31.12.2018 following the allocation of the merger deficit, having a total net value of EUR 17,244 thousand as at 31.12.2020. The 3% substitute tax amounts to EUR 517 thousand and this realignment will make annual amortisation of EUR 1,120 thousand deductible until 2035. The realignment also entails the release of the portion of deferred tax liabilities related to these

amortisations, previously non-deductible, amounting to EUR 4,811 thousand, with a positive impact on the 2020 Income Statement, net of substitute tax, of EUR 4,294 thousand;

- Customer relationship: this asset, recognised at the time of transition to International Accounting Standards, with reference to the effective date of the Business Combination, is realigned for a value of EUR 43,842 thousand as at 31.12.2020, already net of impairment testing. The 3% substitute tax amounts to EUR 1,315 thousand and this realignment will make annual depreciation of EUR 3,317 thousand deductible until 2033. The realignment also entails the release of the portion of deferred tax liabilities related to these amortisations, previously non-deductible, of EUR 13,348 thousand, with a positive impact on the 2020 Income Statement, net of substitute tax, of EUR 12,033 thousand;
- considering that (*i*) the Company's equity includes, among others, a share premium reserve equal to EUR 139,918 thousand, which is abundant compared to the amount to be bound (equal to EUR 59,253 thousand) and whose distribution is not foreseen or foreseeable as of today, and (*ii*) the hypothesis of the realisation of the tax burden on the distribution of the reserve in suspension is remote and distant in time, compared to the certain and immediate financial outlay foreseen for redemption, it was resolved to maintain this portion of the share premium reserve in tax suspension.

3.6 Financial assets

This item, amounting to EUR 555 thousand (EUR 552 thousand as at 31 December 2019), refers exclusively to the financial asset with the associate Cellular Swiss S.A. (measured using the equity method). On 12 June 2019, when the 2018 financial statements of the associate were approved, part of the amount due to the Parent's was subordinated (net asset of EUR 6,211 thousand as at 31 December 2018), for an amount of CHF 600 thousand (corresponding to approximately EUR 555 thousand at the 31 December 2020 exchange rate). This asset was accounted for net of the amortised cost effect.

CURRENT ASSETS

3.7 Inventories

Inventories as at 31 December 2020 amounted to EUR 32,963 thousand, net of the allowance for inventory write-down of EUR 1,531 thousand. Inventories include those at the Group's warehouse and goods in transit, for which the Group has already acquired ownership, for EUR 2,417 thousand (EUR 3,025 thousand as at 31 December 2019).

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

Inventories are made up as follows:

(In thousands of Euro)		
	31 December 2020	**31 December 2019**
Finished products and goods	31,049	19,368
Goods in transit	2,417	3,025
Advances	1,028	1,532
Gross inventories	**34,494**	**23,925**
(Allowance for inventory write-down)	(1,531)	(1,000)
Total Inventories	**32,963**	**22,925**

The increase of approximately EUR 10,569 thousand in gross inventories, compared to 31 December 2019, is mainly due to the following factors:

- EUR 4,236 thousand for the change in the consolidation area resulting from the acquisition of Worldconnect;
- EUR 7,445 thousand mainly due to the effect of the reduction in sales, which led to an increase in inventories, which will be progressively absorbed during 2021;
- EUR 608 thousand for lower goods in transit and advances deriving from the procurement and prepayment of some products which are expected to increase in purchase cost in subsequent months.

The carrying amount of inventories is adjusted by the allowance for inventory write-down, which includes the prudential write-down of goods at risk of potential obsolescence.

Changes in allowance for inventory write-down, between 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	**Allowance for inventory write-down**
Balance as at 31 December 2019	**(1,000)**
(Accruals)	(1,153)
Acquisition	(378)
Utilisations	1,000
Balance as at 31 December 2020	**(1,531)**

During the year, the Group, following an analysis of slow-moving products, accrued EUR 1,153 thousand to cover obsolete/slow-moving inventories (typical of the sector), in order to align their carrying amount whit their estimated realisable value.

The utilisation of EUR 1,000 thousand refers to partial scrapping of obsolete materials during 2020, also in order to optimise the logistic spaces.

3.8 Trade receivables

As at 31 December 2020 this item amounted to EUR 52,704 thousand (net of the loss allowance of EUR 3,377 thousand); as at 31 December 2019 this item was EUR 60,847 thousand.

Trade receivables as at 31 December 2020 and 31 December 2019 are shown in detail below:

(In thousands of Euro)	31 December 2020	31 December 2019
Trade receivables from third parties	50,837	57,865
Trade receivables from related parties (Note 5)	5,244	6,272
Gross trade receivables	**56,081**	**64,137**
(Loss allowance)	(3,377)	(3,291)
Total trade receivables	**52,704**	**60,847**

Gross trade receivables decreased compared to the previous year due to the decrease in sales volume. The aforementioned drop is less than proportional compared to the drop in annual turnover in consideration of the seasonality of sales, concentrated mainly in the second half of the year.

Changes in the Loss allowance as at 31 December 2020 are shown below:

(In thousands of Euro)	Loss allowance
Balance as at 31 December 2019	**(3,291)**
(Allowance arising from acquisition)	(56)
(Accruals)	(116)
Releases to profit or loss	.
Utilisations	86
Balance as at 31 December 2020	**(3,377)**

Impaired assets refer mainly to disputed amounts or customers subject to bankruptcy proceedings. The utilisations are for credit situations for which the elements of certainty and precision, or the presence of bankruptcy procedures in place, determine the removal of the position itself. As shown in the tables above, the loss allowance amounted to EUR 3,377 thousand as at 31 December 2020 and to EUR 3,291 thousand as at 31 December 2019.

Credit risk is the exposure to potential losses arising from non-performance of the obligations taken on by the counterparty. The Group has credit control processes in place that include customer creditworthiness analysies and credit exposure controls based on reports with a breakdown of due dates and average collection times.

The change in the loss allowance is the result of an analytical assessment of non-performing assets and assets that have been proven to be of uncertain recoverability as well as a general assessment based on the asset's historical credit loss. As at the date of the assessment, there were no significant effects that could be attributed to the consequences of the pandemic.

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

3.9 Current tax assets

The breakdown of current tax assets as at 31 December 2020 and 31 December 2019 is shown below:

Current tax assets

(In thousands of Euro)	31 December 2020	31 December 2019
Tax assets of prior years	1,504	3,580
VAT assets	-	208
Other assets	24	4
Total current tax assets	**1,528**	**3,792**

Current tax assets mainly include: (*i*) the residual tax credit accrued following the application of the Framework Agreement with the Revenue Office for the purposes of the patent box benefit, signed in March 2018, amounting to EUR 906 thousand, (*ii*) the tax credit for higher advances paid with respect to the amount due for the year 2020, amounting to EUR 467 thousand, (*iii*) the credit for taxes claimed for reimbursement, amounting to EUR 115 thousand and (*iv*) the credit for withholding taxes on interest income, amounting to EUR 24 thousand.

3.10 Financial assets

Financial assets amount to EUR 108 thousand (EUR 54 thousand as at 31 December 2019) and relate for EUR 57 thousand to security deposits and EUR 51 thousand to the fair value of derivative instruments outstanding as at 31 December 2020.

The Group has entered into forward currency purchase contracts (USD) (Vanilla Option) with leading banks to hedge the exchange rate risk in relation to purchases from suppliers located mainly in the Far East, which are settled in dollars in accordance with industry practice. As at the reporting date, the notional amount of forward currency contracts entered into was USD 24,000 thousand. All contracts open as of 31 December 2020 will expire during the year 2021. Changes in the fair value of these derivatives were recognised in profit or loss for the year.

3.11 Other assets

The breakdown of other current assets as at 31 December 2020 and 31 December 2019 is shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Prepaid expenses	4,244	5,123
Others	536	554
Total Other current assets	**4,780**	**5,677**

This item mainly includes prepaid expenses referring to the advance payment of contributions to customers following the agreement of new long-term trade agreements that will produce economic benefits in future periods.

3.12 Cash and cash equivalents

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

The breakdown of cash and cash equivalents as at 31 December 2020 and 31 December 2019 is shown below:

(In thousands of Euro)

	31 December 2020	31 December 2019
Bank accounts	8,616	32,078
Cash on hand	13	11
Total Cash and cash equivalents	**8,629**	**32,089**

Cash and cash equivalents amounted to EUR 8,629 thousand as at 31 December 2020 (EUR 32,089 thousand as at 31 December 2019). The item consists of cash on hand, securities and demand deposits or short-term deposits with banks that are currently available and readily usable. The decrease of EUR 23,460 thousand is mainly attributable to effects that are not strictly operational or ordinary, including, in addition to the aforementioned reduction in turnover deriving mainly from the effects of the COVID-19 pandemic:

- distribution of dividend for EUR 6,612 thousand on 20 May 2020;
- the payment of instalments on the outstanding bank loan for EUR 11,667 thousand, partially offset by the increase in bank loans and borrowings following the re-financing operation for EUR 5,000 thousand;
- outlay of approximately EUR 9,391 thousand for the purchase of 80% of Worldconnect (on 23 July 2020).
- outlay of approximately EUR 575 thousand for the purchase of an additional 15% in Pegaso S.r.l., parent of Systema.

For further details regarding the dynamics that influenced cash and cash equivalents, reference should be made to the Statement of Cash Flows and the Director's Report.

EQUITY AND LIABILITIES

3.13 Equity

Equity was EUR 208,455 thousand (EUR 202,518 thousand as at 31 December 2019), an increase mainly due to profit for the year and a decrease due to the distribution of a dividend of EUR 6,612 thousand, as resolved by the Shareholders' Meeting on 24 April 2020.

During the year ended 31 December 2020, there were no assets held for specific deals.

Share capital

The share capital as at 31 December 2020 amounts to EUR 21,343 thousand, divided into 21,673,189 ordinary shares and 195,000 special shares. There are also 6,130,954 warrants outstanding.

On 22 July 2019, Borsa Italiana S.p.A. commenced trading of the Parent's ordinary shares and warrants on the Mercato Telematico Azionario (MTA), with STAR status.

Other reserves

As at 31 December 2020, other reserves amounted to EUR 157,761 thousand (EUR 156,076 thousand as at 31 December 2019) and were mainly broken down as follows:

- Share premium, which amounts to EUR 139,918 thousand, including EUR 59,253 thousand in suspended taxation following the realignment of trademarks and customer relationships.
- Other reserves amounting to EUR 30,598 thousand which originate as a result of the effects application of the IFRS and the Business Combination which took place in 2018;
- Negative reserve for treasury shares in portfolio of EUR 15,189 thousand; in 2019 the Parent purchased 406,359 ordinary shares at an average price of EUR 7.11 for a total amount of EUR 2,889 thousand.

Retained earnings

As at 31 December 2020, retained earnings from consolidation amounted to EUR 15,451 thousand.

Profit for the year attributable to owners of the parent

2020 ended with a profit for the year attributable to the owners of the parent of EUR 13,900 thousand.

Earnings per share

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

(thousands of Euro)	**31 December 2020**	**31 December 2019**
Profit for the year attributable to owners of the parent	13,900	18,209
Average number of ordinary shares	20,037	20,221
Basic earnings per share	**0.694**	**0.901**

(thousands of Euro)	**31 December 2020**	**31 December 2019**
Profit for the year attributable to owners of the parent:	13,900	18,209
Average number of outstanding shares	20,037	20,221
Number of shares with a dilutive effect	-	-
Average number of shares to calculate the diluted earnings	20,037	20,221
Diluted earnings per share	**0.694**	**0.901**

Share-based payment arrangements

The Group has a stock grant plan in place (share-based payment) that allows key managers to purchase shares of the Parent. The following table summarises the main conditions of the stock grant plan:

Date of assignment	Number of instruments assigned	Vesting conditions	Contractual duration of options
4 June 2018	879,013 (*)	In proportion to the normal value	Three years

(*) of which 638,593 assigned to CEOs and key managers.

The options will vest, with the corresponding right of the beneficiaries to the free allocation of the relevant

shares, in proportion to the normal value, according to the scheme shown in the table below:

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

Reconciliation of the Parent's equity and profit for the year with consolidated equity and profit for the year.

The following table shows the reconciliation between the equity reported in the financial statements of the Parent as at 31 December 2020 and those reported in the consolidated financial statements as at that date (in Euro thousands).

RECONCILIATION OF PARENT'S EQUITY WITH CONSOLIDATED EQUITY	Equity as at 31/12/2018	Profit for 2019	Equity as at 31/12/2019	Profit for 2020	Equity as at 31/12/2020
Cellularline S.p.A.	**195,024**	**17,920**	**203,614**	**13,190**	**208,935**
IFRS effects	669	102	(2,368)	1,381	10,652
Differences between the adjusted equity of consolidated companies and their value in the Parent's financial statements	(394)	-	2,279	(765)	(10,488)
Measurement of Cellular Swiss at equity	(563)	120	(443)	346	(97)
Derecognition of intra-group gains	(361)	67	(294)	(252)	(546)
Cellularline Group	**194,375**	**18,209**	**202,518**	**13,900**	**208,456**

3.14 Financial liabilities (current and non-current)

The breakdown of current and non-current financial liabilities as at 31 December 2020 is shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Current bank loans and loans and borrowings from other financial backers	10,039	13,362
Non-current bank loans and loans and borrowings from other financial backers	35,027	37,621
Other current financial liabilities	6,668	2,694
Other non-current financial liabilities	5,961	3,023
Total financial liabilities	**57,695**	**56,700**

As at 31 December 2020, financial liabilities refer to the following

- EUR 44,603 thousand (net of amortised cost) for the bank loan agreed on 26 October 2020, in the refinancing transaction by 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 total capital amount of the loan is EUR 50 million, with repayment in six-monthly instalments of EUR 5,000 thousand each, with final repayment on 20 June 2025. The loan is subject to a financial covenant (leverage ratio) which has always been complied with at the closing date of the financial year. The interest on the loan accrues at a variable rate, calculated considering the Euribor plus a contractually-agreed spread (currently equal to the floor of 1.80%);
- EUR 5,332 thousand relating to the second tranche of the purchase of 80% of Worldconnect;
- EUR 4,820 thousand for the financial liability arising from the probable exercise of the put/call options relating to the acquisition of Systema and Worldconnect, respectively of EUR 610 thousand and EUR 4,210 thousand;
- EUR 1,823 thousand for the lease liability arising from application of IFRS 16;
- EUR 653 thousand for the financial liability relating to warrants;
- EUR 463 thousand for the loan taken out by Worldconnect, in connection with the COVID-19 emergency.

Financial liabilities as at 31 December 2020, gross of bank fees, are shown below:

(In thousands of Euro)	Inception	Maturity	Original amount	Interest rate	31 December 2020		
					Outstanding debt	current portion	non-current portion
Banca Popolare di Milano	26/10/2020	20/06/2025	25,000	1.80%	22,500	5,000	17,500
UBI Banca S.p.A.	26/10/2020	20/06/2025	25,000	1.80%	22,500	5,000	17,500
Bank loans and borrowings from other financial backers			**50,000**		**45,000**	**10,000**	**35,000**

The new agreement also provides for a line for acquisitions, amounting to EUR 20 million, aimed at supporting the strategy of growth by external lines, one of the main development guidelines pursued by the Group, which is currently not used by the Group.

Loans are measured at amortised cost in accordance with IFRS 9 and therefore their carrying amount, of EUR 45,066 thousand as at 31 December 2020 (EUR 56,700 thousand as at 31 December 2019), was reduced by transaction costs on loans.

A breakdown of financial liabilities by maturity is shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Within 1 year	16,707	16,056
From 1 to 5 years	40,783	40,644
Over 5 years	205	-
Total	**57,695**	**56,700**

3.15 Employee benefits

At 31 December 2020, the item amounts to EUR 720 thousand (EUR 774 thousand at 31 December 2019) and derives from the actuarial valuations of the parent's and Systema post-employment benefits (TFR). These valuations were made on the basis of the accrued benefits method using the "Project Unit Credit" method, as required by IAS 19.

The actuarial model is based on:

- discount rate of 0.34%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 0.8%;
- annual rate of increase in the post-employment benefits of 2.10%, which is equal to 75% of inflation plus 1.5 percentage points.

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

3.16 Provisions for risks and charges

Changes in the Provisions for risks and charges, between 31 December 2019 and 31 December 2020 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 2019	**409**	**1,656**	**-**	**2,065**
- of which current portion	*409*	*-*	*-*	*409*
- of which non-current portion	*-*	*1,656*	*-*	*1,656*
Accruals	-	224	-	224
Utilisations/Releases	(344)	(183)	-	(527)
Balance as at 31 December 2020	**65**	**1,697**	**-**	**1,762**
- of which current portion	*65*	*-*	*-*	*65*
- of which non-current portion	*-*	*1,697*	*-*	*1,697*

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 method.

The Agents' severance indemnity provision (FISC) refers to the measurement of the agents' severance indemnity of the Parent and Systema for the amount to be paid to agents for the termination of the agency relationship trough no fault of the agent. The actuarial valuation, in compliance with IAS 37, was carried out by quantifying future payments through the projection of the indemnities accrued at the reporting date by the agents operating until the presumed (random) termination date of the contractual relationship. For actuarial valuations, demographic and economic-financial assumptions were adopted; specifically, the discount rate was set with reference to the IBoxx Eurozone AA index in relation to the duration of the collective at 0.34%.

3.17 Trade payables

The breakdown of trade payables as at 31 December 2020 and 31 December 2019 is shown below:

(In thousands of Euro)

	31 December 2020	31 December 2019
Trade payables to third parties	15,485	19,056
Total trade payables	**15,485**	**19,056**

As at 31 December 2020, trade payables were down 18.7% compared to 31 December 2019, due to lower purchase volumes in the second half of the year. These payables relate to commercial transactions within normal payment terms, all due within one year.

3.18 Current tax liabilities

This item, amounting to EUR 1,869 thousand, mainly includes: (i) the liability for the substitute tax on the realignment of the statutory and tax amounts of the Cellularline and Interphone brands and customer relationships, amounting to EUR 1,833 thousand, to be paid in three equal instalments in June 2021, 2022 and 2023 and (ii) the balance due of the income taxes due in France on the taxable income generated by the permanent establishment located there.

3.19 Other liabilities

The breakdown of other liabilities as at 31 December 2020 and 31 December 2019 is shown below:

(In thousands of Euro)

	31 December 2020	31 December 2019
Due to employees	1,884	1,996
Tax liabilities	1,183	1,172
Social security liabilities	969	952
Other	1495	202
Total Other liabilities	**5,531**	**4,322**

As at 31 December 2020, the item amounts to EUR 5,531 thousand (EUR 4,322 thousand as at 31 December 2019) and mainly consists of:

- EUR 1,884 thousand due to employees for wages to be settled and bonuses;
- EUR 1,183 thousand for tax liabilities (withholdings tax and VAT);
- EUR 969 thousand due to social security institutions for contributions to be settled.

3.20 Other financial liabilities (current and non-current)

As at 31 December 2020, other current financial liabilities amounts to EUR 6,668 thousand (EUR 2,694 thousand at 31 December 2019) and consists:

- EUR 5,332 thousand relating to the liability for the purchase of Worldconnect, to be settled by July 2021;
- EUR 653 thousand relating to the financial liability for warrants issued by the Parent, expressed at the spot market price of 31 December 2020. On the basis of the parameters mentioned above and

applying the Mark to Market approach, in addition to the outstanding liabilities as at 31 December 2020, a change in fair value of EUR 796 thousand was recognised in profit or loss as financial income.

As at 31 December 2020, other non-current financial liabilities amounts to EUR 5,961 thousand (EUR 3,023 thousand as at 31 December 2019) and consists:

- EUR 4,820 thousand for the financial liability deriving from the probable exercise of the put/call options relating to the acquisition of Systema and Worldconnect, respectively of EUR 610 thousand and EUR 4,210 thousand;
- EUR 1,140 thousand for the lease liability deriving from the application of IFRS 16 (EUR 1,223 thousand as at 31 December 2019);

4. Notes to the Income Statement

Comments on the main items of income statement with reference to the years ending 31 December 2020 and 31 December 2019 are provided below.

4.1 Revenue from sales

As at 31 December 2020 revenue from sales amounts to EUR 104,540 thousand (EUR 140,440 thousand as at 31 December 2019).

As mentioned earlier, the Group's business is developed in a single operating segment and can be divided into three main product lines:

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

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

Revenue from sales by product line

(In thousands of Euro)					Change	
	2020	**% of revenue**	**2019**	**% of revenue**	**Δ**	**%**
Red – Italy	45,006	43.0%	66,076	47.0%	(21,070)	(31.9%)
Red – International	42,021	40.2%	56,332	40.1%	(14,311)	(25.4%)
Revenue from sales - Red	**87,027**	**83.3%**	**122,408**	**87.2%**	**(35,381)**	**(28.9%)**
Black – Italy	3,050	2.9%	4,116	2.9%	(1,066)	(25.9%)
Black – International	4,056	3.9%	3,720	2.6%	336	9.0%
Revenue from sales - Black	**7,106**	**6.8%**	**7,836**	**5.6%**	**(730)**	**(9.3%)**
Blue – Italy	7,867	7.5%	7,613	5.4%	254	3.3%
Blue – International	2,292	2.2%	1,927	1.4%	365	19.0%
Revenue from sales - Blue	**10,160**	**9.7%**	**9,540**	**6.8%**	**620**	**6.5%**
Other – Italy	**247**	**0.2%**	**656**	**0.5%**	**(409)**	**(62.3%)**
Total revenue from sales	**104,540**	**100.0%**	**140,440**	**100.0%**	**(35,900)**	**(25.6%)**

Revenue from sales by geographical area

(In thousands of Euro)					Change	
	2020	**% of revenue**	**2019**	**% of revenue**	**Δ**	**%**
Italy	56,171	53.73%	78,461	55.87%	(22,290)	(28.4%)
Benelux	9,511	9.10%	8,842	6.30%	669	7.6%
France	6,846	6.55%	7,157	5.10%	(311)	(4.3%)
Spain/Portugal	7,205	6.89%	6,364	4.53%	841	13.2%
Germany/Austria	6,800	6.50%	19,853	14.14%	(13,053)	(65.7%)
Eastern Europe	5,638	5.39%	5,847	4.16%	(209)	(3.6%)
Northern Europe	4,033	3.86%	4,819	3.43%	(786)	(16.3%)
Switzerland	4,294	4.11%	4,777	3.40%	(483)	(10.1%)
Middle East	922	0.88%	1,218	0.87%	(296)	(24.3%)
Other	3,120	2.98%	3,102	2.21%	18	0.6%
Total revenue from sales	**104,540**	**100%**	**140,440**	**100%**	**(35,900)**	**(25.6%)**

The decrease in the Italian market of 28.4% compared to the previous year and higher than the average in other European countries, is due to the above mentioned impact of the health emergency that has significantly penalised the national territory and the phenomena of stock reductions by the main Italian retailers, even in the weeks following the reopening of stores.
As regards international markets, there was a positive performance in Benelux (mainly due to the acquisition of Systema) and a significant decrease in the Germany/Austria market due to both the restrictions that affected both countries and the temporary effects of the change in the route-to-market in these countries.

4.2 Cost of sales

The cost of sales amounts to EUR 59,615 thousand at 31 December 2020 (EUR 75,824 thousand at 31 December 2019) and mainly includes the costs of purchasing and processing raw materials of EUR 54,787 thousand, personnel expense of EUR 2,164 thousand, logistics costs of EUR 1,938 thousand and related costs of EUR 726 thousand.

4.3 Selling and distribution costs

As at 31 December 2020, sales and distribution costs amount to EUR 22,823 thousand (EUR 25,360 thousand as at 31 December 2019); these consist of personnel expense (EUR 9,843 thousand), sales network commissions (EUR 4,798 thousand) and transport costs (EUR 5,735 thousand), as shown in the following table.

(In thousands of Euro)	2020	% of revenue	2019	% of revenue
Selling and distribution personnel expense	9,843	9.4%	9,924	7.1%
Commissions to agents	4,798	4.6%	5,867	4.2%
Transport	5,735	5.5%	5,696	4.1%
Travel costs	499	0.5%	988	0.7%
Advertising and commercial consultancy expenses	1,614	1.5%	1,243	0.9%
Other sales and distribution costs	334	0.3%	1,634	1.2%
Total selling and distribution costs	**22,823**	**21.8%**	**25,360**	**18.1%**

4.4 General and administrative costs

General and administrative costs mainly include amortisation of intangible assets of EUR 6,203 thousand arising from the purchase price allocation and non-recurring expense of EUR 1,578 thousand relating to the M&A transaction and other costs. (mainly recognized under administrative consultancy).

(In thousands of Euro)				
	2020	**% of revenue**	**2019**	**% of revenue**
Amortisation	9,114	8.7%	8,004	5.7%
Depreciation	1,707	1.6%	1,502	1.1%
Impairment	4,013	3.9%	-	-
Provisions for risks and impairment losses	139	0.1%	10	0.0%
Administrative personnel expense	4,691	4.5%	4,682	3.3%
Administrative, legal, personnel consultancy etc.	2,691	2.6%	2,846	2.0%
Commissions and fees	137	0.1%	186	0.1%
Directors' and Statutory Auditors' fees	868	0.8%	675	0.5%
Other general administrative costs	2,739	2.6%	2,507	1.8%
Total general and administrative costs	**26,099**	**25.0%**	**20,412**	**14.5%**

4.5 Other non-operating costs and revenue

Net other non-operating revenue for the year as at 31 December 2020 amounted to EUR 591 thousand and mainly refers to:

- the recovery of SIAE fees for EUR 740 thousand, offsetting the related costs of EUR 866 thousand;
- prior year income and expense amounting to EUR 354 thousand and EUR 516 thousand, respectively, and mainly attributable to certain medium-small differences in the allocation of premiums and commercial contributions.

It should also be noted that Other non-operating revenue (EUR 879 thousand) mainly includes internal work capitalized of EUR 750 thousand (Research and Development). The decrease is mainly due to the utilization of the loss allowance for EUR 442 thousand recognised in the previous year.

(In thousands of Euro)				
	2020	**% of revenue**	**2019**	**% of revenue**
Recoveries of SIAE fees	740	0.7%	833	0.6%
Recoveries from suppliers for promotions	-	-	268	0.2%
Prior year income (expense)	(162)	-0.2%	61	0.0%
(SIAE and CONAI contributions)	(866)	-0.8%	(966)	-0.7%
Other non-operating revenue	879	0.8%	1,302	0.9%
Total other non-operating revenue	**591**	**0.6%**	**1,505**	**1.1%**

4.6 Financial income and expense

Net financial income amounts to EUR 257 thousand (an expense of EUR 305 thousand as at 31 December 2019).

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The following table shows the breakdown of financial income:

(In thousands of Euro)	2020	% of revenue	2019	% of revenue
Interest income and other financial income	163	0.2%	208	0.1%
Income from fair value change in put/call	1,747	1.7%	-	-
Fair value gains on warrants	796	0.8%	1,264	0.9%
Total Financial income	**2,706**	**2.6%**	**1,472**	**1.0%**

Financial income of EUR 2,706 thousand refers to:

- EUR 1,747 thousand for the change, compared to the previous year, in the fair value of the put/call options relating to the purchase of the non-controlling interests in Systema and Worldconnect.
- EUR 796 thousand for the change, compared to the previous year, in the fair value of the warrants issued by the Group (no. 6,130,956 outstanding warrants at 31 December 2019);
- EUR 163 thousand mainly interest receivable and derivatives for Euro/Dollar exchange rate hedging.

The following table shows the breakdown of financial expense:

(In thousands of Euro)	2020	% of revenue	2019	% of revenue
Interest to banks	(1,713)	-1.6%	(1,575)	-1.1%
Interest to others (IFRS 16)	(72)	-0.1%	(113)	-0.1%
Bank commissions/fees	(664)	-0.6%	(89)	-0.1%
Total Financial expense	**(2,449)**	**-2.3%**	**(1,777)**	**-1.3%**

Financial expense of EUR 2,449 thousand mainly refer to:

- EUR 1,713 thousand for interest to banks, relating to the non-current loan. This amount includes the non-recurring financial expense relating to the amortised cost of the previous loan, of EUR 408 thousand;
- EUR 664 thousand for expense deriving from Euro/dollar exchange rate transaction;
- EUR 72 thousand for interest relating to leases.

4.7 Foreign exchange gains and losses

(In thousands of Euro)	2020	% of revenue	2019	% of revenue
Net foreign exchange gains/(losses) on trading	329	0.3%	(123)	-0.1%
Net foreign exchange gains on financial transactions	78	0.1%	44	0.0%
Net foreign exchange gains (losses)	**407**	**0.4%**	**(79)**	**-0.1%**

4.8 Gains and losses on equity investments

The net gain of EUR 345 thousand is due exclusively to the remeasurement of the equity investment in the associate Cellular Swiss, which measured using the equity method.

4.9 Income taxes

The breakdown of Income taxes for the years ended 31 December 2020 and 31 December 2019 is shown below:

(In thousands of Euro)		
	2020	**2019**
Current taxes of the year	(1,726)	(3,943)
Substitute tax on realignment	(1,833)	-
Current taxes of previous years	31	895
Deferred taxes	19,826	1,174
Total income taxes	**16,297**	**(1,874)**

Current taxes include current taxes of the year, amounting to EUR 1,726 thousand, and current taxes of previous years, received as refunds, amounting to EUR 31 thousand.

This item also includes the amount of the 3% substitute tax due on the realignment of the statutory and tax amount of trademarks and customer relationships, already described in detail in the paragraph on Deferred tax liabilities, amounting to EUR 1,833 thousand, to be paid in 3 equal instalments in June 2021, 2022 and 2023.

Deferred taxes of EUR 19,826 are as follows:

- revenue for the release of deferred tax liabilities arising from the realignment of the statutory and tax amount of trademarks and customer relationships, amounting to EUR 18,159 thousand;
- revenue from the release of deferred tax liabilities arising from the effect of amortisation on customer relationships and trademarks, amounting to EUR 1,605 thousand;
- costs for the accrual of deferred tax liabilities arising from the change in the fair value of the warrant, amounting to approximately EUR 191 thousand;
- revenue for other sundry items of EUR 129 thousand.

4.10 Basic and diluted earnings per share

Basic earnings per share were calculated by dividing the profit for the year by the average number of ordinary shares. The table below shows the details of the calculation:

(In thousands of Euro)		
	2020	**2019**
Profit attributable to owners of the parent	13,900	18,209
Average number of ordinary shares	20,221	20,221
Basic earnings per share	**0.694**	**0.901**

(thousands of Euro)		
	2020	**2019**
Profit for the year attributable to owners of the parent:	13,900	18,209
Average number of outstanding shares	20,221	20,221
Number of shares with a dilutive effect	-	-
Average number of shares to calculate the diluted earnings	20,221	20,221
Diluted earnings per share	**0.694**	**0.901**

4.11 Statement of cash flows

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

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

(In thousands of Euro)	2020	2019
Cash flows from operating activities		
Profit for the year	13,900	18,209
Adjustments for:		
- Amortisation, depreciation and impairment losses	14,884	9,710
- Net accruals and impairment losses	871	903
- (Gains)/losses on equity investments	(345)	(119)
- Accrued financial (income)/expense	(257)	1,553
- Income taxes	(16,297)	1,874
	12,757	**32,310**
Changes in:		
- (Increase) in inventories	(6,592)	(1,756)
- Decrease in trade receivables	8,996	2,686
- (Decrease) in trade payables	(4,731)	(5,722)
- Increase in other assets and liabilities	5,766	1,879
- Payment of employee benefits and change in provisions	(253)	(685)
Cash flows generated by/(used in) operating activities	**15,942**	**28,533**
Interest paid	(931)	(1,553)
Income taxes paid	(3,704)	(6,612)
Cash flows generated by/(used in) operating activities	**11,307**	**20,368**
Net M&A costs and other non-recurring costs	3,297	3,126
Adjusted net cash flows generated by/(used in) operating activities	**14,604**	**23,494**

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	2020	2019
Cash flows from investing activities		
Acquisition of subsidiary	(13,813)	(1,568)
Purchase of property, plant and equipment and intangible assets	(10,171)	(8,313)
Cash flows generated by/(used in) investing activities	**(23,984)**	**(9,881)**

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	2020	2019
Cash flows from financing activities		
Net (purchase)/sale of treasury shares	-	(2,889)
Other changes in equity	(1,351)	(1,028)
Other financial assets and liabilities	8,492	2,471
Decrease in financial liabilities	(11,035)	(13,334)
(Dividend distribution)	(6,612)	(6,088)
Payment of transaction costs relating to financial liabilities	(277)	481
Net cash flows (used in) financing activities	**(10,783)**	**(20,387)**

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5. Transactions with related parties

The Company has carried out, and continues to carry out, transactions of various kinds, mainly of a commercial nature, with related parties identified as required by IAS 24.

Transactions with related parties are neither atypical nor unusual and are part of ordinary course of business of the Group's companies. These transactions mainly concern (i) the supply of products and accessories for mobile telephony, (ii) the provision of services that are functional to the performance of the business and (iii) the provision of loans to the above-mentioned related parties.

Transactions with related parties, as defined by IAS 24 and governed by Article 4 of Consob Regulation 17221 of 12 March 2010 (and subsequent amendments), implemented by the Group up to 31 December 2020 concern mainly commercial transactions relating to the supply of goods and the provision of services.

The following is a list of the related parties with which transactions took place in 2020, indicating the type of relationship:

Related parties	Type and main relationship
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%)
Cellular Iberia S.L.	Company in which related natural persons have an interest (Stefano Aleotti (25%) and Piero Foglio (25%))
Crescita Holding S.r.l.	Crescita Holding s.r.l., a company directly and indirectly owned by Alberto Toffoletto (Chairman of Crescita until the date of the merger), Antonio Tazartes (Chairman of the Board of Directors), Marco Drago (director until the date of the merger), Massimo Armanini (director until the date of the merger) and Cristian D'Ippolito (director)
Heirs Alessandro Foglio Bonacini, Manuela Foglio, Monia Foglio 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 equity balances of Cellularline's transactions with related parties for 2020:

(In thousands of Euro)	Current trade receivables	Other non-current assets	(Trade payables)
Cellular Swiss S.A.	6,146	555	(930)
Cellular Iberia S.L.	28	-	-
Total	**6,174**	**555**	**(930)**
Impact on the financial statements item	*11.7%*	*100%*	*6.0%*

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

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The table below shows the balances of the transactions with related parties carried out by Cellularline in the income statement for 2020:

(In thousands of Euro)	**Revenue from sales**	**(Sales and distribution costs)**	**(General and administrative costs)**	**Other non-operating (costs)/revenue**
Cellular Swiss S.A.	4,146	-	-	(112)
Cellular Iberia S.L.	364	-	-	-
Shareholders	-	-	(50)	-
Other	-	-	(72)	-
Total	**4,510**	**-**	**(122)**	**(112)**
Impact on the financial statements item	*4.3%*	-	*0.5%*	*19%*

The main related parties with which Cellularline carried out transaction in 2020 are as follows:

- Cellular Swiss S.A.: commercial relationship involving the transfer of goods held for sale by Cellularline to Cellular Swiss S.A., with the latter recharging a portion of the commercial contributions incurred for the acquisition of new customers and/or the development of existing customers, in line with the Group's commercial policies;
- Cellular Iberia S.L.: commercial relationship relating to the transfer of goods held for sale by Cellularline to Cellular Iberia S.L.;
- shareholders of Cellularline S.p.A.: lease agreements with Cellularline as lessee, entered into with some of its shareholders, as lessors, notably:

(i) lease with Victor-Tex (the lessor are now Alessandro Foglio Bonacini's heirs) on 1 March 2010;

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

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

- lease agreement signed with Manuela Foglio, Monia Foglio Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 16 October 2017;
- Other: wages and salaries to employees relating to:
    - the sister of the Vice Deputy Chairman of the Board of Directors Piero Foglio, in office until 24 April 2020, whose remuneration is classified under general and administrative costs.

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6. Other information

Contingent liabilities

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

Risks

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

Guarantees granted in favour of third parties

There are no guarantees in favour of third parties.

Number of employees

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

AVERAGE NUMBER OF EMPLOYEES		
HEADCOUNT	**Average 2020**	**Average 2019**
Managers	15	11
Junior managers	38	39
Clerical staff	175	164
Blue collar workers	2	2
Apprentices	13	13
TOTAL	**243**	**229**

The increase in average headcount is due to the acquisition of Worldconnect.

Remuneration of Managing Directors and Key Managers

Category	**2020**	**2019**
(In thousands of Euro)		
Managing Directors	1,000	1,063
Other key managers	204	507
Total remuneration	**1,204**	**1,571**

Directors' and Statutory Auditors' fees

The Directors' fees for the 2020 amount to approximately EUR 298 thousand.

The Statutory Auditors fees for 2020 amount to approximately EUR 74 thousand.

Independent Auditors' fees

The Parent is required to prepare consolidated financial statements and, by resolution of the Shareholders' Meeting of 16 April 2019, appointed KPMG S.p.A. as independent auditor until the approval of the financial statements as at end for the year ended 31 December 2027. Fees for the statutory audit of the Parent's and the Group's financial statements (annual and half-yearly) amount to a total of approximately EUR 145 thousand, in addition to EUR 52 thousand for other accounting services as shown in the following table:

(In thousands of Euro)			
Type of services	**Recipient**	**2020**	**2019**
A) Audit services	Parent	117	111
B) Attestation services	Parent	8	8
C) Other services	Parent	40	3
Total – parent		**165**	**122**
A) Audit services(*)	Subsidiaries	28	12
B) Attestation services	Subsidiaries	-	-
C) Other services	Subsidiaries	4	4
Total – subsidiaries		**32**	**16**

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KEY EVENTS AFTER THE REPORTING DATE

Appointment of Chief Corporate & Financial Officer and Manager responsible for preparing the accounts
In February 2021, the Board of Directors appointed Davide Danieli as Group Chief Corporate & Financial Officer and Manager responsible for preparing the accounts, starting 21 April, pursuant to article 154-bis of the TUF [Consolidated Finance Act], with the approval of the Board of Statutory Auditors, as he meets the requirements in the articles of association to hold this office.

Reggio Emilia, 18 March 2021

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

1. We, the undersigned Christian Aleotti, in his capacity as Chief Executive Officer and Manager responsible for preparing the Cellularline Group's financial information, and Marco Cagnetta, in his capacity as Chief Executive Officer, attest, also considering the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- that the consolidated financial statements are consistent with the characteristics of the business;
- that the administrative and accounting procedures for the preparation of the consolidated financial statements as at and for the year ended 31 December 2020 have been effectively applied.

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

3. We also attest that:

3.1 the Consolidated Financial Statements as at and for the year ended 31 December 2020 of the Cellularline Group:

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

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

Reggio Emilia, 18 March 2021

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

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020:

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Notes	31/12/2020	Of which related parties	31/12/2019	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**6.1**	63,824		73,784	
Goodwill	**6.2**	93,857		93,857	
Property, plant and equipment	**6.3**	5,412		5,436	
Equity investments in subsidiaries and associates	**6.4**	19,022		3,690	
Right-of-use assets	**6.5**	972		1,451	
Deferred tax assets	**6.6**	1,065		999	
Financial assets	**6.7**	6,468	6,468	1,730	1,730
Total non-current assets		**190,620**		**180,947**	
Current assets					
Inventories	**6.8**	27,780		22,061	
Trade receivables	**6.9**	53,286	14,715	61,898	11,832
Current tax assets	**6.10**	1,525		3,580	
Financial assets		86		37	
Other assets	**6.11**	3,580		5,538	
Cash and cash equivalents	**6.12**	6,135		29,963	
Total current assets		**92,391**		**123,077**	
TOTAL ASSETS		**283,011**		**304,023**	
EQUITY AND LIABILITIES					
Equity					
Share capital	**6.13**	21,343		21,343	
Other reserves	**6.13**	157,056		155,660	
Retained earnings (losses carried forward)	**6.13**	17,346		8,691	
Profit for the year		13,190		17,920	
TOTAL EQUITY		**208,935**		**203,614**	
LIABILITIES					
Non-current liabilities					
Financial liabilities	**6.14**	34,564		37,621	
Deferred tax liabilities	**6.6**	1,240		20,852	
Employee benefits	**6.15**	324		384	
Non-current provisions for risks and charges	**6.16**	1,488		1,472	
Other financial liabilities	**6.14**	458		891	
Total non-current liabilities		**38,074**		**61,219**	
Current liabilities					
Financial liabilities	**6.14**	10,039		13,362	
Trade payables	**6.17**	13,944		19,867	
Current tax liabilities	**6.18**	1,889		264	
Current provisions for risks and charges	**6.16**	-		-	
Other liabilities	**6.19**	3,571		3,649	
Other financial liabilities	**6.20**	6,558		2,048	
Total current liabilities		**36,002**		**39,189**	
TOTAL LIABILITIES		**74,076**		**100,409**	
TOTAL EQUITY AND LIABILITIES		**283,011**		**304,023**	

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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

INCOME STATEMENT

(in thousands of Euro)	Notes	31/12/2020	Of which related parties	31/12/2019	Of which related parties
Revenue from sales	**7.1**	96,647	11,950	131,438	10,765
Cost of sales	**7.2**	(56,117)		(70,421)	
Gross operating profit		**40,530**		**61,017**	
Selling and distribution costs	**7.3**	(19,639)		(23,334)	
General and administrative costs	**7.4**	(23,338)	(122)	(19,040)	(86)
Other non-operating revenues/(costs)	**7.5**	492	(112)	1,465	
Operating profit/(loss)		**(1,955)**		**20,108**	
Financial income	**7.6**	976		1,474	
Financial charges	**7.6**	(2,392)		(1,755)	
Foreign exchange gains/(losses)	**7.7**	403		(79)	
Gains/(losses) on equity investments		-		(1)	
Profit/(loss) before tax		**(2,968)**		**19,747**	
Current and deferred taxes	**7.8**	16,158		(1,827)	
Profit for the year		**13,190**		**17,920**	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	Notes	31/12/2020	31/12/2019
Profit for the year		**13,190**	**17,920**
Other comprehensive income that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		6	(26)
Actuarial gains (losses) on provisions for risks		(62)	(117)
Gain/(losse) on translation of foreign operations		-	-
Income taxes on other comprehensive income		16	40
Other comprehensive income for the year		**(40)**	**(103)**
Total comprehensive income for the year		**13,150**	**17,817**

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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS

(in thousands of Euro)	**Notes**	**31/12/2020**	**31/12/2019**
Profit for the year		13,190	17,920
Amortisation, depreciation and impairment losses		13,767	9,294
Net impairment losses and accruals		523	328
Accrued financial (income)/expense		1,416	1,528
Current taxes		(16,158)	1,827
		12,738	**30,898**
(Increase)/decrease in inventories		(6,019)	(1,811)
(Increase)/decrease in trade receivables		8,585	(909)
Increase/(decrease) in trade payables		(5,923)	(146)
Increase/(decrease) in other assets and liabilities		5,443	131
Payment of employee benefits and change in provisions		(239)	(176)
Cash flows generated by operating activities		**14,584**	**27,987**
Interest paid		(901)	(1,528)
Income taxes paid		(3,401)	(6,516)
Net cash flows generated by operating activities		**10,282**	**19,942**
Acquisition of subsidiary, net of cash acquired		(10,000)	(2,260)
(Purchase)/sale of property, plant and equipment and intangible assets		(3,303)	(6,226)
Net cash flows used in investing activities		**(13,303)**	**(8,486)**
Other financial assets and liabilities		(5,789)	(577)
(Dividends/reserves distributed)		(6,612)	(6,088)
Net (purchase)/sale of treasury shares		-	(2,889)
Other changes in equity		(1,257)	-
Increase/(decrease) in loans from banks and others borrowings		(6,873)	(13,334)
Payment of transaction costs relating to financial liabilities		(276)	481
Net cash flows used in financing activities		**(20,807)**	**(22,407)**
Increase/(decrease) in cash and cash equivalents		**(23,828)**	**(10,950)**
Opening cash and cash equivalents	**6.12**	**29,963**	**40,913**
Closing cash and cash equivalents	**6.12**	**6,135**	**29,963**

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STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)	Notes	Share Capital	Other reserves	Retained earnings/ (losses carried forward)	Profit/(loss) for the year	Non-controlling interests	Total Equity
Balance as at 31 December 2018		**21,343**	**144,397**	**(3,488)**	**32,772**	-	**195,024**
Allocation of profit for previous year		-	14,482	18,290	(32,772)	-	-
Dividend distribution		-	23	(6,111)	-	-	(6,088)
Comprehensive income		-	(104)	-	-	-	(104)
Other changes		-	(3,138)	-	-	-	(3,138)
Profit (loss) for the year		-	-	-	17,920	-	17,920
Balance as at 31 December 2019		**21,343**	**155,660**	**8,691**	**17,920**	-	**203,614**
Allocation of profit for previous year		-	1,436	16,484	(17,920)	-	-
Dividend distribution		-	-	(6,612)	-	-	(6,612)
Comprehensive income		-	(40)	-	-	-	(40)
Other changes		-	-	(1,217)	-	-	(1,217)
Profit (loss) for the year		-	-	-	13,190	-	13,190
Balance as at 31 December 2020	**6.13**	**21,343**	**157,056**	**17,346**	**13,190**	-	**208,935**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

1. Introduction

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

The separate financial statements are submitted for approval by the Shareholders' Meeting called for 28 April 2021, in line with the financial calendar approved by the Board of Directors on 11 November 2020.

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

As at 31 December 2020, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- Christian Aleotti 8.559%.
- First Capital S.p.A. 5.282%

2. Basis of preparation and accounting policies

The basis of preparation and the main accounting policies adopted in the preparation of the Financial Statements as at and for the year ended 31 December 2020 are described below. They have been applied consistently for all previous years.

The purpose of the notes is to illustrate the accounting policies adopted, to provide the information required by IFRS that is not contained in other parts of the financial statements, as well as to provide additional information that is not shown in the financial schedules, but is required to give a true and fair view of the Company's operations.

2.1 Basis of preparation and accounting policies

The financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis.

The financial statements are expressed in Euro, which is the company's functional currency. For the sake of clarity, the mandatory items under IAS 1 that show nil balances in both comparative periods, have been omitted from the schedules and tables.

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

- **Statement of financial position:** it presents current and non-current assets separately from current and non-current liabilities, with a description in the notes, for each asset and liability item, of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.
- **Income statement:** the classification of costs in the consolidated income statement is based on their function, showing the intermediate results relating to gross operating profit/(loss), net operating profit/(loss) and profit/(loss) before taxes.
- **Statement of comprehensive income:** this statement includes the profit/(loss) for the year and the expenses and income recognised directly in equity for transactions other than those carried out with shareholders.

- **Statement of cash flows:** the statement of cash flows shows cash flows from operating, investing and financing activities. Cash flows from operating activities are represented using the indirect method, through which the profit for the year is adjusted by the effects of non-monetary transactions, any deferral or accrual of previous or future collections or payments and revenue connected with the cash flows deriving from investing or financing activities.
- **Statement of changes in equity:** this statement includes, in addition to the result of the statement of comprehensive income, also the transactions that took place directly with the shareholders who acted in this capacity and the details of each component. Where applicable, it also includes the effects of changes in accounting policies for each item of equity.
- **Notes to the Separate Financial Statements.**

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

- Gross operating profit: this is the difference between revenue from sales and services and the cost of sales;
- Operating profit: this is the net profit for the year before financial income and expense and income taxes.

These operating results are not accounting measure in accordance with the IFRS and, therefore, should not be considered a substitute for assessing performance. Furthermore, the criteria for determining these operating results may not be consistent with those adopted by other companies and, therefore, that these data may not be comparable.

The Statement of Cash Flows has been prepared using the indirect method and shows the cash flows for the year, classifying them under operating, investing and financing activities.

With reference to CONSOB Resolution no. 15519 of 27 July 2006 on financial statement formats, it should be noted that the income statement and statement of financial position include mention of transactions with related parties.

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is determined by the aggregate acquisition-date fair values of the assets given, liabilities incurred or assumed and equity instruments issued by the Company in exchange for control of the acquiree.

Any goodwill deriving from the acquisition is only determined at acquisition, and is recognised as an assets and measured as the excess of the acquisition cost over the Group's interest in the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities recognised.

Non-controlling interests in the acquiree are initially measured in proportion to their interest in the fair values of the assets, liabilities and contingent liabilities recognised.

The acquisition of subsidiaries is accounted for using the acquisition method. The identifiable assets, liabilities and

contingent liabilities of the acquiree that meet the conditions for recognition in accordance with IFRS 3 are recognised at their acquisition-date fair values, with the exception of non-current assets (or disposal groups), which are classified as held for sale in accordance with IFRS 5. These are recognised and measured at their fair values less selling costs.
Goodwill arising from the acquisition of control of an investee or business unit reflects the excess of the acquisition cost (aggregate consideration transferred in the business combination), plus the fair value of any previously held interest in the acquiree, over the acquisition-date fair values of the acquiree's identifiable assets, liabilities and contingent liabilities.
In an acquisition that does not entail control, goodwill can be determined at the acquisition date either in proportion to the percentage of control acquired or by measuring the fair value of non-total controlling interests. The choice of the valuation method can be made on a case-by-case basis for each transaction.
To determine goodwill, the consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Company at the acquisition date and the equity instruments issued in exchange for control of the acquiree, including the fair value of any consideration subject to the conditions set out in the acquisition contract.
Any goodwill adjustments may be recognised in the measurement period (which may not exceed one year from the acquisition date) due to subsequent changes in the fair value of payments subject to conditions or in the determination of the fair values of acquired assets and assumed liabilities, if goodwill could only be determined provisionally at the acquisition date and if such changes are determined to reflect new information about facts and circumstances existing at the date of the combination. In the event of the sale of interests in subsidiaries, the residual amount of goodwill attributable to them is included in the determination of the gain or loss on the sale.

2.2 Use of estimates and judgements in the preparation of the financial statements

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

Fair value

When measuring the fair value of an asset or a liability, the Company uses observable market data where possible. Fair values are categorised into three hierarchical levels the inputs to valuation techniques used measure fair value, as illustrated below:

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

- Level 3 inputs are unobservable inputs for the asset or liability.

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

Recoverability of goodwill, trademarks and customer relationships

Goodwill

The Company tests goodwill for impairment annually and whenever there is an indication of impairment. For the purposes of impairment testing, the recoverable amount generated by each cash generating unit was determined as value in use using the discounted cash flow model. In applying this method, the Company uses various assumptions, including the estimate of future increases in sales, operating costs, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate).

Changes in the main estimates and assumptions made in the preparation of the plan, and therefore of the impairment test, may change the value in use and the realisable value of the recognised assets.

The Company, with the support of an independent advisor, formalised an impairment test, whose criteria were approved by the Board of Directors on 18 March 2021, in order to identify any impairment losses caused by the excess of the carrying amount of the CGU, including goodwill, over its recoverable amount. This recoverable amount is based on the value in use, determined using the discounted cash flows estimated on the basis of both an explicit time frame and a terminal value.

The estimate of the expected operating cash flows, based on Cellularline's 2021-2024 Business Plan, was used for impairment testing purposes. Management deemed it appropriate to extend the Plan's timeframe to four years, also considering the ESMA recommendations, in order to give greater visibility to the progressive return to the pre-COVID-19 situation.

The 2021-2024 plan, approved by the Board of Directors on 17 February 2021, reflects (i) the more significant and prolonged expected impact of COVID-19 on the Company performance compared with the Revised Business Plan 2020-2023 - used to prepare the impairment test for the half-year report - (ii) the change in the route-to-market for the German and Austrian markets, both through new potential partners and through the opening of a possible direct channel/relationship with the main retailer in Germany following the centralisation of its activities.

In preparing the Plan, Management considered the forecasts for 2021 which were still strongly impacted by COVID-19; a market/channel/customer/product mix in substantial continuity with previous plans, except for the aforementioned route-to-market change in Germany and Austria and the aforementioned considerations described for travel retail. In terms of market share, management has assumed a substantially stable position in the local market and moderate growth in France, Spain and Portugal. The financial and performance assumptions are substantially in line with the Company's historical trends.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Management has carried out sensitivity analyses, which show that the Company's net invested capital and goodwill are sufficiently covered.

Trademarks

As explained in detail in the Director's Report, 2020 was affected by the epidemic and the global spread of COVID-19. As described, this event had a significant impact on the Company's business and therefore, in the preparation of the 2020 annual report, Management identified impairment indicators in accordance with IAS 36, which required the performance of an impairment test at the reporting date, also in accordance with the guidelines of the Authorities.

The Company has tested trademarks recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions at the reporting date.

The impairment testing referred to above was also carried out to identify any excess of the carrying amounts of trademarks with finite useful lives over their recoverable amounts. Their recoverable amounts are based on their value in use, which, for trademarks with finite useful lives, is determined using the relief from royalties approach deriving from expected revenue over an explicit period of time and terminal value. The estimate of the net royalty flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment testing.

The fair value of the dominant asset is obtained by discounting the estimated future cash flows from theoretical royalties over the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Customer relationships

As explained in detail in the Director's Report, 2020 was affected by the epidemic and the global spread of COVID-19. As described, this event had a significant impact on the Company's business and therefore, in the preparation of the 2020 annual report. Management identified impairment indicators in accordance with IAS 36, which required the performance of an impairment test at the reporting date, also in accordance with the guidelines of the Authorities. The Company has tested customer relationship recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation

procedure, updating assumptions at the reporting date.

The estimate of the expected operating cash flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment testing.

The impairment testing referred to above was also carried out in order to identify any excess of the carrying amounts of customer relationships with finite useful lives over their recoverable amounts. Their recoverable amounts are based on the value in use, determined using the Multi Period Excess Earnings Method (MEEM), based on the assumption that the income generated by an asset identified as the dominant strategic asset can be determined as the difference between comprehensive income and normal remuneration of all other assets.

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

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

Trade receivables

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

Inventories

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

Stock grant plan

The stock grant plan was measured using two methods: the binomial options pricing and the Black & Scholes models.

Recoverability of deferred tax assets

The Company's financial statements include deferred tax assets, which were accounted for considering their

recoverable amounts, on the basis of the future taxable income that the Company is expected to generate.

Provisions

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

2.3 Most significant accounting policies used in the preparation of the separate financial statements

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rate in force at the transaction date.

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

Intangible assets

Intangible assets acquired or generated internally are recognised as assets, in accordance with IAS 38, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets with finite useful lives are measured at the costs incurred to acquire or internally generate the asset, net of accumulated amortisation and impairment losses.

These assets are amortised on a straight-line basis over their estimated useful life, meaning 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 relationships	7.7%
Software	33%
Licenses	33-50%
Cellularline trademark	5.5%
Interphone trademark	10%
Other	33%

If the licences refer to specific service contracts, they are amortised over the term of the relevant contract.

Some of the above items are detailed below.

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Development costs

Costs for product development projects are recognised as intangible assets when the project is expected to be successful, taking into account the business opportunities of the project, provided that the costs can be reliably measured and provided that appropriate analyses demonstrate that they will generate future economic benefits. For the Company, development has always been treated as "ordinary" activity in which the results of research are applied for continuous and constant improvement; consequently, development is ongoing throughout the year, with the exception of specific limited development projects that have led to the creation of innovative technologies. Advertising expenses, which do not meet the requirements of IAS 38, are taken to profit or loss for the year.

Customer relationships

The purchase price allocation procedure entailed the appraisal of the Company's customer relationship, as the sum of its customer relationships relating to the Red, Blue and Black lines.

Customer relationships refer to the existing contracts with key customers, enabling the Company to limit access by third parties through the consolidated relationship it has established with customers. The fair value of customer relationships can be reliably measured as it is possible to identify the economic benefits attributable to this asset by monitoring the revenue generated by individual customers for each product line. The residual useful life, also considering the customer attrition rate, i.e. the percentage of customers who historically interrupt their trade relationships with the Company after a given time, can be estimated at 13 years.

The Company has tested customer relationships recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the assumptions at the reporting date.

The Company has used an independent advisor to assess this item.

Software, licenses and brands

This item mainly includes the effect of the purchase price allocation procedure for the fair value of the Cellularline and Interphone brands.

For the purpose of estimating the fair value, a royalty rate was considered, based on the analysis of comparable market transactions, and applied to the cash flows attributable to each asset. These flows were expressed net of marketing costs aimed at maintaining the intangible asset at the conditions in which it was at the measurement date and net of the related tax burden. The value of the asset is the sum of the present values of the cash flows.

The trademarks in question may be separated from the Company and transferred, sold or licensed for use to a third party and the Company has the option of limiting access by third parties as they are registered trademarks. In addition, the Company receives the economic benefits attributable to them, reflected in the revenues of the Red line for the Cellularline brand, recognised in Europe for smartphone and tablet accessories for over 25 years, and in the revenue of the Black line for the Interphone brand. The estimated useful lives of these trademarks are 18 and 10 years, respectively.

The Company has tested trademarks recognised as assets with finite useful lives for impairment considering their fair value for consistency with the method used in the purchase price allocation procedure, updating the

assumptions parameters at the reporting date.
The Company used an independent advisor to measure this item.
Software costs, including ancillary expense, relate to software acquired for company use. Licenses refer to software licenses dedicated to specific service contracts.

Goodwill

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

Impairment

Based on the above considerations, the Company tests, at least once a year for goodwill, the recoverable amounts of intangible assets, property, plant and equipment, and financial assets, in order to determine whether there is any indication that they are impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss.
When it is not possible to estimate the recoverable amount of a single asset, the Company estimates this amount at the individual company level, which represents the smallest independent cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).
If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the asset or cash-generating unit is increased to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised. The

reversal of an impairment loss is immediately recognised in profit or loss.
The Company used an independent advisor to measure this item.

Property, plant and equipment

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

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

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

Subsidiaries

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

Associates

The Company's investments in associates are measured using the equity method. An associate is a company over

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

Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortisation. After application of the equity method, the Company determines whether there is any objective evidence that its net investment in the associate is impaired. The income statement reflects the Company's share of the associate's profit (loss) for the year. If an associate recognises adjustments directly in equity, the Company recognises its share and presents it, where applicable, in the statement of changes in equity.

Equity investments in other companies

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

Financial assets and liabilities

The Company applied new IFRS 9 Financial Instruments as from 1 January 2018.

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

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

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

Recognition and measurement

Trade receivables and debt instruments issued are recognised when they originate. All other financial assets and liabilities are initially recognised at the trade date, i.e. when the Company becomes a contractual party to the financial instrument.

With the exception of trade receivables that do not contain a significant financing component, financial assets are initially measured at fair value plus or minus - in the case of financial assets or liabilities not measured at Fair Value Through Profit or Loss (FVTPL) - transaction costs directly attributable to the acquisition or issue of the financial asset. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

Classification and subsequent measurement

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

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

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

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

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

Financial assets: subsequent measurement and gains and losses

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

Financial liabilities: classification, subsequent measurement and gains and losses

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

Derecognition

- Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, when the contractual rights to receive cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or when the Company does not transfer nor substantially retain all the risks and rewards of ownership of the financial asset and has not retained control of the financial asset.

- Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. The Company also derecognises a financial liability in the event of a change in the related contractual terms when the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms. The difference between the carrying amount of the financial liability settled and the consideration paid (including assets not represented by transferred cash and cash equivalents or assumed liabilities) is recognised in profit or loss for the year.

Offsetting

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

Impairment losses

Financial instruments and contract assets

The Company recognises loss allowances considering lifetime credit losses. Loss allowances for trade receivables and contract assets are always recognised considering lifetime credit losses.

To determine whether the credit risk of a financial asset has increased significantly after initial recognition, in order to estimate the expected credit losses, the Company considers information that reflect reasonable and supportable assumptions that are relevant and available. This includes quantitative and qualitative information and analyses, based on the Company's historical credit losses, on credit assessments and information on expected developments.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period of time if the expected life of a financial instrument is less than 12 months).

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

Impaired financial assets

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

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

- significant financial difficulty of the Company or of the debtor;
- a breach of contract, such as a default or past-due event (more than 90 days);

- the restructuring of a debt or an advance by the Company under conditions that the Company not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

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

Non-financial assets

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

Inventories

Inventories are measured at the lower of purchase or production cost, determined using a method similar to weighted average cost, including incidental expenses, direct and indirect costs reasonably attributable to them and the estimated realisable value based on market trends.

If the net realisable value is lower than cost, the inventories are written down by the difference calculated separately for each item. The write-down is determined following a specific recoverability analysis and is reversed in subsequent years if the reasons for the write-down no longer exist, by reinstating the original value. Goods in transit are measured by specifically identifying the purchase cost.

Cash and cash equivalents

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

Employee benefits

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

The post-employment benefits of Italian companies until 31 December 2006 were considered a defined benefit plan. Under Law no. 296 of 27 December 2006, which amended the legislation applicable to these benefits, they are now to be considered a defined-benefit plan exclusively for the amounts accrued before 1 January 2007 (and not yet paid as at the reporting date), while after that date they are treated as a defined-contribution plan, since the amounts of post-employment benefits accrued after 1 January 2007 are transferred to the specific "Treasury Fund"

established by INPS (the Italian social security institution) or to another equivalent pension fund, in compliance with the provisions of the aforementioned legislation. Due to the legislative context, the composition of the company's workforce and its seniority, the effects deriving from the use of actuarial techniques and the discounting of future liabilities at the reporting date are considered to be immaterial, considering the nominal amount of the assets as a reliable approximation of the fair value of their expected settlement amount.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects that some or all of the expenditure covered by a provision for risks and charges will be reimbursed by another party (for example, through insurance contracts), it recognises a provision for the full amount of the liability and a separate asset for the expected reimbursement when it is virtually certain that reimbursement will be received. In this case, the cost of any related provision is taken t profit or loss, net of the amount recognised for the reimbursement. If the effect of the time value of money is material, the amount of a provision is discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

The agents' severance indemnity provision (FISC) includes the annual accruals for the payment of indemnities to agents following termination.

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

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

Foreign currency translation

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

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

Recognition of revenue

Revenue is recognised when control of goods or services is transferred and to the extent that the Company will receive the economic benefits and the amount can be measured reliably. In addition, they are 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 foreign exchange gains and losses and hedging gains and losses recognised in profit or loss.

Government grants

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

Financial expense

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

Dividends

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

Income taxes

Current taxes

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

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values of assets and liabilities and the corresponding carrying amounts.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred tax assets are recognised for all deductible temporary differences and for the carryforward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). With reference to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Risks, commitments, guarantees

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

Risks for which a liability is probable are described in the notes and the amount is accrued, in accordance with the principle of fairness, in the provisions for risks. Risks of a remote nature are not taken into account.

Right-of-use assets

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which became effective on 1 January 2019.

IFRS 16 introduced a single model of accounting for leases in the financial statements of lessees whereby the

Company, as lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The accounting methods for the lessor, on the other hand, remain similar to those provided for by the previously applicable standard.
The Company has used the option to adopt IFRS 16 with the modified retrospective method, which provides for the possibility of recognising the right-of-use asset as at 1 January 2019 for an amount equal to the lease liability remaining at that date, without recalculating the figures for the previous year.

Definition of leasing

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

Lessee accounting model

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

borrowing rate as the discount rate.

The lease liability is subsequently increased to reflect the interest accrued on the lease liability and reduced to reflect the lease payments made and is remeasured if there is a change in future lease payments resulting from a change in the index or rate, if there is a change in the amounts that the Company expects to pay under a residual value guarantee or when there is a change in the assessment of an option to purchase the underlying asset, extend or terminate a lease.

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

3 Changes in accounting standards

The new accounting standards, amendments and interpretations, in force from 1 January 2020 and approved by the European Commission, are set out below:

- on 31 October 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material" with the aim of tune-fining and aligning the definition of "Material" in some IFRS, so that it is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The application of the new amendment did not result in significant changes to the annual financial report as at and for the year ended 31 December 2020;
- On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern: a new chapter on measurement; better definitions and guidance, in particular with regard to the definition of liabilities; clarification of important concepts, such as stewardship, prudence and uncertainty in measurement.
- in September 2019, the IASB published the document "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)". This document shall apply to financial statements as at and for years starting on or after 1 January 2020. The document was approved on 15 January 2020 and published on 16 January 2020. The application of the new amendment did not result in significant changes to the annual financial report as at and for the year ended 31 December 2020;
- on 22 October 2018, the IASB published amendments to IFRS 3. The document "Amendment to IFRS 3 Business Combinations" introduced a much narrower definition of business than that contained in the current version of IFRS 3, as well as a logical path to follow to verify whether a transaction is a "business combination" or a simple acquisition of an asset. The amendment did not entail significant changes to the annual financial report as at and for the year ended 31 December 2020.

The accounting standards, amendments and interpretations, in force from 1 January 2021 and approved by the European Commission, are set out below:

- on 18 May 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts. The new standard on insurance contracts aims to increase transparency on the sources of finance and the quality of profits made and to ensure a high level of comparability of results by

introducing a single revenue recognition principle that reflects the services provided. IFRS 17 applies to financial statements for financial years beginning on 1 January 2021. This new accounting standard is not expected to have a significant impact on the Company's financial statements.

As at the date of approval of this Financial Report, the following new standards, amendments and interpretations were issued by the IASB, but not yet approved by the EU, some of which are still in the consultation phase, including the following:

- in January 2020, the IASB published the Amendment "Classification of Liabilities as Current or Non-current (Amendments to IAS 1)", which will apply from 1 January 2022;
- in September 2014, the IASB published the Amendment "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)". The entry into force of this document is deferred until the completion of the IASB project on the equity method;
- in January 2014, the IASB published the new standard "IFRS 14 Regulatory Deferral Accounts", IFRS 14 came into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities".

With the exception of the above, this Annual Financial Report has been prepared using the same accounting standards applied by the Company for the preparation of the Separate and Consolidated Financial Statements as at and for the year ended 31 December 2019.

4 Standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

Below are the new accounting standards or amendments to the standards, applicable for financial years beginning after 1 January 2020, whose early application is permitted. 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	Endorsement date	EU Regulation and date of publication
Changes to references to the Conceptual Framework in IFRSs	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

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

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed by the European Union at 31 December 2020.

The following documents will only become applicable after EU endorsement:

Description	Expected date of entry into force
IFRS 17 "Insurance Contracts" (issued on 18 May 2017)	on or after 1 Jan. 2023
Amendments to IAS 1: *"Presentation of Financial Statements – Classification of liabilities as current or non-current"* (issued on 23 January 2020)	on or after 1 Jan. 2023
Amendments to: • IFRS 3 Business Combinations • IAS 16 Property, Plant and Equipment • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020 (all issued on 14 May 2020)	on or after 1 Jan. 2022
Amendments to IAS 1: *"Presentation of Financial Statements and IFRS Practice Statement 2:* Disclosure of Accounting Policies" (issued on 12 February 2021)	on or after 1 Jan. 2023
Amendments to IAS 8: "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (issued on 12 February 2021)	on or after 1 Jan. 2023

IFRS 17 Insurance Contracts is a new comprehensive standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure. This standard will replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to some guarantees and financial instruments with discretionary participation features.

On 23 January 2020, the IASB issued amendments to the definitions of current and non-current assets in IAS 1, providing a more general approach to the classification of liabilities under that standard, based on contractual arrangements.

On 14 May 2020, the IASB issued the following amendments:

- Amendments to IFRS 3 "Reference to the Conceptual Framework" to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting in the standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (so-called levies) assumed as part of a business combination; (iii) explain that contingent assets cannot be recognised as part of a business combination.
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", aimed at defining that revenue from the sale of goods produced by an asset before it is ready for its intended use must be entered in the profit and loss account together with production costs.
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" aimed at providing clarifications on how to determine the onerousness of a contract;
- "Annual Improvements to IFRS Standards 2018- 2020 Cycle", containing changes, primarily of a technical and editorial nature, to accounting standards.

The amendments to IAS 1 and IAS 8 are aimed at improving the disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help

companies distinguish between changes in accounting estimates and changes in accounting policies.

The IASB has also published for consultation a proposal to extend by one year the period of application of the amendment to IFRS 16 "Leases" issued in 2020 to assist lessees who benefit from suspensions of lease payments due as a result of COVID-19.
With reference to the standards and interpretations detailed above, their adoption is not expected to have a material impact on the measurement of the Company's assets, liabilities, costs and revenue.

5 Segment reporting

The operating segments identified by the Company, which includes all the services and products provided to customers, is unique.
The Company's activities develop through a single operating segment and can be divided into three main product lines:

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

6 Notes to the Statement of Financial Position

The following are the notes to the main assets and liabilities in the separate financial statements of Cellularline S.p.A. as at 31 December 2020 and 2019.

ASSETS

NON-CURRENT ASSETS

6.1 Intangible assets

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

Intangible assets as at 31 December 2020 and 31 December 2019 are detailed below.

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical cost	(Accumulated amortisation)	Carrying amount	Historical cost	(Accumulated amortisation)	Carrying amount
Development costs	4,628	(3,859)	769	3,283	(2,635)	648
Industrial patents and intellectual property rights	20,143	(18,414)	1,729	19,006	(17,173)	1,833
Concessions, licenses, trademarks and similar rights	23,947	(6,499)	17,448	23,870	(5,320)	18,550
Customer relationships	59,707	(15,878)	43,829	59,707	(7,271)	52,436
Assents under development and payments on account	49	-	49	317	-	317
Total intangible assets	**108,474**	**(44,650)**	**63,824**	**106,183**	**(32,399)**	**73,784**

The changes in Intangible assets, broken down for the period between 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**73,784**
Increases	2,298
(Decreases)	-
(Amortisation and impairment losses)/revaluations	(8,245)
(Decreases) in Accumulated amortisation	(4,013)
Balance as at 31 December 2020	**63,824**

With reference to 31 December 2020, it should be noted that the Company has made investments of EUR 2,298 thousand.

In particular, investments are mainly attributable to:

- development costs of approximately EUR 1,115 thousand; this item includes the costs incurred for investments in specific product innovation projects. These are considered to generate long-term benefits, as they relate to projects under development, whose products are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which is normally two years.
- industrial patents and intellectual property rights, amounting to EUR 1,100 thousand: this item mainly includes software, i.e. the costs incurred for the implementation and development of the main

management programme and other specific applications, which are normally amortised over three years. The investments are mainly related to updates to the SAP management software and further innovations/IT projects, aimed at having increasingly effective and efficient information tools to support the organisational structure.

6.1.1 Impairment test on trademarks

As at 31 December 2020, the trademarks with a definite useful life recognised in the financial statements amounted to EUR 17,448 thousand, net of accumulated amortization.

As already described, the Company has tested trademarks recognised as assets with a finite useful lives of Cellularline for impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

This recoverable amount is based on the value in use determined, for trademarks with a finite useful lives, using the relief from royalties approach deriving from expected revenue over an explicit period of time and terminal value. The estimate of the net royalty flows, derived from the Cellularline Group 2021-2024 Business Plan, which also reflects the expected impact of COVID-19 on Group's performance, has been used for impairment testing.

The fair value of the dominant asset is obtained by discounting the estimated future cash flows from theoretical royalties over the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

As required by the applicable standard (IAS 36), in order to verify any impairment of trademarks recorded in the financial statements as at 31 December 2020, the Directors carried out a specific impairment test, with the support of an independent advisor.

The result of the impairment test confirmed that trademarks are fully recoverable.

The fair values of all assets tested are higher than their carrying amounts at the reporting date, meaning there are no impairment losses.

In addition, sensitivity analyses were carried out that simultaneously consider a change in revenue and the royalty rate, in order to verify the impact of changes in these parameters on fair value and, consequently, on the difference between the latter and the carrying amounts of both trademarks (Cellularline and Interphone) tested (amounts in Euro millions).

Cellularline

Sensitivity analyses: Cover / (Impairment) of Cellularline's brand on Sales and Royalty Rate						
		Sales				
		-4,0%	-2,0%	0,0%	2,0%	4,0%
Royalty rate	4,0%	0,3	0,4	0,4	0,4	0,5
	4,5%	4,6	4,6	4,7	4,7	4,7
	5,0%	8,8	8,9	8,9	9,0	9,0
	5,5%	13,1	13,1	13,2	13,2	13,3
	6,0%	17,3	17,4	17,5	17,5	17,6

Interphone

Sensitivity analyses : Cover / (Impairment) of Interphone's brandon Sales and Royalty Rate						
		Sales				
		-4,0%	-2,0%	0,0%	2,0%	4,0%
Royalty rate	4,0%	0,3	0,3	0,4	0,4	0,4
	4,5%	0,6	0,6	0,6	0,6	0,6
	5,0%	0,8	0,8	0,8	0,9	0,9
	5,5%	1,0	1,0	1,1	1,1	1,1
	6,0%	1,2	1,3	1,3	1,4	1,4

The sensitivity analyses carried out above did not reveal any potential impairment losses even in the event of a joint deterioration of all the variables considered.

6.1.2 Impairment test Customer Relationship

As at 31 December 2020, the customer relationship with a defined useful life recognised in the financial statements amounted to EUR 43,829 thousand, net of accumulated amortization.

As already described, the Company tested customer relationships of Cellularline recognised as assets with finite useful lives for impairment. The impairment test was carried out with the support of an independent advisor.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

Their recoverable amounts are based on value in use, determined using the Multi Period Excess Earnings Method (MEEM), which is based on the assumption that the income generated by an asset identified as a dominant strategic asset can be determined as the difference between comprehensive income and the normal remuneration.

The fair value of the dominant asset is measured by discounting the estimated residual income for the year of the asset's residual life.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

The result of the impairment test led to the recognition of an impairment loss of EUR 4,013 thousand in the carrying amount of Customer Relationships, as a result of the negative impact of COVID-19 on the company's expected performance over the plan periods, also in view of the change in the route-to-market in the German and Austrian markets

6.2 Goodwill

The details of Goodwill as at 31 December 2020 and 31 December 2019 are shown below:

(In thousands of Euro)		
	31 December 2020	**31 December 2019**
Goodwill	93,857	93,857
Total Goodwill	**93,857**	**93,857**

The changes in Goodwill, broken down for the period between 31 December 2020 to 31 December 2019 are shown below:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2019	**93,857**
Acquisitions	-
Increases	-
(Impairment losses)	-
Balance as at 31 December 2020	**93,857**

6.2.1 Impairment test of goodwill

As at 31 December 2020, goodwill recognised in the financial statements amounts to EUR 93,857 thousand and was allocated to the sole cash generating unit (hereinafter also referred to as the "CGU"), which coincides with the Cellularline S.p.A.

Based on the above considerations, the Company tests, at least once a year for goodwill, the recoverable amounts of intangible assets, property, plant and equipment, and financial assets, in order to determine whether there is any indication that these assets are impaired. If such an indication exists, the asset's recoverable amount must be estimated to determine the amount of any impairment loss.

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

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).

If the recoverable amount is estimated to be less than the carrying amount, it is reduced to the lower recoverable amount. Whenan impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised.

The reversal of an impairment loss is immediately recognised in profit or loss.

In accordance with the applicable standard (IAS 36), to test goodwill for impairment at 31 December 2020, the Directors carried out a specific impairment test, with the support of an independent advisor.

In particular, the impairment test was carried out on the basis of the economic and financial forecasts contained in the Business Plan approved by the Directors on 17 February 2021, for the period 2021-2024, and using the discounted cash flow model.

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

of the following two elements:

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

The discount rate used was the weighted average cost of capital ("Weighted Average Cost of Capital" or "WACC") of approximately 8.4% and an estimated sustainable growth rate ("g") of 1.35%. 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 noted that the estimates and data relating to the performance and financial forecasts to which the above parameters are applied are determined by Management on the basis of past experience and expectations of developments in the markets in which the Company operates.

The impairment test was carried out with the support of an independent advisor.

The result of the impairment test confirmed that the carrying amount of goodwill is fully recoverable.

The analyses carried out have led to an estimate of the recoverable amount, in the form of the Enterprise Value, of EUR 310.5 million; this amount is higher than the carrying amount at the reporting date, meaning that there are no impairment losses.

Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

In addition, sensitivity analyses were carried out which simultaneously consider a change in:

- the WACC and the growth rate (g-rate), in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, on the difference between the latter and the carrying amount, and the Equity Value, which is the difference between value in use and the net financial position (NFP) at the reporting date (amounts in millions of Euro).
- the WACC and EBITDA according to the Business Plan and the Terminal Value in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, on the difference between the latter and the carrying amount, and the Equity Value, which is the difference between the value in use and the net financial position (NFP) at the reporting date (amounts in millions of Euro).

The sensitivity analyses reported above only revealed potential impairment losses if all the variables considered collectively worsened.

6.3 Property, plant and equipment

The specific table below shows changes in this item indicating the historical cost, accumulated depreciation, changes in the year and the closing balance of each asset.

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

The balance of Property, plant and equipment, broken down by category as at 31 December 2020 and 31 December

2019, is shown below:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical cost	(Accumulated depreciation)	Carrying amount	Historical cost	(Accumulated depreciation)	Carrying amount
Land and buildings	4,598	(1,043)	3,555	4,545	(923)	3,622
Plant and machinery	2,906	(2,497)	409	2,673	(2,313)	360
Industrial and commercial equipment	6,281	(4,933)	1,348	5,755	(4,369)	1,386
Assets under construction and payments on account	100	-	100	68	-	68
Total Property, plant and equipment	**13,885**	**(8,473)**	**5,412**	**13,041**	**(7,605)**	**5,436**

The changes in Property, plant and equipment, broken down for the period between 31 December 2019 to 31 December 2020 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**5,436**
Increases	929
(Decreases)	(85)
(Depreciation and impairment losses)/revaluations	(884)
(Decrease in accumulated depreciation)	16
Balance as at 31 December 2020	**5,412**

As at 31 December 2020 the item consisted mainly of buildings relating to the operating offices of the Company for EUR 3,555 thousand and industrial and commercial equipment for EUR 1,348 thousand (mainly furniture, furnishings, office machinery and moulds).

With reference to 31 December 2020, the Company made net investments of EUR 929 thousand, mainly related to industrial and commercial equipment.

6.4 Subsidiaries and associates

The details of changes to the item as at 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2019	Increases	Remeasurement	Decreases	31 December 2020
Equity investments in subsidiaries	3,657	15,332	-	-	18,989
Equity investments in associates	33	-	-	-	33
Total equity investments	**3,690**	**15,332**	**-**	**-**	**19,022**

The increase during the year is related to:

- the acquisition on 23 July 2020 of 80% of Worldconnect AG.
- the exercise of Systema's option for 15% of the minority interest in Pegaso S.r.l. (parent of Systema S.r.l.).

Below is a list of investments in foreign currencies in (thousands).

EQUITY INVESTMENTS	Office	Capital	Equity	Type of ownership	Profit (loss) for the previous year	Percentage of ownership	Carrying amount (in Eur/000)
SUBSIDIARIES							
- Cellular Spain S.L.U.	ES	3	772	Direct	120	100%	1,103
- Cellular Inmobiliaria Italiana S.L.U.	ES	3	77	Direct	9	100%	3
- Cellular Immobiliare Helvetica S.A.	CH	93	224	Direct	10	100%	71
- Pegaso S.r.l	IT	70	1,273	Direct	(2)	75%	3,055
- Worldconnect AG	CH	100	2,000	Direct	(1.644)	80%	14,757
ASSOCIATES							
- Cellular Swiss S.A. (*)	CH	100	159	Direct	734	50%	33

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

Cellular Spain S.L.U.

The Company ended 2020 with revenue of EUR 6,360 thousand (EUR 5,331 thousand in 2019).

The company increased revenues in 2020, despite the effects of COVID-19, due to new contracts signed with leading local players. The operating profit of the subsidiary was substantially in line with 2019, despite being affected by an increasing incidence of commercial costs, related to the acquisition of new customers.

It is therefore deemed that, consequently to the actions taken to expand its potential on the local market, the difference between the carrying amount of the equity investment and its equity measurement can be considered as a non-structural event and therefore do not indicate impairment.

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

These two real estate companies have continued ordinary operations; there are no indications of impairment.

Cellular Swiss S.A.

In 2020, the associate Cellular Swiss continued to pursue its strategy to develop business with existing customers – which operate mainly in the Consumer Electronics channel - and seeking new customers, also in different channels (for example, in the Telco, Travel Retail and Mass Merchandise channels).

Worldconnect AG

In July 2020, Cellularline S.p.A. acquired 80% of Worldconnect.

2020 results were heavily impacted by the effects of the COVID-19 pandemic.

It is therefore deemed that the difference between the carrying amount of the equity investment and its equity measurement can be considered as a non-structural event and therefore do not indicate impairment.

With regard to transactions with related parties, reference should be made to the "transactions with related parties"

section of these financial statements.

6.5 Right-of-use assets

This item, amounting to EUR 972 thousand (EUR 1,451 thousand as at 31 December 2019), refers exclusively to the recording of the "right of use" following the application of the accounting standard IFRS 16 - Lease Accounting.

This item is treated as an intangible asset and depreciated over the term of the underlying lease or rental agreement. In no case is there a contractual option to redeem the asset at maturity.

(In thousands of Euro)	**Right-of-use assets**
Balance as at 31 December 2019	**1,451**
Increases	239
Decreases	(92)
(Depreciation)	(626)
Balance as at 31 December 2020	**972**

The increases for the financial year, equal to EUR 239 thousand, mainly concern new contracts for motor vehicles and commercial vehicles.

6.6 Deferred tax assets and liabilities

The changes in Deferred tax assets and liabilities between 31 December 2019 to 31 December 2020 are shown below:

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2019	**999**
Accruals in profit or loss	68
(Releases) in the comprehensive Income	(2)
Balance as at 31 December 2020	**1,065**

The balance at 31 December 2020, amounting to EUR 1,065 thousand, comprises deferred tax assets originating mainly from accruals to taxed provisions and the impact of the application of IFRS, though not for taxation purposes.

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

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

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

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2019	**20,852**
(Releases) in profit or loss	(19,595)
(Releases) in the comprehensive Income	(17)
Balance as at 31 December 2020	**1,240**

Deferred tax liabilities as at 31 December 2020 are primarily attributable to deferred tax on the fair value of the warrant; these liabilities relate to differences that are estimated to be reabsorbed in the medium to long term.

The change for the year, amounting to EUR 19,612 thousand, is mainly due to (*i*) the release of deferred taxes arising from the realignment between the statutory and tax values of the Customer Relationship and the brands, recorded following the purchase price allocation, amounting to EUR 18,159 thousand, and (*ii*) the release of deferred taxes on the PPA amortisation charge for the year, amounting to EUR 1,605 thousand.

With reference to point *(i)* above, it should be noted that this effect derives from the application of the provisions of two recent legislative measures:

- article 110, paragraph 8, of Decree-Law no. 104/2020, converted into Law no. 126/2020 introduced, for IAS adopters, the possibility of realigning the statutory and tax values of assets (property, plant and equipment and intangible assets legally protected) and equity investments, present in the financial statements as at and for the year ended 31.12.2019 and still present in those as at and for the year ended 31.12.2020, by paying a 3% substitute tax, to be paid in three equal annual instalments starting from June 2021. The realignment must be carried out in the financial statements relating to the year 2020, while the tax recognition of the amortisation/depreciation starts from the year 2021; the realigned value is, instead, recognised, for the purposes of a possible realisation, from 2024. The realigned values, net of the substitute tax, are kept in a tax-suspension reserve which can be released, in whole or in part, by paying a further substitute tax of 10%;
- Law no. 178 of 30.12.2020 - Budget Law 2021 - extended the possibility to carry out the realignment between statutory and tax values also to goodwill and other intangible assets, under the same conditions already provided for intangible assets.

The Company's Board of Directors therefore resolved to realign the statutory and tax values of the trademarks and the customer relationship, subject to the following conditions:

- trademarks: the assets subject to realignment are the Cellularline and Interphone trademarks, recorded in the financial statements for the year ended 31.12.2018 following the allocation of the merger deficit, having a total net value of EUR 17,244 thousand as at 31.12.2020. The 3% substitute tax amounts to EUR 517 thousand and this realignment will make annual amortisation of EUR 1,120 thousand deductible until 2035. The realignment also entails the release of the portion of deferred tax liabilities related to these

amortisations, previously non-deductible, amounting to approximately EUR 4,811 thousand, with a positive impact on the 2020 Income Statement, net of substitute tax, of EUR 4,294 thousand;

- Customer relationship: this asset, recognised at the time of transition to International Accounting Standards, with reference to the effective date of the Business Combination, is realigned for a value of EUR 43,842 thousand as at 31.12.2020, already net of impairment testing. The 3% substitute tax amounts to EUR 1,315 thousand and this realignment will make annual depreciation of EUR 3,317 thousand deductible until 2033. The realignment also entails the release of the portion of deferred tax liabilities related to these amortisations, previously non-deductible, of EUR 13,348 thousand, with a positive impact on the 2020 Income Statement, net of substitute tax, of approximately EUR 12,033 thousand.
- considering that (*i*) the Company's equity includes, among others, a share premium reserve equal to EUR 139,918 thousand, which is abundant compared to the amount to be bound (equal to EUR 59,253 thousand) and whose distribution is not foreseen or foreseeable as of today, and (*ii*) the hypothesis of the realisation of the tax burden on the distribution of the reserve in suspension is remote and distant in time, compared to the certain and immediate financial outlay foreseen for redemption, it was resolved to maintain this portion of the share premium reserve in tax suspension.

6.7 Financial assets

Changes in non-recurring financial assets between 31 December 2019 and 31 December 2020 are shown below.

(In thousands of Euro)	**Financial assets**
Balance as at 31 December 2019	**1,730**
Increases	4.822
(Decreases)	(84)
Balance as at 31 December 2020	**6,468**

The item, amounting to EUR 6,468 thousand, comprises:

- EUR 5,913 thousand in receivables from subsidiaries for loans. This item includes loans to Worldconnect for EUR 4,629 thousand, (including the exchange rate effect for the year) corresponding to CHF 5,000 thousand, to Cellular Immobiliare Helvetica S.A. for EUR 929 thousand (including the exchange rate effect for the year) corresponding to CHF 1,004 thousand at the exchange rate at the end of the year and to Cellular Inmobiliaria Italiana S.L.U. for EUR 355 thousand;
- EUR 555 thousand refers to the financial assets from the associate Cellular Swiss S.A. (consolidated using the equity method). On 12 June 2019, at the same time as the approval of the 2018 financial statements of the associate, part of the receivable from that company was subordinated, for an amount of CHF 600 thousand (corresponding to approximately EUR 555 thousand at the CHF/EUR exchange rate as at 31 December 2020). This value was recorded net of the related effect of the amortised cost.

The increases during the year and reflected in the specific table mainly concern a loan granted to the new subsidiary Worldconnect amounting to CHF 5,000 thousand (EUR 4,664 thousand), while the decreases mainly concern the repayments made by the subsidiaries during 2020, respectively amounting to CHF 30 thousand (EUR 28 thousand) by Cellular Immobiliare Helvetica and EUR 2 thousand for Cellular Inmobiliaria Italiana.

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CURRENT ASSETS

6.8 Inventories

Inventories are made up as follows:

(In thousands of Euro)	31 December 2020	31 December 2019
Finished products and goods	25,635	18,504
Goods in transit	2,417	3,025
Advances	1,028	1,532
Gross inventories	**29,080**	**23,061**
(Allowance for inventory write-down)	(1,300)	(1,000)
Total Inventories	**27,780**	**22,061**

The value of gross inventories includes finished products at the warehouse of the Company, as well as goods in transit for which the Company has already acquired the title of ownership for EUR 2,417 thousand (EUR 3,025 thousand as at 31 December 2019). Advances include prepayments for the purchase of finished products.

The increase in gross inventory of approximately EUR 6,019 thousand compared to 31 December 2019 is mainly attributable to the effect of the reduction in sales during the lock-down period, which, resulted in a temporary increase in inventories, which will be gradually reabsorbed in 2021.

The value of inventories is adjusted by the allowance for inventory write-down, which includes the prudential write-down of goods at risk of potential obsolescence.

The changes in allowance for inventory write-down, broken down for the period between 31 December 2019 to 31 December 2020 are shown below:

(In thousands of Euro)	Allowance for inventory write-down
Balance as at 31 December 2019	**(1,000)**
(Accruals)	(1,300)
Releases to profit or loss	-
Utilisations	1,000
Balance as at 31 December 2020	**(1,300)**

During the year, the Company, following an analysis of slow-moving products, set aside EUR 1,300 thousand for problems (typical of the sector) related to the obsolescence/slow transfer of inventories, in order to align their value to the estimated realisable value.

The use of the provisions for EUR 1,000 thousand refers to partial scrapping during 2020, also in order to optimise the logistic spaces.

6.9 Trade receivables

The details of the item Trade receivables as at 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Trade receivables from third parties	41,849	53,316
Trade receivables from related parties (Note 3)	14,715	11,832
Gross trade receivables	**56,564**	**65,148**
(Loss allowance)	(3,278)	(3,250)
Total trade receivables	**53,286**	**61,898**

The value of gross trade receivables from third parties decreased by 11,467 thousand as a result of lower revenue compared to the previous year due to COVID-19.
The change in the Loss allowance from 31 December 2019 to 31 December 2020 is shown below:

(In thousands of Euro)	Loss allowance
Balance as at 31 December 2019	**(3,250)**
(Accruals)	(100)
Releases to profit or loss	-
Utilisations	72
Balance as at 31 December 2020	**(3,278)**

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

6.10 Current tax assets

The details of the item Current tax assets as at 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Tax assets of prior years	1,501	3,580
Credit for withholding taxes on interest income	24	-
Total current tax assets	**1,525**	**3,580**

Current tax assets mainly include: (*i*) the residual tax credit accrued following the application of the Framework Agreement with the Revenue Office for the purposes of the so-called patent box , signed in March 2018, amounting to EUR 906 thousand, (*ii*) the tax credit for higher advances paid with respect to the amount due for the year 2020, amounting to EUR 467 thousand, (*iii*) the credit for taxes requested for reimbursement, amounting

to EUR 115 thousand and (*iv*) the credit for withholding taxes on interest income, amounting to EUR 24 thousand.

6.11 Other assets

The details of the item Other current assets as at 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Prepaid expenses	3,510	5,044
Others	70	494
Total Other assets	**3,580**	**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.

6.12 Cash and cash equivalents

The details of the item Cash and cash equivalents as at 31 December 2019 and 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Bank accounts	6,124	29,953
Cash on hand	11	10
Total Cash and cash equivalents	**6,135**	**29,963**

Cash and cash equivalents amounted to EUR 6,135 thousand as at 31 December 2020 (EUR 29,963 thousand as at 31 December 2019). The item consists of cash on hand, securities and sight or short-term deposits with banks that are currently available and readily usable.

The decrease of EUR 23,828 thousand is mainly due to:

- payment of approximately EUR 9,391 thousand for the purchase of 80% of the company Worldconnect (on 23 July 2020).
- payment of the instalments of the bank loan in place for EUR 11,667 thousand;
- distribution of dividend for EUR 6,612 thousand on 20 May 2020.

For further details regarding the dynamics that influenced cash and cash equivalents, reference should be made to the Statement of Cash Flows.

EQUITY AND LIABILITIES

6.13 Equity

Equity was EUR 208,935 thousand (EUR 203,614 thousand as at 31 December 2019), an increase due to profit for the year and a decrease due to the distribution of a dividend of EUR 6,612 thousand, as resolved by the

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Shareholders' Meeting on 24 April 2020.

During the year ended 31 December 2020, there were no assets held for specific deals.

Below is an analysis of the items of equity in relation to their origin, possibility of utilisation and distributability (in thousands of Euro):

EQUITY		31.12.2020	Possibility of use of reserves	Available portion of reserves	Summary of uses in the year and the previous three years	
					Coverage of losses	Distribution of dividends/reserves
I	Share capital	21,343				
II	Share premium	139,918	A, B, C (*)	137,195		
IV	Legal reserve	1,295	B (*)	1,295		
V	Statutory reserves	-				
VII	Other reserves	31,033	A, B, C (*)	6,623		
VIII	Retained earnings	17,346	A, B, C (*)	8,102		
IX	Profit for the year	13,190			1,055	13,263
X	Negative reserve for treasury shares in portfolio	(15,189)	None			
Total Equity		**208,935**		**153,214**	**1,055**	**13,263**

(*) Key/Notes:

A = for capital increase

B = to cover losses

C = for distribution to members

In view of the realignment of the tax value with the statutory value of the trademarks *Cellularline* and *Interphone* and of the customer relationship, as envisaged by Article 110, paragraphs 8 and 8-bis of Italian Decree Law no. 104/2020, converted into Italian Law no. 126/2020, as amended by Italian Law no. 178/2020, the Board of Directors proposes that the Shareholders' Meeting establish a tax suspension restriction in the amount of Euro 59,253,118.18 on the share premium reserve.

Share capital

The share capital as at 31 December 2020 amounts to EUR 21,343 thousand, divided into 21,673,189 ordinary shares and 195,000 special shares. There are also 6,130,954 warrants outstanding.

On 22 July 2019, Borsa Italiana S.p.A. commenced trading of the ordinary shares and warrants on the Mercato Telematico Azionario (MTA), with STAR status.

Other reserves

As at 31 December 2020, other reserves amounted to EUR 157,056 thousand (EUR 155,660 thousand as at 31 December 2019) and were mainly divided as follows:

- The share premium, which amounted to EUR 139,918 thousand, including EUR 59,253 thousand in suspended taxation following the realignment of trademarks and customer relationships.
- Other reserves amounting to EUR 30,598 thousand which originated as a result of the effects arising from IFRS entries, as well as the Business Combination which took place in 2018;

- Negative reserve for treasury shares held of EUR 15,189 thousand.

Retained earnings (losses carried forward)

Retained earnings amount to EUR 17,346 thousand (EUR 8,691 thousand as at 31 December 2019) and mainly refer to:

- The effects of transition to IFRS on equity (EUR 5,045 thousand);
- the effects of warrants and listing costs (EUR 3,248 thousand);
- retained earnings of the previous year (EUR 9,053 thousand).

Profit for the year

2020 closed with a profit of EUR 13,190 thousand.

Following the posting of a profit of EUR 13,190,309.57, the following is a proposal for its allocation:

- EUR 659,515.48 to the legal reserve;
- the remainder, equal to EUR 12,530,794.09 to retained earnings.

Share-based payment arrangements

The Company has a stock grant plan (share-based payment) that allows key managers to purchase shares in the Company. The following table summarises the main conditions of the stock grant plan:

Date of assignment	Maximum number of instruments assigned	Vesting conditions	Contractual duration of options
4 June 2018	879,013 (*)	In proportion to the normal value	Three years

(*) of which 638,593 assigned to CEOs and key managers.

The options will vest, with the corresponding right of the beneficiaries to the free allocation of the relevant shares, in proportion to the normal value, according to the scheme shown in the table below:

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

During the year ended 31 December 2020, there were no assets held for specific deals.

6.14 Financial liabilities (current and non-current)

The details of current and non-current financial liabilities as at 31 December 2020 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Current bank loans and borrowings from other financial backers	10,039	13,362
Non-current Bank loans and borrowings from other financial backers	34,564	37,621
Other current financial liabilities	6,558	2,048
Other non-current financial liabilities	458	891
Total financial liabilities	**51,618**	**53,921**

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As at 31 December 2020, financial liabilities refer to the following

- EUR 44,603 thousand (net of amortised cost) for the bank loan agreed on 26 October 2020, in the refinancing transaction of 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 total maximum principal amount of the loan is EUR 50 million, with repayment in six-monthly instalments of EUR 5,000 thousand each, with final repayment on 20 June 2025. The loan is subject to a financial covenant (leverage ratio) which was complied with at the reporting date. Interest on the loan accrues at a variable rate, calculated considering the Euribor plus a contractually agreed spread (currently equal to the floor of 1.80%).
- EUR 5,332 relating to the second tranche of the acquisition of 80% of Worldconnect;
- the financial liability relating to warrants of EUR 653 thousand (reclassified to current financial liabilities);
- the lease liability of EUR 1,030 thousand arising from the application of IFRS 16.

Financial liabilities as at 31 December 2020, gross of bank fees, are shown below:

(In thousands of Euro)	Inception	Maturity	Original amount	Interest rate	31 December 2020		
					Outstanding debt	current portion	non-current portion
Banca Popolare di Milano	26/10/2020	20/06/2025	25,000	1.80%	22,500	5,000	17,500
UBI Banca S.p.A.	26/10/2020	20/06/2025	25,000	1.80%	22,500	5,000	17,500
Bank loans and borrowings from other financial backers			**50,000**		**45,000**	**10,000**	**35,000**

Loans are measured at amortised cost in accordance with IFRS 9 and therefore their carrying amount of EUR 44,603 thousand as at 31 December 2020 (EUR 50,891 thousand as at 31 December 2019), is reduced by transaction costs.

Details of the financial liabilities are shown below based on the expiry dates:

(In thousands of Euro)	31 December 2020	31 December 2019
Within 1 year	16,596	15,410
From 1 to 5 years	34,907	38,512
Over 5 years	114	-
Total	**51,618**	**53,921**

The net financial indebtedness as at 31 December 2020 is detailed below; it should be noted that the net financial indebtedness is presented in accordance with the provisions of Consob Communication no. 6064293 of 28 July 2006 and in compliance with the recommendations of ESMA/2013/319.

(In thousands of Euro)			Change	
	31 December 2020	31 December 2019	Value	%
(A) Cash	11	10	1	10.0%
(B) Other cash and cash equivalents	6,124	29,953	(23,829)	-79.6%
(C) Securities held for trading	-	-	-	-
(D) Cash and cash equivalents (A)+(B)+(C)	**6,135**	**29,963**	**(23,828)**	**-79.5%**
(E) Current financial assets	86	37	49	>100%
(F) Current bank loans and borrowings	-	-	-	-
(G) Current portion of non-current indebtedness	(10,039)	(13,362)	3,323	24.9%
(H) Other current financial liabilities	(6,558)	(2,048)	(4,510)	>100%
(I) Current financial indebtedness (F)+(G)+(H)	**(16,597)**	**(15,410)**	**(1,187)**	**-7.7%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*(16,597)*	*(15,410)*	*(1,187)*	*-7.7%*
(J) Net current financial indebtedness (I)+(E)+(D)	**(10,376)**	**14,590**	**(24,966)**	<100%
(K) Non-current bank loans and borrowings	(34,564)	(37,621)	3,057	8.1%
(L) Bonds issued	-	-	-	-
(M) Other non-current financial liabilities	(458)	(891)	433	48.6%
(N) Non-current financial indebtedness (K)+(L)+(M)	**(35,022)**	**(38,512)**	**3,490**	**9.1%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*(35,022)*	*(38,512)*	*3,490*	*9.1%*
(O) Net financial indebtedness (J)+(N)	**(45,398)**	**(23,922)**	**(21,476)**	**-89.8%**

6.15 Employee benefits

As at 31 December 2020, this item, amounting to EUR 324 thousand (EUR 384 thousand as at 31 December 2019), derives from the actuarial valuation of the employee severance indemnity (TFR) of the Company; this valuation was carried out on the basis of the method of benefits accrued using the "Project Unit Credit" criterion as provided for by IAS 19.

The actuarial model is based on:

- discount rate of 0.34%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 0.8%;
- annual rate of increase in the post-employment benefits of 2.1%, which is equal to 75% of inflation plus 1.5 percentage points.

In addition, sensitivity analyses were carried out for each actuarial hypothesis, considering the effects that would have occurred following changes in the actuarial hypotheses that were reasonably possible at the balance sheet date; the results of these analyses do not give rise to significant effects.

6.16 Provisions for risks and charges

The changes in the item Provisions for risks and charges, broken down for the period between 31 December 2019 to 31 December 2020 are shown below:

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(In thousands of Euro)	Agents' severance indemnity provision (FISC)
Balance as at 31 December 2019	**1,472**
- of which current portion	-
- of which non-current portion	*1,472*
Accruals	199
Utilisations/Releases	(183)
Balance as at 31 December 2020	**1,488**
- of which current portion	-
- of which non-current portion	*1,488*

The Agents' severance indemnity provision (FISC) refers to the measurement of the agents' severance indemnity of the company for the amount to be paid to the agents for the termination of the agency relationship through no fault of the agent. The actuarial valuation, in compliance with IAS 37, was carried out by quantifying future payments through the projection of the indemnities accrued at the reporting date by agents operating up to the presumed (random) date when the contractual relationship will be terminated. Demographic and economic/financial assumptions were adopted for the actuarial valuations; specifically, the discount rate was set with reference to the IBoxx Eurozone AA index in relation to the duration of the collective at 0.77%.

6.17 Trade payables

The details of the item Trade payables as at 31 December 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	31 December 2020	31 December 2019
Trade payables to third parties	13,944	19,867
Total trade payables	**13,944**	**19,867**

As at 31 December 2020, trade payables decreased compared to 31 December 2019, due to lower purchase volumes in the second half of the year. These payables relate to commercial transactions within normal payment terms, all due within one year.

6.18 Current tax liabilities

The item, equal to EUR 1,889 thousand (EUR 264 thousand as at 31 December 2019), mainly includes: (*i*) the liability for the substitute tax on the realignment of the statutory and tax values of the trademarks and customer relationships, amounting to EUR 1,833 thousand, to be paid in 3 equal instalments in June 2021, 2022 and 2023 and the balance due of the income taxes due in France on the taxable income generated by the permanent establishment located there.

6.19 Other liabilities

The details of the item Other liabilities payables as at 31 December 2020 and 31 December 2019 are shown below:

(In thousands of Euro)

	31 December 2020	31 December 2019
Due to employees	1,729	1,813
Social security liabilities	865	884
Tax liabilities	944	862
Other	33	90
Total Other liabilities	**3,571**	**3,649**

As at 31 December 2020, other reserves amounted to EUR 3,571 thousand (EUR 3,649 thousand as at 31 December 2019) and were mainly divided as follows:

- EUR 1,729 thousand due to employees for amounts to be paid and bonuses;
- EUR 865 thousand due to social security institutions for contributions to be paid;
- EUR 944 thousand to the Revenue for withholding taxes on employees, self-employed persons, agents and VAT;

6.20 Other financial liabilities

As at 31 December 2020, this item amounted to EUR 6,558 thousand (EUR 2,048 thousand as at 31 December 2019) and were divided as follows:

- EUR 5,332 relating to the second tranche of the purchase of 80% of Worldconnect;
- EUR 653 thousand stemming from the financial liability for warrants issued by the Company, expressed at the spot market price of 31 December 2020. On the basis of the parameters mentioned above and through the application of the Mark to Market, in addition to the debt as at 31 December 2020, a change in the fair value of EUR 796 thousand was recorded in the income statement as financial income.
- EUR 573 thousand to the lease liability deriving from applying IFRS 16.

7 Notes to the Income Statement

With reference to the years ending on 31 December 2020 and 31 December 2019, comments on the main items of the Income Statement are provided below.

7.1 Revenue from sales

As at 31 December 2020 revenue from sales amounted to EUR 96,647 thousand (EUR 131,438 thousand in 2019). The following table shows revenues, broken down by product line and geographical area for FY 2020. The Company's activities develop through a single operating segment and can be divided into three main product lines:

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

The following table shows revenues, broken down by product line and geographical area.

Revenue from sales by product line

in thousands of Euro					Change	
	2020	**% of revenue**	**2019**	**% of revenue**	**Value**	**%**
Red – Italy	45,082	46.6%	63,833	48.6%	(18,751)	(29.4%)
Red – International	37,927	39.2%	52,150	39.7%	(14,223)	(27.3%)
Revenue from sales - Red	**83,010**	**85.9%**	**115,983**	**88.2%**	**(32,974)**	**(28.4%)**
Black – Italy	3,050	3.2%	4,116	3.1%	(1,066)	(25.9%)
Black – International	4,055	4.2%	3,720	2.8%	335	9.0%
Revenue from sales - Black	**7,105**	**7.4%**	**7,836**	**6.0%**	**(731)**	**(9.3%)**
Blue – Italy	6,056	6.3%	6,885	5.2%	(829)	(12.0%)
Blue – International	0	0.0%	0	0.0%	0	0.0%
Revenue from sales - Blue	**6,056**	**6.3%**	**6,885**	**5.2%**	**(829)**	**(12.0%)**
Other – Italy	**476**	**0.5%**	**734**	**0.6%**	**(258)**	**(35.2%)**
Total revenue from sales	**96,647**	**100.0%**	**131,438**	**100.0%**	**(34,792)**	**(26.5%)**

Revenue from sales by geographical area

in thousands of Euro					Change	
	2020	**% of revenue**	**2019**	**% of revenue**	**Δ**	**%**
Italy	54,664	56.6%	75,568	57.5%	(20,903)	(27.7%)
Austria/Germany	6,560	6.8%	19,852	15.1%	(13,293)	(67.0%)
Benelux	5,753	6.0%	5,407	4.1%	346	6.4%
France	6,846	7.1%	7,157	5.4%	(310)	(4.3%)
Spain/Portugal	5,207	5.4%	3,782	2.9%	1,425	37.7%
Eastern Europe	5,560	5.8%	5,823	4.4%	(263)	(4.5%)
Northern Europe	3,950	4.1%	4,819	3.7%	(869)	(18.0%)
Switzerland	4,198	4.3%	4,777	3.6%	(578)	(12.1%)
Other	2,986	3.1%	3,036	2.3%	(50)	(1.6%)
Middle East	922	1.0%	1,218	0.9%	(296)	(24.3%)
Total revenue from sales	**96,647**	**100.0%**	**131,438**	**100.0%**	**(34,792)**	**(26.5%)**

The decrease in the Italian market, equal to 27.7% compared to the previous year and higher than the average in other European countries, is due to the above mentioned impact of the health emergency that has significantly penalised the national territory and the phenomena of stock reductions by the main Italian retailers, even in the weeks following the reopening of stores.

As regards international markets, there was a significant decrease in the Germany/Austria market due to both the restrictions that affected both countries and the temporary effects of the change in the route-to-market in these countries.

7.2 Cost of sales

The cost of sales amounts to EUR 56,117 thousand (in 2019, it was equal to EUR 70,421 thousand) and mainly includes the costs of purchase and processing of raw materials for EUR 51,900 thousand, accessory costs for EUR 716 thousand, personnel expense for EUR 1,904 thousand and logistics costs for EUR 1,596 thousand.

7.3 Selling and distribution costs

Selling and distribution costs amount to EUR 19,639 thousand (EUR 23,334 thousand in FY 2019), as illustrated

in the table below.

(In thousands of Euro)	**2020**	**% of revenue**	**2019**	**% of revenue**
Sales and distribution personnel expense	8,173	8.5%	9,084	6.9%
Commissions to customers/agents	3,655	3.8%	4,847	3.7%
Transport	5,159	5.3%	5,250	4.0%
Travel costs	489	0.5%	781	0.6%
Advertising and commercial consultancy expenses	1,571	1.6%	1,243	0.9%
Other sales and distribution costs	592	0.6%	2,129	1.6%
Total selling and distribution costs	**19,639**	**20.3%**	**23,334**	**17.8%**

7.4 General and administrative costs

General and administrative costs mainly include amortisation, depreciation and impairment customer relationship.

(In thousands of Euro)	**2020**	**% of revenue**	**2019**	**% of revenue**
Amortisation	8,269	8.6%	7,651	5.8%
Depreciation	1,485	1.5%	1,440	1.1%
Impairment customer relationship	4,013	4.2%	-	-
Provisions for risks and impairment losses	100	0.1%	-	-
Administrative personnel expense	4,117	4.3%	4,675	3.6%
Administrative, legal, personnel consultancy etc.	2,486	2.6%	2,487	1.9%
Commissions and fees	115	0.1%	165	0.1%
Directors' and Statutory Auditors' fees	420	0.4%	372	0.3%
Other general administrative costs	2,333	2.4%	2,250	1.7%
Total general and administrative costs	**23,338**	**24.1%**	**19,040**	**14.5%**

7.5 Other non-operating costs and revenue

Other non-operating costs and revenue for the year as at 31 December 2020 amounted to EUR 492 (EUR 1,465 thousand in 2019), as per the table below.

(In thousands of Euro)	**2020**	**% of revenue**	**2019**	**% of revenue**
Recoveries of SIAE fees	739	0.8%	832	0.6%
Recoveries from suppliers for promotions	-	0.0%	295	0.1%
Prior year income and (expense)	(276)	-0.3%	76	0.2%
(SIAE and CONAI contributions)	(861)	-0.9%	(953)	-0.7%
Other non-operating revenue	890	0.9%	1,215	0.9%
Total other non-operating revenue	**492**	**0.5%**	**1,465**	**1.1%**

7.6 Financial income and expense

Net financial income and expense show a net negative balance of EUR 1,416 thousand (EUR 301 thousand in 2019).

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The following table shows details of financial income:

(In thousands of Euro)				
	2020	**% of revenue**	**2019**	**% of revenue**
Interest income and other financial income	180	0.2%	210	0.2%
Fair value gains on warrants	796	0.8%	1,264	1.0%
Total Financial income	**976**	**1.0%**	**1,474**	**1.1%**

Financial income of EUR 976 thousand mainly refers to:

- EUR 796 thousand for the change, compared to the previous year, in the fair value of the warrants issued by the Company (no. 6,130,956 as at 31 December 2020);
- EUR 180 thousand for bank interest income and other financial income;

The following table shows details of financial charges:

(In thousands of Euro)				
	2020	**% of revenue**	**2019**	**% of revenue**
Interest to banks	(1,666)	-1.7%	(1,571)	-1.2%
Interest to others (IFRS 16)	(62)	-0.1%	(95)	-0.1%
Bank commissions/fees	(664)	-0.7%	(89)	-0.1%
Total Financial expense	**(2,392)**	**-2.5%**	**(1,775)**	**-1.3%**

Financial expense of EUR 2,392 thousand mainly refer to:

- EUR 1,666 thousand for interest from banks, relating to the non-current loan;
- EUR 664 thousand for expense deriving from Euro/dollar exchange rate operations;
- EUR 62 thousand for interest relating to the application of the new accounting standard IFRS 16.

7.7 Foreign exchange rate gains/(losses)

(In thousands of Euro)				
	2020	**% of revenue**	**2019**	**% of revenue**
Net foreign exchange gains/(losses) on trading	325	0.3%	(123)	-0.1%
Net foreign exchange gains on financial transactions	78	0.1%	44	0.0%
Total foreign exchange gains (losses)	**403**	**0.4%**	**(79)**	**-0.1%**

7.8 Income taxes

The details of the income taxes for the years ended 31 December 2020 and 31 December 2019 are shown below:

(In thousands of Euro)		
	2020	**2019**
Current taxes of the year	(1,702)	(3,773)
Current taxes of previous years	31	895
Substitute tax on realignment of statutory and tax values	(1,833)	-
Deferred taxes	19,662	1,051
Total	**16,158**	**(1,827)**

Current taxes include the balance of taxes of the year, amounting to EUR 1,702 thousand, and taxes of previous years, received as refunds, amounting to EUR 31 thousand.

The item also includes the amount of the 3% substitute tax due on the realignment of the statutory and tax value of trademarks and customer relationships, already described in detail in the paragraph commenting on Deferred tax liabilities, amounting to EUR 1,833 thousand, to be paid in 3 equal instalments in June 2021, 2022 and 2023.

Deferred taxes for EUR 19,662 thousand mainly refers to:

- revenue for the release of deferred tax liabilities attributable to the realignment of the statutory and tax value of trademarks and customer relationships, amounting to EUR 18,159 thousand;
- revenue from the release of deferred tax liabilities arising from the effect of amortisation and depreciation on customer relationships and trademarks, amounting to EUR 1,605 thousand;
- other minor costs amounting to EUR 102 thousand;

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

31/12/2020						
Amounts taken to profit or loss	**Taxable**	**Tax rate**	**(Expense in profit or loss)**	**Taxable**	**Tax rate**	**Income in profit or loss**
- unpaid directors' fees	64	24.0%	(15)	0	24.0%	0
- accrual/(utilisation) of agents' severance indemnity	44	27.9%	(12)	0	27.9%	0
- direct write-down of inventories	750	24.0%	(180)	820	24.0%	197
- accrual/(utilisation) of allowance for inventory write-down	1,000	24.0%	(240)	1,300	24.0%	312
- foreign exchange losses on trade payables	0	24.0%	0	5	24.0%	1
- foreign exchange losses from valuation of loan to subsidiary	0	24.0%	0	35	24.0%	8
- gains from foreign exchange rate fluctuations to suppliers	0	24.0%	0	107	24.0%	26
- gains from loan foreign exchange rate fluctuations to associate and payable for purchase of Wo.Co. investment	38	24.0%	(9)	5	24.0%	1
- amortisation of customer list	0	27.9%	0	4,593	27.9%	1,281
- amortisation of trademarks	0	27.9%	0	1,162	27.9%	324
- realignment of customer lists and trademarks	0	27.9%	0	65,087	27.9%	18,159
- amortisation of reversed deferred charges (IAS 38)	13	27.9%	(4)	0	27.9%	0
- changes in the fair value of warrants (IAS 32)	796	24.0%	(191)	0	24.0%	0
- actuarial differences in the agents' severance indemnity provision (IAS 37)	0	24.0%	0	13	24.0%	3
Total deferred tax assets/liabilities recognised in profit or loss	**2,705**		**(651)**	**73,128**		**20,313**

The following is a summarising table for the reconciliation between the current tax charge and the theoretical tax charge (IRES, IRAP) and the reconciliation between the applicable tax rate and the average effective tax rate (in Euro thousands).

RECONCILIATION OF TAXES PRESENTED IN THE FINANCIAL STATEMENTS AND THEORETICAL TAXES	
Loss before taxes:	**(2,968)**
Temporary differences	
Temporary differences taxable in subsequent years (decreases of the year):	(796)
Temporary differences deductible in subsequent years (increases of the year):	2,120
Reversal of prior year temporary differences taxed in the year:	155
Reversal of prior year temporary differences deducted in the year:	(1,964)
Permanent differences	
Non-deductible taxes (excluding IRES and IRAP of the year)	39
Car expenses	123
Non-deductible amortisation and depreciation	5,915
Entertainment expenses exceeding the tax limit	11
Other non-deductible expenses	4,694
IRAP deduction on personnel expense	(25)
10% IRAP deduction	(20)
Patent box tax benefit	-
Fiscally-driven depreciation and amortisation	119
Other permanent deductions	(94)
Aid for Economic Growth (ACE) deduction	(1,561)
IRES tax base	**5,510**
Gross current income taxes for the year	1,322
Deductions for energy rating expense	(23)
Current IRES effectively due on profit/loss before taxes	**1,299**
Determination of IRAP tax base	
Operating profit	(1,929)
Costs considered for IRAP purposes	18,780
Tax wedge	(13,796)
Patent box tax benefit	-
Theoretic tax base	3,054
Current theoretical tax (3.9)	119
Directors' and freelancers' fees and related charges	346
Non-deductible amortisation of goodwill	5,755
Other increases in the tax base	645
Other decreases in the tax base	(66)
Tax wedge	(13,796)
Patent box tax benefit	-
IRAP tax base	**9,733**
Current effective IRAP	**380**

7.9 Statement of Cash Flows

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

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

(In thousands of Euro)	31 December 2020	31 December 2019
Cash flows from operating activities		
Profit for the year	13,190	17,920
Adjustments for:		
- Amortisation/depreciation	13,767	9,294
- Net accruals and impairment losses	523	328
- Accrued financial (income)/expense	1,416	1,528
- Income taxes	(16,158)	1,827
	12,738	**30,898**
Changes in:		
- (Increase) in inventories	(6,019)	(1,811)
- Decrease in trade receivables	8,585	(909)
- (Decrease) in trade payables	(5,923)	(146)
- Increase in other assets and liabilities	5,443	131
- Payment of employee benefits and change in provisions	(239)	(176)
Cash flows generated by/(used in) operating activities	**14,584**	**27,987**
Interest paid	(901)	(1,528)
Income taxes paid	(3,401)	(6,516)
Cash flows generated by/(used in) operating activities	**10,282**	**19,942**

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	31 December 2020	31 December 2019
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(10,000)	(2,260)
(Purchases)/Sale of property, plant and equipment and intangible assets	(3,303)	(6,226)
Cash flows generated by/(used in) investing activities	**(13,303)**	**(8,486)**

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	31 December 2020	31 December 2019
Cash flows from financing activities		
Other financial assets and liabilities	(5,789)	(576)
(Dividend distribution)	(6,612)	(6,088)
Net (purchase)/sale of treasury shares	-	(2,889)
Other changes in equity	(1,257)	-
Increase/(decrease) in bank loans and borrowings from other financial backers	(6,873)	(13,334)
Payment of transaction costs relating to financial liabilities	(276)	481
Net cash flows (used in) financing activities	**(20,807)**	**(22,407)**

8 Transactions with related parties

The Company has carried out, and continues to carry out, various types of transactions with related parties , most of which are of a commercial nature- These parties are identified as required by IAS 24.

Transactions with related parties are neither atypical nor unusual and fall within the ordinary course of Company business. These transactions mainly concern (i) the supply of products and accessories for mobile telephony, (ii) the supply of services functional to the performance of the business and (iii) the disbursement of loans to the above-mentioned related parties.

Transactions with related parties, as defined by IAS 24 and governed by article 4 of Consob Regulation no. 17221 of 12 March 2010 (and subsequent amendments), entered into up to 31 December 2019 concern mainly commercial transactions relating to the supply of goods and the provision of services.

The following is a list of the related parties with which other transactions took place as at 31 December 2020, indicating the type of relationship:

Related parties	Type and main relationship
Cellular Swiss S.A.	Company 50% associated with Cellularline S.p.A. (consolidated using the equity method); the remaining shareholders are: Ms Maria Luisa Urso (25%) and Mr Antonio Miscioscia (25%)
Cellular Spain S.L.U.	Full subsidiary
Pegaso S.r.l./Systema S.r.l.	A 75% owned company (consolidated on a line-by-line basis) that controls 100% of Systema; the remaining shareholders are Gianni Pietranera (26.8%) and Piero Uva (13.2%).
Cellular Iberia S.L.	Company in which related natural persons have an interest (Stefano Aleotti (25%) and Piero Foglio (25%))
Cellular Inmobiliaria Italiana S.L.U.	Full subsidiary
Cellular Immobiliare Helvetica S.A.	Full subsidiary
Worldconnect AG	An 80% owned company (consolidated on a line-by-line basis) the remaining shareholders are Samuel Gerber (15%) and CAE Invest AG (5%).
Crescita Holding S.r.l.	Crescita Holding s.r.l., a company directly and indirectly owned by Alberto Toffoletto (Chairman of Crescita until the date of the merger), Antonio Tazartes (Chairman of the Board of Directors), Marco Drago (director until the date of the merger), Massimo Armanini (director until the date of the merger) and Cristian D'Ippolito (director)
Heirs Alessandro Foglio Bonacini, Manuela Foglio, Monia Foglio 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 equity balances of Cellularline's transactions with related parties until 31 December 2020:

(In thousands of Euro)	**Current trade receivables**	**Non-current financial assets**	**(Trade payables)**
Cellular Swiss S.A.	6,146	555	(930)
Cellular Spain S.L.U.	10,697	-	(2,350)
Systema S.r.l.	1,173	-	(49)
Cellular Iberia S.L.	28	-	-
Worldconnect AG	-	4,630	-
Cellular Inmobiliaria Italiana S.L.U.	-	355	-
Cellular Immobiliare Helvetica S.A.	-	929	-
Total	**18,044**	**6,469**	**(3,329)**
Impact on the financial statements item	*34.4%*	*100%*	*25.3%*

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

The table below shows the income statement balances of Cellularline's transactions with related parties until 31 December 2020:

(In thousands of Euro)	**Revenue from sales**	**(Sales and distribution costs)**	**(General and administrative costs)**	**Other non-operating (costs)/revenue**
Cellular Swiss S.A.	4,146	-	-	(112)
Cellular Spain S.L.U.	4.832	-	-	-
Systema S.r.l.	2,071	-	-	-
Cellular Iberia S.L.	364	-	-	-
Shareholders	-	-	(50)	-
Other	-	-	(72)	-
Total	**11,950**	**-**	**(122)**	**(112)**
Impact on the financial statements item	*12.4%*	-	*0.5%*	*22.8%*

The main related parties with which Cellularline carried out transactions in 2020 are as follows:

- Cellular Swiss S.A.: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Swiss S.A., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Cellular Spain S.L.U.: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Spain S.L.U., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Systema S.r.l.: commercial relationship relating to the transfer of goods for sale by Cellularline to Systema S.r.l.;
- Cellular Iberia S.L.: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Iberia S.L.;
- shareholders of Cellularline S.p.A.: lease agreements with Cellularline as lessee, entered into with some of its shareholders, as lessors, notably:

(i) lease agreement with Victor-Tex (the lessor are now Alessandro Foglio Bonacini's heirs) on 1 March 2010;

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

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

- lease agreement signed with Manuela Foglio, Monia Foglio Bonacini, Alessandro Foglio Bonacini and Christian Aleotti on 16 October 2017;
- Other: employees' salaries relating to:
  - the sister of the Vice Chairman of the Board of Directors Piero Foglio, in office until 24 April 2020, whose remuneration is classified under general and administrative costs.

9 Other information

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

The company is not subject to management and coordination activities.

Contingent liabilities

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

Risks

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

Guarantees granted in favour of third parties

There are no guarantees in favour of third parties.

Number of employees

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

AVERAGE NUMBER OF EMPLOYEES		
HEADCOUNT	**Average 2020**	**Average 2019**
Managers	13	11
Junior managers	34	35
Clerical staff	139	141
Blue collar workers	2	2
Apprentices	12	13
TOTAL	**200**	**202**

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Remuneration of Managing Directors and Key Managers

Category *(In thousands of Euro)*	2020	2019
Managing Directors	1,000	1,063
Other key managers	204	507
Total remuneration	**1,204**	**1,571**

Directors' and Statutory Auditors' fees

The Directors' fees for 2020 amounts to approximately EUR 298 thousand.

The Statutory Auditors' fees for 2020 amount to approximately EUR 74 thousand.

Independent Auditors' fees

By resolution of the Shareholders' Meeting of 16 April 2019, the Company appointed KPMG S.p.A. as its independent auditor until the approval of the 2027 financial statements. Fees for the audit of the statutory and consolidated financial statements (also half-yearly) amount to a total of EUR 83 thousand, in addition to EUR 21 thousand for other accounting services as shown in the following table:

(In thousands of Euro)

Type of services	2020	2019
A) Audit services	83	83
B) Attestation services	8	8
C) Other services	13	3
Total	**104**	**94**

KEY EVENTS AFTER THE REPORTING DATE

Appointment of Chief Corporate & Financial Officer and Manager responsible for preparing the accounts

In February 2021, the Board of Directors appointed Davide Danieli as Chief Corporate & Financial Officer and Manager responsible for preparing the accounts, starting 21 April, pursuant to article 154-bis of the Consolidated Finance Act, with the approval of the Board of Statutory Auditors, as he meets the requirements in the articles of association to hold this office.

Reggio Emilia, 18 March 2021

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020: PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

While asking for your approval of our work by accepting to the draft financial statements and our report, in light of the results achieved, we propose to allocate the profit for the year achieved, equal to EUR 13,190,309.57, as follows:

- EUR 659,515.48 to the legal reserve;
- the remainder, equal to EUR 12,530,794.09 to retained earnings.

Reggio Emilia, 18 March 2021

The Chairman of the Board of Directors

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Antonio Luigi Tazartes

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ATTESTATION OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

1. The undersigned Christian Aleotti, in his capacity as Chief Executive Officer and Manager responsible for preparing the Cellularline Group's financial reports, and Marco Cagnetta, in his capacity as Chief Executive Officer, hereby attest, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business;
- the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the year ended 31 December 2020.

2. In this regard, it should be noted that no significant aspects emerged.

3. It is further attested that:

3.1 the Financial Statements for the year ended 31 December 2020 of Cellularline:

- were prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- coincide with the results of the accounting ledgers and records;
- provide a true and fair view of the issuer's economic, financial and equity position.

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

Reggio Emilia, 18 March 2021

Christian Aleotti	Marco Cagnetta
____________________	____________________
Chief Executive Officer Manager responsible for preparing the accounts	Chief Executive Officer

(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Cellularline S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Cellularline S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Cellularline S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

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

Key audit matter	Audit procedures addressing the key audit matter
The company's separate financial statements at 31 December 2020 include goodwill of €93.9 million, which is allocated to its sole cash-generating unit ("CGU"). The directors, assisted by an independent advisor, tested goodwill for impairment in order to identify any impairment losses resulting if the CGU's carrying amount, including the related goodwill, exceeds their recoverable amount. The criteria applied were approved by the company's board of directors on 18 March 2021. The directors estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. This model is based on the general concept that the enterprise value of an entity is equal to the present value of the following two elements: — the cash flows it will be able to generate within the forecast period; — the residual value, i.e., the value of the business as a whole, after the forecast period. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the company's 2021-2024 business plan (the "plan"), approved by the board of directors on 17 February 2021, which reflect the expected effect of the Covid-19 pandemic on the company's performance. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected operating cash flows, calculated by taking into account the general economic performance (including expected inflation and exchange rates) and that of the company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows.	Our audit procedures, which also involved our own valuation specialists, included: — understanding and analysing the processes adopted for impairment testing and the preparation of the plan, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic; — analysing the directors' review process in relation to the discrepancies between the 2020 actual data and the related previous forecasts; — analysing the reasonableness and appropriateness of i) the key assumptions used by the directors to determine the operating cash flows, including the potential impact of the Covid-19 outbreak, and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; — checking the directors' sensitivity analysis described in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test, also in the light of the increased disclosure requirements applicable as a result of the Covid-19 pandemic.

Key audit matter	Audit procedures addressing the key audit matter
The risk of material misstatement in the estimated operating cash flows used by the directors for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, with particular reference to the evolution of the Covid-19 pandemic. Considering the above, we believe that the recoverability of goodwill is a key audit matter.	

Recoverability of customer relationships and trademarks with a finite useful life

Notes to the separate financial statements: note 2.2 – Use of estimates and judgements in the preparation of the separate financial statements; note 6.1.1 – Impairment test on trademarks; note 6.1.2 – Impairment test on customer relationships

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2020 include customer relationships and trademarks with a finite useful life (the "intangible assets") of €43.8 million and €17.4 million, respectively, net of accumulated amortisation and accumulated impairment losses of €15.9 million and €6.5 million, respectively. Assisted by an independent advisor, the directors tested these intangible assets for impairment in order to identify any impairment losses resulting if their carrying amount exceeds their recoverable amount. The criteria applied were approved by the company's board of directors on 18 March 2021. The directors estimated the recoverable amount as follows: — customer relationships: by discounting their cash flows set out in the plan over an explicit forecast period and in subsequent periods using the multi–period excess earnings method and considering the impact of the Covid-19 outbreak. The directors measured the assets' fair value by discounting the expected cash flows over the assets' residual useful life; — trademarks with a finite useful life: by discounting their cash flows set out in the plan over an explicit forecast period	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted for testing the intangible assets for impairment and the residual expected cash flows and royalties derived from the plan, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic; — analysing the reasonableness of i) the key assumptions used by the directors to identify the intangible assets and determine the related residual expected cash flows and royalties, including the potential impact of the Covid-19 outbreak, as well as the related value in use and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; — checking the directors' sensitivity analysis in relation to the key assumptions used to test the intangible assets for impairment, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic;

Key audit matter	Audit procedures addressing the key audit matter
and in subsequent periods using the relief from royalties approach and considering the impact of the Covid-19 outbreak. Testing intangible assets for impairment entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the company's sector, the actual cash flows generated by customer relationships and trademarks in recent years and the residual expected cash flows and royalties, calculated by taking into account the general economic performance (including expected inflation and exchange rates); — the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated residual expected cash flows and royalties and the above financial parameters to be used to discount the cash flows for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, with particular reference to the evolution of the Covid-19 pandemic. Considering the above, we believe that the recoverability of these intangible assets is a key audit matter.	— assessing the appropriateness of the disclosures provided in the notes about the intangible assets and the related impairment tests, also in the light of the increased disclosure requirements applicable as a result of the Covid-19 pandemic.

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

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

Bologna, 29 March 2021

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit

(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Cellularline S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Cellularline Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Cellularline Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

Notes to the consolidated financial statements: note 2.4 – Use of estimates and judgements in the preparation of the consolidated financial statements; note 3.2 – Goodwill; note 3.2.1 – Impairment test on goodwill

Key audit matter	**Audit procedures addressing the key audit matter**
The parent's consolidated financial statements at 31 December 2020 include goodwill of €106.4 million, which is allocated to its sole cash-generating unit ("CGU"). The directors, assisted by an independent advisor, tested goodwill for impairment in order to identify any impairment losses resulting if the CGU's carrying amount, including the related goodwill, exceeds their recoverable amount. The criteria applied were approved by the parent's board of directors on 18 March 2021. The directors estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. This model is based on the general concept that the enterprise value of an entity is equal to the present value of the following two elements: — the cash flows it will be able to generate within the forecast period; — the residual value, i.e., the value of the business as a whole, after the forecast period. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the group's 2021-2024 business plan (the "plan"), approved by the board of directors on 17 February 2021, which reflect the expected effect of the Covid-19 pandemic on the group's performance. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected operating cash flows, calculated by taking into account the general economic performance (including expected inflation and exchange rates) and that of the group's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated operating cash flows used by the	Our audit procedures, which also involved our own valuation specialists, included: — understanding and analysing the processes adopted for impairment testing and the preparation of the plan, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic; — analysing the directors' review process in relation to the discrepancies between the 2020 actual data and the related previous forecasts; — analysing the reasonableness and appropriateness of i) the key assumptions used by the directors to determine the operating cash flows, including the potential impact of the Covid-19 outbreak, and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the group's historical data and external information, where available; — checking the directors' sensitivity analysis described in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test, also in the light of the increased disclosure requirements applicable as a result of the Covid-19 pandemic.

Key audit matter	Audit procedures addressing the key audit matter
directors for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, with particular reference to the evolution of the Covid-19 pandemic. Considering the above, we believe that the recoverability of goodwill is a key audit matter.	

Recoverability of customer relationships and trademarks with a finite useful life

Notes to the consolidated financial statements: note 2.4 – Use of estimates and judgements in the preparation of the consolidated financial statements; note 3.1.1 – Impairment test on trademarks; note 3.1.2 – Impairment test on customer relationships

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include customer relationships and trademarks with a finite useful life (the "intangible assets") of €48.4 million and €20.4 million, respectively, net of accumulated amortisation and accumulated impairment losses of €16.5 million and €6.6 million, respectively. Assisted by an independent advisor, the directors tested these intangible assets for impairment in order to identify any impairment losses resulting if their carrying amount exceeds their recoverable amount. The criteria applied were approved by the parent's board of directors on 18 March 2021. The directors estimated the recoverable amount as follows: — customer relationships: by discounting their cash flows set out in the plan over an explicit forecast period and in subsequent periods using the multi–period excess earnings method and considering the impact of the Covid-19 outbreak. The directors measured the assets' fair value by discounting the expected cash flows over the assets' residual useful life; — trademarks with a finite useful life: by discounting their cash flows set out in the plan over an explicit forecast period and in subsequent periods using the relief from royalties approach and	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted for testing the intangible assets for impairment and the residual expected cash flows and royalties derived from the plan, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic; — analysing the reasonableness of i) the key assumptions used by the directors to identify the intangible assets and determine the related residual expected cash flows and royalties, including the potential impact of the Covid-19 outbreak, as well as the related value in use and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the group's historical data and external information, where available; — checking the directors' sensitivity analysis in relation to the key assumptions used to test the intangible assets for impairment, also in the light of the current macroeconomic scenario and the financial effects of the Covid-19 pandemic; — assessing the appropriateness of the disclosures provided in the notes about the intangible assets and the related

Key audit matter	Audit procedures addressing the key audit matter
considering the impact of the Covid-19 outbreak. Testing intangible assets for impairment entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the group's sector, the actual cash flows generated by customer relationships and trademarks in recent years and the residual expected cash flows and royalties, calculated by taking into account the general economic performance (including expected inflation and exchange rates); — the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated expected cash flows and royalties and the above financial parameters to be used to discount the cash flows for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, with particular reference to the evolution of the Covid-19 pandemic. Considering the above, we believe that the recoverability of these intangible assets is a key audit matter.	impairment tests, also in the light of the increased disclosure requirements applicable as a result of the Covid-19 pandemic.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

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

Bologna, 29 March 2021

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit